



Strategic Human Resource Management in Kautilya's *Arthashastra*

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Being largely an administrative manual, it comes as no surprise that Kautilya's *Arthashastra* touches on various aspects of human resource management, such as recruitment, training, performance management, job promotion, compensation and benefits, and employee relations. In this qualitative article, the author uses hermeneutic techniques to analyse the various aspects of HRM covered in the verses of this ancient Indian treatise on statecraft, as well as their relevance in the modern corporate context. Furthermore, the author explores the possibility that these aspects of human resource management in the *Arthashastra* could have been a precursor to Strategic Human Resource Management (SHRM) due to the strategic nature of the treatise.

KEYWORDS: *Human resource management, strategic human resource management, Kautilya, Arthashastra*

INTRODUCTION

The *Arthashastra* is an ancient Indian text written by Kautilya, the prime minister during the rule of Emperor Chandragupta Maurya. Despite its antiquity, the *Arthashastra* went missing from mainstream Indian history for over a millennium, fading away from public memory and scholarship until it resurged in the year 1904 when a full text on palm leaf in the *grantha* script came into the hands of R. Shamasastri. The primary purpose of the *Arthashastra* was to serve as a textbook for rulers on statecraft and management of a kingdom. Nevertheless, closer look into this text will reveal the width of the topics covered in this masterpiece, which includes economic management, finance, accounting, environmental management, defence strategies, as well as diplomacy and foreign affairs.

On the other hand, Human Resource Management (HRM) is a coherent approach to the management of the people working within an organisation, who individually and collectively contribute towards achieving its objectives (Armstrong. 2006a, pp. 3 - 7). Meanwhile, Strategic Human Resource Management (SHRM) is a strategic approach to manage and utilise the human resources of an organisation in order to achieve its business objectives and gain a competitive advantage (Bahuguna. 2009, p. 567). SHRM derives from the HRM model and adds business strategy notions such as strategic intent, resource-based strategy, competitive advantage, strategic capability and strategic fit (Armstrong. 2006b, pp. 3 – 4).

Kautilya emphasised on proper HRM to ensure that the state achieves its objectives successfully. In this article, we will look into the *Arthashastra*'s verses on HRM, as well as exploring the possibility of Kautilya having applied the concept of Strategic Human Resource Management within his discussion of HRM in this treatise.

LITERATURE REVIEW

Undoubtedly, some of the major aspects of management that modern corporations could learn from Kautilya are on Human Resource Management (HRM). For example, Pillai (2013) discussed in brief the ideals of a 'sage king' as expounded by Kautilya, and related sections of the *Arthashastra* to modern management concepts such as training and recruitment. Furthermore, Pillai has highlighted Kautilya's farsightedness in fine-tuning each concept in a detailed manner, which is why the *Arthashastra* remains relevant even today. This shows that Kautilya had worked on the psychology of the human mind that never changes with time.

The timelessness of Kautilya's *Arthashastra* has also been mentioned by Witzel (2012), who has investigated the possibility that Kautilya's *Arthashastra* could have influenced the Western world indirectly through other works. This article also shows that there is a strong streak of philosophy throughout Kautilya's work, as he is concerned not just with *how* the administration should function, but *why*. In other words, the *Arthashastra* was one of the first administrative treatises to consider not just function and procedure, but also purpose, aims and goals.

Next, Starzl & Dhir (1986) have proposed that there is a close resemblance between the highly competitive and fast-moving world of the feudal state with the modern corporation. They have provided a detailed summary of the *Arthashastra* and its relevance to modern management, and identified the structural similarity between Kautilya's feudal state with the modern corporate world. Most importantly, this article has successfully demonstrated that the *Arthashastra* is a strategic text and the potential of its application to modern problems.

Gupta (2007) provides a convincing analysis of the similarities between political administration and business management, which show that political treatises such as the *Arthashastra* can be applied in business management due to the similarity in their nature. Most importantly, this article brings the spotlight onto five most important aspects of administration,

and comparisons to modern business examples. It also points out that Kautilya's strategic ideas can contribute to organisational competitiveness in the modern business world.

Sivakumar & Rao (1996) presented a detailed framework for value-based management in *Arthashastra* based on three main components: Organisational philosophy, Leadership, and Corporate Culture. Kautilya's approach affirms that all these three components are needed for value-based management and thus systematically integrates these components into a framework, which is further supplemented by general guidelines applicable to all components.

Besides that, Sharma (1994), discusses Kautilya's concept of *vijigisu* as an ideal of leadership, and on how a modern business *vijigisu*'s strategic actions should be guided by his desire to expand his organisation's territories. This article provides a comprehensive definition of management from Kautilya's point-of-view. The analytical strength of this article is further exemplified when it highlights the assumptions made by Kautilya on human nature, and tabulated it as Kautilyan Model of Humans. It also did an excellent job in comparing Kautilya's concepts of *sama*, *dana*, *danda* and *bheda* with 'motivation means.' Furthermore, Sharma also delves into the various types of competencies that need to be tested before assigning critical responsibilities to a person, besides building these competencies through training, and even on identifying a 'trainable' person, which are areas relevant to modern HRM.

The topic of promotion and training of leaders is also discussed by Vaijyanthi & Kiran (2013). The significance of this article lies in its discussion of the Contract Theory of the Origin of the State and Kingship, and in its portrayal that Kautilya advocates a six-fold policy (six *gunas*) for the would-be conqueror (*vijigishu*) based on the concept of mandala of power, to assume the position of a universal ruler (*chakravarti*).

Lastly, Pillai (2018) - which has been divided into three distinct sections comprising of Kautilya's major contributions to the corporate world (Leadership, Management, and Training) - provides good insights on management from Kautilya's point-of-view. Particularly, the Management section discusses on the selection and promotion of employees, rewarding productive employees, avoiding attrition, and teamwork. Furthermore, the Training section explores various training and development strategies such as academic qualification, mixing old and new employees, on-the-job training, decision-making, and seeking advice from consultants. This is a good example of a study which has extracted leadership and management concepts in the *Arthashastra* and extrapolated them into the modern business scenario.

METHODOLOGY

For this study, the author has selected the qualitative methodology as this study requires the author to make interpretations of the meaning of the data involved, such as the verses in the *Arthashastra* on HRM. Besides that, the author will use the library research method to collect data for this research. This mainly involves the document-type of information, which includes

various printed references such as books, manuscripts and reports, as well as online references such as journal articles, websites and e-books. This method will require theoretical analysis after the data collection process is completed. Furthermore, the author will follow the interpretive social science (ISS) approach in conducting this research. This is the best approach for this particular study as the author needs to examine and interpret the social world during Kautilya's times based on the information in the *Arthashastra*.

DISCUSSION

Being largely an administrative manual, it comes as no surprise that the *Arthashastra* touched on various aspects of Human Resource Management (HRM), as it is an essential aspect of management of a kingdom. These include verses on topics such as recruitment, training, performance management, job promotion, compensation and benefits, and employee relations.

First and foremost, Kautilya has placed an emphasis in recruiting the best talents for the right job, and provides justifications for this {1.9.4-8}. Since the management of a kingdom has a wide scope beyond a king's outreach, so it is important that a king appoints trustable and effective officials to carry out the management of the kingdom on his behalf. For Kautilya, it does not matter who the candidate is, as long as he is a reliable person with the highest personal qualities {1.8.1-27}. Furthermore, he did not hesitate to give important positions even to people from competing kingdoms, provided that they accepted his vision for the state. One can observe the application of Strategic HRM here, with the aim of gaining competitive advantage over competing kingdoms. HRM professionals today may learn the importance of attracting candidates who share the organisation's vision and values, rather than simply poaching the best talents from competitors (Gupta. 2007, pp. 77 – 78).

Kautilya allocates considerable space to listing down the qualifications, responsibilities and salaries of various levels of employees in the kingdom (Rangarajan. 1992, pp. 179-198, 280-339, 647-656). Interestingly, the listing of qualifications and responsibilities of candidates for a position in this ancient text shows a striking similarity with the modern concept of Job Description, where organisations include the qualifications, responsibilities and salaries for various positions in the organisation, not only for internal use by human resource professionals, but also to be advertised externally for the purpose of recruiting new employees.

Besides qualifications, personal qualities of a candidate are also given emphasis in the *Arthashastra*. Understanding the need to promote values among members of the kingdom to fulfil organisational goals, Kautilya insists that all members of the administration must possess a high moral calibre (Sivakumar & Rao. 1996, pp. 418 - 419). Kautilya also provided tips for identifying whether a candidate possesses the desired qualities {1.9.3}. This emphasis on quality not only applies to high officials, but also to the lowest rungs in the kingdom such as the infantry {10.5.41}, and even the animals working for the king {10.5.42}. In the modern business context, companies need to pay attention to employee recruitment as members with

the right ethical values will ensure that the organisation is effective and sustainable. As such, HRM personnel need to work proactively and independently to ensure that employees act in the best interest of the company (Gupta. 2007, p. 81).

From the perspective of HRM, getting the employees to be well trained will benefit the organisation because investing in human capital development will benefit the growth of the company in the long term and help to gain a competitive advantage against enemies. Education was clearly given paramount importance (Priyadarshni Academy. 2017, pp. 120 – 121). For example, Kautilya ensured that a future king adheres to *dharma* and is not wicked by a developing a systematic training regime in order to ensure that the prince will be able to give an exemplary leadership upon taking over the kingdom (Rangarajan. 1992, pp. 143 – 148). Kautilya's detailed training regime of a future king, which includes recommended skills and subjects to be covered in different times of the day, is not only important to the prince, but also important from the point-of-view of the kingdom.

Besides training, part of the recruitment process is fixing the salary of the employee. As seen above, Kautilya's 'job description' not only enlisted the qualifications and responsibilities for each position, but also listed down the salaries that each position is entitled for based on various factors such as the needs of the kingdom, the servant, as well as the principles of *dharma* and *artha* {5.3.1,2}. Kautilya formulated a wage policy based on the realistic understanding of economic, social and political factors (Das & Mahapatra. 2012, p. 15). To be more specific, the Kautilyan economy was operating according to the efficiency wage theories, with the government setting wages above the market level in order to increase productivity and revenue to the kingdom (Skare. 2013, pp. 12 – 13). Another important aim of setting wages above the market level was to ensure that employees were paid sufficiently to ward off temptations of corruption and to ensure loyalty {5.3.3-11 / 5.3.12-15,21,24 / 5.3.16,17}. The elaborate and finely graded hierarchy of Kautilya's bureaucracy indicates that it was highly improbable to be defrauded by its officers. Due to the greedy nature of humans, only a higher compensation can help to achieve a clean and efficient administration (Vylder & Mulla. 2014, p. 11).

Nevertheless, a basic rule was that the ability of a person was judged from his "capacity for doing work" (Spengler. 1969, p. 456). For example, Kautilya stated that salaries of any officer shall be fixed by considering his knowledge and expertise in the work allocated {5.4.33} and that artisans shall be paid according to the nature of their work {2.24.29}. Furthermore, Kautilya placed importance on fixing the wage according to the quality and quantity of the output, as well as incentives to encourage better quality and productivity. This approach of linking wages to productivity is an ideal formula in reducing costs and have a favourable effect on labour-output ratio (Priyadarshni Academy. 2017, p. 41). This output-linked compensation system is a unique characteristic of the *Arthashastra* in its time. Thus, two millennia before the labour theory of value was introduced by Adam Smith, Kautilya was already practising it in ancient India by recognising three components for determining the market value of labour: the level of skill required, the labour hours worked, and units of output produced (Waldauer et. al.

1996, p. 106). Kautilya was far ahead of his time in developing a labour theory of value to determine a 'just' wage for workers and understanding that the market value of labour also indicates the market value of the product (Waldauer et. al. 1996, p. 107).

Furthermore, an elaborate system of continuous performance management is in place in the *Arthashastra* {1.8.28-29}, and Kautilya advocates a meritocratic system where a person's performance at work is evaluated based on his ability to perform a task given to him. Kautilya expressly stated what was expected of high-level officers by the king {1.15.51-52}, where the higher someone goes in the organisation, the more expectations were put on him to be accountable to his position (Narayan. 2005, p. 263). A king is responsible for ensuring that his policies have been implemented properly by his officers and that the benefits of such policies reach the lowest-rung man in the society, thus the king should take efforts to obtain feedback from his people (Sivakumar & Rao. 1996, p. 421). Another interesting part is Kautilya's comprehensive integrity test aimed at high-level officials {1.10.1}. These four tests of integrity are namely the test of piety (*dharma*), the test of material gain (*artha*), the test of lust (*kama*), and the test of fear (Murthy & Rooney. 2016, p. 15) {1.10.13-16}. Different set of tests were developed to suit different types of positions, and the most important positions commanded candidates who were all-rounders. Today's modern HRM professionals may take a cue from this integrity test for performance management purposes.

Upon evaluating an officer's performance, comes the next step, which may include a promotion / demotion of the person and the adjustment of his pay levels accordingly {2.9.8,9}. It is clear that Kautilya's performance management system practises a clear merit-demerit concept to encourage good performance and discourage poor performance. In order to promote an officer into critical positions with higher responsibilities, Kautilya had identified some competencies that need to be tested beforehand, such as technical competence, decision making competence, communication competence, behavioural competence, and character competence, besides an overall capacity for doing work. This concept of job promotion based on an employee's skills is similar to the 'competency mapping' process used in the modern management system (Chatterjee & Vyas. 2017, p. 6289), and is a strategic step in ensuring that the organisation is filled with competent employees who can help the organisation to achieve its objectives.

These job promotions and incentives form part of Kautilya's strategy to maintain the motivation among workers. Kautilya places a lot of importance on ensuring that employees are motivated at work, and even labels the factors that negatively affect workers' motivation as 'calamities.' In the modern context, conducting an analysis of employee motivation may strategically help to avoid attrition (Pillai. 2018, pp. 136 – 137). From the solutions in {8.5.2-20}, Kautilya recommends identifying the root cause of a problem which causes employees to be demotivated, and to address the root cause in order to resolve the problem. Kautilya's strategies to winning employees' hearts included winning over leaders, removing the root cause, and giving them a purpose in the organisation (Pillai. 2018, pp. 80 – 81).

To tackle employee motivation more effectively, Kautilya has developed a system of motivation consisting of four different methods of motivation, viz. *sama* (consultation), *dana* (reward), *bheda* (split), and *danda* (punishment) (Pillai. 2018, pp. 99 – 100). In other words, *sama* is the persuasion method of motivation, *dana* is the incentive method of motivation, *bheda* is the internal competition method of motivation, and *danda* is the punishment method of motivation by use of power. According to the *Arthashastra*, different combinations of these motivation methods are needed in different situations (Sharma. 1994, pp. 167 – 170).

Another important HRM topic covered in the *Arthashastra* was on employee relations. Although the work setting during Kautilyan times was very different from modern industrial or corporate settings, Kautilya had proven that he was ahead of his time by discussing these concepts during his time. For example, Kautilya discussed the rights to wages of casual labourers and the remuneration of self-employed professionals {3.13.26-34}, recommended a board of overseers to review guild contracts concerning wage rates and working conditions (Waldauer et. al. 1996, p. 107), as well as discussing the rights and obligations of both employees and employers {3.14.1-11}. A closer look shows us that Kautilya not only focuses on the rights of workers, but also stresses that these rights come with responsibilities. At the same time, employers are not only given expectations on what they are obliged to do for employees, but their rights as employers are also protected. This shows us again that Kautilya expects everyone to behave as per his own *dharma* according to his occupation and social position. Kautilya believes in a social justice where everyone has both rights and obligations to those around them as well as to society. If this social justice is upheld by employers and employees alike, the working environment will be harmonious and productive. Kautilya had explicitly stated that the social justice discussed above also covers collective labour {3.14.12} and working partnerships {3.14.18,23,24,25-27}.

Based on the discussion above, we can conclude that Kautilya's concept of HRM has a strong sense of strategy running through it. Kautilya's version of Strategic Human Resource Management (SHRM) covers various aspects such as recruitment, training & development, compensation & benefits, performance management & meritorious promotions, job motivation, and employee relations. These aspects of SHRM in the *Arthashastra* have been summarised in the diagram below.

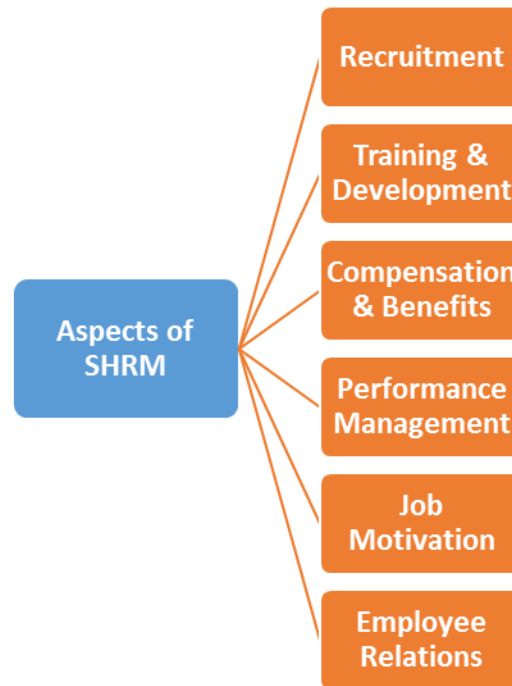


Diagram: Aspects of Strategic Human Resource Management in the *Arthashastra*

CONCLUSION

From the discussion above, we can see that the *Arthashastra* has touched on the various aspects of Human Resource Management (HRM), such as recruitment, training, compensation and benefits, performance management, job motivation, and industrial relations more than 2000 years ago. An even more amazing fact is that Kautilya's thoughts on HRM have a strategic touch in them, with the ultimate aim of ensuring that the state is equipped with the best human resources to gain a competitive advantage against its competitors. As such, we can conclude that Kautilya was a pioneer of Strategic Human Resource Management (SHRM), with many ideas which transcend time.

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