



Kautilya's Arthashastra and Perspectives

On Organizational Management

Balakrishnan Muniapan

Curtin University of Technology, Malaysia

CDT 250 98009 Miri, Sarawak, MALAYSIA

Tel: 60-85-443846 E-mail: bala.m@curtin.edu.my

Abstract

This paper explores the *Arthashastra* of Kautilya, an ancient Indian literature (4th Century B.C.); and its perspectives on organizational management today. Chinmayananda (2003) asserted that from time to time there is a need to look and re-look at the ancient literatures and provide intelligent interpretation and re-interpretation to apply effectively in the context of modern management. The methodology used for this purpose is called hermeneutics; which is a study, understanding and interpretation of ancient text. It is one of the qualitative research methodology used in social science. The foundations of management in organization are revealed from the *Arthashastra*, which can provide guidance to present managers and leaders of organizations. In his *Arthashastra*, Kautilya takes an inside-out approach to management, which is self management first before management of every other thing. He advised the future organizational managers and leaders to firstly conquer the enemies within such as desires, anger, greed, arrogance, infatuation, envy, pride or ego and foolhardiness, as it is often said that one who conquers the self, conquers all. The prospects of analysis of Kautilya's *Arthashastra* in other areas of organizational management such as strategic management, human resource management and financial management can be considered for future research.

Keywords: Kautilya's *Arthashastra*, Ancient India, Management of organizations, Hermeneutics

Introduction

The interest in the field of history, philosophy and also culture especially in the context of Asian management is growing as the number of articles on philosophy and related areas in management journal are also increasing (Kale and Shrivastava, 2003). However most of the current research in these areas has been general in nature and not in-depth as there is still a great tendency to research more on the western management philosophy and its application in the Asian context. Theories and concepts of modern management from the west have also dominated management literatures over the last two centuries. This dominance is largely due to the colonization and the widespread use of English language. This dominance is also evidenced through several management curriculum in universities, textbooks, training and consultancy programs and also articles in management journals. However, a careful analysis of many of the western management theories and concepts reveals that it has been in practice in Asian countries especially in India and also in China for centuries. These practices however were not in the context of organizational management but in the context of state or political governance. From the perspectives of the author, management is culture specific. Sharma (2001) argues that for a management system, to be effective, it has to be rooted in the cultural soil of the country, where it is practiced. Many communities and countries in the world are now trying to discover and explore their own system of management. In the Malaysian context, the current Prime Minister, Datuk Seri Abdullah Ahmad Badawi is also promoting an approach called *Islam Hadhari* or civilization Islam, in which management is also included.

The exploration of the Asian context of management for managers began with wider understanding of Japanese management three decades ago (Maruyama, 1994). As for the Chinese management, the discussion and the studies are also growing in recent years especially based on the literatures on Confucianism and Sun Tzu Art of War. Today, the Sun Tzu's Art of War and the teaching of Confucius and is used widely in the management and several studies have been conducted to integrate Confucianism in human resource management and the war strategies of Sun Tzu in the context of strategic management. We should also note that besides China, a large part of tradition of countries such as Japan, Korea, Taiwan, Vietnam and Singapore derive from Confucian heritage. Similarly the Indian management also has a strong philosophical tradition which continues to sustain the interpersonal world in Indian organizations (Chatterjee, 2007).

The Indian civilization, with recorded history of more than 5000 years is one of the oldest civilizations in the world and the

contribution of India and Indians to this world is enormous in various fields of knowledge. Several ancient Indian classics such as the *Valmiki Ramayana*, the *Mahabharata* (includes the *Bhagavad-Gita*), the *Puranas*, etc offers several management lessons which can be useful even in the modern context. Many of these literatures are more than 5000 years ago and were written in Sanskrit. In this paper the *Arthashastra* by Kautilya (also known as Chanakya or Vishnugupta), also originally written in Sanskrit is explored in the context of organizational management.

1. Kautilya's Arthashastra

The *Arthashastra* (4th Century B.C) is treatise on political economy which was written by Kautilya in the ancient India. Kautilya was also known as Canakya and Visnugupta and he was the prime minister and adviser for Emperor Chandragupta Maurya, who was the contemporary of Alexander the Great. The *Arthashastra* written by Kautilya is often compared to Machiavelli's *The Prince* (15th century A.D), as it shares many common philosophical and practical views. The *Arthashastra* contains 150 chapters, which are classified by topic in 15 books, which covers three parts namely; national security issues, administration of justice and economics development policies. Kautilya wrote this *Arthashastra* for his king Chandragupta Maurya and stated in its introduction that it has been written as a guide for "those who govern".

Kautilya was the minister and adviser to Chandragupta Maurya, and was instrumental in cutting short the reign of Nanda emperors in Magadha (Note 1). There will be no mention of Chandragupta Maurya administration of ancient India without Kautilya. Chandragupta Maurya was made the king and Kautilya became his minister and counselor after Kautilya ended the reign of Nanda emperors in Magadha. Chandragupta and Kautilya succeeded in bringing together almost all the states of the Indian subcontinent. As a result Chandragupta Maurya was considered to be the unifier of India during the 4th Century B.C and Mauryan Empire was continued by his son Bindusara (whom Kautilya also advised) and by his grandson the famous Asoka. With a population of more than fifty million people, the Mauryan Empire was larger than the Mughal Empire two thousand years latter and even larger than the British Empire in India (Rangarajan, 1992). The Mauryan Empire (Note 2) also included Afghanistan, all the way to the border of Persia (Iran), extending to Bengal (Note 3) Kautilya was also previously the Professor of Politics and Economics at Taxila (Note 4) University. Kautilya documented his lifelong work in *Arthashastra*. For ages, rulers across the world have referred to the *Arthashastra* for building a nation on sound economics, based on spiritual values. Emperor Ashoka is supposed to have built and expanded his kingdom on the principles described in this book. Shivaji, the ruler of Maharashtra, is also said to have studied this book in order to plan and defeat the Mughals. The roots of *Arthashastra* can be traced from the *Rig Veda*. The *Arthashastra* deals primarily with economics and politics.

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According to Kautilya, by casting out the group of six enemies he (Note 5)(the king) should acquire control over the senses, cultivate his intellect by association with elders, keep a watchful eye by means of spies, bring about security and well-being by (energetic) activity, maintain the observance of their special duties (by the subjects) by carrying out (his own) duties, acquire discipline by (receiving) instruction in the sciences, attain popularity by association with what is of material advantage and maintain (proper) behavior by (doing) what is beneficial. In the context of modern organization, the chief executive officer (CEO) takes the position of the king mentioned in the Kautilya's *Arthashastra* (Muniapan & Shaikh, 2007).

2. The broad purpose of this paper

Research works in analyzing ancient works such as the Kautilya's *Arthashastra* in the context of modern management practices is indeed limited. Indians, Malaysians and Asians management in particular, are still focusing in applying western models of management practices due to the wealth of western management literatures and concepts available. Besides, many of the new generation of Asian managers have received their education in management from western countries (especially in the UK and USA) (Muniapan, 2006).

According to Arindam Chaudhuri, one of the preacher of Theory "I" Management or Indian management, although India has some of the best management schools in the world, most Indian organizations have not been able to do well internationally. Among the reasons cited is the failure of Indian management to develop the indigenous management style, which revolves around Indian cultural roots and upbringing. He (Arindam Chaudhuri) further asserted that an Indian grows up in a system,

where family ties and sense of belongingness gets top priority and with this type of background, he or she may not be able to adjust or fit into the job environment practicing American philosophies of individualistic, direct, low power distance and contractual style of management (Chaudhuri, 2003).

In an earlier study by Hofstede in 1983 on “National Cultures in Four Dimension” (cited in Deresky, 2006, p 93-96), India is high in power distance as employees acknowledge and respect the authority of the manager based on his or her legitimate power and they seldom bypass the chain of command. Besides high power distance, India has a low uncertainty avoidance, which means managers have a propensity for low risk decisions and employees exhibit little aggressiveness. India also has low masculinity and low individualism, which means group, family and society, is more important than individuals. As a result a management culture, which is based on highly individualism, masculinity, uncertainty avoidance and low power distance, might not be appropriate in the context of Indian management culture. This means that there is a need for Indians (Asians) to look management models from their own cultural roots, and Kautilya’s *Arthashastra* is one of the ancient literatures which can serve this purpose.

Kautilya’s *Arthashastra* has a lot of lessons to offer to organizational management, yet there are many managers from outside India and even Indians who are not aware of the lessons of Kautilya’s *Arthashastra* in organizational management. As a result, one of the purposes of this paper is to create awareness to the management readers of the existence of Kautilya’s *Arthashastra* and its management lessons besides to explore five Kautilya’s *sutras* (aphorisms) of Kautilya and its relevance on the foundations of management in organizations. It is also important to look at this ancient management text, as Chinmayananda (2003) asserted that from time to time there is a need to look and re-look at the ancient literatures (such as the Kautilya’s *Arthashastra*) and provide intelligent interpretation and re-interpretation to apply effectively in the context of modern management.

3. Methodology

This paper is based on a qualitative research methodology called hermeneutics. Hermeneutics is related to the name of the Greek god Hermes in his role as the interpreter of the messages of the gods. In the current context, hermeneutics can be described as the interpretation and understanding of ancient literatures and religious texts. It is also used in contemporary philosophy to denote the study of theories and methods of the interpretation of all texts and systems of meaning. The concept of “text” is here extended beyond written documents to any number of objects subject to interpretation, such as experiences. A hermeneutic is defined as a specific system or method for interpretation, or a specific theory of interpretation. The scope of hermeneutics also includes the investigation and interpretation not only of ancient texts, but of human behaviour generally, including language and patterns of speech, social institutions, and ritual behaviours. Hermeneutics is widely applied in many field of social science such as philosophy, religion and theology, law, sociology and also international relations (Note 6).

Kautilya wrote his *Arthashastra* in Sanskrit language. Sanskrit is one of the oldest languages in world and it has also influenced many other languages in Europe and also in Asia. *Arthashastra* was written for the pupose of managing a kingdom or a country. Only five of Kautilya’s *sutras* or aphorisms of management of kingdom are interepreted in the context of management of organizations in this paper. The *sutra* or aphorism system of teaching with any body of language is unique system developed and used for many thousands of years. Among the famous sutras include Patanjali’s *Yogasutras* and Vatsyayana’s *Kamasutra*. The *sutra* needs to be commented upon, and interpreted for correct understanding and use. For example in explaining the *Arthashastra* in the context of management, the term *rajya* (state) is interpreted to the organization, the *raja* or king is the leader or the chief executive officer (CEO), *amatya* or *mantri* (ministers) are the managers of various departments such as finance, marketing, human resources and operations, *kosh* is refers to finances, *danda* the administrative or the management system, *durg*, the security system and *bal* the work force.

4. Management and Kautilya’s Arthashastra

Management is an interdisciplinary field with contributions from various fields such as psychology, social psychology, sociology, anthropology, political science, economics and finance (Muniapan, 2005:b). Contemporary management also includes issues related to cross-cultural management and international management. Increasingly the understanding of management is coming to depend on understanding, analyzing and predicting organizational behavior, which is the basis for human resource management. One of the keys to successful management is the ability to understand and apply management principles and techniques efficiently and effectively. Managers must develop an in-depth knowledge of past and present models, theories and processes to manage effectively and intelligently. Contemporary management practice is pervasive in every aspect of human life within all types of organizations.

The Kautilya’s *Arthashastra* deals with different aspects management which includes strategic management, financial management, accounting, human resource management, corporate governance, social responsibility, etc. The first five (5) Kautilya’s *sutras* (aphorisms) itself provides relevance on the foundations of management in organizations as follows:-

- (1) *Sukhasya mulam dharmah* – the basis of happiness is righteousness or ethics
- (2) *Dharmasya mulam arthah* – the basis of righteousness or ethics is resources

- (3) *Arthasya mulam rajyam* – the basis of resources is kingdom (organization or enterprise)
 (4) *Rajyamulam indriyajayah* – organization or enterprise is rooted in conquering the senses
 (5) *Indriyajayasya mulam vinayah* – conquering organs is rooted in training and discipline

The above five *sutras* (aphorisms) although written in a different context, a careful analysis and interpretation reveals basic lessons in foundations of management. In these *sutras*, Kautilya analyses the entire management issues in following ways and lets look at it from the contemporary organizational management:

Why do we have to do business? To generate wealth (*artha*) and to earn profits. For what purpose wealth and profits are generated? To share the wealth and profits earned among the shareholders. Why? Wealth and profits makes the shareholders, employees, customers, suppliers, distributors and also the government happy. However Kautilya stated that happiness is obtained not by wealth and profit only but by doing things rightly and doing right things (*sukhasya mulam dharma*). *Dharma* without wealth according to Kautilya is toothless (*dharmasya mulam artha*), and wealth without *dharma* is useless because a poor person cannot support the entire society.

Indian culture has always emphasized that *sukhasya mulam dharma* and *dharmasya mulam artha* taken together – namely wealth does not lead to directly happiness. Happiness for self and others results through ethical behavior: wealth or resources make ethical behavior possible. This also means that one must strive to generate wealth – resources, money – share it equitably to create happiness for oneself and others. Such generation of wealth must also be through ethical means, which alone would lead to overall happiness (Garde, 2003).

Kautilya further stated to generate wealth you require an enterprise or an organization or an asset (*arthasya mulam rajyam*). He then stated the support for organization is the organs (*rajyasya mulam indriyajayah*), the functions, processes, activities, etc. The victory over organs of the body, which is the literal meaning of the word *indriyajayah*, is a well-known concept in the Indian culture and this refers to the control over the five organ of sense (eyes, ears, tongue, nose, and skin), an on five organs of action (hands, feet, mouth, genitals, and anus). Conquering the body organs are manifested through control over the six enemies of the mind – desires (*kama*), anger (*krodha*), greed (*lobha*), arrogance (*mada*), infatuation (*moha*), envy (*matsara*). Only the governor or CEO who has conquered the organs of his body would be able to put the goals of the organization first, especially when in conflict with self-interest (Muniapan and Shaikh, 2007).

Kautilya also maintained that a leader (king) should have no self-interest, happiness and joy for himself, his satisfaction lies in the welfare (happiness) of his people, i.e. he has to submerge his personality into the larger personality of his people. Kautilya states in the happiness of his subject lies the happiness of the king; and in their welfare lies his welfare. He shall not consider as good only that which pleases him but treat as beneficial to him, whatever pleases his subjects (*Prajasukhe sukham rajnah, Prajanam cha hite hitam; Natmapriyam hitam rajnah, Prajanam tu priyam hitam*) or the welfare of the many and the happiness of the many (*Bahujana sukhaya bahujana hitayacha*). In fact, this concept of the happiness of the many need integrated into the area of corporate management as the basic principle.

This wisdom is also reflected two thousand years ago by Thiruvalluvar in Tamil Nadu who spelt out in 1,330 verses of *Thirukkural* (Note 7) the three *purusharthas* of existence, *dharma*, *artha* and *kama*. In the chapter on *artha*, like Kautilya's *Arthashastra*, he also dealt with the characteristics of a well-run administration or shall we say the ethics of good administration. For instance, when talking about the responsibility of a king, Thiruvalluvar says: "the king who administers justice and protects his people will be considered of divine quality" (*Murai saithu kapatrum mannavan makkalkku iraiyentru vaikkadum*) (Vittal, 2004).

The same advice can also be found in *Shanti Parva* of the *Mahabharata*, wherein the public interest (welfare) is to be accorded precedence over his (leader's) interest. A leader (king) should, without doubt, look upon the subjects as his children. In determining their disputes, however, he should not show compassion. In performance of his duties he is enjoined to be impartial. In the ancient India, the leader (king) is often compared to the rain clouds, which bestow benefit, through rain (actions), to all and sundry, equally Kodandaramayya (2004).

Thus the Kautilyan principle of management takes an inside-out approach to management, which is self management first before management of every other thing. The manager needs to be trained to discipline the self by cultivating humility, and following the ethical path (*dharma*) and this is also consistent with the philosophy of Confucius in the Chinese context.

Conclusion

Kautilya's *Arthashastra* is one of the ancient Indian literature which had provided some insights to management, although the context it was written was for kings to govern the state. There are many management concepts from Kautilya's *Arthashastra*, which are still applicable in today's organizational management. A deeper study of the book will open many new areas of management concepts, which is yet to be known and practiced in the modern management. The author hopes that more studies in the areas of organizational management such as strategic management, financial management and human resource management from Kautilya's *Arthashastra* can be undertaken for future research.

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Notes

Note 1. Kautilya journeyed from Taxila to Patalipura (currently Patna, Bihar), the capital of Nanda Empire. Kautilya took a vow to destroy Nanda Empire as a result of an insult by Dhana Nanda.

Note 2. Pakistan and Bangladesh were also included. Pakistan was born in 1947, while Bangladesh (previously East Pakistan) was born in 1971.

Note 3. Professor Roger Boesche's opinion in Kautilya's Arthashastra on War and Diplomacy in Ancient India (<http://www.defencejournal.com/2003/mar/kautilya.htm>)

Note 4. Takshashilla, latter known as Taxila is currently situated in Rawalpindi, Pakistan is one of the oldest universities in the world.

Note 5. Please note that "he", "his" and "him" used throughout also means "she", "hers" and "her" in the context of this paper

Note 6. Details available at <http://en.wikipedia.org/wiki/Hermeneutics>

Note 7. *Thirukkural* written by Thiruvalluvar is one of the most notable literary and ethical treatises in the Indian (Tamil) languages. There is a general consensus among the historians and literary authorities that *Thirukkural* was written around 2000 years ago