

ORGANISATIONAL DEVELOPMENT (OD)

Learning Objectives

1. *Meaning of OD*
 2. *Nature of OD*
 3. *Objectives of OD*
 4. *OD Interventions*
 5. *OD Models*
 6. *Benefits from OD*
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Introduction

Organizational development (OD) is an application of behavioural science to organizational change. It encompasses a wide array of theories, processes, and activities, all of which are oriented towards the goal of improving individual organizations. Generally speaking, however, OD differs from traditional organizational change techniques in that it typically embraces a more holistic approach that is aimed at transforming thought and behaviour throughout an entity.

OD has a fascinating history and has become a fundamental part of the drive for engineering change within business.

Organisational Development (OD) may be defined as a Behavioural Science approach to the improvement of organisational effectiveness. It constitutes long-range effort to:

- Improve the problem solving capacity of the organisation
- Foster effective management of the organisation culture
- Improve the effectiveness of work groups/teams. It is specifically concerned with
- The organisation climate, organisation culture –i.e.. norms, values, power structure
- Worker commitment
- Structure of roles in organisation - incorporating organisational structuring and organisational restructuring
- Inter-group collaboration
- The combination of the authority based in roles with the authority based in knowledge and skills
- The creation of an open system, of communication –vertically, horizontally and diagonally
- Management development; the management of organisational change; and the management of conflict.

Definition

Definitions of OD abound, but they are all predicated on the notion of improving organizational performance through proactive activities and techniques. It is also worth noting that organizational development, though concerned with improving workforce performance, should not be mistaken for human resource development.

“Organization development is the planned process of developing an organization to be more effective in accomplishing its desired goals,” wrote Rima Shaffer in *Principles of Organization Development*. “It is distinguished from human resource development, in that HRD focuses on the personal growth of individuals within organizations, while OD focuses on developing the structures, systems, and processes within the organization to improve organizational effectiveness.”

Basics of Organizational Development

Although the field of OD is broad, it can be differentiated from other systems of organizational change by its emphasis on process rather than problems. Indeed, traditional

group change systems have focused on identifying problems in an organization and then trying to alter the behaviour that creates the problem. Margaret Neale and Gregory Northcraft have observed that OD initiatives focus on identifying the behavioural interactions and patterns that cause and sustain problems. Then, rather than simply changing isolated behaviours, OD efforts are aimed at creating a behaviourally healthy organization that will naturally anticipate and prevent problems.

Objectives of OD

The objectives of OD may be stated as follows :

- Improved organizational performance as measured by profitability, market share, innovativeness, etc.
- Better adaptability of the organization to its environment
- Willingness of the members to face organizational problems and contribute creative solutions to these problems
- Improvement in internal behaviour patterns such as inter personal relations, inter group relations and involvement in planning for organizational development.

Characteristics of Organisational Development

OD programs usually share several basic characteristics.

- They are considered long-term efforts of at least one to three years in most cases.
- OD stresses collaborative management, whereby managers and employees at different levels of the hierarchy co-operate to solve problems.
- OD also recognizes that every organization is unique and that the same solutions cannot necessarily be applied at different companies—this assumption is reflected in an OD focus on research and feedback.
- In most OD programs there is an emphasis on the value of teamwork and small groups. In fact, most OD systems use small teams—or even individuals—as a vehicle to implement broad organizational changes.

The catalyst—whether a group or individual—that facilitates the OD process is known as the “change agent.” Change agents are often outside consultants with experience managing OD programs, although companies sometimes utilize inside managers. The advantage of bringing in outside OD consultants is that they often provide a different perspective and have a less biased view of the organization’s problems and needs. The primary drawback

associated with outside change agents is that they may lack an in-depth understanding of key issues particular to the company. In addition, outside change agents may have trouble securing the trust and co-operation of key players in the organization. For these reasons, some companies employ an external-internal team approach, which seeks to combine the advantages of internal and external change agents while minimizing the drawbacks associated with the two approaches.

“Once we recognize that organizational development involves substantial changes in how individuals think, believe, and act, we can appreciate the necessity of someone to play the role of change agent. But who should play the role? Existing managers? New managers? Or individuals hired specifically for that purpose? Depending upon the situation, any of these can be called upon to orchestrate the organizational development process. The point is that the role of the change agent is necessary for organizational development to occur.”

Models of Organizational Development

Three models of OD are popular- namely:

- Kurt Lewin's Unfreezing-Changing and Freezing Model
- Griener's – Equential Process and
- Leavitt's System Model

Kurt Lewin's Unfreezing-Changing and Freezing Model

According to Lewin, successful change requires *unfreezing* the status quo, *changing* to a new state, and *refreezing* the new change to make it permanent. The status quo can be considered an equilibrium state. Moving from this equilibrium requires unfreezing, which can be achieved in one of the three ways:

1. The *driving forces*, which direct behaviour away from the status quo, can be increased.
2. The *restraining forces*, which hinder movement from the existing equilibrium, can be decreased.
3. The two approaches can be *combined*.

Once unfreezing has been accomplished, the change itself can be implemented. However, the mere introduction of change does not ensure that it will take hold. The new situation therefore needs to be *refrozen* so it can be sustained over time. Unless this last step is attended to “there is a very strong chance the change will be short-lived and employees will revert to the previous equilibrium state. The objective of refreezing, then, is to stabilize the new situation by balancing the driving and restraining forces.

Lewin's Description of the Changing Process

Unfreezing → Changing → Refreezing

Lewin's three-step process treats change as a break in the organization's equilibrium state. The status quo has been disturbed, and change is necessary to establish a new equilibrium state. This view might have been appropriate to the relatively calm environment that most organizations faced 30 or 40 years ago. But one can argue that this is not the typical state current managers have to negotiate.

Griener's – Equential Process Model

Change according to this model is in terms of certain sequential stages. It is initiated by external pressure or stimulus on the top management and is motivated to take action. The succeeding stages of intervention by the change agent are: diagnosis of the problem, invention of a new solution, experimentation with that solution and reinforcement from positive results.

Leavitt's System Model

Leavitt's model focuses on the interactive nature of the various sub-systems in a change process. Organisation is a system of four interacting sub-systems – task, structure, people and technology. Change in any one of the sub-systems tends to have consequences for the other sub-systems. Hence, OD effort should not only focus on the intended change but also on the effects of change on the other sub-systems.

Managing Change Through Organizational Development

Organizational development initiatives do not automatically succeed. The benefits of effective OD programs are myriad, as many executives, managers, and business owners will attest. But OD interventions that are pursued in a sloppy, half-hearted, or otherwise faulty manner are far less likely to bring about meaningful change than those that have the full support of the people involved. Several conditions have to be present if an OD intervention could have any meaningful chance of bringing about the desired change:

- Ownership and all involved personnel needed to be genuinely and visibly committed to the effort.
- People involved in OD have to be informed in advance of the nature of the intervention and the nature of their involvement in it.
- The OD effort has to be connected to other parts of the organization; this is especially true of such areas as the evaluation and reward systems.

- The effort has to be directed by appropriate managers and guided by change agents (which, if used, must be competent).
- The intervention should be based on accurate diagnosis of organizational conditions.
- Owners and managers should show their commitment to OD at all stages of the effort, including the diagnosis, implementation, and evaluation.
- Evaluation is key to success, and should consist of more than asking people how they felt about the effort.
- Owners and managers need to show employees how the OD effort relates to the organization's goals and overriding mission.

Implementing OD Programs

OD efforts basically entail two groups of activities: "action research" and "interventions." Action research is a process of systematically collecting data on a specific organization, feeding it back for action planning, and evaluating results by collecting and reflecting on more data. Data gathering techniques include everything from surveys and questionnaires to interviews, collages, drawings, and tests. The data is often evaluated and interpreted using advanced statistical analysis techniques.

Action research can be thought of as the diagnostic component of the OD process. But it also encompasses the intervention component, whereby the change agent uses action plans to intervene in the organization and make changes, as discussed below. In a continuous process, the results of actions are measured and evaluated and new action plans are devised to effect new changes. Thus, the intervention process can be considered a facet of action research.

OD interventions are plans or programs comprised of specific activities designed to effect change in some facet of an organization. Numerous interventions have been developed over the years to address different problems or create various results. However, they all are geared toward the goal of improving the entire organization through change. In general, organizations that wish to achieve a high degree of organizational change will employ a full range of interventions, including those designed to transform individual and group behaviour and attitudes. Entities attempting smaller changes will stop short of those goals, applying interventions targeted primarily toward operating policies, management structures, worker skills, and personnel policies. Typically, organization development programs will simultaneously integrate more than one of these interventions. A few of the more popular interventions are briefly described below.

Culture Creation

Culture creation occurs in three ways. First, founders hire and keep only employees who think and feel the same way they do. Second, they indoctrinate and socialize these employees to their way of thinking and feeling. And finally, the founders' own behaviour acts as a role model that encourages employees to identify with them and thereby internalize their beliefs, values, and assumptions. When the organization succeeds, the founders' vision becomes seen as a primary determinant of that success. At this point, the founders' entire personality becomes embedded in the culture of the organization.

The culture at Hyundai, the giant Korean conglomerate, is largely a reflection of its founder Chung Ju Yung, Hyundai's fierce, competitive style, and its disciplined, authoritarian nature are the same characteristics often used to describe Chung. Other contemporary examples of founders who have had an immeasurable impact on their organization's culture would include Bill Gates at Microsoft.

Once a culture is in place, there are practices within the organization that act to maintain it by giving employees a set of similar experiences. For example, many of the human resource practices we discuss in the next chapter reinforce the organization's culture. The selection process, performance evaluation criteria, training and development activities, and promotion procedures ensure that those hired fit in with the culture, reward those who support it, and penalize (and even expel) those who challenge it. Three forces play a particularly important part in sustaining a culture, selection practices, the actions of top management, and socialization methods.

Selection: The explicit goal of the selection process is to identify and hire individuals who have the knowledge, skills, and abilities to perform the jobs within the organization successfully. Typically, more than one candidate will be identified who meets any given job's requirements. When that point is reached, it would be naive to ignore that the final decision as to who is hired will be significantly influenced by the decision maker's judgement of how well the candidates will fit into the organization. This attempt to ensure a proper match, whether purposely or inadvertently, results in the luring of people who have values essentially consistent with those of the organization, or at least a good portion of those values. In addition, the selection process provides information to applicants about the organization.

Candidates learn about the organization and, if they perceive a conflict between their values and those of the organization, they can self-select themselves out of the applicant pool. Selection, therefore, becomes a two-way street, allowing employer or applicant to abrogate a marriage if there appears to be a mismatch. In this way, the selection process sustains an organization's culture by selecting out those individuals who might attack or undermine its core values.

Top Management: The actions of top management also have a major impact on the organization's culture. Through what they say and how they behave, senior executives establish norms that filter down through the organization as to whether risk taking is desirable; how much freedom managers should give their employees; what is appropriate dress; what actions will pay off in terms of pay-raises, promotions, and other rewards and the like.

Organizations, over time, often develop unique terms to describe equipment, offices, key personnel, suppliers, customers, or products that relate to its business. New employees are frequently overwhelmed with acronyms and jargon that, after six months on the job, have become fully part of their language. Once assimilated, this terminology acts as a common denominator that unites members of a given culture or sub-culture.

Creating an Ethical Organizational Culture

The content and strength of a culture influences an organization's ethical climate and the ethical behaviour of its members.

An organizational culture most likely to shape high ethical standards is one that's high in risk tolerance, low to moderate in aggressiveness, and focuses on means as well as outcomes. Managers in such a culture are supported for taking risks and innovating, are discouraged from engaging in unbridled competition, and will pay attention to *how* goals are achieved, as well as to *what* goals are achieved.

A strong organizational culture will exert more influence on employees than a weak one. If the culture is strong and supports high ethical standards, it should have a very powerful and positive influence on employee behaviour. Johnson & Johnson, for example, has a strong

culture that has long stressed corporate obligations to customers, employees, the community, and shareholders, in that order. When poisoned Tylenol (a Johnson & Johnson product) was found on store shelves, employees at Johnson & Johnson across the United States independently pulled the product from these stores before management had even issued a statement concerning the tamperings. No one had to tell these individuals what was morally right; they knew what Johnson & Johnson would expect them to do. On the other hand, a strong culture that encourages pushing the limits can be a powerful force in shaping unethical behaviour. For instance, Enron's aggressive culture, with unrelenting pressure on executives to rapidly expand earnings, encouraged ethical corner-cutting and eventually contributed to the company's collapse.

What can management do to create a more ethical culture? We suggest a combination of the following practices:

- **Be a visible role model.** Employees will look to top-management behaviour as a benchmark for defining appropriate behaviour. When senior management is seen as taking the ethical high road, it provides a positive message for all employees.
- **Communicate ethical expectations.** Ethical ambiguities can be minimized by creating and disseminating an organizational code of ethics. It should state the organization's primary values and the ethical rules that employees are expected to follow.
- **Provide ethical training.** Set up seminars, workshops, and similar ethical training programs. Use these training sessions to reinforce the organization's standards of conduct; to clarify what practices are and are not permissible; and to address possible ethical dilemmas. Visibly reward ethical acts and punish unethical ones. Performance appraisals of managers should include a point-by-point evaluation of how his or her decisions measure up against the organization's code of ethics. Appraisals must include the means taken to achieve goals as well as the ends themselves. People who act ethically should be visibly rewarded for their behaviour. Just as importantly, unethical acts should be conspicuously punished.
- **Provide protective mechanisms.** The organization needs to provide formal mechanisms so that employees can discuss ethical dilemmas and report unethical behaviour without fear of reprimand. This might include creation of ethical counsellors, ombudsmen, or ethical officers.

Creating a Customer-Responsive Culture

French retailers have a well-established reputation for indifference to customers. Salespeople, for instance, routinely make it clear to customers that their phone conversations should not be interrupted. Just getting any help at all from a salesperson can be a challenge.

And no one in France finds it particularly surprising that the owner of a Paris store should complain that he was unable to work on his books all morning because he kept being bothered by customers.

Most organizations today are trying very hard to be un-French-like. They are attempting to create a customer-responsive culture because they recognize that this is the path to customer loyalty and long-term profitability. Companies that have created such cultures—like Southwest Airlines, FedEx, Johnson & Johnson, Nordstrom, Olive Garden, Walt Disney theme parks, Enterprise-Rent-A-Car, Whole Foods, and L.L. Bean—have built a strong and loyal customer base and have generally outperformed their competitors in revenue growth and financial performance. In this section, we will briefly identify the variables that shape customer-responsive cultures and offer some suggestions that management can follow for creating such cultures.

Managerial Action

Based on the previously identified characteristics, we can suggest a number of actions that management can take if it wants to make its culture more customer-responsive. These actions are designed to create employees with the competence, ability, and willingness to solve customer problems as they arise.

Selection: The place to start in building a customer-responsive culture is hiring service-contact people with personality and attitudes consistent with a high service orientation. Southwest Air is a shining example of a company that has focused its hiring process on selecting out job candidates whose personalities aren't people-friendly. Job applicants go through an extensive interview process at Southwest in which company employees and executives carefully assess whether candidates have the outgoing and fun-loving personality that it wants in all its employees.

Studies show that friendliness, enthusiasm, and attentiveness in service employees positively affect customers' perceptions of service quality.' So managers should look for these qualities in applicants. In addition, job candidates should be screened so new hires have the patience, concern about others, and listening skills that are associated with customer-oriented employees.

Training and Socialization: Organizations that are trying to become more customer-responsive don't always have the option of hiring all new employees. More typically, management is faced with the challenge of making its current employees more customer-focused. In such cases, the emphasis will be on training rather than hiring. This describes the dilemma that senior executives at companies such as General Motors, Shell, and J.P. Morgan Chase have faced in the past decade as they have attempted to move away from their product focus. The content of these training programs will vary widely but should focus on improving product knowledge, active listening, showing patience, and displaying emotions.

In addition, even new employees who have a customer-friendly attitude may need to understand management's expectations. So all new service-contact people should be socialized into the organization's goals and values. Lastly, even the most customer-focused employees can lose direction every once in a while. This should be addressed with regular training updates in which the organization's customer-focused values are restated and reinforced.

Culture and Nations

As business gets global, the culture of a country becomes an important determinant of peoples' behaviour. Stories, rituals, language, traditions etc., of the country impacts the culture of the organization of that country. For instance, cultures differ widely in terms of their concept of time. Besides the obvious implications for punctuality, the difference also lies in how people from different cultures use their time. Many Western cultures (e.g. U.S., Germany, Switzerland etc.) are highly 'mono-chronic', i.e., people from these cultures prefer to deal with one task at a time. Thus, it is normal that a German would plan out every activity in a step-by-step manner. On the other hand, many Latin and Asian countries (e.g. India, Brazil, Spain, Arab Countries etc.) have a 'polychrome' orientation, i.e., it is quite normal for people to deal with more than one activity' at the same time, (it would not be unusual for an Italian or Latin American to interrupt a meeting to make a personal call).

People from polychrome cultures find monochronic cultures too mechanical, compartmentalized, and rigid. On the other hand, people from a monochronic background find polychronism to be an evidence of lack of focus and sincerity.

Similarly, in more individualistic countries (e.g., U.S., Australia, U.K. etc.), it is culturally acceptable to speak one's mind and express disagreements. For a person coming from a collective culture (e.g., Mexico, Indonesia, Japan, China etc.), such expressions would be perceived as discourteous, and even aggressive. On the other hand, in collective cultures, disagreements are expressed (if at all) in more subtle manner, which to a person coming from individualistic culture, would look as dishonest and lacking in trustworthiness.

Social Institutions

Countries differ considerably in the kind of social institutions they have - e.g., the way their education system functions, the way financial system works, the structures of governance etc., — which have a direct impact on how business is conducted in that country. While often not recognized as such, these social institutions are important repositories of a country's culture, and often embody its basic values and assumptions. The educational system in Germany has a heavy emphasis on technical and apprenticeship training. It is quite common for the CEO of a German company to have grown through the Meister system of apprenticeship training, while the MBA education is quite unknown.

CANADA

INDIA

The process of doing business moves fast.

Decision making is fast.

Attitude is 'business to business'; efficiency, quality, accountability, and time, are the key words.

Partnership is more legal or is a contractual agreement.

Personal connections are not as important as the business itself.

Direct style of communication is preferred.

The process is more time consuming—long lead

times and expanded time frames are required. Indians take a long time to make decisions or finalize agreements, but once trust is established, decisions are often made quickly. Indians are fast to move to a deal or agree on common interests, but slow to complete negotiations. They are more concerned with substantive issues like credit and reliability. Decisions are always taken by the top-level management. Local bureaucracy also slows pace, thereby making the process of decision making very lengthy.

Greater emphasis is placed on personal relationships, which is considered key to a business agreement, and is often regarded as a prerequisite to efficiency, quality, and accountability.

Partnership is built on long-term, personal relationships, through the establishment of trust. Good rapport is considered more important than a signed agreement.

Business partners who are well connected are generally considered very important for a successful business venture, as business is generally conducted through connections and personal contacts. Nepotism is high; each layer of the society has its own old boy network.

Indirect style of communication is generally the norm; sometimes negotiated through a third party for the sake of harmony, essential for maintaining business relationships. Prefer to say what the other party wants to hear, to avoid disharmony.

Monochronic People

Polychronic People

Do one thing at a time.

Do many things simultaneously.

Concentrate on the job.

Are highly distractible and subject to interruptions.

Take time commitments (deadlines, schedules) seriously.

Consider time commitments an objective to be achieved, if possible.

Are low-context and need information.

Are high-context and already have information.

Are committed to the job. Adhere religiously to plans.

Are committed to people and human relationships. Change plans often and easily.

Are concerned about not disturbing others; follow rules of privacy and consideration.

Are more concerned with those who are closely related (family, friends, close business associates) than with privacy.

Show great respect for private property; seldom borrow or lend.

Borrow and lend things often and easily.

Emphasize promptness.

Base promptness on the relationship.

Are accustomed to short-term relationships.

Have strong tendency to build lifetime relationships.

Review Questions

1. What is organizational culture ? Are cultures the same across organizations? Explain with suitable examples.
2. Explain the relationship between culture and ethics or values.
3. How is a responsive culture created ?
4. What are the implications of different cultures on managers?

Chapter 13

ORGANISATIONAL EFFECTIVENESS

Learning Objectives

1. *Organisational Effectiveness*
2. *Management of People*
3. *Less Effective Chief Executives*
4. *Effective Communication*

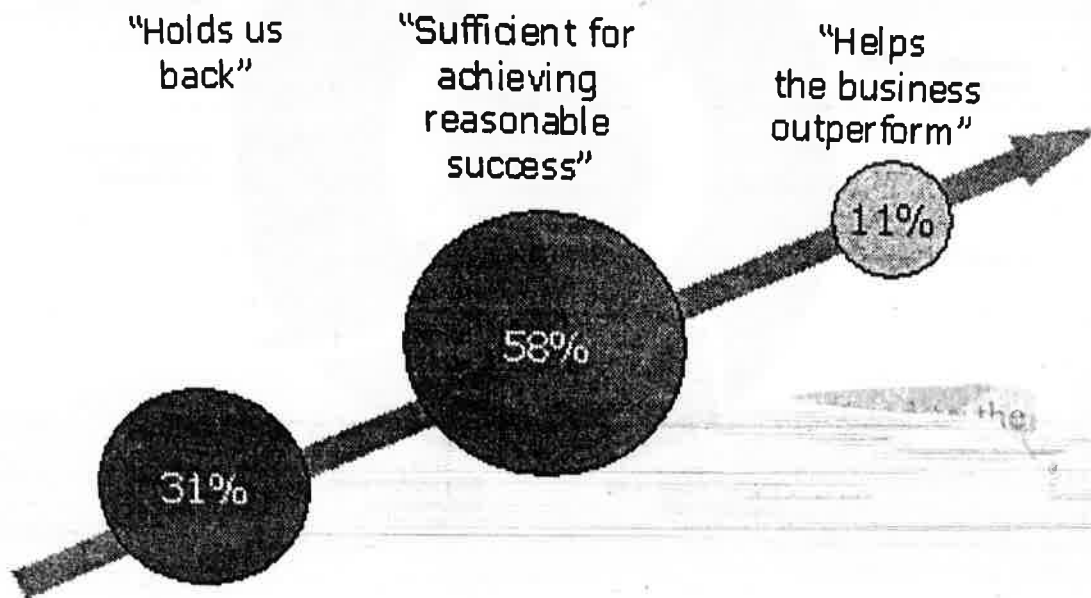
Organisational Effectiveness

As the pace of change quickens, and as organisations become flatter, organisational effectiveness has become a competitive weapon. While possession of it is a major strategic advantage; the lack of it is a potentially career-ending weakness. In spite of this, high performance organisations are rare. Only 11% of business leaders believe their organisation is highly effective (see chart below). Many more believe their organisation holds them back. The ailments, whatever they are, are clearly widespread.

A recent survey of business leaders indicates that they are convinced about the 'why' of organisational effectiveness. What is needed is guidance on the 'what' and the 'how'.

70% agreed with the statement 'culture is the true source of competitive advantage'.
91% agreed that 'culture erodes if not actively nurtured'.

Only 11% of business leaders believe their organization is highly effective



(Source: EIU survey of business leaders [n = 202])

The paradox of organisational effectiveness, simply stated, is this — everyone knows the principles of effective organisation, yet few consistently put them into practice.

- A high performance organisation is enormously valuable, yet few achieve it and many don't even try .
- Everyone knows that organisation is complicated and multi-dimensional, yet few have identified the culture they need and actively manage towards it.
- Even high performance organisations must evolve, yet few rigorously assess organisational health over time.

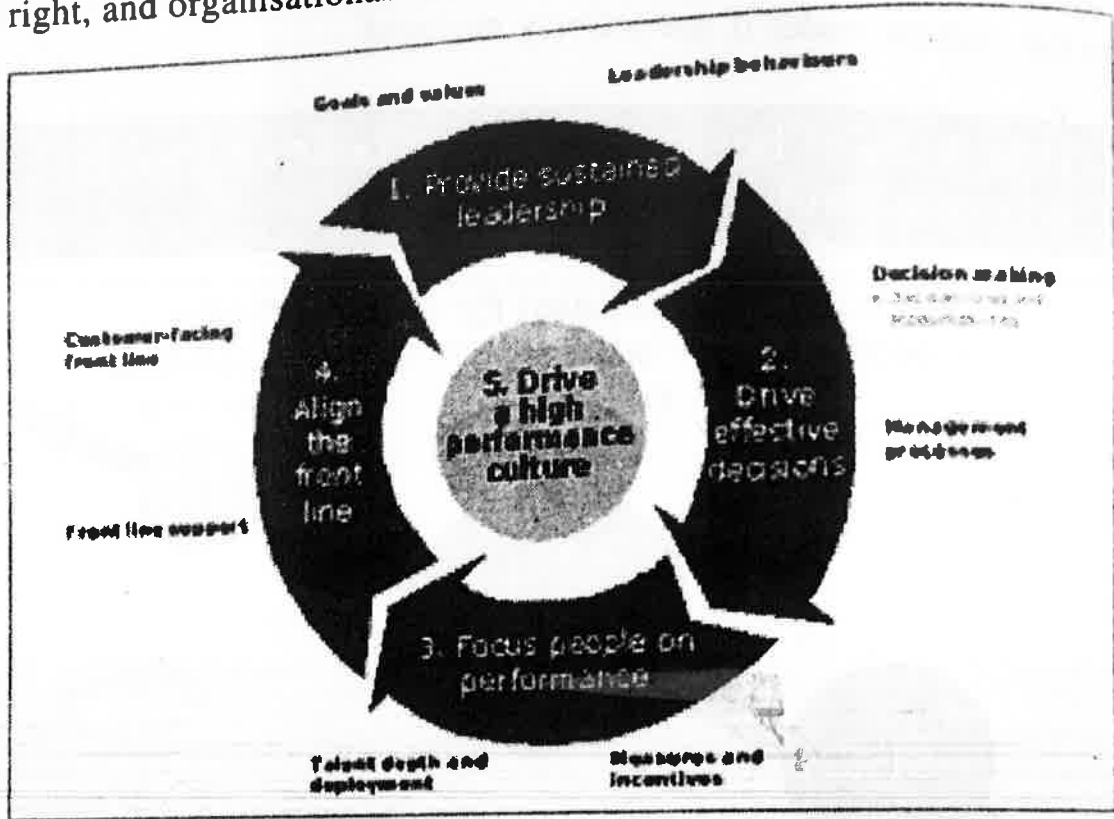
Seven common ailments that undermine organisational health have been identified.

1. Integrated Approach is Essential

Organisations are living organisms with an ecosystem all of their own. Every element of the organisation, whether positive or negative, has evolved for a purpose and plays a role. Changes must be thought through from the perspective of the overall system.

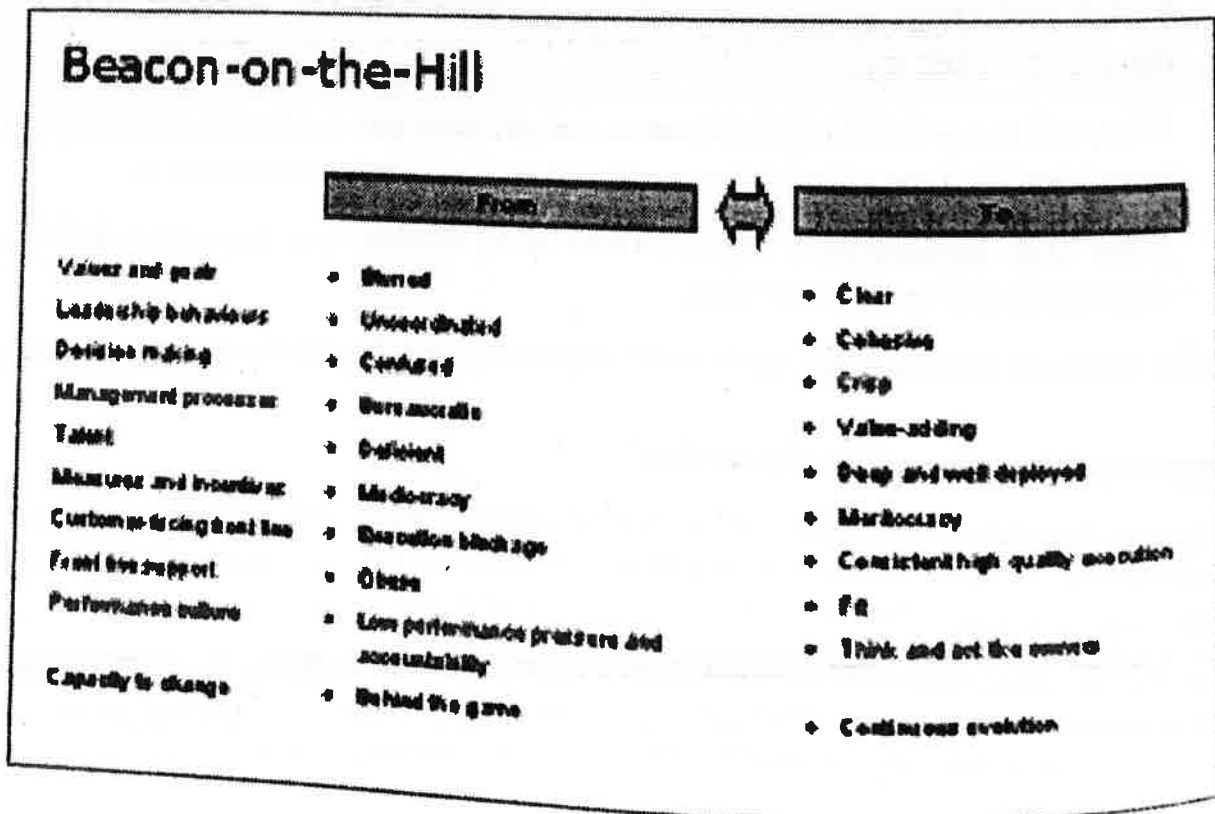
Solving for one element of an organisation is rarely effective. An example of this would be Ford's recent attempt to introduce forced ratings and rankings of its people, as part of its drive to develop a high performance culture. It ran into well-publicised difficulties in

implementing this policy. An integrated framework and approach are essential. There are five things to get right, and organisational effectiveness is as strong as the weakest link.



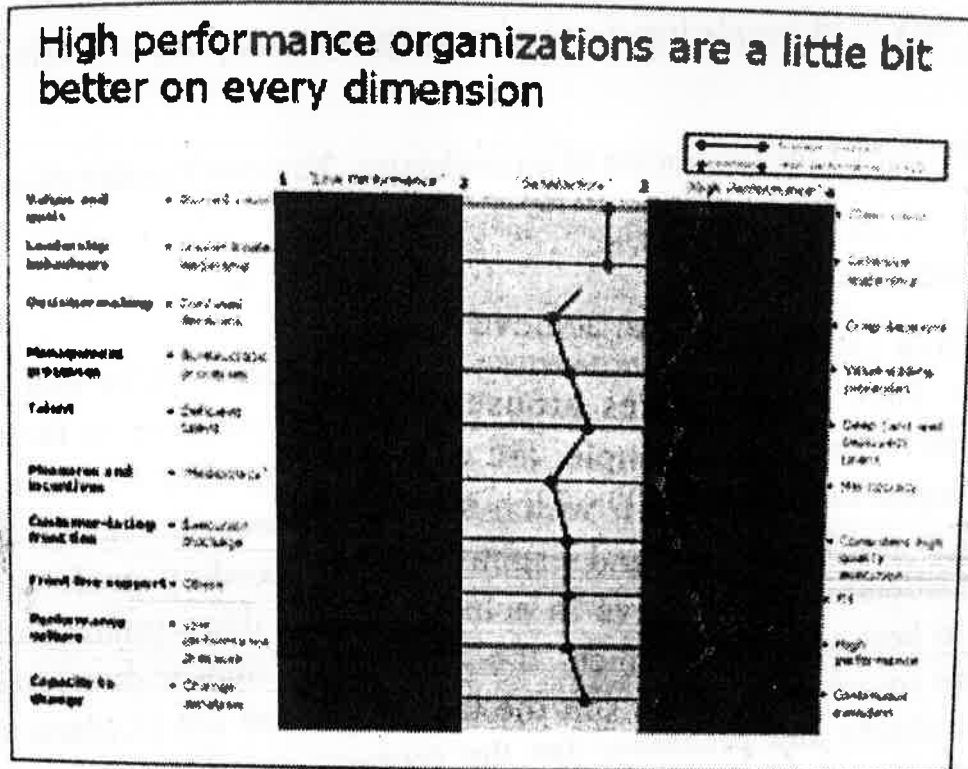
2. Beacon-on-the-Hill

As with all complex issues, it helps to have a clear picture in mind from the outset of what success looks like. Call this the Beacon-on-the-Hill.



3. Nobody's perfect and nothing lasts forever

Based on our research, high performance organisations are not perfect, just a little bit better on each dimension.



General Management Competencies

Management of People, Managerial Expertise and Effective Communication – play an important role in achieving effectiveness.

This group of competencies focuses on the capability of chief executives to ensure their departments operate efficiently and effectively. Demonstration of these competencies would reveal the ability to:

- organise, develop and motivate staff and manage their performance to enhance their contribution towards achieving the department's current and future goals and objectives;
- adapt highly effective management practices to organise and integrate a wide range of production and support and long-term and short-term functions and activities, and manage the resources of the department to achieve identified goals and results; and
- use oral and written communication skills to establish a dialogue with and inform, persuade and influence a range of people to create an environment in which the organisation operates effectively.

Management of People

Concerned with maximising the quality and contributions of staff to achieve the department's goals and objectives, now and in the future.

“...we have a very high people input and so management of people is critically important ...”

“...the CE's job is like the conductor of an orchestra. You can't make music on your own as a conductor ...”

“...the CE could motivate people to achieve excellence ...”

Highly effective chief executives arouse interest and control and sustain work performance levels. They lead by example, are enthusiastic, positive in their attitude and develop a co-operative environment in which staff work together to achieve goals and objectives. They delegate full authority and responsibility to appropriate levels, and encourage and empower staff to use their initiative in achieving or exceeding goals and objectives. They tailor their leadership style to meet the needs of the department and adapt their management style to best advantage to suit the task, situation and/or developmental levels of staff. They ensure sound principles of personnel management are in place to ensure fair and equitable procedures and processes for the recruitment, retention, development, deployment and redeployment of staff.

Less effective chief executives pay inadequate attention to ensuring appropriate human resource management systems are in place and to ensuring these structures and systems contribute to corporate goals. They maintain an inappropriate leadership style and do not adapt their management style as necessary. They either overmanage and lead through threat and/or imposition of their own views or undermanage when staff need direction and support. They pay lip service to merit and equity principles and do little to promote a friendly climate of good morale and co-operation. They either do not delegate or require responsibility without allowing autonomy and in general permit little or no freedom or independence to others in making decisions and determining direction. They tend to be office bound or work behind closed doors.

Indicators of highly effective behaviour are:

- Provides a clear sense of direction and purpose to others.
- Inspires others, communicates a shared view, which generates motivation, enthusiasm and commitment to the department's mission.
- Is “visible” and models exemplary leadership qualities and behaviours.
- Delegates full authority, responsibility and accountability to appropriate levels.

- Empowers staff and encourages autonomous action.
- Recognises the importance of having overall managerial strength, and builds a strong corporate management team.
- Ensures appropriate human resource management systems and procedures are in place for motivating, directing and sustaining optimal levels of work performance.
- Displays an appropriate sense of humour and fun.
- Aligns human resource policies and practices with the strategic direction of the organisation.
- Ensures all human resource management practices, incorporate equal employment opportunity principles.
- Confronts and deals with others openly and directly about performance problems.

Indicators of ineffective behaviour are:

- Fails to identify, describe and establish an appropriate culture within the organisation.
- Unable to stimulate a high level of productive and focused performance and consistently fails to deal with people in a way which satisfies their needs.
- Acts in a manner that is inconsistent with generally accepted leadership qualities and behaviours.
- Exhibits an approach based on control, direction and derived authority rather than involvement and earned authority.
- Delegates reluctantly or delegates inappropriately in relation to position in organisation, abilities and skills.
- Tends towards controlling others and provides little opportunity for self directed performance or development.
- Uses inappropriate styles and methods in managing, guiding, advising or directing others towards task accomplishment.
- Unable to secure the co-operation and commitment from subordinates and from others within and outside the department.
- Adopts a serious task orientated approach and/or uses humour and fun inappropriately.

Managerial Expertise

Concerned with a sound understanding and application of the most effective management practices to achieve organisational goals and objectives.

“... knowledge of the way the real business world out there works ...”

“... they run a tidy ship and people liked being part of it ...”

“... top quality is a benchmark - everything is top class. The way the phone is answered, the way they treat you when you go into the office ...”

Highly effective chief executives are well informed about management techniques and the trends and issues in the business world. They run their department with a business orientation, analysing stakeholder and customer needs and developing and implementing operational plans which deliver bottom line results. They recognise the need to balance available resources against competing demands within the context of the corporate plan and objectives and in relation to both short and long term requirements. They develop practices designed to use resources in a manner which will achieve organisational goals and objectives. They have a balanced view of service delivery and policy advice, giving due consideration to both input and output factors. They develop and implement quality management systems, measure and evaluate performance against objectives, review risks and adjust plans and strategies as necessary.

Less Effective Chief Executives

“... overspends, runs into bottlenecks, key people and assets under used ...”

“... managers from that department once said that their agenda was determined by listening to the radio news in the morning.

Less effective chief executives demonstrate limited knowledge of management practices and tend to lose sight of the fact that they are running a business. They show limited understanding of broad financial management requirements and display little or no recognition of the importance or relevance of resource planning and management. They demonstrate an inadequate level of understanding of what is required in resolving competing resource requirements and/or in reallocating resources in response to shifts in priorities and/or the solution and apply it. They experience difficulty in managing the setting and requirements and/or in reallocating resources. They are unlikely to manage the setting and unexpected changes in available resources. They are unlikely to manage the setting and monitoring of performance targets, or to develop strategies for improvement in efficiency and/or effectiveness with which results are achieved. Alternatively they over-focus on inward-looking activities, such as planning, quality management, etc., at the expense of serving the Minister, customers and the community.

Indicators of highly effective behaviour are:

- Demonstrates knowledge and understanding of the breadth and diversity of general management principles and commercial activities.
- Structures and positions the organisation to meet Government priorities.
- Establishes and accepts personal and collective accountability.
- Adopts an approach focused on the identification of, and response to, user/interest group and stakeholder needs.
- Uses financial, physical and human resources efficiently and effectively to achieve required outcomes.
- Identifies and manages areas of risk.
- Manages change so as to achieve positive outcomes.
- Recognises and creates new business opportunities.
- Ensures systems and procedures are in place to achieve optimal utilisation of resources.
- Creates systems and a culture to ensure continuous improvement in quality.

Indicators of ineffective behaviour are:

- Displays insufficient or no recognition of the importance or relevance of financial, physical and human resources in planning activities.
- Makes decisions, or sets priorities based on inadequate consideration of potential benefit, return-on-investment of resources, or cost-benefit analysis.
- Displays little evidence of accepting either individual or collective responsibility.
- Fails to respond to key environmental trends and/or user/interest group and stakeholders' needs.
- Shows insufficient evidence of translating broad corporate direction and objectives into planning, resource allocation and organisation of his/her own area of responsibility.
- Ignorant of possible risks involved in a course of action.
- Adopts a management approach, in an environment of change, that prevents positive change occurring or impedes its progress.

Effective Communication

Concerned with clear and effective two-way communication with a wide range of people and in all situations, in order to explain, persuade, convince and influence others.

Highly effective chief executives communicate, both orally and in writing, with a wide range of people, either individually or collectively, in a clear purposeful manner. They are easy to talk to and listen actively, asking open questions and encouraging involvement. People's concerns are reflected and responded to as appropriate, which may, on occasions, necessitate altering one's own viewpoint and/or behaviour. They use negotiation skills to achieve a win/win outcome and assist in resolving real or potential conflict situations in a constructive manner. When addressing a larger group, they get the attention of the audience and hold it by using interesting and appropriate language and other non-verbal communication techniques.

The expression of less effective chief executives, both oral and written, lacks clarity, fluency and impact. Their form of presentation is often tense, argumentative or aggressive. Alternatively they may be unduly expansive and/or overly conciliatory. Presentation of ideas is disjointed, unstructured, and lacks balance and logical order. They are unable to gain or hold the attention of an audience, and unable to demonstrate any awareness and/or appropriate response to audience reaction. Their listening skills are inadequate and they respond inappropriately to others, either having not heard what is being said or failing to be receptive and/or accommodate alternative viewpoints. At times this results in people not keeping them informed as they do not expect to be heard. They have difficulty in negotiating situations and conflict is unlikely to be resolved to the satisfaction of all parties concerned.

Indicators of highly effective behaviour are:

- Achieves desired impact through the use of convincing expression in individual group and public speaking situations, using appropriate language and other non-verbal communication techniques.
- Written and oral communication has clarity, fluency, impact and conciseness.
- Uses the full range of communication media and judges how and when to use them.
- Brings conflict into the open and encourages and/or facilitates a beneficial resolution of conflict.
- Negotiates mutually acceptable (win/win) solutions with all parties involved.
- Ensures the provision of thoroughly researched, constructed and targeted written documents which are clear and concise.

- Listens well, is receptive and encourages participation and mutual understanding.
- Actively seeks feedback on communication style(s).

dicators of ineffective behaviour are:

- Avoids difficult people and/or (communication) situations.
- Presentation of ideas both orally and in writing, is disjointed, unstructured, lacks balance and logical order.
- Does not gain or hold the attention of an audience and generally has difficulty in persuading, convincing and/or informing others.
- Uses exclusive (biased) language and communication is inappropriate in tone, language and/or content for the listener(s).
- Creates win/lose situations either by going after a win at all costs or by making unnecessary concessions.
- Avoids situations which require conflict resolution and/or escalates an already tense situation.
- Does not listen to the message/information conveyed, responds inappropriately to other(s), and/or leaves the other party feeling they have not been heard/understood.
- Non-verbal language and signals convey an inappropriate lack of interest.
- Communicates in a way that shuts down dialogue.

Review Questions

1. What is Organisational effectiveness? How does it help to counter competition?
2. Describe the competencies that are essential to achieve Organisational effectiveness.
3. Link management of people and Organisational effectiveness.
4. How does managerial expertise help achieve Organisational effectiveness.
5. What is the role played by communication in achieving Organisational effectiveness?

Chapter 14

ORGANISATIONAL CULTURE

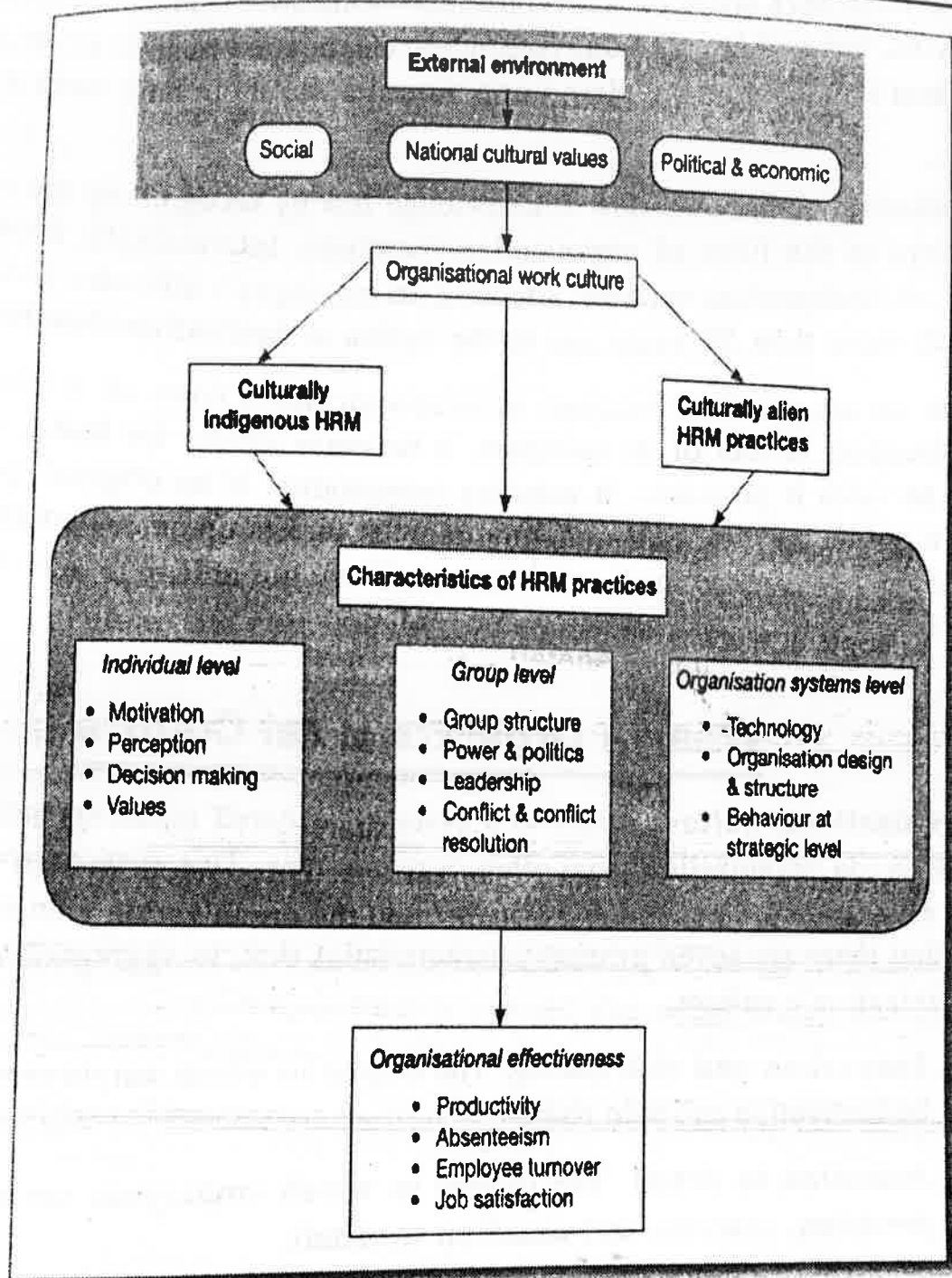
Learning Objectives

1. *Meaning of Organisational Culture*
2. *Strong vs Weak Culture*
3. *Role of Organisational Culture*
4. *Culture Creation*
5. *Ethical Organisational Culture*
6. *Culture & Nations*

Organisational Culture

Culture may be defined as, "... the integrated pattern of human behaviour that includes thought, speech, action and artefacts, and depends on a person's capacity for learning and transmitting knowledge to succeeding generations."

Culture also influences behaviour in a group and that leads to sub-culture. Culture and sub-culture mould employees' values and values influence employees' perceptions and decisions. Values represent stable, long lasting beliefs about what is important. They are evaluative standards that help us define what is right or wrong, good or bad, in the world (Sagie & Elizur 1996). In each country there are different work values because of the dominant and subordinate cultures, which co-exist in that country.



Culturally Indigenous and Alien HRM Practices Model

The idea of viewing organizations as cultures—in which there is a system of shared meaning among members—is a relatively recent phenomenon. Until the mid-1980s organizations were, for the most part, thought of simply as rational means by which co-ordinate and control a group of people. They had vertical levels, departments, authority relationships, and so forth. But organizations are more, they have personalities too, just like individuals. They can be rigid or flexible, unfriendly or supportive, innovative or conservative. General Electric offices and people are different from the offices and people at General Mil

Harvard and MIT are in the same business—education—and both located in Cambridge, Massachusetts, but each has a unique feeling and character beyond its structural characteristics. The IIT's and IIM's are world class institutions in India, but both have a unique culture of their own.

Organizational theorists now acknowledge this by recognizing the important role that culture plays in the lives of organization members. Interestingly, though, the origin of culture as an independent variable affecting an employee's attitudes and behaviour can be traced back more than 50 years ago to the notion of **institutionalization**.

When an organization becomes institutionalized, it takes on a life of its own, apart from its founders or any of its members. It becomes valued for itself, not merely for the goods or services it produces. It acquires immortality. If its original goals are no longer relevant, it redefines itself. An understanding of what makes up an organization's culture and how it is created, sustained, and learned will enhance our ability to explain and predict the behaviour of people at work.

What is Organizational Culture?

Organizational culture refers to a system of shared meaning held by members that distinguishes the organization from other organizations. This system of shared meaning is, on closer examination, a set of key characteristics that the organization values. The research suggests that there are seven primary characteristics that, in aggregate, capture the essence of an organization's culture.

1. **Innovation and risk taking.** The degree to which employees are encouraged to be innovative and take risks.
2. **Attention to detail.** The degree to which employees are expected to exhibit precision, analysis, and attention to detail.
3. **Outcome orientation.** The degree to which management focuses on results and outcomes rather than on the techniques and processes used to achieve those outcomes.
4. **People orientation.** The degree to which management decisions take into consideration the effect of outcomes on people within the organization.
5. **Team orientation.** The degree to which work activities are organized around teams rather than individuals.
6. **Aggressiveness.** The degree to which people are aggressive and competitive rather than easy going.

7. **Stability.** The degree to which organizational activities emphasize maintaining the status quo in contrast to growth.

Each of these characteristics exists on a continuum from low to high. Appraising the organization on these seven characteristics, then, gives a composite picture of the organization's culture. This picture becomes the basis for feelings of shared understanding that members have about the organization, how things are done in it, and the way members are supposed to behave.

Do Organizations have Uniform Cultures?

Organizational culture represents a common perception held by the organization's members. Acknowledgment that organizational culture has common properties does not mean, however, that there cannot be sub-cultures within any given culture. Most large organizations have a dominant culture and numerous sets of sub-cultures.

A **dominant culture** expresses the core values that are shared by a majority of the organization's members. When we talk about an organization's culture, we are referring to its dominant culture. It is this macro view of culture that gives an organization its distinct personality.

Subcultures tend to develop in large organizations to reflect common problems, situations, or experiences that members face. These sub-cultures are likely to be defined by department designations and geographical separation.

The purchasing department, for example, can have a sub-culture that is uniquely shared by members of that department. It will include the **core values** of the dominant culture plus additional values unique to members of the purchasing department. Similarly, an office or unit of the organization that is physically separated from the organization's main operations may take on a different personality. Again, the core values are essentially retained, but they are modified to reflect the separated unit's distinct situation.

If organizations had no dominant culture and were composed only of numerous sub-cultures, the value of organizational culture as an independent variable would be significantly lessened because there would be no uniform interpretation of what represented appropriate and inappropriate behaviour. It is the "shared meaning" aspect of culture that makes it such a potent device for guiding and shaping behaviour.

Strong Versus Weak Cultures

It has become increasingly popular to differentiate between strong and weak cultures. The argument here is that strong cultures have a greater impact on employee behaviour and are more directly related to reduced turnover.

In a **strong culture**, the organization's core values are both intensely held and widely shared. The more members who accept the core values and the greater their commitment to those values is, the stronger the culture is. Consistent with this definition, a strong culture will have a great influence on the behaviour of its members because the high degree of sharedness and intensity creates an internal climate of high behavioural control. For example, Seattle based Nordstrom has developed one of the strongest service cultures in the retailing industry. Nordstrom employees know in no uncertain terms what is expected of them, and these expectations go a long way in shaping their behaviour.

One specific result of a strong culture should be lower employee turnover. A strong culture demonstrates high agreement among members about what the organization stands for. Such unanimity of purpose builds cohesiveness, loyalty, and organizational commitment. These qualities, in turn, lessen employees' propensity to leave the organization.

Culture's Functions

Culture performs a number of functions within an organization. First, it has a boundary-defining role, that is, it creates distinctions between one organization and others. Second, it conveys a sense of identity for organization members. Third, culture facilitates the generation of commitment to something larger than one's individual self-interest. Fourth, it enhances the stability of the social system. Culture is the social glue that helps hold the organization together by providing appropriate standards for what employees should say and do. Finally, culture serves as a sense-making and control mechanism that guides and shapes the attitudes and behaviour of employees. It is this last function that is of particular interest to us. As the following quote makes clear, culture defines the rules of the game.

Culture by definition is elusive, intangible, implicit, and taken for granted. But every organization develops a core set of assumptions, understandings, and implicit rules that govern day-to-day behaviour in the workplace. Until newcomers learn the rules, they are not accepted as full-fledged members of the organization. Transgressions of the rules on the part of high-level executives or front-line employees result in universal disapproval and powerful penalties. Conformity to the rules becomes the primary basis for reward and upward mobility.

The role of culture in influencing employee behaviour appears to be increasingly important in today's workplace. As organizations have widened spans of control, flattened structures, introduced teams, reduced formalization, and empowered employees, the shared meaning provided by a strong culture ensures that everyone is pointed in the same direction.

Barriers to Change Culture is a liability when the shared values are not in agreement with those that will further the organization's effectiveness. This is most likely to occur when an organization's environment is dynamic. When an environment is undergoing rapid change, an organization's entrenched culture may no longer be appropriate. So consistency

of behaviour is an asset to an organization when it faces a stable environment. It may, however, burden the organization and make it difficult to respond to changes in the environment. This helps to explain the challenges that executives at organizations like Mitsubishi, Eastman Kodak, Xerox, Boeing, U.S. Federal Bureau of Investigation, have had in recent years in adapting to upheavals in their environment. These organizations have strong cultures that worked well for them in the past. But these strong cultures become barriers to change when "business as usual" is no longer effective.

Strong cultures put considerable pressure on employees to conform. They limit the range of values and styles that are acceptable. Organizations seek out and hire diverse individuals because of the alternative strengths these people bring to the workplace. Yet these diverse behaviours and strengths are likely to diminish in strong cultures as people attempt to fit in. Strong cultures, therefore, can be liabilities when they effectively eliminate the unique strengths that people of different backgrounds bring to the organization. Moreover, strong cultures can also be liabilities when they support institutional bias or become insensitive to people who are different.

Culture Creation

Culture creation occurs in three ways. First, founders hire and keep only employees who think and feel the same way they do. Second, they indoctrinate and socialize these employees to their way of thinking and feeling. And finally, the founders' own behaviour acts as a role model that encourages employees to identify with them and thereby internalize their beliefs, values, and assumptions. When the organization succeeds, the founders' vision becomes seen as a primary determinant of that success. At this point, the founders' entire personality becomes embedded in the culture of the organization.

The culture at Hyundai, the giant Korean conglomerate, is largely a reflection of its founder Chung Ju Yung, Hyundai's fierce, competitive style, and its disciplined, authoritarian nature are the same characteristics often used to describe Chung. Other contemporary examples of founders who have had an immeasurable impact on their organization's culture would include Bill Gates at Microsoft.

Once a culture is in place, there are practices within the organization that act to maintain it by giving employees a set of similar experiences. For example, many of the human resource practices we discuss in the next chapter reinforce the organization's culture. The selection process, performance evaluation criteria, training and development activities, and promotion procedures ensure that those hired fit in with the culture, reward those who support it, and penalize (and even expel) those who challenge it. Three forces play a particularly important part in sustaining a culture, selection practices, the actions of top management, and socialization methods.

Selection: The explicit goal of the selection process is to identify and hire individuals who have the knowledge, skills, and abilities to perform the jobs within the organization successfully. Typically, more than one candidate will be identified who meets any given job's requirements. When that point is reached, it would be naive to ignore that the final decision as to who is hired will be significantly influenced by the decision maker's judgement of how well the candidates will fit into the organization. This attempt to ensure a proper match, whether purposely or inadvertently, results in the luring of people who have values essentially consistent with those of the organization, or at least a good portion of those values. In addition, the selection process provides information to applicants about the organization.

Candidates learn about the organization and, if they perceive a conflict between their values and those of the organization, they can self-select themselves out of the applicant pool. Selection, therefore, becomes a two-way street, allowing employer or applicant to abrogate a marriage if there appears to be a mismatch. In this way, the selection process sustains an organization's culture by selecting out those individuals who might attack or undermine its core values.

Top Management: The actions of top management also have a major impact on the organization's culture. Through what they say and how they behave, senior executives establish norms that filter down through the organization as to whether risk taking is desirable; how much freedom managers should give their employees; what is appropriate dress; what actions will pay off in terms of pay-raises, promotions, and other rewards and the like.

Organizations, over time, often develop unique terms to describe equipment, offices, key personnel, suppliers, customers, or products that relate to its business. New employees are frequently overwhelmed with acronyms and jargon that, after six months on the job, have become fully part of their language. Once assimilated, this terminology acts as a common denominator that unites members of a given culture or sub-culture.

Creating an Ethical Organizational Culture

The content and strength of a culture influences an organization's ethical climate and the ethical behaviour of its members.

An organizational culture most likely to shape high ethical standards is one that's high in risk tolerance, low to moderate in aggressiveness, and focuses on means as well as outcomes. Managers in such a culture are supported for taking risks and innovating, are discouraged from engaging in unbridled competition, and will pay attention to *how* goals are achieved, as well as to *what* goals are achieved.

A strong organizational culture will exert more influence on employees than a weak one. If the culture is strong and supports high ethical standards, it should have a very powerful and positive influence on employee behaviour. Johnson & Johnson, for example, has a strong

culture that has long stressed corporate obligations to customers, employees, the community, and shareholders, in that order. When poisoned Tylenol (a Johnson & Johnson product) was found on store shelves, employees at Johnson & Johnson across the United States independently pulled the product from these stores before management had even issued a statement concerning the tamperings. No one had to tell these individuals what was morally right; they knew what Johnson & Johnson would expect them to do. On the other hand, a strong culture that encourages pushing the limits can be a powerful force in shaping unethical behaviour. For instance, Enron's aggressive culture, with unrelenting pressure on executives to rapidly expand earnings, encouraged ethical corner-cutting and eventually contributed to the company's collapse.

What can management do to create a more ethical culture? We suggest a combination of the following practices:

- **Be a visible role model.** Employees will look to top-management behaviour as a benchmark for defining appropriate behaviour. When senior management is seen as taking the ethical high road, it provides a positive message for all employees.
- **Communicate ethical expectations.** Ethical ambiguities can be minimized by creating and disseminating an organizational code of ethics. It should state the organization's primary values and the ethical rules that employees are expected to follow.
- **Provide ethical training.** Set up seminars, workshops, and similar ethical training programs. Use these training sessions to reinforce the organization's standards of conduct; to clarify what practices are and are not permissible; and to address possible ethical dilemmas. Visibly reward ethical acts and punish unethical ones. Performance appraisals of managers should include a point-by-point evaluation of how his or her decisions measure up against the organization's code of ethics. Appraisals must include the means taken to achieve goals as well as the ends themselves. People who act ethically should be visibly rewarded for their behaviour. Just as importantly, unethical acts should be conspicuously punished.
- **Provide protective mechanisms.** The organization needs to provide formal mechanisms so that employees can discuss ethical dilemmas and report unethical behaviour without fear of reprimand. This might include creation of ethical counsellors, ombudsmen, or ethical officers.

Creating a Customer-Responsive Culture

French retailers have a well-established reputation for indifference to customers. Salespeople, for instance, routinely make it clear to customers that their phone conversations should not be interrupted. Just getting any help at all from a salesperson can be a challenge.

And no one in France finds it particularly surprising that the owner of a Paris store should complain that he was unable to work on his books all morning because he kept being bothered by customers.

Most organizations today are trying very hard to be un-French-like. They are attempting to create a customer-responsive culture because they recognize that this is the path to customer loyalty and long-term profitability. Companies that have created such cultures—like Southwest Airlines, FedEx, Johnson & Johnson, Nordstrom, Olive Garden, Walt Disney theme parks, Enterprise-Rent-A-Car, Whole Foods, and L.L. Bean—have built a strong and loyal customer base and have generally outperformed their competitors in revenue growth and financial performance. In this section, we will briefly identify the variables that shape customer-responsive cultures and offer some suggestions that management can follow for creating such cultures.

Managerial Action

Based on the previously identified characteristics, we can suggest a number of actions that management can take if it wants to make its culture more customer-responsive. These actions are designed to create employees with the competence, ability, and willingness to solve customer problems as they arise.

Selection: The place to start in building a customer-responsive culture is hiring service-contact people with personality and attitudes consistent with a high service orientation. Southwest Air is a shining example of a company that has focused its hiring process on selecting out job candidates whose personalities aren't people-friendly. Job applicants go through an extensive interview process at Southwest in which company employees and executives carefully assess whether candidates have the outgoing and fun-loving personality that it wants in all its employees.

Studies show that friendliness, enthusiasm, and attentiveness in service employees positively affect customers' perceptions of service quality.' So managers should look for these qualities in applicants. In addition, job candidates should be screened so new hires have the patience, concern about others, and listening skills that are associated with customer-oriented employees.

Training and Socialization: Organizations that are trying to become more customer-responsive don't always have the option of hiring all new employees. More typically, management is faced with the challenge of making its current employees more customer-focused. In such cases, the emphasis will be on training rather than hiring. This describes the dilemma that senior executives at companies such as General Motors, Shell, and J.P.Morgan Chase have faced in the past decade as they have attempted to move away from their product focus. The content of these training programs will vary widely but should focus on improving product knowledge, active listening, showing patience, and displaying emotions.

In addition, even new employees who have a customer-friendly attitude may need to understand management's expectations. So all new service-contact people should be socialized into the organization's goals and values. Lastly, even the most customer-focused employees can lose direction every once in a while. This should be addressed with regular training updates in which the organization's customer-focused values are restated and reinforced.

Culture and Nations

As business gets global, the culture of a country becomes an important determinant of peoples' behaviour. Stories, rituals, language, traditions etc., of the country impacts the culture of the organization of that country. For instance, cultures differ widely in terms of their concept of time. Besides the obvious implications for punctuality, the difference also lies in how people from different cultures use their time. Many Western cultures (e.g. U.S., Germany, Switzerland etc.) are highly 'mono-chronic', i.e., people from these cultures prefer to deal with one task at a time. Thus, it is normal that a German would plan out every activity in a step-by-step manner. On the other hand, many Latin and Asian countries (e.g. India, Brazil, Spain, Arab Countries etc.) have a 'polychrome' orientation, i.e., it is quite normal for people to deal with more than one activity' at the same time, (it would not be unusual for an Italian or Latin American to interrupt a meeting to make a personal call).

People from polychrome cultures find monochronic cultures too mechanical, compartmentalized, and rigid. On the other hand, people from a monochronic background find polychronism to be an evidence of lack of focus and sincerity.

Similarly, in more individualistic countries (e.g., U.S., Australia, U.K. etc.), it is culturally acceptable to speak one's mind and express disagreements. For a person coming from a collective culture (e.g., Mexico, Indonesia, Japan, China etc.), such expressions would be perceived as discourteous, and even aggressive. On the other hand, in collective cultures, disagreements are expressed (if at all) in more subtle manner, which to a person coming from individualistic culture, would look as dishonest and lacking in trustworthiness.

Social Institutions

Countries differ considerably in the kind of social institutions they have - e.g., the way their education system functions, the way financial system works, the structures of governance etc., — which have a direct impact on how business is conducted in that country. While often not recognized as such, these social institutions are important repositories of a country's culture, and often embody its basic values and assumptions. The educational system in Germany has a heavy emphasis on technical and apprenticeship training. It is quite common for the CEO of a German company to have grown through the Meister system of apprenticeship training, while the MBA education is quite unknown.

CANADA

The process of doing business moves fast.

Decision making is fast.



Attitude is 'business to business'; efficiency, quality, accountability, and time, are the key words.

Partnership is more legal or is a contractual agreement.

Personal connections are not as important as the business itself.

Direct style of communication is preferred.

The process is more time consuming—long lead

times and expanded time frames are required. Indians take a long time to make decisions or finalize agreements, but once trust is established, decisions are often made quickly. Indians are fast to move to a deal or agree on common interests, but slow to complete negotiations. They are more concerned with substantive issues like credit and reliability. Decisions are always taken by the top-level management. Local bureaucracy also slows pace, thereby making the process of decision making very lengthy.

Greater emphasis is placed on personal relationships, which is considered key to a business agreement, and is often regarded as a prerequisite to efficiency, quality, and accountability.

Partnership is built on long-term, personal relationships, through the establishment of trust. Good rapport is considered more important than a signed agreement.

Business partners who are well connected are generally considered very important for a successful business venture, as business is generally conducted through connections and personal contacts. Nepotism is high; each layer of the society has its own old boy network.

Indirect style of communication is generally the norm; sometimes negotiated through a third party for the sake of harmony, essential for maintaining business relationships. Preference is to say what the other party wants to hear, to avoid disharmony.

Monochronic People

Do one thing at a time.

Concentrate on the job.

Take time commitments (deadlines, schedules) seriously.

Are low-context and need information.

Are committed to the job. Adhere religiously to plans.

Are concerned about not disturbing others; follow rules of privacy and consideration.

Show great respect for private property; seldom borrow or lend.

Emphasize promptness.

Are accustomed to short-term relationships.

Polychronic People

Do many things simultaneously.

Are highly distractible and subject to interruptions.

Consider time commitments an objective to be achieved, if possible.

Are high-context and already have information.

Are committed to people and human relationships. Change plans often and easily.

Are more concerned with those who are closely related (family, friends, close business associates) than with privacy.

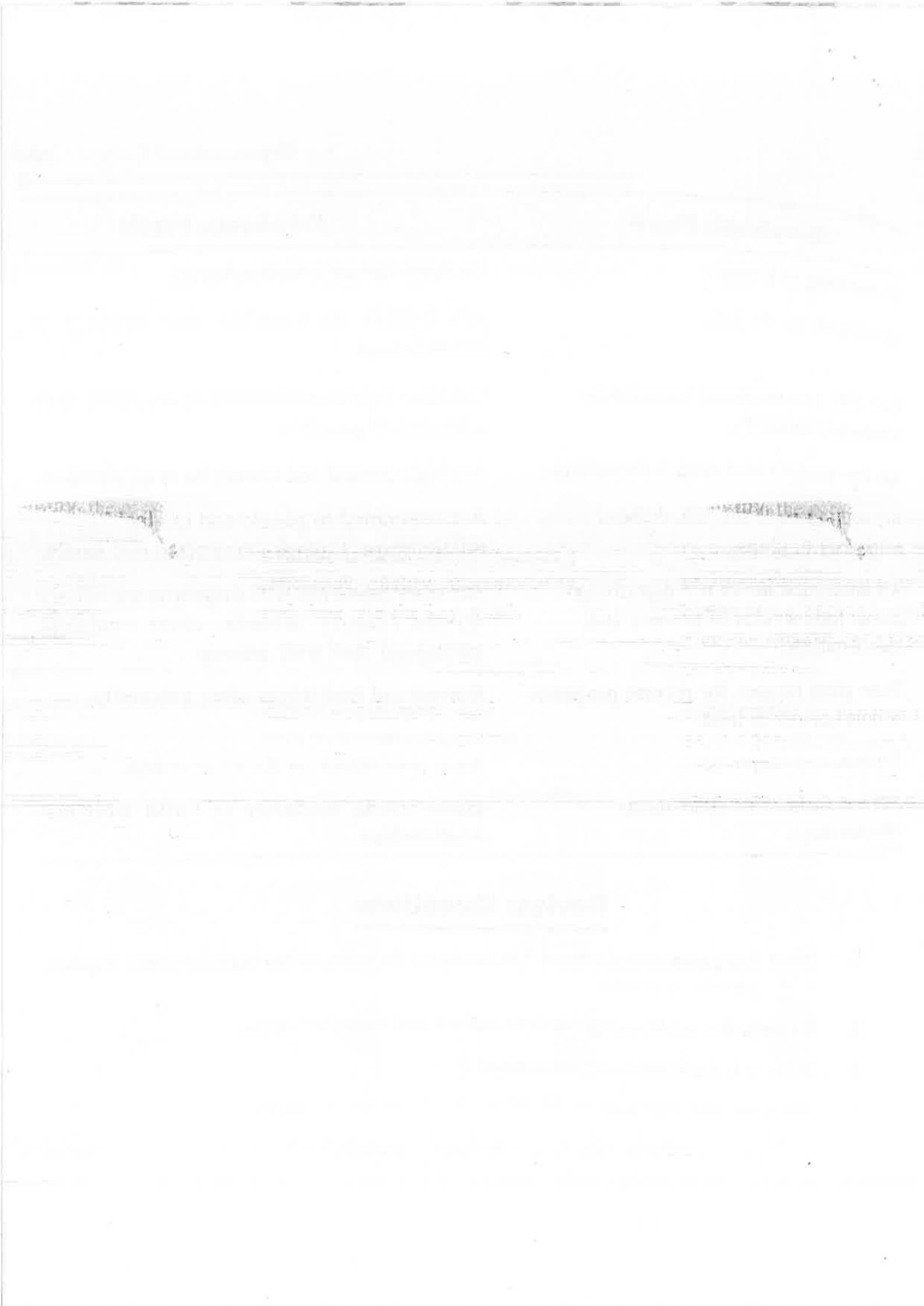
Borrow and lend things often and easily.

Base promptness on the relationship.

Have strong tendency to build lifetime relationships.

Review Questions

1. What is organizational culture? Are cultures the same across organizations? Explain with suitable examples.
2. Explain the relationship between culture and ethics or values.
3. How is a responsive culture created?
4. What are the implications of different cultures on managers?





WORK MOTIVATION

Some people perform the same type of job more efficiently than others; some find it more rewarding and interesting than others; and some enjoy it more than others. At any given point of time, people vary in the extent to which they are willing to direct their energies to the attainment of goals, due to differences in motivation.

□ DEFINITION OF MOTIVATION

Motivation is mainly psychological. It refers to those forces operating within an individual which impel him to act or not to act in a certain way. Motivation may be defined as propensity, or the level of desire of an individual to behave in a certain manner at a certain time and in a certain situation. Being motivated means that a particular behaviour has to follow.

Motivation in an organization is the willingness of an employee to respond to organizational requirements. The more positive the individual's motivation towards the organization, the more effective is his performance. His motivation, to a large extent, is determined by his perception. Too often, increase in production, for example, is the goal of the management and not of the employees. When incentive schemes are perceived differently by employees, they do not work effectively or are only effective temporarily.

It is also misleading to talk about motivating without specifying the source and the goal of motivation. Any attempt to motivate employees, thus, has first to identify their needs, and specify how important these needs are to them. Without this, motivational efforts may represent an inaccurate perception of employees' needs by employers.

Motives can be simple or complex. Simple motives originate from physiological imbalances, such as thirst, hunger exhaustion and lack of oxygen, and sex. Most motives, however, are not very simple and behaviour is rarely determined by a single motive. At the same time a person may or may not be aware of the reasons for his actions. Hence his behaviour is unpredictable. Any attempt to reduce behaviour to over-simplified motives is highly questionable and somewhat absurd.

An individual's needs are determined by certain psychological imbalances within him, his past experience, social expectations, and the interaction of two or more of these forces. To understand people's behaviour, social motives should be

recognised as being important. Some kinds of behaviour may be caused by various social motives, or different forms of behaviour may be caused by the same motives. For example, the motive to perform overtime work may vary. For some people it may be the desire to earn extra money, for others it may offer respite from domestic tensions and worries. Similarly some persons might do it once for earning extra money but might refuse it a second time. Similarly, motives vary in intensity among people and with the same person at different times. One person may react more violently than another to a given danger.

□ **MOTIVATION AND MORALE**

Motivation and morale in industry are often used interchangeably, though they refer to two different kinds of phenomena. Motivation refers to the propensity towards a particular behaviour pattern to satisfy a need or deficiency. Morale describes an employee's state of attitudes, feelings and judgements about his work, peers, supervisors, subordinates, and his organization. A highly motivated employee may not have high morale, though motivation to some degree provides potential for morale. A highly motivated employee may not be very satisfied with his job and his productivity may be low. An employee with a high morale will be satisfied with his job and his productivity will be high.

□ **NEED-GOAL ASSOCIATION**

Needs are the basis for an individual's level of motivation. They initiate and sustain behaviour and represent a state of deficiency/deprivation which has disturbed the homeostatic balance. Consequently an appropriate behaviour is indulged in to restore the balance. For example, water deficiency (thirst) leads to a search for water so that the balance, disturbed by the deficiency of water, is restored.

Goals are the ends which provide satisfaction of needs. Specific needs have specific goals. The process to reach the goals might, however, differ from person to person and, in the same person, from time to time. The need for power, thus may stimulate a variety of behaviours to reach the goal of attainment of power. A person might become very aggressive or very submissive to achieve power. Similarly, an employee may fight for promotion or may ingratiate himself with his boss for promotion.

□ **THEORIES OF MOTIVATION**

The importance of motivation to human life and work can be judged by the number of theories that have been propounded to explain people's behaviour. They explain human motivation through human needs and human nature. Prominent among these theories and particularly relevant to us are Maslow's Need Hierarchy Theory, McGregor's Theory 'X' and Theory 'Y', and Herzberg, *et al*'s, Motivation-Hygiene Theory.

Maslow's Need Hierarchy Theory

Maslow's theory¹ is significant because it encompasses all human needs and classifies them into five neat all-inclusive categories. Maslow's approach is general, direct, simple and practical. There are five need-clusters.

Physiological needs are basic to life, viz., thirst, and companionship among others. They are relatively independent of each other and in some cases can be identified with a specific location in the body. These needs are cyclic. In other words, they are satisfied for only a short period; then they reappear. For example, a person feels hungry three times a day and drinks water several times, depending on the weather. That is, these needs are involved in maintaining the body processes.

Safety needs also called security needs, find expression in such desires as economic security and protection from physical dangers and a desire for an orderly and predictable world. Like physiological needs, these become inactive once they are satisfied. An individual who is safe, feels endangered no longer, and hence makes no attempts to ensure security. In an industrial environment, safety needs are of primary importance to employees, because they are dependent on others (supervisors) for safety.

Social needs refer to belongingness. Man is a social animal. All individuals want to associate with others to gain acceptance, and to give and receive friendship from them. People do not work for money alone but also for companionship. Cohesive informal groups indicate that employees have found an outlet for their social needs. A simple index of the satisfaction of social needs in organized settings is the frequency with which employees spend their free time together, and away from work situations, e.g., games and outings. However, association with others is also based on like-mindedness. Thus people become friendly only with those who feel and believe the way they do.

Esteem needs refer to a desire for firmly-based high evaluation from others for self-respect and self-esteem. They include those needs which indicate self-confidence, achievement, competence, knowledge and independence. Competitiveness and a desire for the approval of one's performance by peers are important esteem needs from the point of view of an organization. They can be utilized by efficient managers to achieve organizational goals and also to create feelings of worth, and of being useful and necessary employees.

Self-actualization needs refer to self-fulfilment. The term "self-actualization" was coined by Kurt Goldstein and means, to become actualized in what one is potentially good at. A person may achieve self-actualization in being the ideal fitter, supervisor, mother, or an eminent artist.

Some of the important points of the need hierarchy theory are:

1. As the name suggests, these needs are arranged in a lowest to the highest hierarchy. Unless the lower-order needs are first though partially satisfied, the

¹Abraham Maslow, "A Theory of Human Motivation," *Psychological Review*, March/April 1943, 50, pp. 370-396.

satisfaction of higher order needs will not be possible. Thus psychological needs have to be satisfied before we can think of security. Security and psychological needs have to be satisfied before one moves up to the social needs, and so on. Satisfaction refers to a percentage that should be satisfied before the next higher needs emerge and demand satisfaction. The percentage will vary from individual to individual, situation to situation, and in the same individual in different situations.

2. As suggested above, a satisfied need is no motivator of behaviour. Once a need is fully satisfied, it does not remain a potential motivator. Only unsatisfied or partially satisfied needs motivate behaviour. Thus a hungry person when fully fed stops looking for food till his hunger re-manifests itself.

3. Since the theory assumes that human beings are "normal", exceptions to the general ranking of the need hierarchy will exist. A highly motivated artist may forgo his need for food and shelter to complete a painting which might satisfy his ego or self-actualization needs.

4. A behaviour may be motivated by several needs at a given time, though one of the five needs will predominate in causing this behaviour. One need may lead to different kinds of behaviour in different situations. Deprivation of a need may lead to aggression, assertion, compliance, shrewdness, etc. Hence it may be difficult to segregate need from behaviour.

5. Finally, Maslow points out that though satisfaction of higher-order needs can be postponed, their satisfaction leads to greater biological efficiency. Organizations should motivate their employees to attain the higher levels where they perform more meaningfully. This is in consonance with the human desire to get closer to higher-order needs.

Although Maslow first propounded his theory in 1943, researchers have attempted only recently to determine its relevance as a model for studying work motivation. In the West, the major work has been done by Porter² using a 15 item questionnaire to measure the relative satisfaction of the five sets of needs of Maslow. The items were checked on three seven-point scales referring to existing and expected need-fulfilment, and its importance to respondents. Need-fulfilment was defined as the difference between expected and existing needs. The higher the difference, the lower was the need-fulfilment. Porter's³ conclusions were:

1. Vertical location of management position is an important variable in determining the extent to which psychological needs are fulfilled.

2. Esteem, security and autonomy needs were significantly more satisfied in middle than in bottom management.

3. Higher-order needs were relatively least satisfied in both bottom and middle management.

4. Self-actualization and security were perceived as being important areas of need satisfaction.

²L.W. Porter, "A Study of Perceived Need Satisfaction in Bottom and Middle Management Jobs", *Journal of Applied Psychology*, February 1961, 45, No. 1, pp. 1-10.

³Ibid., pp. 9-10.

A study of Indian samples was recently carried out by Saiyadain.⁴ He collected data from randomly selected samples of four adjacent levels from the same organization and administered Porters' questionnaire and a job satisfaction questionnaire to them. The results showed increased satisfaction with increasing levels, particularly for the esteem, autonomy and self-actualization needs. He also found that though the four levels varied along a continuum of job-related responsibility, what satisfied the respondents remained more or less the same, except for the social needs. At lower levels, satisfaction of social needs was higher than at higher levels.

McGregor's Theory X and Theory Y

The character of an enterprise depends on the assumptions of the management in controlling its human resources. McGregor⁵ presented two opposite sets of assumptions, X and Y, which represent the anchor points in a scale, implicit in most approaches to supervision and utilized to motivate employees. Between the two extremes, several assumptions based on the combination of the two extremes can be made.

Theory X is based on assumptions and beliefs which are based on the study of many people at work, and the nature and structure of many organizations and their styles of supervision. These assumptions imply that the supervisor has a low opinion of the workers and still lower expectations from them. Such beliefs reduce the supervisors efforts to enhance satisfaction in work, which in turn confirms a worker's view that work is a necessary evil.

Theory Y puts forward the opposite assumptions which provide a totally different picture of human nature and therefore call for a different managerial strategy in dealing with employees. Theory Y implies that on-the-job need satisfaction is necessary.

The following points are important:

1. Both theories X and Y make certain not-so-valid judgements.
2. They may not reflect man's inherent nature; rather such behaviour in man is in part the result of management philosophy and practices.
3. Theory Y particularly unduly emphasizes self-actualization and freedom, implying that all people seek freedom, while there are definite indications that all people may not feel comfortable with freedom because freedom entails responsibility and independent decision-making which people may not subscribe to.
4. In an organization, depending on the situation, either theory X or theory Y could be effectively applied. However, in choosing one or the other managers have to bear the implications in mind so that problems such as interpersonal or interdepartmental conflict can be avoided.

(See also Chapter 1 for a discussion on McGregor's theory.)

⁴Mirza S.Saiyadain, "Organizational Levels and Job Satisfaction", *Vikalpa*, 1977, 2 (1), pp. 29-40.

⁵Douglas McGregor, *The Human Side of Enterprise* (New York: McGraw-Hill, 1960).

and non-technical personnel with one to ten years' experience. The technical group consisted of supervisors in industrial organizations while the non-technical group comprised teachers, clerks, stenographers, and army personnel. Both groups identified a greater number of motivators in satisfactory situations and a greater number of hygiene factors in dissatisfactory situations. The motivation theory is valid on Indian samples with varying experiences. Another study⁸ corroborates its validity where motivators contributed significantly more to satisfaction than hygiene factors among both public and private sector executives.

McClelland's Need Theories

David McClelland proposed the following three theories based on specific needs that form the focus of the theories.

1. Need for Achievement Need for achievement (n-Ach) is a desire to accomplish a task or goal more effectively than in the past. High achievers differ from others in the following respects.⁹

- Set moderately difficult but potentially achievable goals.
- Do not prefer to gamble but like to control the outcome.
- Are interested in personal achievement rather than the reward of success.
- Work for situations where they can get a concrete feedback.

Due to the above characteristics, high achievers have little or no positive effect on others, fail to delegate responsibilities to others, find it difficult to foster team spirit and more often than not tend to criticize than reward.

McClelland believed that n-Ach, which is possessed by only 10% of the American population, can be fostered through appropriate training. He developed training programmes to teach the trainees to think like high-need achievers, increase personal feedback to them and develop a group *esprit de corps* that reinforces high effort and success. In other words, training was designed to create group feelings that reinforce the characteristics of high-need achievers.¹⁰

2. Need for Affiliation Need for affiliation (n-Affiliation) refers to the need for human companionship. Individuals high on n-affiliation, when compared to those who are low on n-affiliation, show following characteristics.

- Are generally concerned about the feelings of others.
- Are able to establish friendships easily.
- Tend to seek reassurance and approval from others and hence most of time show socially desirable behaviour.
- Tend to spend time on making themselves presentable, particularly to those whose friendship they seek.

⁸D.M. Pestonjee and B. Gopa, "A Study of Job Motivations of Indian Executives", *Indian Journal of Industrial Relations*, 1972, 8 (1), pp. 2-16.

⁹David McClelland, *The Achieving Society* (Princeton, N. J: Van Nostrand, 1961).

¹⁰David McClelland, Achievement motivation can be learned. *Harvard Business Review*, Nov.-Dec., 1965.

Organizationally, high n-affiliation individuals make ad hoc decisions. They have little concern for procedures and hence leave others in a state of uncertainty.

3. Need for Power A third important need is the need for power (n-power) a desire to control one's environment including the human resources.¹¹ High n-power individuals as compared to those who are low on it show following characteristics.

- Tend to exercise power impulsive.
- Drink too much.
- Do not hesitate in exploiting others.
- Like to collect symbols of personal prestige, such as fancy cars and ornamental offices, etc.
- Are institution-minded and tend to get elected to many offices.

Most people on n-power are generally very demanding in work situations. They like to control and make unsolicited suggestions to others. However, they can become successful managers if the following three conditions are met.

- If they could be made to seek power for organizations rather than for themselves.
- If they could be trained to develop self-control so that their desire to control does not interfere with interpersonal relationship.
- If they could be low on n-affiliation, they could foster team spirit and better sense of responsibility.

While the three need theories proposed by McClelland have been greatly researched into, each need deals with one kind of motive and hence is rather narrow in its scope. Moreover some jobs do not provide freedom necessary for the satisfaction of a need. For example, n-Ach cannot be satisfied where employees have no control to set their own targets or control their outcome. Finally, McClelland seems to be more concerned with motive than behaviour. In work situations, it is the behaviour that is often given greater significance rather than the feelings of the people.

□ CONTEMPORARY THEORIES OF MOTIVATION

Of late, a number of motivation theories have been proposed. They are concerned with the current 'state-of-the-art' in explaining employee motivation. In the following pages, four such theories are briefly presented.

1. ERG Theory

As developed by Alderfer the theory consists of three groups of core needs—existence, relatedness and growth.¹² The existence group is concerned with those

¹¹David McClelland and David H. Burnham, *Power is the great motivator. Harvard Business Review*: March-April 1976, pp. 100-110.

¹²Clayton P. Alderfer, An empirical test of a new theory of human needs. *Organizational Behaviour and Human Performance*: May 1969, pp. 142-175.

Herzberg et al's Motivation Hygiene Theory⁶

This theory suggests a non-linear relationship between man's performance and environment. It tests the concept that man has two sets of needs; the need to avoid pain and the need to grow psychologically. It proposes that job satisfaction and job dissatisfaction are two independent and distinct experiences, and that one is not the obverse of the other. The theory implies that both the outer needs of man and the inner needs for creative survival should be satisfied to induce involvement with his job, and to obtain the maximum output from him.

Herzberg asked 200 engineers and accountants from a cross-section of industries to recall an occasion when they felt exceptionally good about their job and an occasion when they had negative feelings. The reasons for these feelings were probed and the sequence of events was recorded. It was ensured that the sequence revolved around an event or a series of events, had a distinct beginning and end, and feelings about jobs were directly affected.

The analysis revealed that when positive feelings were described, achievement, reorganization responsibility, work itself, advancement, and growth predominated in the narration. Herzberg called them Motivators and noticed that they were essentially *job content* factors. However, when negative feelings were described, supervision, company policy and administration, working conditions, relationship with superiors, peers and subordinates, status, job security, and personal life dominated the narration. These were called Hygiene factors and were found to be *job-context* variables. Thus the results suggested that hygiene variables lead to job dissatisfaction because of the need to avoid unpleasantness; motivators lead to job satisfaction because of the need for growth and self-actualization.

The following points are worth noting about the motivation-hygiene theory.

1. Job content and job context factors are discrete aspects of work and are neither different points on the same continuum nor different levels in the motivation hierarchy. Absence of one does not mean the presence of another.

2. A satisfactory situation can also have elements of job context just as a dissatisfactory situation can have elements of job content. However, a satisfactory situation will be content-oriented and a dissatisfactory situation will be context-oriented.

3. Some doubts have been raised on the methodology. Since it involves recalling events, how can we guarantee its authenticity? Despite this drawback, the theory has been supported across various kinds of samples, organizations and cultures.

4. The theory implies that to generate satisfaction, attempts have to be made to improve the job content.

Several cross-cultural studies have been conducted to validate Herzberg's theory. Dayal and Saiyadain⁷ collected data on 40 respondents, each 20 representing technical

⁶Fredrick Herzberg, B. Mansner and B. Snyderman, *The Motivation to Work* (New York: John Wiley, 1959).

⁷Ishwar Dayal and Mirza S. Saiyadain. "Cross-cultural Validation of Motivation, Hygiene Theory", *Indian Journal of Industrial Relations*, 1970, 6 (2), pp. 171-183.

requirements that are important for basic material existence. Relatedness consists of the desire to maintain important interpersonal relations. Growth needs refer to the intrinsic desire for personal growth. The theory is a modified version of Maslow's Need Hierarchy Theory. Existence includes physiological needs and safety; relatedness includes social needs and growth includes esteem and self-actualization needs as propounded by Maslow. However, it is different from Maslow in two respects.

- Unlike Maslow, according to this theory, more than one need may be operative at the same time.
- Again, unlike Maslow's theory, the ERG theory says that if a higher order need is not satisfied, the individual would fall back on the lower level need (frustration–regression).

2. Goal Setting Theory

This theory as proposed by Edwin Locke¹³ suggests that difficult and specific goals that employees accept and commit to, and those that are tied to rewards, will increase motivation. Accordingly, goals are a major source of motivation because they indicate what has to be done and how much effort should be exerted. If these goals are specific, the performance of the employees would enhance. Even if goals are difficult, if they are specific and if employees have had active participation in either setting them or accepting them, performance levels would be high.

3. Expectancy Theory

Perhaps one of the most accepted theories of motivation today is the Vroom's Expectancy Theory.¹⁴ The theory argues that the intensity of a tendency to act in a certain way depends on the strength of the expectation that the act will be followed by a given outcome and the strength of the attractiveness of the outcome to the individual. Thus the theory basically deals with the inter-relationship among the following three variables.

- Attractiveness (valence) which refers to the importance an employee attaches to the potential outcome or reward that can be achieved on the job.
- Performance–reward linkage (instrumentality) which is the degree to which performance at a particular level will lead to the attainment of a desired outcome.
- Effort–performance linkage (expectancy) which consists of the perception of the individual who exerts a given amount of effort and leads to performance.

¹³Edwin Locke. Towards theory of task performance and incentives. *Organizational Behaviour and Human Performance*: Fall 1968, pp. 157–189. Also see Gary P. Latham, M. Erez and Edwin Locke. Resolving scientific disputes by joint designs of crucial experiments by the Antagonist: An Application to the Erez–Latham Dispute regarding participation in goal setting. *Applied Psychology*: November, 1988, pp. 753–772.

¹⁴Victor Vroom. *Work Motivation*. (New York: John Wiley, 1964)

Hence the outcome depends on a person's particular goal(s) and his/her perception of the relative worth of the performance as instrumental to the attainment of the goal(s).

4. Equity Theory

This theory refers to the attempts of the individuals to compare their job efforts with the outcome. Equity is the individual's belief that he/she is being treated fairly when compared to the others.¹⁵ The theory proposes that employees are not only concerned with the absolute amount of reward for their efforts but also with what others receive for the same efforts. The theory puts forward the following four propositions.

- Over-rewarded employees will produce more than equitably paid employees, if the payment is on time
- Over-rewarded employees will produce fewer but better quality products than equitably paid employees, if payment is decided by the quantity of output.
- Under-rewarded employees will produce less or poor quality of output, even if the payment is on time.
- Under-rewarded employees will produce a large but low quality output when compared to equitably paid employees, even if the payment is by quantity.

Hence the most significant contribution of the equity theory that practitioners must remember is that if rewards are to motivate employees, they must be equitable and fair.

□ IS MONEY A MOTIVATOR?

This raises a basic question. Do people work for money? The answer is negative. Researches carried out in India and abroad show that money is important because it is crucial for survival but, beyond a point, money does not always motivate. An organization that pays its employees enough to meet their requirements for food and shelter, may have to look for other needs by which to motivate its employees to enrich their output. Unfortunately, Indian industry has over-emphasized the importance of financial incentives, as a results of which alternate incentives have neither been developed nor properly emphasized. This is an extension of Taylor's philosophy that people work for money alone.

Opsahl and Dunnette¹⁶ have identified several theories to explain the effect of money on job performance. For example, one theory suggests that money is an

¹⁵P.S. Goodman. An examination of referents used in the evaluation of pay. *Organizational Behaviour and Human Performance*: Oct. 1974, pp. 170-195. Also see S. Ronen. Equity, perception in multiple comparisons: as field study. *Human Relations*: April 1986, pp. 333-346.

¹⁶R.L. Opsahl and M.D. Dunnette, "The Role of Financial Compensation in Industrial Motivation", *Psychological Bulletin*, August 1966, 66, No. 2, pp. 94-118.

anxiety reducer. According to another theory, money is a "dissatisfaction" because its absence causes dissatisfaction but its presence contributes little to satisfaction. Another theory finds it instrumental to the satisfaction of other motives, e.g., prestige and status needs. However, empirical evidence clearly demonstrating the positive influence of money on performance is not conclusive.

Several Indian studies have demonstrated that money is not the only motivator for either job satisfaction or job performance. Saiyadain and Monappa¹⁷ for example, found that only 33 per cent of managers chose their jobs for the remuneration. On the other hand, advancement, stability, opportunity to use skills and the image of the organization were predominant in the choice of a managerial career. Similarly, in another study¹⁸ on Indian students opting for management education, the predominant reasons given were challenge and freedom to make decisions (72 per cent) while money was indicated by only 55 per cent. In the same study, 23 per cent of the engineers with one to seven years' experience in a state electricity board indicated money to be important while job content variables and supporting services were perceived as more motivating. Several other studies on Indian samples can be quoted, suggesting that money alone cannot motivate in most cases.

□ MOTIVATION AND PRODUCTIVITY

An organization should be a vehicle for fulfilling individual needs (both job context and job content ones). However, organizations do not exist merely to satisfy individual needs but are concerned with survival through productivity. Achievement of productivity coupled with the satisfaction of the employees' needs should be the concern of all organizations. Productivity is the ratio of a given amount of output to a given amount of input for a specific period of time. The higher the ratio, the higher the productivity. The part played by motivation in achieving this ratio is important for managers and supervisors.

However, a word of caution is called for, as a very precise evaluation of the amount of motivation still eludes researchers. This methodological problem does detract from establishing a perfect correlation between motivation and productivity.

Generally it is found that up to a point performance increases with increasing motivation, beyond which increase in motivation leads to decrease in performance showing a curvilinear relationship between performance and motivation. Thus too little motivation leads to sluggishness and inertia and too much leads to disruption. What the optimum level of motivation should be depends on the job level and the individual in a given situation and time.

High motivation leads to low performance because:

1. A high motivational level narrows the cognitive field. Under high motivation there is a higher concentration on the goal to the relative exclusion of other

¹⁷Mirza S. Saiyadain and Arun Monappa, *Profile of Indian Managers* (New Delhi: Vidya Vahini, 1977).

¹⁸Mirza S. Saiyadain, *Job Enrichment: Prospects & Problems* (Ahmedabad: Indian Institute of Management, 1976).

features of the situation which might be essential to the solution of the problem. This leads to a higher degree of frustration when the given response proves inadequate.

2. A high level of motivation is also associated with anxiety. Hence performance may be directed towards reducing anxiety rather than achieving a certain level of efficiency.

In a very interesting study¹⁹ on assembly workers in General Electrics, groups performing identical tasks were selected. One half was subjected to annoyances, arguments, etc., while the other half was confronted with situations designed to produce satisfaction. Very little difference were noticed in their productivity.

If the relationship between motivation and performance is so uncertain why is such effort directed in all organizations to motivate employees? Researchers have shown that a high level of motivation may lead to higher morale—a positive feeling and attitude towards company, job, superiors, peers, and subordinates—and high morale has a positive association with high performance. Thus motivation initiates morale which in turn influences performance.

□ MOTIVATING EMPLOYEES

Given the significance of motivating employees to result in productivity and satisfaction, a large number of motivational interventions have been tested and tried out. In the following pages, some of the most significant interventions are described briefly.

1. Job Enrichment

One of the way to maximize employee satisfaction and productivity is to enhance the motivational factors on the job. Job enrichment (a term coined by Herzberg) refers to the vertical enlargement of a job by adding responsibility and opportunity for personal growth. The content/discretion hypothesis is very essential for job enrichment. Content refers to additions to the job content and discretion entails increasing responsibility and providing opportunity to use one's skills and abilities. Addition and discretion are not sheer sum but the interaction of the two. However, this simple relationship is mediated through a third variable—variety. Increase in content and discretion leads to variety, making repetitive jobs less boring and more satisfying.²⁰

2. Quality Circles

The concept of quality Circle (QC) is an outcome of the Japanese concern for statistical quality control. QC is primarily based on the recognition of the value of employees as human beings. Hence managers have to treat them with dignity and train them to accept responsibility and contribution to their job. Thus motivated,

¹⁹S. Schachter et al, Emotional Disruption and Industrial Productivity, *Journal of Applied Psychology*, August 1961, 45, No. 4, pp. 201–213.

²⁰Mirza Saiyadain, 1976, op. cit.

they would be capable of making their valuable suggestions through the use of their initiative, experience and intelligence without just putting in physical efforts. QC is defined as a small group of 5-10 workers voluntarily performing quality control activities within the workshop to which they belong.²¹ QC is a voluntary group effort. This group which consists of a cross-section of employees, then, at company cost, finds ways and means to improve quality of their products.

3. Work Redesign

Work redesign is basically the change in the nature of the job of the employees as a motivational technique. The managers have a number of alternatives to bring about changes. However, by and large, job rotation and enlargement are extensively used. Job rotation is a systematic movement of people from one job to another. It provides them the broad-based understanding of various functional activities of the organization and helps them develop the perspective to relate totally their own job. It however entails some prior training before the person is rotated. Job rotation has been found to be a good motivational device but can become expensive if it needs the dislocation of employees and meeting the costs of this dislocation. Job enlargement, on the other hand, would necessitate giving more tasks to be performed by employee on a given day. It is the horizontal extension of the job or more of the same things. However, such an exercise entails the complete redefining the job of the employees and would often require extra payment to the change in the job description.

4. Flexible Work Hours

Organizations frequently use modified work schedules to increase employee motivation. The flexible work hours can take many forms. It can mean a change in traditional 9-5, Monday through Friday, work schedule (flexitime). It can also mean doing work at home. Many variations are available. One alternative is a compressed work week. Instead of working 8 hours/day for 5 days, one can work for 10 hours/day for 4 days. Another popular method is the flexible work schedule. Here, all the employees are required to work for certain core hours, the rest of the hours can be flexible, as long as eight hours of work/day has been done. Thus, the employees can come in one hour late and stay one hour after work. Yet another system is working at home. Given the easy availability of computer technology and networking, employees can stay home and still do a full day's work. This is particularly more suitable for working mothers.

5. Democratization of Work

If workers have to be provided sense of participation, importance, pride, freedom and self-expression, it is necessary that they are involved in the decision-making process, particularly those decisions that affect them the most. Democratization

²¹K. Ishikawa. *Quality Control in Japan*. In N. Sasaki and D. Hutchings (eds). *The Japanese Approach to Product Quality* (New York: Pergamon, 1984). Also see William G. Ouchi. *Theory Z*. (Reading, Mass: Addison-Wesley, 1980).

entitles sharing in an appropriate way, the decision-making powers with the lower levels in the organization so as to generate a feeling of involvement with the job and the organization. It is also called participative management or co-determination. Many organizations that have experimented with this idea have found that it leads to high satisfaction and productivity, provided that there is trust between the participating levels, liberal sharing of information and a positive top management attitude.

Dynamo Corporation Limited

An interesting study in job enrichment was undertaken by Professor Nitish De²² at the Rampur unit of Dynamo Corporation Limited. The corporation was set up for 10 years and produced items for the "core" sector (heavy engineering equipment). The study was conducted on managers, supervisors, and workers of a unit producing auxiliary equipment. An initial survey revealed that none of the workers was emotionally committed to the product, there was forced idle time because of task interdependence and uneven distribution of work load. Having worked for a long time at the same job, workers did not find it sufficiently challenging.

These findings were placed before the total unit, which agreed on setting up a rotating task force with representatives from each category and the introduction of a new work system. The new work system consisted of having a group of employees taking charge of a complete task and gradually taking on each other's job after training. Thus a welder did the job of a fitter, and a fitter did that of a welder or a gas cutter. Each worker became multiskilled. Three things were noted: (1) Monotony was partially eliminated; (2) the traditional hierarchical concept of trade was minimized, and (3) a positive attitude towards co-workers and the work was developed.

Monthly data for targets set and percentages of fulfilment of targets were plotted. From April 1975 to November 1975 rising trends were noticed both in the fulfilment of targets and the overall efficiency against clocked time. There was an increase of 6.9 per cent and 45.3 per cent in relation to the targets and the overall efficiency respectively. Thus changes in job content, greater variety, and freedom contributed to the performance of the employees.

Summary

What motivates a person to perform is the focus of this chapter. Motivation in the context of Organization refers to the willingness of an employee to respond to organizational requirements. All the significant content theories of motivation (Maslow's Need Hierarchy Theory, McGregors Theory X and Theory Y and Herzberg's Motivation—Hygiene Theory) as well as process theories of motivation (McClelland's Need Theories, Goal Setting Theory, Expectancy Theory and Equity Theory) are reviewed. Some of the recent attempts in motivating employees like

²²Nitish De, "Training Strategy for Change in Attitude: Micro-Level Experiences". *Economic Times*, 26 February 1976.

job enrichment, quality circles, work redesign, flexitime and work democratization are discussed. The chapter raises some issues concerning money as motivator and takes a closer look at motivation—productivity linkage.

Review Exercises

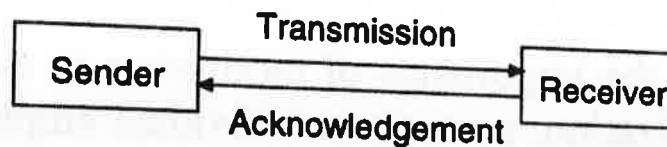
1. Briefly discuss the importance of motivation to organizations.
2. Study an organization, unit, or an individual employee and suggest ways and means to motivate him to perform more effectively.

Suggested Reading

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COMMUNICATION

Communication means getting across ideas and information to another person. For communication to take place, it should originate from an individual and be transmitted to another who receives it and acknowledges it. Sending the message alone does not complete the process of communication. This is illustrated as:



The sender might use language, signs or actions to transmit a message. The receiver might receive it by listening, reacting or simply observing. In any case the process of communication involves three things, a communicator (sender), a communicatee (receiver), and the contents of communication (message). This is generally formulated in terms of who says what to whom. This clearly identifies the three components of the communication process, i.e., who, what and whom. Thus communication is a meaningful interaction among human beings. It implies that a message is sent and a message is received.

Communication is important in an organization because it is one of the chief means by which members work together. It helps them to hold together by making it possible for them to influence and react to each other. In fact communication is so fundamental that without it the organization cannot exist.

A manager might theoretically develop his plans, procedures and the requisite organizational structure, but when it comes to implementing them he has to communicate this to his subordinates, peers, and superiors. Unless a manager has a communication skill of the highest order, issuance of orders and eliciting participation from employees may become difficult.

□ ONE-WAY VERSUS TWO-WAY COMMUNICATION

All communication can be classified into two broad categories—one-way and two-way. As the names suggest, they refer to the absence or presence of the facility to seek reactions, information, clarification, etc.

One-way communication denies the facility to seek clarification, confirmation, etc. It only ensures the transmission of the message. A very common example will

be an army order. Yet another is the high pressure salesman who presents a wealth of arguments in favour of the product he is selling and who will not accept any suggestion that the product might have limitations. Such a communicator represents an extreme case of one-way communication. Similarly, advertising always represents a typically one-sided communication. Even negative messages are designed so as to increase the overall credibility of the positive aspects of the product.

One-way communication has its advantages and disadvantages. It is fast, it saves time and money. The sender is satisfied because there is no way of questioning his information and thus probably protects his oversights and mistakes. However, it is very dissatisfying to the receiver who has no opportunity to seek any clarification of the message. The receiver is left with a sense of disharmony which in most cases is reduced by accepting the message as it comes. This is a kind of psychology used by the advertising agencies to bring about impact on the audience.

Two-way communication has a built-in system of feedback. It ensures that further information, clarifications, etc., are provided whenever available. A typical example of two-way communication is a business seminar, a participative group, and, to some extent, the classroom.

Two-way communication is slow, time-consuming, and probably less efficient though it may be extremely satisfying to the receiver who has full opportunity to understand the message. It has been noticed, however, that not all people are interested in interacting and hence in a face-to-face situation they may withhold their views. As a result, very often, irrelevant issues are raised and unrelated comments are made sidetracking the main issues. In a situation where a decision has to be implemented, two-way communication is decidedly helpful.

□ FORMAL AND INFORMAL ORGANIZATIONAL COMMUNICATION

Formal organizational communication is determined by a formal organizational chart which describes the official lines of authority and accountability. Thus, formal communication has to go through a formal line of authority. Though it has the advantage of ensuring uniformity in the dissemination of information and the timings of this dissemination, communication based strictly on formal relationship has certain disadvantages. An employee often does not communicate with his supervisor as freely as he would with his colleagues or friends for various reasons. Some of these reasons could be that his superior is the evaluating authority. His promotion and future opportunities are, to some extent, in his hands. Therefore, he tries to control the factors that will influence the superior's judgement negatively; he will thus give only the required information, highlight only the favourable aspects, and generally paint a rosy picture about himself and his job. Inevitably, communication is neither full nor correct.

Formal communication also suffers from several other disadvantages. It could be delayed because of the overloading of channels. An employee receiving all kinds of communication from various units and persons may not find sufficient

time to read each one of them. He may skip some altogether or just glance at the message. He might have his own priority system and pay more attention to some messages than others. Also, if he wants to delay relaying the message or seek extra information he may resort to the formal procedure which might defeat the very purpose of communication.

Informal communication on the other hand, cuts through the formal organization structure. The grapevine, which is a form of informal communication, is common in all organizations. Employees get to know plans, promotions, punishments, etc., much before they are formally announced. Informality however, reduces uniformity of communication and often false or distorted news is circulated.

Generally, an organizational relationship based on informality is extremely useful in improving the organization's working. A manager who keeps his eyes and ears open can learn a lot about the feelings and attitudes of his employees and can attempt to correct some of the policies and practices and generate a positive attitude to the satisfaction of his task force.

Although formal channels of communication are useful, and sometimes even necessary, employees often develop their own informal channels of communication and utilize them for the achievement of the goals of an organization. In an extensive study on the Milo industries, Dalton¹ found that the formal organizational chart remained only on paper and an informal chart was being used. Employees at lower levels established wavelengths with several levels above them and got information.

□ CHANNELS OF COMMUNICATION

How do various organizations transmit communication to intended users? What are the different ways and means to relay a message? Several channels are available to organizations and their employees. These channels can be classified into three categories depending upon their origin and destination. If communication is initiated at the top and is intended for the lower levels in an organization and/or the public, it is called downward communication and channels used for it are highly specific. If the communication originates from below and is intended for higher levels in an organization it is called upward communication. Here also, the channels are specific. The third category consists of those that can be used for both downward and upward communication.

Downward Channels

Downward channels are important for control. They are used to transmit organizational goals to employees as well as the ways and means to achieve these goals. They help to direct the behaviour of the employees. Communication of company policies and practices, the thinking of top management and their decisions are transmitted through downward channels. Downward communication channels usually are one-way communication. How much of this communication is internalized is very difficult to assess.

¹Melvin Dalton. *Men who Manage* (New York: John Wiley, 1959).

For downward communication to be effective it has to use the language understood by the intended receivers. This means that the presentation will vary from level to level. In any case it should always be clear, concise, and easily translatable into action. Before it is transmitted, clear-thinking on the part of the originator is very necessary. It should not be used as a sounding board. The most common channels available for downward communication in an organization are briefly outlined.

Memos and directives Memos and directives are the most commonly used channels in almost all organizations. They consist of a typewritten or handwritten note that goes to another employee in the organization. The contents may vary. They may consist of a plan, a policy decision, or a day-to-day message. All memos relating to personnel practices like promotions, discipline-related notes, etc., fall in this category.

Posters and notice boards When the number of intended receivers are large or when the contents concern most of the employees, most organizations usually resort to placing memos and directives on notice boards. These notice boards are prominently placed in strategic areas to catch the attention of everyone. Posters also provide the same effect. For example, the celebration of safety week and ways and means to ensure safety on the shop floor can be better communicated through visually appealing posters than through typed messages.

Annual reports These reports, published once a year, give a total account of the company activities, new experiments, balance sheet, profit and loss accounts of the preceding year, etc. Several companies have also started giving the names and salaries of top executives earning above Rs. 30,000 a year or more. Researchers find annual reports useful for various kinds of studies.

Employee handbook This is a small handbook that gives company policies, rules and regulations concerning leave, gratuity, provident fund, etc. It presents a code of conduct and the expectations a company has from its employees. It is usually given to a new employee at the time of joining and thus becomes a necessary part of induction training.

Letters in pay packet Some organizations, to ensure that their messages reach employees, insert letters in the monthly pay packets. This channel ensures definite transmission and awareness of the message by all employees.

Upward Channels

Upward channels of communication provide an opportunity for the employee to convey his suggestions and feelings to the management. There are only a few upward channels and there is need for more to ensure that management is aware of what is needed at the shop floor level. Feedback on the policies and plans and changes in the shop floor arrangements are some of the areas where upward communication can be of much use. It can help in redesigning and/or making

midcourse corrections in plans and activities. The following upward channels of communication are available.

The grievance procedure The grievance procedure represents systematic attempt to listen to the subordinate's appeals, his concerns and the problems he faces on the job. Most organizations supply printed forms which are filled by the aggrieved employee and sent to the supervisor who takes (or should take) immediate action on them.

Suggestion box The suggestion box is another channel which, if used properly, can provide sufficient data to generate high productivity and ensure satisfaction among employees. True, not all suggestions may be workable, but if sufficient publicity is given to those suggestions accepted and duly acknowledge, it can communicate to the employees that their opinions will be valued.

Morale and attitude surveys Morale and attitude surveys are conducted by some organizations before initiating changes. Just studying the state of affairs in an organization can be very useful; since employees in most cases do not have to reveal their identity, they often provide useful information which otherwise might well be withheld for fear of reprisal.

Exit interviews Exit interviews are "chats" with employees quitting the organization. Since they have decided to leave they will be frank in their comments on procedures and policies. These views could later be used to improve the functioning of the organization.

Open door policy Some supervisors follow the fairly new open door policy under which employees are free to drop in at any time to discuss problems with them. A few organizations may not practise this policy because of obvious shortcomings; employees may keep coming all the time, making it difficult for the supervisor to perform his normal duties.

There are also other channels that can be utilized for both upward and downward communication, for instance house magazines, unions and grapevine. Unions can be very effective in selling a policy to workers or in developing a policy for them. Similarly, house journals publish articles written by workers as well as management giving their points of view. The grapevine, which is really organizational gossip, has also been utilized effectively by management to enforce changes. The news of a proposed change is leaked out and the workers' reactions are studied before enforcing, dropping, or modifying it.

❑ COMMUNICATION NETWORKS

If we observe the patterns of communication in a number of organizations, or in the same organization at different times, we find that they are structured around the work relationship. These patterns are called networks. Communication networks are the structural aspects of the work group. They tell us how the groups are hung together and what the work relationship among its members is. Communication networks also indicate the general culture of the organization, superior-subordinate relationship, and, to some extent, the satisfaction of the employees.

The Networks' Influences on Organizational Activities

In all organizations, communication is not diffused and random but is transmitted between positions in a purposive manner designed to increase productivity and satisfaction. However, each kind of network has been found to show varying influences on task-related organizational activities. We will now study task-related activities and the effect of various networks on the outcome of these activities. The conclusions indicated are based on research studies and take into account only the extremes, i.e., circle and chain.

Efficiency Efficiency, as operationalized in terms of speed and time, is an important index of the overall effectiveness of an organization: the greater the efficiency, every thing else remaining the same, the greater the viability of the organization. Efficiency has been found to be superior in a chain network to that in either the wheel or circle. The reason is simple—a message is passed down the hierarchical levels to the relevant point quickly. The transmission does not take time because there is not much interaction between the sender and the receiver. But in the circle situation, since it is more or less a face-to face group, they interact, seek clarification, raise objections and, as a result, efficiency as defined here goes down.

Quality of output Quality here refers to relatively defect-free services or goods. The better the quality the greater the effectiveness of the organization. Generally speaking, quality has been found to be superior in the circle situation than in the chain. Five individuals pooling their efforts, it is hoped, will get better results than a single individual.

Satisfaction of employees It is found that the employees are much more satisfied in a circle network situation than in the chain. They are free to contribute, take initiative, and treat the assignments as a challenge, unlike the chain situation where the receiver is only the end point of a message without any scope for suggestions, contributions, initiative, etc. Employees working in the circle network usually have been found to have higher commitment, motivation and morale.

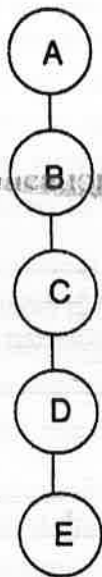
Response to change Chains have been found to be more resistant to change than circles. The resistance usually emerges at the top level in the chain because change is perceived as a danger that may jeopardize the status quo. This is also true among other levels but is not so pronounced. It has been noticed that chain networks have a tendency to maintain the status quo. The circle situation has been found to be more flexible and willing to accept change. Since there is no established hierarchy in this case, there is no threat to the status or authority of the members working in a circle communication network situation. Besides, their adaptability to new situations has been found to be much better than those working in chain situations.

Supervisory style As the nature of the network suggests, supervisory behaviour in the chain situation has been found to be relatively authoritarian. The primary concern is the task; the employees' likes and dislikes are of secondary importance. This is further reinforced by the sheer distance between the superior and the

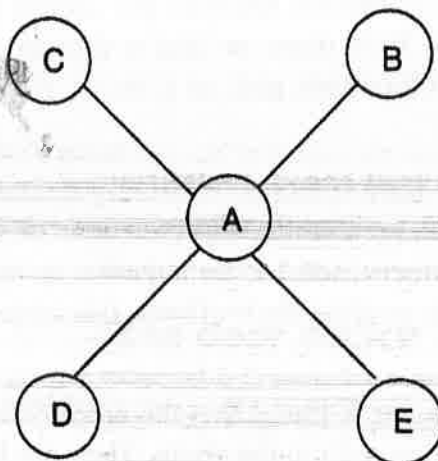
Several experiments² have been conducted to study the effect of various networks on the satisfaction and productivity of employees. Various kinds of communication networks have been isolated and the effect of their differences on productivity have been studied. For example, the following three kinds of network have been found to be very common in all organizations.

Chain

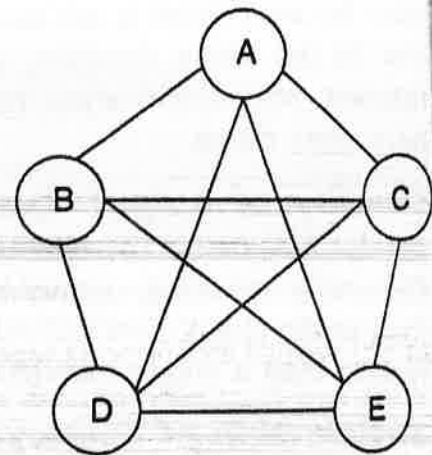
The chain represents a typical bureaucratic system that follows a formal communication pattern. Here the communication goes through the proper channel following strictly the hierarchical system. Thus if A has to communicate with E it will pass through B, C and D in that order. Similarly, E's reply to A will be through D, C and B in that order. A cannot go directly to E.



Chain



Wheel



Circle

Wheel

The wheel is slightly different from the chain because here the levels are reduced. If E wants to communicate with D he has to go through A only. Similarly, other members of this group have to go through A to communicate with other members. In a way, this represents a division within a large organization, with the division head controlling the communication.

Circle

As opposed to the chain and wheel, the circle ensures communication among all members of the group. Each member can directly communicate with other member(s) without going through intermediary levels. This implies that in work there are no hierarchical levels and that members do not feel constrained to channel their communication via others. The circle represents a peer group culture or a participative system.

²See for example H.J. Leavitt, "Some Effects of Certain Communication Patterns on Group Performance", *Journal of Abnormal and Social Psychology*, 1951, 46, pp. 38-50. See also A. Bavelas, "Communication Patterns in Task-Oriented Groups", *Journal of Acoustic Society of America*, 1950, 22, pp. 725-730.

subordinate. Circle situations, however, have been found to be characterized by people-orientation though tasks still remain important.

Organizing There is greater difficulty in organizing circles than chains. In the circle situation, since the work relationship is based on mutual exchange, bargaining, lobbying, etc., are often resorted to, making organization difficult. In a chain the work relationship is based on the structured organizational relationship and as a result, authority, responsibility, accountability, etc. of the individuals are clearly delineated. This is not so in the circle network where the whole group is responsible. Who will do which aspect of the task, why and how, are the questions raised as soon as a task is assigned to the group.

The choice of a specific communication network depends upon the task, level, technology and general culture of the organization. Research and development units of many organizations usually follow the circle network because ideas have to be generated by a group of employees. Their task is relatively unstructured and supervision is employee-oriented. In a process industry or on an assembly line the chain situation might be more useful because the task is clearly structured and jobs are clearly defined. However, it should be kept in mind that no organization can have a pure form of either circle or chain communication network. Employees generate their own systems of communication which usually are a combination of both.

□ COMMUNICATION FILTERS

Despite its significance, communication among human beings has always been a problem. It suffers from distortion—sometimes intended, sometimes unconscious—and it seldom reaches the intended receiver in the form it originated. Distortion in communication takes place because of both environmental and human factors.

In a factory situation the roar of machines makes it difficult for both senders and receivers to transmit. They either shout or resort to some form of body language rather than verbal. In many factories the workers on the shop floor develop non-verbal symbols for communicating various ideas, needs and feelings. We are all familiar with the body language that exists in many organizations. Gestures, use of various parts of the body, facial expression, etc. are some of the mechanisms that serve the purpose of communication in cases of high environmental noise.

However, the most important are human factors. Assumptions, values, experiences, stereotypes and predisposition influence both the transmission and reception of messages. These are filters and messages passing through them are distorted. Let us take the case of Kumar who is known to be lazy. His superior thinks that he has to push Kumar to work. Should Kumar some day have an idea for shortening the production process it may well not be perceived as a contribution which could save time and money when put into practice, but as an attempt on the part of Kumar to shirk work. We will look at some of the human factors in a little more detail.

Tendency to evaluate One of the major causes of communication breakdown

the human tendency to evaluate, judge and approve. We use terms such as like, dislike, agree, disagree—loaded phrases and adjectives that necessarily make simple messages highly evaluative. The communicator may only be conveying a simple factual statement but as we start evaluating it a barrier is created that blocks further communication between the two individuals.

Stereotypes This refers to a tendency to perceive most people and a certain class of events in a certain way. Stereotypes are based on what we have learnt about how people behave in terms of their social position, role, class and level, etc. The assumption leads to a distortion in communication because “stereotypes” ignores the basic fact that no two individuals are alike. Thus, while communicating with a worker, if the sender assumes that he is addressing a member of the working class, the communication might be influenced by a mental picture of what workers are like. Individual feelings are then overlooked blocking further communication.

Predisposition Most individuals have their own unique ways of perceiving, relating and communicating with others. Predispositions are highly individualized and determine behaviour to a large extent. They are the result of one's values, upbringing and experiences with fellow human beings. For example, a highly authoritarian individual has the characteristic of being unperceptive. He feels that others are like him, as a result tunes his communication accordingly. If the receiver does happen to be like him there may not be any communication at all, but if he is docile the communication is more likely to take place.

Values and attitudes Values and attitudes are tendencies of an individual to evaluate an object, a communication or an event in a certain way. During the process of growth we develop a number of attitudes and values, and in our interaction with others we use them and act or react accordingly. A supervisor for whom work is worship would be extremely annoyed with workers who take leave frequently, loiter, or just do not work. The idea that work is most important is so ingrained in him that he cannot think of anything else.

Thus we see that all communication is based on a number of assumptions about the receiver. In the absence of any information about the receiver the sender assumes that the receiver is like him; more than likely this assumption will be erroneous. But we do have to make some assumptions about the receiver and the most readily available are those of one's own self. To a large extent these assumptions are responsible for distortions in communication. However, the point to be noted is that these filters are active in both the sender and the receiver at a given point of time. What they suggest can simply be summarized by saying that the meaning lies in the mind of the listener and not in the words of a communication. The words are simply vehicles to activate the meanings.

□ **FEEDBACK**

To be sure that the message has reached the intended receiver, the communicator has to get some acknowledgement from him. Feedback ensures that the process of communication has in fact taken place. This can take the form of a nod, an acknowledgement, or an execution of the behaviour suggested in the communication.

Thus feedback provides a learning opportunity to the sender and the receiver because it mirrors the consequences of the behaviour. In addition, if the behaviour has been found to be incongruous with the message it opens avenues to make corrections wherever necessary. Without feedback it would be difficult to ascertain whether communication has been received as intended or not.

In organizational settings feedback is essential. Each employee needs to know where he stands *vis-a-vis* the organizational expectations, so that he can adjust his behaviour. Similarly, all organizations need some feedback from employees on their policies and practices in order to make improvements wherever necessary.

All organizations have mechanisms to seek and receive feedbacks, because the overall viability depends to a large extent on the sharing of information. However, it is often noticed that the efforts of a management to plan and establish reliable and formalized systems of feedback are often defated because of the widespread tendency of people to establish informal channels and also because of various sources of distortions. Since most of the feedback in organizations is work-related, the system should be improved and made more effective. The following observations are useful pointers:

1. To avoid unpleasantness some managers and supervisors provide only positive feedback. Whenever an employee does something commendable, a useful positive acknowledgement is made. Actually, both positive and negative feedback should be provided. It is equally necessary to tell the employee that he is not doing something correct. If the employee is not told, the mistake will recur.

2. Feedback should be focused on the specific action rather than on the individual. Comments relating to behaviour are accepted more easily than those relating to an individual's personality, attitudes, feelings, etc.

3. Feedback can be valuable if it refers to the description of behaviour in terms of "more or less" rather than "either or". It makes more sense to say "improve your skill" or "make fewer mistakes" to an erring employee rather than "your work is absolutely correct" or "don't work at all".

4. Feedback which is provided "here and now" is more meaningful than delayed feedback. If an employee has done something inappropriate it is necessary to tell him immediately rather than wait for an opportune moment. By then he might have forgotten the event.

5. Efficiency and satisfaction in an organization can be improved by providing feedback as a way of sharing information rather than insisting on the "rightly" way of doing things. Sharing means that the employers and employees together study the problem, evaluate various alternatives and choose the best. This conveys the message to the employee that his opinion is valued and he can contribute meaningfully in achieving the organizational goals.

Feedback thus plays an important role in the communication process. It requires skill and willingness on the part of managers and supervisors to involve employees in decisions and share the necessary information with them. Unless employees are respected they will not respect their employers. As organisations grow in size people may not be able to keep in touch with each other and with the organization's activities and plans. Hence, there is a constant need to evolve mechanisms to

communicate with employees, so that they feel part of the organization. We discuss below one organization's experience in trying to meaningfully establish a communication link with its employees.

Communication in Voltas

The company had a house magazine with a standard layout consisting of a message from the managing director, articles about current business affairs, photographs of jubilee watch recipients, newly weds, children, etc. The magazine was distributed to every employee in the office.

Over the years it was felt that the magazine had not served its purpose because the employees, by and large, were leaving it in the office instead of taking it. It was, therefore, felt that the magazine did not provide sufficient interest for families—it did not include articles of interest to them such as a health guide, home decoration, quiz for children, etc. It was also felt that the company should be able to provide a magazine in which an individual employee could voice a grievance and get a suitable reply from the officer concerned.

The necessary changes were made and the new aims and objectives were fully met, making the publication very popular and establishing a direct link with the employee and his family. The number of grievances published has increased, replies are forthcoming, together serving the purpose of taking corrective action and also indicating the general industrial relations health. The magazine is posted directly to the homes of employees to ensure that the families too read it. That it is popular is confirmed by the contributions received from family members.

However, the employees union has strongly opposed the publication of this magazine and has termed it a waste. It feels no need for direct communication with employees and their families (partly because it feels that the magazine might be treading on the union's role). Nevertheless, the enthusiasm shown by individual employees fulfils the aims and purpose of the magazine.

Summary

Open and two-way communication ensures survival of the organization. It is a means to make members work together. Beside being one-way and two-way, communication can be both formal and informal in the organizations. Formal communication can be downward (e.g. memos and meeting, poster, annual report etc.) and upward (e.g. grievance procedure, suggestions, exit interviews, etc.). Despite its significance communication can suffer from distortions both intended as well as unconscious. Some of the reasons for distortions are tendency to evaluate pre-existing attitudes, stereotypes, values, and, perceptions. Feedback can help improve the quality of communication. Feedback however should be prompt, both positive and negative, focus an action and behaviour instead of individual.

Review Exercise

1. Take a short non-controversial argument as an issue. Read it aloud to another individual. Request the individual to narrate what he heard to

another. Let the account be related to a fourth individual. The message should be relayed through at least five individuals.

- (i) Write your observations on the final changes in the contents and tone of the material.
- (ii) What would you suggest to guard against distortions in the communication?

Suggested Reading

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ETHICS AND SOCIAL RESPONSIBILITIES

“The modern large industrial corporation is in some respects a public institution... it holds power in trust for the whole community.”¹ The quotation epitomizes the awesome power, influence and resources that the present-day business corporations possess, and the extent to which they can contribute to the society of which they are a part.

The present-day business corporation functions in an environment where demands on it emanate from several groups. This has, to a considerable extent, resulted from a changed social environment and value system in the community. The realization of the social responsibility of business has spread down to the retail level today.

J R D Tata, a leading industrialist stated, “there is little doubt that the technical resources and managerial talents of organized industry have a function in society and obligation to the community, much wider than the mere discharge of their primary business function.”²

The most commonly accepted form of an enterprise’s responsibility is towards the groups that have a vested interest in its growth and profitable functioning, i.e., consumers, shareholders, employees. This responsibility entails ensuring the continued viability of the enterprise. In the first place, it means making profits and paying a good dividend to the shareholders. In the the second place, the payment of wages in the employees’ economic interest, (including fringe benefits) which is commensurate with the going market rate. The responsibility rests on the chief executive and his team of employees to function in these roles in a manner that the above gains are realized.

The study group of the Calcutta seminar on the social responsibilities of business,³ emphasised certain other features besides the need for an enterprise to make a profit. It stressed several responsibilities business has—(1) to itself, (2) to its

¹S.R. Jain, “Social Responsibilities of Business”, *Eastern Economist*, 30 June 1972, 58 (26), pp. 1259–1260.

²G. Ghose “Management Input in Agriculture”, *Economic Times*, 21 August 1976, p. 5.

³Report of the Study Group of the Calcutta Seminar, *Social Responsibilities of Business* (Calcutta: Oxford and IBH, 1969), pp. 9–10.

customers, (3) to the workers, (4) the shareholders, (5) the community, and (6) the state. Part of the managerial task is to harmonize these separate, and at times conflicting interests. Another important feature is for every business to "make the fullest possible use of its resources both human and material, as has each individual" to utilize his knowledge and training.

The personnel function, perhaps to a greater extent, is concerned more directly with providing the focus for the organization's social concerns. It is involved with human relationships and not with the economic aspects of production. The objective is to obtain individual employee satisfaction and harmonious working relationships—be it interpersonal, intergroup or intragroup—together with the organization of human resources for the effective utilization of machines and materials.

It must, however, be noted that the organization of a personnel department does not imply that the line managers will relegate consideration of the worker's point of view or other personnel matters to the personnel department. In fact, the opposite is desirable. The line manager, being the supervisor, should deal with the "people" problem. A concern for "people" problem by the supervisor will help to create a conducive working environment and the personnel function can also develop a sense of responsibility for concern in an organization.

The personnel function offers many instances where improvements have been made in the recent past in respect of wages, working conditions, welfare and job security reflecting, to some extent, the rising standards of "ethics in business". Many now seem to see the desirable benefits to the corporation through better terms and conditions of employment.

Until the recent past the primary concern was the profit motive. It is now slowly changing on account of the changed value system and the changed role of the government—more egalitarian and development-oriented policies rather than a *laissez faire* attitude. We shall examine briefly the profit ethic, as it still serves a purpose and many corporations do not think differently about it, before considering the firm's social responsibilities.

□ SOCIAL RESPONSIBILITIES OF BUSINESS

There is an increasing awareness of long obligations towards society among the businessmen. The businessman has, for long, been considered as a steward—a person engaged to manage the business in the best interest of the shareholders. However, a large number of businessmen have actively believed that they are servants of society in addition to being the safeguarders of the interests of the shareholders. That however is not the sole aim of their duties. To businessmen, the main aim of their economic life is to achieve a higher standard of living which requires more and more production. They believe in research and development for improving methods, products and the standard of living. The businessman also believes that incentives are necessary to achieve higher productivity. Profits are considered to be the greatest incentive and a reasonable return on investment is essential to maintain and improve production. Wages linked to the net productive contribution of the workers are favoured by them, as an incentive for improved productivity and as a matter of simple justice.

Businessman also believes that increased production would lead to a higher standard of living and that the interests of both the labour and the capital must be in harmony. In order to promote this harmony, businessman tries to 'educate' both labour and society. He is therefore concerned with capacity utilization, worker productivity, sales and competitive prices. Therefore, the fundamental purpose of their efforts is to make profits. To this end, goods and services must meet contemporary market requirements in terms of both quality and cost criteria.⁴

□ PROFIT ETHIC

In the not too distant past, business corporations were considerably more insular in terms of their social and community obligations, and accepted as a guideline what was subsequently termed the "profit ethic". Examples are numerous of the "sweated trades" where employees worked long hours in very poor conditions to produce a greater output for their owners. Again, one can cite the former apparent lack of concern for the consumer in terms of poor quality goods, adulteration and the blatant exploitation of market conditions. While fortunes were made, apathy towards the affected was common.

This is not to de-emphasise the importance of profit *per se*. Profits are a useful index to measure the efficiency of an enterprise. In fact, the traditional system emphasised the importance of the market hence the concern and attention for profits and viability overrode other considerations. Profit is an indicator of the internal efficiency of the business organization—the way it has organized itself, the manner in which it relates to the market forces which is the crucial factor in determining a demand for its goods or services *vis-a-vis* competition from other organizations. But profit has to be viewed in a certain context. Sole dependence on this indicator has now come to be questioned. This changing emphasis is to a large extent initiated by various social groups. They are:

1. political organizations—political parties,
2. social institutions—welfare and religious bodies, and
3. labour unions (National Trade Union Federations)⁵.

The first two are external to the organization and are reflective of the value system and aspirations of people giving direction to society and synthesizing the morals of the community and its ethical and value systems. The labour unions, through the larger national federations, have a wider base than might be supposed including participation in the political process to lobby support for their interests. But more directly, they exert pressure on the managements of corporations to be more professional in their outlook.

The traditional profit concept centred around the individual capitalist. The entrepreneur was intent on getting a high return on his investment and did not

⁴Dubin F., *Human Relations in Administration*, Englewood Cliffs M.J.: Prentice Hall, Inc., 1974.

⁵N.S. Gupta, "Social Responsibilities of Business", *Indian Journal of Commerce*, March 1975, 28 (102), pp. 19-22.

what belongs to me is the right to an honourable livelihood, no better than that enjoyed by millions of others. The rest of my wealth belongs to the community and must be used for the welfare of the community." Again Gandhi stated, "Everything belongs to God and was from God. Therefore it was for his people as a whole not for a particular individual. When an individual had more than his proportionate portion, he became a trustee of the portion for God's people." And again, "The rich cannot accumulate wealth without the cooperation of the poor in the society."⁸

The rich "haves" had both a moral and social obligation to utilise the surplus funds for the "have nots" in order to improve the standard of their living. It may be useful to classify an enterprise's responsibility on two dimensions, one the private and the other the social. The former is to itself—its viability and its employees; the other to the larger social interests as synthesized and manifested by the various social groups mentioned earlier.

Conflicts of Interest

Conflict of interest may be defined as an activity indulged in by an employee which is neither legitimate nor in the best interests of the company. The company expects its employees to have complete loyalty to its interest.

1. Government officers have certain codes of conduct related to conflicts of interest—they are not allowed to accept gifts from people with whom they conduct government business. They should also not use inside information for personal gains. They should not take up any other employment which conflicts with their present work as government officers.
2. For businessmen, the codes of conduct applicable are listed below.
 - For trustees—they should take all decisions keeping the benefit of the trust and not of their personal benefits in mind.
 - For agents—a particular agent should not represent two principals in the same deal without their prior knowledge and approval.
 - For corporate officers and directors—they should not take decisions on matters of their own private interests which could be prejudicial to the interest of their firms.

These codes of conduct have been imposed externally and breaking them can have repercussions, like the dismissal of government employees responsible for financial loss or fine or imprisonment in extreme cases. They are supposed to play an important role in avoiding conflicts of interest which otherwise could cause damage to individuals or companies.

Principles of a Sound Code

There are three basic characteristics common in most of the professions.⁹

⁸M.V. Moorthy, *Gandhiji's Idea of Trusteeship in Social Responsibilities of Business* (Bombay: Manaktalas, 1966), p. 105.

⁹Austin, R.W., "Code of Conduct for Executives", *Harvard Business Review*, Sep–Oct 1961, pp. 19–27.

trouble himself to any great extent about employee concerns, such as paying adequate wages or providing welfare amenities. Besides, society itself was to a considerable extent oriented to the "individual" ethic. In recent times the political ethos has moved towards a more socialist society. Besides shifts in political ideology, other institutions have also played a significant role in changing values and expectations. In India MK Gandhi sought to balance the economic interests of the organization with its social obligations by formulating the concept of trusteeship.

Mirages of Ethics

The absence of a commonly accepted definition for ethics creates room for confusion in the minds of the business managers as well as the observers of their act.

"The following definitions are those used by Baumhart in his book. I use them, since I have not been able to come up with anything as simple, straightforward and easily understood."⁶

"Ethical: conforming to principles of human conduct; according to common usage, the following terms are more or less synonymous with ethical—moral good, right, just, honest.

Ethical standards: principles or ideals of human conduct."⁷

Anti Monopoly Laws

The Anti Monopoly Laws are externally imposed and a code of conduct which state that:

- competing businessmen should not form cartels—which fix prices at which their products are to be sold;
- competing businessmen should not agree to carve out market shares between themselves; and
- businessmen and traders must not get together and hoard stocks of items that are short in supply, e.g., kerosene, cooking oil, etc.

Trusteeship

The Gandhian concept of trusteeship sought to intergrate the interests of the business corporation and society through a philosophy of egalitarianism. He preached a philosophy of voluntary social change; he wanted those possessing wealth to realise the suffering of the poor, often quoting his own spartan life style as an example of a life above ostentation and desire. Gandhi did not object outright to fortunes being made or amassed either through business activities or inheritance.

Gandhi defined the theory of trusteeship in the following words: "Supposing I have come by a fair amount of wealth—either by way of legacy, or by means of trade and industry—I must know that all that wealth does not belong to me,

⁶A. Monappa, *Ethical Attitudes of Indian Managers*, (New Delhi: All India Management Association, 1977), pp. 7-8.

⁷Baumhart, R. *Ethics in Business*, (New York: Holt, Rinehart and Winston, 1968), p. 7.

policy guidelines. The several areas are personnel selection, training and employee development, performance evaluation, wage and salary administration, welfare and labour management relations. We need to examine a few of these areas, to understand some of the issues involved.

1. Systematic selection systems need to be established to ensure validity and reliability of instruments for the job and identification of the most suitable individual, in order that the job and the individual employee's interests—in terms of his capacities and interests—and the corporation's job requirements and promotional opportunities are fulfilled. With regard to issues such as equal opportunity for deprived persons, normal selection procedure needs to be modified to accommodate such groups and to formulate and implement such decisions. Selection policy and procedure become more difficult since they need to take into account not only the corporation's employee obligations in this regard but legal requirements too.

2. The environment in an organization is important since it could either encourage or discourage education and self-actualization of its employees. Self-development helps employee growth and improves skills on the job.

3. Few tasks are more difficult than that of evaluating an employee's performance over the year. In the elusive problem of choosing the relevant "criterion" for evaluation, personal bias and the employee's points of view are, indeed, hard to reconcile. Yet an employee would like to know where he stands and what improvements he should make. This is possible where feedback and counselling are also made a part of the evaluation process, or in a culture where superior-subordinate discussion is encouraged.

4. An area which is becoming increasingly complex is that of wage and salary administration. The search for scientific and acceptable measures to establish "a fair day's pay for a fair day's work" is a never-ending one. Techniques such as job analysis, and work measurement are some of the objective methods used to establish a basis.

Reconciling the employers capacity to pay the going market rate with the expectations of workers, is another area that has led to a considerable amount of conflict. From a corporation's social responsibility point of view, it might be suggested that it should pay its employees a need-based wage to cover the minimum necessities of life such as food, clothing, rental for accommodation, reasonable medical aid, allowances for children's education, marriages and provision for old age.

The issue of the payment of a need-based wage is complicated by factors like the wide range of industries each with their individual capacities to pay; the link of productivity to wages in a protected economy where wages and productivity have little correlation; local variations; and the effect of such increases on the economy since the outlay involved would be enormous. A larger social dimension to be considered is the gap that would be created between fellow workers, due to the fact that some of them would be in better placed industries, but, more significantly, between industrial labour and agricultural labour. The problem exists even now, but it could be compounded several times as bargaining for differentials would start and the better placed units would be pushed into paying higher wages to establish the skill differentials.

1. The member of the profession is required to have an acceptable standard of excellence.
2. He is required to follow a code of conduct developed within the profession and not imposed externally.
3. He is required to accept the fact that the interests of the society should come first, before his own personal interests.

Business management has to meet the above three requirements if it needs to be at par with other professions.

□ THE CORPORATION AND ITS EMPLOYEES

The internal social responsibility does not consist merely of the provision of a job and the attendant welfare measures as deemed by legislation. In fact, the intent of legislation is only to set the floor, the minimum acceptable standards, below which the organizations facilities should not fall. Welfare legislation is concerned with the bare minimum standards acceptable to meet human requirements at the work place.

Legislation takes into accounts a wide range of factors—the various types and kinds of industries, the capacities of these units to incur welfare expenditure, and the basic needs of the workforce, given their socio-economic background.

In an organization, it is the responsibility of the personnel functionary to initiate the process for a more harmonious work environment and try to evolve objective personnel standards. A business organization is also a social organization which consists of many personal and group relations. The social climate of desired harmony would be dependant largely on the manner in which these relationships function.

The establishment of a personnel unit, to some extent, places responsibility on the functionary to take into account the above factors and also to consider behavioural science research to supplement his working knowledge. The present-day concern of managements for workers has evolved not only because of the efforts of personnel specialists, but as J.W. Towle suggests, also because of the efforts of agencies such as¹⁰ trade unions “seeking benefits for its members”; perceptive managers who notice that job satisfaction contributes to increased productivity, and “responsible” actions of central and state legislators and officials, who view human resources as an important national asset and are concerned about it.

Much of the disharmony and discord, including latent manifestations such as strikes, can be attributed, again according to Towle, to exploitation and the unfair or unethical practices of managers. These are characteristic of organizations where managers are insensitive or uninformed about the feelings of subordinates. There are many areas of personnel management where ethical issues are involved in formulating corporate policies and practices—if a corporation is concerned about its obligations or social responsibilities to its employees, it would need to plan out

¹⁰J.W. Towle, “Management Standards for Personnel and Labour Relations”, in J.W. Towle (ed.), *Ethics in Standards in American Business* (Boston: Houghton Mifflin Company, 1964), p. 178.

5. The process of collective bargaining between management and unions has, perhaps, not established itself to the extent that it should have, or had been visualized. While many employers are beginning to see the utility of formal union-management negotiations, there are others who pay no attention beyond mere lip service. Legislation has been passed in order to protect those involved in trade union activities from being penalized. Yet trade unions with their poor organization and sheer number are not in a position to bargain effectively. Executive lack of concern for the rank and file and paucity of funds has, to a certain extent, impeded the growth of collective bargaining. However, there are many employers who do see the advantage of dealing with the representatives of a group and having the contract accepted and implemented. On the other hand, employees also see the benefit of banding together to ensure their security.

The process of collective bargaining entails obligations for both the employer and the employee. It is a rule-making process (rules for the work role of an employee and the conditions under which this work will be done; conditions for which the employer is responsible); a peace treaty ensuring that obligations undertaken by both sides will be honoured; that a no-strike clause will be offset by a no-lockout clause and that in case of dispute, institutional mechanisms will be utilized. It implies that "reasonable men" will search for ways to find an agreement.

Nevertheless, many corporations still stress economic goals over and above worker interests and satisfaction, reflecting perhaps the sentiment that business is for profit above all things else.

However, the emerging trend, based on the contribution of the behavioural sciences, towards the understanding of human behaviour is an increasing concern for human values and employee satisfaction or "the quality of life", or as Flanders prefers to call it "on treating workers as persons". A glimpse of the statements of several Chairmen in their corporate annual reports will give an indication of the pride that each of these units takes in harmonious and development-oriented employer-employee relationships. This concern for humanization and for improving the quality of working life is based on the desire of managements to build a team rather than have disparate and antagonistic groups. Cooperation seems to have contributed much to business units, considering the emphasis given to this aspect by managements. Where theory 'X' emphasised the individual's lack of interest and will to work, forcing managers to rely on controls, rewards and punishment, theory 'Y' emphasises the individual's capacity for imaginative work and ingenuity which needs to be utilized. If the task structure is made meaningful then there will be no need to use controls and direction as the individual will be self-motivated and committed.

The employer-employee relationship has been viewed as a contractual one with the employee being hired by the employer to do a certain job at a certain price. The employee in other words, "makes a personal sacrifice of his freedom". This would be true as far as the formal organization is concerned. The Hawthorne experiments however clearly showed the protective nature of the informal organization which "provides a collective defence (to the employees) of certain freedoms which the management may be powerless to infringe". Notwithstanding

the growth of trade unions to protect and further employee interests, corporations are governed by power vested in the management. It is the managerial task to decide on the utilization of resources—human, material and financial—in order to ensure accomplishment of objectives and viability of the enterprise. “The source of the power of management is not ownership but organization.”¹¹ Organization necessitates effective marshalling of resources, and the breaking down of tasks into several jobs for individuals. It is the organization of the task system that the recent behavioural innovations have focused upon. Proponents for the humanization of work or for improving the quality of life have all pleaded for improving the demanding aspects of the production line, especially assembly line jobs; for more discretion in work roles, for more flexibility and for integration of tasks so that an employee feels a sense of producing something tangible. Again it is postulated that instead of viewing the employer-employee relationship as contractual, a plea is made that they should consider themselves as partners in progress and viability. Work organizations with these progressive attitudes have inevitably started in Scandinavia, where there is a much greater degree of egalitarianism in society, and class antagonism due to values, style, and background are not as sharp as in many less developed countries.

Researchers have also stressed the need to view the employee as a whole man rather than divide him up into fragmentary roles. People seek employment both for their pecuniary self-interest and also to derive satisfaction from meaningful work. Although income and one's specific interests are of overriding concern, other matters such as task, status, work environment and job security are important too.

An employee is a citizen, a worker, a parent and so on. When an employee is on the shop floor it is difficult for him to divest himself of the other facets of his being, i.e., the multiple roles that characterize his life. The problems and concerns of the other roles, if they are significant, will certainly spill over into his working role. The assumption, which once held its ground, that once hired by an organization, an employee was totally committed to the organization, is not totally valid today.

Relationship of the Employee to the Firm

There are some issues where an individual has to have a sense of responsibility to the organization.¹²

The contract of employment usually specifies that sensitive information should not be divulged, as could harm the firm's business prospects. Employees are also required to protect the interests of the shareholders. When an employee leaves, he is expected not to give away sensitive information nor take away or sell related documentation, unless he has express sanction from his previous employer to do so.

Owners and managers have necessarily to set and live by high standards in order to set an example to other employees. Any conduct which is harmful to the

¹¹A. Flanders, “The Social Responsibility of Industry: on Treating Workers as Persons”, in *Social Responsibilities of Business* (Bombay: Manaktalas, 1966), pp. 213–239.

¹²Garrett Thomas M., *Business Ethics* (Bombay: Times of India Press, 1970, pp. 91–100).

company's interests or its resources should be identified and action taken, e.g., theft, pilferage, etc. Again, in the area of compensation, some practices like cash payments or exaggerated claim statements are also such cases. However it is not a one sided loyalty, for example, if a firm's products are spurious, the employee has a right to bring it to the notice of the authorities or the public. The concept of whistle blowing encourages employees to bring to light unethical practices of the management, if all internal efforts to reform fail.

❑ CORPORATE ACTIVITY AND SOCIAL RESPONSIBILITY

Linkage of Corporation and Community Relations

"In the older days in India, whenever there was a famine, the leading businessmen of the area would literally throw open their godowns and their treasure chests to provide food and other assistance to the needy. The history of every region of this country is replete with stories of the magnificent manner in which businessmen rose to the occasion in times of calamity. Even in ordinary times, it was the businessmen who looked after the welfare of the destitute, the *goshalas*, wells and ponds wherever water was difficult to get, the *pathsalas* and so on. So for us to accept social responsibility is no more than rededicating ourselves to the cherished values of our ancestors in the field of business. Gandhiji reminded us of these values when he propounded the theory of trusteeship.¹³

In recent times corporations have been increasingly concerned about the society in which they exist. Not only is there a concern on their part to give back something to the community in return for its sustaining them, but there has also been increasing concern expressed by the community on the relationship and involvement of corporations with it, especially in matters such as pollution, equal opportunity, and specific projects to help the poverty stricken.

A business organization provides employment, creating purchasing power in the community which in turn results in the purchase of its goods and services. "It is society that makes possible for men to engage in business. Hence, in return business must make a contribution to the society that sustain its environment. That is, business has an obligation to the society in which it operates."¹⁴

The modern day business corporation has perforce to be more conscious of the community in which it is located. Besides the social and institutional pressures on corporations they can, on their own initiative and in their own interest, conduct programmes of the community to make people conscious of their several roles in society—such as the importance of being a good parent, a good neighbour, and a dedicated and honest member of the community.

The corporate image in the eyes of the Indian public and the government has, however, been an unfavourable one. Corporations are generally viewed as taking

¹³A.N. Mafatlal, "Social Responsibilities of Business and Industry", in C.N. Vakil (ed.), *Industrial Development of India: Policy and Problems* (New Delhi: Orient Longman, 1973).

¹⁴S.P. Rao, "Social Responsibilities of Business", *Indian Journal of Commerce*, March 1975, 28 (102), pp. 31-36.

advantage of the difficult situation existing in the country and exploiting it to their advantage, to an unethical extent. The Monopolies and Restrictive Trade Practices Act and the use of MISA to de-hoard stocks by traders, are two examples of authority used by the government, in recent times, to control anti-social activities by business. Resentment against business is widespread, as David Rockefeller put it very succinctly:

an consumer, d ying the environment
15
rialist, consi the current business
mood as be ne of the abdication of soci sponsibility; of leaving it entirely
to the gove nt to "look after social we "

What, one may then ask, can business corporations do to contribute to the community and the society of which they are an integral part? Before answering that, we need to sider the socio-political environment in which business has to function in In

Government has all over, have in one form or another
a is has been the result of a slow process
of evolution. In western style, the state came into existence as the enlarged
social, conditions. The government has responded with various controls and regulations
over corporations and other business concerns. In India, the constraints on corporate activities
are mostly in the form of legislation—are concerned mainly with setting
the floor—determining below which employer obligations cannot fall.

In India, for instance, we have the concept of a firm's "accountability". This
concept is a government agency, and in the full sense, also to the
community. The concept of "accountability" has many procedures
the responsibility of the company. The Companies Act, 1956
the number of directors, the powers of the board, etc.

The most fundamental and comprehensive piece of legislation in this respect is
the Companies Act, 1956 which makes it compulsory for an organization to have
a Co tary who will ensu pliance with the requirements of company
law seeks to regulate rate conduct.

The phy underlying the I Companies Act suggest that the period
during War II was a water in the value system of societies. "The
out a decline in moral and social values
lass of businessmen in India "who were
nners of an earlier generation or in the
generation had thought in expedient to

¹⁵D Rockfeller, "Social Responsibilities of Business", *Financial Express*, 23 July 1972, p. 4.

follow".¹⁶ Owing to malpractices prevalent, many controls were imposed. One of the reasons given was the "somewhat limited acceptance of the principle of social responsibility and social obligations of business" in India. Another factor is the relatively slow progress towards professionalization of management in companies which would otherwise have probably resulted in a different character and type of management.

In advanced western societies, besides a high degree of professionalism which imposed certain voluntary restraints on managements and a certain informal code, there were also financial institutions which functioned as watch dogs of the manner in which finances and resultant practices were being adopted.

Social environment India is a country of villages; 70 per cent of its population of over 600 million lives in 560,000 villages. It is steeped in poverty, lacks education and is, to a great extent, caste bound. The worst off in this category are the landless labour who have hardly anything to fall back on. Srinivas¹⁷ states that "Indian villagers live in a hierarchical universe, the twin hierarchy of caste and land". Hierarchical attitudes are instilled from a young age and prevail even when they migrate to urban areas in search of jobs.

Another feature is that the life style of these urban workers remains predominantly rural. This has implications for the decision-maker in terms of local loyalties. That is, once a rural worker comes to an urban area he is treated as a source of employment by his less fortunate brethren. Nowadays, however, this phenomenon is coming into conflict with the "son of the soil" concept which seeks to give preference to local people for jobs which do not require much skill. Employment being scarce, such a demand can be viewed with sympathy by decision-makers. "Interlinguistic and interethnic conflicts are likely to be endemic in the big 'cosmopolitan' cities and in areas where new townships have been created around a vital industry, e.g., steel and fertiliser towns".¹⁸

With these socio-economic characteristics, there are numerous possibilities for the manager to undertake specific projects, for example, housing, medical care and generally improving the quality of the life of the workers. It has been pointed out earlier that an organization has a plurality of interests to serve, as represented by various vested interests. In addition to the vested interests it also needs to keep in view the larger community of which it is a part and contribute something to make that a better place to live in. There are two dimensions—the micro or the vested interest groups, and the macro, the larger community. We have already dealt with the micro groups, i.e., employees in particular. We will now examine some examples of how corporations have been involved with the larger community.

The corporation and the community Many corporations have in the recent past ventured into rural development schemes. A national seminar on industries

¹⁶Background paper prepared for the seminar on "Social Responsibilities of Business" (Bombay: Manaktalas, 1966).

¹⁷M.N. Srinivas, "Social Environment and Management's Responsibilities", *Economic and Political Weekly*, 15 March, 1975.

¹⁸M.N. Srinivas, *op. cit.*

participation in agriculture and rural development was held recently to examine the contributions that corporations have made, and can make, to the larger community of which they are a part.

The extreme poverty prevalent in the country was mentioned earlier. The government is now making efforts through its various plans to improve the quality of life of the Indian masses, particularly in the rural areas. The role of the government in this field is new *vis-a-vis* its earlier one of primarily maintaining law and order and tax collection. It faces problems coordinating the activities of the several agencies involved in this effort largely because of its unfamiliarity with such changed role demands. The government's efforts need to be supplemented, as it may not be able, in spite of all its efforts and resources, to tackle the enormous problem single-handed. It is in this supplementary effort that industry can lend a helping hand. Corporations have management expertise which can be usefully applied to community development projects. This managerial input could use the scarce resources, both material and human, more effectively in order to improve the quality of the life of the poor.

In fact, the government has taken a positive role in seeking to enlist industry to help in rural development by creating a cell in the Ministry of Agriculture to prepare guidelines and follow-up measures.

The opportunities available to industry are large and diverse. Managers, therefore, need to consider and prioritize the areas of concern and action before embarking on any schemes. They need to evaluate the organization's strengths and weaknesses and then decide on a course of action. In any case, organizational support and backing is necessary for such activity. The next step would be to consult all the relevant people, i.e., experts in the field, government, local officials, company executives and employees before launching the scheme. The scheme itself may concern diverse areas, for example, pollution, social work, minority group development, cooperative ventures with other firms in areas such as housing, or prohibition. Obviously a company cannot undertake many or several activities at one time, hence the need to prioritize.

❑ SOCIAL AUDIT

Information is necessary for the efficient and equal allocation of the societies resources. This information is although available in the company's annual reports, press releases, advertisements, etc., it lacks the essential social and environmental information. Though several reporting models were proposed, none of them were comprehensive enough. The social reporting model tries to overcome these deficiencies by including all costs and benefits.

An organization owes it to society to function in an acceptable manner and to be beneficial to society through its contributions. Invariably, an external team of specialists or eminent personalities are brought together on a panel who then publish a social audit. In India, full out (TISCO) and full out (UTI) have, for example, undertaken such an exercise.

Summary

The present day business corporation functions in an environment where demands on it emanate from several groups. This has, to a considerable extent, resulted from a changed social environment and value system in the community. The realization of the social responsibility of business has spread down to the retail level today.

Profits are a useful index to measure the efficiency of an enterprise. Internal social responsibilities do not consist merely of the provision of a job and the attendant welfare measures as deemed by legislation. India has a very comprehensive set of labour legislations which take into account a wide range of factors—the various types and kinds of industries, the capacities of these units to incur welfare expenditure and the basic needs of the workforce given their socio-economic background. Legislations provide the foundation and the base, but in many cases, employers do not even adhere to this level. Of course, legislations do not cover workers in the disorganized sector. Wages and discipline are but a part of the employee's life in an organization. The employer has certain responsibilities towards his employee. In turn, the employee is also equally responsible for behaving in a responsible and concerned manner.

Review Exercises

1. Discuss the concept of social responsibility. Why should an enterprise be concerned with it?
2. How have some firms in India gone about discharging their social responsibilities? What other approaches can be tried? Give reasons.

Suggested Reading

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The first part of the report is a general introduction to the subject of the study. It discusses the importance of the study and the objectives of the research. The second part of the report is a detailed description of the methodology used in the study. This includes a description of the data collection methods, the sample size, and the statistical methods used to analyze the data. The third part of the report is a discussion of the results of the study. This includes a description of the findings and a comparison of the results to previous research. The final part of the report is a conclusion and a list of references.

on a page

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