

Trial by Feelings

A review of *The Governance of Anugraha* by Luthfi O'Meagher

By Sahlan Diver

Editorial note: Several quotes within this article have the names of individuals or institutions replaced with blanks where we felt the stating of the name in the context of this review might be deemed prejudicial to the interests of that individual or institution.

July 2010 update: Further Information relating to Anugraha can be found in ["A letter about Anugraha"](#)

How much do you know about the reasons for the failure of Anugraha? I mean, how much do you *really* know?

Certainly there are plenty of popular, speculative reasons to choose from. Here are just a few:

- Anugraha grossly overspent on the construction phase and was thus doomed through debt it couldn't possibly catch up on. All attempts to save it were a waste of time and money. It was bound to fail sooner or later.
- Without Bapak's continued guidance, failure was inevitable after his death.
- There was an extravagant and irresponsible expenditure on a music festival. This was the straw that broke the camel's back.
- The people in charge were arrogant and therefore it deserved to fail.
- The managing director, Luthfi O'Meagher, was sacked at an AGM. He should have been sacked much sooner, because a lot of Subud members had been receiving a bad feeling about his leadership for some time.

Looking back over past Subud newsletters and bulletins does not help. They are full of contrary opinions regarding the project. There is however one, little-known, detailed record of what happened at Anugraha from 1986 to its sale in 1989. This is *The Governance of Anugraha*, by Luthfi O'Meagher. It is a two-volume treatise describing in considerable detail the events of the time during which Luthfi O'Meagher was managing director of Anugraha through to the time that Anugraha was sold. *The Governance* contains not only Luthfi's own writings, but copies of letters sent to him by various Subud members, copies of documents from banks and financial advisers, press coverage of Anugraha and so on. It is, in fact, an historical treasure-trove.

One might ask, "What is the point of still thinking about Anugraha? Isn't it all in the past?" That would have been my point of view also—until I read *The Governance*. I started reading it one afternoon and was instantly hooked. Frankly, what it says about the real reason for the failure of Anugraha is a revelation. I felt compelled to read both volumes right the way through, which took me until four o'clock the next morning! There are many things in those volumes that Subud members would do well to learn from for the future.

Since *The Governance* is written by a former managing director, it could easily be suspected of being one-sided, so, before considering what Luthfi has to say, let's fill in a few undisputed facts, especially for the benefit of those members who were not around at the time.

The Undisputed History of Anugraha

The Anugraha project was started in the early 1980's to carry out Bapak's advice to Subud members to work together in enterprises, and to have a material result to show for our progress in the latihan. A country house in a select area near London, England was identified as having potential for a combined quality hotel and conference centre. A Subud architect came up with an imaginative design for the conversion, preserving the traditional, English country house feel, while at the same time adding modern elements in the form of two transparent domes, one above a central conference hall, and one enclosing an external garden restaurant. Money for the purchase and conversion was raised through a large number of Subud members becoming shareholders. Management of the project was placed in the hands of a board of directors, who were selected from the membership as being people with successful experience of business and/or finance, and the best we could muster to make the venture a success. Unfortunately, construction was subject to delays and a spiralling of costs, leading to constant appeals to the membership for more money. The mood of the time was neatly summed up in a Dirk Campbell cartoon: a man opening a letter is saying to his wife, "It's from Anugraha. To save money they're sending out three appeals in the one envelope."

The building was not finished in time for the 1983 Subud World Congress, which was instead held in large marquees pitched in Anugraha's grounds, but it was finished and operational in time for Bapak's last visit to England in 1986. The period from 1986–1989, when Luthfi O'Meagher was managing director, is thoroughly documented in his two-volume work entitled *The Governance Of Anugraha*, which is the subject of this review. Anugraha was eventually sold at a great loss, and threatening hardship to many members. The financial repercussions are still being felt, eighteen years after the event.

At this point, some readers are probably thinking, "I hope he's not going to start talking finance, because there was a lot of that at the time, all impressive sounding business-jargon and wheeler-dealing and I couldn't understand a word of it." You have my sympathy. I couldn't understand a word of it either. However, since that time, through the experience of running my own business, getting into financial difficulties and then getting out of those difficulties, I have gained at least a basic understanding of business finance. I reckon I can explain the problems of Anugraha to you in terms understandable by the "plain-speaking, common man or woman", so please stay with this article for about a minute longer for a quick business finance crash-course. Readers who already know this stuff can skip the next section.

Anugraha and Finance

There are actually only four things you need to know about finance to understand what happened to Anugraha, and only the first of those is technical:

Firstly you have to know the difference between a debtor and a creditor. A "debtor" is someone who owes a business money. A "creditor" is the exact opposite of a debtor—it is someone the business owes money to. Some businesses get into difficulty because they are not very good at chasing up money owed to them by their debtors. However a much more common reason for business failure is that the business does not have sufficient money to pay its creditors, the people it owes money to, usually a mixture of the tax man, banks who have made loans, and suppliers who have provided goods and services. This was the situation faced by Anugraha.

Secondly, you have to understand about the "pecking order". If a business fails, it is sold off and the proceeds are used to pay off its creditors. Commonly, not enough

money can be raised from the sale to pay all the creditors and then the “pecking order” comes into effect. Depending on the laws of the land, contractual agreements and other factors, some creditors get priority. Typically the government, in the form of the taxman, gets the first peck. If any money is left after the taxman has been paid, other creditors may get priority, or they may all have to share, each getting only a tiny peck of the money that is left over. So even when Anugraha appeared to be in dire straits from the Subud membership’s point of view, its creditors would have seen things differently. A creditor will always prefer to help a business survive, because that is the surest way for the creditor to get paid. If the business goes under, the creditor may never get paid, because of the pecking order.

Thirdly, you have to understand about “confidence”. Why is it that some people’s bank accounts can go into a huge amount of overdraft and the bank will hardly notice, whereas other people go a few cents overdrawn and immediately get a rude letter from the bank accompanied by punitive charges? It is a matter of confidence. An account that has a lot of money continually flowing through it is going to be of much less worry to a bank than one with very little cash flow. The bank looks at the pattern of financial behaviour to distinguish between people who appear to have a prosperous financial situation and those whose situation appears weak, random and uncontrolled. Similarly, when a business gets into difficulty, the banks and other lenders need to have confidence that the business can recover the situation. Confidence is not static—it can be built. What usually happens is that the business makes an offer to repay its debts in instalments. If it keeps to the agreement, the confidence of the lending institutions increases, even more so if the business starts to recover and clears its debts more quickly.

Fourthly, and finally in this quick business finance crash course, you have to understand about “balance”. A business that is in financial difficulty must continually be balancing its past, present and future. Its past is the money it owes to creditors like the taxman. It should pay its creditors as quickly as possible. However, if it pays them too quickly it will have no money left over for its present needs, such as the need to advertise to get customers, the need to spend money to maintain its operation at a high-standard, and so on. However, a business cannot just look after its past and present and forget to consider its future. It must anticipate difficult times ahead and plan to soften those difficulties. For Anugraha, as a commercial conference centre, a recurring problem was the low number of bookings in the traditionally quiet, summer holiday season. That was the motivation behind the Anugraha Festival, to invest money in an event that over a period of years would build income and bookings to cover that quiet time. To the uninitiated outsider it might appear that such expenditure is extremely irresponsible when a business is so heavily in debt, but in fact such decisions are commonplace; a business must always try to balance past, present and future as best it can.

Finance course over. Back to *The Governance of Anugraha*.

The History of Anugraha, as Described in *The Governance*

Luthfi O’Meagher became managing director of Anugraha in 1986 after the existing team of directors had resigned. Luthfi was a Cambridge graduate, had served as a Royal Marine Officer and had run his own business. But he had one unique qualification for becoming MD at a time when Anugraha was effectively insolvent. His own, formerly successful business, had become insolvent because of the recession, and he had experience of trading while insolvent under the guidance of an insolvency practitioner.

In 1986, the Anugraha project was clearly in very dire straits and close to collapse. This is the situation as described by Luthfi in *The Governance*:

The legacy of the retiring board [of directors] was that there was no money, no assets on which money could be borrowed from banks, no major shareholders who wished to place money in the company, and no possibility of making profits in the hotel operation for some years. (Intro., p. 3)

Luthfi describes one of his first meetings with the taxman:

[T]he head of VAT...started by asking me to give one reason why he should allow the Company to trade a day longer.... [A]fter my honest explanations of the mistakes which had been made and what we were now doing, [he] ended up by saying that he would not only wait four weeks for £50,000 to come from Germany but give us an extra nine days by coming to collect the money himself. (Intro., p. 4)

After placating the taxman, the ongoing task was to build confidence with the banks:

The consultants...re-assured the Board and also the Bank of Scotland, that Anugraha should be a country-house, conference centre...with a high calibre manager, specialising in the delegate conference of 300-500 for the large Corporation. They gave us projections of when we could expect the company to be in profit.... (Intro., p. 4)

We had several meetings with _____ [who was] director of the Corporate Business Centre of _____ bank.... He said he liked what we were doing, he liked our honesty in relation to the situation, and he liked the way we were going about changing things.... (Intro., p. 4)

It appears that the turn-around of Anugraha's fortunes was quite dramatic, considering the state when Luthfi's directorial team took over:

[By] April 1988, the Hotel and Conference operation itself had produced a...profit percentage of 21%. That is the figure which a corporate operator such as Trust House Forte would expect to achieve at Anugraha. It immediately placed Anugraha Hotels Ltd amongst the professionals, who could be seen, on the evidence of the figures, to be knowing what they are doing. (Intro., p. 5)

Luthfi cannot be accused of arbitrarily quoting figures in *The Governance*. The Appendices include photocopies of documentary evidence backing up his claims. For example the figures in Appendices 6 and 7 purport to show that: "[In December 1988] a sale of Anugraha [could] have resulted in the repayment of all loans." (Intro., p. 5)

These figures debunk two common myths: (1) that Anugraha was from the start on a continuous downhill slide, and (2) there is no way that it could have been sold without a loss of money to all the lenders.

At the end of 1988, it seemed there were two offers to buy the property at £15.5M and £16M respectively, and an alternative offer of a £7M re-finance loan.

In retrospect, what happened next sounds completely crazy:

I was telephoned late at night by the Assistant General Manager at Anugraha.... He was telephoning to tell me that the Shareholders' Representatives had decided that I should be sacked and that the Directors had now agreed to this.... I thought of the three years that I had given to Anugraha, without holidays, working at weekends, and the results of this work in the form of offers of refinance or a sale, which we had now at last obtained. I realised that all this

work would probably now be destroyed. (Intro., p. 13)

Subud members sacked the one man in whom it appears the financial institutions, whose goodwill we depended on, had confidence:

The Midland Bank offer was conditional on the equity of £2M from ____ [not a Subud member].... He trusted me and was deeply shocked at my dismissal....

When [three directors] went to see the Bank of Scotland after my dismissal, [the manager] was not at all pleased. "It was," he said, "a rash, hasty and ill-thought act, and the Bank should have been consulted."

[T]he Head of the Bank of Scotland...telephoned me.... [H]e said, "So they're going to sack the only man who ever understood Anugraha."

Subud members do not seem to share my shame at belonging to an organisation which receives lessons in morality from its bankers. (Quoted from an open letter written by an investor in the project, to the Anugraha chairman, protesting at the method of the MD's dismissal.)

From this point onwards, judging from the evidence presented in *The Governance*, affairs seemed to start going rapidly downhill. We don't have to take Luthfi's word for that, because we can read some of the third-party, non-Subud opinions that he quotes. For example, from a finance company involved in trying to negotiate a favourable sale:

[A]t first sight it was difficult to understand how the company had survived at all.... [T]he problems at Anugraha could not be disassociated from the Subud organisation itself.... [W]hat was evident...was that since Luthfi O'Meagher had become managing director, the company had started moving in the right direction—as the accounts showed.... Following the removal of Luthfi O'Meagher and the resignation of John Pitman, we held meetings with [Subud individuals] and various interested parties, and I have to say that these [Subud] directors did not appear to understand the severity of the situation in which the company was now placed, and the absence of any professional adviser or management made it impossible to conduct meaningful negotiations.

If you are interested to discover how this madness came about, how Subud threw away a seemingly perfectly recoverable project, that despite its early financial difficulties was nevertheless a project of high quality, professionally run and managed, then you need to read *The Governance*.

Unfortunately, there is a difficulty. Luthfi will send a copy of *The Governance* to anybody who requests it, but he is a good old-fashioned typewriter and photocopying man. He hasn't embraced computers, so there is no electronic version; you have to get it as three separately bound documents (two volumes plus an appendix) and it will set you back at least £40 in photocopying, binding and postage costs. Some members have looked into trying to transcribe the work into electronic form, and Subud Vision has been given permission by Luthfi to make an electronic transcription to place on its web site, but there are technical obstacles to achieving this quickly. In the absence of an electronic transcription, perhaps this review will persuade the reader to invest in the printed version.

For those who can't afford the photocopying and postage costs and who don't wish to wait for the Internet version to appear, I will venture my own conclusions, based on the evidence offered by Luthfi in *The Governance* and based on my own experiences of how Subud members tend to react as a group when faced with a complicated

situation that requires a mixture of skill, effort and determination in order to be properly resolved.

The Reasons Why

With hindsight, it is possible to identify a number of factors at the time conspiring to bring the project down:

- a) The lack of experience of a large number of the Subud members in matters concerning investment. One can sympathise with the general climate of uncertainty kicked off by the initial gross over-expenditure, then aggravated by the subsequent appeals for further loans and financial guarantees.
- b) It appears that some members were impatient for Anugraha to have more of a "Subud" function. Various proposals were made for achieving this aim, perfectly reasonable in themselves, but which nevertheless created much distraction from the directors' main work, and further stirred up a feeling among the membership that something wasn't quite right.
- c) Luthfi expresses the opinion that a major destabilising factor was the appointment of a team of "shareholders representatives". This was no doubt set up in good faith to represent the interests of the shareholders, but Luthfi hints that it started to act as an alternative power base to the directors.
- d) There may have been a conflict of interest between the smaller and larger shareholders. To quote Luthfi:

Looking back at the history of the company from the inside, it is clear that those who had the power or the means had consistently manipulated the company to their own advantage and at the expense of the smaller shareholders. Since £7M of the £9M shareholding was contributed by those of modest means, this was manifestly unfair. It also contradicted Bapak's guidance: "Anugraha in particular means...creating the way for the welfare of society.... [T]his is the age of Social Democracy.... [T]he true meaning of Social Democracy is, 'What I have is for everybody.'" (Intro., p. 3)

One can see how all these factors would contribute to a mood of great concern. The mistake Subud members make in these situations is to try to reduce an unavoidably complicated, worldly situation down to something overly simplistic that can be disposed of through the *kejiwaan*. An undue reliance and confidence is placed in their ability to come up with a fully appropriate answer through feelings and/or testing.

Some examples, quoting Luthfi, writing about the evening of his dismissal:

At one point, one of the International Helpers who had been sitting in the meeting walked through the room. And when _____ started to remonstrate with him that what was going on was against all principle and law, [the International Helper] simply stood there in semi-latihan state, saying, "I'm only a channel. I'm only a channel," and laughing like a lunatic.

[Another Subud member] said that I must be the blockage. If the blockage were removed, everything would start to flow and everything would be in harmony. I told _____ that was what I call "Plumbing Theory". In the absence of facts, knowledge and experience, Subud members will operate mainly from their feelings, identifying areas of flow, or non-difficulty, and areas of blockage or difficulty. Without the benefit of facts it might appear that, by removing

blockages, universal flow might be induced. By this ancient science a fault in a motor car could be cured simply by taking out the engine and throwing it away.

It takes a lot to get John Pitman [the non-Subud director] angry.... "In a Company," he said [talking to three Subud directors], "a few Directors cannot go up the road and meet with some others in a pub and come back to the Board and say: we've decided so and so." [The three Subud directors] just sat there like three monks answerable only to the Holy Ghost.

The official reason for Luthfi's dismissal is stated in the company minutes of the dismissal meeting, quoted in *The Governance*:

Luthfi O'Meagher's approach and behaviour during the past year had alienated several influential people—the question had to be addressed—should Luthfi O'Meagher go now, or after refinancing. The board had decided, after several meetings with the shareholders representatives and others, that, on balance, in order to remove a blockage which centred on Luthfi O'Meagher it had to be immediate in the overall interests of the Company. (Appendix 20)

This statement from the board of directors of a company seems amazingly amateurish and almost childish naïve. Who were the "influential people" referred to in the minutes? In what way were they deemed to be "influential"? Precisely how had they been "alienated"? What was the nature of the mysterious "blockage"? What aspects of the operation of the company did the "blockage" affect? What grounds had they for believing that any of the replacement managing director candidates were capable enough to do the job successfully? What steps had been taken to ensure that the changeover to a new managing director would not prejudice relationships with potential buyers, investors and the banks?

Perhaps they ought to have been set a directorship examination question: "Say in not less than 2000 words why Luthfi O'Meagher should be dismissed as MD of Anugraha...." One wonders whether any could have passed the exam.

Closing Observations

So far in this review I have made no mention of the style of writing in *The Governance*. Luthfi intersperses factual narrative with broader discussion of history and philosophy, and with some poetry. He draws parallels between the ideals of the English Revolution and its eventual fate, and the ideals of Anugraha and its eventual fate. The historical, philosophical and poetical writings account for a good deal of the size of *The Governance*. Prospective readers have been warned! However, as someone whose most disliked subject at school was history, I have to say, "If only history had been made this interesting and relevant." Also, Luthfi probably won't thank me for saying this, but one can to some extent speed-read these passages to get the gist, and return later for a more in-depth read if one wants.

The mention of poetry and philosophy may have given the reader the impression that *The Governance* is a rambling, egocentric work. It is not. If one takes the proper care to read these passages, one can see that Luthfi digresses into them for a clear purpose. A sobering warning I see in his writings for all of us Subud members is that we don't need to be too concerned about the "*nafsu*" outside of Subud, there are sufficient "*nafsu*" within Subud members themselves capable of severely limiting Subud and maybe capable of destroying it altogether.

The Governance of Anugraha is such a large work that no short review can possibly do it justice. My review has centred mainly on Luthfi's role and the circumstances of his dismissal, but it is only fair to mention that Luthfi is very careful in his narrative to

give a detailed account of the actions of many named individuals who gave their time and talents in support of the Anugraha project.

I am going to conclude by quoting some of the more striking excerpts.

It is bad enough coping with the actual financial problems at Anugraha, but more difficult coping with Subud members' perceptions of the financial problems. I would say that one of the major problems we have had to cope with is that of Subud members projecting their death-wish psychology either at Anugraha or at the board and the MD. Bankers may be difficult, but they do not do that.

Luthfi talking about the problems with the early construction phase:

How was it that, with such a powerful force for good which Bapak had initiated,...what was actually done by Subud members seemed so obviously the result of their prejudices rather than the pure light of any receiving...?

[An International helper] said that Bapak had said that so many mistakes had been made by testing about Large Enterprises, that Bapak himself had said it would be better if this were not done....

Luthfi describing his first meeting with the Anugraha managers:

[I]t was made absolutely clear to us...that they did not want anything to do with Subud members.... [A]bove all, they did not want any more Subud members doing jobs for which they had neither qualifications or experience....

On getting advice from a top independent consultant:

[W]hen my contact telephoned the [independent consultant] he said he was not interested if Subud was to be involved as he had had enough of their unworldly chaos on some occasion in Australia.

About the Anugraha Festival:

The BBC noted it was the most up and coming festival. There were plenty of admiring letters from people in the music business and in the conference business.... It is indeed an insult to all who gave so much of their time and talent to the Festival that it should have been politicised by members of Subud itself, and distorted into an uncontrolled and reckless *folie de grandeur*....

At the end of Anugraha, about a year after Luthfi had been dismissed and was no longer a director:

_____ told me that while conducting two prospective Indian purchasers with their valuer round the Great Hall, one of them had remarked: "It seems to me that Anugraha is a bit run down." The other then said, "It's not only the building that is run down—the whole business is run down, since there are no sales on the books." The valuer commented: "That's because the place is run by a funny sect." He had then gone over to one of the two plaques, by Bapak, commemorating the starting and finishing of the building work, had pointed and said: "There! That's been the whole cause of the failure of Anugraha!"