

The background of the page features a large, light gray watermark of the IGNOU logo and the text 'IGNOU THE PEOPLE'S UNIVERSITY'. The logo consists of a stylized 'U' and 'G' intertwined. The text 'IGNOU' is in a large, bold, sans-serif font, and 'THE PEOPLE'S UNIVERSITY' is in a smaller, all-caps, sans-serif font below it.

BLOCK 4

ORGANISATIONAL PROCESSES



UNIT 10 ORGANISATION STRUCTURE AND DESIGN

Objectives

The objectives of this unit are to:

- understand the basic elements of an organisation structure
- differentiate between formal and informal organisation structures
- appreciate the various factors impinging upon the design of an organisation structure
- familiarise you with different types of organisational structures and the advantages and disadvantages of each
- develop an understanding of the issues involved in designing a service organisation

Structure

- 10.1 Introduction
- 10.2 Organisation Structure and Chart
- 10.3 Formal and Informal Organisations
- 10.4 Factors Influencing the Choice of Structure
- 10.5 Degree of Decentralisation
- 10.6 Line and Staff Relationships
- 10.7 Specialisation of Work
- 10.8 Span of Control and Levels of Management
- 10.9 Differentiation of Tasks and Activities within an Organisation
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10.1 INTRODUCTION

Organising is the formal grouping of activities and resources for facilitating attainment of specific organisational objectives. It is possible to achieve objectives without formally organising, but there is likely to be great wastage of resources and time. Organising ensures that objectives are achieved in the shortest possible time, in an orderly manner, with maximum utilisation of the given resources.

In the context of a firm, its people, machines, building, factories, money, and credit available for use are the resources at its disposal. All these resources are limited. Your role as a manager is to organise all these resources, so that there is no confusion, conflict, duplication or wastage in achieving your organisation's objectives. You will be required to allocate to each person his role, designation and position in the organisation, responsibility for achieving specific objectives and authority for utilising the resources assigned and the higher authority to whom has to periodically report the progress. In this unit, we will take up all these issues for discussion, dwelling at some length on the various types of organisation structure that you can choose from to suit your company's specific objectives.

10.2 ORGANISATION STRUCTURE AND CHART

Organisation structure refers to the formal, established pattern of relationships amongst the various parts of a firm or any organisation. The fact that these relationships are formal implies that they are deliberately specified and adopted and do not evolve on their own. Of course, it may sometimes happen that given an unusual situation, new working relationships may evolve and which may later be adopted as representing the formal structure.

The second key word in our definition of structure is 'established'. Only when relationships are clearly spelled out and accepted by everyone, can they be considered as constituting a structure. However, this does not mean that once established, there can be no change in these relationships. Changes may be necessary with passage of time and change of circumstances, but frequent and erratic changes are to be avoided. A structure can be based on relationships only if they exhibit a certain degree of durability and stability.

The formal relationships in an organisation are those as described in an organisation chart. Figure I presents a typical chart for a company engaged in manufacturing. The boxes in the chart represent the various important positions in the organisation. The title of the position in the box, viz., manager purchase or manager marketing, indicates the activities of that position. The distance of the box from the top indicates its position in the hierarchy. The closer the position to the top, the higher its status and vice-versa. The lines joining the various positions represent the formal reporting relationships, usually between a superior and a subordinate.

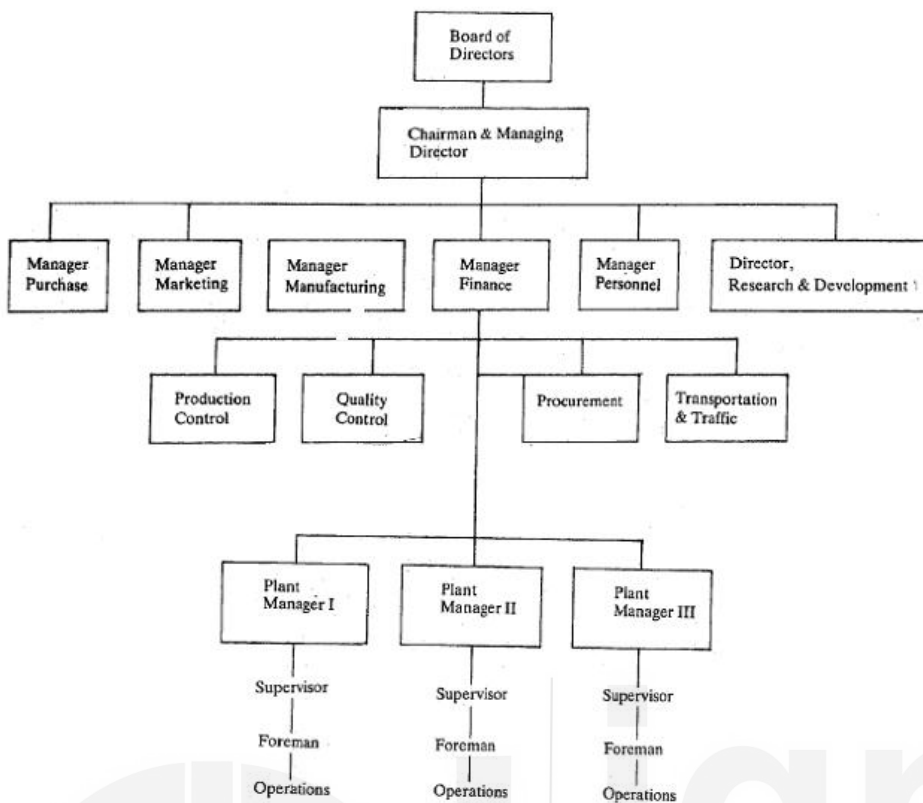


Fig. 1 : Organisation Chart for a Manufacturing Company

The organisation chart is a rather abstract illustration of the structure. To get a more complete picture, the chart may be supplemented by job descriptions of each position. The job description gives in detail the activities and responsibilities expected of the person occupying the position.

Both the organisation chart and job description are simplified abstractions of the actual situation. In reality there are many more positions and relationships than indicated in the organisation chart. The degree of authority a superior has over his subordinate is also not indicated in the chart, nor is the relationship between two managers at an equal level reflected in the organisation chart.

Despite all these limitations, the organisation chart is an extremely useful tool in understanding and designing the structure. The structure of an organisation, unlike that of a physical, mechanical or biological system, is not visible; Therefore, it can only be understood by a representative model and by observing its behaviour.

Activity A

Draw the organisation chart of your company. Clearly mark your position in the structure and draw the lines depicting the reporting relationships between you and your immediate boss and immediate subordinate.

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The elements of an organisation structure are:

- the network of formal relationships and duties, i.e. the **organisation chart** plus the **job descriptions**,
- the manner in which various tasks and activities are assigned to different people and departments (**differentiation**),
- the manner in which the separate activities and tasks are coordinated (**integration**),
- the power, status, and hierarchical relationships within the organisation (**authority system**),
- the planned and formalised policies, procedures and controls that guide the activities and relationships (**administrative system**), and
- the flow of **information** and communication network.

The network of formal relationships has already been discussed. Before we get into a detailed description of the specific elements of an organisation structure, it would be useful to differentiate between formal and informal organisations and the factors affecting the design of structure.

10.3 FORMAL AND INFORMAL ORGANISATIONS

If you and your colleagues decide to meet every Saturday evening for one hour and form a recreation club to play chess and carrom, you are meeting in an informal organisation. However, when the same group of your colleagues meets to review the last quarter's performance and plan for the next three months it is in the context of a formal organisation. Thus, while the informal organisation is spontaneous, the formal organisation is the result of a deliberate and planned effort to pattern activities and relationships in a specific manner to facilitate achieving the specified objectives. A formal organisation is the result of explicit decision-making, deciding how people and activities should be related to one another. However, there is no such decision-making involved in an informal organisation which may simply evolve over time.

In the context of a business organisation, both the formal and the informal organisations operate together to form the total organisation. The formal structure delineates specific departments, activities, people and their reporting relationships. The informal structure refers to the social groups or friendships which people working together may form.

A most important aspect of the informal organisation is the informal communication network or 'grapevine' as it is more commonly known. If you analyse the communication network in your organisation, you would realise the amount of information you gather from official circulars, memos and

speeches is rather insignificant compared to what you unofficially learn from your colleagues, your subordinates and even your peons. The grapevine constitutes an extremely important component of the organisational information system. How often you have been able to avert a crisis much before it actually erupted because the information about the impending crisis was conveyed to you by the grapevine?

Besides the grapevine, the other manifestation of the informal organisation is the formation of groups which may spontaneously evolve when the formal organisation is slow to respond to changing external and internal forces. But sometimes these informal groups may also work against the formal organisation. This may happen when an informal group of workers may force other workers to lay down tools, or work to rule or generally pose impediments in the path of progress.

Sometimes the norms and work ethics evolved by the informal organisation take precedence over the official norms. The head of the market research division of a large multi-national company involved in manufacturing and marketing a wide range of consumer products, would always spend three to four hours every Saturday morning in office, even though Saturday was officially a holiday. Observing that the departmental head worked on a holiday, his immediate subordinates also felt obliged to be in office every Saturday. The manager did not expect it from his subordinates, but the latter felt that by doing so they would be creating a favourable image for themselves in the eyes of their boss which would help them in their promotion within the formal organisation.

Similarly, you would find informality evolved values operating within the parameters of the formal organisation. These values may relate to dress, employment of women, employment of members of a minority community, etc., In understanding the structure of an organisation, you must understand the important role played by the informal organisation within the formal organisation.

Activity B

List all the informal organisations in which you regularly participate. What are the activities undertaken by these informal organisations?

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10.4 FACTORS INFLUENCING THE CHOICE OF STRUCTURE

As a manager, it is your job to design a structure that will best suit the specific requirements of your organisation. Designing an organisation structure is a continuous process. What seems to be the ideal design today may tomorrow prove to be totally ineffective. It is your task as a manager to be continually improving the structure of your organisation. Any change in factors which impinge upon the design of an organisation will necessitate a change in the structure to suit the new conditions.

Impact of Environment

The first factor affecting the design of your organisation structure is the environment. An organisation is continuously interacting with its environment in terms of drawing inputs from it and providing it its outputs. All organisations operate within an environment which comprises economic, social, cultural, political and legal sub-systems. A change in any of these sub-systems may force you to change the design of your structure. Change in Government regulations regarding foreign equity participation in India made it imperative for the most foreign owned companies to dilute their holdings and become more national in character. Increasing awareness about personal rights and social pressure on maintaining the natural state of environment have forced many companies to set up Personnel Welfare Departments and instal expensive equipment to neutralise the toxic effluents generated in their manufacturing process. You might have noticed that banks have instituted a process by which public complaints can be tackled at the highest level. Some of the bank managers and chairmen even set aside specific timings when they give a personal hearing to individual grievances.

Business organisation are very much in the public eye today. Generally speaking, the more responsive your organisation is to the changes in the environment, the more favourable will be its public image and greater the chances of its survival and success. You have not only to ensure that appropriate changes are made, but equally important these changes must be perceived by both the public and the Government.

Impact of Technology

The second factor affecting the structure of your organisation is the technology that you have adopted. To begin with, each pair of shoes was made by a single cobbler who probably spent four to five days on the entire process. With the concept of specialisation and division of work, organisations, instead of being designed around individual craftsmen, were structured on the basis of different people doing only a specialised part of the entire process of shoe-making. This concept was further refined with the introduction of automation and assembly lines. Now with the introduction of computerisation and robots, new structural designs are once again emerging. Entire plants are manned by a single operator who controls the operations through computers. Major human inputs are needed in designing computer controls and software rather than in performing repetitive jobs.

These technological changes affect not only the large firms but also the smaller ones. In India, in a large number of medium and small scale companies, simple routine functions such as preparing payroll, invoicing and ledger maintenance have been computerised. Such small changes also necessitate redefining jobs and redesigning existing departments to suit the new technological process. Today the greatest impact of technology is on the manner in which people collect, receive and use information. In many companies full-fledged Management Information System departments have been set up in response to the explosion in information technology.

Impact of Psychosocial Characteristics

The changing psychosocial characteristics of the workers is the third factor impinging upon the design of the organisation structure. Greater demand for leisure time led to the introduction of the five, and in some places, even the four-day week. Our country has also adopted a five-day week. Greater awareness about worker rights and use of more militant means to earn those rights have led to the widespread formation of trade unions in almost every organisation. Some companies have had to redesign their structure in order to give a formal recognition to the unions.

The three factors that we have discussed so far are external to the organisation and its management. However, there are some attitudes and values of the management which have a critical bearing on the structure of an organisation. Most important of these are the management's attitude towards the issues of decentralization and delegation of authority and the role and function of line and staff personnel. Also affecting the organisation structure are the scalar principle and span of control.

10.5 DEGREE OF DECENTRALISATION

Centralisation refers to the concentration of authority and decision-making in one single position in the organisation. In a one-man enterprise, the entrepreneur makes all the decisions and all the authority and decision-making power is vested in him. With the expansion of business, it may no longer be possible for one man to control all the operations and may become necessary for him to delegate some responsibility and authority to another person. Delegation implies that you are acting on behalf of your boss by virtue of the power which he has given to you. The greater the delegation of power the greater is the extent of decentralisation in the organisation.

You will find that some companies, even though physically very large, have highly centralised structures. All decisions are taken by the top management, with the middle and operating level managers having little or no say in running the show. On the other hand, you may find that even in a relatively small organisation, there is greater delegation of power and the structure is very decentralised. The degree of decentralisation in an organisation is partly a manifestation of the top management's attitude. Some managers do not like to delegate even the smallest task to their subordinates. There may be a variety of reasons for this. Doing all the tasks himself may give the manager a great sense of power, or he may feel that the subordinate is incompetent and

may commit mistakes.

Total centralisation, however, is never desirable as it may bog down the manager in routine, trivial tasks and leave no time for planning the company's future. An effective manager would decide the issue of centralisation versus decentralisation on the basis of the requirements of the situation rather than his own personal bias.

Decentralisation is effective when:

- i) Conditions in each market are so different that only a high degree of adaptation to local conditions will lead to success. Multi-national companies with subsidiaries in many different countries are a typical example
- ii) Success depends on the quick response to the information and conditions generated at the local level. Companies dealing in stocks and shares or international currencies require speedy response to the fluctuating prices for getting the best returns
- iii) Active participation of people in the planning and implementation of objectives is conducive to good performance. An engineering company manufacturing electrical switching equipment sells mainly to the State Electricity Boards (SEB) through the tender system. Each tender requires close monitoring and personal follow up at each stage till the final award is made. Realising that personal rapport with individual SEB is important, the company has fully decentralised local offices in each city where the SEB is located.

The introduction of computers and real time information has influenced the concept of centralisation in an organisation. Information may be generated at the factory, but it is instantaneously transmitted to the decision-maker (even if one is located 10,000 kms away) for suitable action. Information may be processed and used at the place where it is generated or it may simply be passed on to another location for use in decision-making. Real time information can lead to greater centralisation or decentralisation.

The degree to which a firm decentralises its structure depends on the requirements of its unique situation. Also, a firm may not decentralise all its operations, but go in for only partial decentralisation. Functions which facilitate local adaptation, quick decision-making in response to local changes and strengthen worker participation should certainly be decentralised. On the other hand, functions involving economies of scale, utilisation of specialised knowledge and involving huge sums of money may remain centralised. Finally, the degree of decentralisation also depends on the availability of competent and reliable people to head the independent operations.

10.6 LINE AND STAFF RELATIONSHIPS

The role of line and staff personnel is the other issue to be decided in the context of designing your organisation structure. Traditionally, any function

which directly contributed to the organisation's objectives was viewed as a line function. Staff functions were those which helped line functions to perform more effectively. However, an important point to note about line and staff is that in the former there is a direct relationship of command from superior to subordinate while in the latter the relationship is more advisory in nature. There are some traditional principles which have greatly influenced the concept of organisation structures. The most important of these are specialisation of work, scalar principle and span of control.

Activity C

Evaluate the organisation of your company in terms of whether it is a highly centralised or decentralised structure. If you were made the chairman of the company, what kind of a structure would you adopt? Describe in detail the functions which you would centralise and those you decentralise.

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10.7 SPECIALISATION OF WORK

A very basic and traditional principle of organising is to break down a task or process into smaller, more manageable tasks which call for utilisation of special skills. This concept of work specialisation aid division of labour was the forerunner of assembly lines. This is indeed a useful principle in so far as it allows a worker to concentrate on that activity at which he is most proficient. But in many situations, this concept has been carried too far and Jobs of workers have become so fragmented and trivial that a worker's job may be reduced to putting a screw on a bolt and simply tightening it.

Scalar Principle

Scalar principle and unity of command are two closely related principles. The scalar principle states that authority should flow in a straight line from the superior to the subordinate in a hierarchical manner. The principle of unity of command states that ideally each subordinate should have only one superior. These two principles establish the basic hierarchical nature of an organisation.

10.8 SPAN OF CONTROL AND, LEVELS OF MANAGEMENT

Closely related to the concept of hierarchical structure are the concepts of span of control and levels of management. Let us understand these with the help of an example.

In 1975 Mrs. Das, a housewife living in Bombay, started making garlic chilly

sauce at home and selling it to her close friends, relatives and neighbours. The sauce became quite popular and Mrs. Das began receiving many orders, including two from the nearby Chinese restaurants. Unable to cope with so much work she hired Indrani as an assistant. This was the first step in delegating authority and creating another level of management. Existing customers now had to deal with Indrani as Mrs. Das herself concentrated on preparing the sauce and tapping potential new customers.

A year later Mrs. Das hired one girl to help in the kitchen, two girls to assist her in making sales calls and one office assistant for Indrani. Now authority had to be delegated in the kitchen as well as in making sales calls and hence two levels of management were created in the kitchen and sales. The new office assistant reported only to Indrani, who in turn reported to Mrs. Das and thus there were three levels of management in administration. Span of control refers to the number of people a manager has to control. Now Mrs. Das's span of control extended to four people (Indrani, one kitchen assistant, two sales assistants) and Indrani's span of control was restricted to only one. By 1980, the small sauce making enterprise had shifted to a shed in the nearby industrial estate, with a full-fledged production facility consisting of 10 people and a sales team of 16 girls, divided into 4 territorial teams supervised by a sales manager and an office administration set up of 25 people.

Mrs. Das's organisation as it evolved is shown in figures II, III, IV, and V.

Starting out with a relatively flat organisation where Mrs. Das was in direct contact with all her customers and suppliers, her organisation had acquired many levels of management and a vertical structure by 1980.

As an organisation adds on levels of management it becomes vertical and the span of control at each level becomes narrow. In a flat organisation, the span of control is relatively wider and levels of management are few. The flow of information in a flat organisation is fast and there is greater individual satisfaction and it is the ideal structure for conducting research and development and new product development groups.

There is a great deal of controversy regarding the optimum number of people a manager can effectively manage or the ideal span of control. The important factor is not the number of people whose work a manager has to control but the number of people he actually has to work with. On paper the marketing president may have 30 area sales managers under span of control. But since manager does not have to interact with them individually more than once in six months, and all other interactions including the regular reports are through the vice-president (sales), the system works well. In practice, there is no 'ideal' span; it will vary from individual to individual and from one organisation to another.

Similarly there is no hard and fast rule governing the levels of management. Too many levels only add unnecessary complexity because decisions, information and instructions must go through too many channels. Each organisation has to find its own ideal balance.

EVOLUTION OF AN ORGANISATION

Figure II: Flat Structure

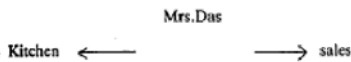


Figure III: Level Structure

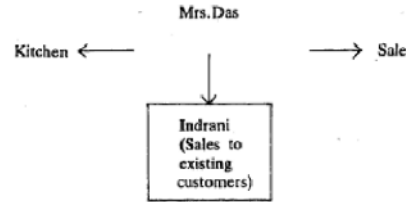
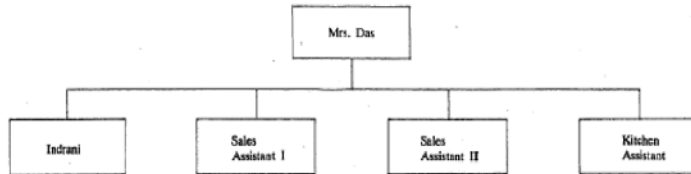


Figure IV: Growing Structure



10.9 DIFFERENTIATION OF TASKS AND ACTIVITIES WITHIN AN ORGANISATION

The various, multifaceted tasks and activities of an organisation have to be divided into smaller, manageable components to facilitate efficient achievement of objectives. The most common basis for differentiation and division are function, product, location and customer. In recent times the two types of organisation structures which have evolved are the **matrix organisation** and the **network organisation**.

Differentiation by Function

The grouping of activities according to the type of function performed is the most commonly used structure. You would find this not only being widely used in business organisation but also in non-commercial organisation such as hospitals, universities etc.

The functional structure is most suited when an organisation is dealing with a single product or service. The activities can easily be segmented into similar, complementary activities such as production, marketing, finance, purchase etc. Depending on the nature of the organisation and its scope of activities, the functions it has to perform may differ vastly from those of another organisation. For instance, one company which undertakes both manufacturing and marketing may have departments engaged in purchase, production, marketing and finance. If it is selling a product such as TV or refrigerator it may also have an after-sale-service department. On the other hand, a company which is an ancillary to a parent company may have only departments for purchase, manufacturing and finance. Since it is selling its entire production to the mother company there is no need for a marketing department. Figure VI shows a typical functional structure.

The most important advantage of functional structure is that it allows for specialisation of work, thus ensuring the most efficient utilisation of human

resources. The other benefit of this form of departmentalisation is that there is concentration of authority and responsibility in the top man, thus ensuring that there are no conflicts arising from different authorities. The hierarchical line of responsibility is very clearly delineated.

The major disadvantage of the functional structure is that functional specialists often lose sight of the overall organisational objectives and work for narrow, functional objectives rather than organisational objectives. The other major problem associated with this type of structure is that of co-ordination amongst so many functional departments each with its unique set of constraints and problems.

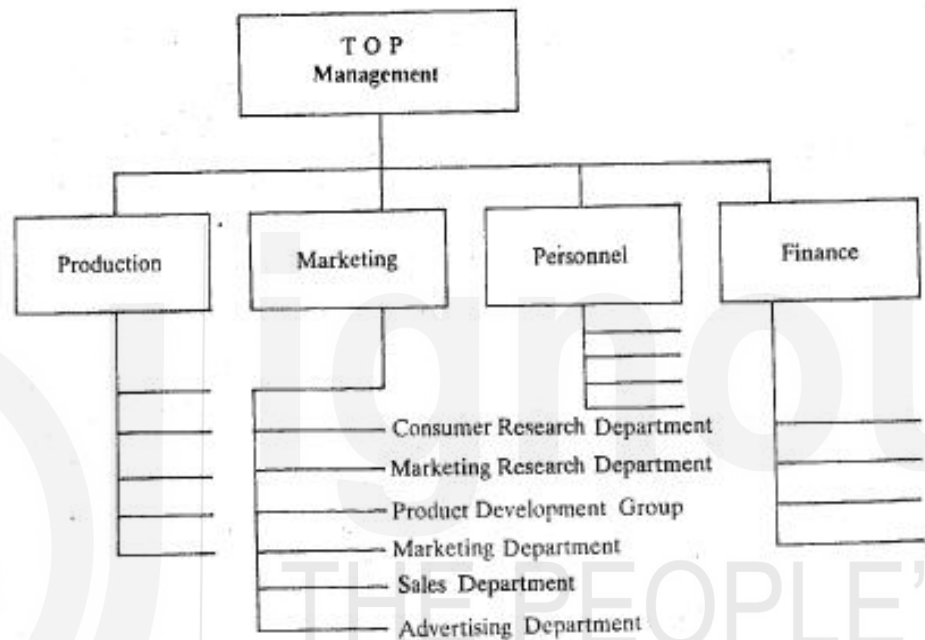


Fig. VI: Functional Organisation

Differentiation by Product

As a company moves from a single product or service to manufacturing a wide range of products it may find that the functional structure is no longer effective. This is especially true if the products are very different from each other in terms of the technology, raw material and manufacturing process used and the final product. In such a situation, the company may then have to adopt a structure which revolves around individual products or product lines. Figure VII illustrates one such organisation structure.

Companies such as Hindustan Lever (manufacturing and marketing uetergents, toiletries, chemicals, and agro-based products) Richardson Hindustan with its range of Vicks products, Clearasil cream and soap have structures revolving around different products. The extent of differentiation would vary from one company to another. One company may club all its toilet soaps, detergents, and washing powders in one product line, while another may differentiate between toilet soaps and detergents or even between individual toilet soaps if they cater to distinct market segments or have a very different raw material base.

The main advantages of using a product based organisation structure are that

it facilitates optional utilisation of specialised machinery and technological processes, permits greater co-ordination, where specialised customer service is required, and enables product managers to be responsible for the profit generation of their department. Johnson & Johnson manufactures and markets a wide range of specialised surgical structures and accessories as well as a range of products for children. Product based departmentalisation ensures that the two major product lines operate as independent profit divisions since there is almost no commonality in terms of the manufacturing process, marketing skills and market segments served.

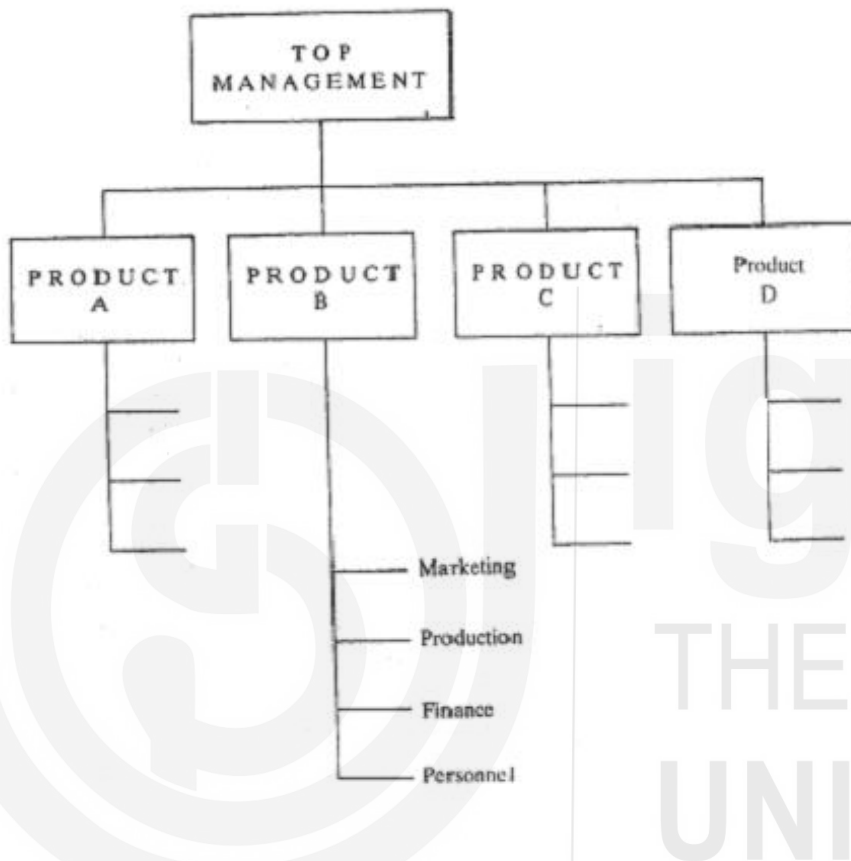


Fig. VII: Product Organisation

The biggest disadvantage of this type of structure is that it leads to duplication of managerial manpower thus leading to higher costs. It also requires a strong leader to control the various product groups so that they do not become alienated from the overall organisational objectives.

Differentiation by Location

When an organisation is departmentalised on the basis of location of different tasks and activities, then the organisation is geographically organised. Figure VIII shows the organisation structure of Food Corporation of India in which the functions and activities are differentiated on the basis of four different zones

The biggest advantage of differentiating the functions **geographically** is that it allows for maximum utilisation of local resources and talents, as well as speedy decision-making in response to changes in local conditions. In fact, where the participation of local people is essential to the success of the organisation. as in voluntary and social organisations, a geographic

differentiation is ideal. The problems associated with this type of structure relate to problems of top management control and require a large number of executives with general management skills to head the various area operations.

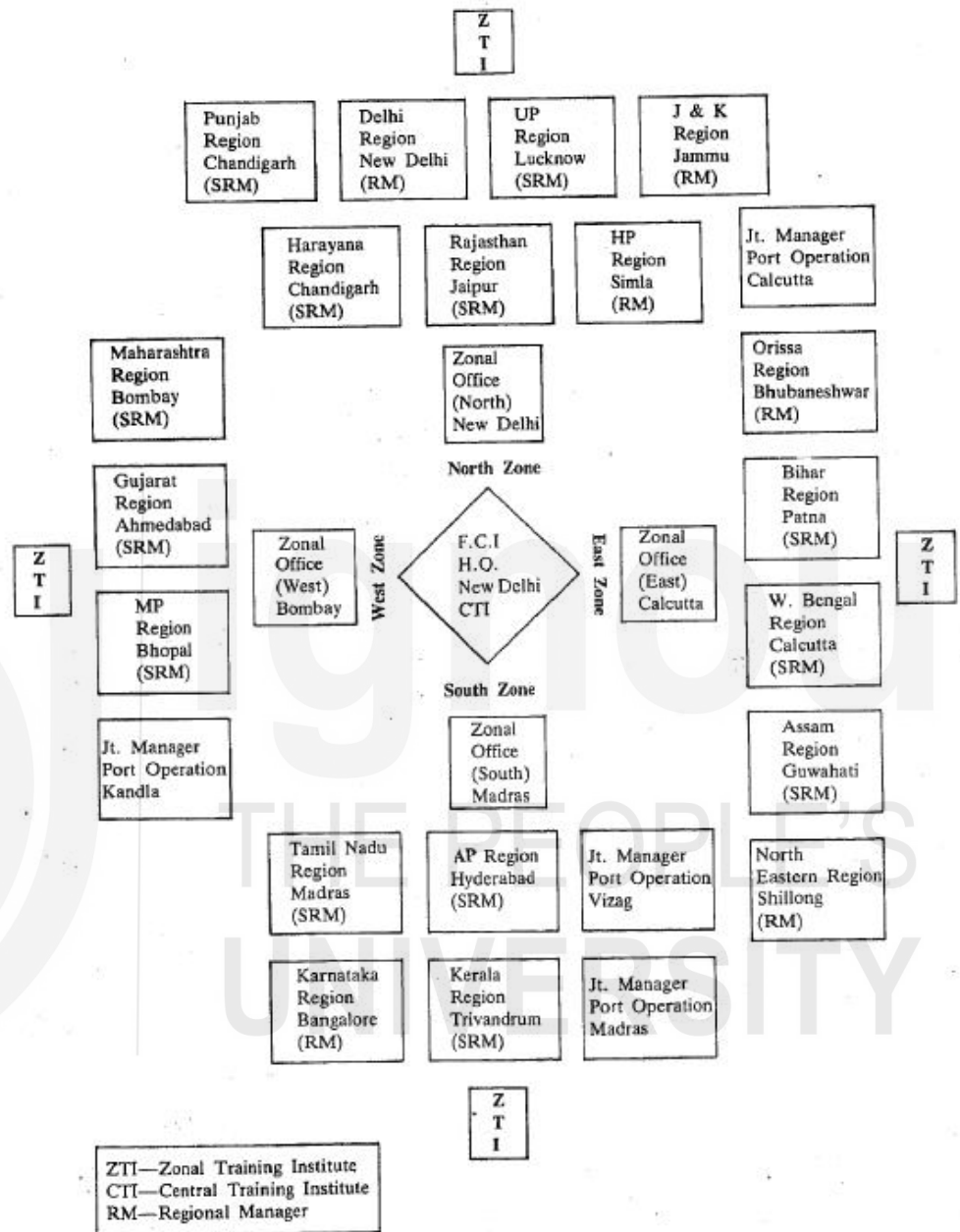


Fig. VIII: Geographical Organisation

Differentiation by Type of Customers

Another kind of possible grouping is by the type of customer served. A Delhi based company manufacturing electronic typewriters and desk top photocopiers had organised its sales force on the basis of its two product lines. Its major customer segments were Government organisations (public sector companies, ministries, departmental undertakings, public libraries etc.) and private sector companies. The company was not very successful in its marketing efforts. Investigation revealed that the same customer (organisation) was being visited by two different salesmen (one each for

typewriter and copier) resulting in unnecessary duplication of effort and time. Moreover, the Government and private sector organisations each had a very different set of criteria governing their decision to purchase. The sales approach which succeeded in a private sector company could not be similarly applied to a government set-up. The company then re-organised its sales force into two teams, one catering to the government sector and the other to the private sector, with each team having responsibility for both the product lines. With the reorganised structure the company was able to make a dent in the highly competitive market.

10.10 MATRIX STRUCTURE

The matrix structure is a combination of the product and functional organisation and is usually created for executing a project which requires the skilled services of a functional man as well as the specialised knowledge of a product man. Large turn-key projects in specialised fields require a matrix structure. Figure IX illustrates a matrix structure.

The distinguishing characteristic of a matrix structure is that it operates under a dual authority. A person is accountable to two bosses at the same time, one his usual boss and the other his boss for the duration of the project. Obviously the problems emanating from this type of structure relate to conflicting roles and authority arising out of an ambiguous demarcation of authority and responsibility.

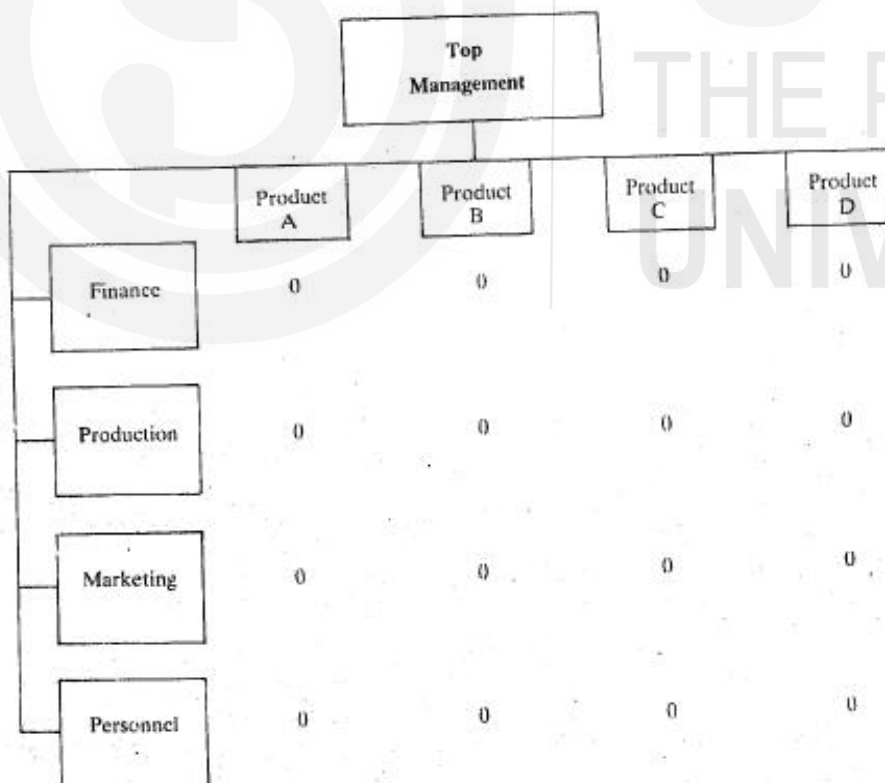


Fig. IX: Matrix Organisation

10.11 NETWORK STRUCTURE

When an organisation needs to control other organisations or agencies whose participation is essential to the success, a network structure is organised. In this, the main organisation creates a network of relevant agencies and it influences in different ways.

Network structure is mostly used in non-business organisations which have socio-political objectives. For instance, the State Industrial Development Corporation (SIDC) may resort to a network structure in their objective to establish an industrial estate. In this the SIDC may act as the lead agency and involve the State Electricity Board, Local Municipal Authorities, Land Development Authority, Authorities for Water & Sewage Control, P&T Department for communication facilities, appropriate authorities for building roads etc. The SIDC would also need to establish a network with people who would ultimately be using the industrial estate to know their requirements in terms of specification and special needs. It would also use the services of an advertising agency to promote the industrial estate and attract maximum number of entrepreneurs. For the construction of sheds and factories the SIDC may have to utilise the services of private construction agencies

Thus, a network structure envisages the utilisation of a number of different services offered by different agencies. There is need to coordinate the different inputs and synchronise them towards the ultimate objective.

Activity D

What is the basis of differentiation of tasks and activities in your organisation? On the basis of the above discussion, can you suggest three definite improvements in the organisation structure which would enhance its effectiveness?

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10.12 INTEGRATION OF ORGANISATIONAL TASKS AND ACTIVITIES

Having designed your organisation's structure to suit the specific needs of your company and its environment on the basis of most efficient grouping, you now have to ensure that these differentiated groups are integrated towards the common organisational objectives. Generally speaking, the more differentiated and specialised are the activities, the greater the need for coordination and integration. This is because there is danger of these specialised groups getting isolated and start viewing each other as rivals rather than companions in pursuit of the same goal.

Have you ever witnessed a situation where departments belonging to the same organisation vigorously fight each other over the allocation of annual funds? Think of our country as one big organisation and the States and Union Territories as its differentiated groups. Do you think they are well integrated towards the common goal of national economic development?

The basis for integration is provided by the three elements of an organisational structure, namely authority, administration and communication network.

Integration through Authority

The hierarchical relationships in an organisation define the status of each position in relation to the others and the power that goes with that position. The basis for the hierarchical relationship is that the superior has authority over the subordinate in terms of assigning work and the latter, in turn, is obliged to obey the superior.

Hierarchical relationships facilitate integration because they ensure that all activities are ultimately placed under one authority and thus are linked together. The top position becomes the centre for all coordination. In a small organisation, with a single product line, integration and coordination from one central position is certainly feasible. But if you consider large organisations with operations spread over many geographical areas, product lines running into hundreds and employing thousands of people, it is no longer physically possible for one person to coordinate all the tasks and activities. In such situations, the hierarchical structure has to be supported by the administrative structure and communication network.

Integration through Administration

"A great deal of coordinative effort in organisation is concerned with a horizontal flow of work of a routine nature. Administrative systems are formal procedures designed to carry out much of this routine." (Joseph A. Hitterer, **The Analysis of Organisations**, 1973).

Every organisation has its own administrative procedures and systems. These relate to almost every aspect of organisational life. The procedure for selecting new recruits, calculation and mode of overtime, travel, medical and other allowances, the system of memos and movement of a file from one department to another for decision-making are all illustrations of administrative procedures. The larger the organisation, generally, the more formally prescribed and numerous are its administrative procedures.

How administrative procedures help in integrating different departments and different levels within an organisation can easily be understood by an illustration. In a typical organisation, at the end of the corporate year, each individual, say a salesman, would fill own assessment of one's performance. The salesman's immediate boss would fill in a Confidential Report (CR) on the performance. The salesman's own assessment and the CR would both be given over to the Personnel Department which may add information from its records on the number of years the salesman has been with the company, starting salary and designation, number of promotions and increments and

bonus received, any loans outstanding against one's name etc. This complete file would then go to the manager marketing, who would in consultation with the general manager decide on the salesman's next promotion and increment in accordance with the established salary structure.

Thus, the administrative procedure for deciding promotions involves sharing of information between different levels in the same department (Marketing) and between different departments (Marketing, Personnel and General Administration).

Integration through Communication

In the previous illustration, the bases for taking a decision about the salesman's promotion were one's own assessment report and the boss Confidential Report (CR). Both these are representatives of the means of communication used in an organisation. Minutes of meetings, circulars, notices, progress reports, monthly in-house newsletters are all specific tools of the communication network of an organisation.

Just as manpower, raw material and machines are the resources of an organisation, so is information. Information regarding the development of a new technology by a rival company, or the introduction of a new model of refrigerator are vital pieces of information which can drastically affect the future course of action for a company. But information is highly perishable. If not communicated to the right person at the right time it has little value.

Information may be received at one level in the organisation but utilised at another. Salesmen and other field staff are usually the eyes and ears of any organisation. They gather bits and pieces of vital information. But to be useful, these disjointed information pieces must be immediately communicated to the 'brain' of the organisation i.e. the managers who will analyse and act upon the information. Just as market information moves upwards within the organisation, decisions have to be communicated downwards. A decision regarding change in the distribution network made at the top, but implemented by people in the field. Therefore, there is need for communication networks which provide for transmission of information both up and down the hierarchical structure. Similarly, networks should be available for exchange of information at the horizontal level.

Computers and many other technical improvements have resulted in organisation's increased ability to collect, process, analyse and transmit vast amounts of information. Organisations today have greater access to an almost unbelievable array of information.

In the final analysis, however, it is not so much the access to sophisticated technology which an organisation has that determines the efficiency or efficacy of its communication network but rather the stance and attitude of the top management in encouraging its people to talk with each other and share more information.

Activity E

List the various official means of communicating information in your organisation. How effective are these in integrating the various departments and different levels of management? Can you think of some more such means of communication which your company can adopt?

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10.13 DESIGNING STRUCTURE FOR A SERVICE ORGANISATION

The distinguishing characteristic of a service organisation is that it does not produce any physical or tangible product, but instead it provides a service which may in some cases be almost totally intangible. Dry-cleaning, after sales maintenance for your TV and air-conditioner, health clubs, municipal corporations, banks, universities etc. are all organisations which provide service. A health club's service can be described in terms of tangible and specific gadgets and equipment which it has. However, the behaviour of the staff towards its clients also forms an extremely important part of health club's service, but is intangible. In many cases, it is the intangible part which is more important in attracting and retaining customers.

In dealing with service organisations, therefore, you should lay emphasis on efficient service as well as friendly and courteous behaviour. In highly undifferentiated organisations such as Nationalised Banks, personalised and friendly service can become a basis for distinguishing the organisation.

The other important variable in organising service institution is to correctly identify the service which the organisation is providing to the customer and the activities needed to be undertaken to maintain and improve the service.

The telephone department provides a communication service to its customers. To maintain and improve its service, it has to ensure smooth operations of existing telephones, provide for new equipment, procurement and installation.

10.14 SUMMARY

In this unit we have discussed various issues involved in structuring your organisation. You have a variety of designs to choose from, but no one design as it is, can prove to be a perfect fit for an organisation. You would always need to modify and adopt a structural design according to the specific objectives of your organisation, the environmental factors such as political, legal, cultural and social conditions, and your own attitude as a manager

towards the issues of centralisation of power and delegation of responsibility.

Whatever be the structure you decide upon for your organisation, you must always keep in mind the basic principles of defining and describing jobs, differentiating them to form manageable parts, and then integrating them to achieve the common goals.

10.15 REFERENCES/ FURTHER READINGS

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UNIT 11 ORGANISATION COMMUNICATION PROCESSES

Objectives

The purpose of this unit is to explain:

- the meaning and purpose of communication
- the process of communication
- the media and channels of organisational communication
- the intentional or unintentional barriers that prevent organisational communication to be effective
- what a manager should do to make his communication effective

Structure

- 11.1 Communication: Meaning and Purpose
- 11.2 Importance of Communication
- 11.3 Communication Process
- 11.4 Verbal and Non-verbal Communication
- 11.5 Channels of Communication
- 11.6 Barriers to Communication
- 11.7 Making Communication Effective
- 11.8 Summary
- 11.9 Self-assessment Test
- 11.10 References/ Further Readings

11.1 COMMUNICATION: MEANING AND PURPOSE

Communication refers to sharing of ideas, facts, opinions, information and understanding. Simply stated, communication can be said to be the passing of information and understanding from one person to another. It will be seen that there are at least three elements involved here, the sender at one end, the receiver at the other, and in between is the message or information that is to be passed on from one end to the other. The information is passed from the sender to the receiver, and the knowledge of its effects is passed from the receiver to the sender in the form of a feedback. Whether the effect produced is the desired one will depend upon how well the receiver understands the meaning of the information. Communication can, therefore, be aptly said to be the transmission of meaning.

11.2 IMPORTANCE OF COMMUNICATION

One of the important roles of the manager is the informational role wherein a manager seeks information from his peers, subordinates and others about anything relating to their jobs and responsibilities. At the same time a disseminator of information about job and the organisation to those who are concerned with it. As such a considerable part of time is devoted to receiving or disseminating information, i. e. in communication inside or outside the organisation. Some of the studies made in the USA show that between 40 to 60 per cent of the work time in a typical manufacturing plant is involved in some phase of communication. Further, the top and middle level managers typically devote 60 to 80 per cent of their total working hours to communicating.

According to Peter Drucker, good communication is the foundation for sound management. The managerial functions of planning, organising, directing and controlling depend on communication in an enterprise. For planning to be realistic, it is essential that it is based on sound information which is not possible without a good system of communication existing in an enterprise. The latest developments in the market may not be communicated to the planners, making their future plans totally meaningless. Adaptation to external environment on which rests the survival of the business may not be possible without good communication. Again in order to reach the objectives, it is necessary that leadership is exercised, decisions made, efforts coordinated, people motivated and operations controlled. Each of these functions involves interaction with the people in the organisation and leads to communication. The important fact of organisational life for a manager is communication, and success will depend upon how effectively one can communicate with others in the organisation; in other words, how successfully one can put ideas across to those who work with and thereby, persuade others to work in the direction of the achievements of goals of the organisation.

Let us take a relevant example. What is our objective in preparing lessons like these. Simply stated, it is to put across your mind the essence of managerial functions and enable you to understand how these can be discharged effectively. In other words, we are trying to communicate to you the concepts of management, and whether we have been successful in meeting our objective will depend upon the extent to which you are able to 'understand' what we are trying to communicate to you. Communication, therefore, aims at developing understanding.

11.3 COMMUNICATION PROCESS

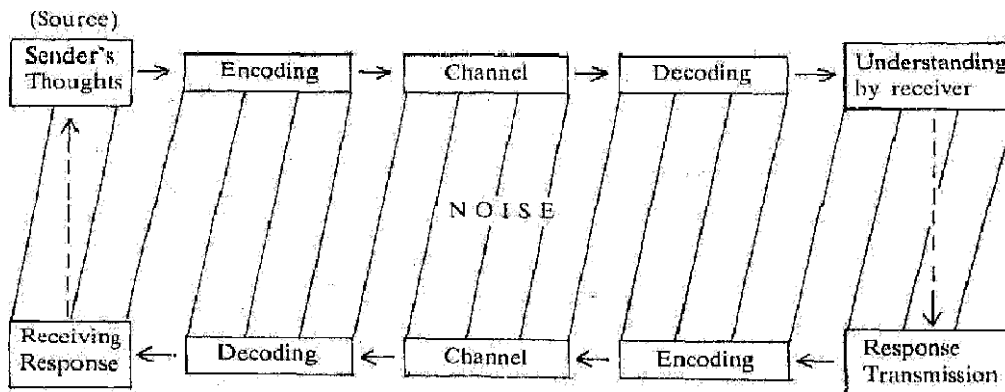
The simplest model of the communication process can be:

Sender > Message.....> Receiver

The model indicates the essential elements of communication, viz., the sender and the receiver, and the message that is exchanged between them. If any one of the three elements is missing, communication does not take place.

However, the process of communication is a much more complex phenomenon consisting of at least five elements which are subject to various influences. The model can be put as follows:

Fig. 1: Model of Communication Process



We shall see briefly what the various elements of this model mean.

Source

In this model the first element is the source of the communication from where the communication originates. The source or sender can be a person, a number of persons, or even a machine. The sender initiates communication because there is a need, thought, idea or information that wishes to convey to the other person, persons or machine. If, for example, an accidental fire has broken out in a part of godown of the factory, the security officer (source) will need to convey the message immediately to the fire station, (receiver). Fire alarm (machine) will do the same as of the security officer.

Encoding Message

The next element in the process is that of encoding the information to be transmitted. Encoding enables the thoughts to be put in the form of symbols. Normally language provides the symbols that are used in the transmission of thoughts to another person. However language is not the only means to convey the thoughts, needs or information. There are non-verbal means, e.g., gestures, which provide another form through which thoughts can be transmitted. The more complex the ideas, needs or information to be communicated, the more complex becomes the process of encoding them. While an involuntary shriek may adequately convey the degree of alarm felt by the victim, even a carefully worded statement or letter may fail to convey the essential purpose of the communication. This can happen if the language or symbols used convey different meanings to the sender and the receiver.

Encoding of the thoughts produces a message which can be either verbal or non-verbal. Verbal message is in the form of words and language, while non-verbal would be in the form of body gestures like wink, smile, grunt, frown, wave of hand, etc.

Channel

The next element in the process of communication is the channel through which the communication is transmitted. It is the link that joins the sender and the receiver. The most commonly used channels are sight and sound. In the organisational environment, the channel could take the form of face-to-face conversation, written memos, telephonic exchanges, group meetings, etc. Outside the organisation, the channels could be letters or circulars, magazines, radio programmes or TV shows, etc. For communication to be effective the channel used should be appropriate for the message as well as the receiver. For an urgent message mobile, telephone or mail would be the appropriate channel. Again, the channel chosen would be influenced by the consideration as to whom the message is being directed.

Activity A

List the various channels of communication that you use while communicating with

Your Boss	Your Subordinate
1	1
2	2
3	3
4	4
5	5
6	6

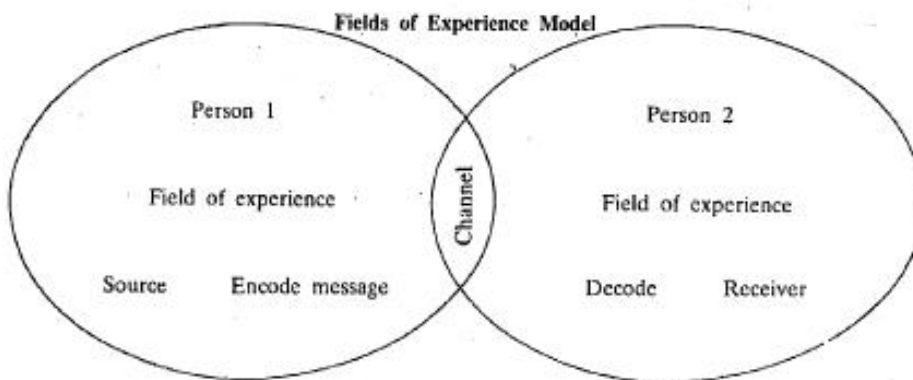
Decoding

Decoding and understanding the message constitute the last two elements in the process of communicating from sender to receiver. The receiver in the first instance receives the message and decodes it, that is to say, interprets and translates it into thoughts, understanding and desired response. A successful communication occurs when the receiver decodes the message and attaches a meaning to it which very nearly approximates the idea, thoughts or information the sender wished to transmit.

Decoding and understanding are affected by several factors. For example, a receiver cannot decode a message which is in a language not known to him. This applies to symbols also. The same symbol may carry a different meaning to the receiver. Again, the receiver's past experience, as well as his expectations colour the meaning that is attached to the message. All this tends to bring about a divergence between the 'intended' meaning and 'perceived' meaning.

In order that this does not happen, it is necessary to develop greater degree of homogeneity between the sender and the receiver, both of whom have their own fields of experience. The field of experience constitutes an individual's attitudes, experience, knowledge, environment, and socio-cultural background. The greater the overlap of the source and receiver's fields of experience, the greater the probability of successful communication. In other words, they have things in common that facilitate better communication. An

individual engaged in communication with another person of a significantly different educational or cultural background will have to put in greater effort to ensure successful communication. A model of communication credited to Wilbur Schramm illustrates this point.



The greater the overlap of the two persons' fields of experience, the higher is the probability of successful communication. The shaded area shows the overlap.

Feedback

Response and feedback complete the two-way process of communication. It is through the feedback that the source (sender) comes to know if the message was correctly received and understood. In case it is found that the message has been received incorrectly, it is possible to make corrections subsequently if response is timely.

Sender's efforts to communicate are aimed at eliciting the desired response. However, a communication may result in producing any of the three outcomes: a desired change may occur, an undesired change may occur or no change may take place. We consider communication as successful only when it produces the desired response.

Noise

Surrounding the entire spectrum of communication is the noise that affects the accuracy and fidelity of the message communicated. Noise is any factor that disturbs, confuses or otherwise interferes with communication. It can arise at any stage in the communication process. The sender may not be able to encode the message properly or the message may not be properly audible. The message may get distorted by other sounds in the environment. The receiver may not hear the message, or comprehend it in a manner not entirely intended by the sender of the message. The channel also may create interference by 'filtering', i.e. allowing some information to pass through and disallowing others. In any case, there is so much of noise or interference in the entire process that there is every possibility of the communication being distorted. We will see later in this unit why distortion takes place and what can be done to minimise the distortion of communication.

11.4 VERBAL AND NON-VERBAL COMMUNICATION

A communication in which words are used can be called verbal communication. Communication over long distance takes place usually through verbal communication. As an adjunct to this is the non-verbal communication which refers to the use of 'body language' in communicating ideas from the sender to the receiver. Non-verbal communication most often takes place unconsciously, and it may either fortify or supplement the verbal communication, or may at times negate the very purpose of verbal communication.

Let us examine each of these one by one.

The main characteristics of verbal communication is the use of words, either written or spoken.

Written communications include personal letters, memoranda, policy and procedure manuals, and notices placed on the notice boards.

Examples of oral communications are conferences, committee meetings, telephone conversation, announcements, etc.

Both written and oral communication have their merits and demerits.

A written communication has the advantage of being easily verified and of being more precisely defined if there arises a need for subsequent correction. Spoken messages cannot always be verified so easily.

Secondly, because a written communication is likely to be a permanent record, we are more particular in making it precise and accurate.

Thirdly, lengthy and complicated messages are better understood if they are put in writing. It would be difficult to understand and retain a lengthy message if it were only in oral form.

Together with these advantages, written communications have some drawbacks also.

Some of these are:

Firstly, it is a slower method of communication if we consider the total amount of time involved from the formulation of idea by the sender to the understanding of the idea by the receiver. A written communication competes with all other written material that reaches the desk of an executive. As such there can be a gap between the time when a communication reaches the manager's desk and the time when he reads it. Moreover, if clarifications are needed because the message is not clear to the receiver, further delay would take place.

Secondly, despite the fact that a greater degree of preciseness is aimed at while preparing a written communication, there is always a possibility of ambiguity or lack of clarity creeping in leading to misunderstanding on the part of the receiver. Clarifications naturally mean delay.

Lastly, over-reliance on written communication can lead to too much of paper-work in the organisation. This not only consumes time, money and energy, but also indicates a lack of trust among the employees of the organisation. It has been observed that when trust is low and suspicions are high in an organisation, an over-reliance on written communication is likely to occur.

Oral Communication

Although an organisation cannot function without written communications of various kinds, yet by far the greater percentage of information is communicated orally. It has been observed that managers spend 60 to 80 per cent of their work time in oral communication. Oral communication has the merit of being more rapid. Generally, the spoken word is a quicker and less complicated way of getting one's ideas across another person. Again, it offers the potential of two-way information flow, and therefore less possibility of misunderstanding the communication. The creation of a less formal atmosphere and generation of fellow feelings are the additional advantages brought about through oral communication.

However, the oral communication is not entirely free from defects. It is less effective as a means of presenting complicated and lengthy data. It is also subject to misinterpretation and the effects of barriers arising from interpersonal relationships.

Can you determine which of the two, oral or written; is a better means of communication? You will see that the choice between the two is, generally speaking, determined by the situation. However, the use of both together will very often strengthen and reinforce a message.

Take your own case. The material in your hand is the written communication which will be fortified subsequently through oral communication in the contact classes or educational TV programmes. The two together, we hope, will further increase your understanding of the concepts and application of management.

Choosing Your Words

You have read earlier that communication refers to the transmission of meaning from the sender to the receiver. Such transmission takes place through the use of symbols, whether verbal or non-verbal. In verbal communication the symbol is a word. In order that the transmission of meaning takes place it is important that the particular symbol (word) used must create within the mind of the receiver the same image which was in the mind of the sender of the communication. It is only then that the basic purpose of communication which is to influence the behaviour of the receiver will be achieved. It has been found that words do not necessarily have commonly understood meanings. The abstract words like "participation" or "democracy" or "satisfactory" suffer from the difficulty that different people are likely to attach different meanings to these words. The greater the use of such abstract words, the bigger the difficulty in bringing about an understanding of the message and a change in behaviour through communication.

Keith Davis in his well known book "**Human Behaviour at Work: Organisational Behaviour**", has suggested a few guidelines for making verbal communication more effective. These are:

- Use simple words and phrases.
- Use short and familiar words.
- Use personal pronouns (such as "you") whenever appropriate.
- Give illustrations and examples.
- Use short sentences and paragraphs.
- Use active verbs such as in "The manager plans".
- Economise on adjectives.
- Express thoughts logically and in a direct way.
- Avoid unnecessary words.

Use of Body Language

In determining the effectiveness of communication, in the sense of effecting a change in behaviour, non-verbal communication has an important role to play. Experts in the field of human communication have found that, in a typical message between two persons, only about 7 per cent of the meaning or content of the message is carried by the actual words being used. Another 38 per cent of the message is carried by one's tone of voice (which includes pacing, timing, pauses, accents). The major part of 55 per cent of the content of the message is in non-verbal form, in other words, in the form of our physical attitude going along with our verbal message. The physical attitude is also referred to as body language.

Non-verbal communication can take place with our actions or with our body gestures. For example, a manager who pounds his fist on the table while announcing that from now on participative management will be practised in his organisation creates a credibility gap between what he says and what he practises. A manager who says that he believes in an open door policy for all his employees but is busy with his own files while an employee is giving him certain suggestions towards improvement in work environment, is making non-verbal communication quite in conflict with his verbal communication. In such situations the non-verbal message is the stronger one and the verbal message will cease to be effective.

Body gestures that "communicate" may relate to your handshake, your smile, your eye-contact, your posture while standing or sitting, your facial expression while listening, the shrug of your shoulders, indeed, the movement of any part of your body. You must, therefore, be watchful of your body language so that it does not contradict your verbal message. This is indeed difficult because the body language is so involuntary that we are not even aware of it.

Some of the non-verbal actions which assist communication include:

1. Maintaining eye contact
2. Occasionally nodding the head in agreement
3. Smiling and showing animation
4. Leaning towards the speaker
5. Speaking at a moderate rate, in a quiet tone

Some of the non-verbal actions that **impede** the communication are:

1. Looking away or turning away from the speaker
2. Sneering or using other contemptuous gestures
3. Closing your eyes
4. Using an unpleasant tone of voice
5. Speaking too slow or too fast

11.5 CHANNELS OF COMMUNICATION

An organisation structure provides channels for the flow of information on which the decisions of the organisation will be based. As such an organisation can be described as the network of communication channels. These channels can be either intentionally designed, or they may develop of their own accord. When a channel is intentionally prescribed for the flow of communication in the organisation, we call it a formal channel, and the communication passing through that channel as formal communication. On the other hand, when communication takes place through channels not intentionally designed, in other words, outside the formal channels, such channels are referred to as informal channels, and the communication as informal communication.

Formal Communication

An organisation chart shows the direction of formal communication flow in an organisation. It identifies the various transmitters and receivers, and the channels through which they must communicate. The authority relationships indicate the direction of communication flow in an organisation. A formal communication takes place between a superior and subordinate in the form of instructions and directions. Such a flow takes place in the downward direction.

Another formal communication takes place between subordinate and superior when reporting on performance is made by the subordinate. Since the subordinate initiates communication to the superior, the flow is upward. We call this upward communication. The upward communication can take the form of progress reports, budget reports, profit and loss statements, requests for grants, etc.

Again formal communication may take place between one division of an organisation and another. This could be either lateral or diagonal. There is substantial formal communication between production foreman and

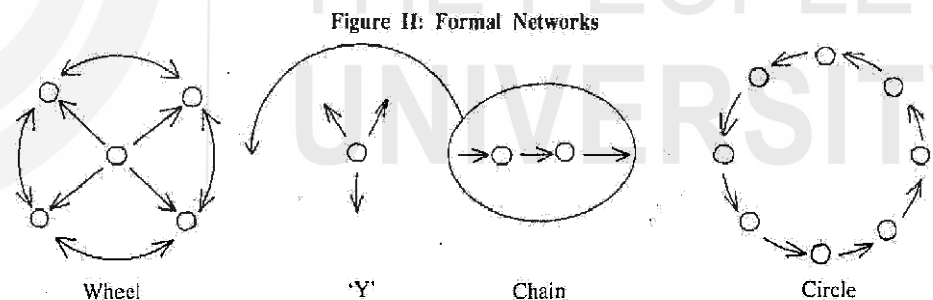
maintenance foreman, or, between production manager and quality control manager. Formal communication may pass across organisational levels also: for example, communication between line and staff units takes place very frequently across organisational levels. Such communication helps tremendously in the coordination of activity.

Finally, formal communication may also arise between the organisation and outside parties, e.g., suppliers, customers, Government, etc. This may happen when the management is required to provide information on certain aspects of working of the organisation. Communication of this kind is usually one-way.

Networks in Formal Communication

You have seen earlier how the formal organisational structure prescribes the channels through which communication flows take place. These channels are designed to keep the flow of information in an orderly manner and to protect the higher level managers from an overload of unnecessary information. However, the way in which these channels are designed and work can affect the speed and accuracy of information as well as the task performance and satisfaction of members of the group. As such, managers have to think of how best to design the organisational structure and the communication network which meets the requirements of the situation.

Some research in the design of communication networks has been carried out which indicates their relative merits for use in different situations. Although these networks can assume many forms, the most frequently discussed are four, known as the wheel, chain, 'Y', and circle, shown in the diagram below:



These forms can well be looked at as an organisational structure made up of five members.

The 'circle' network represents a three-level hierarchy in which there is communication between superiors and subordinates, with cross communication at the operative level.

The 'chain' can represent a five-level hierarchy, in which communication can take place only upward and downward, and across organisational lines.

The 'wheel' or 'star' represents an administrator and four subordinates with whom interacts. There is no interaction among the subordinates.

In the 'Y' network two subordinates report to the superior. It may be regarded as a four-level hierarchy.

To test the effect of various communication structures, a series of experiments involving simple as well as complex problems were conducted. The studies demonstrated that network centrality was the critical feature that determined whether a particular communication pattern was effective and satisfying to the members for a particular type of task. An index of relative centrality was developed for this purpose in order to determine who occupied the central position in each network. It was found that 'Y' and 'star' networks are highly centralised, with C occupying the central position. The 'circle' and 'chain' networks were found to be decentralised with no member being able to influence all other members.

Further experiments to determine how performance and attitudes were affected by different communication networks showed that centralised networks performed faster and more accurately than decentralised networks, provided tasks were comparatively simple. For complex tasks, however, the decentralised networks were comparatively quicker and more accurate.

The emergence of a leader and the satisfaction of group members was also affected by the centrality of networks. In centralised groups whether the tasks were simple or complex, one person who occupied the central position by virtue of the control of information emerged as the leader. In decentralised networks no one position could emerge as the leadership position.

As far as the satisfaction of group members is concerned, it was found to be higher in decentralised networks in all types of tasks. Satisfaction was higher in the 'circle', highest in the 'chain', lower in 'Y' and the least in the 'star' pattern. The reason for higher satisfaction in decentralised networks was that members of those networks could participate in problem-solving.

These experiments have certain implications for the design of organisational structure and the communication network:

Firstly, an organisation with mostly routine, simple tasks is likely to work more efficiently with a formally centralised network of communication, while more complicated tasks would require decentralised networks.

Secondly, the problem-solving objectives of speed and flexibility cannot be achieved by the same pattern of communication. Rather, speed in problem-solving can be achieved at the expense of flexibility, and vice-versa. As such the communication pattern should be designed with reference to the objective that is regarded as most important.

Thirdly, the pattern that leads to highest average morale and greatest flexibility in adapting to changed conditions is the one in which there are a large number of active participants in decision-making process.

Lastly, access to information is an important source of power in organisations.

We were so far explaining to you the communication patterns that are made

use of for formal communication in an organisation. You are, of course, aware that along the formal organisation exists another organisation known as informal organisation which has its own channels for communication. We shall now have a look at the informal communication and its channels.

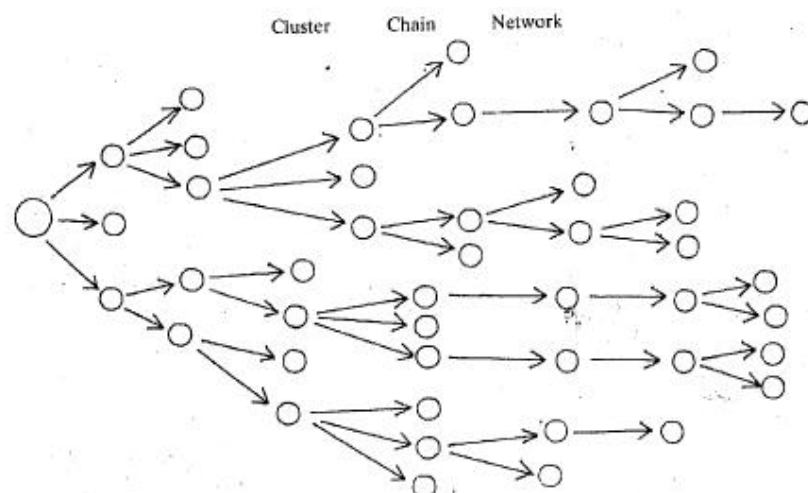
Informal Communication

Communication that takes place without following the formal lines of communication is said to be informal communication. This channel is not created by management and is usually not under the control of management. An informal system of communication is generally referred to as the 'grapevine' because it spreads throughout the organisation with its branches going out in all directions in utter disregard of the levels of authority and linking members of the organisation in any direction.

The informal communication arises as a result of employee needs for information which are not met by the formal channels. It has been observed that problems relating to work and unfavourable reactions to various organisational practices are transmitted through informal communication. Since the channels are flexible and establish contacts at personal levels among members of organisation at different hierarchical levels, the grapevine spreads information faster than the formal system of communication. As has been pointed out in the unit on Planning and Organising, about 10 to 40 per cent of employees receive information (or misinformation) about the organisation and its members through informal channels of communication.

In contrast to the formal communication which moves on slowly from one person at one hierarchical level to another at the next hierarchical level; the grapevine transmits information from one person to a group of persons much more rapidly in a cluster chain arrangement. The cluster chain is made up of individuals who act as information sources. Each individual passes the information to several others, some of whom repeat the message to others. Some of those who receive the message may not pass on the information to others but the information may lead to a change in their thinking on the subject and may sometimes affect their behaviour as well. The following diagram illustrates the cluster chain network of informal communication.

Figure: III



Though it has been found that informal communication carries accurate information about three-fourths of time, yet there are strong possibilities of its communications being distorted. This happens because of the process of 'filtering' whereby each member of the cluster chain acting as a kind of filter passes on only that part of communication which he regards as important. The receiver is left to fill in the gaps and complete the story according to his own imagination. This naturally leads to a very great distortion of the real situation and may at times cause serious problems in the organisation.

The characteristics of grapevine have been summarised by Keith Davis as follows:

1. People talk most when the news is recent.
2. People talk about things that affect their work.
3. People talk about people they know.
4. People working near each other are likely to be on the same grapevine.
5. People who contact each other in the chain of procedure tend to be on the same grapevine.

You have seen that the grapevine is a fast and a substantially accurate channel of communication. It has tremendous capacity to carry information both helpful and harmful to the formal organisation. In most cases it carries information which the formal channel may not or will not carry. The manager's responsibility, therefore, lies in utilising the positive aspects of the informal channels of communication and in minimising the negative aspects of this channel.

In order to do this, what the manager can do is to identify the members of the organisation who usually seek and spread information. It is possible that different individuals are active at different times but usually it will be found that some individuals tend to be more active carriers of information than the others. After identifying such people a manager can use them as sounding boards. If it is discovered that misleading rumours are circulating, it may be a desirable policy on the part of the manager to release the official information in order to clarify the situation. At times management may even find the informal communication channel more useful in transmitting information than the formal channel. A common method of using informal communication is by 'planned leaks', or strategically planned 'just between you and me' remarks, which would obviously reach all parts of the organisation much more quickly than any kind of communication through formal channels.

Activity B

Identify various types of communication networks found in your organisations. Which is the most effective one? Why?

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.....

11.6 BARRIERS TO EFFECTIVE COMMUNICATION

By now you are familiar with what communication is. You will recollect that in the earlier part of this unit, communication has been defined as the transmission of meaning or understanding. Yet by far, most of the communication in organisations or between persons fails to satisfy this criterion. Communication quite often fails to convey the meaning or develop an understanding of the communication sufficient enough to bring about a change in the behaviour of the recipient. According to Peter Drucker, "We have more attempts at communications today, that is, more attempts to talk to others, and a surfeit of communication media yet communication has proved as elusive as the Unicorn. The noise level has gone up so fast that no one can really listen any more to all that babble about communications. But clearly there is less and less of communicating. The communication gap within institutions and between groups in society has been widening steadily to the point where it threatens to become an unbridgeable gulf of total misunderstanding." (Management Tasks, Responsibilities and Practices p. 481.)

One of the biggest dangers in communication is to assume that communication has taken place. Most of us indeed make a great effort in formulating ideas, and finding appropriate words for communicating them to others. In organisations, too, much money and energy is used to develop its system of communication. And yet, if you try to assess how far the system has led to effective communication in terms of the desired response, you will be surprised at the results. There is a fifty-fifty chance of the communication not being understood to the degree you would be satisfied with. This has been proved by a number of experiments and observations made by communication specialists. There is a story from the army which tells of an instruction starting at one end of the line as 'Send reinforcements' and ending up at the other end of the line as 'send three shillings and six pence'.

You can perhaps test it yourself. Try to recollect the news items of the previous evening's news telecast or broadcast. How many items can you recollect? Most likely less than half!

These examples indicate what happens to most of the communications between persons or within organisations. It is not only important that a communication be sent, it is much more important that it be understood. When an understanding of the communication does not take place, we can hardly expect a desired change in the behaviour of the receiver. What causes a failure of communication?

The failure in communication arises because of certain blockages or barriers between the sender and the receiver. In order to make a communication effective, it must be ensured that these barriers are removed. What the commercial media men these days try to achieve is to overcome the barriers and reach the target audience. What kind of barriers interfere with the effectiveness of communication? In the paragraphs that follow, we shall

discuss the various reasons which either prevent the communication from reaching the receiver or distort it in such a manner that it ends up either as non-communication or as miscommunication. Since a manager has to use communication as a means of getting the work done through his subordinates, he must ensure that barriers are minimised and effective communication takes place.

The barriers that interfere with the understanding of the, communication are of three kinds: semantic, psychological and organisational. We shall discuss them one by one.

Semantic Barriers

Most of the difficulties in communication arise because the same word or symbol means different things to different individuals. Perhaps you remember what happened to Shiny Abraham at the recent (1986) Asian Games at Seoul. Despite coming first by a very wide margin in the 800 m. race, she was disqualified and lost her gold medal for having crossed the track at the place where she should not have done. According to her she mistook the symbol, i.e. the colour of the flag. Whereas in our country the red flag indicates danger, in South Korea white flag is used for the same purpose. Misinterpreting the white flag which had been put up at that point, she crossed the track at the wrong place and suffered a setback.

Words, which are in reality symbols representing a thing, an action or a feeling, can have several meanings. As explained earlier, words which represent concrete things, e.g. car or house, tend to be understood in the same way, while abstract words like merit, effectiveness or responsibility, tend to be interpreted by different persons in different ways. Difficulty in understanding may arise even in the case of ordinary words which have different contextual meanings. Lately such difficulties are being experienced increasingly by people working in international development field. One such problem arose in interpreting the meaning of the word 'steps'. In a training programme of health workers relating to the family health in Jamaica when a question "What are some of the steps that a mother should take to make sure that her baby keeps healthy?" was asked, it was found that there was no response to it. The trainees who were accustomed to only one meaning of the word 'steps' based on their experience, could not just make any sense of the question.

Semantic difficulty may arise because of unfamiliarity with words, for example, a word of some foreign language of which the receiver has no knowledge. A technical word may also create such a problem-it may be beyond the ability of the receiver to understand it.

In order to make it effective, a communication must be put into words which are appropriate to the environment and mental framework of the receiver. This ensures the communication to be grasped properly and implemented effectively. A very interesting example of a communication made effective by the use of words appropriate to the environment in which they were used is provided by the following incident that took place in one of the agricultural states of the USA.

A proposal for raising the salaries of the faculty members of an agricultural college was under discussion. The farmers' bloc was totally against giving the raise to the college teachers—they could not see why they should pay those college teachers \$5,000 a year just for talking 12 or 15 hours a week. Faculty representatives made no headway in their negotiations until one of them who had some farming experience, got an inspiration.

"Gentlemen", he told the members of the administrative body, "a college teacher is a little like a bull. It's not the amount of time he spends. It's the importance of what he does!"

The faculty members got the raise.

Semantic barrier may further be created by body language being inconsistent with the verbal communication. A manager who praises the honesty and sincerity of his subordinate in a sarcastic tone creates doubts in the minds of the subordinate as to the course of action he should adopt in a given situation in future. The same kind of barrier is created by a divergence between the verbal language and the action language of the superiors. When action and language are used jointly, the actions often have more powerful influence on other's actions than do words. A management may, for example, profess its belief in being guided solely by the merit of employees while making promotions. Yet if employees observe that in actual practice promotions are made on considerations other than merit, the management's professed policy is bound to be affected by a semantic barrier—it is not likely to communicate anything, only the actions will communicate and what they communicate will be contrary to what had been said in so many words.

Psychological Barriers

Psychological barriers are the prime barriers in inter-personal communication. The meaning that is ascribed to a message depends upon the emotional or psychological status of both the parties concerned. As such the psychological barriers may be set up either by the receiver or the sender of the message.

You have already seen that the effectiveness of any communication depends upon the perception of the right meaning of the message on the part of the receiver. However the perception of meaning is very much affected by the mental frame of the receiver at the time the message is received. Emotions which dominate our mood at the time, e.g., anger, anxiety, fear, happiness, etc., will affect our interpretation of the message. The phrases 'viewing with coloured glasses' or 'seeing with jaundiced eyes' explain vividly how our inner feelings may vitiate our perception of the message or the situation. Past experience of the receiver in such situations would also lead to the same effect. The same thing may happen when different individuals interpret the same event or situation. For example, take the case of a supervisor watching a group of employees resting and gossiping on the lawns. How will this situation be perceived?

To the supervisor who believes that employees are basically lazy, the situation communicates to him that they are playing truant with their work, and therefore should be given more work to do and disciplined.

To the supervisor who believes that his workers are self-motivated and are sincere workers, the situation communicates that they are enjoying a well-earned rest.

To the supervisor who is personally insecure, the situation communicates that they are conspiring against him.

You will, therefore, see that a particular kind of situation, event, happening or words and symbols are capable of being interpreted by different people in different ways according to their own psychological states. A receiver who is suspicious or hostile, either as a consequence of his feeling of insecurity or because of his past experience with the sender of the communication, is more likely to start 'reading between the lines' and ascribe a distorted meaning to the message.

To the receiver's mind a communication gets tied up with the personality of the source. This is what some people call the halo effect. Thus if we receive a message from a person we admire, we are more likely to agree with it and act accordingly. On the other hand, our immediate reaction will be one of disagreement with a message that has been received from a person we do not like or trust. Thus our perception of meaning of the communication is coloured by our own value judgments about the source of the communication.

A receiver of the communication suffers from another problem which psychologists refer to as cognitive dissonance. Since an individual tends to be fed with too much of information from different sources, which is commonly the case in an organisational setting, he becomes selective in receiving and responding to the communications. He is most likely to 'hear' only those messages that conform to his own beliefs, attitudes and judgement. Communications that conflict with his own viewpoint tend to be ignored. Often the 'other' point of view may not only be ignored, it might indeed be regarded as unfriendly or even hostile. If this happens frequently, subordinates may start questioning whether their superior really wants to hear the 'bad' news, i.e., opinions contrary to his own. As a consequence, much of the unfavourable news in an organisation would never get reported to higher levels until the problem has assumed the form of a crisis.

One common phenomenon with all communications is the effect of filtering. This effect is produced when the communication passes through a large number of persons. Each individual through whom the information is passed interprets facts differently, judges from one's own point of view what is important or relevant, and passes it on with own interpretations, with the result that the original communication gets altered in the process. The process of filtering involves a biased choice of what is communicated, on the part of either the sender or the receiver. Thus filtering refers to the process of 'selective telling' or 'selective listening'. For example, a subordinate may tell the boss what he (the boss) wants to hear. Similarly, though several factors affecting productivity in the organisation may have been identified by the staff, yet the manager may hear and respond only to those factors that fit his preconceived view of the situation. In either case selectivity is introduced in the process of communication leading to a distortion in communication.

Organisations are particularly prone to the effect of filtering. In large organisations where there are several levels through which a communication must pass, filtering takes place at each level. In order to save the time of the busy executive and to save information overload, it is common in organisations for subordinates to prepare notes or abstracts of the communication before passing it on to the superior. The higher information has to travel the higher is the degree of abstraction, with the possibility that significant pieces of information may be entirely missed or their significance diluted or distorted. The larger the number of filtering points in an organisation the greater is the chances of distortion. This may happen even outside an organisation when communication is passed on verbally from one to another, as in a grapevine.

Organisational Barriers

Organisations provide a formal framework through which communication is designed to flow. The structuring of the flow itself tends to act as a barrier against freer flow of communication between persons and levels in the organisation. Rules may prescribe how communications are to move from one level to another in upward or downward directions. Not only is there a possibility of delay in the communication reaching its destination, but also there is every possibility of communication getting distorted through the process of filtering described in the previous paragraphs. It has been found that when information is channelled through different levels of organisation, it became altered as people interpreted facts differently. In an organisational setting this can be a very big problem since senior level executives who work through others have to depend more and more on the information and interpretations of their subordinates. Critical information that has lost its criticality because of the actions of the intervening levels may jeopardise the position of the manager as well as the organisation itself.

It has been observed that the upward communication is particularly subject to the influence of filtering in large organisations. Upward communication serves essentially two purposes in an organisation. First, it helps in coordinating and controlling the activities of the organisation. Second, it enables the superior to appraise the performance of his subordinates. While the former does not create any problems, the latter has behavioural implications. It is human nature to show one's performance in a better light than what it actually is. This tendency of an individual naturally brings about a filtering through conscious or unconscious altering, withholding or interpreting facts to be transmitted upward.

Dependency syndrome of the subordinate heightens the tendency to filter information. In a superior-subordinate relationship, the subordinate is, generally speaking, dependent on the superior for the advancement. Studies show that the greater the dependency of the subordinate on his superiors for the satisfaction of his needs, the more his tendency to filter information of an unfavourable kind. It has been found that subordinates are generally unwilling to communicate unfavourable information when they feel that their superior has the power to punish them in some way. Only positive aspects of performance are likely to be communicated upwards.

Another barrier in organisational setting is created by the superior-subordinate relationship itself which develops a distance between the two. People are more comfortable in communicating with persons of similar status as their own. Communication with persons of higher or lower status is likely to be formal and reticent rather than informal and free. The distance between the superior and subordinate and the difficulty in freer communication between them tends to be heightened through status symbols which might be used to show the hierarchical status of the person concerned. Status symbols within an organisation may be in the form of separate parking space, separate bathrooms, separate refreshment rooms, cabins with stylised furniture, carpets, etc. Such symbols accentuate the distance between the different hierarchical levels and tend to widen the communication gap. Perhaps you may have read that among the several characteristics of Japanese style of management is the removal of status symbols. For example, under the Japanese system there are no separate cabins for managers, uniforms for workers and managers are the same, they eat the same menu in the same cafeteria. All these are intended to reduce the distance between the workers and the managers, and bring about a better understanding of the problems of the organisation which is the chief objective of organisational communication.

You have read in the last few pages about the problems that crop up in communicating with others, whether inside or outside the organisation. These problems create an interference in the process of sharing of the meaning of a communication, and thus block its effectiveness. As a manager you will be continuously required to make use of your communication abilities in the performance of your job. Since your success as a manager will be judged in terms of the results that you produce, the effectiveness of your communication is, therefore, of prime importance to you. We shall explain to you in a few paragraphs below what you can do to make your communications effective.

Activity C

Identify the barriers that prevent the effectiveness of communication. What can both of you do to remove these barriers between you and your boss ?

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11.7 MAKING COMMUNICATION EFFECTIVE

In order to make your inter-personal communication more effective, the following are some of the points that you should bear in mind:

Use direct, simple language and avoid words which can have ambiguous meanings:

Keep the receiver (audience) in mind while choosing the words and phrases. Your communication will be effective if the words you use are appropriate for the level of receivers for whom the communication is aimed at.

If you look through history, you will find that the great messages have been simple and short. Moses had only ten commandments and they hardly add up to sixty words, and the 17 Rock Edicts of Ashoka are equally brief and to the point.

Use face-to-face communication: Face-to-face communication allows more accurate feedback to be achieved through two-way communication. Generally speaking, people express themselves more freely while talking rather than through writing. Face-to-face communication permits a manager to see and understand the non-verbal signs also.

Use feedback: Feedback enables the sender to judge whether his ideas have been received in the manner as they were originally intended. Most often it is assumed that communication has taken place because a notice has been put on the notice board, or an order issued. You must devise ways to separate fact from distortion.

Listen with understanding: The biggest block to interpersonal communication is said to be the inability to listen intelligently, understandingly and skillfully to another person. We tend to confuse listening with hearing, which is a physical process. Listening actually is much more than hearing, it involves understanding. Real communication takes place when the listener truly hears and understands the position and intent of the speaker. Most managers are, however, poor listeners. Apart from other reasons for poor listening performance, the main reason is the discrepancy in the speeds of speaking and of listening. While an average person can speak at the rate of 150 words per minute, one can listen and think at the rate of over 1,000 words per minute. The difference obviously leaves idle time for the mind to wander about and lose some part of the message that is sought to be conveyed. In order to be a successful manager you must attempt to develop your listening ability by utilizing your idle time in projecting yourself into the mind of the other party and understanding the factual and emotional content of the message, without making any attempt at criticising, approving or disapproving it until after you have fully heard and understood the remarks. The empathetic listening, as it is called, vastly improves the understanding of both the parties, bringing in its wake improved interpersonal relationship in the organisation.

Create constructive environment for the expression of ideas: If you can create a climate in which people can be confident that what they say will be

listened to with sympathy and considered constructively, you can be sure of a successful and creative communication. This is, however, possible only in an environment of trust which has to be generated by management through its policies and actions.

Be careful about your non-verbal communication: Because you hold a status higher than your subordinates, your gestures are observed and 'felt' by your subordinates. Your body language, therefore, must be supportive of your communication through words. One of the powerful means of communication are your actions which speak louder than words. If you expect your communication to be effective, ensure that your actions are consistent with your words.

Develop and use organisational structures which minimise the chances of filtering the communication: Decentralisation of authority and broadening of span of control can be attempted to reduce the levels in the organisation and minimise the authority filters.

The American Management Association has developed a set of ten suggestions for improving communication, referred to as "The Ten Commandments of Good Communication". Briefly, these suggestions are:

- Clarify before attempting to communicate.
- Examine the purpose of communication.
- Understand the physical and human environment when communicating.
- In planning communication, consult others to obtain their support, as well as the facts.
- Consider the content and the overtones of the message.
- Whenever possible, communicate something that helps, or is valued by the receiver.
- Communication, to be effective, requires following up.
- Communicate messages that are of short-run and long-run importance.
- Actions must be congruent with communication.
- Be a good listener.

11.8 SUMMARY

Communication is the transfer of information from one person to another. Successful communication is much more than mere transfer of information-it is the transfer of meaning and understanding between two persons.

Communication has paved the way for modern civilisation and good communication is the foundation for sound management. No managerial activity is possible without communication of some kind, and the major part of a manager's working time is devoted to communicating.

Communication is accomplished through a process in which the sender

encodes an idea which is transmitted through a channel to a receiver who decodes the message and gains an understanding of the idea of the sender. The reverse process of feedback also follows the same pattern. During the entire process, interference is created by 'noise' which can lead to distortion of the communication.

Communication takes place either orally or in writing. It could be just one-way or two-way, which allows the sender and receiver to interact with each other. A two-way communication is regarded better, as it brings about understanding through clarity of the message. In an organisation, communication may take place in several directions-upward, downward, lateral and diagonal.

Words either written or oral convey a very small part of the communication: most of it is transmitted through non-verbal gestures. A manager ought to be careful lest his non-verbal gestures contradict his verbal message.

Communication within an organisation flows either through formally designed authority channels or through informal channels spontaneously formed and cutting across authority levels. Informal channels can have both positive and negative sides. Cluster chain network of informal communication permits a rapid flow of information through the formation of a grapevine. Formal communication is transmitted through several kinds of networks. The choice of a network will depend upon considerations of the complexity of a task, speed in decision-making in order to adapt to a change, and the satisfaction of members desired.

Interference in communication is caused by semantic, psychological and organisational barriers. In order to achieve effectiveness in communication, managers should consciously try to lower these barriers.

11.9 SELF-ASSESSMENT TEST

1. Why is effective communication important to the manager?
2. Explain the elements of the communication process.
3. What is 'noise' in communication? What factors in the organisational environment cause noise?
4. What purposes are served through vertical communication?
5. What problems are encountered in vertical communication?
6. Why is informal channel of communication called, a grapevine? Should managers use the grapevine or rely on formal channels?
7. Explain the significance of body messages in communication effectiveness.
8. Explain the statement, "Words are symbols and meaning exists in the mind".
9. Think of a situation at home or at work, and identify communication problems you observed or experienced.

11.10 REFERENCES/ FURTHER READINGS

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UNIT 12 ORGANISATIONAL CULTURE

Objectives:

After going through this unit, you should be able to:

- comprehend the role of organizational culture in driving the business ethos;
- visualize the evolution of culture through different time periods; the innovations, and cultural shifts;
- traits of a great organizational culture
- establishment of a highly sustainable organizational culture
- future perspectives of work culture

Structure

- 12.1 Introduction
- 12.2 Concept of Organisational Culture
- 12.3 Key Terms Used
- 12.4 Meaning of Organisational Culture
- 12.5 Role of Culture
- 12.6 Developing Organisational Culture
- 12.7 Types of Organisational Culture
- 12.8 Traits of a great Organizational Culture
- 12.9 Towards building a sustainable organizational culture
- 12.10 Culture by choice V/s Culture by chance
- 12.11 Creation of Ethical Culture
- 12.12 Changing Organisational Culture
- 12.13 Spirituality and Organisational Culture
- 12.14 Summary
- 12.15 Self-Assessment Questions
- 12.16 References/ Further Readings

12.1 INTRODUCTION

The people of the organization are responsible for helping strengthen the culture of their organization. They are responsible for strengthening the competencies and abilities. Every day we see a live demo of Peter Drucker's saying: "Culture eats strategy for breakfast" in some or the other context. We often hear- a management consultant, a new CEO, a journalist, and even employees discuss about an urgent need to alter the culture of their

19122: Deal and Kennedy defined culture with a clear and simple definition by depicting it as- the way people do things in an organization.

19124: Denison referred organizational culture armed up with the bunch of values, internal beliefs, and characteristic behaviour patterns to be the heart of an organization.

2004:Needle included vision, values, norms, systems, symbols, language, assumptions, beliefs, and habits as the inseparable part of any organization's culture.

2006:Ravasi& Schultz explained culture as a bouquet of shared assumptions that guides the day-to-day happenings within an organization carving a unique behaviour pattern for various situations.

Conceiving a concept is the most preliminary and the most difficult step of any initiation to change. The evolution of concept shows the progression of the think-tank with the passage of time. Let's internalize some of the classic definitions of organizational culture and embrace the word cloud of organizational culture (*Figure-1*).



Figure-1: Word cloud of Organisational culture

2012:Cui & Hu, defines organizational culture as an undeniable investment to bring in productivity.

2015:Brown, Melian, Solow, Chheng& Parker, stated employee experience and the internal view-point to be the determiner of an organization's culture.

20112: Groysberg, Lee, Price & Cheng drew dotted lines in between inspiration intensity, commitment levels, and engagement state as the three manifestations of culture of any organization.

The concatenated definitions depict the progressive change in the thought process of conceptualising organization culture from mere the way of doing things to the driver of sustainable profitability to any organization irrespective of their size, stature, and arena of operations. Organizational culture is seen to touch the soft nodes of the psycho-social components of an employee influencing the entire process of perception.

Activity 1

- 1) Organizational culture should be *implicit or explicit to the employees?*

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Activity 2

- 2) *What would be an ideal definition of organizational culture according to you?*

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The right amount of the right ingredient at the right time although sounds simple, but in real situations it can be compared to the classic Sisyphean labour, where organizations try to roll an immense boulder of necessary ingredients (values, beliefs, perceptions, and attitude) up a hill only to roll down every time it nearly reaches the top, and continue repeating the process for eternity, i.e. till the company exists. The classic accounting concept of 'Going concern' seconds the comparison of organization culture building to that of Sisyphean task. The perfect recipe of organizational culture ideally requires the following ingredients.

1. The *goals, pedigree, philosophy, and ethos* of the organization accompanied with the futuristic foresight
2. The *values*- both expressed and unexpressed

3. The internal ecology of the workplace
4. The *interactive signature dealings* with the world
5. The organization's *shared beliefs, customs, and opinions*
6. The Laxman Rekha of *tolerance for* acceptable and unacceptable behaviours

Activity 3

“No matter how brilliant your mind or strategy, if you’re playing a solo-game, you’ll always loose out to a team.” Reid Hoffman, Co-founder of LinkedIn

- 1) Do you agree to Reid?

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- 2) How culture of the organization catalyzes strategy formulation?

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12.3 KEY TERMS USED

The concept of organizational culture will impart use of certain words frequently, and hence need to be understood as the key terms of the unit. Let’s enlist the important key terms and understand them briefly.

‘*Culture*’ is an umbrella encompassing beliefs, norms, customs, habits, social behaviours, and said-unsaid laws relating to the individuals in the group. It is acquired through a continuous learning of the environmental parameters, leading to an enculturation, finally converging to the mainstream of socialization.

‘*Values*’ describe the core ethics of an organization. An irrevocable set of principles constitute the body of values, inspiring the employees to meet the expectations with strict adherence despite of difficult or odd times.

‘*Norms*’ or *normative dimensions* are the set of specific rules laid for an organization. It connects the time-independent organizational relations to the standardized functioning of the organizational models. This set of social behaviour is expected at the workplace all the time.

‘*Ethos*’ is the said code of conduct and guidelines that influence and drive the

employee behaviour with the peer and the management in an organization.

‘*Beliefs*’ are the set of aspirational features that organizations set for themselves. It has a great influence in shaping the culture of the organization.

‘*Philosophy*’ of the organization is its unique personality. It shoulders the responsibility of meeting the long-term and short-term organizational goals. In other words, organizational philosophy is derived by the practical analysis of a societal concern and addresses to its effective redressal.

12.4 MEANING OF ORGANISATIONAL CULTURE

Organizational culture may be understood as a system within the organisation which fosters shared meaning by its members, differentiates it from the other organisations. The changing time has moved the expectation levels from desiring a good organizational culture to a great organizational culture. Typical features and characteristics of an organisation culture are:

- *Alignment:* Alignment of organizational values with employee motivation results in exceptional outcomes.
- *Innovation and risk taking:* Degree of innovation and creativity by the employees within organisation.
- *Precision:* Level of precision, analysis and attention to details expected from employees.
- *Outcome orientation:* Level of management focus on results and outcomes rather than techniques and process used by the organisation.
- *People orientation:* Consideration of effect of results on the people within the organisation.
- *Team Orientation:* Focus on development of task and activity for the group of people rather than individuals.
- *Aggressiveness:* Environment of being competitive and aggressive rather than easygoing.
- *Stability:* Ability of an organisation to maintain stability in contrast to growth.
- *Resilience:* Responding to change makes organization resilient displaying empathy during the times of disruption, re-establishing normalcy. Degree of above stated characteristics varies from low to high depending on the type of organisation and activities within it. Few authors have described the following characteristics of organisational culture:
 - ✓ *Regularities in Behaviour:* Interactions among employees within organisation are done in common language, terminology and rituals.
 - ✓ *Rules and regulations:* Each and every employee in organisation is bound to adhere to the rules laid down by the organisation.

- ✓ *Dominant values:* Most of the organisations have strong and dominant values to be followed by each employee. These dominant values can be high efficiency, low absenteeism, high product quality etc.
- ✓ *Philosophy:* Philosophy means beliefs and values of organisation which are in organisation's policy which may be regarding treatment of customers and employees.
- ✓ *Organisational climate:* Environment of trust and harmony among employees, interdependence and reciprocity and commitment. All these collectively develop organisational climate.

Activity 4

Go through few companies' website and find out their organizational culture. Briefly discuss your findings.

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12.5 ROLE OF CULTURE

Role of organization culture works wonders; three most important contributions are:

- i. Gives direction to the conduct of the business
- ii. Redefine the intra-organizational line of communication, encouraging new idea development
- iii. High employee engagement and healthy turnover intention, if at all it is inevitable

The strength of organizational culture determines the longevity of employee-employer relation. A Glassdoor study of 2021 unfolded two vital findings: i) 77% adults evaluate a company's culture before applying to its current opening and ii) 56% value culture over compensation. The compensation package offered by TISCO is relatively lower than many of its competitors. Despite of the difference in package, TISCO is preferred over others due to its tall time-tested commitments.

Customer satisfaction obsession is the culture of Amazon. Hence is preferred by the fast-paced, multi-talented, obsessive workers, as the dream of Bezos, founder of Amazon, is the dream, aspiration, and culture for all Amazonians.

Organizations strive to build strong and productive cultures. The benefits of it are as follows:

- Better alignment of the company's vision, mission, and goals
- High employee engagement and steadfast loyalty

- Enviably team cohesiveness inter-department and intra departments
- Consistency and coordination become well groomed, decreasing the exercise of control behaviour at workplace
- Happy employee brings in and/ or creates happy customers

12.6 DEVELOPING ORGANISATIONAL CULTURE

The development of organizational culture has seen many topsy-turves. In 1970's it was an absolute *my way or highway*, the freedom of sharing of opinion was considered as a sin. Visionary leaders changed the way of perception after careful retrospection to the current stature of a nurturing organizational culture. The various ways in which this concept was formed are discussed below:

- i. Leaders' behaviour in the past were studied and understood to develop a culture on the guidelines of the understandings
- ii. Live lessons learnt from critical incidents, and a culture has been built to equip with better preparedness
- iii. The need of maintaining an effective working nexus within the members thereby creating values and expectations
- iv. External environment might have induced the need of an internal ecosystem, in turn establishing a culture for the organization
- v. The passage of time has expedited the requirement in many unique ways, hence making a close-knit surrounding i.e., the culture.

12.7 TYPES OF ORGANISATIONAL CULTURE

Defining the types of organizational culture is an exciting time-travel, as cultures are unique to every organization. The typology of Organizational culture has passed through many landmarks. A snapshot of the journey is given below:

Flamholtz and Randle's Strong and Weak culture

Flamholtz and Randle have given the simplest classification by categorising culture into two basic groups: strong culture and weak culture.

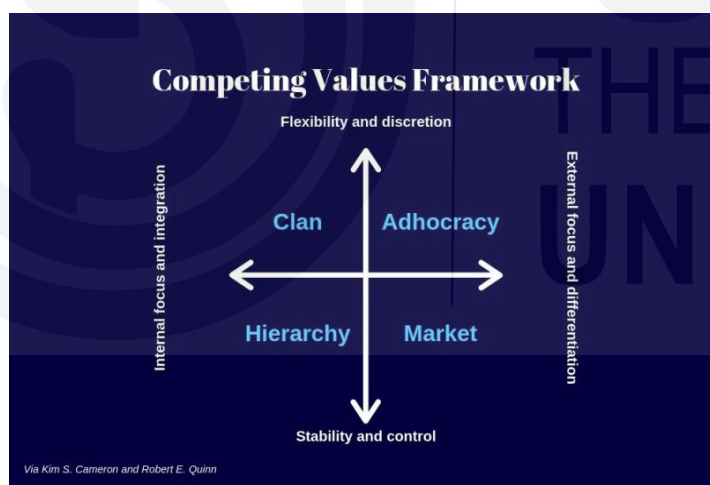
- a. **Strong culture:** Here the employee responses are enviably aligned with that of the organizational values. Organizations with such culture enjoy a friction-free work environment. The high alignment enables the organization make substantial execution with some minor adjustments. Clear acceptance of culture beautifies the organization-aura and empowers the employees with crystal-clear vision.
- b. **Weak culture:** Little or inappropriate alignment with the values, deliver a weak culture. Counter-productive friction is the obvious bottle-neck while encountering even the slightest change or challenge.

- c. Weak culture often attracts increased requirement of control, making the entire journey highly strenuous.

Handy's four-fold typology

Handy (19125) has offered four distinguished types of organisational cultures after a careful analysis.

- a. **The power culture:** An individual's power rules over the power of a committee, in this culture. Power is centrally placed, demanding an informal influence coupled with a submissive approach to get any work done.
- b. **The role culture:** Well-laid formal rules and unambiguous roles are the characteristic feature of this culture. Individual security, stability, and predictability is ensured as a function of role-clarity.
- c. **The task culture:** Efficiency is achieved by the effective utilization of organization's resources deeming to the completion of the assigned job-task, in this type of organizational culture. This is a change-driven culture.
- d. **The person culture:** Individual plays the vital role in this culture. Here, organization works towards the development of its employees. Highly decentralized power play is delivered with a shared line-of-influence. Its existence in the real organizational context will definitely prove to be a phenomenal feature of the organizational culture.



Robert E. Quinn and Kim S. Cameron's four-pronged organizational cultures

Quinn and Cameron studied 32 different variables that may pose substantial impact in shaping the culture of any organization. The two researchers finally identified two key attributes: (1) internal focus and integration vs. external focus and differentiation, and (2) flexibility and discretion vs. stability and control.

The placement of the attributes resulted in four distinct cultures in from the matrix. They are:

1. **Clan culture:** Internal focus and integration of flexibility at workplace is the skeleton of the Clan culture. It is a people-focused culture. Its work

ambience is highly collaborative, and horizontal in nature making the company work like a big happy family. It is action oriented and ultra-flexible in nature. Example- Tata steel

2. **Adhocracy culture:** Urge for differentiation coupled with an external focus when forged with flexibility results in an Adhocracy culture. Creating cutting-edge through continuous innovation is the salient feature of this culture. The go-getters and risk-takers find a good fit here. It contributes high profits as a result of relentless creativity, hence justifies professional growth opportunities. Example: Amazon
3. **Market culture:** Keeping an intact differentiation while ensuring a strong hold on stability gives rise to a Market culture. Result-oriented profitability driven mindset DNA is deep rooted in this culture. It stresses on the health of the bottom line through reaching targets and setting next higher targets. Creating differentiation is the unchallenged focus of this culture. Example: Apple Inc.
4. **Hierarchy culture:** Great internal focus and strong belief on control provides stability-stagnancy resulting in a Hierarchy culture. Maintaining of a clear line-of-command and adherence to the traditional corporate structure are the fortes of this culture. It gives ample amount of stability, but makes them frugal towards uncertainties and highly risk-averse. Rigidity of hierarchy often strangles creativity and time-bound innovative ideas.

Activity 5

- 1) What will be the most preferred culture as per you?

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Activity 6

- 2) Do you think Culture check is an important step that you would take before associating yourself with the company under consideration?

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Yet another typology of organization culture classified it into four types: autocratic or feudal, bureaucratic, technocratic, and entrepreneurial or democratic.

The nature and belief system of an organization makes them fall into any one of the four categories. With the globalization of businesses an organization may also contain different cultures under its aegis. The mosaic organizational culture provides flexibility and better work ethos to the organizations.

Cultural Dimensions Theory

Geert Hofstede developed a framework, which was widely used to acknowledge the cross-cultural communication. This framework describes relationship between society's culture and its effect on values of members of society. Originally, he started with four dimensions. They were; Individualism-collectivism; uncertainty avoidance; power distance and masculinity-femininity. Later fifth dimension "long term orientation" was added. In 2010 Hofstede added a sixth and last dimension "Indulgence vs. self-restraint".

- ***Individualism vs. collectivism (IDV)***: The extent to which people in a society are integrated into groups. Individualism describes loose knitted social system where every individual is concerned for himself or nearest family member. On the other hand, collectivism is tightly knitted social system where people are concerned not only for themselves but also for the other member of the group which they belong and even protect them.
- ***Uncertainty avoidance index (UAI)***: This index defines society's tolerance of ambiguity, where people accept or reject an event of something which is not known, not expected or away from status quo. Higher degree of uncertainty avoidance index represent society opting for strict codes for guidelines, behaviour, laws and generally relies on absolute truth and beliefs. A lower degree of index describes more acceptances of differing thoughts/ ideas. With lower degree of index, society is equipped with fewer regulations, more ambiguity and free flowing environment.
- ***Masculinity vs. femininity (MAS)***: masculinity means society's preferences for achievement, heroism, assertiveness and material reward. Feminism represents cooperation, Modesty, concern for weak and quality of life. Women in feminine society are equally caring and modest towards men. In masculine society women are more ardent and competitive but less ardent than men. This type of dimension is considered taboo in a highly masculine society.
- ***Long-term orientation vs. short-term orientation (LTO)***: The dimension explains linkages of the past with the recent and future challenges. Short term orientation or lower degree of index means traditions are followed, and steadfastness is valued. Society with long term orientation or high degree of index supports practicality of the things and adaptation.
- Country with short term orientation realise little or no economic development unlike country with long term orientation.

- **Indulgence vs. restraint (IND):** This dimension is essentially a measure of happiness; whether or not simple joys are fulfilled. Indulgence is defined as “a society that allows relatively free gratification of basic and natural human desires related to enjoying life and having fun.” Its counterpart is defined as “a society that controls gratification of needs and regulates it by means of strict social norms.” Indulgent societies believe themselves to be in control of their own life and emotions; restrained societies believe other factors dictate their life and emotions.

12.8 TRAITS OF A GREAT ORGANIZATIONAL CULTURE

The changing time has moved the expectation levels from desiring a *good* organizational culture to a *great* organizational culture. Hence, it is highly essential for us to understand the dynamism of different traits which drive the construction of a great organizational culture.

Let's discuss nine most important traits of a great organizational culture:

- Alignment:** Alignment of organizational values with employee motivation results in exceptional outcomes. Employee motivation is the most volatile asset. The inner drive of an employee pushes him to continue experimenting with the available resources of the company hence climbing up the ladder of experience and reaping in profitability as a by-product. This magical journey is possible only when values of the organization are synced in totality by the employees.
- Appreciation:** Public use of golden words: thank you, please, well done, bravo; bring in culture of appreciation. It grooms a strongly felt dignity of work which subsequently attracts great business profits. Respect and acknowledgement of the work done are the major drivers of workplace satisfaction and in turn the productivity. Low dignity of labour has manifold implications by incinerating a weak psychosomatic state, decline in the efficiency of the employee, and impact on the bottom line of the business.
- Trust:** Trust amongst employee and employer foster sturdy relation, contributing to the bottom line even during oddities. Organizations often have to meet with situations of turmoil, uncertainties, and critical time-tests. The employees quickly shift to a mode of disconnection and disruption as a result of the uncertain situations. They look for an ally in an employer. Unshakable trust on the employee may smoothly wade away through the whirlpool of turmoil.
- Performance:** The key to success is performance. This nexus motivates team members to work towards reaching excellence, not mere short term target achievements. Relating performance to success makes the process of selection fair and fairly understandable. Quantifiable results and rewards motivate employees to dive deep into the achievement of improved performance by creating a better form of themselves.

- v. **Resilience:** Change being the only constant, resilience makes the journey easy and effective. Responding to change with ease makes the company react productively during times of uncertainties. Organizational resilience displays clear empathy during the times of disruption in the normalcy. The commitment of organization at the odd times makes them go through the time-test and the successful companies gain the impeccable loyalty of the employees.
- vi. **Teamwork:** Togetherness is felt with a culture of teamwork in the company. It makes the company enjoy the synergistic outcome of the varied strengths of the employees. Teamwork dilutes the mental blocks empowering the forte of an individual to contribute immensely to the group performance. This fosters division of labour to reach to the multiplication of desirable results.
- vii. **Integrity:** Lifespan of a partnership is a direct function of the integrity, honesty, and commitment of the team members towards the organization. High integrity ensures long partnership. Truthfulness and honesty are the abstract yet highly sensitive traits that every organization long for. It distances fabrication of result or productivity, hence enabling true growth over a fake state.
- viii. **Innovation:** Newness through innovation breaks the monotony and ropes in vigour and agility to the organization. Innovating cultural initiatives can also energize workplace exponentially. Change being the only constant, innovation is the hero of the order. Establishing betterment in terms of efficiency, product, and principle sweeps in improvement in experience, productivity, efficiency, and profitability.
- ix. **Psychological safety:** The feeling of safety reduces workplace anxiety and increase concentration, hence better employee engagement. Provider of psychological safety often earns lifetime commitment and loyalty of the team members.

Activity 6

- 1) What is Organization culture?

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- 2) Do we really care about it? Why or why not? Pick the desired ingredients for the dream organization culture at your current workplace. Compare alignment of your answer with the framed definition as per the above frame work.

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- 3) Check, to what extent the both are converging.

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12.9 TOWARDS BUILDING A SUSTAINABLE ORGANIZATIONAL CULTURE

The world-famous Spanish painter Pablo Picasso once said- “Our goals can only be reached through a vehicle of a plan, in which we must fervently believe, and upon which we must vigorously act. There is no other route to success.” This reiterates the importance of planning in making a success story. Hence, we are on the path of understanding the clear line-of-action in building an organizational culture with built-in self-repair and auto-upgradation modes.

Depiction of the route-map is distributed into 9 landmarking steps. They are:

- i. ***Shine in recognition:*** Recognition is a great lure for improvement. In an era, where around 76% employees don’t feel that they are recognised and acknowledged for their contributions; a personalized message to the employees can make remarkable business impact. Social recognition when bundled with monetary reward makes the firm move with an irresistible force.
- ii. ***Gift voice to the employees:*** Expression of ideas, feelings, and opinions often emerges as the feedback-pool. The various kinds of listening tools may ease the process of feedback collection.
- iii. ***Human intervention:*** To analyse the results, paying minute attention to the subtle expressions will make the nonverbal channel of communication create visible organizational strength. Gallup world poll has showed that the managers who get constant feedback bring in 9% more profitability as compared with managers who do not receive any feedback or suggestions on their strengths. In today’s context where gig economy, and hybrid work culture is at an all-time peak, gifting freedom of coercion-free expression will boost the strength of remote working
- iv. ***Redefine culture advocates to be the leaders:*** Acknowledgement is the simplest yet the most effective tool of motivation. The path of culture advocacy is hard to walk. Benchmarking culture advocates as leaders creates significant amount of influence on the mind of the team of workers. Such a practice begins the root-level correction at the tender minds of new employees. Studies have shown that, when leaders follow the values of the company, others to follow the suit. Building a culture where every aspect of the values of the company are valued and prioritized at every aspect of the work life is the need of the hour.

- v. ***Outlive organizational values:*** Values are the unique identification set of traits of an organization. Delivering to meet the values enables growth of an enriched culture and improved identity of the employee as *a man of values*. Projecting such employees boost the motivation of the others, hence creating a value-pull. Volunteering such actions leaves impactful impressions, and future course of action.
- vi. ***Forge teams:*** Teams are the pool of different sets of strengths. The unique strength of one when forged with another unique trait gives rise to invincible organization traits. This helps the firm to cross the just notifiable difference (JND) seamlessly creating competitive advantage to reap tall profits.
- vii. ***Focus on the holistic development:*** The modern era of development has widened the employer's perspective. Offering employees various skill upgradation courses motivates the employee to contribute to the growth of the parent company. This has a dual impact on the company: first, it ensures enrichment of the human capital and second, curbs the turnover intention. Focus on the holistic development flaunts a culture of learning in the organization. Soft-skill development is deeply respected in the business fraternity. Companies with a constantly fuelled learning and development budget are likely to grow much faster than the ones who do not invest on training.
- viii. ***Culture- as an irrevocable intangible:*** Company's culture being the valued-most intangible need to be nurtured with utmost care. Finding culture-fit through focussed questions at the very stage of hiring eliminate the inclusion of employees who either possess a culture-mis-fit or culture-poor-fit. Misalignment of employee's expectation with that of the organization's expectation results in high turnover ratio. Culturally aligned employees not only stay for a long-time but also enjoy their work tenure.
- ix. ***Tailor-made employee experience:*** With the liberalization, world has become a global village. Companies are able to attract talent from every nook and corner, hence also attracting their pre-existing cultures. Using the power of experience, the organization needs to mindfully align the culture of individual employee to that of the corporate. Creation of tailor-made highly personalized employee experience generates great amount of trust on the culture of the parent organization.
- x. ***Showing proactive allyship:*** The employees feel powerless at the encounter of unfortunate situations. Companies may plunge to protect their interests even at the cost of the firm's financial profit, so as to depict the '*we care for you*' in practice, hence acting as an ally. The allyship strengthens the bond between the employee and the organizational culture.

Activity 7

- 1) “Culture is the organization’s immune system.” Find two practical implications of the statement.

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- 2) Critically evaluate the nine landmarks and try to include a tenth one, keeping in mind the perspective of pandemic-induced change.

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- 3) Who is an ally? Why are they important?

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12.10 CULTURE BY CHOICE V/S CULTURE BY CHANCE

The work in itself is the mother of a working culture, creating an aura around it. This development is a complete natural phenomenon. Culture by chance is definitely a time-tested outcome. The bendability and attributes however remain under criticism of the possibility of not finding a good-fit in the long run.

Culture by choice empowers us with the freedom of choice, selection of traits to be considered; enabling the organization with the prowess to carve its niche. Organizations highly value the linkages and cross-linkages of culture with that of employee satisfaction, employee engagement, low turnover intention, knowledge sharing behaviour, and human capital enrichment. Because of the availability of choice of traits, it is preferred over the culture by chance.

12.11 CREATION OF ETHICAL ORGANISATIONAL CULTURE

Employees with high-risk appetite, moderate aggressiveness, having a great focus on methods and results display high ethical standards; their shape is a function of the organizational culture. This ethical organizational culture has long term perspective and maintains a balance between various stakeholders of the organization be it employees, shareholders, and the community. Managers are encouraged to take risk, for being innovative, display substantial resistance to succumb to competition and to be supportive for not only result but also methods to achieve them. Positive impact can be seen on employee's behaviour, if the culture is strong, close knitted and supports high ethical standards. The negative impact of loose ethical culture may have diverse ramifications. The systematic culture of unethical behaviour can result into customer boycott, fines, lawsuits, and governmental regulations and interventions. The following principles demonstrate how an ethical culture can be created by manager;

- ✓ *Be a role model and be visible:* Actions and behaviour of top management are benchmark for employees. Appropriate behaviour of managers is imitated by the lower-level managers. When senior management is observed by their subordinates to take the ethical highway, it sends a subtle message to all the employees.
- ✓ *Communicate ethical expectations:* Organizational codes of ethics must be shared properly stating primary values of the organizational and ethical rules to be followed by employees. There must be minimal ambiguity related to organizational ethics. Code of ethics will stand worthless, if the top management fails to model ethical behaviours.
- ✓ *Ethical training:* Trainings, seminars and workshops can reinforce the organization's code of conduct, clarity of practices intra-organization and removal of potential ethical dilemmas.
- ✓ *Visibly reward ethical acts and punish unethical ones:* We may also call it as the carrot and stick approach i.e., rewarding ethical acts and punishing unethical ones, can build strong ethical culture within organization enabling each and every stakeholder to flourish. Review of means as well as ends are necessary for this. Appraising managers on how their decision will be measured against organization's code of ethics gives clarity for their future behaviour.
- ✓ *Provide protective mechanism:* structured and formal mechanism within organization provides opportunity to employees to discuss ethical dilemmas and report unethical behaviour without fear of reprimand. Ombudsman, ethical counsellors or ethical officers can perform suitable functions to develop such mechanism.

Setting up of positive ethical climate must have a top-down approach. When top management emphasizes strong ethical values, ethical leadership will be practiced by supervisors. Positive ethical attitudes are transferred down to the line employees, who show lower levels of deviant behaviour and higher level of cooperation and assistance.



Managers seeking to create cultural change must intervene at these points

12.12 CHANGING ORGANISATIONAL CULTURE

With globalisation and liberalization, a rapid change in workforce diversity, technical innovation was observed. The basic rules and values that gives shape to organization demanded alteration, modification, and amendment. Accommodating change in organizational culture is difficult because of various reasons such as; the strong culture of an organisation is unconscious, often non confrontable and non- debatable. Another reason can be, culture is deeply ingrained and behavioural norms and rewards are well learned. i.e., to learn new norms the old norms must be unlearned by employees. Managers seeking to bring change in culture must first find the ways to maintain it.

Researches have shown that a collaborative culture accepts change whereas an autocratic culture oppose or resist to change. The following model (figure below) suggests the interventions used by the managers to change organisational culture. Here numbers represent interventions used by the managers. The basic structure to change organisational culture are: (1) introduction of new set of values for current members (Action 1, 2, and 3), (2) introduction of new members and socializing them into organisation and removing current member as inappropriate. (Action 4 and 5).

Action 1 Changing behaviour of an organisation. Behaviour is the artifact of culture. An individual's behaviour might be changed but values that drive it cannot be changed. They may rationalize, saying "I'm doing just because my manager wants me to."Therefore, *action 2* must be used by the managers, i.e., examination and analysis of justification for changing behaviour. Are employees buying into the new set of values or are they simply complying.*Third action* of cultural communication is a very significant

artefact of culture (i.e., personal enactment, rites and ceremonies, rituals, stories and symbols). It must send consistent message about new values and belief acquired. Communication is not only important but crucial too. Managers need to live the new values not mere talk about them. Social informal structure must be enhanced in organization. Informal communication network with employee's belief and values can make a change successful. The last *two actions (4 and 5)* indicate the necessity of moulding the workforce so as to fit into the intended culture. *Fourth*; selection strategies of an organisation must be revised to reflect new culture. *Fifth*; The identification of individuals who are reluctant to change and no longer comfortable with new acquired values of an organisation.

Workforce reshaping must be done in a gradual and subtle step with considerable time. Changing personnel as per new values and culture of an organisation is a complex and long-term process. It cannot be achieved within a compressed span of time.

Activity 8

“No matter how brilliant your mind or strategy, if you're playing a solo-game, you'll always loose out to a team.” Reid Hoffman, Co-founder of LinkedIn

1. Do you agree to Reid?

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2. How culture of the organization catalyzes strategy formulation?

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12.13 SPIRITUALITY AND ORGANISATIONAL CULTURE

Work spirituality is not about religious practices or chanting and making prayers at work place. Spirituality is not linked solely with God or theology. Workplace spirituality recognises that people have an inner life that nourishes and is nourished by meaningful work in the context of community (Ashmos and Duchon, 2000). Organisation with spiritual culture recognizes the need of

a community, understand that people try to connect with other human being to find meaning and purpose in their work. The traditional assumption that well-run organisation does not consider feelings. Perfectly rational model of an organisation which is not associated with the inner life of employees finds no place in the twenty first century. Study of emotions improves our understanding of organisational behaviour and thus assimilation of spirituality helps in understanding employee's behaviour.

Following are the reasons for growing interest in spirituality:

- ✓ Maintain balance of stress and pressure in life. Contemporary lifestyle of nuclear family, single parents, and geographical mobility for jobs creates immense pressure, stress and seclusion.
- ✓ Job demands have made the workplace dominant in many people's lives; therefore, a true meaning of work may be derived by depicting workplace spirituality.
- ✓ There is strong need for integration of professional and personal life.

Features of spiritual organisation

- *Benevolence*: spiritually inclined organisation supports kindness towards others and welfare for employees as well as related stakeholders.
- *Strong sense of purpose*: Purpose has a strong meaning in spiritual organisation. Profits are not paramount for such organisation.
- *Trust and respect*: Mutual trust, honesty and openness are the features of a spiritual organisation. There is esteem values, dignity and respect for individual.
- *Open mindedness*: flexible thinking and creativity among employees are supported in spiritual organisation.

12.14 SUMMARY

Organizational culture is the sum total of the deep-rooted beliefs, values and assumptions held by its members. With the changing time it took its course as corporate culture. The very term induces a feeling of possessiveness to the cognitive set of behavioural norms, and shared expectations. It serves as a plugging mechanism by providing members with a sense of identity, generating irrevocable commitment to the organisation's DNA, and adhering to the reinforced standards of behaviour. Developing corporate DNA is a unique one-time exercise, which can neither be duplicated nor can be replicated. It carefully encapsulates the company's goals and predominant ideologies, to accomplish desired goals and objectives.

12.15 SELF-ASSESSMENT QUESTIONS

Part A: Case analysis of Aetna Inc.

Williams' case study begins in 2001, when he arrived to find a corporation (Aetna) in need of change having lost \$2120 million in the past year. He

diagnosed key areas of failure and opportunity in Aetna's vast enterprise: orchestrating medical, dental and other health and insurance benefits in a network of 1243 thousand health care professionals with 37 million members. Williams shaped a path to recovery, focusing on a better understanding of Aetna's current customers, from small employers to the largest corporations, and concentrated on the best way of expanding into new markets such as retailers, banks and law firms. To do this, Aetna needed to build products and services suited for those groups, and Williams' strategy involved developing integrated information systems for both employers and consumers, to ensure cost effective and high-quality health care delivery.

Williams repeatedly made the case for this new strategy directly with Aetna's staff. He pressed the issue of values: integrity, employee engagement, excellent service and high-quality healthcare, and implemented employee surveys and biannual performance reviews. Employees were invited to answer whether they believed their supervisors held true to Aetna's values and whether they were proud to be working with the company. Williams has noted a marked improvement in responses over just a few years. External benchmarks reflect positive growth as well: Aetna has reached the number one spot as Fortune Magazine's most admired health care company, after occupying the bottom position. Williams invested a great deal in technology he believes will "shape the future of health care." He describes a Care Engine, containing an individual member's personal health record and upto-the minute journal information and health guidelines that are "converted into computer algorithms." This system can detect and fill gaps in care for patients conditions that go undetected, tests that should be administered, medicine that should not be prescribed. Williams has also given consumers the ability to find and compare the costs of tests and doctor visits. He believes we can check the trillions of dollars in health care spending through smart technology. For him, health care reform means we "get and keep everyone covered; maintain the employer based system... reorient the system toward prevention, value, and quality of care; and use market incentives to improve coverage, drive down costs and make the system more consumer oriented."

1. LEVELS OF ORGANISATIONAL CULTURE

Drawing upon information from the text and your wider experiences; discuss what is meant by organisational culture. In your discussion, you should identify the common aspects of the many definitions of organisational culture and comment upon levels of culture.

Which level of culture is mentioned most frequently?

2. VALUES

Distinguish between values, espoused values, enacted values and assumptions; list the Aetna, Inc core (espoused values) and discuss how they were created.

3. SURVIVAL IN COMPETITIVE AND TURBULENT ENVIRONMENTS: FUNCTIONS OF ORGANIZATIONAL CULTURE.

Peters and Waterman has argued 'the stronger the culture and the more it

was directed toward the marketplace, the less need was there for policy manuals, organization charts, or detailed procedures and rules.’ What is meant by a strong culture and how might such a culture impact upon organisational performance (you should consider both positive and negative consequences)?

4. ORGANISATIONAL PERFORMANCE

Consider the role of culture in relation to organisational performance; explain what is meant by the “Fit” and the “adaptation” perspective and evaluate these concepts in relation to Aetna, Inc.

5. THE ROLE OF THE LEADER IN SHAPING AND REINFORCING CULTURE

Evaluate the leader's role (for example that of Ron Williams) in shaping and reinforcing culture.

6. MANAGING CULTURE

Discuss whether culture can be managed and suggested approaches used to manage culture if you believe that it can be managed.

Evaluate why Aetna, Inc soared to develop a culture of empowerment and quality amongst other things.

Part B: Answer the following questions

1. What is Organizational culture?
2. Draw the progression path of the organization culture showing the major changes during the course of formation.
3. What are the salient features of building a great organizational culture?

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UNIT 13 MANAGING CHANGE

Objectives

After reading this unit, you should be able to:

- Understand the concept of change management
- Understand the nature of change
- List out the types and models of change
- Understand the process of change
- Analyze the reasons for the resistance of change
- Highlight the strategies to overcome change
- Understand the forms of change
- Identify the strategies of evaluating change
- Appreciate the role of a change agent
- Understand the concept of OD
- List out the OD interventions

Structure

- 13.1 Introduction
- 13.2 The concept
- 13.3 The key drivers
- 13.4 Nature of change
- 13.5 Process of change
- 13.6 Models of change
- 13.7 Resistance to change
- 13.8 Strategies to overcome resistance
- 13.9 Forms of Organizational Change
- 13.10 Evaluation of Change
- 13.11 Role of Change Agent
- 13.12 Organization Development (OD)
- 13.13 OD Interventions
- 13.14 Summary
- 13.15 Self-assessment questions
- 13.16 References/ Further Readings

13.1 INTRODUCTION

As the adage goes....the only constant in life is *change*. Usually, three facts about change are often heard in organizations- *that it is everywhere, that it is constantly present and the speed* with which change is taking place. This being the reality, almost everyone is nervous about change. People dislike change and resist change as a natural response, but in reality change is inevitable and the cost of change would be very dear if people dislike change. Thus there is no choice other than to welcome change and devise strategies to tackle the challenges and survive in the fast changing contemporary scenario.

13.2 THE CONCEPT

The concept of organizational change refers to the changes that occur across the organization. It implies that the change brings in a fundamental orientation in the way that the organizations use a certain process or issues, thereby bringing in a change in the way it is carried out in business. It does not include minor changes like adding a new person in the group, modifying a program etc. Examples of organizational wide change includes change in the mission, implementing new technologies, restructuring the operations, mergers and acquisition, rightsizing and downsizing, introducing new programs like TQM, re-engineering etc.

13.3 THE KEY DRIVERS

Organization wide change is a part of business strategy to accomplish the goals of the organization. The key drivers are:

- Technological innovation, forcing the organization to upgrade their platforms.
- Cutting down the cost to remain competitive. If the cost of one factor of production goes up, it brings about a change in the overall cost, thus forcing the organization to innovate and reduce the cost.
- Competition and competitive advantage has forced organizations to perform, for organizational survival and growth.
- Competitive advantage presupposes faster decision making, thus making the organizations to change the structures, processes and styles of functioning.
- Global culture requires organizations to adapt and evolve to integrate the diversity into the business and the business operations.

Activity 1

Choose an organization which has existed for more than 20 years. Recall how it was 10 years back and observe how it is as of now. Analyze what has changed and why?

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13.4 NATURE OF CHANGE

Change can be understood better, if we look at the nature of change. The nature of change is as follows:

- a. To make or become different, give or begin to have a different form
- b. Dissatisfaction with the old and belief in the new
- c. Underlines qualitatively different way of processing, thinking, believing to improve from the past
- d. continuous and intrinsic
- e. can be patterned and predictable
- f. dual and bi-polar- leads to change for the good or leaves stagnated
- g. rate of change is faster.

Thus, each of the elements makes us understand change in its various connotations.

13.5 PROCESS OF CHANGE

Organizational experience indicates that organizations are undergoing major changes quite frequently, although smaller changes occur continually. However, there are no signs that this pace of change will slow down. The processes thus assume significance in this context. The process can be divided into three broad areas

Preparing for the change

An organization has to address the concerns like why do we need change? What would be the difference between the current and the changed state? What is to be changed? What components will be affected and which will not be?

Beginning the change process

The organization must firm up the strategy being used for change, identify ways of operationalizing the change, while beginning the change process. To do this , the organization must position change as a challenging target and needs to identify how to minimize the impact of losses experienced by those who are most affected by the change in the organization.

Firming up the changes into the system

During the firming of the process, the organization must ensure that all the sub units are aligned properly with the desired outcomes. All the stakeholders are fully aware of the outcomes of changes and have an understanding of the

process. The organization must also ensure that all those who involve will play their prescribed role in planning and implementation. Thus an organization can approach change in a planned and systematic way, exactly identifying where it wants to find itself after going through the process of change.

13.6 MODELS OF CHANGE

Various models have been suggested to explain the process of change. The most important of them are:

Kurt Lewin's Model

Lewin specifically considers a three stage process of managing change taking clue from the analogy of ice. They are *unfreezing*, *changing* and *refreezing*. The first stage involves creating a level of dissatisfaction, with the status quo, which creates conditions for change to be implemented. The second stage requires organizing and mobilizing the resources required to bring about the change. The third stage involves embedding the new ways of working into the organization. Thus this model considers that change involves a move from one static state through a state of activity to another state of status quo.

Beer's Model

Beer and his colleagues advocate a model that change is more complex and therefore requires a more complex, but still a uniform set of responses to ensure its effectiveness. The model prescribes a six step process to achieve change. They concentrated on task alignment whereby employee roles, responsibilities and relationships are seen as key to bring about situations that enforce changed ways of thinking, attitude and behavior. The stages are – mobilize commitment to change through joint diagnosis , develop a shared vision of how to organize , foster consensus , competence and commitment to share the vision, spread the word about change ,institutionalize change through formal policies and finally monitor and adjust, as required.

Shaw's model

Shaw in his article entitled *Intervening in the Shadow Systems of Organization (1997)* argues that change is complex and evolutionary. As the changes evolve, they tend to be messy and messy because of the number and variety of changes that are introduced. Hence the status quo is not the starting point for change management. It evolves and adapts to the environment of change. The elements, according to this model, in the change process are:

- a. Understand the Change Drivers
- b. What are the Change levers for change strategy
- c. Understanding the change context
- d. Develop a picture of the organization
- e. Appropriate plans for change
- f. Selecting the change agent/ leader for the change process

ADKAR Model

ADKAR model is a goal oriented change management model that allows change management teams to focus their activities on specific business results. This model was initially used as a tool to determine if activities like communication and training had the desired results during organizational change. According to this model effective management of people dimension, requires five key goals that form the basis of ADKAR model. They are :

- Awareness – awareness of the need to change
- Desire- to participate and support the change
- Knowledge- knowledge of how to change and what the change looks like
- Ability- to implement the change on a day- to-day basis
- Reinforcement – to keep the change in place

Kotter's model

Kotter in his article *Leading Change*(1995) has introduced a number of steps in his model of change process. The steps include

1. ***Creating urgency*** – At this stage, the organization identifies threats and develops scenarios to show what might happen in future. The opportunities to exploit, discuss, talk & thought process, helps in eliciting external support. 75% of the effort comes from the organization in creating urgency for change. The organization, Kotter says, has to work hard in step-1 for achieving success
2. ***A team or influential people*** are required, irrespective of hierarchy to initiate /manage change. The team must include true leaders who can demonstrate emotional support and team building from across the organization.
3. ***Create a Vision for change*** – Why change? This question is answered because organizations consider their values as central to change. What changes changing the future scenario, determines the strategy to implement.
4. ***Communicate the vision-*** Kotter says that organizations need no special meetings to communicate the vision, but it is done in daily activity, for people to remember, assimilate and accept leading to change
5. ***Remove blocks-*** Resistance to change is taken care of, by having structures and mechanisms to empower the employees, to help the change move forward
6. ***Quick wins*** –Change interventions would lead to short term goals, not long term in nature, thus contributing to quick wins.
7. ***No room for failure*** – An attempt has to be made to choose projects which result in runaway success, so as to instill confidence.

8. **Build on change-** Confidence building measures and success ensures the organization to analyze what went right, set goals, improve continuously and add new change agents.
9. **Add to the core** – Initiating and implementing change resulting in success must lead to make change to stick, so that it becomes the core of the organization and becomes part of corporate culture.

Kotter's model thus, argues for change that sticks to the organization.

McKinsey 7-S model

McKinsey model focuses on 7 *internal* factors, which are to be aligned and reinforced for change leading to organization effectiveness. A change in one element affects the other thus requiring new organizational design. The elements are – *Values, strategy, structure, systems, skills, staff and style*. For instance, any change in the strategy will force the organization to make changes to the strategy, and so on.

Ross 5 stage model

Kubler Ross in his book *Death & Dying* (1969)- known as *Change Curve* underscores the need for focusing on the internal factors. It helps to understand the stages of personal & organization change. This process demonstrates the different reactions to help them to transition towards change.

Thus these different models will have implications on the way organizations and their leaders view change and the way they manage change, finally impacting the effectiveness of any change initiative

Activity 2

1. Choose an organization. Discuss the model which they follow.

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13.7 RESISTANCE TO CHANGE

Change is inevitable and the pace of change is increasing day by day. Consciously or unconsciously, people dislike change and hence, they resist change. Organizational issues and individual / group resistance to change are normally cited as reasons for resisting change.

Organizational issues

Organizations do not always undertake individual change initiative as part of the wider change plan. For example linkages between strategy, structure and

systems issues have to be established as part of a changed plan. Therefore, a change that considers a new structure but fails to establish the need to introduce new systems to support such a structure is less likely to succeed. Similarly lack of effective project management and program management discipline can also lead to a shortfall in timings, in achievement of desired outcome and project delivery. Insufficient training in the relevant areas, for example, in project management, leadership skills can also negatively impact on the effectiveness of the change initiative. Poor communication has also been linked to issues surrounding the effectiveness in achieving change in various ways. A change that is imposed and not communicated properly and on time, can lead to a greater employee resistance. Finally the lack of effective leadership has been identified as an inhibitor of effective change

Individual/ group resistance to change

Resistance is understood as an expression of reservation, which normally arises as a response or as a reaction to change. Management often interprets these actions as employees attempting to stop or alter the change. Resistance can take different forms from subtle undermining of change initiatives, withholding of information to active resistance like strikes. Resistance can be individual vs collective, passive vs active, direct vs indirect, behavioral vs verbal and minor vs major. Normally an organization experiences two broad types of resistance – resistance to the content of change and resistance to the process of change.

In addition, the other reasons for resistance are listed below According to Ferguson and Green, (2001), a number of factors cause resistance to change in an organization. They are:

- i. **The fear of unknown** – People resist because of the fear of what is in store for them. Due to the uncertainty about the nature of change, one does not know what is in store for him in future and what exactly would happen in the current situation
- ii. **Loss of control**- Change is directed towards an individual, group or organization. When it is directed towards the individuals, the individuals have very less or no say in the process and the interventions directed to them. The fear of no control on the events that are unfolding makes people resist change.
- iii. **Loss of face**- Employees feel embarrassed as a result of change to realize that what they have done in the past was wrong and that organizations intervene to change those wrong actions / decisions.
- iv. **Loss of competency** – When changes are attempted, the existing skills and competencies will no longer be used, thus making the people think that they have to put in a lot of effort and hard work to learn new skills and competencies in the changed situations.
- v. **Need for security** – Security is one of the important concerns for every employee. The very fact that change is taking place in the organization causes a concern in the minds of the people about their position, status, role etc.

- vi. **Poor timing** – Since change is a continuous process, organizations initiate and implement changes continually. The very fact that one has to get into a change mode again after a recent change causes employees to think about the timing of changes that takes place in the organization.
- vii. **Loss of the comfort zone**- People are comfortable in doing their work following their existing routines/habits. The very thought of change in the existing ways of doing their work makes them feel that they are out of their comfort zone
- viii. **Lack of support**- It is not enough if changes are initiated but they should be executed properly. Poor execution leads to scarce resources, which make the employees feel that they will not have enough support in the changed scenario.
- ix. **Lack of confidence**- Any change presupposes extra effort on the part of the employees to get used to the change situation. It takes a while for them to settle down in their routine to build their confidence levels in their work.
- x. **Lingering resentment**- Not all changes are organization-wide. In some instances, it is possible for an organization to design and initiate a change in one unit/ department. In such cases, the other people in the other departments/units might feel that they are avoided or overlooked. Even when organization wide changes take place covering all the employees/ units, there is every chance for the same sentiment to recur among those who have been brought into the change management process.

In addition, studies have also cited political factors like favoritism, management factors like poor management style, individual factors like personality factors, group factors like group cohesiveness, herd mentality, and organizational factors like increased work load, unknown challenges etc. as some other reasons for resisting change in organizations.

Activity-3

It is but natural to resist change. Recall an instance at home/office when you resisted change. List out the reasons for the same. What remedies did you take to overcome each of them?

Change resisted:

Remedy:

1.
2.
3.
4.

13.8 STRATEGIES TO OVERCOME RESISTANCE

Organizations use different strategies to overcome the resistance to change. They are:

- i. **Normative Re-educative Strategy** – This approach believes that changing the norms, attitudes and values of the individual would lead to changes in their behavior. It is based upon targeting their core beliefs, values and attitudes. It is expected that change will occur as individuals change their beliefs, values and attitudes, which makes them behave differently and accept change.
- ii. **Rational Empirical Strategy** – This strategy is based on persuasion. It assumes that individuals are rational and as such if the benefits of change are made clear to them, they would change in their own self-interest. The benefits of change need to be highlighted and sold to them as being of personal benefit to them.
- iii. **Power Coercive Strategy** – This strategy is based on the application of power, in the belief that people comply and change to those who have greater power.
- iv. **Action Centered Strategy**- This strategy focusses on problem solving, looking at problems and focusing on remedial action. Innovative firms take an integrated approach to problem solving by showing a willingness to view problems as a whole and in their solutions to challenge established practice and view change as an opportunity rather than a threat.

Thus, organizations use different strategies which are used as appropriate in the different stages of the change process. In addition, organizations also use certain techniques to improve the acceptability of change facilitating easy transformation. Continuous learning through change, effective communication, the power of informal structures, understanding the rationale for change are all a few techniques that organizations use to seek the support of the employees in the process of change management.

13.9 FORMS OF ORGANIZATIONAL CHANGE

Organizational experience evidences a number of ways in which organizations embraced change. Some of the popular forms of organizational change are:

- i. **Organizational Design and Restructuring-**

Organizational design reflects the structural aspects of organization. It leads to the development of organizational structure with interrelated tasks, positions, units and relations. The structure defines the way tasks are formally divided, grouped and coordinated. Organizations follow different structures but currently due to the COVID pandemic, virtual organizational structures are being used. The IT industry is an excellent example of this structure which allows a lot of flexibility in its operations. To manage change organizations restructure and redesign their work place in order to conduct their business. The work from home facility, use of advanced tools and techniques of technology by the organizations due to the current pandemic is an excellent demonstration of how work places have been redesigned and restructured.

ii. Turnaround Management-

Management of change is and will continue to be a natural concern for most organizations in India. Due to various factors, both internal and external like global competition, technological change, customer awareness, economic factors, have demonstrated issues of a diverse nature. Further, the process of industrialization has resulted in industrial sickness which had to be turned around. Turnaround management is one form of managing change used by the organizations in India. It is a recent phenomenon. When a weak company is acquired, it is subjected to turnaround management. Even when a sound and profitable company has been purchased, it is subjected to some form of turnaround management, to realize the synergies so as to increase profit and shareholder value or market share. With cross border acquisition, mergers etc. turnaround has become a common form of change management. Turnaround has been popularly referred to as a recovery of the client performance, decline being relative to the benchmark like industry growth, GNP growth or previous performance of the organization. Pradeep Khandwalla, in his book entitled *Turnaround management*, defined it as *recovery to profitability from a loss situation*. There is a broad spectrum of turnaround situations which might occur. The nature and urgency of the situation is influenced by key parameters which include

- The ownership structure of the company
- The urgency of the crisis
- Whether the company must radically cut cost
- The management team in place
- Whether the turnaround manager would be the CEO or not
- Whether he is assisted by an able team
- The degree of freedom given to him
- The time available to decide on priorities/ actions
- The suitability of networks / tools used

Some of the classic examples include the Chrysler Corporation and General motors. When Chrysler sold its defense division, the CEO of Chrysler Lee Iacocca did a turnaround situation and claimed profit to the company. In a similar way, GM offered Delphi which employed 200,000 employees in the manufacturing unit, retaining only a majority holding. This move made GM attain a turnaround situation. The recent amalgamation of banks in India with high NPAs into one unit is also an example of turnaround situation to realize the synergies and attain a profitable situation. Thus, turnaround has become the order of the day because of the corporate sickness and organizational decline

iii. Mergers and Acquisitions-

One of the successful ways of meeting the contingencies of organizations is restructuring. The current restructuring modes all over the world appear to be the phenomenon of mergers and acquisitions (M&A).

Historically M&A could be traced to the American businesses. A number of waves of merger activity occurred in the US, which evoked major activity and impacted the structure of American business transforming medium size businesses to huge Multinational Corporations.

Three types of mergers are evident. A horizontal merger occurs when two competitors combine. The HP and Compaq merger is a classic example of the horizontal merger. Vertical mergers are combinations of companies that do not compete, but exist in the same supply chain and have a buyer seller relationship. Any automobile company acquiring a company which sells auto parts to it, can be an example for a vertical merger.

A conglomerate merger occurs when companies are not competitors and do not have a buyer seller relationship. For example Reliance Industries Limited in India, which started off as a textile company, acquired many companies in different lines of business and today it is into the retail, apparel, telecommunications, petrol chemicals, energy, etc.

The purpose of M&A in most organizations is to source supplies of raw material or an intermediary product to gain economies of purchase, revamping production facilities, market expansion and strategy, financial strength, improve the brand image, enhance its development plans etc. A number of agencies, advisors and experts help in the M&A process. Organizational experience has also seen a number of alternatives to M&A. Some of them are joint ventures, franchising, distributors and dealers, merchandized licensing etc. The wave of consolidations, mergers, acquisitions, corporate restructuring has reached a record high in both the developed and developing countries.

iv. Business Process Re-engineering (BPE)

Improving business processes is paramount for businesses to stay in competition. This has become a common trend in the last two decades. BPE is a redesign of business processes, the associated systems and organizational structures to achieve a dramatic improvement in business performance.

The reasons for such changes include poor financial performance, external competition, and erosion of market share or emerging market opportunities. Strategy, processes, technology, organization and culture are the five components of business that are targeted. Michael Hammer and James Champy define BPR, in their book entitled, *Re-engineering the Corporation* as fundamental rethinking and radical redesign of business processes to bring about dramatic improvement in performance. They recommended a complete examination of the organizational processes from material acquisition, production, marketing, distribution etc. Siemens is an excellent example of BPR. They have designed and implemented for BPR for profitability.

v. Total Quality Management (TQM)

TQM is a management philosophy that seeks to integrate all organizational functions to focus on meeting customer needs and

organizational objectives. TQM views an organization as a collection of processes. It maintains that organizations must strive to continuously improve these processes by incorporating the knowledge and experience of employees. The simple objective of TQM is – do the right things, right the first time, every time. Although originally applied to manufacturing operations, TQM is now becoming to be recognized as a generic management tool, applicable to the service and public sector organizations. The principles of TQM include management commitment, employee empowerment, fact-based decision making, continuous improvement and customer focus. Organizations used TQM as a powerful technique for unleashing employee creativity and potential, reducing bureaucracy and cost, improving service to the clients and the community. Thus, TQM is being used by many organizations as an appropriate strategy for managing change

vi. Outsourcing –

Outsourcing or contracting out is often defined as a delegation of non-core operations or jobs from internal production within a business to an external entity who specializes in that operation. It is a business decision that is often made to lower the cost and focus on competencies. It takes place when the organization transfers the ownership of a business process along with the transfer of control to an external entity or sub-contractor. Call centers in China, India, and Sri Lanka etc. are an excellent examples of the outsourcing activity across the world. Many companies outsourced customer support, call sector functions, manufacturing of parts and engineering services.

Thus, organizations use different forms of managing change although it is difficult to match a single approach to a particular company's need. The challenge lies in deciding which method to be used, when it can be used and how the companies can pull it off successfully such that the bottom line business results are achieved.

Activity-4

List out the latest merger of banks in India. What is the type of merger and why do you think the merger has taken place?

List out the merger and acquisitions that had taken place in the recent past in India. What do you think are the reasons and the type of merger?

13.10 EVALUATION OF CHANGE

It is not enough if the organizations introduce different interventions and use different forms of managing change. Evaluation is critical for the success of the change initiative, design and implementation, especially when external consultants are involved in the process. Organizations use different strategies to evaluate change. *Survey* is the most popular strategy for obtaining data to evaluate change. Questionnaires, structured interviews etc. are used to collect large volumes of data using survey. Organizations also used the *case study* method, which is a detailed, intensive method of collecting data about a

single case. Interviews, observation and analysis of related documents are used in a case study. *Experimental strategy* is also used to conduct experiments on individuals/ groups by segregating them into the control group and the sample group. A comparison of the results would help in the evaluation of change. *Longitudinal and cross sectional* strategies offers to evaluate change over a long period of time. The impact of change could be understood if data is collected over longer periods of time. In contrast, a cross sectional perspective describes the incident of a particular phenomenon such as skills possessed by managers in one organization at one particular time etc. Data thus collected is analyzed and provided as a feedback in the evaluation research carried out by the organizations

Activity-5

Have you seen a change intervention in any organization? What was the approach they followed to evaluate change?

13.11 ROLE OF CHANGE AGENT

Change agents are crucial to the process of affecting planned changes. They can be internal like the CEO, managers etc. or external like the consultants. The role of a change agent involves a *technical role* in which what needs to be changed, what tools to be used and who should be involved in the process is decided. The *inspirational role*, on the other hand, involves the way in which the emotional barriers to change can be overcome, how the organization makes the processes exciting and rewarding, the ways in which heroes could be identified to sustain the change and making the change process bring out the magic with every individual, every team and the entire organization. Thus the change agent is seen as a *sponsor*, a person who authorizes, sustains and monitors the change process to ensure effective change management.

Activity-6

Think of N.R. Narayana Murthy, of Infosys, as a change agent. What changes has he brought to his company in the context of change to put the Indian IT sector on the world map?

13.12 ORGANIZATION DEVELOPMENT (OD)

OD is about managing change in its multiple facets. One of the earliest definitions of OD was given by Beckhard. According to him, “OD is an effort, plan, and organization wide, managed from top to increase organizational effectiveness and health through planned intervention in the organization processes using behavioral science knowledge”.

Neilsen brought in the focus on people and the need for people to work together. He attempted to humanize the organization by facilitating better understanding of their colleagues / peers and harmonious work relationships. Hence OD is any attempt to act as a catalyst, to change the way people looked at themselves, others or/ and processes within the business and its

sphere of influence in order to make the individual and organization more effective. In essence, the individual employee and his sphere of influence is the center of action. It is not just about classroom training or changing an existing process. It is about helping the individual to change himself and/or aspects of his role that would have a positive impact on the business.

Activity 7

Differentiate change from OD?

1.
2.
3.

13.13 OD INTERVENTIONS

Organizations used training and development interventions for skill development and bringing about changes in the attitudes of people. Business leaders viewed training as a continuous activity and not a one-time event. Hence, whether it is development of an individual or an organization, they believed that it should start with planning and continue to take place with proper monitoring.

Planning interventions

Beckhard emphasized the need for planning and development of people. The interventions that helped assess and develop future plans/ strategies are discussed below

- i. **Life and Career Planning** – The contemporary business environment is dynamic and hence, there are opportunities and risks as well. Because of these opportunities, skilled and competent people change jobs and even careers. The concept of single and stable career is a concept of the past. Learning new skills including qualifications has become common and even organizations are responding to the career aspirations of employees through strategic and sustainable career management. Employee engagement and other HR practices are being developed in such a way that organizations are in the process of formulating innovative approaches to attract, retain and develop the people through career development programs. Career counselling, career development workshops/ seminars, competency profiling and mapping, support services for individual professional development like certifications, formal degrees along with coaching, career audit etc. are some of the interventions for life and career planning.
- ii. **Organization Mirroring**- A mirror is an object that reflects our image. Organizations spend a lot of time to improve their image. In this process, when a particular group seeks to identify and improve its image, it uses organizational mirroring. This process is used when a group identifies some difficulties in their functioning and hence would like to receive feedback from the other groups. In some instances, an outside consultant is also put in place to facilitate the process. The consultant or the OD

agent would collect data from the group to diagnose the problem and its intensity. A discussion then follows with the other members of the group to collect information on their feedback on the group which is acted upon after seeking clarifications on the feedback provided. Action plans are drawn, target dates are set for the implementation of the action plan, which is reviewed and monitored for the planned change. The role of the consultant / OD agent assumes importance in making the entire exercise transparent and fulfilling.

- iii. **Visioning-** Visioning is used by organizations to take them forward. It is designed to create a preferred future state and images of their potential. Visioning helps to manage the organization strategically. Normally this exercise is done to arrive at a vision, mission, and goals of an organization at the time of its inception or it is also done to overhaul the dynamic changing organizations. Visioning helps the organization to stay focused, future oriented, motivate the individuals as it is arrived at, based on the combined wisdom and knowledge of the organizational members.
- iv. **Confrontation Meetings-** Richard Beckhard developed the confrontation meeting as a one-time meeting with different durations to identify problems and arrive at solutions from the group. These meetings are attended by the members of a single unit or the entire organization along with the top management. Problems are diagnosed against the backdrop of the organizational climate, information is collected and shared to arrive at action plans to fix the problems, which are monitored and reviewed till the planned change takes place. This exercise helps management to understand the problems of units and facilitates the units to discuss their specific problems with the management.
- v. **Survey Feedback-** An organization uses survey feedback, which is a popular tool to collect large volumes of data from large organizations. The members give feedback on the performance of the organization, unit, and group to improve them. There are three stages which are normally used to collect the data. The *design stage* defines the need and objectives of the process and then the members are briefed about the process and the data that needs to be given by them. At the *implementation stage*, several methods – questionnaire, interview etc. - are deployed to collect data. The data thus collected is analyzed into a report and shared with the group /unit /organization. The *action planning stage*, enables the leader to develop action plans based on the findings of the survey. Thus, survey feedback serves as a simple and popular method to collect data and act upon it.
- vi. **Force field analysis** –Kurt Lewin developed the force field analysis, as a diagnostic technique, to identify the variables involved in planning and implementing a program. According to Lewin, any situation will confront *driving forces and restraining forces*. Driving forces positively push the organization, while the restraining forces restrain the organization and pushes it in an undesirable direction. When the sum of driving forces and restraining forces become equal, an equilibrium is reached. This technique helps organizations to identify the need for change and evaluate alternative courses of action.

What do you think are the restraining forces and driving forces to complete this course? List them.

1.
2.
3.
4.

vii. **Cultural Audit** – Culture is viewed as shared beliefs, tradition, customs, stories of the organization. It denotes how the employees perceive the image of the organization and their role. A strong work culture improves the brand image of the organization and helps in attracting talent to achieve the competitive advantage. Since people join and leave the organization quite frequently, the culture gets impacted. Culture audits come in handy to diagnose the existing culture in the organization. The audit helps the organization to access the alignment of the decisions and actions of people with the organizational values and norms, so that the desired culture could be put in place if deviations are found.

Training Interventions

Training interventions are oriented towards the employees in terms of the enhancement of their knowledge, skills, personality and attitudes. There are a number of interventions which are people related. They are:

- i. **Education and Training** – Business environment is dynamic and presupposes the continuous and lifelong learning of the employees to improve their knowledge, skills, competencies and the overall personality of the individual. On the one hand, there are formal education programs where organizations enter into MOUs with educational institutions to offer formal degrees so that the employee is oriented towards the appropriate content to do his job effectively. There are also training programs towards leadership development, improve interpersonal effectiveness, cross cultural adaption for different levels of employees. Organizations conduct in house, customized programs for groups of employees or nominate them to reputed educational training institutions for targeted training. Hands on training, is also given when new technology is put in place. In addition, a number of E learning programs and courses /certifications online are also made available to the employees in terms of education and training.
- ii. **Coaching-** It is common for organizations to have executives holding important positions struggle with a number of challenges, thus needing coaching to guide them in their functioning. Most often such training is based on experiential learning and is customized, aiming at the enhancement of the individual ability / capability.
- iii. **Counselling-** Like coaching, counselling is also an enabling process. The employee is put through the experiential learning process where it is encouraged to use intelligence and emotions to identify the problems and

suggest appropriate solutions for both work and life. Counselling is extrinsic, where the individual is made to understand the problems through the recognition of the same leading to a change in the attitude and behavior in a given situation. Depending on the situation, it can be remedial or preventive. The process helps the employees to cope with stress and anxiety along with the built in fear towards a change in the behavior of the employee. Formal counselling arrangement at the work place for performance counselling is common in all the organizations however, in situations like the recent pandemic, when people either lost their jobs or had to change their working style, counselling was also done for the personal well-being of an individual.

- iv. **Leadership Development-** Developing employees to take up leadership positions in the organization is also an intervention which organizations have been focusing on for quite a long time. They are expected to model their behavior so that their group also follows them to demonstrate desirable behavior.
- v. **Mentoring-** The mentor- mentee relationship is also a common trend in the contemporary organizations. The leaders and the senior managers mentor their juniors in terms of improving their skills / competencies required for their functioning and career progression. Mentoring has assumed an important function, where the contribution of the mentor in bringing about a change in the mentee's behavior is included in the performance assessment of the mentor. Mentoring involves a long term relationship and also transparency with which the mentor and the mentee derive satisfaction of achieving success in the process.
- vi. **Transactional analysis (TA)** - TA relates to an analysis of interpersonal communication. Eric Berne and Thomas Harris proposed TA by analyzing the transaction in different ego states. According to Berne, every individual functions in three ego states- *child ego*, *adult ego* and *parent ego state*. According to him, transactions remain *complimentary* if they are sent and received as intended. Transactions get *crossed*, if the message or the behavior of an individual ego state is not in accordance with the expected ego state. They create interpersonal conflict in the organizations. According to him, the transactions that are usually carried on between two individuals, one with a parent ego state and responded to by another individual in a child ego state, get crossed. Finally *ulterior* transactions involve two ego states and involves an ulterior motive with a hidden message between two individuals. Lack of transparency with the hidden agenda creates complex situations leading to interpersonal conflict. The ideal ego state, according to them, is to transact in an adult ego state which is rational, logical and systematic leading to complimentary transactions between individuals.
- vii. **Stroking** – Eric Berne defines a *stroke* as a unit of human recognition. They can be positive and negative strokes. Small gestures of wishing somebody, a good word, a look, a smile, a nod reflecting support etc. are all positive strokes. Negative strokes, on the other hand, reflect the bad feelings of the individual. More of negative stroking and negative feelings makes an individual have conflicts effecting the interpersonal

relations. The current emphasis on looking at the positive side of every action and transaction helps the individual to be positive and contribute positively to the group and the organization.

- viii. **Life positions-** Thomas Harris in his book- *I am okay, you're okay* – talks about the psychological state of the individuals. Training sessions are held through experiential analysis to understand the employees psyche/ the state of mind and efforts are made to change from I am not okay to I am okay. In an organizational context, the managers and the leaders take the role of parents to tell them if they are okay or not okay. Employees would lose their confidence if they confront the negative strokes from the manager and gets into a negative life position. The role of managers and leaders thus assumes significance in this context to promote the positive life positions for employees.

Activity-9

Write an example each on the complementary, crossed and ulterior transactions you have had with a friend.

1.
2.
3.

13.14 SUMMARY

Change is the order of the day. Organizations have no choice other than embracing change. Organizations have to understand the nature of change, identify the key drivers to transit into the change mode smoothly and manage change. It is but natural for people to resist change, organizations need to strategize to overcome resistance. Organizational experience evidences a number of forms, which have been used to maneuver and manage change. Since a lot of change is happening all around, evaluation is critical to measure the success of the change interventions. A number of tools, techniques and strategies are available to evaluate change. The role of a change agent assumes importance to manage the change using a skillful and competent approach. In addition, to react and respond to the change, organizations also attempt to undertake organization-wide changes to humanize the organization by facilitating a better understanding of colleagues and harmonious work relationships using the OD approach. Planning and development of people/ organizations is critical in the rapidly changing business environment. Thus, the OD interventions are undertaken through the planning and training interventions to help individuals to do their jobs effectively and help organizations towards organizational transformation.

13.15 SELF-ASSESSMENT QUESTIONS

1. Despite all the rhetoric, books, effort, and money thrown into change efforts in organizations today, most fail". Discuss.
2. Why do people resist change?

3. What are the interventions that organizations use to develop people?
4. What is turnaround management? List out the parameters that determine its usage with examples from the Indian context?
5. What is BPR? Explain the concept of change using the BPR with an example?

Case Study-1

Azim Premji on the management of Change

“While change and uncertainty have always been a part of life, what has been shocking over the last few years has been both the quantum and suddenness of change. For many people who were cruising along on placid waters, the wind was knocked out of their sails. The entire logic of doing business was turned on its head. Not only business, but also every aspect of human life has been impacted by the change. What lies ahead is even more dynamic and uncertain. I would like to use this opportunity to share with you some of our own guiding principles of staying afloat in a changing world” Said Azim Premji in an address.

1. What is he referring to, in the context of change and change management?

Case Study-2

A beautiful butterfly was making moves to get out of its cocoon. An earnest gardener saw the poor butterfly struggle and decided to help. He used his knife gently to open the cocoon in an attempt to ease the butterfly's struggle. The butterfly soon came out and rested on the branch. But to the gardener's dismay, it just could not fly- its wings were too weak. What was needed to help, eventually stunted the butterfly's natural ability to fly.

1. Like the gardener, many organizations go through the process of change. Was the gardener right in his action? Why? Why not?
2. What should be the role of the change agent in bringing about change in the organizations?

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UNIT 14 CORPORATE SOCIAL RESPONSIBILITY AND ETHICS

Objectives

When you have studied this unit, you will be able to:

- Understand the concepts of CSR and ethics.
- Explain the evolution of CSR legislation in India with its benefits and drivers.
- Discuss the salient features of The Companies Act 2013 and CSR guidelines under the act.
- Interpret CSR from different ethical viewpoints.

Structure

- 14.1 Introduction
- 14.2 Meaning and Evolution of CSR
- 14.3 Evolution of CSR Legislation in India
- 14.4 Benefits and Drivers of CSR
- 14.5 Ethics in the Context of CSR
- 14.6 Ethical Views or Theories
- 14.7 Case Study: Tata Motors Limited and CSR
- 14.8 Summary
- 14.9 Keywords
- 14.10 Self Assessment Exercises
- 14.11 References /Further Readings

14.1 INTRODUCTION

You may be aware that ethics denote the concepts of right and wrong behaviour in general. In business or corporate terms, ethics is a form of professional behaviour, existing organizational standards, principles, sets of values and norms. In the context of corporate social responsibility (CSR), an ethical business must act responsibly for the betterment of the social system in which it operates even at the cost of profits or other goals of the business. The CSR is an attempt to supplement the government's efforts of equitably delivering the benefits of growth and to engage the corporate sector in inclusive and sustainable development.

Usually the corporate ethics and CSR originates from:

- a. Individuals

- b. Organizational statements, and
- c. Legal obligations.

At the *individual* and *organizational levels*, the CSR is not a novel concept for Indian companies, as several of them have been practicing CSR voluntarily in the form of Philanthropy. However, with the enactment of the Companies Act, 2013 the mandate for CSR has been formally introduced to the Indian companies as a *legal obligation*. Now the corporate sector has accepted the CSR as one of the core functions of management and implementing the CSR programmes across the Indian and multinational companies - both in public and private sectors.

Keeping this in view, this unit will consider the meaning, evolution, legislation, benefits and drivers of CSR, ethics and ethical views / theories *vis-a-vis* CSR.

14.2 MEANING AND EVOLUTION OF CSR

Over the decades, the focus of the companies have shifted from single bottom line approach of profitability to integration of financial, social and environmental concerns in business operations of companies. This transformation, either voluntarily or as a mandatory legal obligation, is the essence of CSR evolution.

The CSR is a strategic business management concept generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives (Triple-Bottom-Line-Approach), while at the same time addressing the expectations of shareholders (UNIDO). Furthermore, the concept implies the need for businesses to go beyond the law to protect the interest of all its stakeholders, such as the environment, their employees, and the communities they operate within (University of Texas, 2018).

Following are some definitions which reflect the evolution of CSR over the decades:

- Obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society – **Howard R Bowen (1950s)**
- Businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest - **Keith Davis (1960s)**.
- The idea of social responsibilities supposes that the corporation has not only economic and legal obligations but also certain responsibilities to society which extend beyond these obligations – **Joseph W. McGuire (1960s)**.
- Three concentric circle definition of CSR - The inner circle includes the clear-cut basic responsibilities for the efficient execution of the economic function (products, jobs and economic growth). The intermediate circle

encompasses responsibility to exercise this economic function with a sensitive awareness of changing social values and priorities (environmental conservation; hiring and relations with employees; and more rigorous expectations of customers for information, fair treatment, and protection from injury). The outer circle outlines newly emerging and still amorphous responsibilities that businesses should assume to become more broadly involved in actively improving the social environment (poverty and urban blight) – **CED (1970s)**.

- The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time – **Carroll (1979)**.
- The CSR should not be seen as a set of outcomes but as a process that corporations have an obligation to constituent groups in society other than stockholders, and beyond that which is prescribed by law and union contract - **Thomas M Jones (1980s)**.
- An organization's responsibility for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that: contributes to sustainable development, including health and the welfare of society; takes into account the expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behaviour; and is integrated throughout the organization and implemented in its relations - **ISO 26000 Standards on Social Responsibilities of Organizations (2010)**.

Late 1980s and 1990s saw a quest to widen the concept and go beyond CSR with wider acceptance of the concept of Corporate Social Performance, Stakeholder theory, Business Ethics theory and Corporate Citizenship. The 2000 onwards has been the era of defining the CSR activities, and about legally regulating CSR.

Thus, the concept of CSR has evolved beyond the economic component over the years to encompass employees' satisfaction, work safety, community, environment, responsibility, responsiveness, social, ethical, voluntary and legal obligation aspects. This evolution accepted the fact that CSR involves cost which may not give any direct or measurable economic returns.

The CSR perspectives in selected countries is summarised in Box for your comprehension.

CSR Perspectives in Selected Countries

USA: CSR is about taking personal responsibility for your actions and the impact that you have on society. Companies and employees must undergo a personal transformation, re-examine their roles, their responsibilities and increase their level of accountability. **The Netherlands:** CSR is about making a leadership commitment to core values and recognizing local and cultural differences when implementing global policies. It's about companies endorsing the UN Convention on

Human Rights and the ILO Rights at Work.

Taiwan: CSR is the contribution to the development of natural and human capital, in addition to just making a profit.

Thailand: CSR must be locally relevant and meaningful only if backed up by action.

The Philippines: CSR is about business giving back to society.

Brazil: CSR is about commitment to strive for the best economic development for the community, to respect workers and build their capacities, to protect the environment and to help create frameworks where ethical business can prosper.

Argentina: CSR is about a corporation's ability to respond to social challenges. It starts with developing good relations with neighbours. Companies should make a strong commitment to education, worker rights, capacity building, and job security. CSR is stimulating the economic development of a community.

Ghana: CSR is about capacity building for sustainable livelihoods. It respects cultural differences and finds the business opportunities in building the skills of employees, the community and the government.

India: CSR urges businesses to embrace the "triple-bottom-line" approach whereby its financial performance can be harmonized with the expectations of society, the environment and the many stakeholders it interfaces with in a sustainable manner.

Source: World Business Council for Sustainable Development (WBCSD), 2000); MCA, Government of India (2011).

14.3 EVOLUTION OF CSR LEGISLATION IN INDIA

The major developments in the evolution of CSR from a voluntary practice to regulatory mechanism are summarised in Box.

Evolution of CSR in India – Major Developments

- Long tradition of philanthropy and social activities.
- Issuance of CSR Voluntary Guidelines (2009).
 - Ethical functioning
 - Human rights
 - Worker's rights
 - Environmental considerations
 - Stakeholder welfare
- Guidelines on CSR for Central Public Sector Enterprises (2010).
- National Voluntary guidelines of Social, Environmental and Economic

Responsibilities of Business (2011)

- Nine principles of CSR based on the ‘apply or explain’ approach.
- Enactment of Section 135 of the Companies Act (2013) to make CSR spending and disclosure mandatory.

National Voluntary Guidelines

The National Voluntary Guidelines (NVGs) on social, environmental and economic responsibilities of business were laid down by the Ministry of Corporate Affairs to help the corporate to formulate objectives keeping in consideration their impact on stakeholders and environment (Box).

The Nine Principles of National Voluntary Guidelines

1. **Businesses should conduct and govern themselves with ethics, transparency, and accountability.**
2. **Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycles.**
3. **Businesses should promote the wellbeing of all the employees.**
4. **Businesses should respect the interests of and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.**
5. **Businesses should respect and promote human rights.**
6. **Business should respect, protect, and make efforts to restore the environment.**
7. **Businesses when engaged in influencing public and regulatory policy should do so in a responsible manner.**
8. **Businesses should support inclusive growth and equitable development.**
9. **Businesses should engage with and provide value to their customers and consumers in a responsible manner.**

(Source: Khandelwal, 2011)

The Companies Act 2013 and CSR (Source: www.mca.gov.in)

The Companies Act 2013 and CSR guidelines under the act are briefly summarised below for your comprehension.

The Act: The inclusion of the CSR mandate under the Companies Act, 2013 is an attempt to supplement the government’s efforts of equitably delivering the benefits of growth and to engage the Corporate World with the country’s development agenda. The Companies in India are governed by Clause 135 of the Companies Act 2013 for performing their CSR activities.

Section 135: Section 135 of the Companies Act 2013 lays down that:

- The companies with an annual turnover of 1,000 crore INR and more, or a net worth of Rs. 500 crore and more, or a net profit of Rs. 5 crore and

more shall constitute a CSR Committee of the Board consisting of 3 or more directors of which one will be an independent director.

- The CSR Committee will be responsible to:
 - i. formulate and recommend to the Board, a CSR Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII;
 - ii. recommend the amount of expenditure to be incurred on the activities referred above; and
 - iii. monitor the CSR policy of the company from time to time.
- The Board of every company shall
 - i. after taking into account the recommendations made by the CSR Committee, approve the CSR Policy for the company and disclose contents of such Policy in its report and place it on the company's website, if any, in such manner as may be prescribed; and
 - ii. ensure that the activities as are included in CSR Policy of the company are undertaken by the company.
- It is also the duty of the Board to ensure that the company spends two percent of the average net profits made by the company in the preceding three financial years and while spending the CSR amount, giving preference to local areas where it operates.
- If the company fails to spend the amount, the Board in its report shall specify the reasons for not spending the same.

Though section 135 makes CSR spending and reporting mandatory, it gives flexibility to the companies to choose the CSR activities from the list of activities that the corporate can potentially undertake.

The CSR Rules, 2014 A set of rules framed under section 135 of the Act, came into force on 1st April, 2014. It lays down rule for the following:

CSR Activities

- The CSR activities taken up by the companies will be as per the stated CSR policy and activities taken up by the company under its normal course of business will be excluded from CSR activities.
- A company can implement the CSR activities approved by the CSR committee either on its own or through a non-profit foundation set up by the company to facilitate this initiative or through an independently registered non-profit organization that has a record of being into such activities for at least three years or in collaboration with other companies.
- The activities undertaken in India will only be considered under the CSR activities.
- Spending on activities that benefit only the employees of the company, also known as self-serving expenditure will not be considered as CSR spending.

- The companies are free to spend on capacity building of their employees but the expenditure should not be more than 5 percent of the total CSR expenditure in any particular year.
- Contribution to political parties will also not be considered as CSR activity.
- The income generated from the CSR activities should be credited back to the community or CSR corpus and this would be over and above the mandatory 2% of profit.

CSR Committee

- The companies which are bound by the CSR clause are required to constitute a CSR committee of the Board consisting of 3 or more directors of which one will be an independent director.
- A private company with only two directors on its Board will have only two directors in the CSR Committee and in case of foreign company, the Committee will have at least two persons of which one will be an authorized person residing in India and the other will be nominated by the foreign company.

CSR Policy

- The CSR policy of a company will include:
 - List of projects or programmes within the Schedule VII of the Act which the company will undertake, along with the implementation schedules and other modalities.
 - Monitoring process of these programmes.
- The policy will also specify that the surplus generated from the CSR programmes will not be a part of the business profit of the company.

CSR Expenditure

- All expenses including contribution to the corpus for programmes relating to CSR activities approved by the board will be included as CSR activities provided, they are in conformity with the activities which fall within the purview of Schedule VII of the Act.
- The rules also provide a format for the board report on CSR which includes reasons for spending of less than 2 % of the average net profits of previous three years and a responsibility statement stating that the company's CSR policy, implementation and monitoring mechanism are in accordance with the CSR objectives. The report is signed by the CEO, MD, or Director of the company.

Display of CSR Activities on its Website

- The Board of Directors shall disclose the content of the CSR policy in its report as well as on the company's website as per the particulars specified.

Schedule VII The Schedule VII of the Companies Act provides a list of

activities which can be included by companies in their CSR policies where the CSR spending can be done. These activities relate to:

1. Eradicating extreme hunger and poverty;
2. Promotion of education;
3. Promoting gender equality and empowering women;
4. Reducing child mortality and improving maternal health;
5. Combating human immuno deficiency virus, acquired immune deficiency syndrome, malaria, and other diseases;
6. Ensuring environmental sustainability;
7. Employment enhancing vocational skills;
8. Social business projects;
9. Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities, and women; and
10. Such other matters as may be prescribed

14.4 BENEFITS AND DRIVERS OF CSR

Benefits of CSR

The CSR offers multiple benefits to firms, including long-term self-interest (in the form of higher profit), enhanced public image, and greater stakeholder interest (Davis, 1973). As per CII (2013), CSR is becoming increasingly important for businesses due to the following benefits:

- **Communities provide the license to operate:** The CSR behaviour of corporate is not just driven by their values but are also influenced by the stakeholders like government, investors, customers and community. Today's corporate understands that the license to operate in any particular area is not just given by the government but also by the communities that get impacted by the activities of these companies. A strong CSR programme provides the companies with the license to operate and to maintain the trust of the local community.
- **Attracting and retaining employees:** The CSR interventions that help the employees to participate give them a sense of belongingness to the company. Good CSR initiatives can attract employees to the company and give them the incentive to remain motivated and committed to the company.
- **Communities as suppliers:** There are instances wherein as a part of CSR activities, the communities have been incorporated into the supply chain to enhance their livelihood. Such initiatives have helped in increasing their incomes and ensuring the companies with a steady and secure supply chain.

- **Enhancing corporate reputation:** When the companies position themselves as responsible corporate citizens, it creates good will and a positive image, thereby helping them to enhance their brand image in the market.

Drivers of CSR

According to the KPMG (2011) survey, the top ten drivers motivating the corporations to engage in CSR are:

1. Economic considerations
2. Ethical considerations
3. Innovation and learning
4. Employee motivation
5. Risk management or risk reduction
6. Access to capital or increased shareholder value
7. Reputation or brand
8. Market position or share
9. Strengthened supplier relationships
10. Cost saving

Building a positive brand image, government regulations, alleviation of environmental issues, survival and growth, employee satisfaction and consumer awareness are other drivers of CSR for various companies.

It is now to the discussion on Ethics related to CSR that we will turn in the next section.

Before we proceed, please complete activities 1 & 2.

Activity 1 (Visit and Discussion): Visit a nearby corporate company's CSR department and find out various CSR projects started by them. Compare them with Schedule VII activities mentioned in the above section. Write your observations on compliance.

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Activity 2 (Visit and Discussion): In continuation of the Activity 1, discuss the benefits of CSR to the company. Compare their response with the benefits discussed in the above section and write your observations.

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14.5 ETHICS IN THE CONTEXT OF CSR

Ethics in the context of CSR can be defined as a set of moral reactions or principles that serve as a guide for individual or organization's actions / activities related to CSR. Ethics is about reasoning and is important to corporate companies as it allows them to make rational decisions about appropriate CSR programmes. Ethics considers what is right and wrong about the ways companies take-up CSR programmes. Unlike some of the management functions you have read in earlier units, the ethical questions cannot be solely realistic, but are based on moral priorities which can be discussed and debated. If we undertake CSR programmes solely based on our feelings (e.g. stating '*I don't like legal obligations in the way of implementing CSR programmes*') these cannot be properly debated as it is merely an expression of opinion. If however, we state that something is '*morally right or wrong*' we need to be able to support that with reasoned arguments that justifies these views. Further, not only should these be reasoned but they should be applicable consistently in different CSR contexts.

Below we will consider the different ethical theories or views, particularly in their application to CSR. However, it is worth firstly briefly discussing the following types of ethics that we may be exposed to in our day-to-day lives:

1. Personal ethics
2. Professional ethics
3. Organisational ethics

Personal Ethics

Individuals working in corporate sector will have their own personal views on what is right or wrong. When we discuss different ethical theories below, we are likely to be drawn to one or more of these more strongly than others. We can see this within corporate sector, many employees might find spending on CSR morally acceptable, whereas few others do not. Despite our personal ethical views on CSR sometimes we need to abide by other ethical codes, which may differ from our personal ethics.

Professional Ethics

Professional ethics are those accepted codes of practice held by a particular group of people or professions. For example, doctors swear an oath on joining their profession, which can be interpreted as the ethical or moral principles by which the practice of their profession is governed across the country. Unlike doctors, management professionals have no universal and

enforceable code of conduct. However, individual companies may write and enforce managerial ethics / corporate codes / value statements. These are a set of principles and rules dictated usually by upper management that define what is right and what is wrong in an organization. It is the guideline that helps direct a lower manager's decisions in the scope of CSR job when a conflict of values is presented. These set out the ethical view of the profession and should overtake any personal ethical viewpoints if they conflict with these statements while taking up CSR activities.

Organisational Ethics

Some organisations or companies may also have ethical or moral principles. Sometimes these might be referred to as organisational 'values' or social responsibilities. For some companies, these can be very important if these are part of what makes them unique or different to other companies offering similar services. For example, Tata Motors' CSR Mission states that *"To be a responsible corporate citizen by driving inclusive growth with social equity, strengthening sustainable development and an active participant in nation building process"*. The CSR at Tata Motors is underpinned by 'More from Less for More' ethical philosophy which implies striving to achieve greater impacts, outcomes and outputs from CSR projects and programmes by judicious investment and utilization of financial and human resources, engaging in like-minded stakeholder partnerships for higher outreach benefitting more lives. Tata Motors would expect their employees to support organisational ethical views, regardless of their personal ethical perspectives related to CSR.

Before we proceed, please complete activities 3 & 4.

Activity 3 (Discussion): Visit a nearby CSR department of a company or an NGO handling CSR projects and discuss about conflicting personal, professional and organizational ethics related to CSR work. How do they handle those conflicts? Compare their responses to the discussion given in the section above and write your observations:

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Activity 4 (Review): Browse the website of any corporate company having an ethical business policy. Write your findings on the following:

(a) What is the company's ethical policy?

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(b) Why do business ethics matter to the company?

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(c) Approach to improve business ethics (e.g. transparency, communication etc)

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(d) Actions to improve business ethics (e.g. standards, social audit etc)

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(e) Any other observation:

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14.6 ETHICAL VIEWS OR THEORIES

There are differing ethical views or theories distinguished by moral philosophers which could apply to business organizations as well while undertaking CSR activities. Some of these are contrasting positions, which might lead to markedly different positions about what is acceptable and what is not acceptable in business. The following three views / theories are widely described positions when considering business and CSR.

1. Contractarian view
2. Utilitarianism / Consequentialism view
3. Deontology view

Contractarian View

The key principle of this view is: *'Morality is based on agreement'*

This view suggests that being moral is in your own self business interest and agreements. By showing consideration for the CSR developmental activities, we are really behaving in a way that is for our own business sake. Part of these arguments suggest that only corporate companies are truly able to make business contracts, and as poor communities cannot, then corporate companies only need to treat poor communities effectively. This moral position suggests that using social system resources for business benefit and *vice versa* is acceptable. (Box).

CSR by Suguna Foods *vis-a-vis* Contractarian View

Suguna Foods is India's largest poultry enterprise with Rs. 8700+ crore turnover, which covers over 42,000 farmers from 8,000 + villages in 18 Indian States. Suguna's pioneering efforts in contract poultry farming helped create thousands of rural entrepreneurs who share the growth successfully. "Poultry Integration" introduced and pioneered by Suguna in the country has energized the livelihoods of farmers in rural India.

CSR Activities of Suguna

The following are the major CSR activities of Suguna group (Source: CSR Suguna Foods 2020-21):

- **Community & Infrastructural Support:** Providing education and training on scientific poultry production, poultry farming, poultry breeder management, hatchery and incubation techniques, feed manufacturing and disease control measures through Suguna Institute of Poultry Management, an educational institution functioning under the aegis of Suguna Foundation.
- **Health Care & Sanitation:** Contributing to various charitable causes that touch the underprivileged in the villages nearby by providing eggs,

milk to the Orphanages, Anganwadis and Primary schools at free of cost. Engaging with Government bodies/ Establishments / Gram panchayats to make the neighboring communities healthier by organizing health camps, providing the essential materials for protection during COVID- 19 pandemic.

- **Environmental Sustainability:** Making a positive difference to Environment and contribute its share towards the social cause of betterment of society including the area in which Company operates by donating saplings and planting trees.
- **The Contractarian ethical** view might explain how an individual person might be treated differently by Suguna Company, both legally and in terms of accepted approaches. For the company an individual could be:
 - A farmer who supplies raw corn for poultry feed preparation
 - A contract farmer who sign an agreement to rear poultry birds for a cost
 - A consumer who buys Suguna chicken and egg products
 - A CSR beneficiary of Suguna's foundation (mostly related to poultry production).

An individual person is same in all above situations, but the view of the person's value changes depending on which situation the person is from the perspective of Suguna company. From Contractarian ethical view, the majority of CSR activities of Suguna are related to poultry which is the business focus of the Suguna. This suggests that being moral is in Suguna's own self business interest as well.

Utilitarianism / Consequentialism View

The key principle of this view is: '*Morality is about maximising business and community well-being*'

John Stuart Mill's contributed greatly to this view of ethics. He said that "actions are right in proportion as they tend to promote happiness, wrong as they tend to produce the reverse of happiness". This theory belongs to a general category called utilitarianism. At its core, this theory underscores the importance of utility. Every action is based on a particular goal and outcomes.

The aim of this view is to maximise the benefits to the community and to always attempt to bring about the best possible consequences from our business actions, taking into account all those affected by the decision. Utilitarianism holds that the most ethical choice is the one that will produce the greatest good for the greatest number. It is also the most common approach to moral reasoning used in business because of the way in which it accounts for costs and benefits. However, because we cannot predict the future, it's difficult to know with certainty whether the consequences of our actions will be good or bad. This is one of the limitations of utilitarianism.

The Uniliver's CSR programme is an example of how utilitarianism can be applied (Box).

CSR by Uniliver *vis-a-vis* Utilitarianism View

Companies are entities created to make profits and please shareholders. An ethical dilemma ensues when the company is forced to make a decision to give back to the community or satisfy the needs of the shareholders. The investors or shareholders have only one thing in mind and that is to earn a profit through the money that they invested. However, utilitarianism dictates that the correct action is the one that can create the "*greatest happiness altogether*". Thus, the company must learn to give back to the community and spend money in activities that does not generate a profit.

A good example is the CSR programme launched by Uniliver, a multinational company which sells household products worldwide. A CSR programme is deemed counterproductive because it requires the use of corporate funds to finance something that has no direct bearing on the profitability of the company. But Uniliver demonstrated that there is a way to handle the conflict that exists between the business aspect of handling corporations and the need to give back to the community. Uniliver was able to prove that the application of utilitarianism can benefit the organization and the community.

In the CSR programme Uniliver hired thousands of Indian women to sell their products. This programme was initiated in a region that is so remote it is not practical to send sales representatives in the area. It is a dramatic demonstration of utilitarianism. In this example the agent has achieved the greatest good because the agent was able to blend together CSR and the need to increase revenue. Thus, there is a way to satisfy the requirements of business ethics while at the same time maintaining a sound economic base. It erases the fear that an ethical way of doing business can drive a company to bankruptcy.

Analysis: The CSR programme of Uniliver is the best example of how utilitarianism can be applied in a real-world setting. In the said programme, Uniliver benefited from helping others. In a normal way of doing things, helping people requires sacrifice on the part of the helper. In this case the company risked very little to accomplish much. Consider for instance the reaction of one of the beneficiaries who remarked that "*she now commands respect in the village and it is enough to stand on my own two feet*". Without a doubt the earnings are miniscule but it is enough for women who are so poor that they are dependent on their husbands for survival.

Utilitarianism has to be interpreted correctly because a mere overview of the theory can provide a defective understanding of the said ethical theory. The problem lies in the fact that John Stuart Mill used happiness as a measuring stick to determine the appropriateness of a particular action. It has to be clarified that the end goal is not just to attain happiness but to reach a state where the majority are happy. At the same time the goal includes the need to

achieve noble character.

Unilever's CSR programme is a perfect example of how to apply utilitarianism. It is an action that benefited not only the company but also thousands of destitute women. It is not just the pursuit of happiness but the creation of a noble character. The company representatives who went there to initiate the project and the beneficiaries who now understand the meaning of independence experienced a transformation in character. The corporate leaders are happy that they can help curb poverty but the women are ecstatic that they can have control over their destiny.

Conclusion: Utilitarianism is difficult to apply because it requires not only the consideration of the majority but also the attainment of noble character. If it is difficult to accomplish this goal on a personal basis, imagine the difficulty if applied in a corporate setting. But the CSR programme of Unilever is a good starting point because it provides a blueprint that other companies can emulate. Unilever was able to prove that helping others need not be disadvantageous for the company and their shareholders. The said CSR programme is a good example that doing the right thing can lead to long-term growth and sustainability.

(Source: Studycorgi, 2020)

Deontology View

The key principle of this view is: *"morality of an action should be based on whether the action itself is right or wrong under a series of rules, rather than based on the consequences of the action"*.

Unlike consequentialism, deontological ethics are concerned with what people do, not the consequences of their actions. The key principles are:

- Do the right thing because it is the right thing to do
- Avoid doing wrong things because they are wrong.

This philosophical position believes that you cannot justify an immoral action by showing that it produced good consequences (whereas consequentialism would argue there is no such thing as a moral or immoral action). Thus, people have a duty to act according to the rights and wrongs of the act, regardless of the consequences. This view is most famously associated with the 18th Century philosopher Immanuel Kant. In comparison to Consequentialists who would consider what things are good and then identify the right actions to achieve that, Deontologists would first consider the right actions and then proceed from there.

The India's CSR policy is summarised from Utilitarian and Deontology View Points in Box.

India's CSR Policy vis-a-vis Utilitarian and Deontology View Points

India became the first country to introduce a mandatory CSR policy under the Companies Act (GOI, 2013). Most companies engage in some form of CSR.

There are arguments not to make CSR mandatory (by few companies) and counter arguments to make such activities mandatory (by social activists and environment protectors).

The compulsory CSR is ethical from Utilitarian perspective as it benefits the greater good with more resources, multiple actors in development and integration of financial, social and environmental concerns in business operations of companies – popularly known as Triple Bottom Line (TBL).

Deontology ethical view states that companies have duties/responsibilities to specific stakeholders, and it is the motivations towards these stakeholders that hold more considerable significance than the actual consequences. Likewise, a government must consider their duties and responsibilities towards their citizens before addressing legal declarations. Many deontologists argue that one of the government's primary responsibilities is to protect and enforce the laws; nevertheless, whether the law is ethical or not is still a very controversial debate. In summary, the Deontology perspective contended that mandatory CSR is unethical because a government infringes on its citizens' rights.

In conclusion, mandatory corporate social responsibility can be ethical and unethical. It depends on an individual or government's moral values as one cannot claim that one ethical framework is more reliable than the other.

(Source: Jain, 2020)

Before we proceed, please complete activity 5.

Activity 5 (Review of Literature): Review the internet literature on the three ethical views / theories. Compare them with the discussion given in the above section and write the outcome in the following table:

<i>Ethical Views / Theories</i>	<i>Key Principle</i>	<i>Position towards Business</i>	<i>Position towards CSR</i>
Contractarian			
Utilitarianism / Consequentialism			
Deontology			

14.7 CASE STUDY: TATA MOTORS LIMITED AND CSR

Tata Motors Limited (TML), a USD 44 billion organisation, is a leading global automobile manufacturer of cars, utility vehicles, pick-ups, trucks and buses. In this case study is presented under the following three parts for your comprehension:

1. CSR policy of Tata Motors

2. Reactive CSR Programme Strategy of TML During Covid 19
3. Understanding Gap in Development Scenario for CSR Intervention by TML -Tribals Transform from Forest Gatherers to Entrepreneurs
1. **Tata Motors Corporate Social Responsibility (CSR) Policy 2021-2022**

As an integral part of our commitment to Good Corporate Citizenship, we at TATA Motors believe in actively assisting in the improvement of the quality of life of the people in the communities, giving preference to local areas around our business operations. We shall continue to relentlessly strive in our endeavour of nation building, sustainable development, accelerated inclusive growth and social equity.

The Tata group constitutes a global force not only for doing good business, but being in the business of doing good for society. We shall strategically integrate the shouldering of our Social Responsibility with our pursuit of Business Excellence. Towards achieving long-term stakeholder value creation, TATA Motors shall always continue to respect the interests of and be responsive towards its key stakeholders - the communities, especially those from socially and economically backward groups, the underprivileged, marginalized and most vulnerable groups; focused on inter alia the Scheduled Castes and Scheduled Tribes, Persons with Disability, Women and the society at large.

In our CSR journey towards achieving human development and excellence, we shall endeavor to deploy TATA Group CSR Programmes and drive Affirmative Action (AA) agenda and other international development goals like Sustainable Development Goals (SDGs), in line with Schedule VII of The Companies Act, 2013 as recommended by the CSR Committee of the Board and approved by the Board from time to time.

In order to leverage the demographic dividend of our country, Company's CSR efforts shall focus on Health, Education, Employability and Environment interventions for relevant target groups, ensuring diversity and giving preference to needy and deserving communities inhabiting urban and semi urban India. Company shall also develop a CSR annual action plan covering details of the programme, manner of execution, modality of utilization, monitoring and reporting mechanism, and impact assessment, wherever applicable.

The corpus to be spent by TATA Motors on CSR shall include at least 2% of the average net profits of its India Operations for preceding three financial years. Any surplus arising out of the CSR projects or programs or activities shall not form part of business profits of the Company. CSR Policy implementation shall be periodically reviewed and monitored by a two tiered Governance Structure comprising of Tier I – Board and CSR Committee of the Board, and Tier II - CSR Team comprising of Corporate Office, Manufacturing Plants and Commercial Offices.

CSR at Tata Motors shall be underpinned by '*More from Less for More*' philosophy which implies striving to achieve greater impacts, outcomes

and outputs from our CSR projects and programmes by judicious investment and utilization of financial and human resources, engaging in like-minded stakeholder partnerships for higher outreach benefitting more lives. Company shall disburse milestones linked payment to the CSR implementing partners.

We shall continue to nurture a vibrant culture of volunteering in our aspiration to leverage our core competencies and managerial, technological capabilities for CSR. We shall strive to bring innovation to our CSR initiatives and optimize their effectiveness while seeking to create a measurable impact of our CSR activities.

2. Reactive CSR Programme Strategy of TML During Covid 19

The Adversity and What TML did differently in 2020-21: Even as the business sector in India, particularly the auto sector, was recovering from the slowdown of previous years, the gravest adversity of our times, in the form of pandemic, disrupted the very way we lived. It disrupted the Education, Skilling, Health and Employment sectors all over the world. Schools were shut, students were confined to their home and there was no certainty of continuity in sight. Skilling institutes were closed, threatening the vast potential of youth to go untapped, forcing ‘practical training’ that involves “work with hands” and “learning by doing” to take a backseat. The focus of the entire health sector shrunk to battling Covid.

Adversity Rewires: The current year and Covid-19 brought unprecedented and unforeseen challenges in all aspects of human life, globally. In navigating the challenges the TML CSR team, its partners and most importantly the community not only demonstrated resilience but also unexpected creativity and spontaneity, relinquishing well-worn paths to embrace a gratifying level of empowerment, which not only led to projects staying well on track but also the dramatic scaling up of some initiatives.

Aspirations Accelerate: Partnerships, sustainability, scalability and technology have been the bedrock of TML’s CSR reactive programmes. In the early days of the lockdown, it became evident that TML’s core tenet of building sustainability into its programmes and emphasis on greater community ownership had sufficiently prepared communities to shoulder greater responsibility with handholding from the CSR team. A reactive or rewired process of working allowed a range of initiatives to take on new dimensions and scale.

Outcomes Soar: Rather than be constrained by the challenges of Covid, the ability to leverage technology, harness resources and work with partners propelled outcomes in multiple programmes and initiatives to levels higher than anticipated during pre-Covid times.

3. Understanding Gap in Development Scenario for CSR Intervention by TML -Tribals Transform from Forest Gatherers to Entrepreneurs

It was a simple berry that helped tribals in the Bhimashankar sub-belt of

Maharashtra near Pune sustain themselves through the lockdown imposed due to Covid-19. The berry, a non-timber forest produce, though has great commercial value as an ingredient in Ayurvedic medicines such as Triphala and in the leather tannery business. The tribals who collected and sold the berries were at the brink of survival during the lockdown. Tata Motors intervened to organise them into a Farmers Producers organisation, comprising 26 Self Help Groups, to not only sustain them through the lockdown but also take a first step towards financial resilience.

Approach: This non-timber forest produce, the Hirda berry grows in abundance in Bhimashankar, where 600 to 700 tonnes of berries is produced every year. Yet, the tribals are not allowed to sell this produce in bulk because of it being designated a common property resource. During the non-farming season they labour to collect the berries to sustain themselves, and then may be forced to make distress sales to feed their families. This compulsion to sell Hirda at abysmally low prices became even more acute during the lockdown. To prevent them from descending into abject poverty and to protect their incomes, Tata Motors encouraged them to create a formal social enterprise, collaborating with Shashwat, a NGO, to help the tribal communities form a Farmers Producer Organisation (FPO). The initiatives were based on Felt Needs and the Support required.

This collective brought together 26 Self-Help Groups and 400 families within it, which was registered with the purpose of engaging in commercial transactions of Non Timber Forest Produce. The members of the FPO have been trained and also assisted in establishing a revolving fund for their working capital needs.

Impact: The FPO sold 25 tonnes of fruits worth Rs 50 lakhs from till March 2021, yielding an assured income of Rs 5000/- per quarter to each farmer and giving their families the ability to sustain themselves through the lockdown. The FPO created by the farmers has earned a revenue of Rs 4.4 lakhs in the FY 2020-21.

Based on its '*More from Less for More*' approach, Tata Motors currently manages 66 per cent of the sales and the beneficiaries are responsible for 34 per cent. Over the next three years or by 2023-24, TML will taper down its contribution to a mere 7 per cent. In the same period, the project will be scaled up to benefit 600 families by next year and will touch 1000 families by FY 2023-24.

14.8 SUMMARY

In this unit we discussed the concept and development of different facets of CSR over the decades. We also discussed the evolution of CSR legislation in India, national voluntary guidelines, how the CSR was made mandatory under The Companies Act 2013, benefits and drivers of CSR. In the second part of the unit we discussed the concept of ethics in the context of CSR *vis-à-vis* personal, professional and organisational ethics. Later we discussed the three major ethical views or theories viz., contractarian, utilitarianism /

consequentialism and deontology views. At the end we discussed the CSR case study of Tata Motors Limited.

14.9 KEYWORDS

Contractarianism: The view that ethical obligations come about from mutual agreements or contracts between people.

CSR: The corporate social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time.

Deontology: The key principle of this view is “morality of an action should be based on whether the action itself is right or wrong under a series of rules, rather than based on the consequences of the action”.

National Voluntary Guidelines: The National Voluntary Guidelines on social, environmental and economic responsibilities of business help the corporate to formulate objectives keeping in consideration their impact on stakeholders and environment.

Schedule VII: The Schedule VII of the Companies Act provides a list of activities which can be included by companies in their CSR policies where the CSR spending can be done.

The Companies Act 2013: The act mandated the CSR which is an attempt to supplement the government’s efforts of equitably delivering the benefits of growth and to engage the corporate world with the country’s development agenda.

Triple Bottom Line: The triple-bottom-line (TBL) is a framework that recommends that companies commit to focus on social and environmental concerns along with profits. The TBL posits that instead of one bottom line, there should be three: profit, people, and the planet.

Utilitarianism / Consequentialism: An ethical approach that advocates that it is the outcomes of our actions that are important, rather than what we do. It seeks to maximize the benefits to the greatest number, and to minimize the costs. This weighs up the relative benefits and costs to all those affected by a decision.

14.10 SELF ASSESSMENT QUESTIONS

1. What is meant by CSR? Interpret CSR from different ethical viewpoints.
2. Examine the evolution of CSR legislation in India with its benefits and drivers.
3. Write the National Voluntary Guidelines on social, environmental and economic responsibilities of business

4. Discuss the salient features of The Companies Act 2013 and CSR guidelines.
5. What do you understand by the terms single bottom line and triple bottom line approaches of companies related to CSR?
6. Write any one definition of CSR.
7. Name the components of CSR that have evolved over the years.
8. Write the purpose of Clause 135 of the Companies Act 2013.
9. Write any five drivers motivating the corporations to engage in CSR.
10. What is meant by ethics?
11. Why understanding ethics is important in dealing with business?
12. Write briefly the meaning of the following:
 - a) Personal Ethics:
 - b) Professional Ethics:
 - c) Organisational Ethics:
13. Write the key ethical principle in the following views / theories:
 - a. Contractarian view
 - b. Utilitarian view
 - c. Deontology view
14. How the Contractarian view differ from the Utilitarian view?

14.11 REFERENCES/ FURTHER READINGS

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