

Leadership and Change Management

Block

6

MANAGEMENT TECHNIQUES

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Ref. No. LCM-SLM-IFHE – 022022 B6

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(Deemed-to-be-University Under Section 3 of UGC Act, 1956)

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BLOCK 6: MANAGEMENT TECHNIQUES

Strategic management techniques occupy a vital place in leadership and change management. The ability of a leader in change management depends to a vast extent on the management techniques he applies in his role. For instance, a leader should maintain high ethical standards and should keep a constant eye on managing diversity in organizations. Further, successful leadership manifests in empowering his followers.

The final Block VI to the course on Leadership and Change Management deals with such management techniques used in leadership and change management. The techniques like managing ethics, diversity and economic and business environment assume significance. The block consists of three units.

The first unit, *Management Ethics*, deals with principles of Business Ethics and importance of corporate social responsibility to enterprises. One of the best reasons for studying business ethics in relation to leadership and change management is by abiding ethical principles, leaders can take right decisions and make their organizations sustainable, socially responsive and effective. The unit deals with the factors influencing ethical behaviour at the workplace and the guidelines for managing ethics at workplaces. It highlights the necessity for creating an ethical environment in workplaces.

The second unit, *Managing Diversity*, deals with the key factors in diversity management. There is abundant literature to show that diversity fosters innovation. Business laws, values and accountability play a significant role in diversity management. The global manager has to manage business operations across borders where different types of people with different cultural practices join together to work for which he has to develop specialized skills. Hence the need for studying diversity management is of great importance.

The third unit, *Emerging Economic and Business Environment*, deals with the basic elements of an organization and how organizations undergo change, influenced by their external and internal factors. An organization operating in the present uncertain VUCA environment requires a thorough understanding of the emerging business and economic environment. Managing change for excellence and the need for empowering star performers in high performance organizations are discussed in this unit. In the end, the relationship between authority, responsibility and accountability is discussed in order to facilitate a conducive work environment in the organizations.

Unit 21

Management Ethics

Structure

- 21.1 Introduction
- 21.2 Objectives
- 21.3 Principles of Business Ethics - Indian perspective
- 21.4 Corporate Governance and Social Responsibility
- 21.5 Workplace Ethics
- 21.6 Environment & Ethics
- 21.7 Ethics in Marketing and Consumer Protection
- 21.8 Ethics in Accounting and Finance
- 21.9 Summary
- 21.10 Glossary
- 21.11 Self-Assessment Test
- 21.12 Answers to Check Your Progress Questions
- 21.13 Suggested Readings / Reference Materials

“Corporate social responsibility is a hard-edged business decision. Not because it is a nice thing to do or because people are forcing us to do it... because it is good for our business.”

- Niall FitzGerald, Former CEO, Unilever

21.1 Introduction

Corporate Social responsibility enhances the image of the companies to a great extent.

In the previous unit we discussed alternative strategies such as Joint Ventures, Mergers and Acquisitions and Divestitures. An alternative strategy helps companies address the issues that have the biggest impact on their business value and create shareholder value in the end.

The present unit is on managerial ethics and corporate social responsibility.

21.2 Objectives

By the end of this unit, you will be able to:

- Illustrate the concept of ethics and its importance in businesses entities
- Analyze the approaches to management ethics

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- Explain the implementation of Corporate Social Responsibility
- Discuss the benefits of business ethics
- Know the measures to improve ethical behavior of business
- Recall the reasons for unethical business practices

21.3 Principles of Business Ethics - Indian Perspective

Managerial ethics assume great relevance and become a principal benchmark in the age of accountability and transparency. Ethics is a branch of philosophy dealing with right and wrong conduct. It is also related to every aspect of our life.

A prescribed standard of behavior guides individual leaders in their assigned roles. Due to severe competition in the market, companies are adopting unethical practices, such as corruption, to capture the business. It is essential for new entrants to adhere to all ethical standards.

As the markets are increasingly liberalized, the ownership of the means of production is privatized, and competition is more globalized, it is the successful leader than the efficient manager, who will lead the way.

When organizations have to thrive on the cutting edge of competition, only those that are ethical will survive in the long run. Others will be consigned to the trashcan of history.

Business ethics consist of moral principles to safeguard the interest of all its stakeholders. Management ethics provide a code of conduct for the managers and employees in performing their jobs. They lay down the norms of behavior for the business and guide it, in undertaking socially responsible activities. Every business is expected to carry its operations in an ethical manner or socially desirable ways, such as

- (i) to charge fair prices from the customers,
- (ii) to use fair weights for measurement of commodities,
- (iii) to pay taxes to the government honestly,
- (iv) to charge reasonable profits for the customers,
- (v) to ensure genuine and safe products for the public, and
- (vi) to give fair treatment to the workers, etc.

As business is a part of society, it should follow the ethical or moral norms of the society. Management ethics should be guided by the principles, which are considered right by the society.

Business ethics comprise the principles and standards that guide behavior in the conduct of business. Businesses must balance their desire to maximize profits against the needs of the stakeholders.

Throughout the business world, no trait is more important and influential, to the success of a company, than practicing respectable business ethics from the inside out.

Corporate scandals are illustrative of the relationship between ethics and business. In general, ethics is concerned with good behavior and doing the right things.

The concern here is to produce maximum good for the individual and society. One has to understand the meaning of “right” behavior and always adhere to it, to avoid extinction. Any form of violent acts and pilferage are to be curtailed. Thus, a system of acceptable behavior was formed.

The ideals preached and practiced by Mahatma Gandhi, our father of the nation, such as non-violence, justice, and harmony are ethical values for all times.

21.3.1 Ethical Principles in Business – Indian Perspective

The attributes that will help to cultivate ethical principles in an organization are:

1. Leadership	2. Reputation and morale
3. Law-abiding	4. Loyalty
5. Promise-keeping & Trustworthiness	6. Accountability
7. Commitment to excellence	8. Respect for others
9. Fairness	10. Honesty
11. Integrity	12. Concern for others

21.3.2 Ethics and Morals

“Ethics” is related to character and it is derived from the word ‘ethos’ meaning character. Ethics denotes the values and habits of an individual or a group.

The principles of ethics govern the behavior of an individual or a group. Ethics also denote what is good or what is bad, and it is the moral duty and obligation of the individual to adhere to them.

The word “Moral” is derived from the Latin word “mos”, which means custom.

While the character is related to personal attributes, customs are bound by society. When we talk of people, we relate to the character and when we talk about societies, we relate them to customs. It is wrong to violate principles and customs.

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Examples

A manager recruits his relative though he is underqualified and inexperienced. This is an example of unethical practice by the manager.

A politician, using his power, helps his son in getting bail who was the reason for the death of a person because of rash driving. This is an example of immoral behavior.

A shopkeeper sells expired medicines to an illiterate villager, which is immoral and unethical.

21.3.3 Nature of Ethics

Ethics talk about standards of behavior that prescribe what human beings are expected to do. There is a difference between ethics and feelings. Feelings give us important information regarding our ethical choices.

Some people, even though they adhere to ethical standards, feel that they are not able to maintain them. In fact, it is the laws of society that incorporate many ethical standards. However, in some cases, Law also can deviate from ethical standards.

Sources of Ethical Standards

1. **The Utilitarian Approach:** According to this approach, ethical actions are the ones that provide the most good or, in other words, maintain the greatest balance between good and harm. In business corporates, it is considered ethical, if all the stakeholders – customers, employees, shareholders, the community, and the environment are exposed to good and no harm.

The utilitarian approach takes into account the consequences of actions that try to develop moral standards and reduce harmful actions.

2. **The Rights Approach (The Deontological Approach):** According to this approach, ethical action is considered the best, if it protects and respects all the moral rights of persons, who are affected.

This approach comes from the belief that human beings possess human dignity, which is inherent in their nature and they have the ability to choose the right things in their lives.

3. **The Fairness or Justice Approach:** This approach states that all human beings should be treated fairly and equally. These ideas emerged from the thoughts of Greek philosopher Aristotle and others.

Ethical actions must follow the principles of equality, and in case it is not possible, the actions should be based on some standards that are defensible.

For instance, employees are paid, based on their productivity or if they contribute substantially to an organization.

4. **The Common Good Approach:** The Greek philosophers' contribution to this approach also is significant. They contributed to the notion that the concept of community living is good in itself and human beings should promote such ideas of community living.

It is suggested that the relationships maintained by people in the society are based on ethical reasoning, and respect and compassion to be accorded to all others.

5. **The Virtue Approach:** This is the oldest approach to ethics. It states that ethical standards should be derived from ideal virtues, for developing human society as a whole. Virtues include courage, compassion, tolerance, generosity, love, integrity, honesty, fairness, self-control, prudence, and the like.

Putting the approaches together: All these approaches help us determine what standards of behavior are appropriate and can be considered ethical.

21.3.4 Business Ethics

It is now a known fact that a positive reputation is created by ethical behavior, because of which opportunities for profit increase.

The responsibilities of organizations are not just building assets and capital, or making profits. It should exhibit a living, which is creative and evolving over time and should have the vision to play a significant role in the development of society, nation, and the world.

21.3.5 Need for Business Ethics

Business is bestowed with the authority to own and use land and its natural resources. Society expects organizations to honor their existing rights and conduct their activities within the framework of justice.

Being ethical in business means understanding and complying with existing rules, fulfilling the expectations of customers and the community, moral principles, and the policies of the organization.

21.3.6 Ethical Dilemma

Ethical dilemmas have no proper guidelines. Companies formulate and communicate their ethical standard through codes of ethics and these principles are considered binding on people.

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It is wrong to assume that ends justify the means. It is necessary to choose appropriate ends and the means. In fact, the means by which organizations achieve their ends are more important for the effective functioning of organizations, and result-oriented managers are required to handle multi-skills operations. For example, A sales person saying that better quality products are available in the next shop.

21.3.7 Benefits of Business Ethics

The generally quoted benefits of Business Ethics are:

- Improved society
- Easier change management
- Group efforts leading to higher productivity
- Enhanced employee growth
- Awareness programs on ethical issues
- Ethics programs help to follow the rules of the company and the Government and, hence, no violation takes place
- Ethics programs help to manage value systems and organizational culture
- Ethics helps to promote a strong public image
- Clear commitment to ethical conduct
- Attracting and retaining talent
- Investor loyalty
- **Customer satisfaction Values**

Values are a set of principles that people cherish, which will enhance the quality of individual and collective life.

- They involve personal and community discipline and sacrifice of immediate gratification needs.
- Values refer to intrinsic worth or goodness.
- Values lay standards, against which individuals' behavior is judged.
- Values apply to individuals and institutions, of both business and non-business.

Example

Core Values of TATA Group

Tata is known as a values-driven organization. Their values always promoted growth and business of Tata companies.

Contd....

The five core Tata values underpinning the way they do business are:

1. **Integrity**
To be fair, honest, transparent and ethical in their conduct.
2. **Responsibility**
To integrate environmental and social principles in their businesses.
3. **Excellence**
To be passionate about achieving the highest standards of quality, always promoting meritocracy.
4. **Pioneering**
To be bold and agile, courageously taking on challenges, to develop innovative solutions.
5. **Unity**
To invest in people and partners, enable continuous learning, and build caring and collaborative relationships based on trust and mutual respect.

Source: <https://www.tata.com/about-us/tata-values-purpose> Accessed on 7 Jan 2022

21.3.7 Guidelines for Ethical Behavior

The guidelines for ethical behavior include Obey the Law, Tell the truth, Respect People, Follow the Golden Rule, Do no Harm, Practice Participation - Not paternalism, Act when you have a responsibility, etc.

- Obey the Law- Always obey the legal practices of the country, to conform to ethical values.
- Tell the truth- Disclose fair accounting results to concerned parties and tell the truth.
- Respect for People- Respect people, who approach.
- Follow the Golden Rule, - 'Treat others as you would want to be treated'.
- Do No Harm - Avoid using environment pollutants.
- Practice Participation, Not paternalism - Assess the needs of stakeholders and analyze them in the light of business needs, and integrate the two by allowing the stakeholders to participate in the decision-making processes.
- Act when you have responsibility- Own responsibility, even when you have delegated the tasks to subordinates.

21.3.8 Barriers to Management Ethics

The main barriers to management ethics are:

- Chain of Command
- Group Membership
- Ambiguous priorities, etc.

Check Your Progress - 1

1. State whether the following statement is True or False.

The individual is one of the factors influencing workplace ethics.

21.4 Corporate Governance and Social Responsibility

The concept of corporate governance gained wide popularity since 1990, to improve the effectiveness of corporate enterprises. In the modern era, effective corporate governance plays an important role.

It ensures that corporate managers run their business successfully and take care of the long-term interests of their stakeholders. It improves the capital efficiency of companies and deploys their wealth in productive areas of the objectives of corporate governance.

21.4.1 Objectives of Corporate Governance

The objectives of Corporate Governance are:

- To align corporate goals, with the goals of its stakeholders
- To strengthen corporate functioning and discourage mismanagement
- To achieve corporate goals, by investing in socially acceptable areas
- To specify the responsibility of the Board of Directors and Managers, to ensure ethical conduct.

21.4.2 Principles of Corporate Governance

Corporate governance aims to promote fairness, transparency, and accountability. It tries to influence how organizational goals are formulated and achieved and how performance is improved in the organization.

Corporate governance is intended to control and remain accountable for evolving ethical organizations, to make the right decisions and optimize resources.

Stakeholders

“Stakeholders” include all who are connected to and constituents of an organization – individuals, groups, or other organizations can influence the organization, in pursuit of its aims and goals.

The examples for stakeholders of an organization are Employees, Customers, Shareholders and investors, Trade Unions, Suppliers, Local communities, Competitors, Government, and the like.

21.4.3 Corporate Governance Measures

Many companies review their strategic plans from time to time. For this, they establish social responsibility and ethics committees on their Boards, to analyze strategic plans for evaluating the progress made and provide guidance to achieve social responsibilities of the business entities.

Some companies even adopted guidelines on their policies and practices on issues like board diversity, compensation, and independence. The companies have to focus on such areas, which are crucial for this purpose.

They include board composition and procedure, risk management, subsidiary companies and audit committees and their responsibilities, legal compliance, and all essential disclosures.

21.4.4 Benefits of Good Corporate Governance

Following are some of the benefits derived:

- a) Protection of investor interests
- b) Good governance
- c) Transparency

21.4.5 Social Responsibility

Social Responsibility refers to a business organization's obligations, in looking after the interests of society. It goes beyond its limits of economic interests.

Business managers have begun to realize responsibility towards society, as they owe it to business enterprises. Social responsibility has various dimensions like human dignity, working conditions, equality and diversity, consumer protection, environment and health impacts, critical business practices, etc.

Corporate Social Responsibility (CSR) is closely connected to the principles of sustainable development that emphasize that enterprises should always make decisions, based on not only financial factors that include profits or dividends, but also short-term and long-term social and environmental consequences that occur because of their activities, keeping in mind the needs of future generations. The policies, programs, and practices of the organization should reflect how companies manage the business processes to make a positive impact on society.

Example

Microsoft has been carbon neutral across the world since 2012 and commits to being carbon negative by 2030. Their goal is to promote sustainable development and low-carbon business practices globally through sustainable business practices and cloud-enabled technologies.

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Microsoft's approach is to promote sustainability in their operations, products, policies, and help enable their customers and partners to do the same.

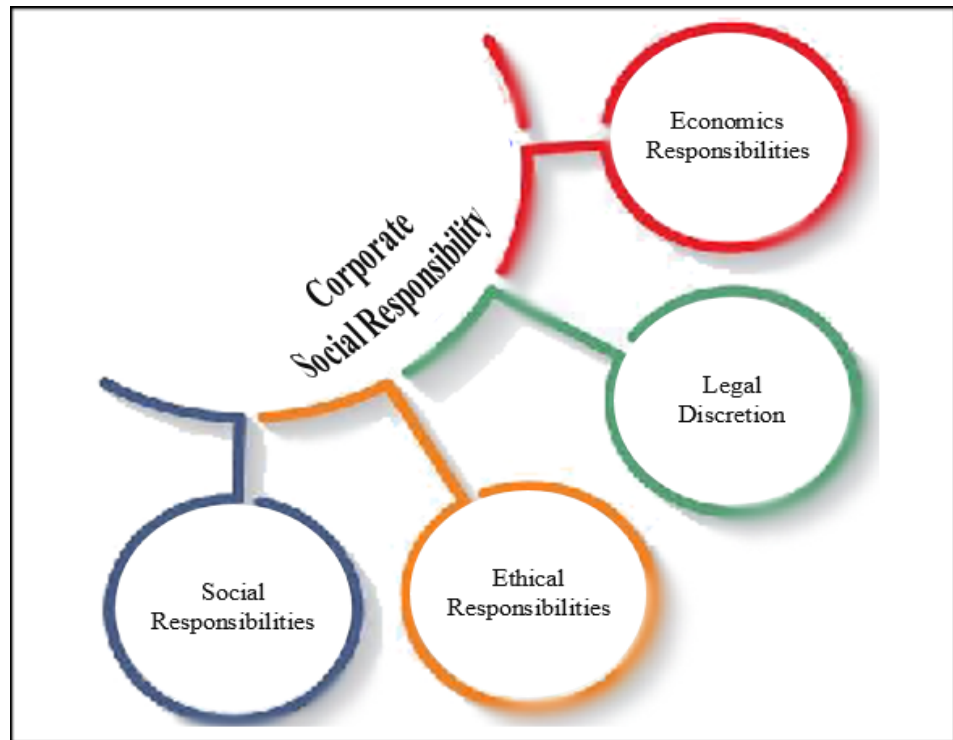
Source: https://www.microsoft.com/en-us/corporate-responsibility/sustainability?rtc=1&activetab=pivot_1%3aprimar 2020 Accessed on 07.03.2022

21.4.6 Need for CSR

CSR is to balance the environmental, economic, and social objectives, while fulfilling stakeholder expectations and improving shareholder value. Hence, CSR derives a positive impact on its economic performance. This clearly means that the need for CSR is crucial for the growth of organizations and society.

Figure 21.1 exhibits the types of CSR that are undertaken by organizations.

Figure 21.1: Corporate Social Responsibility



Source: ICFAI Research Center

21.4.7 CSR Policies

CSR operations account for the impact of social and environmental issues undertaken by the business entities. CSR integrates all responsible practices into their daily business operations and reports on the progress made towards the implementation of these practices.

21.4.8 Key Developments

Several factors have contributed in the last decade, to change the direction of CSR aspects that include

- (a) Enhanced Stakeholder Activism,
- (b) Proliferation of Codes, Standards, Indicators, and Guidelines
- (c) Transparency and Reporting,
- (d) Convergence of CSR and Governance Agenda,
- (e) Growing investor pressure and market-based incentives,
- (f) Advances in Information Technology,
- (g) Pressure to quantify CSR “Return on investment”, etc.

21.4.9 CSR Mechanism

Few companies tried to identify and address social or environmental issues by establishing committees for this purpose. Few other companies have broadened the scope of traditional standing committees for including CSR in their agenda.

Some other companies have appointed directors on their boards, based on the unique expertise and experience of the members, who bring forth specific issues to the table, and serve as advisors to other members on the Board.

Further, companies with diverse members in terms of gender, age, ethnicity, and professional experience are better equipped to handle emerging and complex challenges.

Companies implement CSR by placing internal management systems, to promote (a) Adherence to labor standards, (b) Protection of local and global environment, (c) Respect for human rights, (d) Minimizing the negative impact of operations in conflict zones, (e) Prohibiting bribery and corruption, (f) Consumer protection, etc.

21.4.10 The Global Reporting Initiative (GRI) was established in 1997, with the objective of framing globally applicable guidelines to prepare enterprise-level sustainability reports, for both social and environmental indicators. The vision of GRI is to report on environmental, economic, and social performance, as a routine and comparable by all organizations.

21.4.11 Benefits of Social Responsibility

CSR has committed to promoting sustainable economic development. Social responsibility is an integral part of profit maximization and enhancing the competitiveness of business entities. There is abundant data to demonstrate several benefits of corporate performance. Some of them are:

- a) Achievement of long-term objectives
- b) Enhanced Brand Image and Reputation

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- c) Checks adherence to Government Regulation/ Controls
- d) Helps minimize Ecological Damage
- e) Improved Financial Performance
- f) Reducing Operating Costs

If society could produce a better environment, it is for the good of business to gain long-term profit maximization.

Benefits to society are:

- Closer ties between corporate and society
- Environmental protection
- Aids in the alleviation of poverty for marginalized people
- Protection of human rights of people

Check Your Progress - 2

2. State the reason for the companies to incorporate CSR.
 - a. Protection of local and global environment
 - b. Protection of human rights
 - c. Protection of employees
 - d. Protection of organizational infrastructure
 3. What does the Vision of Global Reporting Initiative report?
 - a. Reporting financial performance
 - b. Reporting technological performance
 - c. Reporting social performance
 - d. Reporting educational performance
 4. Identify the benefits of CSR to the society.
 - a. Achievement of long-term objectives
 - b. Enhanced brand image and reputation
 - c. Improved financial performance
 - d. Environmental protection
 5. Identify the benefits of CSR to the companies.
 - a. Achievement of long-term objectives
 - b. Closer ties between corporate and society
 - c. Aids in the alleviation of poverty for marginalized people
 - d. Protection of human rights of people
-

21.5 Workplace Ethics

There is little doubt about the fact that workforce effectiveness and productivity are critical inputs for organizations to achieve high performance. High-performing organizations tend to exploit the collective intelligence and motivation of their employees.

Workplace ethics reflect how one applies values in actual decision-making to benefit society, indicating a set of right and wrong actions.

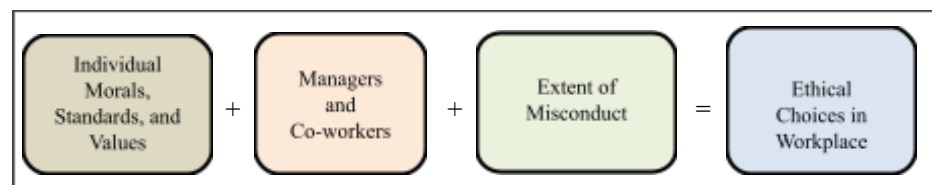
21.5.1 Factors influencing Ethical Behaviour in Organizations

Ethical decision-making in organizations is dependent on three factors:

- 1) Moral standards of individuals
- 2) How managers and co-workers influence, and
- 3) The extent of prevailing misconduct.

It is possible to have control over personal ethics outside the organization, but within the organization, the influence of co-workers and management is clearly visible, for example, they can exert significant authority and control on one's preferences at work. If companies fail to exhibit good practices and direction for good behavior, there arises confusion and conflict and the result would be unethical behavior. In addition, sound personal values also contribute to an ethical workplace.

Figure 21.2: Factors influencing Ethical Behaviour at Work



Source: ICFAI Research Center

Various socio-psychological factors contribute to developing negative attitudes or for losing personal motivation, as reflected in negative work-life experiences, not respecting each other's unique personalities, aggressive business targets, pressures to attain targets and taking quick decisions, and the like.

21.5.2 Ethical Issues

Ethical dilemmas arise when one has to make choices among conflicting alternatives. Ethical dilemmas are highly complex, without clear guidelines, especially for managers, as the suggested alternatives are equally justifiable, and interesting to significant "stakeholders", in a given situation. Another way, in which ethical dilemmas are seen, is when there are conflicts with superiors or peers, in values. Ethical dilemmas are categorized on how employees maintain

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their relations, within business organizations, conflicts of interest, and conflicting opinions on fairness, honesty, and communications.

21.5.3 Discrimination

Discrimination refers to “distinguishing one object from another”. It implies treating people differently. It denotes differential treatment given to people based on other than the merit of the individual.

Discrimination in employment refers to treating one person better than the other based on age, gender, religion, race, or any other protected class status.

Another way of showing discrimination is the glass ceiling, one of the best examples observed even today in the corporate world. Glass ceiling refers to the social barrier preventing women from being promoted to top jobs in the hierarchy.

21.5.4 Harassment

Harassment is constant interfering or intimidating in one’s work. Law prohibits such harassing acts, which create an intimidating, hostile, or offensive work environment. This could be seen in several ways such as interference in the performance of individuals unreasonably and the nature of employment.

21.5.5 Importance of Ethical Behaviour at the workplace

All organizations are primarily part of human society. Significant problems do arise if employers fail to distinguish between what is right and what is wrong. Another important indicator is when employees do not feel free to discuss and raise questions on ethical dilemmas and report violations.

The examples of which are:

- (a) Increased chances of employees making decisions unethically,
- (b) Increased tendency of employees contacting and reporting violations, to outside regulatory authorities, as they lack an appropriate internal forum,
- (c) Inability to acquire and retain talented people,
- (d) Diminishing reputation of the industry, and
- (e) Losing competitive advantage in the market.

Exhibit 21.1 presents the findings of the Global Business Ethics Survey of 2019.

Exhibit 21.1: Global Business Ethics Survey of 2019 (GES)

The following findings from GES regarding ethical corporate culture shows:

- There is an increase upto 66% of organizations with “strong” or “strong-leaning” ethics cultures.

Contd....

- 81% of the organizations are providing ethics training.
- In employee evaluations, ethical conduct as a performance measure is included by 67% of the organizations.
- When wrongdoings occurred, 74% of the organizations communicated internally about disciplinary actions.

Companies that follow this type of culture are more likely to be financially successful, with more motivated and productive employees.

Source: <https://sprigghr.com/blog/hr-professionals/the-value-of-strong-workplace-ethics> Feb 20, 2020 Accessed on 07.03.2022

21.5.6 Guidelines for Managing Ethics in Organizations

Employers, who understand the value of workplace ethics, always provide their workforce with a conducive environment and effective framework, as guiding principles to employees so that they can identify and address ethical dilemmas, as and when they arise. Some of them are as follows:

1. Code of conduct and ethics,
2. Prevalence of Open Communication,
3. Transparency in making ethical decisions,
4. Integration of ethical management with that of other management practices,
5. Usage of cross-functional teams,
6. Appointment of an ombudsperson,
7. Creating an environment of trust,
8. Updating policies and procedures regularly,
9. Including appropriate grievance policy for employees,
10. Showing role model behavior by top management, etc.

Top management should always maintain ethical standards and see that employees adhere to all standards in letter and spirit. They must emphasize that any dishonest or unethical behavior will not be tolerated.

21.6 Environment & Ethics

Industrial growth and technological development have created environmental threats in several ways to the present and future generations.

In this twenty-first century, the environmental threats that are causing concern are increasing pollution, global warming, diminishing water resources, disappearing forests, and decreasing plant and animal species.

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This type of environmental damage, due to technological development and man-made natural disasters, makes each one of us wonder, whether there would be sustainable development.

21.6.1 Sustainable Development

Along with the Government, the corporate world is worried, as there cannot be any economic growth without ecological costs.

The important definition of sustainable development says “Development that meets the needs of the present, without compromising the ability of future generations to meet their own needs.” Development should take place, whether social, economic, or any other, without jeopardizing the interests of future generations.

High economic growth, by depleting non-renewable resources, is a matter of concern. If this trend continues, there is no doubt that the twenty-first century will end up in catastrophe.

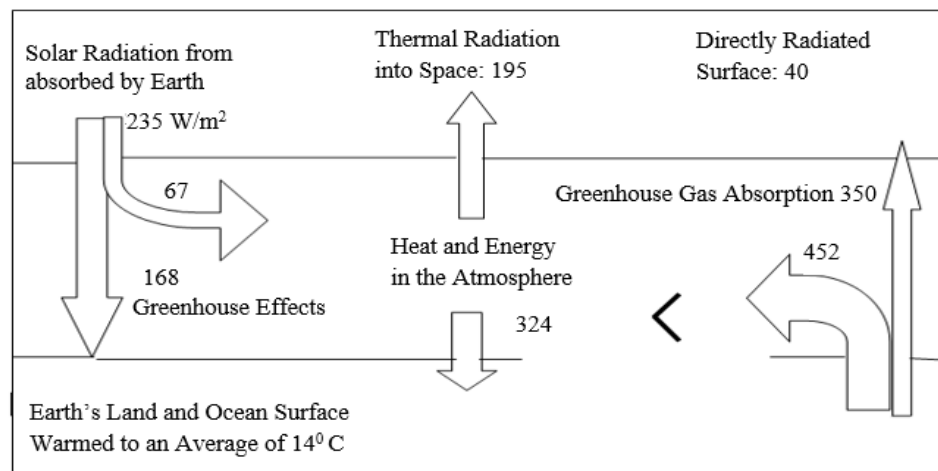
21.6.2 Pollution and Global Warming

Pollution: It refers to the degradation of the environment by industry, which is undesirable and sometimes unintended. Resource depletion implies the consumption of finite or scarce resources, without any limit.

The other factors, which affect pollution, are Air Pollution, Global Warming, Ozone Depletion, Water Pollution, Land Pollution, Depletion of fossil fuels, etc.

Global Warming: Carbon dioxide, methane, and nitrous oxide, etc., present in the atmosphere, absorb heat from the sun. This prevents it from returning into space, thus increasing the earth's temperature to about 33 degrees Centigrade, which is warmer than it would otherwise be.

Figure 21.3: Greenhouse Gas



Source: ICFAI Research Center

21.6.3 Ecological Ethics

Ecological system is a set of organisms and environments - interdependent and interrelated. For instance, a fish depends on small aquatic organisms, and they depend on the waste products of decaying plants and fish.

Similarly, business firms are dependent on the natural resources available in the environment, which are affected by the activities of business firms, and resultant industry waste.

It is high time, businesses recognize the growing importance of ecology and the inter-relationships and interdependencies of the ecological systems and industry.

Problems like Global warming, Ozone depletion, and pollution continue to grow manifold. Yet another related problem is the disposal of hazardous wastes, which requires international cooperation to tackle the problem.

Activity 21.1

List out five leading corporates in India and identify two measures each taken by them to maintain ecological ethics.

21.6.4 Conservation of Natural Resources

Conservation implies optimal usage of natural resources for future generations. Conservation looks primarily at the future and the need to limit consumption in such a way that there is something left, for the next generation. Conservation simply means saving resources today, for tomorrow's needs.

21.6.5 Eco-Friendly Business Practices

Business and multinational corporations have to consider environmental management, as a key determinant to sustainable development and a priority area to be tackled.

Disposal of wastes is a major environmental issue that stands like a rock, for achieving sustainable development. Businesses have to make environmental ethics as an integral part of their corporate goal, and adopt eco-friendly business practices.

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Wipro and Tata Steel have been recognized by the Ethisphere Institute, as the world's most ethical companies, for their eco-friendly activities.

Exhibit 21.2 deals with eco-friendly business practices.

Exhibit 21.2: Eco-friendly Business Practices

Pela Case, a company that sells mobile phone cases, was founded by Jeremy Lang in 2010. The founder started the company learning about the impact of plastics in the ocean. Pela produces its cases from plant-based materials (45%) and the back panel of one of the models, Clear case, is produced from 100% plant-based materials. In 2019, it was certified by Climate Neutral Certified, which is a non-profit organization that focuses on reducing global carbon emissions. When a brand attains zero net carbon emissions for all of the carbon it generates in terms of producing and even delivering its products/services for a period of one year, it is certified by them. Pela also collaborates with several other organizations in handling ocean pollution.

In 2020, Pela focused on reducing carbon emissions by restructuring their transportation routes across all their distribution centers. This initiation supports in reducing product end-of-life waste and enables manufacturing facilities to transfer to renewable power. Pela Case stands as “World’s First 100% Compostable Phone Case,” and its aim is to avoid 1 billion pounds of plastic from being made in the next 5 years.

Source: <https://impakter.com/pela-case/>, June 28, 2021, accessed on 28/10/2021.

21.7 Ethics in Marketing and Consumer Protection

The task of marketing managers is to influence the customers in a way that the sales of their products increase. To accomplish such a goal, marketing managers follow several business practices such as the design of their products, the price fixation, the advertisements, and the locality in which they are available.

Ethics denote standards for moral behavior and conduct. Marketing executives face several challenges in balancing their own interests and that of the interests of consumers, organizations, and society at large.

Behaving Ethically in Marketing

Marketing executives need to practice ethical behavior for four pragmatic reasons. They are:

- (1) To alter the public perceptions regarding marketing,
- (2) To lessen government regulations,
- (3) To regain the power granted by society,
- (4) To protect the image of the organization, etc.

Did You Know?

As per statistics, 90+% of millennial consumers prefer buying products from ethical companies. Also, more than 80% of those users think that ethical brands outperform other market players that do follow ethical marketing.

Source: <https://www.marketing91.com/marketing-ethics/> Accessed on April 26, 2021

21.7.2 Consumer and Public Interest

Many a time, consumer and public interest are synonymously used. They are different and the distinction between the two is to be understood. Consumers purchase, use, maintain, and discard products and services. They are affected by the pricing policies, quality of goods and services, and other trade practices.

Public interest is exhibiting social development. Government formulates policies for the ultimate interest of the society and that of the consumers.

Competition and consumer welfare:

Competition aims to check the prevailing concentration of economic power in a few hands. These goals have an interactive and interdependent relationship to deliver the total welfare of the society. The UN guidelines instruct the governments, to develop a consumer policy, in accordance with its guidelines that protect the interests of consumers (UNCTAD, 2001), as given in the following aspects:

1. Safety
2. Economic growth
3. Sustainable standards
4. Goods and services
5. Redress the environmental problems
6. Education
7. Health
8. Sustainable development.

21.7.5 Consumer Protection Councils in India

The following agencies are looking after the consumer grievances as per Consumer Protection Act.

- a) The Central Consumer Protection Council
- b) The State Consumer Protection Council
- c) The District Consumer Protection Council

Block 6: Management Techniques

The public can convey their consumer-related matters to the above councils and specific rules and powers are given to each council. Thus, consumer's interest is fully protected by the law and hence organizations have to take adequate precaution to prevent any lapse while serving the customers.

Ethics in Accounting and Finance

Finance and Accounting functions of business take responsibility to act in the public interest. While acting in the interest of the public, it is necessary that the finance and accounting professionals adhere to basic ethical norms, to achieve their objectives.

However, with the emergence of various financial scams globally, the status of finance and accounting professionals is diminishing, as the practice of professional ethics has become rare.

Example

People Tree's 'Our Blue Planet' collection is one of the best examples of ethical marketing campaigns in which two companies collaborated for an ethical cause. People Tree collaborated with BBC Earth for emphasizing the importance of our oceans and marine conservation.

Source: <https://www.marketing91.com/marketing-ethics/> Accessed on April 26, 2021

Creating an Ethical Environment

For creating an appropriate ethical environment, it is necessary to concentrate on the following points in all organizations:

- a. Creating awareness among employees about legal and ethical responsibilities,
- b. Providing a well-knit and transparent communication system, and
- c. According fair treatment to whistle blowers.

Activity 21.2

List out various departments of your company or any company familiar to you and rate how they fulfill the ethical practices on a scale of 1(Least) to 5 (Highest) Compare the list with any other two companies where you have worked / are familiar with. See where your organization stands.

Check Your Progress - 3

6. A leading industrialist stated, “there is little doubt that the technical resources and managerial talents of the organized industry have a function in society and obligation in the community, much wider than the mere discharge of their primary business function.” Who said this?
 - a. Kumar Mangalam Birla
 - b. J R D Tata
 - c. Nulsi Wadia
 - d. Ratan Tata
 7. The word “Ethics” is derived from
 - a. Ancient Latin word
 - b. Ancient German word
 - c. Ethicists
 - d. Ancient Greek word
 8. How do you identify an organization first and foremost, whether a business or a Government agency?
 - a. A regulatory authority
 - b. Provides workforce
 - c. Sustainable development
 - d. A human society
 9. How do you explain corporate debt restructuring as the reorganization of companies?
 - a. Reconciliation of accounts
 - b. Profit and loss account
 - c. Outstanding liabilities
 - d. Written off amount
 10. Describe Paralanguage.
 - a. Time language
 - b. Personal space language
 - c. Public space language
 - d. Non-verbal communication
-

21.8 Summary

- A company's management ethics will determine its reputation.
- Business ethics is applicable to every type of business.
- Good business ethics are essential for the long-term success of an organization.
- Business ethics are often guided by law, in order to gain public acceptance.
- Implementing an ethical program will foster successful company culture and increase profitability.
- Ethical practices in business are assuming importance, due to increased competition and globalization.
- Ethical decision-making assumes significance in all business entities.
- Corporate success, being a dependent variable, has focused more attention on the basic assumption of corporate ethics and its effects.
- Ethics emphasizes to "do the right thing" always.
- Corporate ethics concentrates on: (a) Attracting better talent, (b) Retaining employees and customers, (c) Attracting new customers, and (d) A positive impact on corporate reputation.
- Managerial ethics deal with how and why employees and executives react to a managerial dilemma, involving decision-making on an ethical issue.
- Corporate Governance is indeed a very tricky subject. It has a character that can be described as transient and given to push and pulls between various stakeholders.
- Value-based management is the need of the hour and can, on no account, be placed on the back burner.
- Furthermore, it will form the basis on which innovation and creativity will be inculcated, through the fostering of a value-based learning organization.

21.10 Glossary

Ethics - Ethics is relating to what is good or bad, and is associated with moral duty and obligation.

Global Reporting Initiative (GRI) - is a reporting standard, with the mission of designing globally applicable guidelines.

Moral - The root word for Moral in Latin is "mos", meaning custom. Character is a personal attribute, while custom is defined by a group, over time. People have character. Societies have customs.

Stakeholders - The individuals, groups, or other organizations, connected to the organization, in pursuit of its goals.

21.11 Self-Assessment Test

1. Describe the benefits of ethical behavior.
2. Which are the key strategies companies can use when implementing CSR policies and practices?
3. Why is corporate governance needed? Explain its importance.
4. Why should marketing executives practice ethical behavior?

21.12 Suggested Readings / Reference Material

1. Alfranch Nahavandi, The Art and science of Leadership, Pearson, 7e, 2018
2. Arora H.N and Rajan Sinha, Alchemy of Change - Managing Transition through Value-based Leadership, SAGE Publications, 2020.
3. Daphne Halkias, Joseph C. Santora, Nicholas Harkiolakis (Editors), Leadership and Change Management: A Cross-Cultural Perspective Hardcover, Routledge, 2017
4. Gary A Yukl; William L Gardner, Leadership in organizations. 9th ed. Boston Pearson Education, Inc 2020
5. Gillian Watson, Stefanie C. Reissner,) Developing Skills for Business Leadership 3rd Edition. London: Kogan Page, 2020
6. Nishant Uppal, Narcissus or Machiavelli? Learning Leading from Indian Prime Ministers, Routledge, 2021
7. Panduranga Bhatta C. and Pragyan Path, The Art of Leading in a Borderless World, Bloomsbury Publishing, 2020.
8. Peter G. Northouse Leadership: International student edition, Theory and Practice, 9th Edition SAGE Publications Inc, 2021.
9. Rajashi Ghosh, Indian Women in Leadership, Springer Nature, 2018.
10. Ratan Raina, Change Management and Organizational Development, SAGE Publications, 2019.
11. Ruchira Chaudhary, Coaching - The Secret Code to Uncommon Leadership, Penguin Random House India, 2021
12. Sajjad Nawaz Khan, Leadership and Followership in an Organizational Change Context, IGI Global, 2021.

21.13 Answers to Check Your Progress Questions

1. True

The individual is one of the factors influencing workplace ethics.

2. (a) Protection of local and global environment

The main reason for companies to incorporate CSR is to protect local and global environment

3. (c) Reporting social performance

The Vision of Global Reporting Initiative report social performance

4. (d) Environmental protection

Environmental protection is the benefit from CSR to society.

5. (a) Achievement of long-term objectives

Achievement of long-term objectives is one of the benefits of CSR to companies.

6. (b) J.R.D. Tata

J.R.D. Tata said, “there is little doubt that the technical resources and managerial talents of the organized industry have a function in society and obligation to the community, much wider than the mere discharge of their primary business function.”

7. (d) Ancient Greek Word.

The word “Ethics” is derived from the ancient Greek word.

8. (d) A Human Society.

An organization, whether a business or a Government agency, is first and foremost a Human Society.

9. (c) Outstanding liabilities.

Corporate debt restructuring is the reorganization of a company's outstanding liabilities.

10. (d) Non-Verbal Communication.

Paralanguage is non-verbal communication.

Unit 22

Managing Diversity

Structure

- 22.1 Introduction
- 22.2 Objectives
- 22.3 Key factors in Diversity Management
- 22.4 Business Laws and Diversity
- 22.5 Values in Management
- 22.6 Importance of Accountability
- 22.7 The Global Manager
- 22.8 Interdependence of Leader and Team
- 22.9 Effective Team Skills
- 22.10. Summary
- 22.11 Glossary
- 22.12. Self-Assessment Exercises
- 22.13 Suggested Readings / Reference Material
- 22.14. Answers to Check Your Progress Questions

“A diverse mix of voices leads to better discussions, decisions, and outcomes for everyone.”

- Sundar Pichai, CEO of Google

22.1 Introduction

The advantages of having a diverse workforce are many.

The previous unit provides details on principles of ethics, social responsibility and corporate governance and workplace ethics. The present unit discusses diversity management and its key factors in organizations. The unit also discusses how managers have to adapt themselves while working with a diverse workforce. Diversity management aims to promote greater inclusion of employees from diverse backgrounds into an organization's setting in order to enhance the productivity of organizations. Leaders must play a proactive role in initiating inclusive culture in the organizations as they are accountable to the growth of the organizations.

22.2 Objectives

By the end of this unit, you should be able to:

- Explain the concept and key factors in diversity management
- Discuss the relationship between business laws and diversity management
- Illustrate the importance of values in management
- Distinguish leadership traits and team management
- State the importance of accountability
- Describe the traits of a global manager

22.3 Key Factors in Diversity Management

Diversity management is a concept of human resources and corporate policy that has been engaging the attention of management thinkers at the dawn of the 21st century. Increasing complexity at the workplace, coupled with business operations going global, has brought workplace diversity to the forefront.

Diversity refers to people with different social and ethnic origins, cultures, and beliefs, who are brought under the roof of one company or entity. However, it must be understood that diversity at the workplace is a much broader concept, like the diversity of gender and other multi-cultural aspects.

Multiculturalism is a perspective that recognizes and respects the existence of diverse groups in an organization or society. It acknowledges and values the socio-cultural differences, and fosters the growth of mutual acceptance of each other and is inclusive in nature and empowers all individuals within the organization or society.

We are witnessing increasing globalization that demands more interaction among people, from diverse cultures, value systems and beliefs, and ethnic backgrounds than any time before, in the history of mankind. People no longer live and work in an insular and protected marketplace. They are now integral to a worldwide economy with competition even from small nations.

Both for-profit and not-for-profit organizations consider diversity management to be important and a critical management issue. Maximizing and capitalizing on workplace diversity have gained considerable strategic significance in today's competitive and dynamic marketplace.

Example

US companies spend hundreds of millions of dollars on DE&I initiatives, to create a culture that supports workers from all backgrounds. McKinsey research has shown that large companies in the top quartile for ethnic and cultural diversity outperform those in the fourth quartile by 36 percent.

Source: <https://www.mckinsey.com/featured-insights/diversity-and-inclusion/one-move-companies-can-take-to-improve-diversity> Accessed on April 9, 2021

The key contributory factors, regarding diversity for corporate success, are enumerated below-

- Companies need to stay competitive in the cutthroat business environment. For this, they need to employ highly skilled employees. There is a virtual “war for talent”. The best talent may be different from the mainstream employees. Companies go all out to recruit talented people and, in the process, diversity becomes the norm.
- Heterogeneous workforce tends to create greater innovativeness and higher productivity than homogeneous groups, as the diversity of thoughts fosters innovation and creativity. Corporate entities are open to innovation and risk-taking ability and, hence, diversity of the workforce is a necessity, rather than a luxury. Organizations having the diversity of workforce tend to be dynamic and respond quickly to the changes in the external environment.
- Companies with effective diversity management understand different markets better and in a globalized marketplace, they are more successful through their aggressive approach that accrues to them through effective diversity management.
- If an organization promotes diversity as a corporate philosophy then it has a multiplier effect on employee motivation and job satisfaction, as it reduces the frictional losses through camaraderie.
- From an ethical standpoint, social diversity makes a positive impact on the corporate image and can facilitate effective corporate communications.

Exhibit 22.1 explains how TCS promotes diversity through organizational values.

**Exhibit 22.1: Promoting Diversity through Organizational Values –
TCS Brand**

TCS, an Indian multinational IT services and consulting company, gives second priority to equal opportunity and executives rank diversity next to innovation. These values are imbibed in the organizational culture.

Contd....

Block 6: Management Techniques

It believes in the Diversity of the Mind model that promotes diversity in terms of race, gender, age, disability, sexual orientation and especially on the diversity of the mind. The model is developed based on some of the important values that include learning, respect for individuals, sharing and integrity. These values subsequently result in improving employee engagement and building strength, prominently during uncertainties. TCS integrates these values with the behavioural attributes that are demonstrated in their style of work and purpose of work.

TCS believes that providing only diversity training and sensitization programs can only help in reducing bias which creates a very little impact. They integrated training programs with mentoring and coaching and also encouraged group involvement to improve the support ecosystem. For instance, iExcel is a program launched by TCS to groom women managers in the middle level management so that they become eligible for the future leadership roles. This program inculcates some of the important leadership skills like learning-agility, problem-solving and innovation. This program resulted in reducing the attrition rate and helped in maintaining the attrition gap between men and women at zero. TCS thus connected leadership with diversity to support women climb the corporate ladder. They consider this strategy to be crucial in nurturing the underrepresented groups across organizational levels.

Source: <https://www.forbes.com/sites/tcs/2021/10/25/5-key-strategies-to-lead-with-diversity/?sh=7edcdcad23a8>, Accessed on 29/10/2021.

Check Your Progress - 1

1. Which of the following is not a feature of diversity?
 - a. People with different social origins
 - b. People with different ethnic origins
 - c. People with different cultures and linguistic backgrounds
 - d. People of different ages
 - e. Different procedures

2. State whether the given statement is true or false.

When companies go all out to recruit talented people from everywhere, diversity becomes the norm.

3. Mention two advantages of having a diverse workforce.
 - a. Best talent and quick progress
 - b. Innovation and quick progress
 - c. Innovation and Creativity
 - d. Creativity and Diversity
 - e. Best talent and Diversity

22.4 Business Laws and Diversity

It is unlawful to discriminate based on gender, religion, or other beliefs. Over the years, many progressive governments have created legal frameworks and enacted laws that govern the relationship between employers and employees. Many of these laws relate to diversity in the workplace.

These are designed to ensure that every individual, irrespective of creed, has the same opportunities for employment. The laws set the minimum standards that businesses must comply with. Good employers obey the law. The best employers go further and recognize how diversity can benefit the business

It is quite beneficial for a business because employing a diverse workforce enables it to get the best talent. This, in turn, leads to creativity and innovation.

Businesses need to reflect the society; in which they operate. If the enterprise mirrors the diversity of the communities and cultures they work in, they can understand and anticipate the diverse needs of their customers and accordingly design their products and services.

To capitalize the best from the workforce and meet the wide array of needs of diverse customers, it is critically important for businesses, to 'manage diversity' in a positive way. They need to recognize, respect, and value people's differences.

Example

Elite law firms in the U.S. and the U.K. consist mostly white men. Facebook, HP, and Novartis are some of the major global companies that have warned they'll take their work elsewhere or cut fees unless they see more racial and gender diversity in the law firms they hire.

Source: <https://www.bloomberg.com/news/articles/2021-10-05/big-law-has-a-diversity-problem-and-corporate-clients-are-stepping-in> Accessed on 5th October, 2021

22.5 Values in Management

Values are important and comprise beliefs that are lasting and durable for group members in a society or an organization. They are shared ideals, about what is good or bad and what is desirable or undesirable.

Values create a major impact or influence on an individual's behavior and attitude, and serve as a broad signpost in all situations. Values are different from attitudes. Values are general beliefs about life, while attitudes are directed towards specific objects, events, or people.

There are two types of values. Terminal values and instrumental values.

- Terminal values include dimensions like happiness, self-respect, family security, recognition in society, individual freedom, inner harmony, comfortable life, and professional excellence.
- On the other hand, instrumental values refer to honesty, sincerity, independence, obedience, imagination, and courage.

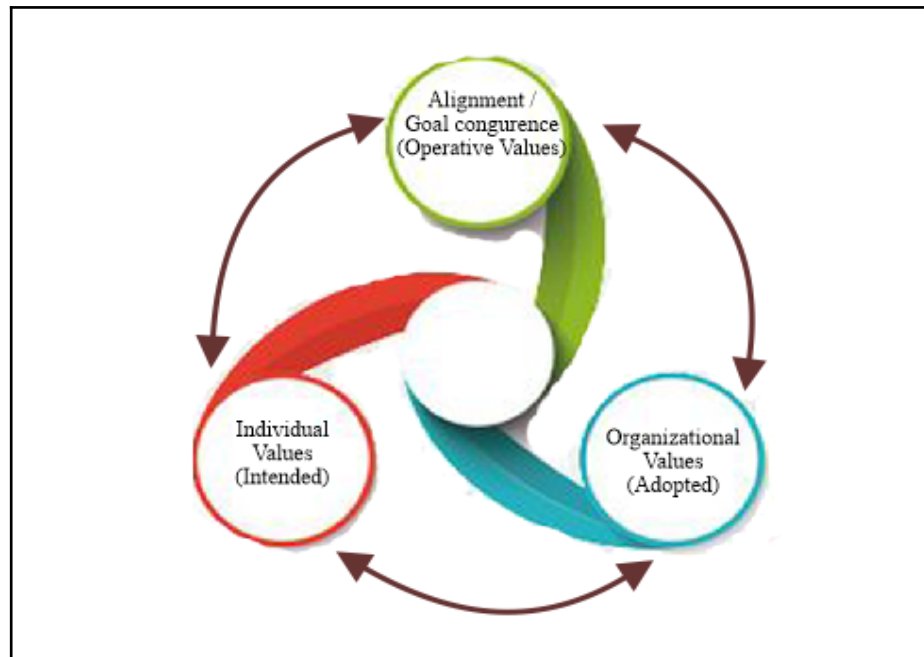
Values, in the organizational context, bind people together and bring shared meaning to the organization. For example, integrity and honesty in all organizations are ranked highest. Values provide a direction to conduct oneself in a specific way, to contribute to the performance of the organization and achieve its vision.

Organizational values are unique to each company and they reflect the organizational philosophy. For example, it is acceptable to be aggressive and competitive with the rivals but it may not be desirable to promote the organization, at the expense of another organization, through trickery or unethical practices.

The benefits of values are huge for an organization. They give the organization a positive image and it is held in high esteem by members of society. In addition, the diversity in the workforce is a highly desirable quality, as it enhances its competitiveness.

The goal congruence alignment is a two-step process - the first step is to find out what constitutes the values for the employees and the second step is to find out, how employees perceive the values of their organization.

The decisions, an individual takes, are based on his personal and organizational values. When the values of an individual are the same as the values of their organization, then there is a values alignment. The result is an outstanding performance by the individual that creates a win-win situation, both for the individual and the organization (Refer Figure 22.1).

Figure 22.1: Individual & Organizational Alignment of Goals

Source: ICFAI Research Center

Thus, values are the ideals of an individual, having a great deal of personal significance. However, to be successful in an organization, individuals need to learn adopted values, a set of values that are part of the organization's culture.

When personal values (intended) and organizational values (adopted) are congruent, these become highly pragmatic operative values. This frame of reference makes the organization strong and the organization grows and prospers when operative values are strong.

Exhibit 22.1 gives details of the nature of gender diversity at Aramark.

Exhibit 22.1: Celebrating Workforce Diversity - Aramark Way

Aramark is a global provider of food, facilities, and property services. The main focus is on service excellence at the moment of truth, while innovating every day. The company's diversity and inclusion efforts have been recognized by several organizations, and it has been recognized as a Winning 'W' Company by 2020 Women on Boards, for achieving at least 20% women on its corporate board before the year 2020; Aramark's Board consists of 33% women now. Aramark was also named to Diversity Best Practices (DBP), a division of Working Mother Media, Inclusion Index, for creating an inclusive workplace.

Source: <https://www.aramark.com/about-us/news/aramark-general/aramark-first-annual-empower-awards> March 25, 2021 Accessed on 07.03.2022

Check Your Progress - 2

4. Classify the following into Terminal Values and Instrumental Values.
- a) Happiness, b) Honesty, c) Self-respect, d) Sincerity, e) Family security, f) Recognition in society, g) Comfortable life, h) Competitiveness.

Terminal Values	Instrumental Values

5. What would be the result when the values of an individual are the same as the values of their organization?.
- a. Goal congruence
b. Alignment of desires
c. Avoidance of responsibilities
d. Emergence of free society
e. Curiosity

22.6 Importance of Accountability

Accountability is taking ownership for the tasks entrusted to the individual. It is important that the work environment be designed for accountability, to ensure that employees willingly accept responsibility to deliver the output that is desired.

Example

We often read in newspapers that if a train accident takes place and few people are killed, we read public or opposition parties asking the Railway Minister to resign as he is held accountable for the incident. In reality the Railway Minister is not involved in driving the train or maintaining the signals. Those who are in charge of those duties are responsible for the accident but the ultimate accountability lies with the Minister in charge of Railways.

To create an accountable workplace, the right elements must be in place. Some of the elements that are needed are enumerated below:

- **Role Clarity**

When role clarity is missing, accountability becomes a casualty. Who has to perform what role is important, as the output expectations can be clearly spelt-out. Employees tend to respond positively and both the individual and the team truly embrace responsibility and display a sense of accountability.

Team members, in such a scenario, tend to identify gaps, and learn new roles and processes, leading to a sense of strong ownership, to deliver the desired output.

- **Taking Ownership for Team Results**

The focus is on team processes. Close monitoring is on, how the team is working toward goals and outcomes, and whether the team members are effective. Communication between members should be transparent and open, with corrective action on the feedback to be followed through.

- **Prioritize Competing Alternatives**

Most problems have multiple right answers. Hence people should be empowered to make decisions. Support is the key- be sure people have the resources, knowledge, and assistance they need. With this approach, team members increase their skills, confidence, and ownership.

- **Foster Genuine Risk Taking**

If the objective in fostering accountability is punitive action for not achieving results, then innovation and risk-taking will be smothered. No one will be willing to step up, speak out, or try something new. Risk is inherent in all decisions and one must be accommodative to failures that are not anticipated. Hence, calculated risk-taking must be encouraged.

- **Learning through Improvement**

Accountability is the building block, for creating a learning organization. Sustainable high-quality processes can be ensured through a trial and error method. A systems approach is quite beneficial, for holding individuals accountable.

Check Your Progress - 3

6. Why is accountability termed as a building block?
 - a. For creating buildings
 - b. For creating flexible organizations
 - c. For creating learning organizations
 - d. For creating tall organizations
 - e. For creating virtual organizations

22.7 The Global Manager

In most business enterprises, ordinary employees are socialized, to learn how to work with peers, who are similar to them in their mind-set and cultural influences. The unique cultural lens orients them to a particular way of looking at things and doing things, in a manner that is unique to their cultural moorings

Block 6: Management Techniques

and social and psychological backgrounds. They understand and interpret their surroundings from one-dimensional perspective.

This approach to the workplace was the relevant way of doing things for many centuries. In the 21st century, it is a constraint or an impediment. Diversity of the workforce has led to a situation, wherein people need to work with colleagues, who are different from their native country or culture.

- An Italian COO of a technology company in Mumbai finds it difficult to motivate his Indian employees;
- An Israeli management consultant, who is working in the US, doesn't comprehend "American style" feedback;
- A CEO of a Korean software firm, having an office in Shanghai, struggles to retain his Chinese employees.

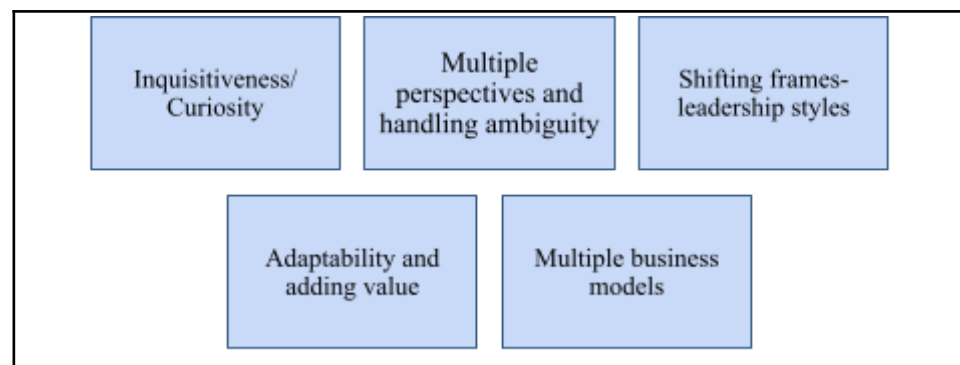
Why do the above three find it difficult with their workplace situations?

What is missing is a lack of understanding of the cross-cultural contexts, in which they are operating. Multi-cultural literacy is a necessity rather than a choice or option.

Global leadership is all about managing business operations across borders, where different cultural, social, legal, and economic systems are unique to a specific country or location. It is about having knowledge about how to operate in multiple business environments and achieving an organization's vision and objectives.

Some of the important traits of global managers are presented in Figure 22.2.

Figure 22.2: Traits of Global Manager



Source: ICFAI Research Center

Let us understand one by one.

1. Inquisitiveness/Curiosity

The best global managers seek out and are open to new experiences. Even in their personal lifestyle, they are generally curious about anything new and give them a new perspective.

They try to internalize and imbibe the culture in other countries. They are objective and are able to suspend their personal opinions, in dealing with new experiences.

2. Multiple Perspectives and Handling Ambiguity

The ability to deal with new experiences is continuous and a global leader has the skill to manage multiple viewpoints and perspectives that are drawn from his exposure to multi-cultural business environments.

They are quick to adapt to new situations and are flexible, and responsive to dynamic inter-cultural differences. Further, they have an innate ability to learn from mistakes and delicately strike a balance between the familiar and unfamiliar.

3. Shifting Frames- Leadership Styles

This skill endows the global managers, to shift their leadership style, according to the local requirements of a country/ culture. For example, a consultative style, where employee inputs are taken, is suitable in Italy, but may not be appropriate in India, where employees are used to a hierarchical system.

4. Adaptability and Adding Value

A true global manager has an uncanny ability to know, when to teach employees; when to listen and learn from them; and when to make decisions, based on 360-degree feedback.

Striking the right balance is what distinguishes an effective global leader. Like too much adaptation to the local flavor may not be the right thing. Think local and act global may be demanded in some situations, as the manager should not lose sight of the global ambitions of his company.

5. Multiple Business Models

It is true that business models differ from country to country; one geography to the other. Good global managers understand these nuances well and have the ability to customize their products and services to the local conditions. What works in the US may not work in Europe and so on and so forth.

In developing markets, the focus is on breaking into a market and learning new business models. Smart companies realize that they need to groom today's managers into future global leaders, through systematic and conscious strategy.

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Activity 22.1

List four Senior Managers with whom you have worked with/ familiar with and see how he/she scores against the above five parameters in a scale of 1(least) to 5(the highest). Rank the topper in the list

6. The Global Mind Set

Intellectual capital: Global business savvy, cognitive complexity, cosmopolitan outlook.

Psychological capital: Passion for diversity, quest for adventure, self-assurance.

Social capital: Intercultural empathy, interpersonal impact, diplomacy.

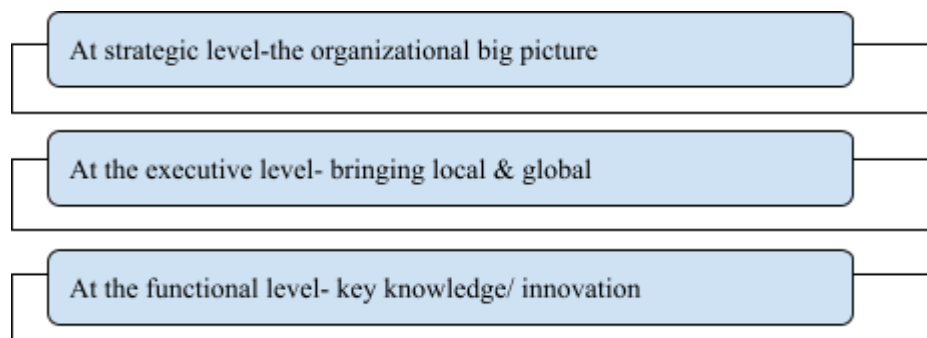
Check Your Progress - 4

7. Identify from the following the traits of a global manager.
 - a. Multiple Perspectives and Handling Ambiguity
 - b. Simplicity
 - c. Adaptation
 - d. Unfavorable to new experiences

The three prototypical roles for the global managers are discussed below.

The prototypical roles for the global manager are essential and presented in Figure 22.3.

Figure 22.3: Key Functions at different Management Levels



Source: ICAI Research Center

- **At strategic level** - Global business managers are entrusted with overarching strategic positioning and asset co-ordination, across the organization
- **At the executive level** - the country CEOs act as a bridge between the local market operations and global business objectives of the organization
- **At the functional level** - the functional global managers help leverage knowledge and innovations, across the key functional departments throughout the organization.

Exhibit 22.3 explains how Ericsson turned its diversity initiatives into competitive advantage.

Exhibit 22.3: Ericsson - Using Global Diversity as Competitive Advantage

Ericsson is a global telecommunications company and is headquartered in Stockholm, Sweden. It is one of the leading players in telecommunication and data communication systems, mobile networks, mobile devices, and cable TV systems.

It was founded originally as a telegraph equipment repair business in 1876. It has about 102,203 staff and spans its operations world-wide as on 31 Dec 2020.

The company has ensured that its diversity of operation and people is turned into a competitive advantage. Ericsson's approach to diversity focuses on core and personal differences, which are cultivated to give the company a competitive edge. As a strategy, the company seeks to promote diversity, by striving for a workplace that leverages, respects and values individual differences.

Ericsson's concept of diversity includes

- Core and personal differences such as age, gender, race / ethnicity, personal beliefs
- Differences because of experiences like academic qualification, work experience, and functional background.
- Organizational differences that relate to function and position.
- Situational differences such as family status

The commitment to diversity is found in the following areas:

- Committed to equal employment opportunity (EEO), without discrimination due to race, color, religion, national origin, gender age, or disability.

Contd.....

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- Actively promotes development, and retention of diverse talent.
- Creating awareness among employees about diversity and fostering leadership skills, required to manage a diverse workforce.
- Establishing diversity plans to improve and develop the management of diversity.
- Freedom to employees to bring any deviation of the diversity policy to the notice of the appropriate level of management.

The following quote from the company website sums up its diversity philosophy quite well.

‘At Ericsson, the power of you defines the power of us. We are more than 100,000 people, with diverse experiences, perspectives, and ideas. It is our diversity that brings us closer together and helps us make a difference. Together, we inspire innovation, communication, and connectivity around the world. Your personal strengths are our strengths – and it is Ericsson's mission to ensure that diversity and inclusion are some of the most important building blocks of our company’.

Adapted from http://www.academia.edu/355362/Global_Diversity_Management_at_Ericsson 10 Jan 2022 Accessed on 07.03.2022

22.8 Interdependence of Leader and Team

It is a debatable point, whether it is the team or the leader who is important. However, management literature has a plethora of examples, as to how they are interdependent. The team is only as good as its leader or vice versa.

Example

The study by Alon Lisak et.al finds a relational work design perspective to substitutes for leadership behaviors that promote team meaningfulness and performance. The study explores team task interdependence as a substitute for empowering impact of leaders on team meaningfulness and performance. The study demonstrated that empowering leadership contributes directly to team meaningfulness and indirectly to team performance at low but not high task interdependence levels, thus indicating that task interdependence can substitute for empowering leadership

Source: <https://www.frontiersin.org/articles/10.3389/fpsyg.2022.637822/full> 11 February 2022 |

22.8.1 Clarity of the Issues

Teams perform effectively when leaders define the roles and responsibilities of each team member. It is the responsibility of the leader to ensure their teams understand the issues.

Clarity of the issues facilitates the team, to objectively break down the complexity of issues and plan the course of action that is suitable for the situation. Clarity eliminates the guesswork and the team is able to seize the opportunities.

22.8.2 Embrace Diversity of Thought

True teamwork means embracing the diversity of thought and recognizes different ways people think, act and innovate. In short, collaboration is the key that means people learn from each other and there is a cross-pollination of ideas. The interconnectivity of people results in dynamism, driving the team members closer to achieve the organizational objectives. The leader plays a proactive role in this regard.

Optimum collaborative environment can be facilitated through:

- Broader observation to identify opportunities
- Extensive innovation to seed opportunities properly
- Leverage the potential of the seeds of opportunity
- Diversity of thoughts must be properly broadcast

22.8.3 Fostering Critical and Strategic Thinking

A leader needs to facilitate the thinking process. Sustaining the outcome is very critical and this can be ensured, when each member of the team challenges each other to think more critically and see through a lens of continuous improvement by:

- Seeing opportunity everywhere and in everything
- Anticipating the unexpected
- Passionate pursuit of excellence by team members
- Thriving with an entrepreneurial spirit
- A passion to leave behind a legacy together

Check Your Progress - 5

8. Identify from the following the important traits of a global manager.
 - a. Persuasion
 - b. Innovation / Creativity
 - c. Skepticism
 - d. Inquisitiveness / Curiosity
 - e. Rigidity

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9. Match the following:

Global Managers at the-	a) Help leverage knowledge and innovations across the key functional departments
1. Strategic level	b) Overarching strategic positioning and asset co-ordination
2. Executive level	c) Act as a bridge between the local market operations and global business objectives
3. Functional level	

22.9 Effective Team Skills

Following are some of the teamwork skills that are essential for business success.

22.9.1 Listening Skills

The objective of teams in the workplace is meant to foster sharing and debating about ideas and alternative solutions. Strong listening skills are a prerequisite for the team performance as it improves the team chemistry. The ability to share ideas is well complemented with good listening skills.

Example

According to Edgar Dale's Cone of Experience, we only remember between 25 percent and 50 percent of what we hear. That means that when we talk to our boss, colleagues, customers, or spouse for 10 minutes, we pay attention to less than half of the conversation.

22.9.2 Persuasion

While listening to the ideas of others, a knowledgeable team member has to possess the skills of persuasion to convince others to take on board.

22.9.3 Accountability

Responsibility and accountability go hand in hand and are essential to effective teamwork. Teamwork entails the distribution of tasks to different team members and to achieve success, it is important that team members accept accountability and take responsibility for their actions.

22.9.4 Cooperation

A helpful nature and willingness to participate actively within the team are the skills of cooperation. The cooperative trait of openness and transparency makes

the team member a valuable resource to his team. Active participation and cooperation earn the respect of other team members and they willingly hear his ideas.

Activity 22.2

Rate the office team, with whom you are familiar, on the above four team skills and identify where it excels and where it lacks

Check Your Progress - 6

10. State whether the given statement is True or False.

Teams perform effectively when leaders define the roles and responsibilities of each team member.

22.10 Summary

- Increasing complexity at the workplace, coupled with business operations going global, has brought workplace diversity into the forefront.
- Diversity basically refers to the concept of bringing people with different social and ethnic origins, cultures and beliefs together, under the roof of the company or entity.
- The factors that contribute to diversity for corporate success are- workforce diversity, globalization of business and human talent, as these factors are highly mobile.
- It is unlawful to discriminate on grounds of gender, religion or other beliefs. Over the years, many progressive governments have created legal frameworks and enacted laws that govern the relationship between employers and employees.
- Values are important and comprise beliefs that are lasting and durable for group members in a society or an organization.
- Values in the organizational context are about binding people together and having shared values in the organization.
- There are two types of values- Terminal values and Instrumental values. When personal values (intended) and organizational values (adopted) are congruent, these become highly pragmatic operative values.
- This frame of reference makes the organization strong and the organization grows and prospers when operative values are strong.

Block 6: Management Techniques

- Accountability is taking ownership for the tasks entrusted to the individual. It is important that the work environment be designed for accountability to ensure that employees willingly accept responsibility, to deliver the output that is desired.
- The best global managers seek out and are open to new experiences. Even in their personal lifestyle, they are generally curious about anything new that gives them a new perspective.
- They try to internalize and imbibe the culture of other countries. It is a debatable point, whether it is the team or the leader who is important, but the fact is that both team and leader are interdependent. The team is only as good as its leader or vice versa.

22.11 Glossary

Collaborative environment: Enable company-wide global teams, to identify the source of the problem and develop a response.

Corporate communication: is a management function, dedicated to the dissemination of information to key constituencies and the development of messages, for a variety of purposes, for inside and outside the organization.

Corporate policy: A formal declaration of the guiding principles and procedures, by which a company will conduct its business operations.

Cross-cultural contexts: Culture is all aspects of life, the totality of meanings, ideas and beliefs, shared by individuals within a group of people.

Entrepreneurial spirit: It's an attitude and approach to thinking that actively seeks out change, rather than waiting to adapt to change

Hierarchical relationships: Superior subordinate relationship, in terms of ranks.

Leadership style: It is a leader's style of providing direction, implementing plans, and motivating people.

Multiplier effect: Concept from economics. Metaphorically, the ripple effect through external impact.

Organizational vision: It is the projection of future status of an organization, where it intends to reach.

Shared values: It is a management strategy, focused on companies creating measurable business value by identifying and addressing social problems that intersect with their business.

Trial and error method: It is a problem-solving method that is characterized by repeated, varied attempts, which are continued until success is achieved.

War for talent: The increasingly competitive landscape of recruiting talented employees by the companies.

22.12 Self-Assessment Exercises

1. Briefly explain the key factors of diversity management, as a competitive tool.
2. Explain the importance of accountability.
3. Illustrate values in management.
4. Give a brief description of the traits of the global manager.
5. “The team is only as good as its leader or vice versa”. Comment.

22.13 Suggested Readings / Reference Material

1. Alfranch Nahavandi, The Art and Science of Leadership, Pearson, 7e, 2018
2. Arora H.N and Rajan Sinha, Alchemy of Change - Managing Transition through Value-based Leadership, SAGE Publications, 2020
3. Daphne Halkias, Joseph C. Santora, Nicholas Harkiolakis (Editors), Leadership and Change Management: A Cross-Cultural Perspective Hardcover, Routledge, 2017
4. Gary A Yukl; William L Gardner, Leadership in organizations. 9th ed. Boston Pearson Education, Inc 2020
5. Gillian Watson, Stefanie C. Reissner, Developing Skills for Business Leadership 3rd Edition. London: Kogan Page, 2020
6. Nishant Uppal, Narcissus or Machiavelli? Learning Leading from Indian Prime Ministers, Routledge, 2021
7. Panduranga Bhatta C. and Pragyan Path, The Art of Leading in a Borderless World, Bloomsbury Publishing, 2020
8. Peter G. Northouse Leadership: International student edition, Theory and Practice, 9th Edition SAGE PUBLICATIONS INC, 2021
9. Rajashi Ghosh, Indian Women in Leadership, Springer Nature, 2018
10. Ratan Raina, Change Management and Organizational Development, SAGE Publications, 2019
11. Ruchira Chaudhary, Coaching - The Secret Code to Uncommon Leadership, Penguin Random House India, 2021
12. Sajjad Nawaz Khan, Leadership and Followership in an Organizational Change Context, IGI Global, 2021

22.14 Answers to Check Your Progress Questions

1. (e) Different procedures

Different procedures are not a characteristic of diversity.

2. True

When companies go all out to recruit talented people from everywhere, diversity becomes the norm.

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3. (c) Innovation and Creativity

Two advantages of having a diverse workforce are innovation and creativity.

4.

Terminal Values	Instrumental Values
a) Happiness, c) Self-respect, e) Family security, f) Recognition in society, g) Comfortable life	b) Honesty, d) Sincerity, h) Competitiveness

5. (a) Goal congruence

When the values of an individual are the same as the values of their organization, then there is goal congruence.

6. (c) For creating learning organizations

Accountability is the building block for creating a learning organization.

7. (a) Multiple Perspectives and Handling Ambiguity

Multiple Perspectives and Handling Ambiguity are important traits of a global manager.

8. (d) Inquisitiveness / Curiosity

Inquisitiveness / curiosity and multiple perspectives and handling ambiguity are the two important traits of a global manager.

9. Match the following:

Global Managers at the	a) overarching strategic positioning and asset co-ordination
1. Strategic level	b) act as a bridge between the local market operations and global business objectives
2. Executive level	c) help leverage knowledge and innovations across the key functional departments
3. Functional level	

10. True

Teams perform effectively when leaders define the roles and responsibilities of each team member.

Unit 23

Emerging Economic and Business Environment

Structure

- 23.1 Introduction
- 23.2 Objectives
- 23.3 The Basic Elements of an Organization
- 23.4 What is Organizational Change?
- 23.5 The Environment that Fosters Innovation
- 23.6 Managing Change for Excellence
- 23.7 Handling Star Performers
- 23.8 Authority, Responsibility, and Accountability
- 23.9 Summary
- 23.10 Glossary
- 23.11 Self-Assessment Test
- 23.12 Suggested Readings/Reference Material
- 23.13 Answers to Check Your Progress Questions

“The secret of change is to focus all of your energy, not on fighting the old, but on building the new.”

– Socrates

23.1 Introduction

Organizations must constantly strive for change in order to grow.

In the previous unit, we discussed managing diversity.

Organizations are essentially part of the larger social system. It is an organic and integrated system, where everything is impacted when a part of it is affected. There is a strong inter-relationship between various elements and parts of the organization and also with the environment around it. Once the organization functions, the inter-relationships get established and gradually organization grows into a systematized and orderly behavior. The whole system is in equilibrium and becomes an established way of life. In this unit, we will know about the Emerging Economic and Business Environment.

23.2 Objectives

After reading this chapter, you should be able to:

- Explain what an organization is and identify its elements.
- Appreciate the concept of change management in the Indian context.
- Distinguish authority, responsibility, and accountability.
- Analyze the elements that foster innovation.
- List features of high performance organizations.

23.3 The Basic Elements of an Organization

The important elements of an organization include its vision, mission, people, structure and processes. Let us elaborate on these five elements.

1. **Vision: What we want to become.** It is a description of the aspiration of the organization, to achieve or accomplish something. It is a goal post that drives the course of action for the organization.
2. **Mission: It is who we are, what we value.** It is a written statement of an organization's core purpose that is long-term in nature. It communicates the intended direction of the organization. While vision is the cause, the mission is the effect; a mission is something the organization desires to accomplish, while vision is what the organization intends to pursue that accomplishment.

Example

The mission statement of Samsung Electronics:

“We will devote our human resources and technology to create superior products and services, thereby contributing to a better global society.”

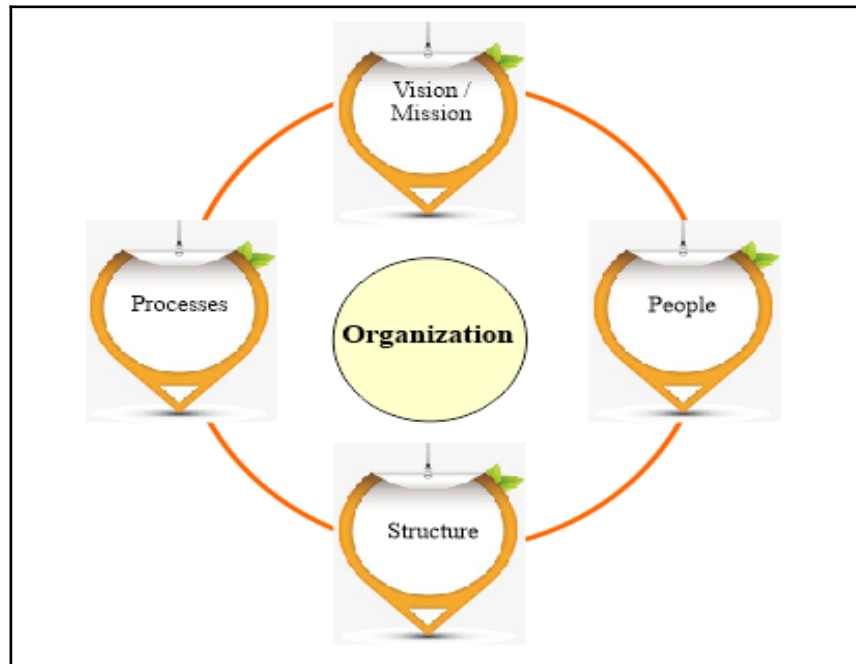
Source: <https://mission-statement.com/samsung/> Accessed on March 10, 2022,

3. **People:** People are the assets of the organization, through which an organization carries out its vision/ mission. It is said that it is people who make or mar an organization. They are the means to achieve the end objectives. Without the right people with the right attitude, it is impossible for the organization to achieve its vision.
4. **Structure:** It is a formal system of task and authority relationships that control and determine how people perform the tasks in a coordinated manner, using the organizational resources. The structure also facilitates the motivation process of the employees, to achieve the organizational objectives. Organizational structure is not static and it undergoes change and evolves over a period. Hence, the organizational change management process is an important component of the organizational structure.

5. **Processes:** These are the laid down procedures, for performing a task in an orderly and structured manner, to ensure that products/ services are standardized and delivered in a consistent manner to the customer- both internal and external. The very purpose of organizational existence is to create value, by people working together in the organizational setting.

Figure 23.1 outlines the basic elements of an organization.

Figure 23.1: Basic Elements of an Organization



Source: ICFAI Research Center

Check Your Progress - 1

1. Which of the following is not the element of the basic organizational framework?
- Vision / Mission
 - Structure
 - People
 - Process
 - Procedures

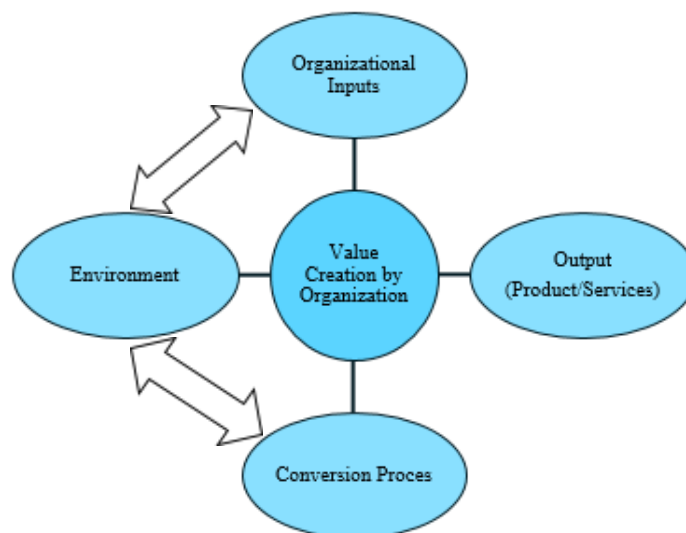
The graphic describes how organizations create value for all stakeholders. The value is created in three stages-

- 1) Input
- 2) Conversion, and
- 3) Output.

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All three stages are affected by the environment. The amount of value, an organization creates, is a function of the quality of its skills and it is very critically linked to its ability, to learn and respond to the environment (Refer to Figure 23.2)

Figure 23.2: Creating Organizational Value



Source: ICFAI Research Center

Table 23.1 details the existence and operation of the organization.

Table 23.1: Existence and Operation of the Organization

Organizational Inputs are obtained from: <ul style="list-style-type: none">• Raw material• Capital / Money• Human resources• Knowledge / Information• Other service organizations	Organization's Conversion Process: <ul style="list-style-type: none">• Human skills• Machinery• Computers
↑	↓
Organization's Environment: <ul style="list-style-type: none">• Customers• Shareholders• Suppliers• Distributors• Competitors• Government	Organization's Output: <ul style="list-style-type: none">• Finished goods/ Services• Value for stakeholders• Salaries/ Income to employees

Source: ICFAI Research Center

The above table describes the existence and operation of the organization.

23.4 What is Organizational Change?

The term ‘change’ refers to any alteration, which occurs in the overall work environment of an organization. Organizational change is often a conscious structured effort by the organization in response to the dynamic environment in which it operates.

Organizational change can be continuous or occur for distinct periods. It is a process by which organizations redesign the structure/ process, to shift from the current state to a desired future state, to enhance organizational performance and effectiveness. It is a conscious process in response to several factors. Organizational changes are influenced by either external or internal factors.

Example

The COVID-19 has transformed organizations with unforeseen changes to cope with the problems people have encountered. For example, organizations have been forced to do business differently by adapting different structures and processes. Many organizations have adapted quickly work-from-home policies in 2020 and had to equip staff with the systems and tools they needed in order to work productively from home. For connectivity, Google Meet, Zoom, Webex etc came into prominence.

Source: <https://www.cmcpartnership.com/en-za/blog/covid-19-and-the-impact-on-organizational-change> Aug 18, 2021

23.4.1 External Factors

External factors include market conditions, social change, and political and legal changes.

- **Market Conditions:** Since every organization sells its products / services in the market, it needs to understand the nature of the market and cater to the demands of the consumer.

There is a threat of competition from rival organizations and it has to respond appropriately to survive and become the leader in the market. Any changes in these forces may require suitable changes in the organization.

For example, when the Indian economy was liberalized, the threat of new foreign entrants forced many Indian organizations to change and realign their business strategies to the new realities of the marketplace.

The impact was in terms of many cases of divesting the business and concentrating on the core business, by way of mergers and amalgamations. Similarly, the consumer’s lifestyle, preferences, and increased disposable income forced Indian companies to reinvent their products and services.

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- **Social Changes:** India is one of the fastest developing economies and the new generation of Indians have higher aspirations and are ambitious to be vertically mobile. Social changes reflect in terms of people's aspirations, needs, and ways of working.

Social changes have taken place, because of several forces like the level of education, urbanization and empowerment of youth through information technology. These social changes influence the behavior of the employees in the organization.

- **Political and Legal Changes:** Political and legal factors impact, in a significant way, the environment.

In May 2014, BJP swept into power and the business climate has changed a lot during the period. A good deal of policy initiatives has been undertaken by the BJP government, to make Indian companies more competitive in the international markets.

Likewise, far-reaching changes, in the legal framework, are envisaged to benefit the nation.

The land acquisition bill, currently in the process of legislation, deals with the compensation to the landowners/farmers is one such act that will have a profound impact on Indian industrial policy. Hence, any changes in the political and legal factors will affect the organizations' operations.

23.4.2 Internal Factors

Internal forces for change emanate from inside the organization. These forces are more subtle, in comparison with external forces.

For example, low employee morale can lead to low productivity and conflict between individuals.

Example

According to a Gallup study, more than half of employees are not engaged at work, leading to low staff morale. This, in turn, is resulting in diminished profits, workplace conflicts and poor performance.

Source: <https://smallbusiness.chron.com/effects-low-employee-morale-1768.html> June 22, 2021

Broadly, the problems stem from human resource and managerial behavior/decisions. Human resource problems stem from employee perceptions, about how they are treated at work and lack of alignment between individual and organization goals and objectives.

Dissatisfaction is a symptom of an underlying employee problem that should be addressed without delay. A high level of absenteeism indicates forces for change.

Organizations can use various approaches to job design, by implementing realistic job previews, and by reducing employees' role conflict, overload, and ambiguity. Empowering employees and encouraging worker participation is found to be effective in improving employee morale.

Managerial behavior/ decisions also contribute negatively. Excessive interpersonal conflict, between managers and their subordinates, is a sign that change is required. Teamwork is the essence of high performing organizations.

Check Your Progress - 2

2. Which of the following does not reflect change?
 - a. Structured effort
 - b. Conscious process
 - c. Influence by internal and external factors
 - d. Legal framework
 - e. Continuous or occurs for distinct periods
3. Which of the following is an external factor in organizational change?
 - a. Employee morale
 - b. Social change
 - c. Absenteeism
 - d. Managerial behavior
4. Classify the following into organizational inputs and the organization's environment:
 - Raw material
 - Customers
 - Capital/ money
 - Distributors
 - Shareholders
 - Suppliers
 - Human resources
 - Knowledge/ information

Organizational Inputs
Organization's Environment:

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5. State whether the given statement is True/False.

High levels of absenteeism and turnover indicate forces for change.
True/ False

Exhibit 23.1 discusses the PEST Analysis of Indian Automobile Industry

Exhibit 23.1: PEST Analysis of Indian Automobile Industry

It is very important that an organization considers its environment before developing its business strategy. The PEST analysis should be continuous and should be the basis for the planning and execution of business strategy. The organization's environment is made up of both the internal (Micro) and the external (Macro) environment. The macro-environment e.g., Political (and legal) forces, economic forces, socio-cultural forces, and technological forces are known as PEST factors.

Political Environment

Indian Government has changed its role from a controller to a facilitator. Focus is on providing better infrastructure, growth-oriented economic policies, and the right environment to attract investments. The liberalization policies to set up manufacturing hubs and the thrust to "Make in India" are clear signals of the political will of the government, to encourage foreign players for making a foray into India, which offers a huge market.

Other initiatives include relaxation of foreign exchange regulations and equity participation by MNCs, reduction of tariffs, liberal credit terms for bank finance, etc. These have contributed significantly to the Indian automobile industry and made it an attractive investment destination.

Economic Environment

Consistent and incremental GDP growth for the last couple of years has increased the purchasing power of the consumers, who are aspiring for a better quality of life. Growth in GDP has a rub-off effect on per capita income and more disposable income in the consumers' hands leads to more discretionary spends, on luxury items like automobiles.

Increasing urbanization of rural India has also pushed up the demand for automobiles, giving rise to increased sales. The concept of service in the auto industry has changed into customer care now, and the consumers perceive more value as a customer.

Contd....

Social Environment

Indian families are becoming increasingly nuclear and hence independent mobility is aspired. Increasing propensity on discretionary spends. Working from home and flexible working hours have gone up significantly. Easy and liberal finance terms from banks/ credit institutions

Technology Environment

Fuel efficiency: Increasing use of CNG and LPG, instead of conventional fuel, has made the entry of new kinds of vehicles into the market.

Wide array of choices of cars is available to consumers, in terms of meeting specific customer needs. Technology has to some extent made the prices very competitive and consumers perceive more value for money.

Car Dekho.com, etc. have made buying a car a simple online shopping experience and saved the hassle of hunting for a car an easy affair.

Source: ICFAI Research Center

Activity 23.1

Select an Indian company that you are familiar with and apply the PEST framework.

(Hint: You can choose a company like Bajaj Auto; TCS from IT sector, or Sun Pharma from Pharma sector. You can choose any company that you are familiar with from the above sectors)

23.5 The Environment that Fosters Innovation

In the current Information Age – also known as Knowledge Economy - innovation in products, services, processes can alone bring success to any business. In the present-day business environment, innovation is the oxygen and organizations will not be able to survive without innovation. The Old Economy model was largely influenced by F.W. Taylor¹.

Most organizations were built for certainty, predictability, and routine. Hierarchy and control were the hallmarks of organizational effectiveness. Taylor's principles were appropriate for the old industrial economy, where the

¹ Father of Management Principles

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majority of the tasks were repetitive and routine presenting hardly any challenge to human curiosity.

In today's Knowledge Economy, the rules have changed. Brainpower is the name of the new game. Customer is the king. Technology gives the customer access to more products and more companies.

In the book, *New Rules for New Economy*, Kevin Kelly gives a graphic description of the New Economy. "It deals with wispy entities such as information, relationships, copyright, entertainments, securities, and derivatives."

Example

In a *Harvard Business Review* article "The Business Case for Curiosity," Harvard Business School Professor Francesca Gino explained that curiosity is simply part of being human.. According to her, "When our curiosity is triggered," "we think more deeply and rationally about decisions and come up with more-creative solutions." leading to innovation.

Source: <https://www.harvardbusiness.org/these-four-skills-will-help-you-foster-an-innovation-environment/> May 16, 2019

Today organizations are structured as networks rather than hierarchies. Organizations need to learn how to manage themselves differently, as the rules of the old industrial economy are no longer valid and appropriate, in this knowledge and information-based society.

Innovation, by definition, means doing things in a different manner, exploring uncharted areas, and taking calculated risks as the DNA. Innovators believe that innovation should be able to happen anytime and anywhere.

23.6 Managing Change for Excellence

While there is no ready-made formula for assuring long-term excellence, there are certain business practices that can enhance the chances of achieving and sustaining such aspiration.

Leadership, in organizations, plays a critical role in sustaining and managing excellence. The leader has the responsibility to steer the organization in the right direction and be there along with his people, throughout the journey. This requires leaders, who clearly communicate the need for change and coach people, to remain on the mission to implement change.

An excellent company starts with leaders, who actually want to be excellent. They know who they are, how they fit into the company's culture, how they communicate, and what they communicate.

They are responsible for "Organizational Health". Strategic development is also a leadership role. Leaders provide clarity, communicate clarity, and reinforce

clarity. To implement change successfully, there is a need for project management.

Most change initiatives fail because they lack good project management skills. An effective plan, to inventory all the projects in the organization pipeline, is a must.

Secondly, those projects are to be prioritized, according to the importance of customers and proper resources are to be allocated, to complete those selected projects/ initiatives.

Lastly, periodic reviews are required, to assess project performance and risks. Great quality and project management are the main elements of any great company.

Quality models such as the Malcolm Baldrige are a source of inspiration and operational excellence. Basic quality and management tools like Lean and Six Sigma, Lateral Thinking, Triz, Design Thinking, and should be in the repertoire of effective leaders.

Example

Al Faber, President and CEO of the Foundation for the Malcolm Baldrige National Quality Award, while announcing the awards said, “For 2021, we have two recipients for the Lifetime Achievement Award. They are: Celeste Volz-Ford of Stellar Solutions and Terry May, Founder and CEO of MESA.”

Source: <https://baldrigefoundation.org/news-resources/press-releases.html/article/2021/01/05/baldrige-foundation-announces-2021-leadership-award-recipients> Accessed on 07.03.2022

Everything the business does, it does with the customer in mind. The organization is interdependent within the business and the ecosystem is mutually dependent on stakeholders, suppliers, and customers. Excellence involves and benefits the company’s vendors and is reflected in its customers.

Ultimately to sustain the change, one needs to select and nurture the talent. To effectively manage human capital, leaders need to create engagement, through participation, external motivation, and development initiatives. People, who are sustaining the change, must be recognized and rewarded.

Leaders guide their people and provide an environment for teamwork. Training and development is the icing on the cake for excellence. Training should be aligned with the strategic plan, and with the needs that arise, as the company changes and improves over time.

All management levels should be part of training and development, including top executives. Training effectiveness and evaluation are most important.

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Assessment models such as Kirkpatrick and Pecuniary Utility model are needed to properly measure the value of training.

In summary, it is a challenge to sustain excellence. Organizations that execute the change management well will succeed, and the rest will perish.

23.7 Handling Star Performers

Star performers in organizations generally display the following traits-

- An upbeat attitude- Each day is a new challenge. I will learn from experience and will give my best shot.
- A willingness to learn from the opportunities given by the organization.
- They are creative thinkers and bring new / fresh ideas that help the organization.
- Adaptability makes them a precious resource as the utility value is quite high for the organization.
- Integrity and honesty are the two important elements of business organizations. Star employees are highly trustworthy and utterly reliable people with unquestionable integrity.

Activity 23.2

Identify a few of your colleagues and rate them against each of the above quality and find where each one tops.

23.7.1 Empowering Star Performers

Most of the star employees are uniquely gifted. Organizations should identify these innate gifts and help them bring those gifts to the projects they are currently working on. The possible innate gifts include Creativity, Facilitating, Listening, Intelligence, Intuiting, Leading, and Researching:

- Help employees to create flexible time (flexi-time) for work and their own personal well-being.
- Provide them a working environment that brings their work and life together, in proper balance.
- When employees begin to gain self-control and equanimity in their work lives, they will have made space for other parts of their lives.
- Help the employees identify the work they find most enjoyable, the tasks that excite them or that they find themselves repeatedly drawn to doing.

Retention of star performers is critical for organizational effectiveness. Good performance by an employee needs to be recognized instantly. It should be openly discussed and measured. This will create a kind of peer pressure on co-employees, resulting in all-round growth for the enterprise. By hiring, developing, promoting, and ultimately rewarding the talented workforce, the company can sharpen the organization's overall talent edge.

Example

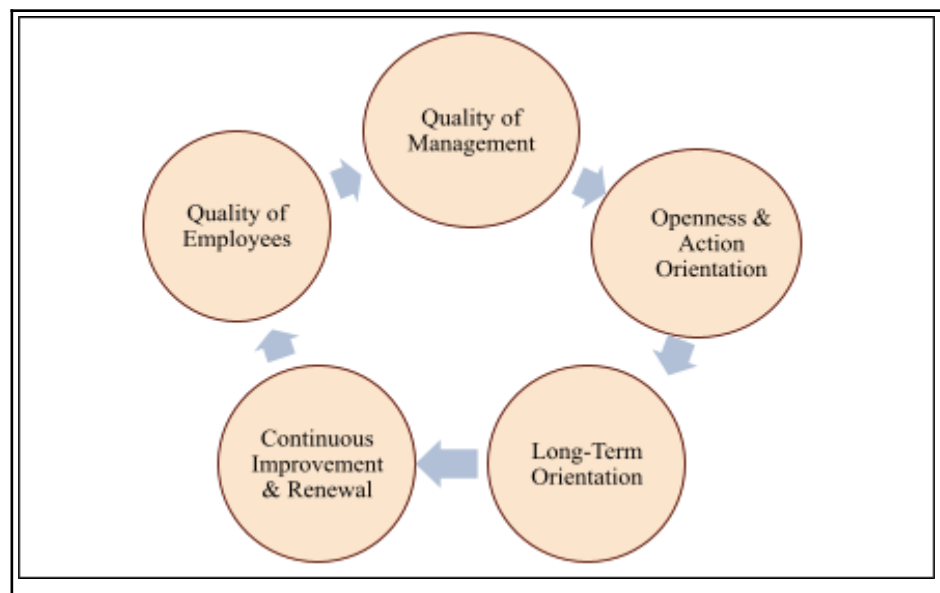
In the context of COVID-19, the definition of star performers changed to a great extent. "Today, it's not just about performance. It has more to do with people's agility and their being forthcoming, adaptive in the new conditions, willing to understand and keen to contribute under such tough conditions," says Prashant Rai, VP-HR, Arohan Financial Services.

Source: <https://www.hrkatha.com/performance-management/how-the-definition-of-star-performer-has-changed-post-covid/> 17 August 2020 Accessed on 07.03.2022

23.7.2 High Performance Organization

It is a highly focussed organization that achieves financial and non-financial results that are superior to its peer group, over a period and has a disciplined strategic focus, on the priorities of the organization. (Refer Figure 23.3).

Figure 23.3: Features of High Performance Organizations



Source: ICFAI Research Center

These organizations score higher in areas like:

- Customer satisfaction
- Customer loyalty

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- Employee satisfaction
- Quality + renewal of services/ products (innovation)
- Complaint handling

The leaders in these organizations are fair and talent-oriented and promote the best people for the job and ensure that performance expectations are clear and realistic. The employees are enthusiastic and are eager to take on new challenges and are highly innovative in workplace practices. They take ownership and think that they are the stakeholders in the organization. The working culture is highly performance-oriented and passion-driven. Like great athletes, high-performing organizations continuously strive to improve and “work on their game.” Employees, throughout the organization, adhere to high ethical standards.

Exhibit 23.1 illustrates McKinsey as a high performance organization.

Exhibit 23.1: High Performance Organizations (HIPOs)

McKinsey is a management consulting firm founded by James O. McKinsey. But the culture developed at McKinsey was the principles framed by Marvin Bower, who is a visionary leader and reformed the company from an accounting & engineering practice to a premier management consulting company. The day you join McKinsey as an employee, a copy of Perspective on McKinsey is given. This is a confidential document and not shared with the public and explains in detail about the firm and its purpose. The copy consists of a clear explanation of the vision of the firm, according to Bower which was, a “lasting firm”. Bower said that business models can change but not the values imbibed into business. He believed that a value-based culture built in the company can lead to continuous improvement.

There are three things that contributed to the high performance and continuous success of McKinsey. They are:

1) Develop, excite and retain talented people: McKinsey believes in retaining talent and firing the wrong or underperformers. They teach talented people on how to solve problems, promote a learning culture and respect them.

2) Proof values-driven: Two principles are emphasized – share powerful stories that reinforce the values and help understand to get familiar with the culture. Secondly, it gives autonomy and shares feedback openly with employees.

Contd....

3) Long-term plans to be a lasting firm: McKinsey integrates purpose into the values of the firm and reinforces constantly. Talented people get attracted with this phenomenon and understand the purpose and develop their career path being a part of a great firm.

Source: <https://strategyu.co/decoding-high-performance-mckinsey-company/>, 30-10-2021 Accessed on 07.03.2022

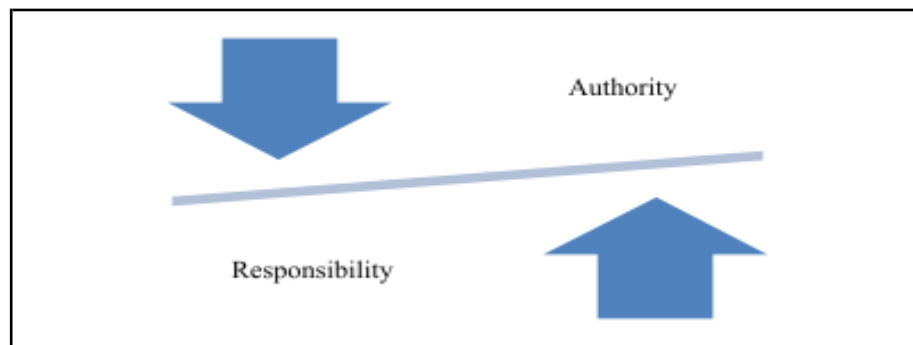
23.8 Authority, Responsibility, and Accountability

An organization is a group of individuals that are broken down into different levels of authority and segments based on specialty, with the intention of achieving goals and objectives that have been set by the organization.

Every organization has objectives and goals that it strives to achieve. In order to do so, people in the organization must work together. The activities of each of these individuals are broken down by authority-responsibility relationships. These relationships are often formed on the basis of the job hierarchy.

Figure 23.4 exhibits the relationship between responsibility and accountability.

Figure 23.4: Authority, Responsibility Relationship



Source: ICFAI Research Center

23.8.1 Authority

Authority is the right or power, assigned to an executive/ manager, in order to achieve certain organizational objectives. In order to discharge his duties, a manager has to be bestowed with authority that will empower him to execute the tasks, through his subordinates.

Authority has its genesis in the organizational framework. Without authority, a managerial function ceases to exist. Authority is one of the basic requirements in an organization. An organization cannot survive without authority.

It empowers the manager, the right and power for decision-making, and giving orders and instructions to subordinates. Authority is delegated from above and flows downwards to the subordinates.

Block 6: Management Techniques

Essence of authority

- Organization has to formally bestow authority on the individual
- Always flows from top to down
- Non-compliance to authority will attract punitive action

23.8.2 Responsibility

It is a duty imparted on a subordinate. The subordinate is under an obligation to perform assigned duties, to the best of his/ her ability, under the instructions and supervision of the leader/ manager. In other words, responsibility is the obligation of a subordinate to perform the duty, as required by his superior. It is important to note that orders of the superior must be lawful and related to the job requirements.

The essence of responsibility is the duty of a subordinate, to perform the task assigned. It always originates from the superior-to-subordinate relationship. Normally, responsibility moves upwards, whereas authority flows downwards.

Responsibility is in the form of a continuing obligation. It cannot be delegated. The subordinate is accountable for the performance of assigned duties. It is impossible to conceive responsibility without authority.

22.8.3 Accountability

Meaning of Accountability:

Accountability means responsible behavior and ownership, which is fully required at every single organizational level.

Effective leaders at all levels understand the importance of two-way accountability and act accordingly. They never look for scapegoats, as they make themselves fully accountable for their team's success. These are the five basic rules of accountability, followed by them:

- i. Leaders take full responsibility for decisions.
- ii. Leaders take responsibility for communication.
- iii. Leaders always think and say, "We" instead of "I".
- iv. Leaders run effective meetings.
- v. Leaders transform problems into constructive feedback.

Inter-Relationship between Authority, Responsibility, and Accountability

Authority arises out of responsibility, responsibility arises out of assignment of work, and accountability arises out of use of authority. Authority flows from higher to lower levels, whereas responsibility and accountability flow from lower levels to higher levels.

In brief, authority is delegated, responsibility is assumed, and accountability is imposed. Simply stated, accountability means answerability.

A subordinate, who is delegated authority, becomes answerable for performance of his duty. Further, authority is delegated, responsibility is assumed, and accountability is imposed.

In short, authority is the medium, to create responsibility and accountability.

Example

If we take finance management as an example to explain the difference between accountability, responsibility and authority.

Usually, the CFO of a company has **accountability** for cash. He is accountable for alerting the team if he observes any potential issues.

The CEO maintains **authority** over cash, signing off on major expenditures and investments.

However, everyone in the company has **responsibility** for making sure that cash is spent wisely.

Source: <https://www.trustcolab.com/2021/05/19/the-difference-between-accountability-responsibility-and-authority/>

Check Your Progress - 2

6. Which of the following features emerged in the new economy, replacing the old economy?
 - a. Hierarchy
 - b. Control
 - c. Innovation
 - d. Authority
7. Which of the following represents answerability?
 - a. Authority
 - b. Responsibility
 - c. Accountability
 - d. Empowerment
8. Which of the following is not an innate gift in employees' creativity?
 - a. Intelligence, Intuition
 - b. Leading
 - c. Researching
 - d. Hard work

Block 6: Management Techniques

9. Which of the following denotes responsible behavior and ownership?
 - a. Authority
 - b. Accountability
 - c. Responsibility
 - d. Empowerment
10. Which of the following is not a characteristic of high performance organizations?
 - a. Quality improvement
 - b. Long-term orientation
 - c. Short-term orientation
 - d. Customer satisfaction

23.9 Summary

- People, process, and structure are closely interlinked, to create a mission/vision for an organization.
- The amount of value an organization creates is a function of the quality of its skills and is very critically linked to its ability to learn and respond to the environment.
- Organizational change is often a conscious structured effort by the organization, in response to the dynamic environment in which it operates.
- It is the process, by which organizations redesign the structure and process, to shift from the current state to a desired future state, for enhancing organizational performance and effectiveness.
- In the present-day business environment, innovation is the oxygen and organizations will not be able to survive without innovation.
- Leadership in the organizations plays a critical role in sustaining and managing excellence.
- To effectively manage human capital, leaders need to create engagement through participation, external motivation, and development initiatives.
- Most of the star employees are uniquely gifted. Organizations should identify these innate gifts and help them bring those gifts to the projects they are currently working on.
- By hiring, developing, promoting, and ultimately rewarding talented workforce, the company can sharpen the organization's overall talent.

23.10 Glossary

Absenteeism and turnover: Is a pattern or habit of an employee missing work, often for no good reason. *Turnover* is people quitting or being fired from their job.

Consumer's lifestyle: How consumers make their purchase decisions.

Design thinking: Design thinking stands for design-specific cognitive activities that designers apply, during the process of designing.

Disposable income: Income remaining after deduction of taxes and social security charges, available to be spent or saved, as one desires.

Employee morale: The job-satisfaction, outlook, and feelings of well-being, an employee has within a workplace setting.

Information age: Is a period in human history, characterized by the shift from traditional industry to an economy, based on information computerization.

Kirkpatrick Four Levels: The Kirkpatrick Model, or four levels of training evaluation, consists of Reaction, Learning, Behaviour, and Results

Knowledge economy: an economy, in which growth is dependent on the quantity, quality, and accessibility of the information available.

Malcolm Baldrige award: The Malcolm Baldrige National Quality Award (MBNQA) is awarded to U.S. companies that have successfully implemented quality management systems,

Old economy: A term for the old blue-chip industries that enjoyed fabulous growth, during the early parts of the century, as industrialization around the globe expanded.

Six Sigma: Is a quality management tool.

Lateral Thinking: The solving of problems by an indirect and creative approach, typically through viewing the problem in a new and unusual light.

Triz: Is a problem-solving toolkit.

23.11 Self-Assessment Test

1. Briefly explain the organizational change.
2. Discuss the basic elements of an organization.
3. Illustrate the process of empowering star performers in the organization
4. Discuss the relationship between authority, responsibility and accountability
5. Enumerate the features of high performance organizations.

23.12 Suggested Readings / Reference Material

1. Alfranch Nahavandi, The Art and Science of Leadership, Pearson, 7e, 2018
2. Arora H.N and Rajan Sinha, Alchemy of Change - Managing Transition through Value-based Leadership, SAGE Publications, 2020.
3. Daphne Halkias, Joseph C. Santora, Nicholas Harkiolakis (Editors), Leadership and Change Management: A Cross-Cultural Perspective Hardcover, Routledge, 2017
4. Gary A Yukl; William L Gardner, Leadership in organizations. 9th ed. Boston Pearson Education, Inc 2020
5. Gillian Watson, Stefanie C. Reissner, Developing Skills for Business Leadership 3rd Edition. London: Kogan Page, 2020
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8. Peter G. Northouse Leadership: International student edition, Theory and Practice, 9th Edition SAGE Public Inc., 2021
9. Rajashi Ghosh, Indian Women in Leadership, Springer Nature, 2018
10. Ratan Raina, Change Management and Organizational Development, SAGE Publications, 2019
11. Ruchira Chaudhary, Coaching - The Secret Code to Uncommon Leadership, Penguin Random House India, 2021
12. Sajjad Nawaz Khan, Leadership and Followership in an Organizational Change Context, IGI Global, 2021

23.13 Answers to Check Your Progress Questions

1. (e) Procedures

The basic organizational framework comprises - a) Vision / Mission
b) Structure c) People and d) Process. Procedures are not elements of organizational framework.

2. (d) Legal framework

Organizational change is not a legal framework. All the remaining options reflect organizational change.

3. (b) Social change

Social change is an external factor in organizational change.

4. Classify the following into organizational inputs and the organization's environment:

Organizational Inputs
<ul style="list-style-type: none">• Raw material - Capital / Money - Human resources - Knowledge / Information
Organization's Environment
<ul style="list-style-type: none">• Customers- Shareholders- Suppliers- Distributors

5. **True**

High levels of absenteeism and turnover indicate forces for change.

6. (c) **Innovation**

Innovation has emerged in the new economy, replacing the old economy.

7. (c) **Accountability**

Answerability represents accountability

8. (d) **Hard work.**

Hard work is not an innate gift of employees.

9. (b) **Accountability**

Responsible behavior and ownership together denote accountability.

10. (c) **Short-term orientation**

Short-term orientation is not a characteristic of high performance organizations.

Leadership and Change Management

Course Structure

Block I: The Mystique of Leadership	
Unit 1	Understanding Leadership
Unit 2	Leadership Styles
Unit 3	Leadership Skills and Tactics
Unit 4	The Making of a Leader
Block II: Path to Leadership	
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