Paper Code – MD 04

(Business Ethics)

MP- 105

Vardhaman Mahaveer Open University, Kota

Business Ethics

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Unit - 1 : Business Ethics

Unit Structure:

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1.0 Objectives

After reading this unit you should be able to understand:

- The meaning of ethics and business ethics.
- The importance of business ethics.
- The various types of ethics.
- Difference between law and ethics.
- Benefits of managing ethics at work place.

1.1 Introduction

Some years ago, one sociologist asked business people, "What does ethics mean to you?" Among their replies were the following:

"Ethics has to do with what my feelings tell me is right or wrong."

"Ethics has to do with my religious beliefs."

"Being ethical is doing what the law requires."

"Ethics consists of the standards of behavior our society accepts."

"I don't know what the word means."

These replies might be typical of our own. The meaning of "ethics" is hard to pin down, and the views many people have about ethics are shaky. Like that sociologist's first response many people tend to equate ethics with their feelings. But being ethical is clearly not a matter of following one's feelings. A person following his or her feelings may recoil from doing what is right. In fact, feelings frequently deviate from what is ethical.

Nor should one identify ethics with religion. Most religions, of course, advocate high ethical standards. Yet if ethics were confined to religion, then ethics would apply only to religious people. But ethics applies as much to the behavior of the atheist as to that of the saint. Religion can set high ethical standards and can provide intense motivations for ethical behavior. Ethics, however, cannot be confined to religion nor is it the same as religion.

Being ethical is also not the same as following the law. The law often incorporates ethical standards to which most citizens subscribe. But laws, like feelings, can deviate from what is ethical. Our own pre-Civil War slavery laws and the old apartheid laws of present-day South Africa are grotesquely obvious examples of laws that deviate from what is ethical.

Finally, being ethical is not the same as doing "whatever society accepts." In any society, most people accept standards that are, in fact, ethical. But standards of behavior in society can deviate from what is ethical. An entire society can become ethically corrupt. Nazi Germany is a good example of a morally corrupt society.

Moreover, if being ethical were doing "whatever society accepts," then to find out what is ethical, one would have to find out what society accepts. To decide what I should think about abortion, for example, I would have to take a survey of American society and then conform my beliefs to whatever society accepts. But no one ever tries to decide an ethical issue by doing a survey. Further, the lack of social consensus on many issues makes it impossible to equate ethics with whatever society accepts. Some people accept abortion but many others do not. If being ethical were doing whatever society accepts, one would have to find an agreement on issues which does not, in fact, exist.

Then what Ethics is? Ethics has two things. First, ethics refers to well-founded standards of right and wrong that prescribe what humans ought to do, usually in terms of rights, obligations, benefits to society, fairness, or specific virtues. Ethics, for example, refers to those standards that impose the reasonable obligations to refrain from rape, stealing, murder, assault, slander, and fraud. Ethical standards also include those that enjoin virtues of honesty, compassion, and loyalty. Ethical standards include standards relating to rights, such as the right to life, the right to freedom from injury, and the right to privacy. Such standards are adequate standards of ethics because they are supported by consistent and well-founded reasons.

Secondly, ethics refers to the study and development of one's ethical standards. As mentioned above, feelings, laws, and social norms can deviate from what is ethical. So it is necessary to constantly examine one's standards to ensure that they are reasonable and well-founded. Ethics also means, then, the continuous effort of studying our own moral beliefs and our moral conduct, and striving to ensure that we, and the institutions we help to shape, live up to standards that are reasonable and solidly-based.

1.2 Meaning of Ethics

Ethics means norms for the conduct of people in social groupings. Ethics is derived from Greek word "Ethos" which means culture - the prevalent behavior in the society. Thus, it is a code of conduct which has social acceptance. Ethics has often been misunderstood to be conforming to law. On the contrary, ethics is about voluntarily conforming to what is good/acceptable/desirable behaviour without the force of any legal/social obligation. The key word here is VOLUNTARILY. It is about choosing to do some thing that is not mandated by the law or not doing some thing that is permitted by the law but may cause harm to some one.

Ethics are not universal. Ethics are derived from social values. Word "Ethnicity" is a derived word from Ethics which means relating to a specific social group. Thus, a set of ethical values relate to certain group which may not completely match with other group. Ethics keep changing from place to place, group to group, country to

country and time to time. What is considered ethical today may have been considered unethical a few centuries back. What is ethical in one religious group may be considered unethical in other group.

So, ethics are time and space dependent. Ethics are what you have learnt from the society as right or wrong behaviour. Law of the land might change from time to time but ethics remain relatively constant over a fairly long period of time. Whatever is bound by the law, does not remain "ethics" any longer. An ethical practice today might be coded into a law tomorrow. That practice would loose the high ground of ethics from that moment because ethics is about "voluntarily conforming to a good behaviour".

Ethics almost always appear on the fringes of the law. It might often cross the boundaries either way by small margins. What it means is that some thing which is lawful could still be unethical and even vice versa. Ethics is what a true human being is expected to do in a certain situation without the binding of law. No breach of law is committed by a person who accosts and demands his outstanding loan from his debtor in front of marriage party of the debtor's daughter. But would any person support such an act? It would be termed outright unethical. (He should consider himself lucky if does not get beaten up by some self appointed conscience keepers of the society). Similarly, many consider Robin Hood to be perfectly ethical, though his acts were out rightly unlawful. It is widely accepted norm that any act which achieves greater good for greater number of people is ethical. Even a refusal to forego one's lawful right would be termed unethical if it is going to cause a disproportionate and catastrophic loss to other person.

Role of ethics in business has been a perpetual issue. It has been gaining importance in the recent times due to geographical spread, growing size of businesses and their ever growing capability to impact the lives of millions and millions of people. It has also been highlighted by the colossal scams in some businesses in recent times. The purpose of business is to earn profits. And almost every business tries to maximise its profits. But the question that arises here is how much profit and at what social and other costs? In a market place, beyond a certain point, one man's profit is at the cost of loss to some one else.

Market forces generally are able to balance the amount of profit among all participants in a trade. But situations arise when there is concentration of power, legal or illegal, in certain pockets which can be exploited to usurp unduly large share of profit to great detriment of others. Any amount of law making can not cover every contingency. At such times, a good corporate citizen is expected to limit his greed and not indulge in irrational behaviour even though the existing laws may be helpless in curbing such practices. Sense of fair play should prevail.

For example, if every poor person is allowed to steal wheat from rich person, a stage will eventually be reached when no rich would be left with any wheat to be stolen by remaining poor. This is a contradiction. Therefore, it is not ethical. But a reverse stipulation does not lead to a situation where some people would be left who could not exercise the option. Thus, not stealing is ethical.

Another closely related word is "Moral". The two are used almost as synonyms but there is subtle difference between the two. While ethics begin from the smallest issues, morality generally addresses issues of grave consequences.

As per Webster, ethics is the discipline that deals with that which is good or bad or with moral duty and obligation. It is branch of philosophy considered as normative science. Thus, ethics is a system of values, relating to human conduct and motives. Business ethics are not different from ethics in normal sense. It is ethics applied in conduct of business activity. According to Peter Drucker, "there neither is a separate ethics of business nor is one needed." What is ethical in other walks of life is ethical in business and vice versa. Yet,

if a separate definition is needed for Business Ethics, then, "Controlling greed in the face of unrestricted profit opportunity is Business Ethics.

Many Pharmaceutical companies have been often accused of unethical behaviour. They have been accused of profiteering in the face of human suffering by charging exorbitant prices for their new formulations. But it is premature to make a judgement in absence of concrete data about their investments, risks and rewards, etc.

1.3 Business Ethics

Ethics are moral guidelines which govern good behaviour. So behaving ethically is doing what is morally right. Behaving ethically in business is widely regarded as good business practice. What is "Business Ethics"? The concept has come to mean various things to various people, but generally it's coming to know what it right or wrong in the workplace and doing what's right -- this is in regard to effects of products/services and in relationships with stakeholders.

Business Ethics are:

- Normal principles and standards that define right and wrong behavior in the world of business.
- What is right and wrong is determined by public interest groups/ business organizations.

Business Ethics can be defined as the critical, structured examination of how people & institutions should behave in the world of commerce. In particular, it involves examining appropriate constraints on the pursuit of self-interest, or (for firms) profits, when the actions of individuals or firms affect others.

Two Broad Areas of Business Ethics are:

1. **Managerial Mischief:** Madsen and Shafritz, in their book "Essentials of Business Ethics" (Penguin Books, 1990) further explain that "managerial mischief" includes "illegal, unethical, or questionable practices of individual managers or organizations, as well as the causes of such behaviors and remedies to eradicate them." There has been a great deal written about managerial mischief, leading many to believe that business ethics is merely a matter of preaching the basics of what is right and wrong. More often, though, business ethics is a matter of dealing with dilemmas that have no clear indication of what is right or wrong.
2. **Moral Mazes:** The other broad area of business ethics is "moral mazes of management" and includes the numerous ethical problems that managers must deal with on a daily basis, such as potential conflicts of interest, wrongful use of resources, mismanagement of contracts and agreements, etc.

Business ethics reflects the philosophy of business, one of whose aims is to determine the fundamental purposes of a company. If a company's purpose is to maximize shareholder returns, then sacrificing profits to other concerns is a violation of its fiduciary responsibility. Corporate entities are legally considered as persons in USA and in most nations. The 'corporate persons' are legally entitled to the rights and liabilities due to citizens as persons.

Economist Milton Friedman writes that corporate executives' "responsibility... generally will be to make as much money as possible while conforming to their basic rules of the society, both those embodied in law and

those embodied in ethical custom". Friedman also said, "the only entities who can have responsibilities are individuals ... A business cannot have responsibilities. So the question is, do corporate executives, provided they stay within the law, have responsibilities in their business activities other than to make as much money for their stockholders as possible? And my answer to that is, no, they do not." A multi-country 2011 survey found support for this view among the "informed public" ranging from 30-80%. Duska views Friedman's argument as consequentialist rather than pragmatic, implying that unrestrained corporate freedom would benefit the most in long term. Similarly author business consultant Peter Drucker observed, "There is neither a separate ethics of business nor is one needed", implying that standards of personal ethics cover all business situations. However, Peter Drucker in another instance observed that the ultimate responsibility of company directors is not to harm-primum non nocere. Another view of business is that it must exhibit corporate social responsibility (CSR): an umbrella term indicating that an ethical business must act as a responsible citizen of the communities in which it operates even at the cost of profits or other goals. In the US and most other nations corporate entities are legally treated as persons in some respects. For example, they can hold title to property, sue and be sued and are subject to taxation, although their free speech rights are limited. This can be interpreted to imply that they have independent ethical responsibilities Duska argues that stakeholders have the right to expect a business to be ethical; if business has no ethical obligations, other institutions could make the same claim which would be counterproductive to the corporation.

Ethical issues include the rights and duties between a company and its employees, suppliers, customers and neighbors, its fiduciary responsibility to its shareholders. Issues concerning relations between different companies include hostile take-overs and industrial espionage. Related issues include governance; corporate; political contributions; legal issues such as the ethical debate over introducing a crime of corporate manslaughter; and the marketing of corporations' ethics policies

1.4 Objectives of Ethics

The primary objective of ethics is to define the highest human characters of individual and set a standard for the same. Ethics also deal with several interrelated and complex problems which may be of psychological, legal , commercial, philosophical, sociological and political in nature. However, there are other many objectives of ethics which are as follows:

- Study of human behavior: making evaluative assessment about them as moral or immoral.
- Establishing moral standards and norms of behavior.
- Making judgment upon human behavior based on these standards/norms.
- Prescribing moral behavior and making recommendations about how to behave or vice-versa.
- Expressing an opinion or attitude about human conduct in general.

1.5 Characteristics of Ethics

Characteristics of Ethics are:

- Different with different people
- Ethical decisions
- Not limited to a particular situation

- Affects a wide range of associated situations
- Ramification widespread
- Involve a trade-off between cost and benefits
- Have dilemmas- exist and persist
- Every person is individually responsible
- Are voluntary human actions
- Choices, sometimes are free will
- Sometimes depend upon guided/ government principles

1.6 Importance of Ethics

Running a business requires adequate consideration to a number of issues outside the traditional scope of making money, of which ethics is most certainly one. As our business grows and becomes more significant, we impact on the lives and circumstances of people in ways we can only imagine - through bringing jobs, creating wealth and inspiring others to grow their businesses. An important part of engaging in this process is understanding business ethics, which if not up to scratch can leave you with a bad reputation and can even ruin business, not to mention alienating employees, suppliers and the local community.

Ethics is something of a subjective topic, but it is nevertheless of immense importance across all areas of business. From the way in which sales and marketing is handled through to product development and customer service, and even to some extent finance, ethics has a significant role to play in ensuring business success and ultimately living up to the corporate social responsibility. Thus adopting a ethics-specific approach to doing business is critical towards ensuring a legitimate business model with long term potential.

Business ethics is especially important in dealing with customers. Maintaining integrity in the customer facing side of your business is crucial to building client relationships, to assisting the overall branding efforts. Likewise, it's an important step in minimising returns and protecting business goodwill, which will have a tangible effect on the success or otherwise of your business.

Ethics wise, it's also important to consider how to deal with customer issues and customer service. While some businesses are prepared to sacrifice customer service for pound signs, there is not only a sensible business reason for providing adequate support but also strong ethics and moral reasons for providing help and assistance to customer base.

On the administrative and strategic side of business, it's also important to adopt an ethical approach which takes account of various responsibilities as a business - to shareholders, employees and the community at large. Ethics is no doubt an important business subject for any entrepreneur to study, but it also has a wider application throughout organisations. One man's concept of what is ethical and for the best may be completely different from another man's concept, and so it's important to establish a collective set of ethics that represent the entire organisation rather than just adopting a piecemeal approach. This can be installed through training, through creating business policies and even through careful selection at the HR stage, although it's important that there are also enforcement mechanisms within the business concerned, and that ethics remain a forefront consideration in day-to-day trade to ensure a unified, morally sound approach to doing business. The importance can be illustrated as under:

- **Stop Business Malpractices :** Some unscrupulous businessmen do business malpractices by indulging in unfair trade practices like black-marketing, artificial high pricing, adulteration, cheating in weights and measures, selling of duplicate and harmful products, hoarding, etc. These business malpractices are harmful to the consumers. Business ethics help to stop these business malpractices.
- **Improve Customers' Confidence :** Business ethics are needed to improve the customers' confidence about the quality, quantity, price, etc. of the products. The customers have more trust and confidence in the businessmen who follow ethical rules. They feel that such businessmen will not cheat them.
- **Survival of Business :** Business ethics are mandatory for the survival of business. The businessmen who do not follow it will have short-term success, but they will fail in the long run. This is because they can cheat a consumer only once. After that, the consumer will not buy goods from that businessman. He will also tell others not to buy from that businessman. So this will defame his image and provoke a negative publicity. This will result in failure of the business. Therefore, if the businessmen do not follow ethical rules, he will fail in the market. So, it is always better to follow appropriate code of conduct to survive in the market.
- **Safeguarding Consumers' Rights :** The consumer has many rights such as right to health and safety, right to be informed, right to choose, right to be heard, right to redress, etc. But many businessmen do not respect and protect these rights. Business ethics are must to safeguard these rights of the consumers.
- **Protecting Employees and Shareholders :** Business ethics are required to protect the interest of employees, shareholders, competitors, dealers, suppliers, etc. It protects them from exploitation through unfair trade practices.
- **Develops Good Relations :** Business ethics are important to develop good and friendly relations between business and society. This will result in a regular supply of good quality goods and services at low prices to the society. It will also result in profits for the businesses thereby resulting in growth of economy.
- **Creates Good Image :** Business ethics create a good image for the business and businessmen. If the businessmen follow all ethical rules, then they will be fully accepted and not criticised by the society. The society will always support those businessmen who follow this necessary code of conduct.
- **Smooth Functioning :** If the business follows all the business ethics, then the employees, shareholders, consumers, dealers and suppliers will all be happy. So they will give full cooperation to the business. This will result in smooth functioning of the business. So, the business will grow, expand and diversify easily and quickly. It will have more sales and more profits.
- **Consumer Movement :** Business ethics are gaining importance because of the growth of the consumer movement. Today, the consumers are aware of their rights. Now they are more organised and hence cannot be cheated easily. They take actions against those businessmen who indulge in bad business practices. They boycott poor quality, harmful, high-priced and counterfeit (duplicate) goods. Therefore, the only way to survive in business is to be honest and fair.
- **Consumer Satisfaction :** Today, the consumer is the king of the market. Any business simply cannot survive without the consumers. Therefore, the main aim or objective of business is consumer

satisfaction. If the consumer is not satisfied, then there will be no sales and thus no profits too. Consumer will be satisfied only if the business follows all the business ethics, and hence are highly needed.

- **Importance of Labour :** Labour, i.e. employees or workers play a very crucial role in the success of a business. Therefore, business must use business ethics while dealing with the employees. The business must give them proper wages and salaries and provide them with better working conditions. There must be good relations between employer and employees. The employees must also be given proper welfare facilities.
- **Healthy Competition :** The business must use business ethics while dealing with the competitors. They must have healthy competition with the competitors. They must not do cut-throat competition. Similarly, they must give equal opportunities to small-scale business. They must avoid monopoly. This is because a monopoly is harmful to the consumers.

1.7 Code of Ethics

These are statements of behavioural ideals, exhortations, or prohibitions common to a culture, religion, traditional profession, corporations and trade associations. Codes combine philosophical with admonitions to avoid certain illegal actions and espouse certain moral principles, especially those that elevate personal behaviour.

The Ten Commandments is the most well known code of ethics known worldwide. In addition, we have all heard of Code of ethics in the form of Hippocratic Oath that all the Doctors are supposed to take prior to being awarded permission to practise medicine. Poor ethics can shape business productivity, so follow Ten Commandments of Ethical Business Behavior:

1. Be honest, truthful, forthright, candid and sincere.
2. Have integrity: Strive to be scrupulous.
3. Keep your word and abide by the spirit as well as the letter of the law.
4. Maintain fidelity: Be faithful and never disclose confidential information.
5. Always be fair: Demonstrate a commitment to justice, with equal treatment of all.
6. Care for others: Be kind.
7. Respect others in every way.
8. Be a responsible citizen. Obey just laws and protest unjust ones.
9. Rigorously pursue excellence. Never be content with mediocrity.
10. Always be accountable: good leaders lead by example.

1.8 Law and Ethics

The law is a formal set of rules and standards that is associated with significant legitimate power and authority (to inflict punishment) in society. Ethics on the other hand, is far less formal - sometimes not even written down set of values - which are to be observed morally. Simply stated - Law is obedience to the enforceable whereas ethics is obedience to unenforceable.

Business is as old as human civilisation. Laws came into existence much much later. But code of ethics began to take roots when man began to live in groups. Laws are nothing but formal codification of ethics of

the society. But laws are constrained by the infinite contingencies and subjectivities of the situations to codify every thing. Thus, ethics will continue to be there to guide the mankind on to the right path. Ramayana is believed to be the oldest treatise on code of ethics. Bhagwad Gita is similarly treated as most scholarly book on code of ethics.

1.9 Managing Ethics at Workplace

Many people are used to reading or hearing of the moral benefits of attention to business ethics. However, there are other types of benefits, as well. The following list describes various types of benefits from managing ethics at the workplace:

1. **Attention to business ethics has substantially improved society:** A matter of decades ago, children in our country worked 16-hour days. Workers' limbs were torn off and disabled workers were condemned to poverty and often to starvation. Trusts controlled some markets to the extent that prices were fixed and small businesses choked out. Price fixing crippled normal market forces. Employees were terminated based on personalities. Influence was applied through intimidation and harassment. Then society reacted and demanded that businesses place high value on fairness and equal rights. Anti-trust laws were instituted. Government agencies were established. Unions were organized. Laws and regulations were established.

2. **Ethics programs help maintain a moral course in turbulent times:** As noted earlier in this document, Wallace and Pekel explain that attention to business ethics is critical during times of fundamental change - times much like those faced now by businesses, both nonprofit or for-profit. During times of change, there is often no clear moral compass to guide leaders through complex conflicts about what is right or wrong. Continuing attention to ethics in the workplace sensitizes leaders and staff to how they want to act -- consistently.

3. **Ethics programs cultivate strong teamwork and productivity:** Ethics programs align employee behaviors with those top priority ethical values preferred by leaders of the organization. Usually, an organization finds surprising disparity between its preferred values and the values actually reflected by behaviors in the workplace. Ongoing attention and dialogue regarding values in the workplace builds openness, integrity and community - critical ingredients of strong teams in the workplace. Employees feel strong alignment between their values and those of the organization. They react with strong motivation and performance.

4. **Ethics programs support employee growth and meaning:** Attention to ethics in the workplace helps employees face reality, both good and bad -- in the organization and themselves. Employees feel full confidence they can admit and deal with whatever comes their way. Bennett, in his article "Unethical Behavior, Stress Appear Linked" (Wall Street Journal, April 11, 1991, p. B1), explained that a consulting company tested a range of executives and managers. Their most striking finding: the more emotionally healthy executives, as measured on a battery of tests, the more likely they were to score high on ethics tests.

5. **Ethics programs are an insurance policy -- they help ensure that policies are legal:** There is an increasing number of lawsuits in regard to personnel matters and to effects of an organization's services or products on stakeholders. As mentioned earlier in this document, ethical principles are often state-of-the-art legal matters. These principles are often applied to current, major ethical issues to become legislation. Attention to ethics ensures highly ethical policies and procedures

in the workplace. It's far better to incur the cost of mechanisms to ensure ethical practices now than to incur costs of litigation later. A major intent of well-designed personnel policies is to ensure ethical treatment of employees, e.g., in matters of hiring, evaluating, disciplining, firing, etc. Drake and Drake (California Management Review, V16, pp. 107-123) note that "an employer can be subject to suit for breach of contract for failure to comply with any promise it made, so the gap between stated corporate culture and actual practice has significant legal, as well as ethical implications."

6. **Ethics programs help avoid criminal acts "of omission" and can lower fines:** Ethics programs tend to detect ethical issues and violations early on so they can be reported or addressed. In some cases, when an organization is aware of an actual or potential violation and does not report it to the appropriate authorities, this can be considered a criminal act, e.g., in business dealings with certain government agencies, such as the Defense Department. The recent Federal Sentencing Guidelines specify major penalties for various types of major ethics violations. However, the guidelines potentially lowers fines if an organization has clearly made an effort to operate ethically.

7. **Ethics programs help manage values associated with quality management, strategic planning and diversity management -- this benefit needs far more attention:** Ethics programs identify preferred values and ensuring organizational behaviors are aligned with those values. This effort includes recording the values, developing policies and procedures to align behaviors with preferred values, and then training all personnel about the policies and procedures. This overall effort is very useful for several other programs in the workplace that require behaviors to be aligned with values, including quality management, strategic planning and diversity management. Total Quality Management includes high priority on certain operating values, e.g., trust among stakeholders, performance, reliability, measurement, and feedback. Eastman and Polaroid use ethics tools in their quality programs to ensure integrity in their relationships with stakeholders. Ethics management techniques are highly useful for managing strategic values, e.g., expand marketshare, reduce costs, etc. McDonnell Douglas integrates their ethics programs into their strategic planning process. Ethics management programs are also useful in managing diversity. Diversity is much more than the color of people's skin -- it's acknowledging different values and perspectives. Diversity programs require recognizing and applying diverse values and perspectives -- these activities are the basis of a sound ethics management program.

8. **Ethics programs promote a strong public image:** Attention to ethics is also strong public relations admittedly, managing ethics should not be done primarily for reasons of public relations. But, frankly, the fact that an organization regularly gives attention to its ethics can portray a strong positive to the public. People see those organizations as valuing people more than profit, as striving to operate with the utmost of integrity and honor. Aligning behavior with values is critical to effective marketing and public relations programs. Consider how Johnson and Johnson handled the Tylenol crisis versus how Exxon handled the oil spill in Alaska. Bob Dunn, President and CEO of San Francisco- based Business for Social Responsibility, puts it best: "Ethical values, consistently applied, are the cornerstones in building a commercially successful and socially responsible business."

9. **Overall benefits of ethics programs:** Donaldson and Davis, in "Business Ethics? Yes, But What Can it Do for the Bottom Line?" (Management Decision, V28, N6, 1990) explain that managing ethical values in the workplace legitimizes managerial actions, strengthens the coherence and balance of the organization's culture, improves trust in relationships between individuals and groups, supports

greater consistency in standards and qualities of products, and cultivates greater sensitivity to the impact of the enterprise's values and messages.

10. **Last - and most --** formal attention to ethics in the workplace is the right thing to do.

1.10 Important Ethical Principles

1) Do not deceive or cheat the customers by selling substandard or defective products by under measurement or any other means.

   Example : Textile merchants in general clear the defective stock under the guise of discounts.

2) Don not report to hoarding, black marketing or profiteering.

   Example : Management of theaters sell the tickets for higher prices during the initial days of release of a film starred by a crazy hero and heroine.

3) Do not destroy or distort competition.

4) Treasure sincerity and accuracy in advertising, labeling and packaging.

   Ads of automobiles in general provide false details in every aspect.

5) Do not furnish the image of competitors by unfair practices.

   Publishing false information about competitors, bribing the retailers etc.

6) Make accutrate business records so that transperancy to the share holders can be achieved.

7) Pay taxes and discharge other obligations promptly.

8) Do not form castle agreements, even informal, to control production, prices etc. to the common detriment.

   Example : Cellular network providers will be in informal castle agreements to control the traffic.

9) Refrain from secret kick backs or pay logs to customers, suppliers, administrators, politicians etc.

10) Ensure payment of fair wages and fair treatment to the internal customers as well as external customers and share holders.

1.11 Summary

Business ethics is that set of principles or reason which should govern the conduct of business both at the individual or collective level by the application of ethical reasoning to specific business situations & activities. Some of the factors justifying the need for business ethics are: a) Society bestows upon businesses the authority to own and use land & natural resources. In return society has the right to expect that productive organization will enhance the general interest of consumers, employees & community. Society may also expect that organization will honour existing rights and limit their activities within the bounds of justice. b) The products and services of an organization and the actions of its members can affect its stakeholders i.e. employees, the community and society as a whole, either positively or negatively.

Business ethics provides guidance regarding the expectations of the community, principles of morality, consequences & complications of their actions, etc. Hence, business ethics are extremely needed for well-being of organization as well as community as whole.

1.12 Key Words

- **Ethics :-** The basic concepts and fundamental principles of right human conduct. It includes study of universal values such as the essential equality of all men and women, human or natural rights, obedience to the law of land, concern for health and safety and, increasingly, also for the natural environment.
- **Business Ethics :-** can be defined as the critical, structured examination of how people & institutions should behave in the world of commerce. In particular, it involves examining appropriate constraints on the pursuit of self-interest, or (for firms) profits, when the actions of individuals or firms affects others.
- **Code of Ethics :-** A written set of guidelines issued by an organization to its workers and management to help them conduct their actions in accordance with its primary values and ethical standards.

1.13 Self Assessment Test

1 Define ethics.

2 Define business ethics.

3 Mention the various objects of ethics.

4 Explain the nature of ethics.

5 How ethics and law are related?

6 Explain ethical code.

7 Explain any two ethical problems that you have faced in your life.

1.14 References

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Unit - 2 : Corporate Governance

Unit Structure:

2.0 Objectives
2.1 Introduction
2.2 History of Corporate Governance
2.3 Significance of Corporate Governance
2.4 Fundamental Principles of Corporate Governance
2.5 Participants in Corporate Governance
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2.0 Objectives

After reading this unit you should be able to :

- know what is the philosophy of corporate governance;
- describe the expectations of stakeholders;
- understand the relationship between business ethics and corporate governance;
- describe the importance of corporate governance;
- understand the interlink of corporate social responsibility and corporate governance;
- describe the recommendations of Kumar Mangalam Birla Committee.

2.1 Introduction

In the new environmental context, corporate governance is no longer a luxury but a necessity. Corporate governance refers to a set of laws, regulations and good practices that enable an organization to perform efficiently and ethically generate long term wealth and create value for all its stakeholders. The quality of governance will become one of the key tests and one of the major drivers of shareholder value. Better governance would facilitate easier access to capital from domestic market. A transparent regulatory framework and better disclosure system are crucial for attracting foreign investors as well. The principles of good corporate governance are integrity equity, transparency, fairness, disclosure, accountability

and commitment to values. Good governance practices stem from the culture and mindset of the organization. The governance is about out-performing sustainable organizations.

Corporate governance is a set of systems and practices to ensure that the affairs of the company are being managed in a way which ensures accountability, transparency, fairness in all its transactions in the widest sense and meet its stakeholders aspirations and societal expectations. The demand of corporate governance require professionals to raise their competency and capability levels to meet the expectations in managing the enterprise and its resources effectively with the highest standards of ethics. It has thus become crucial to foster and sustain a culture that integrates all components of good governance by carefully balancing the complex inter relationship among the board of directors, audit committee, accounting team, auditors and senior management - the CEO and CFO.

Some of the important and comprehensive definitions of corporate governance are mentioned as under:

Catherwood stated "Corporate governance to most people means the way company manages its business in a manner that is accountable and responsible to some or usually the shareholder in a wider interpretation responsibility and accountability is seen to be a-broader audience that also includes company's stakeholders such as employees, suppliers, customers and local community." According to Srikant, "Corporate governance ensures how effectively the board of directors and management are discharging their functions in building and satisfying stakeholder's confidence." According to Cadbury Committee, "Corporate governance is a system by which companies are directed and controlled. Boards of Directors are responsible for the governance of their companies. The Shareholders role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place. The responsibilities of the board include setting the company's strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship. The board's actions are subject to laws regulations and the shareholders in general meeting."

Corporate governance is not just corporate management, it is something much broader to include a fair, efficient and transparent administration to meet certain well-defined objectives. It is a system of structuring, operating and controlling a company with a view to achieve long- term strategic goals to satisfy shareholders, creditors, employees, customers and suppliers, and complying with the legal and regulatory requirements, apart from meeting environmental and local community needs. When it is practiced under a well-laid out system, it leads to the building of a legal commercial and institutional framework and demarcates the boundaries within which these functions are performed. Corporate governance is a system by which companies are run. It relates to the set of incentives, safeguards and the dispute resolution process that are used to control and coordinates the actions fo the agents on behalf of the shareholders by the Board of Directors. Shareholders are responsible for appointing the directors and auditors. Creating of residual value is the primary concern of shareholders, but the process of value creation and its legality are equally important. Hence, corporate governance relates to a code of conduct the management of the company observes while exercising its powers.

Corporate governance cab be defined as a set of systems and processes which ensure that a company is managed to the best interests of all the stakeholders. The set systems that help the task of corporate governance should include certain structural and organizational aspects, the process that helps corporate governance will embrace how things are done within such structure and organizational systems.

Thus, corporate governance is a broad and somewhat vague term which is used to refer to a range of corporate control and accountability mechanisms designed to meet the aims of all stakeholders. It is the process of direction, supervision and accountability of corporations. It concerns the theories and practices of the board of directors and its relationships with the shareholders of the company. Corporate Governance relates to laws procedures, practices and implicit rules that determine a company's ability to take improved managerial decisions.

2.2 History of Corporate Governance

The seeds of modern corporate governance were sown by the Watergate scandal in the United States. As a result of subsequent investigations, U. S. regulatory and legislative bodies were able to highlight the control failures that had allowed several major corporations to make illegal political contributions and to bribe government officials. This led to the development of Foreign and Corrupt Practice Act of 1977 in U.S.A. that contained specific provisions regarding the establishment, maintenance and review of systems of internal control, This was followed in 1979 by the Securities and Exchange Commission of U.S.A.'s proposals for mandatory reporting on internal financial controls. In 1985 following a series of high profile business failures in the U.S.A. the most notable one of which being the savings and loan collapse, the Treadway Commission was formed. Its primary role was to identify the main causes of misrepresentation in Financial Reports and to recommend ways of reducing incidence thereof. The Treadway Report Published in 1987 highlighted the need for proper control environment, independent Audit Committees and objective Internal Audit Function. It called for published reports on the effectiveness of internal control. It also requested the sponsoring organizations to develop an integrated set of internal control criteria to enable companies to improve their controls. Accordingly COSO (Committee of Sponsoring Organization) was born. The report produced by it in 1992 stipulated a control framework, which has been endorsed and refined in the subsequent United Kingdom (UK) report: Cadbury, Hample and Turnbull. While developments in the United States stimulated a debate in the uk, a spate of scandals and collapses in that country in the late 1980 and early 1990's led the shareholders and banks to worry about their investments. These also led the Government in UK to recognize that the existing legislation and self-regulation were not working.

It was realized by the World Bank and all investors that it is not enough to have good corporate management but one should have also good corporate governance because the investors want to be sure that the decisions taken are ultimately in the interests of all stakeholders. Honesty is the best policy is a fact that is now being re-discovered.

2.3 Significance of Corporate Governance

Good corporate governance has assumed great importance in India due to the following reasons:

1. **Changing Ownership Structure:** The profile of corporate ownership has changed significantly. Public financial institutions are the single largest shareholders in most of the large corporations in the private sector, Institutional shareholders have reversed the trend of scattered shareholders. Institutional investors (foreign as well as Indian) and mutual funds have now become singly or jointly direct challenges to managements of companies. Due to threat of hostile takeover bids and the growth of institutional investors the big business houses started talking about corporate governance.

Unlike the west large companies in India have a complex ownership pattern involving promoters, financial institutions, bank, insurance companies, mutual funds, foreign institutional investors and small private investors. Therefore, copying in to the corporate governance practices of the west will not be appropriate in India.

2. **Social Responsibility:** A company is a legal entity without physical existence. Therefore it is managed by board of directors which is accountable and responsible to shareholders who provide the funds. Directors are also required to act in the interests of customers, lenders, suppliers and the local community for enhancing shareholders value. An effective system of corporate governance provides a mechanism for regulating the duties of directors so that they act in the best interests of the companies. Control system established either through law or self- regulations.

3. **Scams:** In recent years several corporate frauds have shaken the public confidence. Harshad Mehta scandal, CRB Capital case and other frauds have caused tremendous loss to the small investor. More than 60% of the listed companies are not operating. A large number of companies have been transferred to Z group by the Bombay Stock Exchange.

4. **Corporate Oligarchy :** Shareholder activitism and shareholder democracy continue to remain myths in India. Postal Ballot System is still absent. Proxies are not allowed to speak at the meetings. Shareholders associations, investors education and awareness have not emerged as a countervailing force.

5. **Globalization:** As Indian companies went to overseas markets for capital. corporate governance became a buzzword. Sinking capital markets in India from 1994 through 1998 and the desire of more and more companies in India to get listed on international stock exchange also prompted them to pay attention to corporate governance. We must, however, remember, that corporate governance is not a trick to prop up the sensex or to bring in foreign capital. It implies management of the corporate sector within the constraints of fair play, responsibility and conscience with regard to all the stakeholders. In order to strengthen investor's loyalty, the companies need to adopt better management practices. Studies on corporate governance both in India and abroad show that capital market appreciates and rewards well managed companies. Corporate Governance and competitiveness are interrelated.

The EEC, GATT and WTO regulations and the Cadbury Committee Report have also contributed to the rising awareness about corporate governance. Economic liberalisation and deregulation of industry and demand for a new corporate ethos also led to growing interest in corporate governance.

Corporate governance will shape the future development of industry. It has to be a way of life for companies. In an economy that is beginning to garner private and small savings through burgeoning capital market corporate governance is of utmost necessity. The new political economy of India driven by markets and private enterprise has led to the hype about corporate governance. As markets in India move towards greater public funding of private enterprise, the role of corporate governance becomes immensely important. The need of accessing public funds is the main factor responsible for the Indian companies eagerness to comply with codes of corporate governance. In the new millennium only companies that take care of varied groups of stakeholders would be able to survive and grow.

2.4 Fundamental Principles of Corporate Governance

The basic objective of corporate governance is to maximize long-term shareholder value. Therefore, good governance should address all issues that, lead to a value addition for the organization and serve the interests of all the stakeholders. The main issues in corporate governance are:

1. **Transparency:** Transparency means accurate, adequate and timely disclosure of relevant information to the stakeholders. Without transparency, it is impossible to make any progress towards good governance. Business heads should realize that transparency also creates immense shareholder value. But many a times information sharing is hindered under the excuse of confidentiality. There is need to move towards international standards in term of disclosure of information by the corporate sector and through all this to develop a high level of public confidence in business. Once a company has public shareholding it is imperative that its commitment to financial transparency must be total. The company is a trustee of the investor's money and this responsibility in turn demands full disclosure. Corporations in India must learn to work with transparency this is the essential ingredients to maximize their wealth and the wealth of the nation. Transparency and disclosure are the key pillars of corporate governance because they provide all the stakeholders with the information necessary to judge whether their interests are being taken care of.

2. **Accountability:** Corporate governance has to be a top down approach. Chairman, Boards of Directors and Chiefs Executives must fulfill their responsibilities to make corporate governance a reality in Indian industry. In companies with good governance, accountability is not just bottom up but also follows the reverse order. A departmental is for example, responsible for every decision taken on behalf of his department. Accountability also favours the objective of creating shareholder value.

3. **Merit based Management:** A strong board of directors is necessary to lead and support merit based management. The board has to be an independent, strong and non-partisan body where the sole motive should be decision making through business prudence. Though corporate governance is much broader than corporate management, an efficient and effective administration of corporate sector is essential for meeting the desired objectives. Corporate governance ensures that long-term strategic objectives and plans are established and that the proper management structure (organization, system and people) is in place to achieve those objectives, while at the same time ensuring that the structure functions to maintain the company's integrity, reputation and responsibility to its various stakeholders.

Thus, corporate governance involves the broad parameters of reporting system, accountability and control.

2.5 Participants in Corporate Governance

In corporate governance there are many players such as Board of Directors, Non-Executive Directors, Institutional Directors, Audit Committee, Company Secretaries, Accounting Professionals, Government and the other Law-making Agencies, Small Investors Consumers Vendor and Strategic Partners Employees Media etc. which are discussed below:

1. **Board of Director (BOD) :** The BODs is entrusted with overall direction and management of the affairs of the company. In performing these functions the directors are bound to comply with the provisions of the Companies Act and to perform the general and specific duties imposed on them by the Articles of Association. The performance of BODs is a deciding factor for the corporate governance. In a competitive environment, survival of a company depends upon the efficiency of BODs. The working group set-up by the Government of India in this connection recommended a Statement of Directors Responsibility (SDR) to be attached with Annual Accounts (AA) of the company for transparency. While preparing annual accounts the BODs must mention whether Accounting Standard have been followed or not. They should also mention material changes, if any. They are also responsible for maintaining proper records as per the requirements of Companies Act and for preventing and detecting frauds and irregularities. Apart from SDR, the working groups also stressed the need of financial disclosures. The need of the hour is to select only capable BODs so that. they may manage and guide the operations of the company effectively and protect the interest of stakeholders. Head of BODs is called Chairman. The Chairman must have a dynamic outlook, professional experience, clear vision and leadership qualities. A little mistake or negligence of BODs may lead to closure of the company. In this age of competition BODs must play their role very effectively.

2. **Non-Executive Director (NED) :** NEDs are other than managing director and functional directors. These directors are nominated by the Government from various fields, They must have rich professional experience. The code of best practices of Cadbury Committee was of the view that NEDs should be selected through a formal process and their nomination should be a matter for board as a whole. For good corporate governance they should have sufficient experience. Their appointment and reappointment should not be automatic but it should be based on their performance. Today in the age of competition and integration with global markets, the NEDs should act as eyes and ears of the Chairman. They must convey their independent and expert views to the Chairman and maintain balance between the Chairman and objective of the company. They should try to protect the interest of all stakeholders rather than acting as "yes man" of Chairman.

3. **Institutional Director (ID) :** In changing corporate environment, the role of IDs has changed from mere spectators to big key players. Financial Institutions hold major chunk of shares in a company, hence their role become very important in transparency and accountability. In pursuit of this objective, the FIs have prescribed 19 points agenda for nominees in companies. These objectives included long-term dividend policy, depreciation, investment in unlisted companies, merger and acquisitions loans and advances, further issues of shares or raising loans for the companies, award of contracts etc. IDs should play an effective role in these areas for good corporate governance . However, this list of areas is not a final list. It may change according to need and changing environment of the company. The Government must act with respect to the appointment of IDs in time and put certain amount of responsibility and accountability towards the general public at large.

4. **Audit Committee (AC) :** Audit Committee is another important instrument of corporate governance. It is sub committee of the Board of Directors consisting of a minimum of three independent non executive directors and is answerable to the main Board. The basic function of an audit committee is like that of a watchdog. Its role is to ensure that the auditors of the company perform their duties satisfactorily and to the best interest of the shareholders. The presence of audit committee would improve the quality of financial reporting, create a climate of financial discipline and control, and increase public confidence in the credibility and objectivity of financial statements beside providing a

forum to finance director and external and internal auditors to discuss their problems and issues of concern.

5. **Company Secretaries (CS) :** A CS has an important role to play in the day to day functioning of the company. His job is to ensure that the company's multifarious activities are performed smoothly and conform to the provisions of law. According to Cadbury Committee, "The CS has role to play in ensuring that board procedures are followed and regularly reviewed". The Chairman and the board will look to the CS for guidance on what their responsibilities are under the rules and regulations which they are subject and on how those responsibilities should be discharged. All directors should have access to the advice and services of the CS and should recognize that the Chairman is entitled to the strong and positive support of the CS in ensuring the effective functioning of the board. In the light of Cadbury committee CS have to play a major role in corporate governance and to submit their professional advice to BODs.

6. **Government and Other Law-making Agencies :** Since the introduction of Companies Act, 1956 the Government of India enacted many legislations such as Monopolistic and Restrictive Trade Practice (MRTP) Act, 1973; Consumer Protection Act, 1986; Security and Exchange Board of India (SEBI) guidelines regarding Capital market, insider trading and prohibition of Fraudulent and unfair trade practices; takeover code, etc. to make corporate sector more accountable. Reserve Bank of India and SEBI are modifying their provisions from time to time with changing environment. Recently the Department of Company Affairs (DCA) conferred SEBI powers to punish companies for non issue of shares, non -payment of dividend, mis-statement in prospectus and non-issue of prospectus. But still a lot more is needed for good corporate governance. Though by enacting laws the level of responsibility and accountability can be increased, the implementing agencies have to play a major role for the implementation of enacted laws for good corporate governance.

Other Participants :

- Accounting Professionals (APs)
- Small Investors (SIs)
- Consumers
- Vendor and Strategic Partners
- Employees
- Media

2.6 Mechanism for Better Governance

The major players in the area of corporate governance can be classified into two groups - (1) external, and (2) internal. Externally, the pace of corporate governance is set by the Government, investors, financial institutions and customers. Government as the regulator sets the legal, financial and business framework which defines the scope and extent of corporate governance. Internally corporate boards, shareholders and employees within the corporation decide how companies are directed and controlled.

Without better national governance, good corporate governance is not possible. Corporates are not expected to be serious about their governance if our politician, bureaucrats and members of the judiciary do not care for the governance of the country.

2.7 What is "Good Corporate Governance"?

Recently the terms "governance" and "good governance" are being increasingly used in development literature. Bad governance is being recognized now as one of the root cause of corrupt practices in our societies. Major donors, institutional investors and international financial institutions provide their aid and loans on the condition that reforms that ensure "good governance" are put in place by the recipient nations. As with nations, corporations too are expected to provide good governance to benefit all their stakeholders. At the same time, good corporates are not born, but are made by the combined efforts of all stakeholders, which include shareholders, board of directors, employees, customers, dealers, government and the society at large. Law and regulation alone cannot bring about changes in corporates to behave better to benefit all concerned. Directors and management, as goaded by stakeholders and inspired by societal values, have a very important role to play. The company and its officers, who inter alia, include the board of directors and the officials especially the senior management, should strictly follow a code of conduct.

2.8 Corporate Governance in India

In India, corporate governance has assumed significance and urgency due to the changing profile of corporate ownerships, preferential allotment of shares to promoters, increasing flow of foreign capital and dismantling of control that hitherto provided protective cover to poorly managed corporates.

The main issues in the area of corporate governance in India are as follows :

1. **Role of Board of Directors:** An independent and effective board is essential for good corporate governance. The overall responsibility of the board is to guide the management and to oversee the operations of the company to sub serve the interests of stakeholders. The board is expected to ensure that the management complies with the legal and ethical standards. Board is also responsible for ensuring information and control system which can guide the top management in meeting the corporate objectives.

2. **Composition of the Board:** The Cadbury Committee suggested that non-executive directors can play a crucial role in corporate governance. They can exercise independent judgment in matters of corporate practices, performance and resource management and monitoring. The committee suggested that the non-executive directors should be selected through a formal process and the Board as a whole should decide their nomination. They should be appointed for a specific term and reappointment should not be automatic.

   Directors nominated by the financial institutions in the boards of assisted companies have failed to exercise effective controls due to several reasons. Kumar Mangalam Birla Committee recommended that nominee directors should be done away with for fear of insider trading. But it would be better to streamline the system by removing its deficiencies rather than discarding the system altogether. The solution lies in tightening the insider trading regulations and creating an institution of independent directors from which financial institutions can nominate directors.

3. **Audit Committee:** The Draft Bill to amend the Companies Act in 1997 provided that all public limited companies with a paid-up capital of Rs. 5 crore and above must establish audit committee

consisting of independent non-executive directors. Audit committee can improve the quality of financial reporting by reviewing the financial statements, creating a climate of discipline and control and reducing the opportunity for fraud. It can provide communication link with external auditor and strengthen the position of the internal audit function. There may be more than one audit committee with specified role in specific areas. An audit committee may include non-executive directors, auditor, the company secretary or any senior manager.

4. **Shareholder's Committee:** SEBI's code of corporate governance provides for constitution of shareholders' committee under the chairmanship of a non-executive director to ensure that the grievances of shareholders are properly received and solved to the satisfaction of shareholders.

In order to improve the quality of corporate governance, the Companies Bill 1997 enlarged the items to be transacted at board meetings, provisioned for constitution of Audit Committee and Directors Responsibility Statement in the Directors Report.

2.9 Committees on Corporate Governance

International Committees :

- Cadbury Committee (1992)
- Greenbury Committee (1995)
- Hampel Committee (1998)
- LSE Combined Code (1998)
- OECD Principles for Corporate Governance (1999)
- Blue Ribbon Committee (1999)

National Committees :

- CII Code of CG (1998)
- Kumar Mangalam Birla Committee (2000)
- Reserve Bank of India (RBI) Report of the Advisory Group on CG (2001)
- Naresh Chandra Committee (2002)
- Narayan Murthy Committee (2003)
- J J Irani Committee (2005)

Recommendations of Kumar Mangalam Birla Committee (KMBC)

The Kumar Mangalam Birla Committee (KBC) under the chairmanship of Mr. Kumar Mangalam Birla was constituted by Security and Exchange Board of India (SEBI) in May 1999, to promote investors interests and to raise the standards of corporate governance in India. The Committee stated that the fundamental objective of corporate governance is the enhancement of shareholder value, keeping in view the Interests of other stakeholders.

The mandatory recommendations of the committee are :

(1) Meeting of the Boards should be conducted at least four times in a year.

(2) Out of total board size, 50 percent of the directors should be Non-Executives.

(3) Presence of Audit Committee.

(4) There should be minimum three members of Audit Committee.

(5) Audit Committee Chairman should be Non-Executive.

(6) Members of Audit Committee should be Non-Executives.

(7) Audit Committee meetings should be held at least three times in a year.

(8) Board of Directors should decide the remuneration of Non-Executive Directors.

(9) Disclosures of Consolidate Accounts of Subsidiary.

(10) Disclosures of segment wise financial reporting.

(11) Disclosures of details about Related Party Transactions.

(12) Disclosures of Social Reporting.

(13) Disclosures of Environmental Reporting.

(14) Sending quarterly financial results to stakeholders.

(15) Presence of Investor Grievances Committee.

(16) Solving all complaints received by Investor Grievances Committee.

The desirable recommendations are :

(1) The board should set up a Remuneration Committee to determine the company's policy on specific remuneration package for executive directors.

(2) Half yearly declaration of financial performance including summary of the significant event in the last six months should be sent to the each shareholder.

(3) Non-Executive chairman should be entitled to maintain a chairman's office at the company expense.

CII Code of Corporate Governance

The Confederation of Indian Industry (CII) issued in 1997 a comprehensive code titled 'Desirable Corporate Governance - A Code'. The salient features of the same are given below:

1. The key to good corporate governance is a well-functioning board of directors. The board should have a core group of excellent, professionally acclaimed non-executive directors who understand their dual role of appreciating the issues put forward by management and of honestly discharging their fiduciary responsibilities towards the company's shareholders as well as creditors.

2. A single tiered board can ensure desirable corporate governance. However, the full board should meet a minimum of six times a year, preferably at an interval of two months each meeting should have agenda items that require at least half a day's discussion.

3. Any listed company with turnover of Rs. 1 crore and above should have professionally competent and acclaimed non-executive directors. They should constitute at least 50 percent of the board if the chairman and managing directors is the same person and 30 percent in other case.

4. No single person should hold directorship in more than 10 companies at a time.

5. Non-executive directors must be active with clearly defined responsibilities and must have knowledge of various company laws and financial statements.

6. Non-executive directors should be paid commission and offered stock options for their professional inputs in addition to their sitting fees.

7. Directors who have not been present for at least 50 percent of the board meetings should not be reappointed.

8. All key information must be placed before the board of directors.

9. An audit committee comprising at least three non-executive directors should be constituted and given access to all financial information.

10. Listed public companies should disclose 'Additional Shareholders Information' in the annual report on the monthly average share place, value added, financial performance of divisions and segments.

11. Major Indian Stock Exchanges should gradually insist upon a compliance certificate, signed by the CEO and the CFO which clearly states that : (a) The managements is responsible for the preparation, integrity and fair presentation of the financial statements and other information in the Annual Report, and which also suggest that the company will continue in business in the course of the following year, (b) The accounting policies and principles conform to standard practice and where they do not, full disclosure has been made of any material departures. (c) The board has overseen the company's system of internal accounting and administrative control systems either through its Audit Committee for companies with a turnover of Rs. 100 crores of paid-up capital of Rs. 20 crores, whichever is less or directly.

12. The quality and quantity of disclosure for any domestic issue should be the same as required for GDR issues.

13. The Government must allow for greater funding to the corporate sector against the security of shares and other papers.

14. Financial institutions should eliminate nominee directors except in the event of serious and systematic debt default, and in case of the debtor company not providing six monthly or quarterly operational data to the financial institutions concerned.

15. In case a company obtains multiple credit ratings, all the ratings should be disclosed with companies explaining their significance.

16. Companies that default on fixed deposits should not be permitted to accept further deposits, make inter-corporate loans or investments and declare dividend until the default is made good.

2.10 Indian Model of Governance

Available literature on corporate governance and the way companies are structured and run indicate that India shares many feature's of the German/ Japanese model, but recent recommendations of various committees and consequent legislative measures are driving the country to adopt increasingly the Anglo-American model. In terms of the legislative mechanisms, Indian government and industry constituted three committees to study corporate governance practices in the country and suggest measures for improvement based on what has globally recognised as "best practices". Significantly, most of the recommendations of the three committees - the SEBI-appointed Kumar Mangalam Birla Committee (2000), the government-appointed Naresh Chandra Committee (2003) and the SEBI's Narayana Murthy Committee are remarkably similar to those of England' s Cadbury Committee and America's Sarbanes-Oxley Act, in terms of their approaches and recommendations.

The thrust of the legislative reforms suggested by these committees and subsequent legislative actions adopted, centre around the strengthening of external governance mechanisms. "A key area here includes greater transparency and independent scrutiny of corporate accounts that are made available to investors. This is in

line with the Anglo-American model where shareholder influence through the exit option which is contingent upon reliable and accurate information provided by companies. Institutional reforms, including a strengthening of oversight committees and the development of a serious fraud office, are further evidence of the drive to seek for external monitoring of corporate affairs. In terms of reforms to internal mechanisms such as boards of directors, it is notable that again the recommendations are centred on Anglo-American practice, namely, a greater role for non-executive directors (NEDs) and the curtailment of interlocking directorates.

Further, experts point out that India has adopted the key tenets of the Anglo-American external and internal control mechanisms, in the wake of economic liberalisation and its integration into the global economy. "This is evident especially in the realm of the legislative framework where Indian policy-makers have taken their cue from UK and US committees and their recommendations. Furthermore, a small, albeit high profile group of companies have voluntarily adopted Anglo-American protocols in their bid to successfully raise capital from internationg markets. Thus corporate governance developments in India in recent years show a paradigm shift from the German/Japanese model to the Anglo-American model.

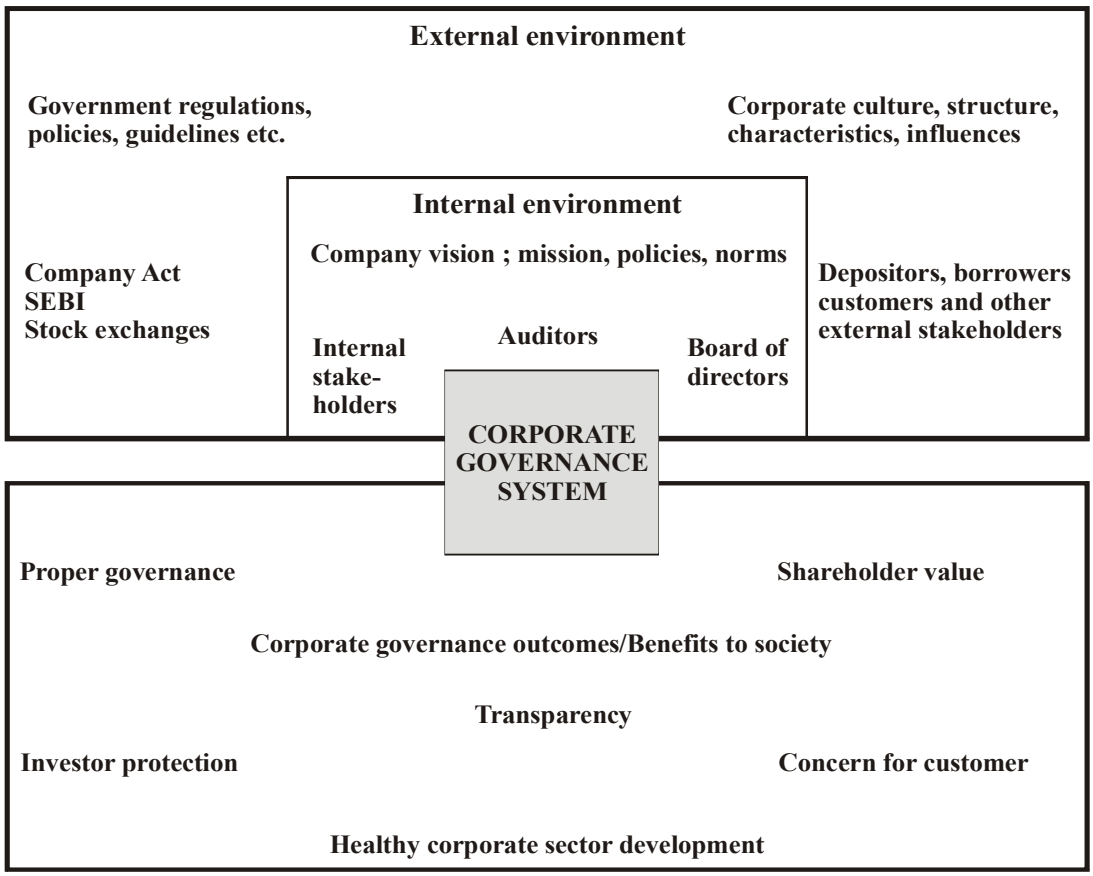


Figure 2.1 Indian Corporate Goverance Model

2.11 Corporate Governance and Value Creation

The need for setting up of a foundation of value creation drive has been felt as a prime point on top of the corporate agenda. Governing companies in an effective manner, should ultimately result in transparency and best practices on the one hand and a healthy bottom line on consistent basis for all the stakeholders on the other. The global debate now is increasing in favour of not only the ethics but also creation of value in a transparent manner. Therefore higher volume of long-term value creation for all stakeholders should be the prime concern for the board, To adopt transparent practices in the companies and to ensure a better value

management we have to know the stakeholders expectation, as also the ability of the companies to satisfy expectations.

The expectations of various stakeholders from the corporates can be listed as follows:

	Stakeholders		Expectations
(a)	**Shareholders**	(i)	A fair and steady rate of return (dividend) on investment;
		(ii)	Increase in the future earning of the company.
		(iii)	Increase in the market capitalization of investment.
(b)	**Employees**	(i)	Recognition of service by providing fair remuneration as also incentives;
		(ii)	Stability of employment;
		(iii)	Help improve standard of living.
(c)	**Customers**	(i)	Provide quality goods or services at a fair price and on fair terms;
		(ii)	Restraint from restrictive practices or unfair practices.
(d)	**Competitors**	(i)	Restraint from adopting any strategy to elbow competitors out with unfair or restrictive practices or through violation of competition law norms.
(e)	**Creditors**	(i)	Ability to pay the principal and interest as per contractual obilgations.
(f)	**Government**	(i)	Behave as a responsible and good corporate citizen;
		(ii)	Non-evasion of taxes and dues to the Government;
		(iii)	Involvement in social cause, e.g. charities, donations etc.
(g)	**Community**	(i)	Growth in employment generation to secure good local employment;
		(ii)	protection of environment.
(h)	**Public at large**	(i)	To hold the board accountable for - (a) Limiting senior executives compensation; (b) Full environmental protection. (c) Avoidance of fraud within the company. (d) Caring for employees.

2.12 Business Ethics and Corporate Governance

The word 'ethics' owes its origin to Greek word 'ethos' which means a system of moral principles, the basis for deciding right and wrong actions, and implies customs, habits, noble traits in character, discipline, culture and disposition. The ethical principles are the rules of conduct that are derived from ethical values, know as six pillars, viz. trustworthiness, respect, responsibility, fairness, caring and citizenship. These values are inseparable from one another and are closely interwoven and interlinked with each other.

It is now established that a high sense of professional morality must comprise one of the core values of corporate governance for long term as also short term success of a company. The ethical values nowadays, are not looked upon any longer, as costs imposed on the industry or a check on efficiency and profit maximization, but are regarded as imperatives for sustainable corporate growth and competitive edge. A highly developed sense of ethics enables corporate governance to build a trusting, long term relationship with consumers.

The ethical values in relation with competitors explore the issue of how far a business should go in trying to beat a competitor. The ethical values in relation to employment raise question on whether an employer owes any special duties to employees beyond legal ones. The ethical values in relations to customers explore the extent to which ethical considerations restrict the traditional attitude of caveat emptor in this area. The ethical values in relation to society consider whether business owes any duty to society other than profit making.

The following factors, by and large, influence the ethical environment in an organization:

(a) ethical vision of management which may need a review;

(b) holistic human values the organization has developed;

(c) ethical code acquired within the organization;

(d) source of individual inspiration;

(e) managerial character and ethical dedication;

(f) workplace environment and compulsion to follow the ethical norms.

A company is characterized by its ethical culture, which remains paramount in its daily operations. Good corporate governance is an integral part of business ethics. When a company's board of directors adopts ethics and declares it as its credo, to its management group, its executives and employees, ethics would automatically pervade the organization and build a fair amount of goodwill for the business. Many good organizations, order to upheld ensure ethical practices within the organization and outside have developed a 'code of conduct' for their employees. There also exists another form of documents called a code of ethics. These codes do help to make the employees and executives sensitive to their own behaviour and ethical implications.

The convergence of the roles and responsibilities of directors-both executive and non-executive, auditors, and shareholders is pre-requisite for achieving the targeted mission of a modern corporate governance and excellence. Certain core values-desirable and auditable values are to be in built in the system of governance so that boundaries for performance for each player are well defined. This facilitates in laying down the responsibility and accountability in ensuring proper governance. Corporate governance, after all, is a system embedded with confirmations of values and ethics towards making the companies "good corporate citizen."

2.13 Environmental Issues and Corporate Governance

It is a well-known fact that the present environment problems are serious. In recent years, the environment degradation due to different types of pollution occurring in air, water, soil and the biosphere have grow to an alarming level. Most of the blame has been laid at the doorstep of industry. The problems like global warming, depletion of ozone layer. increased instances of health problems etc. have arisen due to rapid industrialization without any consideration for environment protection. Industry can no longer survive with the damaging

image of being responsible for environment damage. Therefore companies have to re-examine and refurbish their activities right from the nature of products they produce, technology they employ, raw materials they use and the way they market their products.

The environment protection and pollution prevention have been recognized as the essentials for good corporate governance practices. Many well governed companies have developed their environmental policy and disclosed the same in the annual report.

In the near future companies that refuse to go green will definitely perish in an environmentally waste conscious society. Therefore, corporate leaders should essentially learn to promote resource preservation by reducing waste and maximizing resources while improving profitability. Environmental audits can provide an in depth review of the company processes and progress in realizing long term strategic goals.

The Ministry of Corporate Affairs has taken a "Green Initiative in Corporate Governance" by allowing paperless compliances by companies through electronic mode. Companies can now send various notices and documents, including Annual Report, to its shareholders through electronic mode to the registered e-mail addresses of shareholders as this will reduce paper consumption to a great extent.

2.14 Obligations to Various Stakeholders

Following are some obligations of corporate houses towards various stakeholders :-

Obligation to Society

A corporation is a creation of law as an association of persons forming part of the society in which it operates. Its activities are bound to impact the society as the society's values would have an impact on the corporation. Therefore, they have mutual rights and obligations to discharge for the benefit to each other.

1. **National Interest :** A company (and its management) should be committed in all its actions to benefit the economic development of the militate against such an objective. A company should not undertake any project or activity detrimental to the nation's interest or house that will have an adverse impact on the social and cultural life patterns of its citizens. A company should conduct its business in consonance with the economic development of the country and the objectives and priorities of the nation's government and must strive to make a positive contribution to the realization of its goals.

2. **Political Non-alignment :** A company should be committed to and support a functioning democratic constitution and system with a transparent and fair electoral system and should not support directly or indirectly any specific political party or candidate for political office. The company should not offer or give any of its funds or property as donations directly or industry to any specific political party candidate or campaign.

3. **Legal Compliances :** The management of a company should comply with all applicable government laws, rules and regulations. The employees and directors should acquire appropriate knowledge of the legal requirements relating to their duties sufficient to recognize potential dangers. Violations of applicable governmental laws, rules and regulations may subject them to individual criminal or civil liability as well as disciplinary action by the company apart from subjecting the company itself to civil or criminal liability or even the loss of business. Legal compliance will also mean that corporations should abide by the tax laws of the nations in which they operate such as corporate tax, income tax,

excise duties, sales tax and other levies imposed by respective governments. These should be paid on time and as per the required amount.

4. **Rule of Law :** Good governance requires fair, legal frameworks that are enforced impartially. It also requires full protection of rights, particularly those of minority shareholders. Impartial enforcement of laws require an independent judiciary and regulatory authorities.

5. **Honest and Ethical Conduct :** Every officer of the company including its Directors, executive and non-executive director, managing director, CEO, CFO and CCO should deal on behalf of the company with professionalism, honesty, commitment and sincerity as well as high moral and ethical standards. Such conduct must be fair and transparent and should be perceived as such by third parties as well. The officers are also expected to act in accordance with the highest standards of personal and professional integrity and ethical conduct at their place of work or while working on offsite locations where the company's business are located or at social events or at any other place where they represent the company. Honest conduct is a conduct that is free from fraud or deception. Ethical conduct is an ethical handling of actual or apparent conflicts between personal and professional relationship.

6. **Corporate Citizenship :** A corporations should be committed to be a good corporate citizen not only in compliance with all relevant laws and regulations, but also by actively assisting in the improvement of the quality of life of the people in the communities in which it operates with the objective of making them self-reliant and enjoy a better quality of life.

   Such social commitment consists of initiating and supporting community initiatives in the field of public health and family welfare, water management, vocational training, education and literacy and encourages application of modern scientific and managerial techniques and expertise. The company should review its policy, in this respect, periodically in consonance with national and regional priorities. The company should strive to incorporate them as an integral part of its business plan and not treat them as optional and something dispensed with when inconvenient. It should encourage volunteering amongst its employees and help them to work in the communities. The company should develop social accounting systems and carry out social audit of its operations towards the community, employees and shareholders.

7. **Ethical Behaviour :** Corporations have a responsibility to set exemplary standards of ethical behaviour, both internally within the organization, as well as in their external relationships. Unethical behaviour corrupts organizational culture and undermines stakeholders value. The board of directors have a great moral responsibility to ensure that the organization does not derail from an upright path to make short-term gains.

8. **Social Concerns :** Corporations exist beyond time and space. So they have to set an example to their employees and shareholders. New paradigm is that the company should not only think about its shareholders but also think about its stakeholders and their benefit. A corporate should not give undue importance to shareholders at the cost of small investors. They should treat all of them equally and equitably. The company should have concerns towards the society. It can help the needy people and show its concerns by not polluting the water, air and land. The waste disposal should not affect any human or other living creatures.

9. **Corporate Social Responsibility :** Accountability to stakeholders is a continuing topic of divergent views in corporate governance debates. In line with the developing trends towards an integrated model of governance towards the creations of an ideal corporate, the emphasis should be laid on corporate social responsiveness and ethical business practices seeking what might well turn out to be not only the first small steps for better governance on this front but also the promise of a more transparent and internationally respected corporates of the future.

10. **Environment-friendliness :** Corporations tend to be intervening in altering and transforming nature. For corporations engaged in commodity manufacturing, profit comes from converting raw materials into saleable product and vendible commodities. Metals from the ground are converted into consumer durables. Trees are converted into boards, houses, and furniture and paper product. Oil is converted into energy. In all such activities, a piece of nature is taken from where it belongs and processed into a new form. So companies have a moral responsibility to save and protect the environment. All the pollution standards have to be followed meticulously and organizations should develop a culture having more concern towards environment.

11. **Healthy and Safe Working Environment :** A company should be able to provide a safe and healthy working environment and comply with the conduct of its business affairs with all regulations regarding the preservation of environment of the territory it operates in. It should be committed to prevent the wasteful use of natural resources and minimize the hazardous impact of the developments, production, use and disposal of any of its products and services on the ecological environment.

12. **Competition :** A Company should play its role in the establishment and support a competitive, open market economy and co-operate to promote the progressive and judicious liberalization of trade and investment by a country. It should not covertly or overtly engage in activities, which lead to or support the formation of monopolies, dominant market positions, cartels and similar unfair trade practices.

    A company should market its products and services on its own merits and should not resort to unethical advertisements or include unfair and misleading pronouncements on competitors product and services. Any collection of competitive information shall be made only in the normal course of business and shall be obtained only through legally permitted sources and means.

13. **Trusteeship :** Corporate have both a social purpose and an economic purpose. They represent a coalition of interest, namely, those of the shareholders, other providers of capital, business associates and employees. This belief, therefore, casts a responsibility of trusteeship on the company's board of directors. They are to act as trustees to protect and enhance shareholder value, as well as to ensure that the company fulfills its obligations and responsibilities to its other stakeholders. Inherent in the concept of trusteeship is the responsibility to ensure equity, namely, that the rights of all shareholders, large or small, foreign or local, majority or minority, are equally protected.

14. **Accountability :** Accountability is a key requirement of good governance. Not only governmental institutions but also the private sector and civil society organizations must be accountable to the public and to their institutional stakeholders. Who is accountable to whom varies depending on whether decisions or actions taken are internal or external to an organization or institution. In general, an organization or institution is accountable to those who will be affected by its decisions or actions. Accountability cannot be enforced without transparency and the rule of law.

15. **Effectiveness and Efficiency :** Good governance means that process and institutions produce results that meet the needs of society while making the best use resources at their disposal. The concept of efficiency in the context of good governance also covers the sustainable use of natural resources and the protection of the environment.

16. **Timely Responsiveness :** Good governance requires that institutions and processes try to serve all stakeholders within a reasonable timeframe. They should also address the concerns of all stakeholders and the society at large.

17. **Corporations Should Uphold the Fair Name of the Country :** When companies export their products or services, they should ensure that these are qualitatively good and are delivered in time. They have to ensure that the nation's reputation is not sullied abroad during their deals, either as exporters or importers. They have to ensure maintenance of the quality of their products, which should be the brand ambassadors for the country.

Obligation to Investors

That the investors as shareholders and providers of capital are of paramount importance to a corporation is such an accepted fact that it need be overstressed here. A company has the following obligations to investors:

1. **Towards Shareholders :** A company should be committed to enhance shareholders value and comply with all regulations and laws that govern shareholder's rights. The board of directors of the company shall and fairly inform its shareholders about all relevant aspects of the company's business and disclose such information in accordance with the respective regulations and agreements. Every employee shall strive for the implementations of and compliance with this in his professional environment. Failure to adhere to the code could attract the most severe consequences including termination of employment or directorship as the case my be.

2. **Measures Promoting Transparency and Informed Shareholder Participation :** A related issue of equal important is the need to bring about greater levels of informed attendance and meaningful participation by shareholders in matters relating to their companies without, however, such freedom being abused to interfere with management decision. An ideal corporate should address this issue and relate it to more meaningful and transparent accounting and reporting.

3. **Transparency :** They means that decisions taken and their enforcement are done in a manner that follows rules and regulations. It also means that information is freely available and directly accessible to those who will be affected by such decisions and their enforcement. It also means that enough information's is provided and that it is provided in easily understandable forms and media.

4. **Financial Reporting and Records :** A company should prepare and maintain accounts of its business affairs fairly and accurately in accordance with the accounting and financial reporting standards, laws and regulation of the country in which the company conducts its business affairs.

   Likewise, internal accounting and audit procedures shall fairly and accurately reflect all of the company's business transactions and disposition of assets. All required information's shall be accessible to the company's auditors, non-executive and independent directors on the board and other authorized parties and government agencies. There shall be no willful omissions of any transaction from the books and records, no advance income recognition and no hidden bank accounts and funds.

Such, willful material misrepresentation of and/or misinformation's of the financial accounts and reports shall be regarded as a violation of the firm's ethical conduct ethical conduct and also will invite appropriate civil or criminal action under the relevant laws of the land.

Obligation to Employees

For too long, corporate in free societies had been adopting a "Hire and Fire" policy in employment of men and women in their work places and hardly treated them humanely taking advantage of the fact that workers had a commodity, namely, labour that was highly perishable with little bargaining power. But in the context of enhanced awareness of better governance practices, managements should realize that they have their obligations towards their works too.

1. **Fair Employment Practices :** An ideal corporate should commit itself to fair employment practices, and should have a policy against all forms of illegal discrimination. By providing equal access and fair treatment to all employees on the basis of merit, the success of the company will be improved while enhancing the progress of individuals and communities. The applicable labour and employment laws should be followed scrupulously wherever it operates. That includes observing those laws that pertain to freedom of association, privacy, and recognition of the right to engage in collective bargaining, the prohibition of forced, compulsory and child labour, and also laws that pertain to the elimination of any improper employment discrimination.

2. **Equal Opportunities :** A company should provide equal opportunities to all its employees and all qualified applicants for employment without regard to their race, caste, religion, colour, ancestry, marital status, sex, age, nationality, disability and veteran status. Its employees should be treated with dignity and in accordance with a policy to maintain a conducive work environment free of sexual harassment, whether physical, verbal or psychological. Employee policies and practices should be administered in a manner that ensure that in all matters equal opportunity is provided to those le and the decisions are merit-based.

3. **Encouraging Whistle Blowing :** It is generally felt that if whistle blower concerns have been addressed to some of the recent disasters could have been avoided, and that in order to prevent future misconduct, whistle blowers should be encouraged to come forward. So an ideal corporate is one that deals pro-actively with whistle blowers and to make sure employees have comfortable reporting channels and are confident that they will be protected from any form of retribution. Such an approach will enhance the company's chances to become aware of, and to appropriately deal with, a concern before an illegal act has been committed rather than after the damage has been done. If reporting is delayed, the company's reputation can be seriously harmed and it can face a serious risk of prosecution with all its disastrous consequences. An ideal Whistle Blower Policy would mean :

   (a) Personnel who observe an unethical or improper practice (not necessarily a violation of law) shall be able to approach the CEO or the audit committee without necessarily informing their supervisors.

   (b) The company shall take measures to ensure that this right of access is communicated to all employees through means of internal circulars, etc. The employment and other personnel policies of the company should contain provisions protecting whistle blowers" from unfair termination and other prejudicial employment practices.

(c) The appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the audit committee.

4. **Humane Treatment :** Now corporations are viewed like humans and similar kind of behaviour is expected from them like a man with good sense. Companies should treat their employees as their first customers and above all as human. They have to meet the basic needs of all employees in the organization. There should be a friendly, healthy and competitive environment for the workers to prove their ability.

5. **Participation :** Participation by both men and women is a key cornerstone of good governance. Participation could be either direct or through legitimate intermediate institutions or representatives. Participation needs to be informed and organized. This means freedom of association and expression on the one hand and an organized civil society on the other.

6. **Empowerment :** Empowerment is an essential concomitant of any company's principle of governance that management must have the freedom to drive the enterprise forward. Empowerment is a process of actualizing the potential of its employees. Empowerment unleashes creativity and innovation throughout the organization by truly vesting decision-making powers at the most appropriate levels in the organizational hierarchy.

7. **Equity and Inclusiveness :** A corporation is a miniature of a society whose well being depends on ensuring that all its employees feel that they have a stake in it and do not feel excluded from the mainstream. This requires all groups, particularly the most vulnerable, have opportunities to improve or maintain their well being.

8. **Participative and Collaborative Environment :** There should not be any form of human exploitation in the company. There should be equal opportunities for all levels of management in any decision-making. The management should cultivate the culture where employees should feel they are secure and are being well taken care of. Collaborative environment would bring peace and harmony between the working community and the management, which in turn, brings higher productivity, higher profits and higher market share.

Obligation to Customers

A corporation's existence cannot be justified without its being useful to its customers. Its success in the marketplace, its profitability and its being beneficial to its shareholders by paying dividends depends entirely as to how it builds and maintains fruitful relationships with its customers.

1. **Quality of Products and Services :** The company should be committed to supply goods and services of the highest quality standards, backed by efficient after sales service consistent with the requirements of the customers to ensure their total satisfaction. The quality standards of the company's goods and services should meet not only the required national standards but also should endeavour to achieve international standards.

2. **Products at Affordable prices :** Companies should ensure that they make available to their customers quality goods at affordable prices. While making normal profit is justifiable, profiteering and fattening on the miseries of the poor consumers is unacceptable. Companies should constantly endeavour to update their expertise, technology and skills of manpower to cut down costs and pass on such benefits to customers. They should not create a scare in the midst of scarcity or by themselves create an artificial scarcity to make undue profits.

3. **Unwavering Commitment to Customer Satisfaction :** Companies should be fully committed to satisfy their customers and earn their goodwill to stay long in the business. They should respect in letter and spirit warranties and guarantees given on their products and call back from markets, goods found to be sub- standard or harmful and replace them with good ones.

Managerial Obligation

1. **Protecting Company's Assets :** The assets of the company should not be dissipated or misused but invested for the purpose of conducting the business for which they are duly authorized. These include tangible assets such as equipment and machinery, systems, facilities, resources as well as intangible, assets such as proprietary information, relationships with customers and suppliers, etc.

2. **Behaviour Towards Government Agencies :** A company's employees should not offer or give any of the firm's funds or property as donation to any government agencies or their representatives directly or through intermediaries in order to obtain any favourable performance of official duties.

3. **Control :** Control is a necessary principle of governance that the freedom of management should be exercised within a framework of appropriate checks and balances. Control should prevent misuse of power, facilitate timely management response to change, and ensure that business risks are pre-emotively and effectively managed.

4. **Gifts and Donations:** The company's employees should neither receive nor make directly or indirectly any illegal payments, remuneration, gifts, donations or comparable benefits, which are intended to or perceived to obtain business or uncompetitive favours for the conduct of its business. However, the company and its employees may accept and offer nominal gifts, which are customarily given and are of a commemorative nature for special events provided the same is disclosed on time to the management.

5. **Role and Responsibilities of Corporate Board and Directors :** The role of the corporate board of directors as stewards of their stakeholders has gained significant importance in recent decades. Successive corporate failures, scams, debacles and other disasters have strengthened the demand for more transparency and accountability on the part of corporations. In the discharge of these onerous responsibilities, the corporate board has come to be regarded as the principal arbiter ensuring, on the one hand, that executive management creates wealth competently and through legitimate means, and on the other hand, such created wealth is equitably distributed to all shareholders after meeting the due aspirations of, and obligations to, other stakeholders.

   An ideal Corporate Calls for a greater role and influence for non-executive independent directors, a tighter delineation of independence criteria and minimization of interest-conflict potential and some stringent punitive punishments for executive directors of companies failing to comply with listing and other requirements.

6. **Managing and Whole-time Directors :** Managing and other whole-time directors are required to devote whole or substantially whole of their time to the affairs of the company. And yet many of them serve as non-executive directors on several other boards. An ideal corporate affords the shareholders and stakeholders of the company the benefit of having their chosen executive's full attention in the matters of the company. An ideal corporate must necessarily limit the nature and number of their other non-executive directorships.

2.15 Summary

Corporate governance ensures transparency, full disclosures and accountability of companies to all its stakeholders. Good corporate governance has assumed great importance due to changing ownership structure, social responsibility, scams and globalization. Good governance itself is part of corporate social responsibility towards society at large. Corporates cannot anymore ignore the concerns of environment and ecology. In present days's environment the value based management and practice of ethics have become imperatives in corporate governance and also in the foreseeable future. "If value are the bedrock of any corporate culture, ethics are the foundation of authentic business relationships."

2.16 Key Words

- **Business Ethics :** is the application of general ethical ideas to business behavior.
- **Stakeholders :** it includes shareholders, employees, customers, competitors, creditors, government, community, shareholders.
- **CSR :** is corporate social responsibility. CSR is about business giving back to society.

2.17 Self Assessment Text

1. What are the philosophy, purposes and core principles of corporate governance ?
2. What are the expectations of various stakeholders from a company ?
3. Is there any relationship between business ethics and corporate governance ? If so, how do business ethics influence governance process in a company ?
4. Is there any influence of environmental issues on corporate governance ?

2.18 References

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Unit - 3 : Corporate Social Responsibility

Unit Structure:

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3.1 Introduction
3.2 Evolution of Concept
3.3 Importance of Corporate Social Responsibility
3.4 Corporation and Social Responsibility
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3.6 Corporate Social Performance
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3.0 Objectives

After studying this unit, you should be able to appreciate:

- The genesis, concept, purpose and need for corporate social responsibility
- The reasons in favor and against the concept of corporate social responsibility
- The theories and driving forces behind the concept
- Cost Benefit analysis of adopting the concept as part of company policy

3.1 Introduction

European Commission defines CSR as: "A concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment. A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis". CSR definition used by Business for Social Responsibility is: "Operating a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of business The World Business Council for Sustainable Development in its publication "Making Good Business Sense" by Lord Holme and Richard Watts, give definition "Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large"

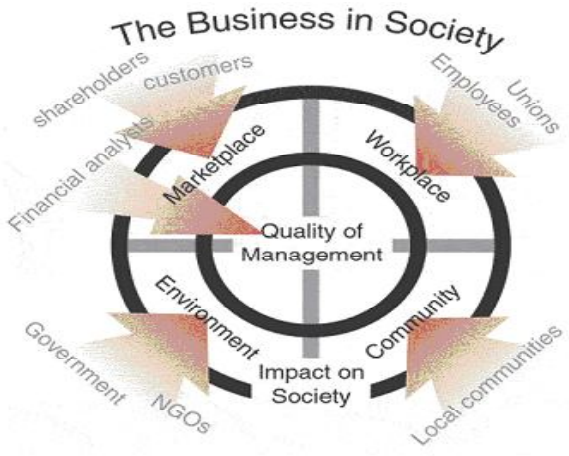
Corporate Social Responsibility (CSR), also known as Corporate Responsibility, Corporate Citizenship, Responsible Business, Sustainable Responsible Business (SRB), Triple Bottom Line Reporting (TBL i.e. honoring People, Planet, Profit) or Corporate Social Performance, is a form of corporate self-regulation integrated into a business model. It is the deliberate inclusion of public interest into corporate decision-making. It is also linked to the concept which is used as a framework for measuring an organization's performance against economic, social and environmental parameters.

The term generally applies to company efforts that go beyond what may be required by regulators or environmental protection groups.

Corporate Social Responsibility (CSR) is becoming an increasingly important activity to businesses nationally and internationally. As globalization accelerates and large corporations serve as global providers, these corporations have progressively recognized the benefits of providing CSR programs in their various locations. CSR activities are now being undertaken throughout the globe. Corporate Responsibility (CR) has emerged as a significant theme in the global business community and is gradually becoming a mainstream activity.

The growing emphasis on corporate responsibility is affecting the relationship between companies and their various stakeholders, such as investors, customers, vendors, suppliers, employees, communities and governments.

According to Archie Carroll and Buchholtz, corporate social responsibility (CSR) can be defined as the "economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time" The concept of corporate social responsibility means that organizations have moral, ethical, and philanthropic responsibilities in addition to their responsibilities to earn a fair return for investors and comply with the law. A traditional view of the corporation suggests that its primary, if not sole, responsibility is to its owners, or stockholders. However, CSR requires organizations to adopt a broader view of its responsibilities that includes not only stockholders, but many other constituencies as well, including employees, suppliers, customers, the local community, local, state, and federal governments, environmental groups, and other special interest groups. Collectively, the various groups affected by the actions of an organization are called "stakeholders." Corporate social responsibility (CSR) differs from place to place, industry to industry and over time. It is increasingly accepted that in order to define precisely what social responsibility means to a company, it needs to engage with its stakeholders and take into account their needs and aspirations when designing CSR strategies & programmes. It is difficult to define CSR precisely because it will always have a location-specific context. It is therefore vital to understand the priorities of local stakeholders and take them into account.



Corporate social responsibility is related to business ethics. They are not identical, which is the general perception. While CSR encompasses the economic, legal, ethical, and discretionary responsibilities of organizations, business ethics usually focuses on the moral judgments and behavior of individuals and groups within organizations. Thus, the study of business ethics may be regarded as a component of the larger study of corporate social responsibility.

Ideally, CSR policy should function as a built-in, self-regulating mechanism whereby business monitors and ensures its support to law, ethical standards and international norms. Consequently, business embraces responsibility for the impact of its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere. Furthermore, CSR-focused businesses proactively promote the public interest by encouraging community growth & development and voluntarily eliminating practices that harm the society at large in any way. It can involve incurring short-term costs that do not provide an immediate financial benefit to the company, but instead promote positive social and environmental change. The rationale for CSR has been deliberated in many ways, but, in essence it is about building sustainable businesses, which need healthy economies, markets and communities.

Companies have a lot of power in the community and in the national economy. The turnover of some companies is equivalent to the GDP of a country or a sizeable part of it. They control a lot of assets and may have billions in cash at their disposal for socially conscious investments and programs. Many large corporations are devoting real time and money to environmental sustainability programs, alternative energy and various social welfare initiatives to benefit employees, customers and the community at large.

CSR is a difficult and debatable topic for companies to deal with. It can often be very costly and yield benefits that are hard to quantify. There is a persistent debate about whether the corporate responsibility represents an unjustified intrusion into corporate affairs and whether companies should invest profits in their own CSR projects or return the money to shareholders to let them invest as per their judgment. Still, there is no denying that CSR has become an important issue facing the global business community and promises to grow in importance in the coming years.

3.2 Evolution of Concept

The nature and scope of corporate social responsibility has changed over time. The concept of CSR is a relatively new one—the phrase has only been in wide use since the 1960s. While the economic, legal, ethical, and discretionary expectations placed on organizations may differ, but all societies throughout the timeline have expected responsible actions from the organizations to some extent.

In the eighteenth century the great economist and philosopher Adam Smith expressed the traditional or classical economic model of business which suggested that the needs and desires of society could best be met by the unfettered interaction of individuals and organizations in the marketplace. By acting in a self-interested manner, individuals would produce and deliver the goods and services that would earn them a profit, but also meet the needs of others. The viewpoint expressed by Adam Smith over 200 years ago still forms the basis for free-market economies in the twenty-first century. However, even Smith recognized that the free market did not always perform perfectly and he stated that marketplace participants must act honestly and justly toward each other if the ideals of the free market are to be achieved.

In the century after Adam Smith, the Industrial Revolution brought about a radical change, especially in Europe and the United States. Many of the principles propounded by Smith were borne out as the introduction

of new technologies allowed for more efficient production of goods and services. Millions of people obtained jobs that paid more than they had ever made before and the standard of living greatly improved. Large organizations developed and acquired great power, and their founders and owners became some of the richest and most powerful men in the world. In the late nineteenth century many of these individuals believed in and practiced a philosophy called "Social Darwinism," which simply put, is the idea that the principles of natural selection and survival of the fittest are applicable to business and social policy. This type of philosophy justified cutthroat, even brutal, competitive strategies and did not allow for much concern about the impact of the successful corporation on employees, the community, or the larger society. Thus, although many of the great tycoons of the late nineteenth century were among the greatest philanthropists of all time, their giving was done as individuals, not as representatives of their companies. While they were donating huge sums of money to various charities, their companies were practicing exploitative business methods.

Around the beginning of the twentieth century a backlash against the large corporations began to gain momentum. Big business was criticized for their undue power, antisocial and anticompetitive practices. Laws and regulations were enacted to control the large corporations and to protect employees, consumers, and society at large. An associated movement, called the "social gospel," advocated interests of the working class and the poor. The labor movement demanded greater social responsiveness from business community. It was between 1900 and 1960 that the businesses started accepting additional responsibilities beyond profit making profit and obeying the law.

In the 1960s and 1970s the civil rights movement, consumerism, and environmentalism affected society's expectations of business. Based on the general idea that those with great power have great responsibility, many called for the business world to be more proactive in: (1) Ceasing to cause societal problems and (2) Starting to participate in solving societal problems.

Organizations were legally bound regarding provision of equal employment opportunity, product safety, worker safety, environmental safety etc. Subsequently, the society began to expect business to voluntarily participate in solving societal problems irrespective of the source of their precipitation. This was based on the view that corporations should go beyond their economic and legal responsibilities and accept responsibilities related to the betterment of society. This view of corporate social responsibility is the prevailing view in most countries.

The term CSR came in to common use in the early 1970s, after many multinational corporations were formed. The term stakeholder, meaning those on whom an organization's activities have an impact, was used to describe corporate owners beyond shareholders as a result of an influential book by R. Freeman in 1984.

ISO 26000 is the recognized international standard for CSR (currently a Draft International Standard). Public sector organizations (the United Nations for example) adhere to the Triple Bottom Line (TBL). It is widely accepted that CSR adheres to similar principles but with no formal act of legislation. The UN has developed the Principles for Responsible Investment as guidelines for investing entities.

The Indian scenario, also, has undergone a remarkable change over the years. Many big business houses have gone beyond business imperatives to do something for the society.

There was a time when the companies merely dispensed cash to organizations or NGOs engaged in social work through charities. Others promoted activities that were mutually beneficial, to villagers living around a company plant or town as well as to their own employees. For example, villagers were encouraged to

produce more vegetables or keep cattle for milk for which the company provided the seed capital, the knowledge and the marketing infrastructure to ensure that the extra produce reached town.

The villagers were encouraged to take the risk and try their hand at new farming activities because of the assurance of a dependable market and a steady income.

This has changed over a period of time to "community outreach": reaching out to the communities around company plants or offices to provide amenities that were lacking.

Companies supplemented facilities in schools or hospitals, helped women earn extra income through sponsorship of, say, sewing machines or community centers which, apart from generating income, promoted adult literacy and family welfare activities.

With the growth of environment consciousness in the 1960s, companies felt the need to compensate the environment for some of the damage done. They got involved in forestation, water conservation and similar projects.

The concept of corporate social responsibility (CSR) thus evolved — from philanthropy to a more elaborate concept that encompassed the environment, employee relations, corporate governance and engaging with the community.

3.3 Importance of Corporate Social Responsibility

The importance of CSR cuts across all the dimensions of an organization. If the concept of CSR propounds values and accountability, it also stresses on the behavior patterns of the employees, suppliers etc. In this sense, virtually everything that falls within the purview of HR - from training, recruitment, staff retention, policies, procedures and strategy - involves CSR.

This can cover many areas such as financial integrity, transparency and accountability, leadership from the board and being employer of choice. It is central to the implementation of policies and programmes. Having good corporate governance means that these areas are embedded in the organization and deliver to the business and to stakeholder objectives.

For a business being CSR compliant is also an exercise in future-proofing its business as risks and opportunities are identified. Quite often changes lead to performance improvements such as increased staff retention and customer satisfaction. Adding this value is one of the main reasons why CSR is of increasing relevance.

CSR is a crosscutting topic under which numerous issues can be grouped including training and education, capacity building, leadership, health and safety, working conditions, human rights, stakeholder engagement and corporate governance. Large multi-national companies were the first to identify CSR as a potential tool to improve performance and through their supply chain they have been able to strengthen it further by asking other participants to comply with their standards.

Reputation matters. Reputation for reliable performance attracts investors. Reputation for fairness guarantees good industrial relations. Reputation for quality and value for money wins customers. They are embedded with practical value. Many companies have experienced that a stakeholder approach encourages loyalty from all the players who can influence a company's success.The informed public of today is more likely to believe pressure groups or the media than business. It has been seen that corporate social responsibility and attention to the concerns of a company's stakeholders really works for the company as well as society. The CSR movement is should be perceived as an opportunity and not as a threat since it offers a

new and positive course to follow that can help to establish a new relationship between business and society based on trust and shared values, leading to greater freedom for business and a more enlightened public attitude to profit.

Companies with high CSR standards, are able to clearly demonstrate responsibility to investors, legislators, shareholders, employees, customers and the general public, and therefore manage risk and enhance their corporate reputation. By focusing on and reducing their environmental impacts, they are also saving money on electricity bills, resource use and waste removal. Companies with rigorous corporate responsibility standards are also best positioned to attract and retain high quality staff, thereby reducing employee turnover rates and recruitment costs. The concept of corporate social responsibility is now firmly rooted on the global business agenda. But in order to move from theory to concrete action, many obstacles need to be overcome. A key challenge facing business is the need for more reliable indicators of progress in the field of CSR, along with the dissemination of CSR strategies. Transparency and dialogue can help to make a business appear more trustworthy, and push up the standards of other organizations at the same time.

The Global Reporting Initiative is an international, multi-stakeholder effort to create a common framework for voluntary reporting of the economic, environmental, and social impact of organization-level activity. Its mission is to improve the comparability and credibility of sustainability reporting worldwide.

There is increasing recognition of the importance of public-private partnerships in CSR. Private enterprise is beginning to reach out to other members of civil society such as non-governmental organizations, the United Nations, and national and regional governments. An example of such a partnership is the 'Global Compact'. Launched in 1999 by the United Nations, the Global Compact is a coalition of large businesses, trade unions and environmental and human rights groups, brought together to share a dialogue on corporate social responsibility. Management training plays an important role in implementation of CSR strategies, and there is a growing number of conferences and courses available on the subject. Organizations that provide such training include Global Responsibility, Business for Social Responsibility and the Corporate Social Responsibility Forum.

3.4 Corporation and Social Responsibility

A corporation is defined in terms of legal status and ownership of assets. They are regarded as independent from those who work / manage/ invest/ receive products or services from them. Corporations are separate entities in their own right. Due to this, corporations are regarded as having perpetual succession.

It is this status that mandates a thought process for CSR.

- Corporations are regarded as 'artificial persons' in the eye of the law rendering them certain rights and responsibilities in society.
- Corporations exist independently of their shareholders. They hold own assets and shareholders are not responsible for the debts or damages caused by the corporation as the former have limited liability.
- Managers and directors have a fiduciary responsibility to protect the investment of shareholders.

This establishes a legal periphery for corporations by being legally responsible for its actions in the eyes of law. This is different from the concept of assigning a moral responsibility which is concerned and applicable only in the case of organic entities.

3.5 Corporate Social Responsiveness

The idea focuses on more strategic and process based aspects of CSR i.e. how the corporations actively respond to social concerns and expectations. It is more action centric. A. Carroll (1979), Wood (1991) and Fredrick (1994) have defined corporate social responsiveness in the following way:

Corporate social responsiveness refers to the capacity of a corporation to respond to social pressures.

The modes of social responsiveness have been illustrated by Archie Carroll as follows:

- **Reaction** – In this the corporate denies any responsibility for social issues by shifting the responsibility and / or blame on to the government. They argue that the corporation is not to be blamed.
- **Defense** – the corporation admits responsibility but fights it, doing the very least that is required. Here, the focus is more on superficial public relations rather than positive action.
- **Accommodation** – The Corporation accepts the responsibility and takes steps as demanded of it by the various relevant groups.
- **Pro Action** - The Corporation seeks to go beyond the industry norms and anticipates future expectations by doing more than is expected.

Many corporations appear to have a shifting strategy as far as social responsiveness is concerned. For example, in the past many tobacco companies have out rightly denied a link between smoking and health problems. Even the mandatory warning to be shown in the advertisement is barely legible. Since, it is very difficult to identify clearly the strategies of social responsiveness. This has led to the development of certain observable standards pertaining to business commitment to CSR, namely Corporate Social Performance.

3.6 Corporate Social Performance

The idea is that if a company can be rated and classified according to the economic performance, it can be done in case of societal performance too with the help of CSP (Corporate Social Performance). The famous thinker on the issue of CSR, Donna Wood, has been instrumental in giving a state-of-the-art model in this context.

According to her model, corporate social performance can be observed as:

- The principles of CSR
- The processes of social responsiveness
- The outcomes of corporate behavior – These are further categorized in 3 important areas:
    - **Social Policies** that are explicitly stated and pronounced through the values, beliefs and goals of the company with regard to its social environment
    - **Social Programmes** – Implementing specific social programs to achieve social policies
    - **Social Impacts** – These can be traced by looking at substantial changes the corporation is able to achieve through the programmes implemented.

Hence, the outcomes of CSR in the from of CSP can be observed but the actual measurement of social performance is a very complex task

3.7 Corporate Citizenship

The term emerged in the mid 1990s as a new way to address the societal role of the corporation. A milestone was achieved in this process when a joint statement on 'Global Corporate Citizenship – The Leadership Challenge for CEOs and Boards', was signed by CEOs from around 40 of the world's largest MNCs at the annual World Economic Forum in 2002.

Much of the literature on CC is relatively new and a widely acceptable definition is yet to be established.

The concept of Corporate Citizenship has 3 perspectives given by (Matten, Crane and Chapple, 2003):

- A limited view of CC – this equates corporate citizenship with 'philanthropy'
- An equivalent view of CC – this equates corporate citizenship with Corporate Social Responsibility
- An extended view of CC – this view acknowledges the extended political role of the corporation in society

	LIMITED VIEW	***EQUIVALENT VIEW***	***EXTENDED VIEW***
FOCUS	Philanthropy, project based focus, scope limited	All areas of CSR	Citizenship, Rights (civil, social, politically)
TARGET STAKEHOLDERS	Local communities, employees	Broad range of stakeholders	Broad range of citizens; society in general
MOTIVE	Mainly philanthropic, economic angle where citizenship is strategic	Mixed– philanthropic, legal, ethical, economic	Political
MORAL GROUNDING	Reciprocating to the society	As a duty to be responsible and avoid harm to society	Source is from political arena changes

3.8 Approaches to Corporate Social Responsibility

The various approaches outlining the concept of CSR are briefed as below:

1. **Community-based Development Approach –** It is becoming widely accepted. The corporations work with local communities to better themselves. For example, the Shell Foundation's involvement in the Flower Valley, South Africa where they have set up an Early Learning Centre to help educate the community's children as well as develop new skills for the adults.
2. **Philanthropy Approach –** This has been the more popular one so far. This includes monetary donations and aid given to local organizations and impoverished communities in developing countries. Some

organizations do not like this approach as it does not help build on the skills of the local people, whereas community-based development generally leads to more sustainable development.

3. **Incorporate CSR Strategy into the Business Strategy of an Organization -** For instance, procurement of Fair Trade tea and coffee has been adopted by various businesses abroad. This also includes green products, animal friendly products and products not involving child labor.

4. **Increasing Corporate Responsibility Interest Approach -** This is called Creating Shared Value or CSV. The shared value model is based on the idea that corporate success and social welfare are interdependent. A business needs a healthy, educated workforce, sustainable resources and trusting government to compete effectively. For society to thrive, profitable and competitive businesses must be developed and supported to create income, wealth, tax revenues, and opportunities for philanthropy. CSV received global attention in the Harvard Business Review article Strategy & Society: the Link between Competitive Advantage and Corporate Social Responsibility by Michael E. Porter and Mark R. Kramer. CSV acknowledges trade-offs between short-term profitability and social or environmental goals, but focuses more on the opportunities for competitive advantage from building a social value proposition into corporate strategy.

3.9 Models of Corporate Social Responsibility

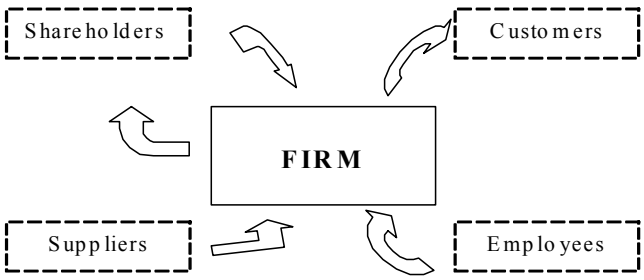
(a) The Stakeholder Model :

Freeman's original definition is by far the most widely used:

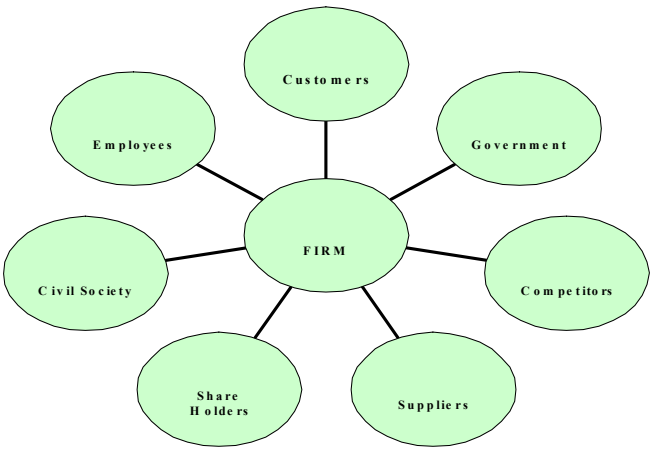
"A stakeholder in an organization is any group or individual who can affect, or is affected by, the achievement of the organization's objectives."

We can define a Stakeholder in the simplest way as follows: "A stakeholder of a corporation is an individual or a group which is either harmed by or benefited from the working of the corporation."

Traditional Management Model



The Stakeholder Model



A "stake" implies that one has an interest or share in the organization and its operations, as per Carroll and Buchholtz. Some stakeholders, such as employees and owners, may have specific legal rights and expectations in regard to the organization's operations. Other stakeholders may not have specific rights granted by law, but may perceive that they have moral rights related to the organization's operations. For example, an environmental group may not have a legal right in regard to a company's use of natural resources, but may believe that they have a moral right to question the firm's environmental policies and to lobby the organization to develop environmentally friendly policies.

All companies, especially large corporations, have multiple stakeholders. One way of classifying stakeholder groups is to classify them as primary or secondary stakeholders. Primary stakeholders have some direct interest or stake in the organization. Secondary stakeholders, in contrast, are public or special interest groups that do not have a direct stake in the organization but are still affected by its operations.

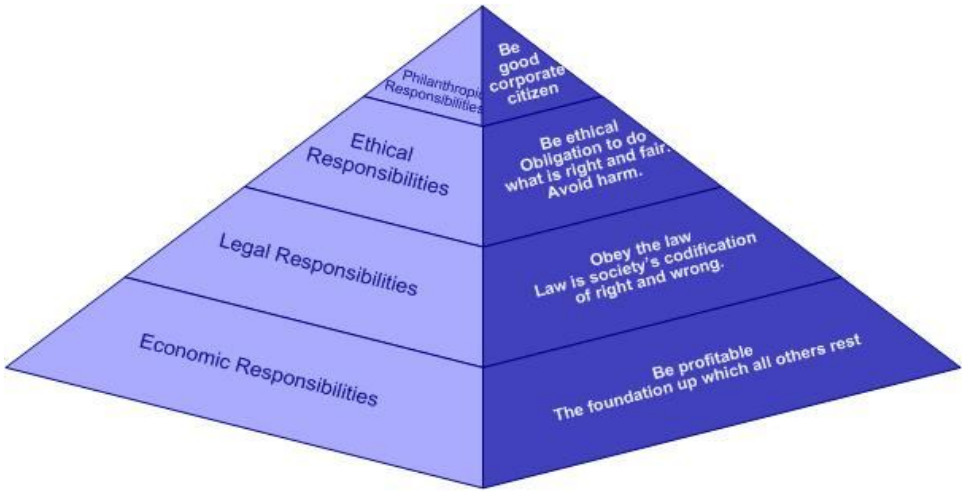
Primary Stakeholders:	Shareholders (Owners) Employees Customers Business Partners Communities Future Generations The Natural Environment
Secondary Stakeholders:	Local, State, and Federal Government Regulatory Bodies Civic Institutions and Groups Special Interest Groups Trade and Industry Groups Media Competitors

The owners of a firm are among the primary stakeholders of the firm. An organization has legal and moral obligations to its owners. These obligations include, but are not limited to, attempting to ensure that owners receive an adequate return on their investment. Employees are also primary stakeholders who have both legal and moral claims on the organization. Organizations also have specific responsibilities to their customers in terms of producing and marketing goods and services that offer functionality, safety, and value; to local communities, which can be greatly affected by the actions of resident organizations and thus have a direct stake in their operations; and to the other companies with whom they do business. Many thinkers suggest that companies have a direct responsibility to future generations and to the natural environment.

An organization's responsibilities are not limited to primary stakeholders. Although governmental bodies and regulatory agencies do not usually have ownership stakes in companies in free-market economies, they do play an active role in trying to ensure that organizations accept and meet their responsibilities to primary stakeholder groups. Organizations are accountable to these secondary stakeholders. Organizations must also contend with civic and special interest groups that purport to act on behalf of a wide variety of constituencies. Trade associations and industry groups are also affected by an organization's actions and its reputation. The media reports on and investigates the actions of many companies, particularly large organizations, and most

companies have a full fledged media interface to have their constant presence in the public eye. Finally, even an organization's competitors can be considered secondary stakeholders, as they are obviously affected by organizational actions. For example, organizations have a social responsibility to compete in the marketplace in a law abiding manner consistent with the best practices of their industry to allow all competitors to have a fair chance to succeed.

(b) Pyramid Model of CSR by Archie Carroll



Carroll's CSR Pyramid

Carroll (1979) categorized CSR in a paper on corporate social performance, along four layers which he labeled as economic, legal, ethical and discretionary responsibilities. The four classes reflect that "the history of business suggests an early emphasis on the economic and then legal aspects and a later concern for the ethical and discretionary aspects". In 1991, Carroll (1991) first presented his CSR model as a pyramid as shown above in which he suggested that, although the components are not mutually exclusive, it "helps the manager to see that the different types of obligations are in a constant tension with one another".

- Economic Responsibility – The first and foremost duty of the businesses is to stay in business and be a properly functioning economic unit. It becomes the basis for all the subsequent responsibilities displayed on the above levels. It contains to "do what is *required* by global capitalism"
- Legal Responsibility – This mandates that the companies must abide by the law of the land and play fair inn order to promote healthy competition. It holds that companies "do what is *required* by global stakeholders"
- Ethical Responsibility – These responsibilities oblige corporations to do what is right, justified and fair irrespective of the legal mandate. These constitute of what is generally expected by the society besides the above two types of responsibilities. It means to "do what is *expected* by global stakeholders"
- Philanthropic Responsibility – At the tip of the pyramid i.e. the fourth level, lies " the love of the fellow human", which is the meaning of the Greek word.. This includes activities within the corporate discretion to improve upon the quality of life of employees, local community and society in general. It means to "do what is desired by global stakeholders"

More recently Carroll (2004) attempted to incorporate the notion of stakeholders as well .

3.10 Drivers for Corporate Social Responsibility

The strongest drivers of the increase in importance of CSR are understood to be shareholders, recent corporate scandals and greater pressure from regulators. Some of the other key drivers and motives pushing business towards adopting the concept of Corporate Social Responsibility include:

- **Enlightened self-interest** - creating a synergy of ethics, a cohesive society and a sustainable global economy where markets, labor and communities are able to function well together.
- **Social investment** - contributing to physical infrastructure and social capital is increasingly seen as a necessary part of doing business.
- **Transparency and trust** - business has low ratings of trust in public perception. There is increasing expectation that companies will be more open, more accountable and be prepared to report publicly on their performance in social and environmental arenas
- **Increased public expectations of business** - globally companies are expected to do more than merely provide jobs and contribute to the economy through taxes and employment."
- **Globalization:** Anti-globalization groups, such as Earth First, have demanded greater accountability from governments and companies alike. Companies are increasingly adopting CR as a form of insurance policy to circumvent or nullify outside pressure groups.
- **Competitive pressure:** As more companies in an industry adopt CR practices, the laggards come under increasing pressure to follow suit. A typical example is the oil industry, where almost all companies now engage in some form of CR programme.
- **Competitive advantage:** Many companies regard the intangible benefits of a CR programme, such as a better brand image, as a way of gaining the upper hand over their rivals.
- **The shrinking role of government:** In the past, governments have relied on legislation and regulation to deliver social and environmental objectives in the business sector. Shrinking government resources, coupled with a distrust of regulations, has led to the exploration of voluntary and non-regulatory initiatives instead.
- **Demands for greater disclosure:** There is a growing demand for corporate disclosure from stakeholders, including customers, suppliers, employees, communities, investors, and activist organizations.
- **Increased customer interest:** There is evidence that the ethical conduct of companies exerts a growing influence on the purchasing decisions of customers. In a recent survey by Environics International, more than one in five consumers reported having either rewarded or punished companies based on their perceived social performance.
- **Growing investor pressure:** Investors are changing the way they assess companies' performance, and are making decisions based on criteria that include ethical concerns. This is more relevant when capital is freely flowing across the borders.
- **Competitive labor markets:** Employees are increasingly looking beyond paychecks and benefits, and seeking out employers whose philosophies and operating practices match their own principles. In order to hire and retain skilled employees, companies are being forced to improve working conditions.

- **Supplier relations:** As stakeholders are becoming increasingly interested in business affairs, many companies are taking steps to ensure that their partners conduct themselves in a socially responsible manner. Some are introducing codes of conduct for their suppliers, to ensure that other companies' policies or practices do not tarnish their reputation.
- **Laws and regulation:** Another driver of CSR is the role of independent mediators, particularly the government, in ensuring that corporations are prevented from harming the broader social good, including people and the environment.

3.11 Emerging Management Issues Mandating Responsibility

Corporations deal with a wide variety of social issues and problems, some directly related to their operations, some not. It would not be possible to adequately describe all of the social issues faced by business. This section will briefly discuss three contemporary issues which are of major concerns:

ENVIRONMENTAL ISSUES

There is no such thing as pollution - there is just valuable resources in the wrong place at the wrong time. Anyone with children has a stake in future generations and the ability of the environment to support life. But environmental good practice is also about business efficiency - it's about the best use of valuable raw materials, and feeding the benefits of action straight through to the bottom line. The underlying issues are:

- Contribution to greenhouse gas emissions through energy use and other parts of your process
- Use of raw materials, both nonrenewable resources which by definition are not sustainable in the long term, and as importantly renewable resources which are produced in a fashion which is not currently sustainable.
- Potential for environmental accidents - releases of pollutants into air, water or land.
- Waste disposal, deforestation, acid rain, and land degradation

Corporations have long been criticized for their negative effect on the natural environment in terms of wasting natural resources and contributing to environmental problems such as pollution and global warming. The use of fossil fuels is thought to contribute to global warming, and there is both governmental and societal pressure on corporations to adhere to stricter environmental standards and to voluntarily change production processes in order to do less harm to the environment. Other issues related to the natural environment include. It is likely that corporate responsibilities in this area will increase in the coming years.

GLOBAL ISSUES

Corporations increasingly operate in a global environment. The globalization of business appears to be an irreversible trend, but there are many opponents to it. Critics suggest that globalization leads to the exploitation of developing nations and workers, destruction of the environment, and increased human rights abuses. They also argue that globalization primarily benefits the wealthy and widens the gap between the rich and the poor. Proponents of globalization argue that open markets lead to increased standards of living for everyone, higher wages for workers worldwide, and economic development in impoverished nations. Many large corporations are multinational in scope and will continue to face legal, social, and ethical issues brought on by the increasing globalization of business.

Whether one is an opponent or proponent of globalization, however, does not change the fact that corporations operating globally face daunting social issues. Perhaps the most pressing issue is that of labor standards in

different countries around the world. Many corporations have been stung by revelations that their plants around the world were "sweatshops" and/or employed very young children. This problem is complex because societal standards and expectations regarding working conditions and the employment of children vary significantly around the world. Corporations must decide which is the responsible option: adopting the standards of the countries in which they are operating or imposing a common standard world-wide. A related issue is that of safety conditions in plants around the world.

Another issue in global business is the issue of marketing goods and services in the international marketplace. Some U.S. companies, for example, have marketed products in other countries after the products were banned in the United States.

TECHNOLOGICAL ISSUES

Another contemporary social issue relates to technology and its effect on society. For example, the Internet has opened up many new avenues for marketing goods and services, but has also opened up the possibility of abuse by corporations. Issues of privacy and the security of confidential information must be addressed. Biotechnology companies face questions related to the use of embryonic stem cells, genetic engineering, and cloning. All of these issues have far-reaching societal and ethical implications. As our technological capabilities continue to advance, it is likely that the responsibilities of corporations in this area will increase dramatically.

Corporate social responsibility is a complex topic. There is no question that the legal, ethical, and discretionary expectations placed on businesses are greater than ever before. Few companies totally disregard social issues and problems. Most purport to pursue not only the goal of increased revenues and profits, but also the goal of community and societal betterment.

Research suggests that those corporations that develop a reputation as being socially responsive and ethical enjoy higher levels of performance. However, the ultimate motivation for corporations to practice social responsibility should not be a financial motivation, but a moral and ethical one.

MARKETPLACE ISSUES

If the other aspects of corporate social responsibility are about doing what you do right, then the marketplace issues are about doing the right thing. Doing the right thing can be the single most important aspect of your business in terms of securing its longer term viability. The concerned issues are as follows:

- The impact on society of the core products and services
- Ethical trading
- Ethical advertising

WORKPLACE ISSUES

People are the greatest asset and if it is so, it is important to invest seriously to begin to realize the returns. Recent surveys of business leaders have suggested that the ability to recruit and hold onto key talent is one of the biggest emerging issues for businesses. The issues involve:

- Work-life balance of employees
- Managing diversity in the workforce
- Training, development and life-long learning
- Eradicating abusive or bullying behavior

COMMUNITY ISSUES

If corporate do not invest in the community, it may not provide them with the suppliers, or the educated staff they need to operate. If a positive relationship is not build up with the community, it may not be so supportive when the organization needs to expand.

A successful company needs to operate in a healthy, thriving community - the kind of community the employees will want to live in. The companies need to learn to be a good neighbor to community. The issues in debate are:

- Impact upon the local community as a result of how the business is done.
- How as a company invests in the community - either in cash or through in-kind resources to improve the health of the community or tackle specific social issues.
- How the company involves its staff in developing a relationship with the community.
- If the operations of a company run globally, it needs to consider some fairly fundamental responsibilities to the community.

3.12 Arguments For and Against Corporate Social Responsibility

The major arguments for and against corporate social responsibility are shown in the table below. The "economic" argument against CSR is perhaps most closely associated with the American economist Milton Friedman, who has argued that the primary responsibility of business is to make a profit for its owners, while complying with the law. According to this view, the self-interested actions of millions of participants in free markets will, from a utilitarian perspective, lead to positive outcomes for society. If the operation of the free market cannot solve a social problem, it becomes the responsibility of government, not business, to address the issue.

FOR	AGAINST
The rise of the modern corporation created and continues to create many social problems. Therefore, the corporate world should assume responsibility for addressing these problems.	Taking on social and moral issues is not economically feasible. Corporations should focus on earning a profit for their shareholders and leave social issues to the concerned bodies.
In the long run, it is in the best interest of the corporation to assume social responsibilities. It will increase the chances that they will have a future and reduce the chances of increased governmental regulation.	Assuming social responsibilities places those corporations doing so, at a competitive disadvantage relative to those who do not.
Large corporations have huge reserves of human and financial capital. They should devote at least some of their resources to addressing social issues.	Those who are most capable should address social issues. Those in the corporate world are not equipped to deal with social problems.

The "competitive" argument recognizes the fact that addressing social issues comes at a cost to business. To the extent that businesses internalize the costs of socially responsible actions, they hurt their competitive position relative to other businesses. This argument is particularly relevant in a globally competitive environment if businesses in one country expend assets to address social issues, but those in another country do not. According to Carroll and Buchholtz, since CSR is increasingly becoming a global concern, the differences in societal expectations around the world can be expected to lessen in the coming years.

Finally, some argue that those in business are ill-equipped to address social problems. This "capability" argument suggests that business executives and managers are typically well trained in the ways of finance, marketing, and operations management, but not well versed in dealing with complex societal problems. Thus, they do not have the knowledge or skills needed to deal with social issues. This view suggests that corporate involvement in social issues may actually make the situation worse. It suggests that corporations can best serve societal interests by sticking to what they do best, which is providing quality goods and services and selling them at an affordable price to people who desire them.

There are several arguments in favor of corporate social responsibility. One view, held by critics of the corporate world, is that since large corporations create many social problems, they should attempt to address and solve them. Those holding this view criticize the production, marketing, accounting, and environmental practices of corporations. They suggest that corporations can do a better job of producing quality, safe products, and in conducting their operations in an open and honest manner.

A very different argument in favor of corporate social responsibility is the "self-interest" argument. This is a long-term perspective that suggests corporations should conduct themselves in such a way in the present as to assure themselves of a favorable operating environment in the future. This view holds that companies must look beyond the short-term, bottom-line perspective and realize that investments in society today will reap them benefits in the future through brand equity and least governmental intervention through regulations and legislations..

Finally, some suggest that businesses should assume social responsibilities because they are among the few private entities that have the resources to do so. The corporate world has some of the brightest minds in the world, and it possesses tremendous financial resources. (Wal-Mart, for example, has annual revenues that exceed the annual GNP of some countries.) Thus, businesses should utilize some of their human and financial capital in order to "make the world a better place to live."

3.13 Benefits from Corporate Social Responsibility

The scale and nature of the benefits of CSR for an organization can vary depending on the nature of the enterprise and are difficult to quantify. It is advisable that businesses should not look at short-run financial returns when developing their CSR strategy.

Some of the positive outcomes that can arise when businesses adopt a policy of social responsibility include:

1. **Human resources –** A CSR programme can be an aid to recruitment and retention particularly within the competitive graduate student market. Potential recruits often ask about a firm's CSR policy during an interview, and having a comprehensive policy can give an advantage. CSR can also help improve the perception of a company among its staff.
2. **Risk management –** Managing risk is a central part of many corporate strategies. Reputations that take decades to build up can be ruined in hours through incidents such as corruption scandals or environmental accidents.
3. **Brand differentiation -** In crowded marketplaces, companies strive for a unique selling proposition that can separate them from the competition in the minds of consumers. CSR can play a role in building customer loyalty based on distinctive ethical values. Business service organizations can benefit too from building a reputation for integrity and best practice.

4. **License to operate -** Corporations are willing to avoid interference in their business through taxation or regulations. By taking substantive voluntary steps, they can persuade governments and the wider public that they are taking issues such as health and safety, diversity, or the environment seriously as good corporate citizens with respect to labors standards and impacts on the environment. These can also draw unwanted attention from regulators, courts, governments and media. Building a genuine culture of 'doing the right thing' within a corporation can avoid these hassles.

The benefits can also be gauged by following parameters:

1. Company benefits:

- Improved financial performance;
- Lower operating costs;
- Enhanced brand image and reputation;
- Increased sales and customer loyalty;
- Greater productivity and quality;
- More ability to attract and retain employees;
- Reduced regulatory oversight;
- Access to capital;
- Workforce diversity;
- Product safety and decreased liability.

2. Benefits to the community and the general public:

- Charitable contributions;
- Employee volunteer programmes;
- Corporate involvement in community education, employment and homelessness programmes;
- Product safety and quality.

3. Environmental benefits:

- Greater material recyclables;
- Better product durability and functionality;
- Greater use of renewable resources;
- Integration of environmental management tools into business plans, including life-cycle assessment and costing, environmental management standards, and eco-labeling.

3.14 Criticisms and Concerns

Critics of CSR as well as proponents debate a number of concerns related to it. These include CSR's relationship to the fundamental purpose and nature of business and questionable motives for engaging in CSR, including concerns about insincerity and hypocrisy.

CSR and the nature of business :

Milton Friedman and others have argued that a corporation's purpose is to maximize returns to its shareholders, and that since only people can have social responsibilities, corporations are only responsible to their shareholders and not to society as a whole. Although they accept that corporations should obey the laws of the countries within which they work, they assert that corporations have no other obligation to society. Some people

perceive CSR as incongruent with the very nature and purpose of business, and indeed a hindrance to free trade. Those who assert that CSR is in contrast with capitalism and are in favor of neo liberalism, argue that improvements in health, longevity and/or infant mortality have been created by economic growth attributed to free enterprise.

Critics of this argument perceive neo liberalism as opposed to the well-being of society and a hindrance to human freedom. They claim that the type of capitalism practiced in many developing countries is a form of economic and cultural imperialism, noting that these countries usually have fewer labor protections, and thus their citizens are at a higher risk of exploitation by multinational corporations.

CSR and questionable motives

Some critics believe that CSR programs are undertaken by companies to distract the public from ethical questions posed by their core operations. They argue that some corporations start CSR programs for the commercial benefit they enjoy through raising their reputation with the public or with government. They suggest that corporations which exist solely to maximize profits are unable to advance the interests of society as a whole.

Another concern is when companies claim to promote CSR and be committed to Sustainable Development while simultaneously engaging in harmful business practices. For example, since the 1970s, the McDonald's Corporation's association with Ronald McDonald House has been viewed as CSR and relationship marketing. More recently the company has fast paced its CSR programs related to its labor, environment etc. There were few litigations worldwide regarding the employees of MacDonald's ' doing badly in terms of pay and conditions. Also, if one eats enough McDonald's food, one's diet may well become high in fat etc., with a high risk of heart disease.

Shell has a much-publicized CSR policy and was a pioneer in triple bottom line reporting, but this did not prevent the 2004 scandal concerning its misreporting of oil reserves, which seriously damaged its reputation and led to charges of hypocrisy. Since then, the Shell Foundation has become involved in many projects across the world, including a partnership with Marks and Spencer (UK) in three flower and fruit growing communities across Africa.

Critics concerned with corporate hypocrisy and insincerity generally suggest that better governmental and international regulation and enforcement, rather than voluntary measures, are necessary to ensure that companies behave in a socially responsible manner. Others argue that CSR should be looked more upon as a Corporate Moral Responsibility.

Ethical consumerism

The rise in popularity of ethical consumerism over the last two decades can be linked to the rise of CSR. As global population increases, so does the pressure on limited natural resources required to meet rising consumer demand. Industrialization, in many developing countries, is booming as a result of both technology and globalization. Consumers are becoming more aware of the environmental and social implications of their day-to-day consumer decisions and are therefore beginning to make purchasing decisions related to their environmental and ethical concerns. However, this practice is far from consistent or universal.

Globalization and market forces

As corporations pursue growth through globalization, they have encountered new challenges that impose limits to their growth and potential profits. Government regulations, tariffs, environmental restrictions

and varying standards of what constitutes "labor exploitation" are problems that can cost organizations millions of dollars. Some view ethical issues as simply a costly hindrance, while some companies use CSR methodologies as a strategic tactic to gain public support for their presence in global markets, helping them sustain a competitive advantage by using their social contributions to provide a subconscious level of advertising.

Social awareness and education

The role among corporate stakeholders is to work collectively to pressure corporations that are changing. Shareholders and investors themselves, through socially responsible investing are exerting pressure on corporations to behave responsibly. Non-governmental organizations are also taking an increasing role, leveraging the power of the media and the Internet to increase their scrutiny and collective activism around corporate behavior. CSR critics such as Robert Reich argue that governments should set the agenda for social responsibility by the way of laws and regulation that will allow a business to conduct them responsibly.

The issues surrounding government regulation pose several problems. Regulation in itself is unable to cover every aspect in detail of a corporation's operations. This leads to burdensome legal processes. General Electric is an example of a corporation that has failed to clean up the Hudson River after contaminating it with organic pollutants. The company continues to argue via the legal process on assignment of liability, while the cleanup remains undone. Same is the fate of Union Carbide tragedy in India, better remembered as Bhopal Gas Tragedy. The second issue is the financial burden that regulation can place on a nation's economy.

Crises and their consequences

Often it takes a crisis to precipitate attention to CSR. Examples include the lead poisoning paint used by toy giant Mattel, which required a recall of millions of toys globally and caused the company to initiate new risk management and quality control processes. In another example, Magellan Metals in the West Australian town of Esperance was responsible for lead contamination killing thousands of birds in the area. The company had to cease business immediately and work with independent regulatory bodies to execute a cleanup. Odwalla also experienced a crisis with sales dropping 90 percent, and the company's stock price dropping 34 percent due to several cases of E.Coli spread through Odwalla apple juice. The company ordered a recall of all apple or carrot juice products and introduced a new process called "flash pasteurization" as well as maintaining lines of communication constantly open with customers.

3.15 Short Case Examples

The case studies below demonstrate how diverse company activities can be for businesses of all sizes rendering socially responsible behavior:

SAP 'Here for Life' is a not-for-profit public benevolent organisation focusing on education, awareness and research aimed at the prevention of youth suicide. The organization provides resources, education and school based life skills programs to help prevent suicide amongst young people. Through its charity sponsorship program SAP Australia supports 'Here for Life' with monetary contributions, volunteering and staff involvement in the agency's programs

Sun Microsystems In 1998, Sun became Musica Viva's first and only principal sponsor. By associating itself with a leader in the IT industry, Musica Viva gains networking opportunities within the corporate sector, resulting in further sponsorship openings. It gains access to Sun's staff and customer base to increase awareness of Musica Viva's activities and performances, enabling it to achieve its own aims of taking the beauty of music into the lives of ordinary Australians and forging meaningful links between the arts and the

corporate world. The exchange of expertise helps both partners. Sun provides its technological know-how and assists with market reach for Musica Viva, which in turn provides opportunities to give something back to Australia's cultural life through supporting and engaging with music in various ways.

IBM IBM - Japan's 'e-elder' initiative is a national program using training materials and other support from IBM Japan which will hire and train seniors as instructors for other seniors in an effort to help elder citizens (expected to make up one-fifth of Japan's population by 2008) more fully participate in a Web-based society.

HP In Singapore, HP staff raised nearly $295,000 for charity in 2003 and received a SHARE

Gold Award from the Community Chest of Singapore for employee participation exceeding 50%. One event was Gladiathon, a fundraiser in support of the President's Challenge 2003. Leading by example was the Managing Director from HP Asia Pacific, who wore a gladiator costume and competed with other IT industry leaders in the battle for charity. HP was the largest corporate donor of this event, raising a total of $121,000.

Microsoft Microsoft works closely with international organizations such as the World Food Programme, Save the Children, and Mercy Corps to provide technology-based development assistance through the HEART (Humanitarian Empowerment and Response through Technology) program. More and more, global organizations rely on technology to improve the effectiveness of their humanitarian efforts around the world.

TCS The company has used its expertise in information technology to help communities in different parts of India help themselves. It has developed a database for Child Line, which supports children in distress in 54 centers in India, all using volunteers from among its employees; it has also designed and implemented a 'computer-based functional literacy' project, a unique idea that enables adults to learn to read — using low-end computers and a breakthrough software solution — within 30 to 40 hours, over two-three months.

NIIT The company has used its IT expertise for its 'hole in the wall' experiment, where children from slums learn to use computers with a touch screen.

ITC ITC's much-celebrated e-choupals, which help farmers check prices in Indian and global markets before going to the marketplace with their produce.

M&M (Mahindra & Mahindra) This group recently committed itself to providing sophisticated hearing aids for 60 poor and nearly deaf children (they settled for 60 because it was as part of group's 60th anniversary celebrations). Besides the cost of the implants (Rs5 lakh-Rs9 lakh each), they have pledged to support the entire process of rehabilitating the children after the implanting procedure.

3.16 Summary

The concept of corporate social responsibility (CSR) thus evolved — from philanthropy to a more elaborate concept that encompassed the environment, employee relations, corporate governance and engaging with the community. The current understanding of CSR also attempts to deploy a company's core competencies to help address society's problems. Effective CSR today is that which relates directly to the giver's core competencies and offers real value, not just philanthropy. It is no longer considered good for business, but simply good business. When the company gives back to the society it operates in, it truly becomes an integral part embedded in the society, rather than being perceived as seeking profits alone.

3.17 Key Words

- **Stakeholders -** Individuals and groups that affect and/or are affected by an organization and its activities.
- **Responsible Entrepreneurship -** A concept put forward by the United Nations which recognises the business role for the accomplishment of sustainable development and that companies can manage theirs operations in such a way as to enhance economic growth and increase competitiveness whilst ensuring environmental protection and promoting social responsibility.
- **Corporate Citizenship -** The management of the totality of relationships between a company and its host communities, locally, nationally and globally.
- **Triple Bottom Line -** The idea that the overall performance of a company should be measured based on its combined contribution to economic prosperity, environmental quality and social capital. the term 'triple bottom line' (TBL) was coined by John Elkington and made popular through his book 'Cannibals with Forks' (1997). Its finding increasing and widespread international acceptance within the corporate community and transforming corporate reporting practices: corporations tend to no longer report only on the economic value they add, but also on the environmental and social value they add – and destroy. At its narrowest, TBL is used as a framework for measuring and reporting corporate performance against economic, social and environmental parameters. At its broadest, is used to capture the whole set of values, issues and processes that companies must address in order to minimize any harm resulting from their activities and to create economic, social and environmental value.
- **Triple P -** Short expression of "triple bottom line" referring to the three P's of people, planet and profit.
- **Sustainable Development -** Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.
- **Human Rights -** A set of principles defined in the Universal Declaration of Human Rights (1948), based on the recognition of the inherent dignity and the equal and inalienable rights of all members of the human family as the foundation of freedom, justice and peace in the world.
- **Ergonomics -** The application of information about human characteristics to design applications, e.g. equipment, tools, work tasks, with the aim of improving safety and efficiency.
- **Corruption Perception Index -** The "Transparency International Corruption Perceptions Index" (CPI) ranks near 100 countries in terms of the degree to which corruption is perceived to exist among public officials and politicians. It is a composite index, drawing on 14 different polls and surveys from seven independent institutions carried out among business people and country analysts, including surveys of residents, both local and expatriate.
- **Fair Trade Initiative -** The Fair-trade mark is an independent consumer label that guarantees a fair deal for marginalised workers and small scale farmers in developing countries. Producers receive a minimum price that covers the cost of production and an extra premium that is invested in the local community.
- **Global Sullivan Principles -** The Global Sullivan Principles of Social Responsibility is a code of conduct built on a vision of aspiration and inclusion. The Principles are inclusive in that they embrace businesses' existing codes of conduct and work in conjunction with them. The aspiration of the

Principles is to have companies and organizations of all sizes, in widely disparate industries and cultures, working toward the common goals of human rights, social justice and economic opportunity. These Principles apply to all workers, in all industries, in all countries.

- **Global Reporting Initiative -** GRI is a multi-stakeholder process and independent institution whose mission is to develop and disseminate globally applicable Sustainability Reporting Guidelines. These Guidelines are for voluntary use by organisations for reporting on the economic, environmental, and social dimensions of their activities, products, and services. The GRI incorporates the active participation of representatives from business, accountancy, investment, environmental, human rights, and research and labour organisations from around the world. Started in 1997, GRI became independent in 2002, and is an official collaborating centre of the United Nations Environment Programme (UNEP) that works in cooperation with UN Secretary-General Kofi Annan's Global Compact.
- **Eco-label (EU) -** The European initiative to encourage the promotion of environmentally friendly products. The scheme came into operation in late 1992 and was designed to identify products which are less harmful to the environment than equivalent brands.
- **Amnesty Internationals' Human Rights Guidelines for companies -** A set of guidelines developed by the human rights organisation "Amnesty International" for companies wishing to integrate human rights policies into their management systems. They are based on international protocols founded on the Universal Declaration of Human Rights and cover the following key areas: security, community engagement, freedom from discrimination, freedom from slavery and health and safety.
- **Occupational Safety and Health Administration -** Branch of the United States government which sets and enforces occupational health and safety regulations.
- **World Business Council for Sustainable Development -** A coalition of 170 international companies united by a shared commitment to sustainable development via the three pillars of economic growth, ecological balance and social progress. Its mission is to provide business leadership as a catalyst for change toward sustainable development, and to promote the role of eco-efficiency, innovation and corporate social responsibility.
- **Ethical Audit -** The application of non-financial, ethical criteria to investment decisions.
- **Social Accountability 8000 -** The international standard for social accountability is an initiative by Social Accountability International (SAI), a body created out of the Council on Economic Priorities Accreditation Agency (CEPAA) in the US. The objective of SA8000 is to ensure ethical sourcing of goods and services. SA8000 is a voluntary standard and can be applied to any size of organisation or business across all industries. The standard can replace or augment company or industry specific social accountability codes. SA8000 sets basic standards for: child labour, forced labour, health and safety, freedom of association and the right to collective bargaining, discrimination, disciplinary practices, working hours, remuneration and management systems.
- **Social Audit -** Systematic evaluation of an organisation's social impact in relation to standards and expectations.

- **Social Responsible Investing -** Integrating personal values and societal concerns with investment decisions is called Socially Responsible Investing (SRI). SRI considers both the investor's financial needs and an investment's impact on society. With SRI, 'investors can put their money to work to build a better tomorrow while earning competitive returns today.' Three key SRI strategies have evolved over the years: screening, shareholder advocacy, community investment and social venture capital.

3.18 Self Assessment Test

1 What do you understand by the concept of Corporate Social Responsibility?

2 Do you believe it to be an important part of the core business strategy? If yes, elucidate with examples.

3 What are the inherent and perceived benefits from Corporate Social Responsibility?

4 Highlight the importance of CSR with the help of examples.

5 Critically analyze the concept of CSR.

6 Discuss the various approaches and models for corporate social responsibility.

7 Explain the issues of concern in regard to the corporate social responsibility as a strategic move.

8 What do you understand by the following:
- Corporate citizenship
- Corporate social performance
- Corporate social responsiveness

Unit - 4 : Ancient Scriptures in Management

Unit Structure:

4.0 Objectives
4.1 Introduction
4.2 Managerial Insights from Mahabharata
4.3 Managerial Wisdom of Lord Krishna
4.4 Leadership Qualities of Lord Krishna
4.5 Managerial Insights from Bhagavad Gita
4.6 Managerial Insights from Arthashastra
4.7 Managerial Insights from Vedas
4.8 Summary
4.9 Self Assessment Test
4.10 References

4.0 Objectives

After completing this unit, you will be able to

- Know about the significance of Indian culture and ancient scriptures in management.
- Appreciate that ancient Indian scriptures contain ideas not only for business , but for every aspect of life and for every body.
- Understand the managerial concepts which can be drawn from various important ancient texts and scriptures such as Bhagvad Gita, Mahabharata and Arthashastra.

4.1 Introduction

Indian management thought based on Indian Ethos will not only help Indian organizations to become effective and globally competitive but has much to offer to the world in general. The present scenario indicates that unless Indian management practices are blended with the Indian cultural ethos adequately, corporate India may not be able to cope with the management challenges in the globalised milieu. There are many lessons to be learnt from our own traditions and the vast knowledge in the ancient "Dharmshastras" can enable us to adapt and indianize western techniques to our way of living. As a matter of fact, there exists a need to explore the Indian epics, scriptures and literature for the managerial philosophy and thought. To guide the future organizations we have to rediscover that ideal Indianness which lies buried in the Indian texts and scriptures. As a matter of fact, there exists a need to explore the Indian epics, scriptures and literature for the managerial philosophy and thought. Our ancient scriptures, books and epics like; Vedas, Bhagvad Gita, Ramayana, Mahabharata, Jaina and Budhist Texts, Manusmriti, Arthashastra and Panchtantra provide a rich source for development of Indian management concepts.

4.2 Managerial Insights from Mahabharata

The world's greatest epic Mahabharata is a plethora of knowledge. Many modern day management lessons are derived and practically applied from this knowledgeable grantha. This book focused on Karma not only tells us the story of a king or kingdom but guides us through the conduct in our day to day lives. The analysis

of this grantha reveals a new idea every time it is analyzed. Over the years, 'Mahabharata' has acquired the status of a comprehensive management text of great intrinsic value. Mahabharata, as a vast ocean of spiritual wisdom and moral principles, has been deeply explored by the researchers with a view to extract the essence of good management practices and develop an effective model of Indian management system. Since, time immemorial Mahabharata; a magnificent piece of literature is a manuscript of mammoth value.

4.2.1 Incidents of Managerial Wisdom from Mahabharata

Incident:

Once, Guru Dronacharya decided to test his students, that is, Pandavas and Kauravas in their skill of archery. He hung a wooden bird from the branch of a tree and then summoned his students. He made the boys stand side by side, their bows armed with arrows and the strings drawn back. He called Yudhishtira and pointed at the lofty branch of the tree, where, to the untrained eye, nothing except some blurry leaves were visible.

"Do you see the bird in the branch?"

"I do."

"What else do you see?"

"I see the branch, the tree. I see you Acharya and my brothers here."

Drona knit his heavy brows. He asked Yudhishtira to step aside. The Guru then asked Duryodhana and all other princes the same query and their replies were almost akin to that to Yudhishtira. They all were instructed to go back to their respective places. To each one he said, "You won't strike the bird with one arrow." In the end, it was Arjuna's turn; Arjuna told his Guru that the only thing he could see was the bird's eye. This satisfied the Guru and he allowed Arjuna to shoot the bird. Arjuna's arrow took the bird through its eye and it fell from the tree. (Adi Parva, The Mahabharata)

In another interesting incident of Draupadi's *swayamvara*, Arjuna was the only suitor who managed to shoot five arrows in the eye of a fish, by merely looking at its reflection in the water. (Adi Parva, The Mahabharata).

Implication/Managerial Lesson/Managerial Wisdom: (Focus/Concentration)

The lesson here is the **power of focus**. The ability to stay focused is needed in every aspect of life, be it at personal or professional level. Don't be swayed by what is happening around you. Being focused means possessing the ability to ignore those distractions that tempt you away from your path. Remember, the last thing you need to do is beat yourself up about it. It should be seen just as a slight pothole in the road. Focus and concentrate on your chosen direction will lead to your designated goal. It is only steadfastness and the focused efforts that will make you emerge as the winner in your life. Arjuna was the only one who saw the bird's head and nothing else; while the rest, apart from seeing the bird were also focusing on other things around them. Thus, Arjuna passed in the test. The winner focuses only on the road to success; while the others continue to stroll looking at the scenery in that same path. This level of focus is the prime key to attaining success in your life. Concentration reaps benefit. Being able to focus will make one feel more positive about oneself in any type of situation. The incident once again highlights the importance of intense focus and concentration towards the task in hand.

Incident:

Dhritarashtra seeds o jealousy were sown at the time when Pandu was crowned as the king. He was denied of his right to succeed to the throne on account of his blindness. Dhritarashtra got the opportunity to rule when Pandu renounced the kingdom and retired to the forest, where he met his death. At a later stage, Dhritarashtra appointed Yudhishtira as Yuvraja in order to please the people and that too without organizing the proper crowing ceremony. Pandavas's increasing power and fame gave him many sleepless nights. Once, in his unrestful condition, Dhritarashtra summoned Kanika, the crafty minister and told him, "Pandavas's growing influence has made me jealous; hence, please tell me whether I should have alliance with Pandavas or oppose them." To this Kanika replied, "A king should not expose his weakness and be vigilant about others' weaknesses. He should never leave half – way any work undertaken in hand, as otherwise it becomes a sore. A king should be mighty in action as in name, and such enemies need to be destroyed as early as possible before they are able to attack you. You must nip the evil in the bud, otherwise a thorn, if allowed to remain long in the body, may cause a festering wound. Even a weak enemy should not be neglected, as a mere spark may become the cause of great conflagration, if ignored. You must destroy them from the root, so that there may not be any chance of sprouting again." (Adi Parva, The Mahabharata)

Implication/Managerial Lesson/Managerial Wisdom (Alert/Vigilant/Active)

The conversation between disturbed Dhritarashtra and the wise minister has a lot to grasp and apply while exhibiting the role of a leader in the organization. The instructions laid for the king hold true for a leader leading his clan. The first lesson is to recognize yours as well as others' weaknesses. Knowing your weaknesses is important as it keeps you away from engaging in those activities where you can't make much impact and thus, your weakness remains as a secret best known to you. The moment the cat is out of the bag, you will be surpassed with people displaying their strength in that very domain. At the same time, you must show your vigilance to recognize the flaws of others so that you can beat them in that very area. In other words, recognize your competitor's weaknesses and build your competitive advantage to outwit them. Assessing your competitors openly and earnestly will play a key role in helping you earn a competitive edge. If we closely examine it, it was Yudhishthira's weakness for gambling that was identified by Sakuni and the same was deployed by the Kauravas under his direction to rob the Pandavas of their kingdom. And their plan did click. So always keep your eyes and ears open to sense others' weaknesses, but never open your cards (that is, your weaknesses) in public.

Next, Kanika moves on to talk about the importance of perseverance in a king's life. A leader should be show steadiness and persistence in the work at hand; especially in spite of difficulties, obstacles or discouragement.

Incident:

An interesting episode of the *Mahabharata* is the wax palace incident where Duryodhana, supported by Karna, Sakuni and Dussassana tries to destroy the Pandavas by burning them down. Duryodhana got a beautiful palace constructed for the Pandavas in Varnavat. However, this palace was made of wax and could easily burn down. Vidura, the well wisher of the Pandavas, warned Yudhishtira about the impending danger in the wax palace at Varnavat, in a barbarian language. Vidura said, "One who understands the vile policies of his enemy, he should devise a way to escape the trouble." (Adi Parva, The Mahabharata)

Implication/Managerial Lesson/Managerial Wisdom (Alert/Vigilant/Active)

It is important for the leader to be aware of the moves of the leaders, so that he can devise a strategy to escape the danger lying in front of him. It is this vigilance and alertness on the part of the leaders that aid them in averting the impending catastrophes on a routine basis while others seem to find crisis after

crisis just like a heat seeking missile finds its targets. Ironically vigilance is a leadership skill valued most in its absence. When the flow of events is good, leaders are praised for their sharp operational excellence. However, when the winds of fate shift, the lack of alertness and vigilance on the part of the leader becomes a career killer, and sometimes brings doom for the entire organization.

Incident:

Blinded by the words and pleads of his ever – jealous son, Dhritarashtra also becomes a party to hatch a plan to defeat the Pandavas. To discuss the same issue, Dhritarashtra summons Bhisma, Drona and Vidura. Bhisma gets enraged on hearing the words of hostility from Duryodhana's mouth. Bhisma tries to dissuade Duryodhana from his evil intention by telling him the importance of character to which Duryodhana has time and again overlooked. He says, "as long as one's fame is not lost, he is considered alive. Without name, what is life after all?"

Implication/Managerial Lesson/Managerial Wisdom (Importance of Character)

Bhisma is putting all his energy to make Duryodhana realize his folly in committing sins after sins against his own cousins. By his unjustified acts towards the revered Pandavas, Duryodhana has made a heavy price; he has compromised with his character. This conversation between Bhisma and Duryodhana, with respect to preserving one's character, holds particular significance in today's topsy – turvy times. Abraham Lincoln, the 16th President of United States, said, "Character is like a tree and reputation its shadow. The shadow is what we think it is and the tree is the real thing." Our character is the very fabric of our soul. Character is not what we try to display to the public, it is who we are even when there is no one to watch us. Good character is doing the right thing simply because it is right to do what is actually right. You should try to live a life free from all blemishes, so that people remember you with respect even after your death. If you have not earned a good name for yourself, your life is penniless. So one should try to build and maintain a good name as it will serve as a 'fountain of strength' helping you to overcome all the obstacles in life. Character in a leader is very important characteristic. What a leader says he will do and his stand on varied issues is of lesser importance. Without good character, what confidence do we have that what a leader says, he will actually do?

A leader of character never acts in mean way. He is not selfish, rather he lives for others. He acts as a source of strength to others and faces all the obstacles in his life with a never – exhausting stamina

4.3 Managerial Wisdom of Lord Krishna

1. Taking Work as Play: With competition marked job market, high unemployment rates, and ever increasing pressure in many jobs, it is not surprising to see people grumbling and complaining with respect to their job/ work. The deadline of meeting the target makes them a dead soul with a pulsating heart – beat. The job and all the aspects attached to it, like meeting targets, shooting the sales, interacting with clients, attending meetings, etc. all become a burden for them. Such a negative approach towards one's job takes away all the satisfaction and joy from doing the assigned task. The practicality of seeing the work not as work but as play seems to be a notion applicable only in the world of fantasies. Work is at its best when it is taken as a play. Lord Krishna is the most apt practitioner of the work – play concept. There are many more incidents enshrined in the book of *Mahabharata,* highlighting Lord Krishna's philosophy of work. Perform the assigned task, no matter how cumbersome it is, with the calmness of sea water on your face. The smile and joy while performing the task eases the burden, reduces work tensions and negativity. This practical approach of Lord Krishna towards work, offers an important lesson to modern leaders for stress free performance acceleration on continuous basis. The stress will be reduced when work is approached with a positive outlook.

2. Approaching Every Work With Dignity: Lord Krishna, when asked by Arjuna to be by his side in the war, he feels duty bound to take the side of righteousness and justice. However, he agrees to help the Pandavas on the condition that he, Lord Krishna, will not take an active part in the war and engage in battle and spill any blood. Instead, Lord offers to serve Arjuna and be his charioteer in the battles of the Mahabharata war. Normally, it would not be common for a great King like Krishna to play a support role for another in any battle. By becoming Arjuna's charioteer in the war, Krishna actively takes on and embraces the support role and demonstrates that an act of service for a just cause is, in fact, an act of leadership. Moreover, Lord Krishna himself performed the job of feeding, watering and grooming the horses, despite the numerous pleas of his various devotees, disciples and attendants for doing the same job. In each and every situation, Lord Krishna walked the talked. The approach of respecting every work and seeing dignity in all the aspects of the work are first upheld by the Lord Himself. He didn't preach to impress his followers, rather he himself applied those thoughts – so as to leave no traces of doubt in the mind of the followers about the authenticity of what He said and did. Dignity of work, irrespective of nature of work, should be our guiding mantra when at work. When the Lord Himself blissfully performed all the types of work, be it tending cows, feeding the horses, negotiating with Kauravas for securing the rights of Pandavas, etc.; then who are we to question the dignity attached to any dimension of work.

3. Work Commitment : *"Whatever action a great man performs, common men follow. And whatever standards he sets by exemplary acts, all the world pursues.""For if I ever failed to engage in carefully performing prescribed duties, O Partha, certainly all man would follow my Path."*

In the above *sloka* of *Bhagavad Gita,* Lord Krishna talks about the great responsibility borne by the leaders towards their dependants. An organization always requires a leader who can teach the employees by practical behaviour. The standards shown by leaders are replicated by the followers. In order to keep the balance of social tranquillity for progress in spiritual life, there are traditional family usages meant for every civilized man. Although such rules and regulations are for the conditioned souls and not for Lord Krishna, he still followed the prescribed rules. Otherwise, common men would follow in His footsteps, because he is the greatest authority. Lord Krishna was performing all the religious duties at home and outside, as required of a householder. As a leader, Lord Krishna established principles concerning the way goals should be pursued. Lord created standards of excellence and then sets an example for others to follow.

4. Simple Living, High Thinking: Once, Satyaki and Subhadra were coming to Indraprastha in Lord Krishna's chariot. On their journey, they were stopped by the Asura Maya, the master of a thousand arts and maker of all ornaments. The Asura Maya thought it was a disgrace for someone in an exalted position to ride in that old chariot. He thus, to pay homage to Lord Krishna decorated his chariot with diamonds and other gems, and it shone like a fire of bright gold. On seeing his chariot and listening to the intentions of the Asura Maya, Lord Krishna passed the comment, *"Am I a king, that I must put on a show and care what people think of me?"*

Over here, Lord Krishna, the creator of the Universe, to whom the whole world bows with unquestioned humility and reverence, is underplaying the status attached to his name. If the King of the Kings, can be so humble then why do people with materialistic power can't keep their feet on the cloud. Why can't '*simple living and high thinking'* be their way of leading the life? Why is the Kali Yug, the modern society running in the opposite direction of simple living, high thinking lifestyle encouraged and exhibited by Lord Krishna himself? Why does the position to influence over others inflate the leader's ego?

When this magic principle of 'simple living, high thinking' is practiced by the leaders at their work place, arrogance and aggressiveness become unknown traits of a leader. It is then that the will to serve others eclipse any drive to promote self. Such a leader will not believe in flashing his role and status, rather he will strive to bring the best in his/her team members. Therefore, the leaders should adopt a humble and down to earth approach in their organizations and let the followers talk about the leader's achievements rather than the leader bragging about his credentials.

4.4 Leadership Qualities of Lord Krishna

1. **Listening:** Listening is the doorway to superior leadership for every executive, manager and supervisor, irrespective of the hierarchy. Undoubtedly, Listening is the most important of all leadership skills. Leadership at its best is a coherent strategy to utilize the full brain power of the employees in performing their work; to be highly creative, productive, motivated and committed rather than turned off and poorly motivated as in "leaving their brain at the door". In the *Mahabharata,* Lord Krishna serves as an effective listener in each and every situation, when dealing with people. Arjuna retorts to his emotional aspect of not fighting the war. However, Lord Krishna again shows no reaction towards the concept of not fighting the war of Mahabharata against the sons of Dhritarashtra. Arjuna had already tried his physical inability and emotional grief to lord, but He did not opinionated anything even after listening carefully to the Arjuna. Arjuna once again tried to convince Krishna's and garner his support by reminding him the 'law of humanity'. Arjuna said – *"O Janardana, although these men, their hearts overtaken by grees, see no fault in killing one's family or quarrelling with friends, why should we, who can see the crime in destroying a family, engage in these acts of sin?* A careful analysis of the conversation between Arjuna and Lord Krishna reveals that Lord Krishna is a master listener; who patiently listens to Arjuna with utmost attention and care. The Gita knowledge, delivered by the Almighty helped Arjuna to cast away his grief and focus on fighting the war earnestly.

2. **Help & Healing:** Lord Krishna extending his help to Draupadi when she was being stripped naked by the Kauravas, after defeating the Pandavas in the game of dice, is a well known incident of the epic. In a yet another incident, Lord Krishna comes to the rescue of Draupadi and saves her from another embarrassing situation. Once, while the Pandavas were in exile, Durvasa Muni, known for his quick anger, decided to drop in along with his many thousands of disciples. He would naturally want something to eat for himself and his followers, but the Pandavas had just eaten and there was no more food left in the house. Fearful of Durvasa's anger, Draupadi prayed to Krishna. When he appeared, he demanded immediately to eat something. Draupadi offered the last grain of rice in the pot to Lord Krishna. Lord Krishna ate it with relish, and simultaneously, sage Durvasa and all his disciples taking bath in the river, felt full up to their throat. And, instead of going to the Ashram for their *Bhiksha*, they left for their homes. Lord Krishna thus saved Draupadi and Pandavas from the tragedy of a curse by the sage Durvasa. There exists an array of incidents in the epic Mahabharata, where Lord Krishna has come to the rescue and tackled the problem/ conflict of people who has called His name with reverence.

3. **Persuasion:** In order to avert the fatal war of Mahabharata, Krishna, although himself the ruler of the kingdom of Dwaraka, took the humble role of a mediator and negotiator to try to bring peace and harmony to the community. The Mahabharata epic details Lord Krishna's activities and the crucial role he played as a diplomat by attempting to achieve a last minute negotiated settlement in the conflict between Pandavas and Kauravas.

He was trying to break a peace by listening to both the parties, empathizing with their suffering, attempting to persuade them to peace, offering them consolation and healing for the past wrongs that they may have suffered. Even though Lord Krishna was well aware of the wickedness of Kaurava princes, he left no stone unturned and made a special visit to the Kaurava kingdom to speak with them and get them to agree to some minimal rights of property and conditions of fairness for the Pandavas.The communication technique adopted by Lord Krishna, to convince the Valiant hero Arjuna, to take up arms against his relatives who were fighting the opposition, is till date considered as the most effective example of persuasive communication.

4. **Empathy:** Lord Krishna was revered and adored by the people he ruled along with his elder brother Balarama in the city of Dwarka, since they were always working towards protecting the weak and helpless in society. In particular, Lord Krishna had great reverence for Brahmins and the Rishis (religious monks and spiritual scholars and teachers) and enjoyed helping and serving them in numerous ways to facilitate their spiritual practices.

   Krishna himself had gone through a formal religious training period with his spiritual teacher and understood the importance of nurturing and maintaining age old traditions. Therefore, he had little tolerance towards those who harassed the Rishis and the Brahmins in any way. Many of Krishna's fights had evolved from attempting to protect the innocent from any harm. Krishna's enemies, for good reason, had a great fear of him, although Krishna never fought without a just cause and often patiently waited to determine if aggressive action was required.

5. **Conceptualization and Foresight:** At the very outset of the war, rules were well laid out and acknowledged by both the parties. However, the war which started as a *Dharma Yuddha* (righteous war) soon turned into an *Adharmic* one, where rules were mended and twisted beyond recognition. Agreed and well accepted norms for the battle were broken one after another, starting with the killing of *Abhimanyu*, the valiant son of Arjuna, by the Kauravas. Lord Krishna could foresee all the possibilities. He knew that the steady devotion of Pandavas to being upright in their acts as compared to the unethical gimmicks of the Kauravas would prove to be disastrous for the righteous Pandavas."Do unto others what they do unto you" became the foundation for his strategies to beat the Kauravas at their own dirty game. Lord Krishna knew the unmatched valor of Bhishma and Dronacharya. He could foresee how important it is for the Pandavas to win over these two warriors of the opponent side. How could they overcome these mighty warriors became an area of deep concern to the Lord. Lord Krishna instructed Arjuna to pose this very question to Bhishma. Bhishma told Arjuna about his vow that he will not raise his arms against any women. So, on the 10th day of the battle Arjuna stood behind Shikhandi and shot arrows at Bhishma, who had laid down his arrows on seeing Shikhandi. And thus the 10th day marked the end of Bhishma's journey of action – oriented life. Thereafter, Drona became the commander – in chief of the Kaurava army. Krishna hatched a plan to do away with Drona. He knew that Drona deeply loved his son Ashwattama and if Dharmaraja, that is Yudhishtra, told Drona that Ashwatthama was dead Drona would lay down his arms and then he could be killed by the Pandavas. But Dharmaraja was unwilling to tell this lie. He spoke only the truth and cried aloud, "Ashwatthama, the elephant, is dead." At the same time, Lord Krishna sounded his conch so that Drona could not hear the words 'the elephant'. Drona was stunned and put down his arms. And, he, too, was killed. The above incidents point out Lord's contribution to the accepted interpretation of '*apaddharma'*, that is, ethics of the emergency situation. It is a well acknowledged fact that speaking untruth is all right for reasons that pertain to personal safety and benefit to a greater cause. It is Lord's

conceptualization perspective that helps Him to see what a catastrophe effect Kauravas' gimmicks would have on Pandavas and thus, he comes to their rescue by developing an apt strategy for the situations in hand.

6. **Building Community:** Every society or ethnic group throughout its history, witnesses several ups and downs, severe calamities which may threaten its destruction or disintegration. Under such harsh circumstances, people need a guiding lamp to grant them strength and to reveal to them the path of peace and tranquility; a leader to restore their faith in, a leader to fall back on moments of distress, a leader to rally around in the testing times of crisis. The Yadavas too had a leader of their own, unknown to them as Lord, in the form of their beloved Krishna. Being born in the Yadava clan and through his unmatched intelligence, skills and strategic planning, he took several steps to strengthen the Yadav clan by protecting them from numerous attacks. He rose to a key figure in India of those days wielding unmatched power over not just his own people but also of other states. He not only destroyed the demon king of Mathura, Kansa but also brought his Yadava clan on the centre stage of Indian polity during the Mahabharata and later during His life time. The fact that the alliances which he built and the friendships that he nurtured with mighty kings helped Him cannot be overlooked.

7. **Commitment to the growth of people:** During their period of exile, Lord Krishna suggested Arjuna to start collecting blessings and weapons from various Gods, very well knowing that this would appear beneficial during the war. Lord Krishna, time and again provided valuable guidance to the Pandavas ensuring their growth and development holistically. In another instance, when the Pandavas had won the war, Lord Krishna instructed Yudhishtra to approach Bhisma and question him concerning the ruler ship of the kingdom. Lord Krishna was well aware about the fountain of knowledge possessed by the son of Ganga, Bhisma. Bhishma had become the intimate student of Vashistha Muni, and because of this, he was the veritable abode of the four Vedas and their branches. There was nothing in the world that was not known to Bhishma. Lord Krishna, keen on seeing the Pandavas always marching ahead on the righteous path, instructed Yudhishtra to approach Bhishma and assimilate the knowledge regarding the rules of effective governance of a kingdom.

8. **Awareness:** Although Lord Krishna is not present from the very beginning in the Mahabharata, he is intertwined with it in many important ways. He envisions establishing a new system by modifying the old one, which fails to provide solutions to the problems bothering him as well as the society at large. It is not enough for Lord Krishna to be virtuous and ethical himself, and allow things to drift around on constraints of perceived limits in personal responsibilities that bar initiative toward prosperity and well-being for all. In whichever situations he has the capacity to initiate a change for the material, moral and spiritual advantage of all; he makes necessary attempts to accomplish what is desirable. Even deviation from the accepted norms to this end does not deter him, in any possible manner.

   Draupadi is ultimately saved from public humiliation. The crown rests on Lord Krishna who thwarts the unholy process of stripping by providing, in a supernatural way, an unending supply of yarn on her which became impossible for the Kauravas to remove. In other words, where even the mighty Bhisma is helpless and takes resort in silence, it is Lord Krishna who comes to her rescue, from a far distance, and brings a manageable end to a situation that was going to turn bewilderingly obnoxious. The above incident reflects the strong values upheld by the Lord. A woman must be honored and adorned by the men who desire their own welfare. The lord made umpteen efforts to protect the women in distress. He valued protection of womenfolk and appraised this as the foremost duty of a man.

4.5 Managerial Insights from the Bhagavad Gita

Bhagavad Gita expounded thousands of years ago by the Super Management Guru Bhagawan Sri Krishna enlightens us on all managerial techniques leading to a harmonious and blissful state of affairs as against conflicts, tensions, lowest efficiency and least productivity, absence of motivation and lack of work culture. *Bhagvad Gita* contains the timeless principles that will empower leaders to be effective and authentic leaders. The greatest need at this point in time is for those people who have been called to lead to step forward, arm themselves with the instructions of *Bhagvad Gita,* and take up the Service of Leadership. The Gita is not merely a holy book meant for reverence and ritual worship, but it is a fountain spring of true knowledge and wisdom, which can be considered as a manual for righteous living. The book acquaints the readers with the fundamentals of life, which include the human body and the soul, pleasure and pain, God and nature, good and evil, the different qualities inherent in human beings, yoga, meditation, desires and other similar aspects. The modern management concepts like vision, leadership, motivation, excellence in work, achieving goals, meaning of work, attitude towards work, nature of individual, decision making, planning etc., are all discussed in the Bhagavad Gita with a sharp insight and finest analysis to drive through our confused grey matter making it highly eligible to become a part of the modem management syllabus.

Important Lessons from Bhagvad Gita

1. Karma Yoga: In the '*slokas'* of Gita, several references to the magnitude of self – sacrifice and working sincerely for the benefit of the greater good can be identified. The concept of '*karma yoga'* in the Gita refers to the performance of one's assigned duties in a spirit of renunciation, of not being attached to its fruits. *Bhakti yoga* refers to one's effort to perform all actions in a spirit of sacrifice to Lord Krishna; while *Buddhi yoga* is a specific kind of wisdom that can be developed in understanding life austerities.

"All living bodies subsist on food grains, which are produced from rains. Rains are produced by performance of yajna (sacrifice) and sacrifice is born of prescribed duties."

In the above verse, The Supreme Lord, stresses on the importance of *yajna,* that is, sacrifice for the benefit of entire mankind. The living entities thrive on food. Food, which is the field production, is the result of rains. The cause of the rain is *yajna*, the sacrifice. When people perform sacrifices, clouds produce sufficient rain, and thus sustaining mankind.

In every breath of our life, a sacrifice is performed, taking us in the direction of a higher fulfillment, and for this very reason, sacrifice is a gain and not a loss. In ordinary situation, we praise a person who has performed a sacrifice, perceiving sacrifice as involving a sharing of one's joy with others; it is seen as a sort of loss voluntarily incurred for the welfare of others. We are guided by the notion that whenever we give something, we feel we lose something. No doubt, sacrifice means giving something, but it does not imply losing something. In giving away, we do not lose. Give and it shall multiply hundredfold. This indicates that our responsibility as human being is something greater than our selves is to act in harmony and affection with that greater whole. This, being the true essence of *bhakti yoga.* When done sincerely, it becomes transcendental sacrifice. The transcendental sacrifice is something different from the calculated sacrifices made by the power hungry politicians. It is altogether different from sectarian power rallies which exclude people of varied communities, and are manipulated mainly to seize votes.

"My dear Arjuna, one who does not follow in human life the cycle of sacrifice thus established by the Vedas certainly leads a life full of sin. Living only for the satisfaction of the senses, such a person lives in vain."

2. Lord Krishna as a Mentor: It is evident from the available literature and the epic saga itself that when Arjuna lays down his weapons in the battlefield of Kurukshetra and is confused and mystified by his role in the whole episode, Krishna acts as a mentor to him and clarifies his role and reduces role stress, epitomizes Arjuna of his duty towards his clan and motherland and tells him to fight back. He clarifies his role as a warrior who will fight not against his own brothers but will fight a battle of good against evil. It is with this convincing explanation of his role, Krishna clears role ambiguity and reduces Arjuna's role stress, hence making him realize his capabilities so that he could manage the war of his century. On the same lines today's manager has to mentor its employees in a manner that they clearly understand their role in the organization and unleash their potential for self and as well as for organizational development. The role of Krishna as a mentor to Arjuna has always been an indispensable example of guru-shishya methodology and tells us that with the guidance of the right person at the right time can make you reach the pinnacle of glory.. Lord Krishna's divine understanding of the human factor, its key role in re-emphasizing Arjuna's self-alienation, (destruction of one's own self and atman) guiding him through the tough passage of decision making and to unravel his true potential is an exceptional example of mentoring. Bringing a person back to one's self requires getting one in touch with the knowledge of the self. This is what Lord Krishna attempts in Mahabharata through reflecting on the nature of contradictions within Arjuna.

3. Service of Others: The philosophy of "work hard and enjoy sense gratification" is criticized herein. Living solely for the satisfaction of the senses is like surviving as a 'ship without its rudder'. Just as such a ship would be swallowed in the whirl of water, a person living for senses satisfaction would be gulped in the twists and turns of life. Sacrifice for the welfare of the mankind is what the leaders should do to make our country a prosperous one. It is this very transcendental nature of sacrifice required in our leaders to take our country to the stature of a developed nation. In the Gita, elaborating on the qualities of a superior person, Lord says that a good leader is… *"one who is not envious but is a kind friend to all living entities, who does not think himself a proprietor and is free from false ego, who is equal in both happiness and distress, who is tolerant, always satisfied, self – controlled and engaged in devotional service with determination… (Bhagavad Gita)*. The above qualities of a leader are related to the traits of Greenleaf's servant – leader. The leader as portrayed in the Gita is a humanistic leader, a person who acts without self – gain, and who has great personal concerns for followers. Such leaders are guided with a positive force and seek to do good by treating others with compassion, kindness and forgiveness. Likewise in the Gita, we find…*fearlessness, purification of one's existence, cultivation of spiritual knowledge, charity, self – control, performance if sacrifice, study of the Vedas, austerity, simplicity, nonviolence, truthfulness, freedom from anger, renunciation, tranquility, aversion to fault finding, compassion for all living entities, freedom from covetousness, gentleness, modesty, steady determination, vigor, forgiveness, fortitude, cleanliness, and freedom from envy and from the passion for honour*

The leaders should under all circumstances perform the action that will reap benefit to the followers. The Gita also criticizes an obsession with material possession leading to greed. *While contemplating the objects of the senses, a person develops attachment for them, and from such attachment lust develops, and from lust anger arises. From anger, complete delusion arises, and from delusion bewilderment of memory. When memory is bewildered, intelligence is lost, and when intelligence is lost one falls down again into the material pool.* Lord Krishna warns to dwell on material gain in a leadership role as this does not lead to greater sense of consciousness. Likewise the Gita says, *three gates leading to this hell – lust, anger and*

greed. Every sane man should give these up, for they lead to the degradation of the soul. Leaders must be well aware of their motives and mindful of the effects of harmful motives on themselves and their followers. The sole aim of the leader is to serve the followers helping them to attain a higher level of performance.

4. Sharing Opportunities and Responsibilities: The Gita, pertains to sharing opportunities and responsibilities. In the midst of the battlefield, Lord Krishna says to Arjuna, "The righteous one who accepts and shares the rewards of his actions is freed from sins, while he who works for self interests incurs sin." Through this verse, Lord Krishna lays stress on a leader's responsibility to work for others, rather being caught in the web of gratifying one's own personal benefits only. In business parlance, one could relate this to the concept of "maximization of shareholder value" or "customer delight". In the game of politics, an equivalent could be striving "for the benefit of the common people." The lesson here is that a leader should direct his actions for the common good and share the rewards with the organizational members, the real asset of the organization.

5. Selfless Service: Encouraging the concept of Karma Yoga, Lord Krishna adds, "Work for the common good without selfish interests; the rewards of selfless work will take you to the supreme state." In Leadership context, the supreme state refers to a higher level of leadership consciousness or awareness. Sharing opportunities and responsibilities without any vested interest of own are acts that symbolize the higher level of leadership consciousness or awareness. "Selfish desires and animosity are devils," says Lord Krishna to Arjuna. "Selfish desires, which are seated in senses, mind and intellect, obscure self – awareness. Control your senses and win over the devils." A leader with such a mindset serves his organization rather than someone who is served. When the senses are under control, and then only the leader can work without the motive of personal benefit, self – interest and affiliation. The spirit of selfless service guides his/her each and every action. Self-centered desires are the opposing force of effective leadership. A leader who is worried only about his own benefits can never attain effectiveness in his style of leading people. Effective leadership is not about the livelihood of leaders; it is about the securing livelihood of everyone within the organization. Effective leaders are concerned about everyone in their organization, so their deeds are for others; they act on the behalf of everyone and for the benefit of everyone. This selfless service takes a leader to the top and makes him in winning the hearts of the followers.

4.6 Managerial Insights from Arthashastra

Arthasastra is one of the most influential and important books on the art of statecraft and ublic administration, most of the commentaries on Arthasastra highlight its political, diplomatic and administrative insights.

According to Dr. Subhash Sharma although written in a different time-span and in different social context, Arthasastra contains a number of trans-temporal ideas that modern managers will find useful.Kautilya's penetrating insights in different aspects of management and administration have relevance for efficiently managing the large business and non-business enterprises. Let us identify some of these management ideas from Arthasastra.

1. Philosophy of Arthasastra:

Arthasastra is defined as a science which is the means of acquisition and protection of the earth. Artha is regarded an one of the important foals of human existence; the other being dharma, Kama and Moksha. Artha is usually "understood to stand for material well-being as well as the means of securing such well-being, particularly wealth". the Arthasastra views the pursuit of artha, as the primary goal of human existence.

2. Leaders as Achievers/Vijigsu:

Arthasastra views the man in leadership position as a vijigsu, i.e. desirous of vijaya (victory/ achievement). Vijigsu is an all encompassing phrasa, denoting the "overall achievement orientation" of the leader. However, this achievement orientation is not guided by the narrow self-interest, but by the yogakshema i.e. well-being, prosperity, happiness and security of the 'subjects' or the organizational members.

3. Leaders Use of Autority/Power/Danda:

On the use of authority or power to punish (danda), Kautilya cautuons his 'ideal king' to use it judiciously. Further, he advises to use it to protect the weak from the stronger. "For the (king), severe with the Rod, becomes a source of terror to beings. The (king), mild with the Rod, is despised. The (king), just with the Rod, is honoured". Thus, the leader is advised not to misuse his power and authority. Kautilya prefers the use of power to in still the order and protect the weak.

4. Concern for People:

Arthasastra brings out the concern for people as one of the main ideas. It is suggested that the actions of the leader should be guided by this concern. The concept of yogakshema reflects this concern. "In the happiness of the subjects lies the happiness of the king and in what is beneficial to the subjects lies the happiness of the in and in what is beneficial to the subjects is his own benefit. What is beneficial of himself is not beneficial to the king, but what is dear to the subjects is beneficial to him".

5. Kautilyan Theory of Motivation:

According to Dr Subash Sharma Arthasastra identifies four different methods of motivation, viz. sama, danda and behead. As a group they can be referred to as 'motivation means' and their various combinations as 'mans-mix', sama is the persuasion method of motivation, dama is the 'incentive system' or the reward method of motivation, dama is the 'internal competition' method of motivation, and danda is punishment method of motivation by use of power/authority/force or to use the current terminology from management literature, the 'Theory X' of motivation. Arthasastra also suggests the sequencing of the use of above stated means. The 'natural method' is to use the sama (persuasion) and the dama (incentive) first, creating internal competition comes next and the use of force comes as the last method. Arthasastra also suggests that different situations require different types of motivation means-mix.

6. Analysis of Power: Power as Prime Mover:

According to Dr. Subhash Sharma Arthasastra refers to three types of power, viz. power of knowledge, power of authority, and the power of personal energy and drive.

Corresponding to these three types of powers, there are three types of success, viz. success attained through the power of counsel, success attained through the power of authority, and success attained through power of personal drive or energy.

7. Mandala Theory of Organizations:

The mandala theory was developed by Kautilya in the context of power relationships in the context of inter-state relations. The ideas presented in the theory can also be used in organizational analysis, particularly in the analysis of power relationships within various organizational units and with respect to various organizational members. Mandala means a circle with a centre or nucleus. Within an organization, a number of mandalas may exist. In decentralized structures, each decentralized unit can be thought of as a mandala.

8. Financial Information and Control Systems:

In addition to the individual responsibility for profits, a detailed information and control system was also recommended. The purpose of this system was to monitor the progress on t periodic bases and was based on the concept of periodic monitoring. The frequency of monitoring is given due consideration. Further, Both revenues as well as expenditures were classified according to various parameters, such as head of income, course, period, quantity, etc. A classification system for the surpasses of expenditure reporting was also recommended (Sharma).

4.7 Managerial Insight from Vedas

Vedanta is one of the world's most ancient religious philosophies and one of its broadest. Vedanta is universal in its application and is equally relevant to all countries, all cultures, and all religious backgrounds. Swami Parthasarathy in his book Vedanta Treatise says, **'Vedanta literally means the end of knowledge. It is a systematic knowledge which explains the relation between man and God. A knowledge that is founded on its own authority. Vedanta trains you to think for yourself. To analyse, investigate and realize the essence of life. Not to rely on outside forces to do your thinking. Not to submit yourself to blind faith, superstitious beliefs and mechanical rituals.** We generally depend on western management thought. But Indian philosophy and culture has also much to contribute to build up Indian management thought. Vedanta has many things to contribute in different areas of management like motivating, leadership, communication, management of men, development of proper work culture etc.

4.8 Summary

In present situation, strong organisational values are needed as anchors to maintain and liberate the productive energies of employees. For this we need to look back to the wisdom of sages and seers of India who spoke with remarkable consistency about Indian culture and values. Indian traditional wisdom drawn from ancient Indian scriptures and texts can help employees to become more creative and focused and could prove to be of immense use to modern day and future executives and organizations. Our ancient scriptures, books and epics like Vedas, Bhagvad Gita, Ramayana, Mahabharata, Jaina and Budhist texts, Manusmriti, Arthashastra and Panchtantra provide a rich source for development of Indian management concepts.

4.9 Self Assessment Test

1. Discuss various managerial insights gained from Mahabharata. How these insights can be used for managing the new age corporations effectively?
2. Explain in detail the significance of Vedas and other scriptures and texts in management.
3. Write short note on the following:
   a. Role of Krishna as a mentor
   b. Leadership qualities of Krishna
   c. Lessons from Bhagvad Gita for managing self
4. Can Bhagvad Gita provide management professional some lessons which they can use to manage their corporations efficiently and effectively?

5. Throw some light on the distinctive knowledge base related to management concepts which is available in Mahabharata. What leadership insights do you draw from role of Lord Krishna in Bhagvad Geeta?

4.10 References

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Unit - 5 : People's Wisdom for Management

Unit Structure

5.0 Objectives
5.1 Introduction
5.2 Concept of Leadership
5.3 Leadership Development
5.4 A Framework of Leadership
5.5 Stories for Leadership Lessons and Peoples Wisdom
5.6 Self Assessment Test
5.7 References

5.0 Objectives

The main objective of this unit is to take the knowledge of folklore and moral values of the various stories of panchantantra and get the moral of different parts. Basically these are Indian epics and they are very much motivating to each and everyone. This unit helps us to know each and every aspect of leadership and how management and management relationships.

5.1 Introduction

The roots of a number of management ideas can be traced to sutras drawn from commonly used phrase. The metaphors, presented in a poetic from contain profound insights into human nature and behaviour. They represent the essence of wisdom drawn from the 'natural laboratory of human actions", namely, society. They crystallise the experience of human civilization over the centuries, through analogies and symbols. In some cases, they border on fantasy in its imaginative sense of the meaningfulness of experience. As these sutras are presented in the common man's language, they have stayed in the consciousness of man over long periods of history. As a result, he displays a high degree of awareness about many social and management ides. He manages his affairs with the help of such "management sutras".

"Management is the art of getting things done through and with people in formally organized groups." Management involves the activities to control and monitor the people in an organization to achieve the desired goals of the organization. The roles of management include planning, organizing, staffing, directing and monitoring the employees. A manager directs the people to perform the tasks which ultimately result in gaining the goals of the company. Management also deals with the allocation, planning, and manipulation of the resources available to the organization. In the recent years the concept of management has changed because of the decentralization in the organizations. Today, management facilitates the activities of the workers instead of controlling them.

Management in true practice is neither an act/art nor process. It is the state of showing power/power play, where conflicts between the players/actors are managed in other for those involved to achieve their objectives, other than that of the organization, it is the essence of putting people down, ruthlessness with one another with the intention to enrich themselves

5.2 Concept of Leadership

Leadership driven merely by self-interest is considered useless, for such leaders cannot enthuse or

inspire the majority. Metaphorically, they are compared with the date palm, which offers very little shade.

Bara hua to kya hua, jaise ped khajur, Panthi ko chya nahi, phal lage ati door, What is the point in being great, if greatness is Like the date palm, People cannot enjoy the shade, And the fruits it bears are too far off Subalterns always look critically at the leadership issue from the viewpoint of collective interest, and excessively self-interest oriented leaders are considered almost useless. Leadership matters. And there is a great need for better leaders. Certainly if one wants to be successful, one should develop one's leadership skills?

Leadership skills are a skill set that can be possessed both in human and animals. Animals can be good examples of leaders for they lead their groups by influencing, showing examples, guiding and constantly communicating with their followers. They have the aim and goal for their followers to follow. For examples, animals that travel in groups, when making migratory or movement decisions, often depends on social interactions among their own group members. This is important since they need to have good communicating skills; they transfer information and/ or show action. This is done by signaling to one another or making noise which can only be understood by their own species. Information that is transferred is crucial as in many cases; very few of them have enough information, such as knowledge about the location of a food source, or of a migration route, and therefore in a group there is always a leader that known all the information and thus guides its followers in the right direction. This leader is the one that takes responsibility of the safety of its followers (caring them) and in turn, the followers are dependents on their leader.

Leadership involves using the head, the heart and the hands. The leader should make full use of his or her analytical skills and social or interpersonal skills. By "using the hands", we take it to mean that the leader by the example, actions that the leader not only speaks of but perform. The leader also needs to be hands-on.

Many of us subscribe to the mistaken belief that the challenge of change is to our time and space. Nothing is further from the truth! From time immemorial mankind has possible that we would all be still living in caves and foraging for food! If this were not true, it is entirely possible that we could perhaps learn a few lessons in change management from our ancestors. Glitz and glamour of contemporary technology and management fads blind us somewhat to the treasures that history has in store for us!

The panchtantra, for example is a veritable storehouse of knowledge on human resources, strategy, leadership, statecraft and almost any other field that you choose to name. Similarly, the history of warfare has much to offer us. If we are open minds, we can come away with many new ideas for the present. Each of the following stories has an important lesson for us today as we are engaged in coping with an overwhelming change. Involve people who are affected by change.

A charming story from the Panchtantra brings home the point that concerted action by affected people bears wondrous results; results that guarantee survival.

A flock of famished doves changed to see an abundance of grains spread out below them. Without a second thought they swooped down and began to feast on the grain. And in a trice the trap was sprung! All the doves were caught in a wily fowler's net. In their haste to feed, the doves had forgotten their

usual caution and so had missed the possibility of danger. Now that their future was bleak, a sense of despondency spread through the flock. But the leader of the flock, Chitragriva, had other ideas. He realized that individuals thrashing about would hasten their doom by twisting the net even tighter around all of them. So he calmed them down and asked them to be quit while he outlined a plan. If we all flap our wings at the same time at the same speed, he said, we can be saved for then we will generate a powerful lift that can carry us, net and all, well clear off the ground. The doves complied because that was their only hope. And so, at the leader's signal they commenced flapping their wings at the same speed. The result: The entire flock soared into the sky with the net, much to the chagrin of the fowler.

Chitragriva epitomized leadership by calm thinking in a crisis and communicating clearly that acting in unison is a survival imperative. He also drove home the point that imminent death (individual or corporate) leaves no scope for the pursuance of disagreements and fights: everyone has to sink their differences if the differences are not to sink them! Through the story is ancient and simple it contains a valuable lesson for survival; without such concerted action focused on a goal enhances the chances of survival; without such concerted action, survival is virtually impossible.

If we explore the lesson more deeply, several corollaries become visible: the importance of problem solving without panic, communicating the solution with crystal clarity to everyone concerned, setting a time limit for action to begin and end (together) and finally, clearly articulating the connection between survival and concerted action. In the case of that most wrenching change of all, the dreaded pink slips (downsizing number of employees) this becomes even more relevant and important. Instead of the corporate elite the downsizing tragedy, an inclusive and empowering approach has to be adopted. The very people who are to be asked to leave must be included in the design team; only then will the reality of a sudden and traumatic alteration in the employee's social status, relationships and finical position be understood and planned for. Every company that plans a downsizing must follow a win-win approach; only then the benefits of downsizing will flow. No company can afford to lose a large part of its talented manpower and then discover that the expected increase in productivity and savings have not really and then discover that the expected increase in productivity and savings have not really materialized. This is a sure-fire recipe for disaster of the worst kind: complete erosion in the credibility of the leadership of the company.

Many of us have grown on the fables of Aesop, and some of those tales have made a permanent mark on our lives as social beings. Interestingly, the characters in the fables are often animals, perhaps because children find animals interesting, and have a strange way of connecting with them. In India, we have the equivalent of the fables in the tales of the Panchtantra. The Panchtantra, however, is not just a compilation of tales with morals. It is a novel with conclusion that the teacher had intended. The end result is the communication of morals and deep philosophy without preaching. Again, the Panchtantra uses animal's characters to tell its stories. What fascinates our is the brilliant characterization of the animals, mostly based on the common man's perspective of animal behavior. Of course, the characterization is highly anthropomorphic, and one cannot expect anything better. One of our favorites has always been the story of the monkey and the crocodile. The monkey lives on a tree and befriends a crocodile. The monkey supplies the sweet fruit of the tree to the crocodile. The crocodile's wife gets suspicious one day, and demands that her husband brings the heart of his friend for her to eat. The crocodile pretends to invite the monkey home, and offers to take him to his home across the river on his back. In the middle of the river, the stupid crocodile divulges his secret to the monkey, and the monkey laments

that since he didn't know this, he cannot oblige his friend's wife, as he usually keeps his heart inside a crevice in the tree. The crocodile takes back the monkey and asks him to get his heart, and of course, the monkey climbs back up the tree and never comes back. This story is the beginning of a whole series on the "forfeit of profits"

“I used to think that running an organization was equivalent to conducting a symphony orchestra. But I don't think that's quite it; it's more like jazz. There is more improvisation.”

Warren Bennis

Good leaders are made not born. If you have the desire and willpower, you can become an effective leader. Good leaders develop through a never ending process of self-study, education, training, and experience. This guide will help you through that process.

To inspire your workers into higher levels of teamwork, there are certain things you must be, know, and, do. These do not come naturally, but are acquired through continual work and study. Good leaders are continually working and studying to improve their leadership skills; they are NOT resting on their laurels.

5.3 Leadership Development

The issues of succession planning or of legitimating become important at times when leadership (particularly individual leadership) might or must change due to term-expiry, accident or senescence.

At certain stages in their development, the hierarchies of social ranks implied different degrees or ranks of leadership in society. Thus a knight led fewer men in general than did a duke; a baronet might in theory control less land than an early. See peerage for a systematization of this hierarchy, and order of precedence for links to various systems.

In the course of the 19th and 20th centuries, several political operators took non-traditional paths to become dominant in their societies. They or their systems often expressed a belief in strong individual leadership, but existing titles and labels ("King", "Emperor", "President" and so on) often seemed inappropriate, insufficient or downright inaccurate in some circumstances. The formal or informal titles or descriptions they or their flunkies employed express and foster a general veneration for leadership of the inspired and autocratic variety. The definite article when used as part of the title (in languages which use definite articles) emphasizes the existence of a sole "true" leader.

Various symbolic attributes - often varying according to the cultural milieu - mark out authority-figures and help make them seem special and revered or feared.

5.4 A Framework of Leadership

For Improvement of competitive edge in a liberalized and globalized, economy, it is important to sharpen the strategic tip of business. Tip refers to three components viz., technology, information and people. Strategic tip can be sharpened like a diamond tip, through harmonization of above three components. In this concept of strategic tip, people dimension gets its rightful place. This concept indicates that only through people, better performing organization can be evolved.

For performing organizations, positive energies of people should be channelized in a creative manner. Hence, there is a need for enlightened leadership. An enlightened leader harmonizes vision, mission and action through positive management and proactive actions and thereby provides leadership in sharpening the strategic tip of the business.

In order to harmonize vision, mission and action, it is important to get a view of the portfolio of situations that modern day leaders and managers face. Such a portfolio is characterized by three types of situations; 1) routine and emergency; 2) Crisis and chaos, and 3) Adversity and catastrophe. Thus, the portfolios of situations that modern day managers face are as

I) Routine Management → Crisis Management → Adversity Management

II) Emergency Management → Chaos Management → Catastrophe Management

A distinctive shift has been taking place from routine management to crisis management and from crisis management to adversity management, similarly, a shift can be observed from emergency management to chaos management in which there is a continuing emergency and from chaos management to catastrophe management, Situations of adversity and catastrophe management call for greater involvement of people.

Given the need for harmonizing the vision, mission and action, and sharpening the strategic tip under situations characterized by a portfolio mix of catastrophe situations, the task of building performing organizations presents a challenge for the new generation of managers. Hence, there is a greater need for enlightened leadership for organizations that can enthuse and involve people through HOPE (Higher Order Purpose for Existence) values.

In order to develop a framework of enlightened leadership, we would first consider the difference between a manager and a leader as highlighted in the academic writings. Kotter (1990) provides this distinction by highlighting the manager - leader traits. In this distinction, manager is more rational - analytic while leader is more intuitive - holistic. An analysis of these traits indicates that managers are more yang / left brain oriented while leaders are more yin / right brain oriented. Fig. presents the manager-leader distinction in a step from.

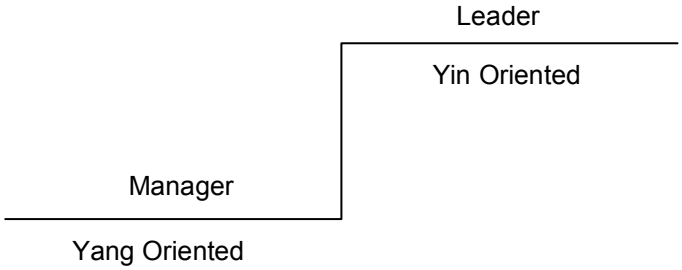


Fig. 1: Manager-Leader Step

We can also differentiate between a 'robot' and manager. While manager makes decisions. Such a person merely the instructions and procedures as per the programming and doesn't retort back. In robotic style of management, there is no scope for discussion. Manager is not a robot, as he / she are expected to make decisions that a robot cannot make.

Like there is a distinction between a robotic person and manager, ther4e is also a difference between a leader and as enlightened leader. An enlightened leader harmonizes vision, mission and action in the context of changing scenarios. Such a person represents a combination of both the yang qualities. Fig. 2 summarizes the above discussion as a step model of enlightened leadership.

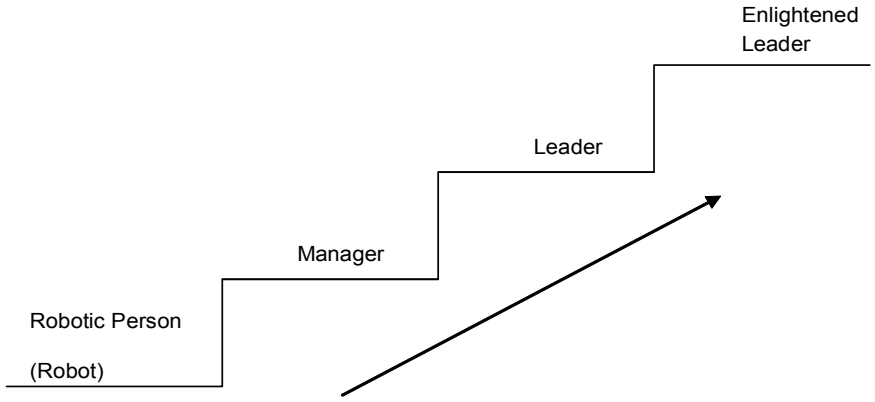


Fig. 2: A Four Steps Model for Enlightened Leadership

The key metaphors differentiating the robotic person, manager, leader and enlightened leader are summarized in Tabel: 1

This framework presented above suggests that 'strategic vistas' of an organization should give due considerations to efficiency / competitive advantage, social equity / social responsibility, ethics / good governance and spiritual environment. Earlier performance scorecards were largely based on efficiency paradigm / competitive advantage paradigm of treating corporate as merely a business entity. This philosophy is also reflected in balanced Scorecard developed by Kaplan and Norton. Our discussion indicates that this paradigm is undergoing a change and corporate are emerging as social institutions as a result of pressure from environment and many other social and spiritual movements. Therefore, need for Holistic Performance Scorecard to reflect the contribution of the corporate world towards environmental concerns, Social concerns, good governance and betterment of spiritual environment. This implies that time has come to move beyond the Balance Scorecard (BSc) to Holistic Performance Scorecard (HPSc) to achieve a better symbiosis between corporate world, society and individuals.

Are there any organization following the ideas presented above? Balanced Scorecard has been in use in the corporate world and corporate world also recognizes the importance of CSR and good governance. Many corporate include a brief write up on their activities and initiatives for Good governance in their balance sheet. This implies they are moving in the direction of Holistic Performance Scorecard (HPSc). In future more corporate may adopt this approach as a result of pressures f4rom social movements, environmental movements and spiritual movements.

Table 1: Typology Of person and Corresponding Metaphors

Typology	Metaphor
Robotic Person	Robot / No use of brain
Manager	Yang / Greater use of left brain
Leader	Yin / Greater use of right brain
Enlightened Leader	Use of both sides of brain

When management scenarios discussed earlier are viewed in terms of this framework, we observe that a robotic person is suited to routine management. A manager can effectively handle both the routine as well as the emergency situations. A leader is the one who can deal effectively with situations of crisis and chaos. An enlightened leader is the one who can deal with situations characterized by adversity and catastrophe as well as the situations characterized by crisis and chaos management. It was earlier indicated that a modern manager faces a portfolio mix of situations that include routine management, crisis management as well as adversity management. Hence, the need for enlightened leadership for creating performing organizations is more urgent in today's context.

We can also view our framework of enlightened leadership from the viewpoint of nature of change process. Buddha was perhaps the first person to formulate a 'theory' of change, when he declared that everything in this world is changing. However, nature of change could be of following types:

1. Incremental change (sahaney-shaney)
2. Radical Change
3. Sea change

Incremental Change or shaney - shaney is indicative of the small changes. Usually such changes are incorporated in a step by step manner in one's working environment. As a result, impact of such change may not even be visible because individuals and organizations on an incremental basis assimilate such change in their consciousness.

A Radical Changes may bring a total change in the way individuals and organizations function. For example, militancy in north East has brought in a radical change in the life-style of plantation managers. Their houses are now grilled and the open spaces around their bungalows are no more available to them. Radical changes may be cataclysmic in nature and may occur due to shocks and which individuals or organizations may be subjected to. History presents several examples of radical changes brought in through revolutions and rebellions as well as revelations.

A Sea Change implies a major change e.g. a beach on the sea shore undergoing a change because of repeated waves hitting the shore. Socio-economic changes due to emergence of markets as a major force are illustrative of sea changes.

In addition to above, we also observe the phenomenon of cosmic change. It implies changes of great magnitude and great importance such as the change occurring at the galaxy levels. Disappearance of civilization, nations and ideologies from the scenes of history are closer to the concept of cosmic change.

5.5 Stories Leadership Lessons and Peoples Wisdom

Story: The Wolf and the Shepherd



A Wolf had been prowling around a flock of Sheep for a long time, and the Shepherd watched very anxiously to prevent him from carrying off a Lamb. But the Wolf did not try to do any harm. Instead he seemed to be helping the Shepherd take care of the Sheep. At last the Shepherd got so used to seeing the Wolf about that he forgot how wicked he could be.

One day he even went so far as to leave his flock in the Wolf's care while he went on an errand. But when he came back and saw how many of the flock had been killed and carried off, he knew how foolish to trust a Wolf as he exclaimed. "I have been rightly served; why did I trust my sheep to a Wolf?"

Moral: Delegate your task wisely, and only to people you trust.

Quotable Quotes: "Guidelines for bureaucrats: (1) When in charge, ponder. (2) When in trouble, delegate. (3)When in doubt, mumble." ... James H. Boren

"Surround yourself with the best people you can find, delegate authority, and don't interfere as long as the policy you've decided upon is being carried out." ...Ronald Reagan

"Do not delegate an assignment and then attempt to manage it yourself - you will make an enemy of the overruled subordinate." ... Wess Roberts

Lessons in life: Companies have risen and fallen because they have entrusted the wrong CEOs and successors with the management duties. Many great family businesses had been ruined at the hands of the children or grandchildren who took over the helm, based on who they were rather than what they could do. When businesses failed, CEOs rightfully took the brunt. The people responsible for delegating the management duties should not be spared either.

A proper delegation should be viewed as a sharing of responsibility, and not a passing of the baton. When a leader assigns tasks to the other team members, it remains his responsibility to monitor and ensure that the members complete the assigned tasks. Along the way, when the members face difficulties and hurdles, the leader should step in to assist and advise. Of course, for any delegation to be effective, the leader must empower the members and confer on them a certain amount of authority and resources necessary for the tasks at hand. What we are saying is that the leader cannot assign all his

functions, powers and authority, and still expect to be called a leader. He would be a consultant and not the person-in-charge.

A skillful delegation should therefore lead to a happy solution for everyone. The CEO has time to look at the overall direction of growth, strategic plans and policies of the company, while retaining the top spot and top salary. The deputy CEOs and departmental chiefs have the necessary powers and authority to run the show, and make decisions within their portfolio. The middle managers, supervisors and heads take charge of the day- to-day operational activities, and are empowered to make decisions within their scope of work.

Since delegating work plays such an important role for successful CEOs, why are most of them not doing it, or not doing enough? Why do we see CEOs attending to routine low-level tasks and even chairing meetings on totally operational matters? There are various reasons why we -CEOs, leaders and managers - avoid delegating our tasks and responsibility. Here are some reasons and the ways to get around them:-

1. Do not trust employees with the responsibility: Even the most skillful manager will have this nagging feeling that the person tasked with the job cannot carry it out in the way he wants. Maybe the manager is a perfectionist. If so, the problem lies with the manager having expectations that are too high and onerous. It could also be that the manager does not have a habit of giving clear instructions on what the task entails. Although managers should not have to resort to holding the staff's hands in every matter, it is always advisable to clearly define the tasks and leave no room for doubt. Ultimately, the questions that we should ask ourselves are these - If we do not trust the staff, why do we employ them in the first place? If they don't have the skill, why don't we send them for further training?

2. Only we know best: While it is true that experience is what earns the managers their position, nobody can claim to be a walking encyclopedia on all matters. The workers doing the factory-line, front desk jobs day in and day out, are the only people who know the work and the problems faced at the back of their hands.

3. Work faster on our own: If we have done a piece of work before, we can do it again faster and better. We can continue taking on the same assignment and after the hundredth time, we may complete it twice as fast. Think then, if we train another person to do it, will that person not be able to arrive at the same achievement over time? We are freeing up more of our time to do other work and duties, and on the whole, complete all our work in a much shorter time.

4. We lose our control: How much control do we want? Are we really concerned about the process or the outcome? We can work with the employee to come up with a mutually agreeable process, but it is the outcome that we are targeting. By assigning the job, we risk losing control over the little bits of how the job is done although we can continue to maintain control over the important aspects of the job by spelling out the expected output and performance targets as well as quality control checks and standards.

5. We lose our authority: This again depends on how you view the word "authority". We may not have direct supervision. Over groups of employees. They will report to their immediate supervisors. However, these supervisors are now under our charge, and our authority is in effect extended. It is akin to changing our authority from a parent to a grand-parent. In a typical family structure, the grand- parent status is the most revered and respected.

6. We lose credit and recognition: This is a sore point which most managers have. Assigning jobs means letting other people take the credit for jobs well done. Can this be true? If we believe in the concept of teamwork, won't the achievement of a team accrue to every team member, including the leader of the team? If our employees steal the limelight for an accomplishment, will some light not be thrown onto us as well for

our good leadership and management? Good managers should also be professional enough to acknowledge that the staff that does the work ought to get most of the praises. Nowadays, performance incentives are tied to the team and not individual efforts, and the people leading successful teams are those who are most valued.

7. Employees are not committed: This is where the delegation skills come in. In explaining the tasks, managers should let the employees see how the tasks fit into the overall scheme of things. Let them know the expectations and rewards. Let the employees be the ones raising their hands to volunteer for and commit themselves to the project.

8. We cannot keep track of developments: We mentioned that after parceling out the tasks, our duties do not end there. We have to continue to monitor the progress of the tasks. Usually, this is done by having reporting officers submit detailed status updates on what they have completed and how much of the work is outstanding. This will give us a gauge on whether the work can be completed on time. We are after all responsible for the final outcome and while we should not micro manage the work process, we should not lose track of its developments.

There is no indefinite job security. Market conditions fluctuate so fast that workers would rather play it safe by working into the good books of the employer. What better way to do that than to be the first person to step into the office and the last to leave. What started out as pure work enthusiasts end up being workaholics. Workaholics' lives center on work and nothing else. Work holism was a topic we used to joke about, but as people became more conscious of leading balanced lifestyles, it had changed it status to a medical problem and was labeled Work Addiction. Work addicts are in a different class. Many do not work for the monetary rewards, promotion or recognition; they work because they just cannot stop working. Bosses naturally love to employ these people since their engines can run even without fuel. The problem is that their engines don't last. Like a machine, they lose touch with the social aspects of life and have little regard for friends and family. They 'burn-out' at an early age, and are often ill and depressed. How do we tell that a person is addicted to work? What can we do to help them lead a balanced life?

Story The Man, the Horse, the Ox, and the Dog



One winter's day, during a severe storm, a Horse, an Ox, and a Dog came and begged for shelter in the house of a Man. He readily admitted them, and, as they were cold and wet, he lit a fire for their comfort, and he put oats before the Horse, and hay before the Ox, while he fed the Dog with the remains of his own dinner.

When the storm abated, and they were about to depart, they determined to show their gratitude in the

following way. They divided the life of Man among them, and each endowed one part of it with the qualities which were peculiarly his own.

The Horse took youth, and hence young men are impetuous, headstrong, and obstinate in maintaining his own opinion. The Ox took middle age, and accordingly man in his middle age is fond of work, devoted to labor, and resolute to amass wealth and to husband his resources.

The Dog took old age, which is the reason why old men are so often peevish and ill-tempered, and, like dogs, attached chiefly to those who look to their comfort, while they are disposed to snap at those who are unfamiliar or distasteful to them.

Moral: Man's life is predestined. Man by nature loves to work.

Quotable Quotes: "It's true hard work never killed anyone but I figure why take the chance?" ... Ronald Reagan

"For workaholics, all the eggs of self-esteem are in the basket of work." ... Judith M. Bardwick

"Imagine life as a game in which you are juggling five balls in the air. You name them - work, family, health, friends, and spirit - and you're keeping all of these in the air. You will soon understand that work is a rubber ball. If you drop it, it will bounce back. But the other four balls - family, health, friends, and spirit are made of glass. If you drop one of these, they will be irrevocably scuffed, marked, nicked, damaged, or even shattered. They will never be the same. You must understand that and strive for balance in your life." ... Brian Dyson

Lessons in life: The social problems arising out of this compulsive behavior are plenty. We mentioned health as a major consequence. Workaholics have a tendency to neglect their health. They delay seeking medical treatment for their sickness and prefer to spend their day working in office than recuperating at home. Sometimes, it may be delayed so much that the sickness becomes incurable. Common ailments are blood pressure and heart problems, caused mainly by the work pressure they put onto their shoulders.

Besides physical condition, the emotional aspects of a workaholic have to be considered. The moment he hits home, he would be too tired to give any attention to his family members and loved ones. He may be listening to his children, but his mind is somewhere else, probably thinking of the uncompleted assignments and projects. With little emotional bonding within the family unit, it is a matter of time that he splits ways and the spouse files for divorce.

There are telling signs of work addiction. Look around your office or place of work and if you spot someone with several of these symptoms, they are either already workaholics or have the potential to be:-

- Works extraordinarily long hours.
- Always in a hurry.
- A perfectionist.
- Does not like to delegate work.
- Likes to stay in control.
- Emails you in the middle of the night.
- Wants everything done urgently and quickly.

- Impatient and has a low tolerance for mistakes.
- Always talking about work matters.
- Does not socialize unless forced to.
- Routine is home - office - home and nowhere else.
- Possibly temperamental and hostile.
- Takes little care of personal health and hygiene.
- Goes to work when on medical leave.
- Does not take vacation leave

Within this broad generalization, there are also those who choose to overwork them. We shall deal first with the true blue workaholics i.e., those who take their work seriously and cannot kick the habit of working. Such people have to progressively understand that work is never-ending. Rather than undertake the work alone, they should learn to delegate and farm out the work. Bosses often pile work on workaholics because they can produce results. A person has but two hands and there is a limit as to how much work he can handle. It is therefore useful to learn how to say "No" and to reject work. If attention is spread too thin among all the assignments, quality is adversely affected and it would not benefit the company. Devote more time to relationships. Be convinced that success in life is incomplete if it is only a success at work but a failure at home.

The second group of workers intentionally put themselves in that position of a workaholic for various reasons:-

1. The pretender: He works hard only when his bosses are looking. One Japanese bank manager we knew had this daily routine. He would leave his computer on, switch to a password-protected screensaver mode, and sneak out of the office at about 5pm. He had his dinner, shower, booze and returned to office at 8pm. He then worked till midnight and returned home after that. His boss would leave the office at about 11pm, and was always pleased to see this manager at his desk even at that late hour.

2. The opportunist: There is a rosy opportunity, a managerial position that is recently vacant and up for grabs. This person has been eyeing it for a long time and decides to become a work addict overnight to prove to the management that he has the cut for the job. He makes a lot of 'noise' while at work just so that people know that he is working hard.

3. The insecure: At the other end of the spectrum, instead of a possible promotion, this person senses a threat to his position. He may get fired because he handled something badly or there is a new employee who is better qualified. The feeling of insecurity motivates this person to work.

4. The procrastinator: He sits on files drags his feet. Close to the deadline, he suddenly wakes up to the reality that his career is on the line if he does not complete the assignment. During this last stretch of the race, and so close to the deadline, he has no alternative but to work doubly hard.

5. The escapist: Family unhappiness causes him to stay out of the home. With nowhere else to go, he stays in office for as long as he can and dives into work to keep his mind away from his marital problems.

Curing the habit for these lots of people will depend on the reason for them wanting to work long hours. A good boss should encourage his employees to have a balanced life. The best way to do that is to be the exemplary figure. If bosses leave the office right after office hours, openly talk about their golf and other social hobbies, and party away on weekends, the workers are likely to follow suit.

Story: The Paper's Purpose & Objectives

As in Aesop's fables where lessons are learnt from stories told, here, leadership lessons are learnt from the nature and habits of animals. The purpose and objective of this paper is to indicated and draw parallels, and highlight the leadership lessons and its applications from nature with special reference to the animal kingdom, and where necessary, such an interpretation is seen from the Chinese perspective.

The Eagle

"When there is no vision, the people perish." With a superior mind, the leader can come up with a vision or a dream, and that vision should be communicated to the people. And how true, creating a vision for the people, the leader's dreams can help create a better world for the people.

One leadership lesson drawn from the eagle is that of vision. It is said that the eagle soars or file high when it is hunting. From the eagle, the leader can learn the need to have a high vantage point, giving vision to the people. The leader should have a vision and see the big picture. And vision, having it is a necessity, server as a guide or even as a beacon and a guiding light to the people. From the eagles, one can also learn about resilient or tough leadership. Leader need to be tough and resort to positive thinking, changing the "I can't" to "I can!" and the "I 'll try to do" to "I'll do it!"

When eagles are 30 years old, they go through a process of renewal. Finding a hidden place high in the mountains, the old feathers that by now become less airborne. As a result, it bleeds badly. But this is vital for the eagle in order to renew its strength. If the eagle did not do this, it would no6t be able to live to its normal 40 years. It is thus vital for the eagle to undergo the change process to gain its strength and this builds the eagle's resilience. By the same token, mankind simply needs to accept the change process, learn and grow. It's part of life and living.

It is apt at this point to quote a Chinese phrase: 香港新浪网 "the eagle is soaring high, spreading its wings. "When a Chinese businessperson receives a calligraphic painting of an eagle from his or her business associates, it depicts that the well wishers wish the business person well, and in fact, they are sending him or her good intentions and wishes of business expansion. More specifically, in Chinese culture, the eagle symbolizes a fly as high as (s)he desires. In many Chinese brush paintings, the eagle can be depicted as catching a fish against the backdrop of a rising sun and mighty waves. The turbulence of the vast ocean is never an obstacle for the strong and determined eagle. The depiction of as eagle can normally be taken as being optimistic. The rising sun, which foresees every possibility in life, is a symbol of opportunities and bright future, greatness and magnificence an individual can achieve with all efforts and aspiration (s)he devotes. Hence, the eagle can be a good source of inspiration and encouragement.

The Tiger

A leader needs to be a risk taker too. (S)he should take some risks. And interestingly, this brings to mind a Chinese saying that goes, "if you do not enter the tiger's den", how can you get his cub?" Having powerfully built shoulders and legs, the tiger, the largest of the four big cats of the panther family, is also seen by the Chinese as courageous as well as upholding justice. It protects the week. Being seen as the King of the Beasts in East Asian cultures, paintings of tiger(s) are normally put in the house to ward off evil spirits.

The Horse

In the Western tradition, there is always a wild horse in us and one on which we, as a person or leader needs

to tame or put it under control. That wild horse can be our emotions and feelings. The leader should be emotionally stable, and in fact, possess high emotional quotient (EQ). Here, in the Chinese context, the leader should have "the uncontaminated heart". [Purity of heart, care for his or her people] and the clarity of mind [to set goals and get the tasks or job done].

In fact, the Chinese phrase," 香港新浪网 " meaning "immediate success" is commonly used in Chinese painting ands Chinese calligraphy, and most often used as gifts for Chinese businesspeople to display at their new offices or residences. To most Chinese business people, hanging a big painting of eight running, sturdy horses with as inscription of, meaning, and "eight handsome running horses" is taken as good luck. Here, it is believed that business would flourish similar to a team of strong horses, running purposefully in unison. Besides, the number eight in Chinese can also sound and mean "prosperity", hence the number of horses in the painting.

It is worthy to note that horse also have a great sense of balance, in part due to their ability to feel their footing and in part due to the highly developed proprioceptive abilities (that is, the unconscious sense of where the body and limbs are at all times) (Thomas,1998). In this aspect, leaders need to be high in self-monitoring, with a good sense of balance and flexibility, mixing with all kinds of people. Having a good sense of balance and a wide area of interests, a leader would not be too rigid, lop-sided and easily stressed. Low self-monitoring, with limited options open, can often act inflexibly or be inflexible (DuBrin, 2007), and people who are flexible and skilled in networking and mixing with different groups of people usually score high on the self-monitoring factor.

The Crane

These are long-legged and long-necked birds of the family Gruidae. In several cultures such as the Chinese, the Japanese, the Koreans, and the Vietnamese, the cranes are considered as auspicious, and they are the symbols of longevity. The Chinese phrase,"hohkh" written in the Chinese paintings of cranes and coniferous trees in long spring time depicts the meaning of longevity. Traditionally, the Chinese also regard the cranes as messengers of wisdom. Here, it is said that legendry Taoist sages were transported between heavenly worlds on the backs of cranes. To be able to lift oneself up in the air with the sage, the crane must have maintained a slim body with a pair of powerful wings to carry the sage. In business, the leader must be powerful and confidence enough to lead a team of considerable size.

Interestingly, the cranes are opportunistic feeders that change their diet according to the season and their own nutrient requirements. They eat selectively a range of items from suitable sized rats, fish, frogs, insects and berries and plants. This, in most ways, ensures their survival; and by the same token, leaders need to be situational or agile, and with high adversity quotient, able to take the heart. Making the most of the situation, leaders direct, empower or allow followers' participation as and when necessary.

The Tortoise

The tortoise is considered as a symbol of longevity by the Chinese. The tortoise has a hard shell protecting its inner body, and this makes the tortoise resilience. Giving a hostile environment, the tortoise will strategically protecting itself inside the shell patiently await the next opportunity to venture out and explore the surroundings? Likewise, a leader should be steadfast and preserve; the leader is often a determined and resilient person, weathering crises or effecting turnarounds of businesses.

It represents the virtue of patience in leadership. "Patience is good and in fact great, it can be taken it patience

is soft and gentle, and it can be powerful" (Low, 2009). Rome is not built in a single day: a strong brand needs to be built. Similarly, a good corporate culture also needs to be built and nurtured with a set of core values. Lasting companies with timeless core values can be said to last longer! (Collins and Porras, 2002). These lasting core values are indeed reinforced by the founders' and leaders' good examples and role-modeling ways.

5.6 Self Assessment Test

1. What is the meaning of management?
2. What is the meaning of leadership?
3. What is the framework of leadership and management?
4. What are the various stories that were tell you about the leadership?
5. What is the meaning of folklore?

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Unit - 6 : Bhagvad Geeta and Modern Management

Unit Structure:

6.0 Objectives
6.1 Introduction
6.2 Relevance of Teachings of Geeta
6.3 Bhagvad Geeta and Managerial Effectiveness
6.4 Attitude Towards Work
6.5 Lessons from the Bhagvad Geeta
6.6 Tackling Emotional Upsets - The Bhagvad Geeta's Way
6.7 Summary
6.8 Self Assessment Test
6.9 References

6.0 Objectives

After studding this unit, you will be able to

- Recognize the relevance of teachings of Geeta.
- Learn to increase the managerial effectiveness through the implementation of geeta's teaching in work life.
- Develop an attitude towards work.
- Point out the various methods of conflict resolution.
- Understand as how to tackle emotional moments by Geeta's teachings.

6.1 Introduction

Management has become a part and parcel in everyday life - be it at home, office, factory, government, or in any other organization where a group of human beings come together for achievement of a common goal and objectives. The management principles come into play through their various facets like management of time, resources, personnel, materials, machinery, markets, finance etc. Management is a systematic way of doing activities in all fields of human endeavour. It is about keeping oneself producti vely engaged in interactive relationship with other human beings in the course of performing one's duty. Its task is to make people capable of joint performance, to make their weaknesses irrelevant. It strikes harmony in working equilibrium in thoughts and actions, goals and achievements, plans and performance, products and markets. It resolves situations of scarcities and conflict - be they in the physical, technical or human fields - through optimum utilization of resources by inter-alia focusing on organization and processes to achieve the organizational goals and objectives.

The lack of management causes disorder, confusion, wastage, delay, destruction and even depression. Managing men, money and materials in the best possible way, according to situations, circumstances and environment is the most important and essential prerequisite for successfully achieving the end results. Managing men is one of the most crucial inputs in managing problem situations. "Man" is the first syllable in management, which speaks volumes about the role and significance of man in the scheme of management practices. From the pre-historic days of aborigines to the present day of robots and cotnputers the idea of managing available resources has been in existence in some form or the other. Now when the world has become a big global

village, management practices have become more efficient as also complex but the basic challenge and essence of managing men has more or less remained the same.

It may be highlighted that western management philosophies focus on solving problems at superficial, material, external and peripheral levels. Therefore, the majority of organizations today are more concerned with financial well-being and increasing shareholder wealth. These may be necessary goals, of course, but they are insufficient to provide long-term sustenance, viability and success. To achieve that, we must necessarily look in totality and in an integrated manner about all aspects and dimensions of organizational life and improve each of them. In fact, of the 200 CEO's studied by Toney and Oster (1998), those who used religious principles in their daily decision-making had more successful companies than those who did not.

This was because while some CEO's might be motivated by personal reward or greed, those who sought guidance from their religious ethical philosophies often chose " selfless service" to the society at large as the key guiding principle behind their work and that, paradoxically, led them to greater corporate and personal wealth. With this background teachings of Bhagvad Geeta may play a relevant role in management.

6.2 Relevance of Teachings of Geeta

As such the teachings and knowledge of ancient scriptures in general and the Bhagvad Geeta in particular continue to have a great and direct relevance to today's corporate issues and challenges. The Bhagvad Geeta needs an intelligent relook, rethinking and reinterpretation in the changed context of modem times. Its wisdom, if imbibed properly, can go a long way in making us effective managers in different walks oflife - be it personal, family, social, spiritual or corporate. The basic concepts and philosophies of the Geeta and their relevance to modern management theories and practices are given in Fig 6.1.

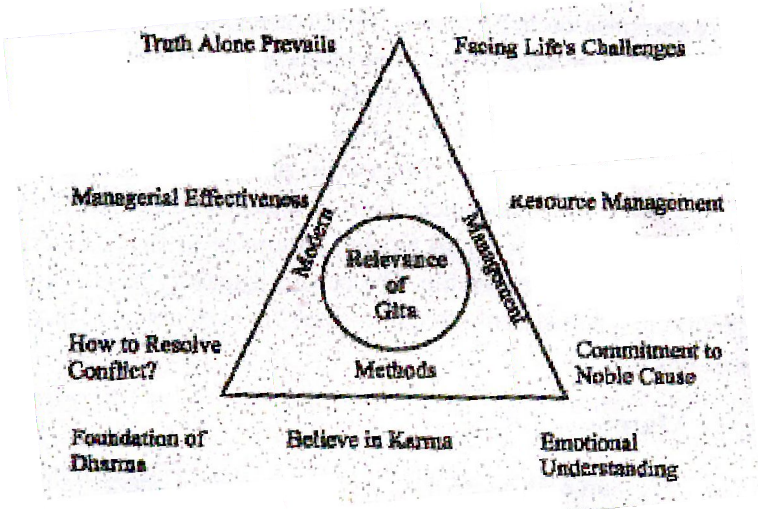


Fig. 6.1: Relevance of Teachings of the Geeta to Modern Management Methods

The Geeta tells us about the essential qualities of an efficient manager and teaches us how to acquire them. The Geeta opens our eyes to the truth of life. The closer we are to the truth, the better managers we become in any field of activity. In fact, those who are established in the highest truth of the Self are able to manage critical tasks without any fear, worries and mental anxieties. The Geeta praises such a super manager as, "One who is free from the notion of egoism, whose intelligence is not affected by attachments, though he kills these people, he kills not, nor is bound by his action."

The teachings of the Bhagvad Geeta enlighten us on the whole gamut of management principles and concepts leading to achievement of success in a harmonious and cooperative way, as against the way of conflicts,

tensions, lower efficiency and productivity, absence of motivation, lack of work culture etc., that is the common affliction of most of the corporate enterprises.

6.2.1 Facing Life's Challenges

"Work we must," says the Geeta, "for no embodied being can possibly do otherwise". This being the case, our choice is only in two areas: (i) the kind of work and (ii) our attitude towards work. Managers should be honest to them in choosing the kind of work. Using a technical word, 'Svadharma,' the Geeta warns them to adhere to it. Svadharma reflects the way God has made us. No duty is high. No duty is low. This is the concept of 'svadharma,' "which focuses on one's dharma arising out of one's nature and position in life and understands that to be doing one's job well is better than aspiring to do someone else's job. That is both the source of satisfaction and the basis for rewards." Each of us can contribute immensely to our own and others' happiness by discovering and sticking to "that for which God made us." Otherwise, personal fancies and false conditionings determine our choice. Sorrow under such circumstances is assured. As regards the attitude, Sri Krishna exhorts us to shed our personal attachments and sense of ownership. The beautiful analogy of the lotus leaf, points out the reward of freedom for our services rendered in a spirit of non-egoism.

6.2.2 Resource Management

Our inner resource is energy. There is expenditure of energy in talking, working, playing, reading and so on. The Geeta insists on being moderate in all our activities. This is the key to balanced life. Holistic thinking and living bring out the best in us. Those managers who have struck a harmonious balance in the different aspects of their lives such as work, home and society emerge as true winners in the long run.

The first lesson in the management science is to choose wisely and utilize optimally the scarce resources if one has to succeed in his venture. During the curtain raiser before the Mahabharata War, Duryodhana chose Sri Krishna's large army for his help while Arjuna selected Sri Krishna's wisdom for his support. This episode gives us a clue as to who is an Effective Manager.

6.2.3 Qualities Required

The manager of a team sees the whole group as one and has respect for even a member in the lowest rank. He looks at the other person as himself and is interested in maximum benefit to all. He inspires them, encourages them in their meaningful activities (apparently even of less significance) out of love for them. He himself works (on his own level and in his own sphere) with enthusiasm and fortitude and maintains his equilibrium in success and failure.

6.2.4 Commitment to a Noble Cause

A manager stays committed to the noble cause that underlies all his actions. The Teacher of the Geeta is very poetic when He says, "Work on, dear friend, with no negative energy interfering with your performance! The golden key to do so is offering all your actions to Me!". This 'offering all that we do to God' takes the form of 'commitment to the main (noble) cause' in a secular context. It has been rightly said, "Stay firm like a rock when it is the basic principles and go with the flow in small matters." The manager then gains the necessary flexibility and accommodativeness to mingle well with all the members of his team, while having the focus on his chief mission.

6.2.5 Whip in Hands

Obviously, a manager cannot afford to be a 'Yes' man all along. Nor can he always compliment those with whom he works - above, equal to or below him. The Divine Teacher in effect says to his friend and disciple,

"Do not spare them who have violated dharma! They are dead already from the moment they swerved from truth! Do your part anyhow, as My instrument". Reprimanding the wrongdoers and expressing resentment at unacceptable performance or behaviour of others are a.necessary part of an effective manager. Subjectively too, "Do not come under the sway of mere likes and dislikes. They are your enemies!". Swami Chinmayanandaji said, "Use your head while judging yourself, use your heart while judging others!" We have to act with great responsibility towards our own BMI (Body, Mind and Intellect). We cannot afford either to overindulge them or put them to disuse. When used well, they are a wonderful medium of self-expression. Otherwise they bind us.

6.2.6 Truth Alone Prevails

That truth alone ultimately prevails is as much a universal law as gravity or magnetism. A book of Physics teaches us basic laws of the cosmos. In the same way, the Geeta reveals to us the spiritual laws. For example, the law of selflessness, "Those who act without desire gain inner peace!". Or again the law of non-agency: "One himself truly is never a doer, everything is —— done by Nature!". As we gain clarity in these aspects of Truth, our ability to appreciate the beauty of life increases. Rather than complaining about things, we begin to thank the Lord for giving us life to do His Will. Our ego-driven expectations cause sorrow to us; life by itself is awe-inspiring! The enlightened manager is spontaneously and naturally dynamic outside. He is peace-filled inside, surrendering totally to the Law of Life. He fully sees the limitations of human intelligence and the inexhaustible energy contained in Truth or God.

6.3 Bhagvad Geeta and Managerial Effectiveness

A difference in approach emanating from value-based management - the Geeta way compared to modem management approaches is given below. Some of the key lessons that can be learnt from the Ancient Indian Teaching, especially the Bhagvad Geeta, to improve ones effectiveness and efficiency in life are as under:

- Limited Vision for. Organizational Good
- Solving Problems at Material, External & Peripheral Levels
- Efficiency & Effectiveness Based Management
- Management of People
- Competition with Others to Achieve Progres
- Attached Action to Sharpen Knowledge, Equip with Diagnostic Capabilities & Skills
- Emphasis on short to Medium- term Growth
- Excellence in Business Skills
- Materialistic Foundation with a Blind Eye to the Beyond
- Success Becomes a Load and Failure a Calamity
- Larger Vision for Common Good
- Solving Problems at Human Resource Level in Addition to Material
- Value Based Management
- Discovering the Higher Potential of Each Person in the Team for the Benefit of Each Individual and Organization
- Compete with ones own Performance and thus Grow Steadily as a team
- Inspiration is the Secret of Achievement and Not the Load of Result Orientation
- Long-term Sustainable Wholistic Approach to Growth
- Excellence in all Endeavours for Mutual Benefits

- Neither Success Intoxicates nor Failure Depresses
- Perfect Balance Between Material Prosperity and Mental Peace
- Utilization of available resources

6.4 Attitude Towards Work

Three stone-cutters were engaged in erecting a temple. As usual an H R D Consultant asked them what they were doing. The response of the three workers to this innocent-looking question is enlightening and illuminating.

'I am a poor man. 1 have to maintain my family. 1 am making a living here,' said the first stone-cutter with a dejected face. 'Well, I work because ! I want to show that I am the best stone-cutter in the country,' said the second, with a sense of pride, 'Oh, I want to build the most beautiful temple in the country,' said the third with a glowing face and a visionary gleam. Their jobs were identical but their perspective; vision and attitude towards life were different. What the Geeta tells us is to develop the visionary perspective in whatever work we do. It tells us to develop and have a sense of larger vision in one's work for the common good.

The oft-quoted verse 2.47 of the Geeta advises non-attachment to the fruits or results of actions performed in the course of one's duty. Commitment and dedication to work means 'work for the sake of work'. By tilting the performance towards the anticipated benefits, the quality of performance of the present duty suffers on account of the mental agitations caused by the anxieties of the future. One loses the charm of enjoying the present moment by getting attached to the outcomes or results from the present efforts. Another reason for non-attachment to results is the fact that workings of the world are not designed to always positively respond to our calculations and hence expected fruits may not always be forthcoming. The Bhagvad Geeta repeatedly stresses the theory of cause and effect, making the doer responsible for the consequences of his deeds. The Geeta, while advising detachment from the avarice of selfish gains by discharging one's accepted duty, does not absolve anybody from the consequences thereof. The best means for effective work performance is to become the work itself. Attaining this state of nishkama karma is the right attitude to work because it prevents the ego-driven mental energy from dissipation through speculation on future gains or losses.

It has been presumed for long that satisfying lower needs of a worker like adequate food, clothing and shelter, recognition, appreciation, status, personality development etc., are the key factors in the motivational theory of personnel management. It is the common experience that the spirit of grievances from the clerk to the Director is identical and only their scales and composition vary. It should have followed that once the lower-order needs have been more than satisfied, the Director should have no problem in optimizing his contribution to the organization. But more often than not, it does not happen like that. On the contrary a lowly paid school teacher, a self-employed artisan, an ordinary artist demonstrates higher levels of self-satisfaction, despite poor satisfaction of their lower-order needs. This situation is explained by the theory of Self-transcendence or Self-realization propounded in the Geeta.

Self-transcendence is overcoming insuperable obstacles in one's path. It involves renouncing egoism, putting others before oneself, teamwork, dignity, sharing, cooperation, harmony, trust, sacrificirig lower needs for higher goals, seeing others in you and yourself in others etc. The portrait of a self-centred person is that he is a man who concentrates on his own interests to the exclusion of everything else. On the other hand the self-transcenders are the altruists, visionaries and innovators. Their resolute efforts enable them to make the apparently impossible as possible.

The Geeta further advises to perform action as an offering to the Divine that implies redirection of the empirical self away from its base egocentric urges, needs, desires and passions for creating suitable conditions to ejform actions in pursuit of excellence. Tagore has said: "working for love is freedom in action."

This is described as disinterested work in the Geeta. It is on the basis of this holistic vision that the ancient sages developed the work-ethos of life. They taught that all work, irrespective of its nature, ought to be directed towards a single purpose, i.e., the manifestation of essential divinity in man, by working for the good of all beings - lokasangraha. This vision was presented to us in the very first mantra of Isopanishad, which says that whatever exists in the Universe is instinct with Divinity. How shall we enjoy this life then, if all are one? The answer it provides is: 'Enjoy and strengthen life by sacrificing your selfishness, by not coveting other's wealth'. Sri Krishna in the Third Chapter of Geeta, gives the same motivation when He says: "The righteous who eat what is left from the sacrifice are released from all sin; but evil are they who cook (food) for their own sake, they verily eat Sin" 3.13

Geeta teaches us how to get release from the woes of the ego-bound life of this illusory world by prescribing the following guidelines as regards day to day living:

* Cultivate sound altruistic philosophy of life.
* Identify with inner core of self-sufficiency.
* Get out of the habitual mindset towards the pairs of opposites.
* Strive for excellence through performance of all actions in a spirit of worship.
* Build up an internal integrated reference point to face contrary impulses and emotions.
* Pursue - moral rectitude.

Cultivating above virtuous traits and principles in various facets of life- personal, professional and spiritual - would help a manager to lead him to emancipation from falsifying ego-conscious state of confusion and distortion, to a state of pure and free mind i.e., universal, supreme consciousness, whereby he can prove his effectiveness in discharging whatever roles and duties he has to perform in the various stages of life.

6.5 Lessons from the Bhagvad Geeta

6.5.1 Conflict Resolution

Conflict management is a vital skill required to manage effectively. The Bhagvad Geeta enlightens us about the genesis and strategies to understand, identify and resolve conflict situations. - Thus, while facing psychological conflicts in circumstances such as taking decisions under trying circumstances, pressure from the top, external interferences, outside threats etc., a manager may find guidance, insight and strength from the Bhagvad Geeta. In the beginning Arjuna, the great and brave warrior, finds himself suddenly overwhelmed with the feeling of mental depression, grief, dejection and fear when he realizes that he has to fight his close relatives - cousins, uncles, elders and teachers - facing him as his enemies.

Arjuna is greatly disturbed about the consequences of the war- mass scale destruction and death. He feels like renouncing the world rather than killing his own kith and kin. His emotions of blind attachment to his near and dear ones, his concepts of duty and Dharma, all appear to be confusing. He is unable to determine the correct approach in this critical situation of urgency and emergency.

Arjuna turns to Sri Krishna, his friend, guide and teacher, "How can I kill them? 0 Krishna, I am unable to decide my further plan of action." Sri Krishna says, "0 Brave one, why this dejection in this hour of difficulty

and peril? Why have you given yourself to this unmanliness and cowardice? Do not think that by your high talk of 'renunciation and retiring to forest' future generations would adore you and call you mighty and intelligent. On the contrary, for centuries to come, blame would be put on you for running away from the battlefield.

Generation after generation, people would laugh at you and make fun of your unmanly flight. In such a crisis, whence comes upon thee, 0 Arjuna, this dejection, un-Aryan-like, disgraceful, which leads neither to heaven nor to glory? Yield not to impotence, 0 son of Kunti! Cast off this mean faint-heartedness and arise, O scourge of thine enemies." At the conclusion of the Geeta's teachings, Arjuna steadies himself and fights the war and wins it. We find Krishna repeatedly motivating his friend Arjuna with the words, 'get up and fight'. It may be seen that in the hour of conflict Arjuna was provided with emotional support by Sri Krishna, which helped him to understand his inner strengths and competencies and he decided to walk on the righteous path. The only emotionally intelligent way left to him was to fight the war irrespective of the emotional bondage he had with his opponents. He acted firmly, with conviction and showed emotional maturity. His behaviour also proved that being emotional does not mean being a weak person. Managers go through similar situations on day-to-day basis when they have to choose between alternatives leading to biases as a result of emotional inputs. Thus, clues from the Bhagvad Geeta can come handy in strengthening modem managers to remain firm and upright under such confusing.and stressful situations by being clear about their Dharma. It may be interpreted as a call to each one of us to get up and fight the battle of our own life and be successful, The success story of Arjuna fighting and winning the battle of righteousness, after being motivated by Sri Krishna should be emulated by one and all. How to energize and recharge ourselves under circumstances of dernotivation can help managers to a great extent. In practical life every man is a victim of 'Arjuna-Disease' and needs the 'Krishna-Cure', which is the theme of the Bhagvad Geeta. As the saying goes, the war Arjuna fought at Kurukshetra was not the last war between the Kauravas and the Pandavas. The war, according to Sri Krishna, will continue in all generations in the hearts and minds of seekers of Truth. In these wars, the Kauravas, representing evil, will again and again confront the Pandavas, representing the good, and Lord Krishna (the Indwelling Divinity) will be Arjuna'siseeker's) charioteer. Thus, the divine message of the Lord will continue to be delivered perennially. The whole Bhagvad Geeta has been unfolded in the 'battle field' of Kurukshetra, it has the potential to motivate modem managers to enable them to 'fight out' to righteously achieve their corporate objectives in the present day highly challenging and competitive business world. The Bhagvad Geeta epitomizes the mental conflicts and dilemmas of a man of action - the great warrior prince Arjuna - and the path to their resolutions with the aid of his Divine Teacher - Lord Krishna - in the midst of the battlefield of Kurukshetra, leading to positive and affirmative action. Every modem manager faces similar moral quandaries and spiritual quagmires in his or her battlefield of life. The Bhagvad Geeta offers an immortal and eternal message for practical living - one of sublimation and mental transcendence.

6.5. 2 Stand Firm for Dharma - The Righteousness

The term 'Dharma' is one of the most intractable terms in the Bhagvad Geeta broadly meaning righteousness. The term has been variously defined as religious code, as a system of morality, as duty, as charity etc. It basically means the 'law of being that makes a thing or being what it is' . For example, it is Dharma of fire to bum, of the sun to shine, the earth to sustain life, etc.

Similarly, all human beings are also expected to follow their Dharma in their day-to-day living. The social Dharma is thus nothing but the rules of living, feeling, thinking and acting as ideal members of society. The managers shall do a lot of good to themselves and the society if they understand the tenets of Dharma and practice them.

Today also we see many bureaucrats, public servants and managers and executives loyal to corrupt rulers and manipulative business houses. It is not Relevance of Teachings of the Geeta to Modem Management Methods uncomnion to see many 'righteous persons' keeping mum over irregularities and misconduct oftheir bosses. These behaviour traits reflect a weak personality, which would not stand-up and revolt against injustice. The Geeta urges us to fight for righteousness and not to be cowed down by the evil elements of society If we can do so we will be following the path of righteousness and in turn show our emotional sensitivity towards social evils and emotional maturity to raise our voice against them. Such a response would be known as an emotionally intelligent response based on dharma.

6.5.2 Belief in Karma

The theory of Karma is the central themeof Bhagvad Geeta which when translated into modern day management may provide fresh approach into 'doing' the 'right' things at the 'right' time. Needless to say that the deeds or actions of a manager not only reflect his past experiences but also the future actions he is likely to initiate. Everybody looks for peace and happiness and nobody likes to face adversity. That is why the soul is bound by its Karma (deeds or actions). Bhagvad Geeta tells us that future flows from our present deeds, in accordance with their nature - good or bad. We can change our future by virtue of our present pious deeds and by adopting the path of Truth. The aim of human life is to spread, by example, loving kindness, cooperation and honest discharge of duties, noble deeds and finally aspiration for self-realization. Hindus believe in reincarnation. The basic belief is that a person's fate is determined according to his deeds. These deeds, in Hinduism, are called 'Karma '. A person who does good Karma in this life will be rewarded with a better life in the next incarnation. A person who does bad Karma will be punished for his sins, if not in this incarnation then in the next. Karma Yoga taught in the Bhagvad Geeta means performance of one's assigned duties towards family, friends, society, nation, and humanity to the best of one's abilities, without hankering after rewards. Therefore, Sri Krishna says to Arjuna, 'Your only duty is to act (right to work) and not to hanker after the fruits (or the results) thereof.' Neither the purpose of our actions nor the work should bind and blind us. To work is to worship with total non- attachment and selfless attitude. An emotionally intelligent manager would interpret his emotions and follow the path of action. He would also decide which path of action would lead him towards 'success' at the workplace and in personal life.

The managers may note that Bhagvad Geeta tells about actions, inactions and improper or prohibited actions. Sri Krishna teaches the path of action - "Action is better than inaction. Without action no one can survive." He teaches, "Respond in such a way that it does not bind but frees you from ignorance."

The method prescribed by Sri Krishna is, "Do all work as worship to God. Do everything to the best of your ability, suited to your intrinsic nature and prevailing environment." In order not to be bound by our actions we have to offer the fruits of our actions to God. We have to bear in mind that we are not the real doers - the real doer is God. " Actionlessness' in midst of all action is the secret prescribed by this path. It may be seen that the Bhagvad Geeta provides for continuous responding to prevailing environment with emotional sensitivity and equanimity. Whatever the scriptures prescribe should be accepted as correct action. Similarly, the lives and teachings of great sages and seers, prophets and avatars also provide guidelines for determining beneficial karma. One should follow their advice. Actions like hoarding, engaging in corrupt practices, bribery, doing harm to others are considered evil actions. Similarly, excessive, inappropriate and unmindful expression of emotions such as lust, greed, hatred, anger and jealousy must be shunned. Therefore, these are not good karma. A manager who learns to cultivate appropriate and noble emotions to the desired levels will always get appreciation. In other words he would be termed as emotionally intelligent.

Every action produces some effect in the form of impression on the subtle mind. As we sow, so do we reap. Repeated karma of similar nature becomes a habit. The sum total of karma is tendency, which is a learned emotional response to a particular situation. The character of a manager is determined by such tendencies, predominantly good tendencies make a person noble and bad tendencies make him wicked. We begin performing karma as soon as we are born and continue to act till death in a ceaseless chain. It is a continuous process of cause and effect. Emotion is the main motivating factor behind karma. It may be noticed that complete satisfaction of any emotion is impossible; on the contrary, as habits, these emotions lead us to do repeated karma even against our conscience. Our karma may harm us or may prove injurious to others; still we act according to our predominant emotional tendencies. Similarly, bonding with good karma makes a manager work for the good of others (empathy). The theory of karma also outlines the keys to maximizing productivity at workplace and satisfaction in personal life. When we firmly believe that we enjoy or suffer the effects of our own personal Karma, we naturally have a less stressful attitude toward previously distressing situations and a strengthened faith to be present in the moment, regardless of the circumstances. If we wish to be emotionally balanced and harmonized, we have to perform karma, which is emotionally, spiritually and practically beneficial for us as well as humanity at large. If a manager is looking to enrich his experience of well-being and wishes to lead an exemplary life of nobility, Bhagvad Geeta can show the way through the path of action (karma yoga).

6.6 Tackling Emotional Upsets - The Bhagvad Geeta's Way

The managers may also learn certain emotonal competencies to tackle **emotional upsets** by emulating the teachings of Bhagvad Geeta, The emotional upheavals in personal and professional life affect the productivity, effectiveness and self-image. The life of Pandavas in exile is a perfect example of tackling emotional upsets in life. As the story goes, losers in the deceitful game of dice and humiliated by Kauravas, the Pandavas started for their exile in forest. Sri Krishna reached Kamyak Van where Pandavas and Draupadi were staying in exile and advised Pandavas to be patient and not to lose heart. He explained that the ordeal they were undergoing was for their highest good, as "experience is the only source of effective learning". Happy and sad experiences are essential for getting the wider perspective and fulfillment of life. Sufferings and sorrows induce requisite virtues of patience, renunciation and detachment essential for seeking higher goals in life. Managers should especially learn to be patient and should avoid reacting to uncomfortable situations instantantly, and wait patiently to strike back as and when circumstances become favourable. Such a character trait is a sign of emotional competency, balance and maturity.

Another emotional competency we learn from Bhagvad Geeta is how to **handle stress** in life. The cause of stress is basically the emotions and our perceived inability to meet the existing challenges or problems satisfactorily. This happens when the emotions get suppressed. Even though it is the same world for everyone, yet as perceptions differ so do the responses. The important causes of stress as enumerated in Bhagvad Geeta are: setting goals without taking into consideration one's capacity and inclinations; imagining that without getting the desired 'fruits' of our actions life would not be worth living; imagining ourselves to be the only ones responsible to attain our goals; entertaining values and life-styles which do not help us relax; having self-centred, calculative and loveless relationships and faulty perceptions about ourselves, life and also the world at large. How to counter the causes of stress. The Bhagvad Geeta says that we are never alone. Look at the cosmos, the world, the seasons, our body, everything is working so beautifully. There is a great intelligence operating in and through everything. One should learn the art of performing actions while holding the hands of this power, called God. Everyone in the world seeks happiness, but it is strange to see that majority has never cared to earnestly seek the key to happiness. Happiness is never in any object, achievement or person, it is

the subjective essence of all. It is extremely important to open the inner gates of joy, thereafter there will be a subjective revolution in life. Further we learn from Bhagvad Geeta that the essence of one is the essence of all Atman is Paramatman. Know that and be free from all sense of limitations. The experience of knowing one's Self is the experience beyond description. It is verily total contentment. The canker of selfishness and egocentric existence is rooted out completely thereafter. Any person who sees the above facts of life and also assimilates this knowledge, shall certainly be able to root out the very cause of stress. Any other methodology is merely cosmetic; it is only a temporary cure, or a first-aid. The thrust of most of the stress relief workshops is only in facilitating release of 'pent-up-emotions' and they do not provide any plan of remedial action to sort out the basic causes of stress. Bhagvad Geeta provides a holistic approach in this regard.

Before facing the situation we should change our minds with positive thoughts and emotions and know the stress symptoms and stressors; learn to 'let go' and relax, cultivate positive qualities such as not getting swept away by surge of an emotion, not losing our cool for the fault of others, see all ego-centric actions to be the underlying cause of all negativities etc.

Yet another attribute to cultivate is emotional maturity through self- contemplation, which constitutes evaluating emotions, identifying and expressing feelings in a poised state of heart and mind. This is a state where an individual recognizes his inner Real Self and responds accordingly. As stated in Bhagvad Geeta, meditation is the tool to achieve self-realization. In a secluded place establish a posture with a straight back. Concentrate between the eyebrows or on the tip of the nose. Fix the mind on the Self (Atman). Develop one pointed concentration called 'Dhyana' leading to self-realisation (or Union with God) in the state called 'Samadhi', Observing moderation in everything, with strict self-control, one transcends the shallow, egocentric, false lower self and awakens to his Real Higher Self. Thus, the Yogi no longer relishes the pleasures of the senses. He cannot be deluded any more. He abides in the Self. Although, many modern organizations and individuals are practicing meditation to tackle emotional upsets such as frustrations, conflicts, inferiority complexes, stress, burnouts etc., but they seem to be treating the symptoms and not the root cause of the malaise. Awakened awareness of our Real Self is the only effective remedy for the woes of life.

Another emotional competency, which Bhagvad Geeta teaches is, how to express ourselves. It may be understood that there are many moments in our lives when we knowingly suppress many of our emotions. This becomes a cause of many emotional upsets. The psychologists explain that repressed emotions accumulate a tremendous amount of dynamic energy, which must necessarily seek an outlet of expression. If controlled and positive expression of repressed emotions is not permitted it is bound to implode and destroy the very individual. As we may see in the Geeta, the great hero Arjuna came ernent under the influence of his repressed emotions on the battlefield and behaved as a victim of perfect neurosis. The causes of his emotional repressions are not far to seek. A great warrior, confident of his valour and strength, was made to live amidst the unjust tyranny of his Machiavellian cousins. At the same time, the unrivalled warrior and archer of his time could not give vent to his innate nature because of the 'righteous' policy of peace of his elder brother, Yudhishthira. Moreover, during the last year of their incognito exile, the Pandavas and Draupadi had to serve as menial servants in the palace of king of Virata. The insults and indignities heaped on them had caused a lot of repression in Arjuna's mind. As an outlet for these repressed emotions he found a healthy way in the severe tapas, which he performed during his years of exile in the jungles. An individual needs to positively channelise his repressed emotions and transmute them into spiritual energies.

There are innumerable strategies illuminatingly and vividly described in the Bhagvad Geeta to cope with **unpleasant situations.** For example, Bhagvad Geeta tells us: we should never do unto others what we abhor to be done unto us; revenge is not good, but neither is forgiveness - learn to know them both, so that there is harmony; remember that joy follows sorrow and .. sorrow is followed by joy, as day follows night. This is relevant from point of view of modern concepts of management such as adaptability and flexibility - an important sign of emotional maturity. We have to learn to behave differently in different situations. If we have to get angry, do it; only thing;6 keep in mind is that the anger should be appropriate to the situation - n~er more nor less. In addition, Bhagvad Geeta tells us that friendship is an important emotional relationship, which has to be nurtured and lived in letter and spirit; similarly enmity is also an emotional relationship, which needs to be followed up to its logical conclusion. We are advised to be emotionally strong and fight our way out of life's challenges and tests.

The teachings of Geeta go a long way in helping us to understand how to tackle **emotional upsets** in life. We of the modern world can greatly benefit by putting them into practice. For example, according to Bhagvad Geeta, lying is to deception what adultery is to lust. Being honest about our dishonesty is a lot harder than just not telling lies; but it will bring freedom and wholeness when we learn how to do it. Anger and lies may make people mad; but genuine love and truth could be far more exacting and could lead to fiercer persecution. If only we would confess our sins, our fears, our disagreements, our delusions, our weaknesses, etc., we could be cleansed of all unrighteousness. Such a situation may be described as being emotionally intelligent in modem times. The social compulsions force us to hide the truth about many a games we play with opponents in an effort to score points against them. It may be wise to keep some things (like suspicions) secret for a while, but it is important to be clear with our self and with God about what is really happening. Clinging to a rigid self-image can blind people to the benefits of honestly and genuinely identifying with others. Fear and pride hold us back from spiritual growth. Let us make the impossible-looking as possible and make room where there is no room, bringing back vibrant life to us, for we are as good as dead. Mind is very restless, forceful and strong; it is more difficult to control the mind than to control the wind. But if we can master the art of mind control we will have all the joys in life and be able to confidently handle emotional upsets. This is the real mantra of Bhagvad Geeta for modem day managers.

To sum-up, the Bhagvad Geeta helps a manager to inculcate the emotional competency of righteous actions. The popularity of the Bhagvad Geeta is, to some extent, due to the fact that it has managed to show that different pathways to God are all equally right and valid. God can be reached through different paths. Here 'reaching God' has to be interpreted in a wider perspective by the managers. It includes aspiring for a satisfying personal life and having effective outcome at the workplace. Any path that provides inner strength or satisfaction to a manager to achieve his objectives and goals is the path of action.

Bhagvad Geeta stresses the paths of knowledge, action, devotion, detachment to outcome and meditation while discouraging the path of self- centred emotions. This is not to be interpreted as 'emotions' being given low priority or being ignored in the Bhagvad Geeta. The correct interpretation would be that emotions, many a times, are so forceful and blind that they hush up our capacity of discrimination between right and wrong. The outcome under such circumstances is disastrous. Hence, the Bhagvad Geeta tells a manager to regulate emotions in an appropriate way by continuously learning from our past actions under given state of emotions and evaluating their overall impact. This may be referred to as emotional sensitivity, which helps a person to maintain harmony, peace, rapport and understanding with others. Finally, a manager can choose the pathway or any combination of pathways suited to his own abilities and capabilities for cultivating the true art of living.

Mahatma Gandhi wrote "I find solace in the Bhagvad Geeta. When disappointment stares me in the face and all alone I see not one ray of light, I go back to Bhagvad Geeta and begin to smile in the midst of overwhelming tragedies".

One of the greatest spiritual teachers of the twentieth century, Sri Sri Paramahansa Yoganandaji, has summed up the significance of the Geeta for the modem man in the following illuminating words: "The message of Krishna in the Bhagvad Geeta stands as the doctrine best suited to our-modem busy life of many worries. To work with God's happiness ever bubbling in the soul is to carry a portable paradise within you wherever you.

A deep insight into the tenets of Bhagvad Geeta can help us inculcate in our personality the-traits of a great manager and chief executive like Arjuna or greatest of teachers and friends like Krishna or an effective leader like Yudhistra. There are other characters, as we have seen, who in their own right, exhibit traits reflecting diverse emotions, appropriate even in modem times. This is why this great scripture is considered relevant and appropriate for spiritual upliftment and guidance even today. We can spread the light of Bhagvad Geeta in the world to achieve real excellence and move towards a stress-free and dynamic managerial environment, which could be applied both in our routine activities and in the competitive corporate environment. The best way to spread it is to live it ourselves. The canvas of the Mahabharata is full of instances of jealousy, anger and conflict among its characters. It appeas that Bhagvad Geeta has provided a perfect background to teach us how to sublimate even these apparently negative emotions to help the process of regeneration of the mind, character and the principles of a civilized society.

And finally Sri Krishna's consoling message and promise for all mankind is to see the Divine Presence in all and surrender to Divine Will: "To those who worship Me, making Me alone the whole object of their thought, to those constantly in Yoga with Me, I spontaneously bring every good - provide what they lack and preserve what they already have."

6.7 Summary

The teachings of the Bhagvad Geeta enlighten us on the whole gamut of management principles and concepts leading to achievement of success in a harmonious and cooperative way, as against the way of conflicts, tensions, lower efficiency and productivity, absence of motivation, lack of work culture etc., that is the common affliction of most of the corporate enterprises. Bhagvad Geeta helps a manager to inculcate the emotional competency of righteous actions. The popularity of the Bhagvad Geeta is, to some extent, due to the fact that it has managed to show that different pathways to God are all equally right and valid. God can be reached through different paths. Here 'reaching God' has to be interpreted in a wider perspective by the managers. It includes aspiring for a satisfying personal life and having effective outcome at the workplace. Any path that provides inner strength or satisfaction to a manager to achieve his objectives and goals is the path of action.

6.8 Self Assessment Test

1. Explain the relevance of teaching of Geeta in modern management methods.
2. How managerial effectiveness can be raised through Geeta,s teachings? Explain
3. What should be the Geeta's teachings?
4. How is Bhagved Geeta helpful in conflict resolution? Explain

6.9 References

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Unit - 7 : Indian Ethics and Spirit of Development

Unit Structure:

7.0 Objectives
7.1 Introduction
7.2 The Essence of Indian Model
7.3 Foundations of the Indian Model
7.4 Indian Ethos and Indianity
7.5 Towards an Indian Model of Corporate Development
7.6 Steps: Holistic Approach to Development
7.7 Foundations of Indian Management
7.8 Towards Spiritual Praxis
7.9 Summary
7.10 Self Assessment Test
7.11 References

7.0 Objectives

After reading this unit, you will be able to understands:

- The essence of indianity in management
- Foundation of Indian model of management
- Indian ethos
- Spiritual praxis
- Management as joy of living

7.1 Introduction

Many of our ancient books display a uniqueness of futuristic looks and timeless ideas. They are *sanatana* or eternal in their approach. They form a basis for articulating a vision for social and management theory as reflected by an emphasis on the eternal human values. Though the nature of political system, production system and organizational forms has undergone a change and innovations in technology have affected our life-styles, however, the human yearning for idealized values has not in any manner diminished. This is indicated by the emphasis on revival of human values. With the flow of time, many isms have come and gone. In future also new isms would arise and go, but the *sanatana* or the eternal aspect of human values would continue to inspire the humanity and its institutions. Indeed during each era of social upheaval, a great need has been felt for revival of human values. This upheaval-revival dynamic or the dialectic is captured by the famous *sloka* from Gita viz. *Yada yada hi dharmasya ...* which indicates that whenever there is erosion of human values or *theadharma* takes over, there is a need to re-establish the human values.

It is in this context that a new model of development as well as leadership and management is required to guide us to take up the challenges of the new millennium.

7.2 The Essence of Indian Model

Indian thought favours a holistic view of life, a balanced approach to the material and spiritual development of individuals and society. In today's context, it implies combining the spiritual heritage with scientific advances. In the holistic model of development, the spiritual side of life is also represented by the yin and the material or the materialistic side by yang. The holistic model strives to achieve a balance between the two. Thus, it is based on the complementary principle or the harmony of opposites. The concept of the' dialectical harmony' has its origin in the Eastern thought and is best represented by the yin- yang concept of the Chinese and the *Ardhnareshwar / Shiva-Shakti* in the Indian thought. Hegel's thesis, anti-thesis and synthesis concept also bears interesting similarities with this idea. In holistic model of development, emphasis is on dialectical harmony of the spiritual and material side of life. Management concepts and theories as derivatives of this model imply that both sides of the life should be combined in such a manner that it leads to the holistic happiness while.

The Indian model of holistic development has also been metaphorically described by people of wisdom as the two wings of a bird - one representing the material side and the other the spiritual side. Both wings are needed to fly. Thus, development implies a balanced approach to life and progress. If there is only one - sided materialistic development, it leads to several social problems, as the Western experience indicates. Similarly if th re is an emphasis only on spirituality there would be no material progress. Hence, the 'spirit of development' demands that for the progress of life in the 'material' and the 'spiritual' world, a balanced approach is needed.

7.3 Foundations of the Indian Model

Indian Ethics also referred to as Indian ethos is at the heart of the Indian model of development. It is in sharp contrast to the Western model of 'Protestant Ethics and Spirit of Capitalism', that is rooted in extreme individualism and has resulted in emergence of mal-developed societies. Hence, the need for a correction. The Indian ethics model with its emphasis on holistic development provides us a new model for future development of human society, in which 'spirit of capital' or the *artha* dimension of life is not negated but is driven by dharma or the ethics. Thus, 'dharma driven *artha'* or the 'spiritually guided materialism' represents a balanced approach to development. While Western ethos are rooted in individualism or the primacy of self-interest, Eastern ethos favour *loksangraha* or the primacy of collective interest and altruism. What is required is a balance between the two.

The intellectual foundations of the Indian model could be traced to three fundamental 'theories' from Indian scriptures viz. The *purushartha theory,* the *purushartha* theory and the theory of *gunas.* The essential aspects of the three are presented below. By combining the three theories we can arrive at the foundational basis of the Indian model. The *panchkoshas* theory provides a framework for holistic self - development. It identifies five levels of self-development viz. the physical, psychological, men to logical, intellectual and the spiritual consistent with the *annamaya, pranamaya, manomaya, vijanmaya* and *arwndamaya koshas.* It provides foundations for the idea of *'Panchmukhi vikas'* or the fivefold holistic development - 'Physical, Practical, Aesthetic, Moral and Intellectual' at the individual level. Panchkosha theory also broadly corresponds to the BMS (Body-Mind-Spirit) model of human beings wherein *annamaya* kosha corresponds to 'Body', *manomaya* and *vijanmaya* correspond to 'Mind' and *anandmaya* to 'Spirit'. Further, it also corresponds to the MMC (Matter-Mind- Consciousness) view of reality. It may also be indicated that *manomaya, vijanmaya* and *anandamaya koshas* also broadly correspond to EQ (Emotional Quotient), IQ (Intelligence Quotient) and SQ (Spiritual Quohent,. The theory of *purusharthas* takes a holistic perspective on balancing the four 'objects.of life' viz., the dharma, *artha, kama* and *moksha* or the ethical, material, sensual and

spiritual dimensions. This theoryn— suggests a balanced approach for the holistic development at the individual level as well as of the society. · The theory of *gunas* identifies three *gunas* viz., the *tamasik, rajasik* and the *sattvik* as three aspects of nature. *Tamasik* is indicative of the selfish and self-interest, *rajasik* connotes the enlightened self-interest and *sattvik* connotes the enlightened collective interest. This theory is applicable at the individual and society levels and has also been applied at the corporate level. This theory also provides us a framework for transformation of work culture in organizations from *tamasik* to *sattvik* with a view to improve the quality of work - life.

By combining the three theories we get a general theory of development, wherein individual, society and organizations are driven by eternal human values and a balanced approach is taken towards material and spiritual development of individuals and society. Figure 1 provides the framework of the general theory of holistic development.

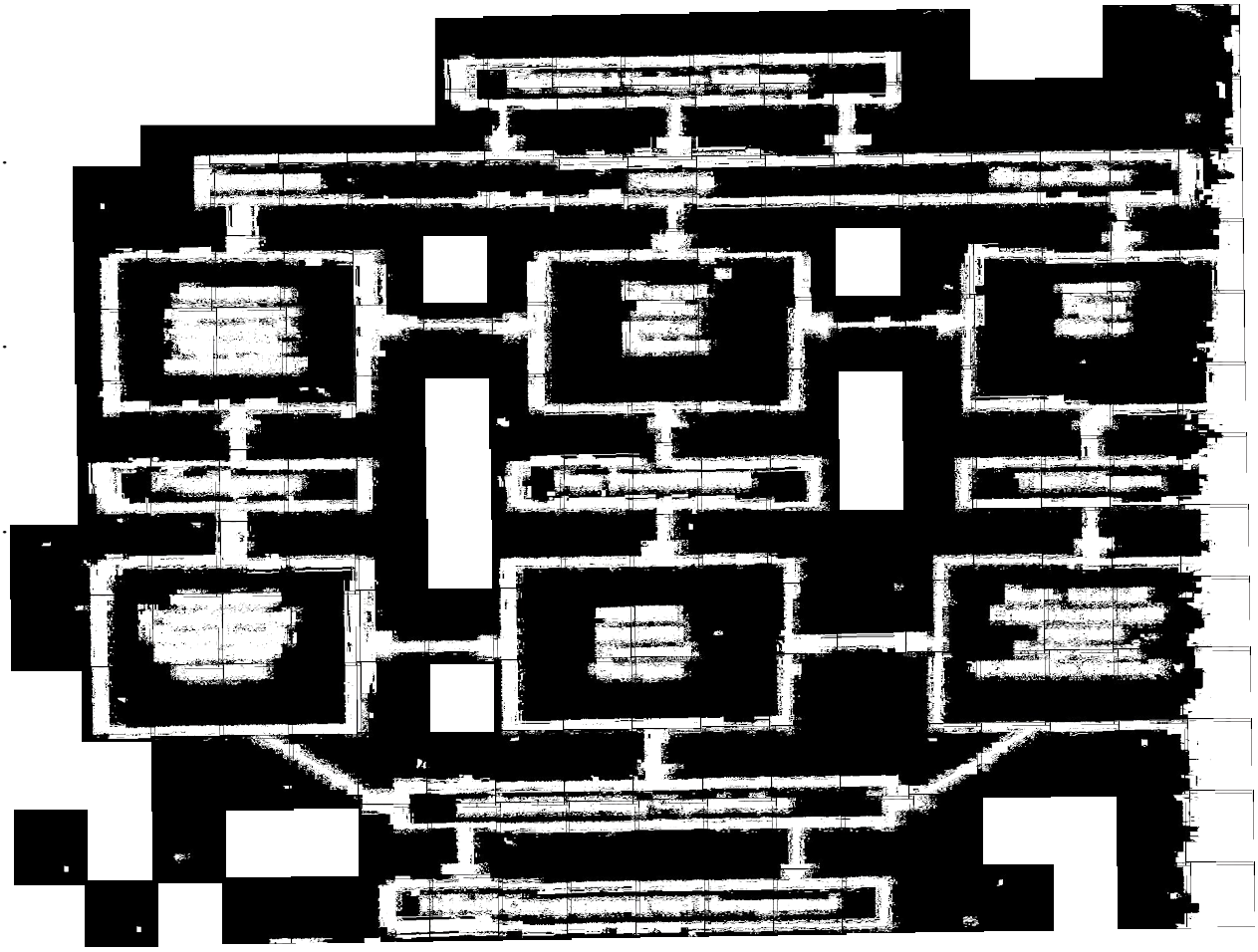


Fig.* 1: *Foundations of* an *Indian Model

It may be indicated that there have been several scholarly efforts to formulate conceptual frameworks drawn from Indian ethics for application in management and administration particularly in the corporate context. In fact, need to move beyond American and Japanese models has been felt strongly. During the recent years these efforts have gathered momentum and it has been realized that Indian concepts though developed for the individual and social development are also useful for corporate management. Swami Ranganathananda (1982) provided a lead in showing the relevance of Indian thought to corporate management. Athreya (1995) drawing upon *darsanas* provides us a conceptual model for National Human Resource Management. Chakraborty's (1987, 1993, 1998) pioneering work in applying Indian ethos in corporate context through his frameworks of 'Managerial Effectiveness and Quality of Work - life' and 'Managerial Transformation by Values', is widely

known. Swami Someshwarananda (1996) provides many interesting insights from Indian Ethos Management and applies them in corporate context.

7.4 Indian Ethos and Indianity

The expression, Indian ethos has different meaning for different persons. Hence, defining Indian ethos has been a difficult proposition. It is essential for us to understand the essence of the Indian ethos which provide the basis for functioning of the social systems, organizations and individual self-development. Basically, Indian ethos can be defined as a sum total of the Indian traditions and modifications and enrichment in traditions to suit the requirements of changing times. The following could be considered as core ideas of the Indian ethos.

1. **Unity in Diversity:** This is the fundamental mantra of Indian ethos representing the pluralism and its underlying unity. This idea is also indicative of the 'spirit of tolerance for different viewpoints and different approaches to reach the destination.

   India is a nation of 'all religions, many languages and many minds', woven around a deeper unity among them. Hence, the phrase, unity in diversity reflecting an eternal truth of nature because in nature we observe multiplicity originating from an underlying unity. Nature is full of colours indicative of diversity. India as a nation is also full of diversity reflected through its various hues. The idea of unity in diversity can also be expressed as INfinity & Diversity In Absolute (INDIA). This also gives us an idea of India in terms of India as a *I* conceptual entity' in addition to its identity as a 'physical entity'.

2. **Integrative Synthesis:** Integration is another unique characteristic of Indian ethos Indian society has been open to many influences some arising out of a natural inflow of ideas some even arising out of forced imposition. The resilience of the Indian ethos is reflected in integration of even contradictory ideas in its fold through a 'churning process' or 'manthan'. Thus, tradition and modernity though considered in contradiction to each other get assimilated in the form of new fusion leading to a new continuity. Modernity is not only integrated but also spiritualized and a new blend is being created arising from a new synthesis of science and spirituality leading to a new integration of tradition and modernity. In fact, tradition is riding ahead on the vehicles of modernity. In India, we can see people using many vehicles of modernity to forge ahea~ the tradition. We can also see many Swamiji using internet to communicate with their devotees. In fact, tradition is not only reconciled with modernity, it moves ahead along with modernity and sometimes moves ahead of modernity using the modernity. Modernity has also rediscovered tradition e.g. yoga has been rediscovered through modernity. There are many such examples. Even turmeric has been rediscovered through modernity. 'Rediscovery of tradition through modernity' is a new discovery in itself. Thus, modernity is not a break from tradition but reconciliation with tradition. A few have even argued that modernity had historical roots in India and other Asian countries e.g. Washbrook (1997). He indicates that formal rationality that is at the root of modern science was part of Sanskrit culture during ancient times. We are now experiencing a 'return of modernity' in a new language and new formats aided by technological advancements. Many times, after a synthesis and value addition, it is also being re- exported. Hence, modernity is not rejected, only its ideological and cultural dominance is many times questioned.

   Integration and synthesis go hand in hand. Synthesis comes through the assimilation of ideas both through interaction and confrontation with new ideas. In fact, 'creative synthesis' has been at the root of Indian ethos since time immemorial.

'Integrative Indigenization' has also helped in assimilation of new ideas and perspectives India has been a 'fusion society' since ancient times. For example, Indian and Greek techniques of sculpture once flourished in Afghanistan.

There are many other such examples of integrative synthesis and fusion of different ideas.

Integrative synthesis has been achieved through the process of continuous critique and 'balanced synthesis'. Continuous critique has been another hallmark of Indian ethos. -It is reflected in one of the most famous 'catch phrases *'Nindak niyre rakhiye...* keep the critique close to you'. Ideas progress due to critique. If there is no critique ideas tend to stagnate. Essence of Indian ethos has been to absorb the critique in a constructive manner. Critique is most useful when it is differentiated from criticism. Further, extreme negativity is also not helpful though it may help in articulating certain ideologies. Negativity could lead to negative self-image thereby destroying the self-confidence of people. Emphasizing only the negative aspects of a society could contribute to erosion of self-confidence. This needs to be overcome by emphasizing the positive aspects. It is the resilience of Indian ethos that it has absorbed even negative attitudes and converted the negatives into positives.

The idea of integrative synthesis helps us in unifying contradictory ideas. For example, the 'Tolerance for many Gods' implies tolerance for many different view points and ideas. It can also be expressed as, *'sarv vichar sambhav'* : All ideas are possible, all religions are possible, all isms are possible. The critical question is to discern a synthesis between. all possible isms, religions and ideas. This is the aim of the integrative synthesis.

3. **Confluencism:** 'Sangam' or confluence is one of the most important metaphor. It implies 'co-mingling of different streams'. Confluencism is the key idea in Indian approach to life. 'Indi an Secularism' is essentially a confluence approach to our understanding of civilizations through the idea of harmonization. It represents the essence of Indianity. Sangam implies a movement towards 'confluence of civilizations' in sharp contrast to 'clash of civilizations'. Rigveda states, "Let noble thoughts come to us from all directions". 'Harmony of religions' through a harmonization approach and 'Tolerance for many Gods' is the essence of confluencism. This tolerance has helped Indian mind to accommodate new Gods i.e. new ideas. It has lead to ethos of tolerance and assimilation. While God is an idea, Gods are ideas. In the past, Indian thought recognized 33 crore Gods. With the arrival of new Gods, i.e. new ideas this number can be further extended to include all the new Gods/ ideas. Confluencism implies creating space for new ideas and moving forward through integrative synthesis and cultural integration. It can be said that Indian culture is essentially a 'sangam culture' rooted in changing traditions, wherein modernity is one of the rivers flowing along with other rivers and joining the 'sangam' without capturing the other rivers. Through this approach, we can appreciate the role of modernity enriching the human life, as an independent thought system without assuming hegemonic role or 'scientific arrogance' .

4. **World as a Family:** Vasudhaiv Kutumbhkam is an ancient thought wherein the entire world is considered a family. It is essentially the idea of 'global family'. Advances in technology have reduced globe to a village. The idea of 'global village' is an essentially economic and market metaphor wherein entire globe is a market. In contrast, the idea of *vasudhaiv kutumbhakam* (globe as a family) is a cultural metaphor. While global village is indicative of the reduction in market distances, global family emphasizes need for reducing the spiritual distance or the heart

to heart distance. 'Global family' concept emphasizes emotional integration. For overall welfare of humanity, we need to go beyond the concept of global village to the concept of global family wherein there is no hegemony of one family member.

5. **Humans as Spiritual Being:** Indian model of 'man' is in terms of a spiritual being. Swami Vivekananda said, 'Man is potentially divine, mission is to manifest his divinity'. ' Aham Brahmasmi' (I am the Cosmos) can also be stated as 'I am the reflection of God' and 'Kingdom of God is within me'. This Indian approach is essenti ally an approach of the spiritual search. In fact, Indian ideas on spiritual search are well known the world over. India's strength lis in its spiritual heritage. It was not just the hippies who flocked to India at one point of time in search of happiness and spiritual pursuits, it is also the yuppies and other self-actualized individuals who are drawn to the attraction of the spiritual contentment that Indian ethos seem to provide The corporate world uses the techniques of Transcendental Meditation (TM) and the corporate managers learn various yoga/meditation techniques that have been a unique gift of Indian ethos to the world of corporate management.

   Though Indian model of 'man' is essentially a spiritual being, it may be indicated that many times spiritual has been shrouded by rituals. Hence, there may be a need to liberate the spiritual from the ritual because rituals are influenced by space-time context. Table 1 summarizes the implication of the above Panch Siddhanta or the five principles of Indian ethos, for individual, social, corporate/ organizational and national and global contexts.

Table 1 e Panch Siddhanta of Indian Ethos

Application Level/Individual Basic Prinicple		*Social*	*Corporate/*	*National & Global*
1. Unity in Diversity	Creates a tolerant Mindset	Promotes pluralism	Helps in managing	Emotional Integration diversity
2. Integrative Synthesis	Develops an integrative mindset	Provides a basis for integrating different viewpoints	Integrative Indigenization directions	Let noble thoughts come to us from all
3. Confluencism	Work in the direction of convergence of ideas	Convergence approach to social issues	Oneness with corporate goals through confluence teams	Integrate different wiewpoints towards national and global perspectives
4. World as a Family	Expansion of one's consciousness to include everyone in one's circle of relationships	Familyhood	Organization is a microcosm of world as a family	Nation is a family and a member of the world family
5. Humans are Spiritual Beings	Holistic approach to Who am I?	Develops oneness and empathy, Liberates spritual from the ritual	Spirituality at work place	Recognition of spirtual development as an important aspect of development

The Panch Siddhanta discussed above constitute the core of Indianity. It may be observed that the concept of Indianity is reflected through various metaphors such as 'Manthan' (churning), 'Sangam' (confluence), 'Kutumbh' (family) and spiritual model of human beings. These metaphors constitute the essence of Indian ethos and can be found in varying forms in ancient scriptures and modern literature. They are essential part of the Indian collective consciousness and influence the social and management thought in one way or other. They are also universal in nature and hence have relevance for development of societies as sacto-civic societies. Herein, lies the usefulness of these ideas in today's context. Fig. 2 presents the concept of Indianity as constituted by the five basic principles.

Unity of diversity

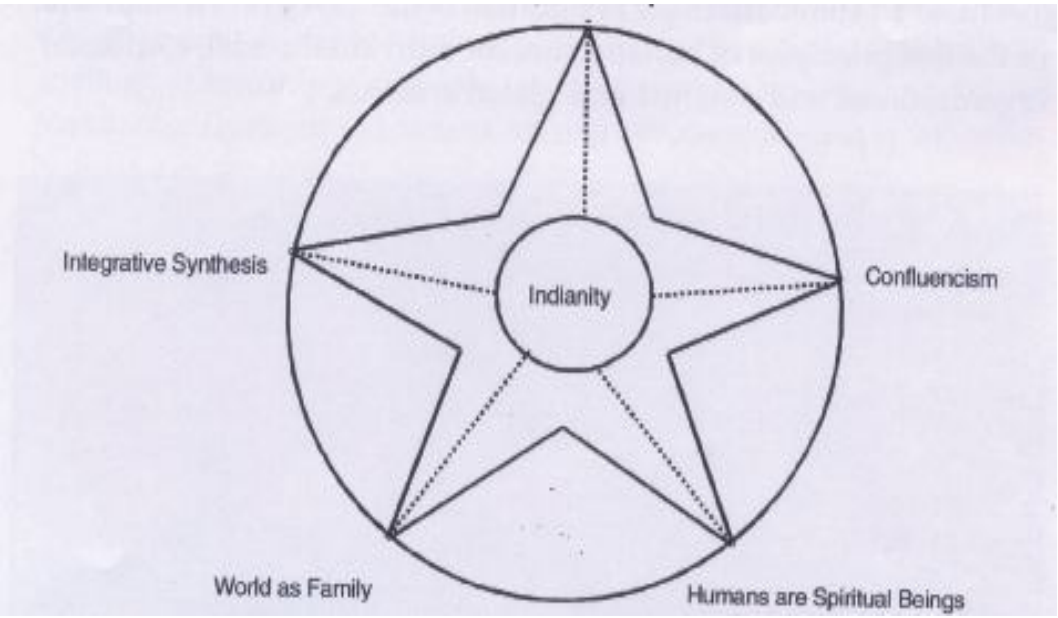


Fig.* 2: *Five Foundational Concepts* of *Indian Ethos

The above discussed ideas of Indianity can be found in one form or other in various Indian isms or Indianisms such as Hinduism, Jainism, Buddhism, Sikhism, Gandhism, Indian Secularism, etc. Metaphorically speaking Gandhi's *Dandi march* is also indicative of a march towards Indianity. The Indian isms mentioned above have influenced human thought in one way or other. Guy Sorman (2001) in his book, *The Genius of India,* has identified several influences of Indian isms on Western thoughts. He states, "India has never ceased to haunt the imagination of the West. On three occasions, she left an indelible imprint on the Western shores. Christianity borrowed from her the idea of compassion and the belief in immortality of the souL .. The Enlightenment philosophers discovered the practice of toleration ... Mahatma Gandhi demonstrated, in the twentieth century, the strength of non-violence and in the sixties, the West borrowed the notions of ecology and feminism from India. These influences from the East may come as a surprise to many Westerners". In fact, it may also come as a surprise to many Indians. Indian isms have been influencing the West in one form or other, thereby Indianity has helped the onward march of humanity in many subtle ways. Sorman (2001) in his above mentioned book, captures this aspect of Indian influence on Western thought through the metaphor of "India within us". This can be modified as 'Indianity within us'. While many Indian isms have gone out of India and have influenced the Western thought, many new isms have also come to India from the outside world. These ideas, thoughts and isms have interacted with Indian isms. Through such interactions, these isms have been modified or absorbed through integration and synthesis. This synthesis and fusion has also given birth to many new ideas, new Indianisms and perspectives which in turn have influenced human thought in several ways. This has also helped in creating an 'integrative personality' of India as a nation. Openness to

various cultures and mingling is the essence of this integrative nature of Indian personality. The concept of Indianity captures this essence of its fusion, synergic and syncretic approach.

7.5 Towards an Indian Model of Corporate Development

Following seven ideas constitute the foundation of Indian model for corporate development.

Idea* # 1: *Human Welfare or the Loksangraha

This idea implies that individual and corporate actions should be driven by the criterion of the overall benefit of the society. It draws our attention towards the social responsibility of the corporates. *'Sarve bhavantu sukhina, sarve shantu niramaua'* is an ancient *sanskrit sloka* outlining the basic philosophy of life applicable not only at the individual level but also at the corporate level. It implies 'welfare of all' and 'survival of all'. It should be contrasted with the social Darwinism which believes only in the 'survival of the fittest'.

Idea* # 2: *Unattached Action or the Nishkam Karma

The idea of nishkam karma is unique to Indian thought. Formulated centuries ago, the concept is at the core of leadership concept in corporate context. Detached action without longing for the immediate results is the essence of this concept. Modern leadership literature is coming close to this idea as a fundamental quality of enlightened leaders.

Idea # 3: Ethical Profits or the Shubh Labh

Wealth generation through ethical means or the Dharma driven Artha has been an ideal principle for the conduct of business. Indeed wealth generation has been given positive importance in Indian secular texts and scriptures. The very fact that India was known as Golden bird at one point of time in the world history, indicates that wealth generation had its due importance in the overall scheme of life. The conditionality imposed on the wealth generation was in the form of an ethical principle that wealth generation should be driven by dharma or the ethical ways. Hence, the idea of shubh-labh was developed.

Idea # 4: Self-Development:

Divinity in Human Beings 'Every soul is potentially divine' declared Vivekananda. This philosophy is at the core of Indian thought. It also represents the essence of self-development. Idea # 5: Work as Worship The ideal concept of work ethics is inherent in the well-known Indian phrase, 'work is worship'. Hence, the attitude in performing one's task should be in the form of worship. When work is treated as worship it leads to excellence in task performance. Manifestation of this idea can be seen in many fields of art and literature wherein most people ascribe their achievements to their attitude towards work in the form of work as worship. It may be indicated that the difference between 'work religion' and 'personal religion' should be understood. In the idea of 'work as worship', the 'work religion' gets a priority over the rituals of the personal religions. When personal religion is adjusted to the requirements of work religion, then only proper work ethics develop in an organizing context.

Idea # 6: The Concept of Family, Kutumbh

'Vasudhaiv kutumbkam' Entire world is one family, is an important message from Indian thought. The idea of kutumbh is unique because each family member has a say in decision making as well as a role to play which changes according to situation and requirements. When organizations are viewed as a family, the joys and sorrows are shared equally and members are part of the 'corporate community'.

Idea # 7: Avoidance of Extremes

A voidance of the extremes is an idea formulated long time ago. Also popularly known as Buddha's middle path, it implies balancing and steering through the middle or alternative approaches to the extreme solutions. Hence, Indian models seek to evolve new ways rather than being carried away by the 'only way' approaches to problems of humanity.

The above identified seven ideas form the core values of the Indian thought. When combined together as elements of a conceptual framework, we get an Indian model for Corporate Management and Development. This framework is presented in Fig. 3, in the form of a house like structure.

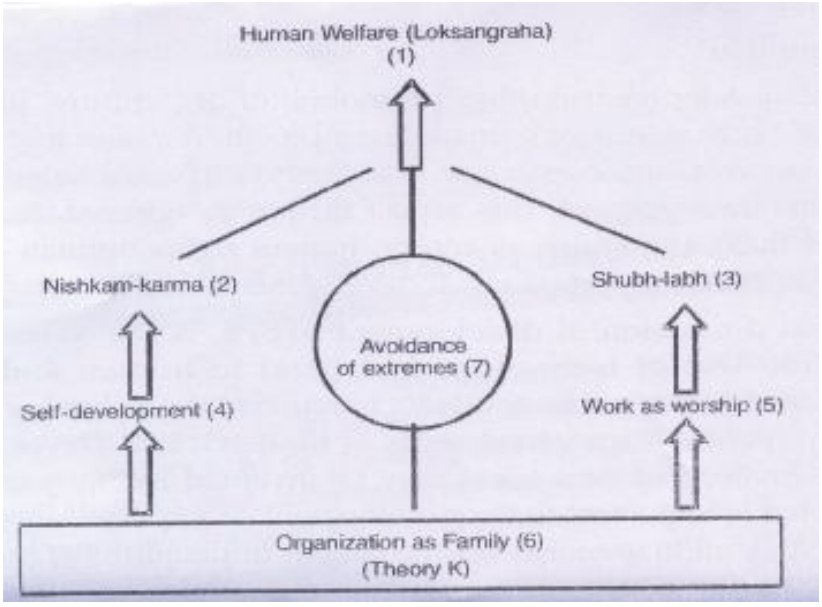


Fig.* 3: *An Indian 'Model for Corporate Development

With the advent of spirituality-at-work movement, the application of the Indian ethos in corporate context has acquired a new relevance. It is perhaps because of the realization of the need for spirituality at work place, that Indian concept of "Transcendental Meditation' and similar other techniques of stress reduction have become part of the "received knowledge' on corporate management. Indeed, in the future development of management theory and practice, the Indian model of a balance between the spiritual and materialistic achievements, could provide a new foundational premise for a balance between excessive individualism and extreme altruism. Perhaps it is time for the "Asian Dharma' to provide the new social vision for the new millennium - a vision of sacro-civic society based on "spiritualization of modernity'.

7.6 STEPS: Holistic Approach to Development

By STEPS we mean the following dimensions of development:

S : Social
T : Technological
E : Economic
P : Political
S : Spiritual

Social development implies promotion of art, culture, literature and related soft aspects of human development. A vision that ignores this dimension of human existence, could only be a partial vision. Hence, for holistic

development, this aspect cannot be ignored. It may be indicated that values such as equity, human rights, human dignity, etc. are important aspect of social development.

Second dimension of development STEPS, is the technological dimension. Use of technology is critical to human and social development. It may not be necessary to reinvent the technology wheel as it may require huge investments in Research and Development. While technology or new ideas may be invented in any part of the world, what is important is the development of required skills in use of technology and new ideas for the benefit of people.

Third dimqnsion of development STEPS, is the economic dimension. Harnessing the markets and promotion of entrepreneurial spirit of people are critical inputs for economic development. Development of the different sectors of the economy is important for the economic development. Hence, a sectoral development approach is very much required as a part of economic development.

Fourth dimension of development STEPS is the political dimension. By this we imply development of political institutions to ensure good governance. Karnataka is known for its Panchayati Raj institutions. Democratic institutions need further strengthening to ensure a synergy between the markets, State and the people. State should play the facilitation role in unleashing the entrepreneurial spirit of its people.

Fifth dimension of development STEPS is the spiritual dimension. It implies making human beings as better human beings. A touch of spiritual aspect would ensure. Material prosperity is used for social purposes. It also implies that human beings also set higher order purposes as their life's goals and make contributions to the society. In fact, making "contribution to society" can be considered as an essence of spiritual dimension of development. Inclusion of spiritual dimension in the development model takes us a step towards creation of a "sacro- civic society". Values such as *11* concern for environment" *U* concern for others" including and "concern for the poorest and the weakesf", can as well be considered as part of the spiritual dimension of development.

The STEPS development model is the model of "Panchmukhi Vikas", five-fold development of the nation by emphasizing five dimensions of the development STEPS. It goes beyond the existing models rooted exclusively in technology or markets, which end up producing "mal-developed societies". For a holistic development of the nation, there is a need to expand the horizons of the development process by going beyond the existing models of development. The STEPS development model takes us towards an "ideal nation", wherein there is a proper balance between five dimensions of development .

For all the five elements of the STEPS model, we can identify the key measurement parameters. They are as follows:

S : Social	---	Equity & Social justice
T : Technological	---	Innovation
E : Economic	---	Per Capita Income
P : Political	---	Democratic Spirit (% voting as an indicator)
S : Spiritual	---	Per Capita Happiness

A wholistic vision implies nation's development on all the above identified performance parameters. It may be indicated that in the Western models of development, the idea of per capita happiness has been missing. Hidden in this idea, are the ecological concerns, spirit of tolerance for different viewpoints, in addition to the

self- development as a human being. On the basis of the STEPS model, a Wholistic Development Index (WDI) can be worked out and nations ',' can be ranked on this index. Such an index will take us beyond the currently popular Human Development Index (HDI). There are no negative marks for crime, corruption and other pain inducing activities in this index. Hence, WDI provides us a better picture ofl development.

'Work is worship' is an ancient mantra, though rarely practised today. Many think, 'worship is work', so they worship with total dedication. Even at the workplace their attention is on worship rather than on work. For this mindset to change, we need a new framework based on the idea of 'work-dignity' i.e. deriving dignity from the work.

We can identify following three types of religions in consonance with three existrential' spheres viz. work sphere, social sphere and the personal sphere.

1. Work - religion corresponding to work sphere.

2. Worship - religion corresponding to social sphere.

3. Personal - religion corresponding to personal sphere. The conceptual difference between the three religions should be understood. An individual having a particular personal religion could have a different worship religion as he or she may 'worship' an icon to get inspiration. E-ven a stone can turn into an icon and a rock can acquire new symbolism. Some may even attribute 'miracle powers' to it and start worshipping it in a literal sense. Further, a worship religion can also be born from 'hero worship'. Even many ismsturn into new worship religions.

There is a dynamic interaction between the three religions. Fig. 4 presents this interaction.

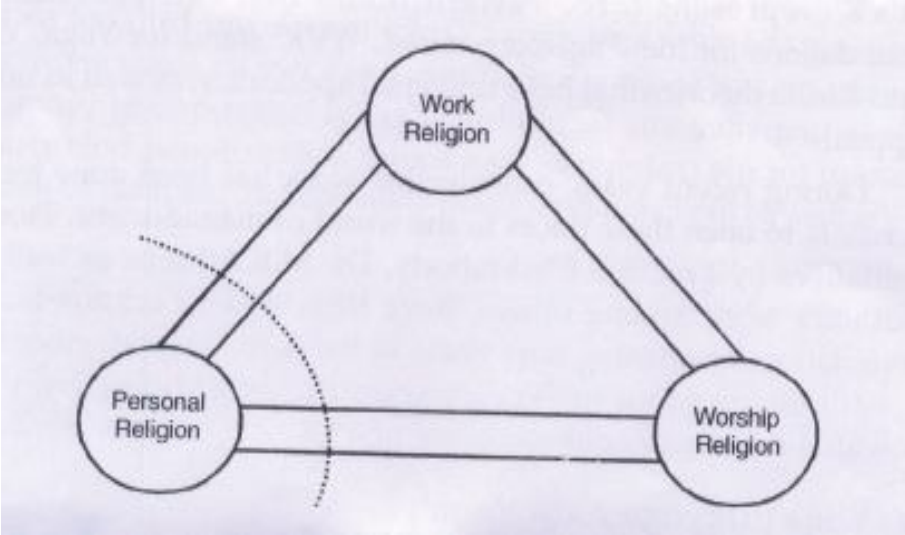


Fig.* 4: *A Framework of 'Vedantic Praxis' in Social and Organizational context

Dotted line in fig.4 indicates that personal religion should not be allowed to interfere with work religion. When it comes to priorities, work-religion should have priority over the personal religion. Search for the 'God' f'Gods' in the work itself. This is the essence of 'karma- yoga' which could be another name for the work-religion. It may be mentioned that this idea of work-religion is not a new idea. We can find its echo in Kabir, who can be considered its originator. Kabir states, "Mala pherat jug gaya, gaya na manas ka pher, karka manka dari dey, manka manka pher". It may be indicated that the need to appreciate the difference hetween three types of religions has become important in the contemporary context because of the new requirements of the production systems and social systems in the society. Our framework of personal religion, worship

religion and work religion can also be viewed as an evolutionary model, wherein there is a need to transcend personal religion and move in the direction of work religion. Traditionally, Productivity is the work-religion of Americans, Quality is the work-religion of Japanese and 'Knowledge' & 'Knowledge seeking' is the work-religion of Indians. However, if India has to play the leadership role, then Productivity, Quality and Knowledge should be integrated together to constitute the new work-religion to gain a new competitive advantage.

7.7 Foundations of Indian Management

'YVK' represent three eastern doors that can provide future foundations for 'new age corporates'. 'YVK' stand for Yoga, Vedanta and Kosha theories that have universal application as well as universal appeal.

During recent years, considerable work has been done by Indian scholars to open these doors to the world of management. Pioneering initiatives by Prof. S.K.Chakraborty, Dr. M.B.Athreya as well as this,_, author's work among others, have been widely acknowledged as foundation for opening new vistas in the field of management. These contributions rootd in 'Vedico-scientific' world view are pointers towards the managerial relevance of YVK.

Y: Yoga ('Udyoga As A Yoga')

Indian word for industry is 'Udyog' that contains the word 'yog'. Thus, 'udyoga' can indeed be considered as a new yoga. This yoga theory of management suggests that there should be harmony and balance between various factors of creation viz. K (Knowledge), P (power i.e. Leadership and Managerial Capacity), C (Capital) and L (Labour). This KPCL model of organizations is rooted in harmony and harmonization of four factors of creation. Hence, it represents the yoga theory of management.

It may be indicated that 'stress management' has been an important concern for the corporates. As a result, yoga acquired popularity as a stress management technique. TM (Transcendental Meditation) entered the text books of management as a tool for stress management.

However, as indicated above, yoga theory can provide us a new foundational premise for the new corporate model wherein there is a balancing between profit, people and purpose. In fact the concept of Udyoga as a yoga captures the essence of India's management philosophy in one simple phrase.

Because of the popularity of Yoga, the management world at the global level understands the concept of Yoga in its various variants and its usefulness in organizational context. It may be indicated that Yoga includes Udyoga, work-yoga and spiritual yoga. For a manager, all the three are important for success, while a spiritual aspirant may be interested only in 'spiritual yoga'. It may be indicated that 'Management by Harmony' is the key note of Yoga theory of management, wherein aim is to seek harmony between various factors of creation.

V: Vedanta (Towards Vedanta-In-Practice)

Vedanta in management has been receiving some attention, because Vedantic model of human being as 'divine being' takes us far beyond Maslow's conceptualization of human being in terms of 'hierarchy of needs'. Swami Vivekananda's concept of 'practical Vedanta' is also finding its application in management of institutions and organizations. The concept of 'management by consciousness' is gaining acceptance in contrast to 'management by objective' that represented a teleological approach and ignored the deontological and virtue ethics approaches. Vedantic principles also provide conceptual foundations for implementing the idea of 'spirituality at work place', to make workplaces synergistic and harmonic in nature. Vedanta can also be interpreted as Ved-ananta i.e. eternal knowledge. In this interpretation, Vedanta represents the eternal

values emphasized by all spiritual traditions of the world. Thus, it provides a basis for 'spiritual confluencism' as well as 'values based management'. 'Management by Values' is its keynote.

K: Kosha (Five KOSHA Energies)

'Kosha ' theory rooted in 'panchkosha' model of evolution of consciousness provides new directions for self-evolution and self- development. 'KOSI-fA' theory is essentially an 'energy systems' theory indicating five types of energy viz. Kosmic energy (K), Oceanic energy (0), Spiritual energy (S), Heart energy (H), 'Animalistic' energy *(A)*. 'Heart energy' represents the emotional energy and 'animalistic' energy represents the brute forces'. It may be indicated that 'KOSHA' theory can also be considered as an extension of 'OSHA' model, wherein

'OSI-IA' stands for Oneness, Spiritual, Humanistic and Animalistic aspects of human existence. This model is rooted in Indian guna theory wherein human behaviour is analyzed in terms of Sattvik (Spiritual), Rajasik (Humanistic) and Tamasik (Animalistic) qualities. It may further be indicated that KOSHA theory could also be viewed as a combination of Theory K and the 'OSHA' model, because Theory K takes a 'cosmic perspective', wherein entire globe is one family, as suggested by the concept of 'Vasudhaiv Kutumbkam'. Theory K also

When 'KOSHA' model is applied in organizational context, it represents the level of consciousness of the organization and also its energy spectrum and energy channelizing systems. Leaders and mangers use various types of energies of consciousness viz. silent or latent spiritual energies (sattvik energies), vibrant / emotional energies (rajasik energies) and violent (tamasik energies). These three types of energies also get reflected in the way power is used in organizations. Sattvik power, rajasik power and tamasik power lead to silent, vibrant and violent approaches to channelizing organizational energies. These energies also get reflected in inter-personal relationships and inter- personal dynamics. With the acceptance of the ideas of EQ (Emotional Quotient) and SQ (Spiritual Quotient), organizations have started making positive use of emotional and latent spiritual energies within the organizations. In essence, 'KOSHA' model draws our attention to use of organizational energy in positive manners.

It may be indicated that 'YVK' framework provides us a foundational basis for Human Quality Development (HQD) as its roots can be traced to Indian gun a theory of personality. Yoga implies harmony, Vedanta suggests need for eternal values and Kosha leads us towards various levels of consciousness and suggests positive use of energies of consciousness. These three concepts viz. Yoga/harmony and harmonization, Vedanta/ eternal values and Kosha/positive use of energies, constitute three pillars of new age management thought.

Three inter-related management processes based on 'YVK' viz. management by harmony, management by values and 'management by consciousness' constitute new foundations for ODM (Organizational Development & Management). Further, the idea of 'Indian Management' could also be captured by the phrase 'YVK', as it constitutes the three pillars of 'Indian Management'.

7.8 Towards Spiritual Praxis

Foundations of new management thought could also be viewed in terms of 'Spiritual praxis'. The expression 'praxis' contains within itself 'PRA' model wherein P refers to Philosophy, R to Reality and A to Action. Praxis implies creating social change to change the social axis

through PRA approach. For example, in 'Marxist praxis' social change was envisaged through the Marxist philosophy rooted in violent approach to change. It failed because of its violence- oriented philosophy. In

contrast, in 'grounded praxis' a creative approach is taken to create social change by relating grand theories and grand ideas to ground reality and taking a non-violent route to change. In the age of holistic globalization, 'grounded praxis' provides us a new approach to social change and change within organizations. 'Spiritual praxis' takes us a step further, wherein spiritual dimension is also included in creating social change.

7.8.1 PRACTICAL SPIRITUALITY IN ORGANIZATION CONTEXT

In organizational contexts, 'Spiritual Praxis' can be operationalized through SS*PS model of 'Practical spirituality' wherein SS*PS implies Spiritual Synergy (SS) and Positive Spirit (PS). Synergy is a scientific concept and it stands for 'System's energy'. When this scientific concept is given a spiritual and transcendental touch, we arrive at the concept of 'Spiritual Synergy' (SS). Individuals with 'spiritual synergy' and 'positive spirit' orientations develop positive mental attitude and positive T -A (Thought-Action). 'Spiritual Praxis' implies corporates should recruit individuals with SS and PS orientations, rather than merely on the basis of technical knowledge. 'Spiritual praxis', uses SS*PS approach to transform iridr viduals into positive persons. Herein lies its practical utility. In essence, SS*PS can be considered as a model for change from negergy (negative energy) and 'negative actions' to synergy and 'positive actions'. If such an approach is implemented at the community and society level, terrorism etc., would come down. In essence, SS*PS is a mantra of conversion i.e. conversion from sin (negative actions) to win and yin i.e. positive actions. Thus, it is a mantra for changing karma from negative to positive and thereby change one's destiny because negative actions lead to negative impact on destiny and positive actions lead to positive impact on destiny. The essence of SS*PS framework can be summed up by following equations:

(i) Positive Mental Attitude (PMA) = SS*PS

(ii) Positive T -A (Thought-Action) = SS*PS

(iii) Positive Karma (PK) = SS*PS

These equations can also be considered as equations of spirituality in society and practical spirituality at work place. Hence, they constitute the essence of 'spiritual praxis' and thereby 'Practical spirituality'. They represent 'sacro-spiritual' approach to life, work and relationships. SS*PS success mantra also captures the essence of the last sloka of Gita. Wherever there is 'Spiritual Synergy' (SS) represented by Krishna and 'Positive Spirit' represented by Arjuna, success is inevitable.

7.8.2 TOWARDS 'VEDANTIC PRAXIS'

Spiritual Synergy (SS) and Positive Spirit (PS) represent the core of 'spiritual praxis'. 'Vedantic Praxis' is an extension of 'spiritual praxis' and it implies application of Vedantic principles to create change in society and its institutions.

It may be indicated that foundations of modern India as a nation are rooted in ViGA (Vivekananda, Gandhi and Aurobindo) thoughts in addition to borrowing certain Western ideas. Thoughts of Vivekananda, Gandhi and Aurobindo also represent three Eastern doors and even West has acknowledged the need to incorporate the ideas from these three influential thinkers. In fact, democratic institutions of the West through these thoughts have found a new direction from the East by getting a Vedantic touch and evolve in the direction of divine-democratic approach. If we represent Western ideas of democracy and its institutions on x-axis (western windows) and ViGA currents on Y-axis (eastern doors) we arrive at new combinations of these approaches represented by (x, y) coordinates, in the form of sacro-civic approach representing a new direction metaphorically represented by 'western windows eastern doors (wwed)'. From such an integration we arrive

at the concept of 'sacro-civic society', wherein economics, politics and spirituality find a new integration.

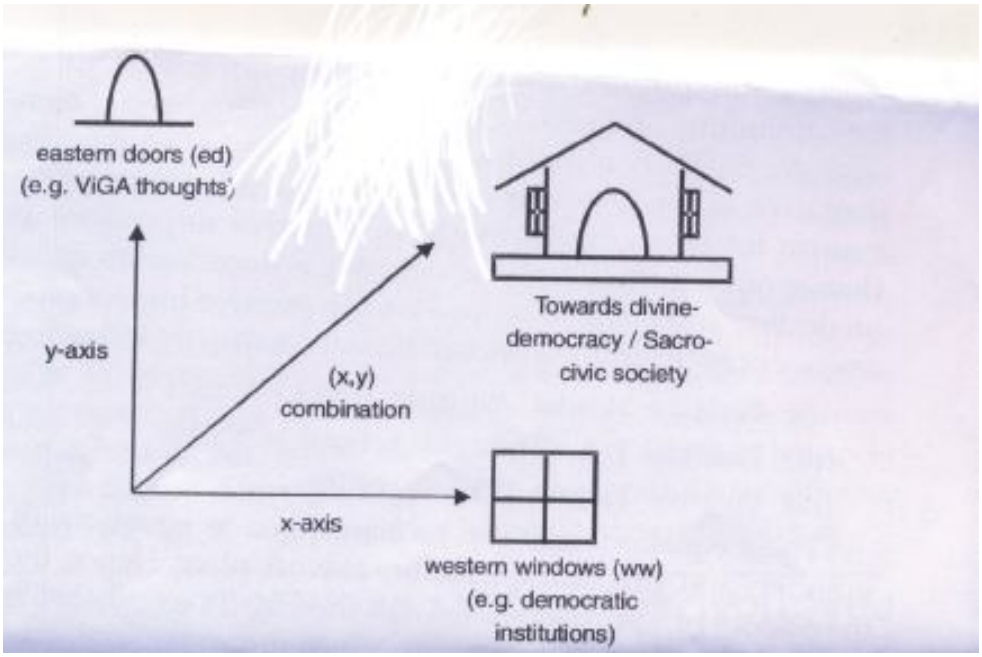


Fig.* 5: *Interaction Between Three Types of Religions

To operationalize the idea of the above outlined new path, we suggest a framework of 'Vedantic praxis' through an integration of Vivekananda's 'Practical Vedanta', Aurobindo's 'Integral Yoga' and Gandhi's 'Trusteeship Concepts'. Fig 5 presents this integrative framework of '(Vedanta-in-Practice'. Vivekananda's 'Practical Vedanta'.)

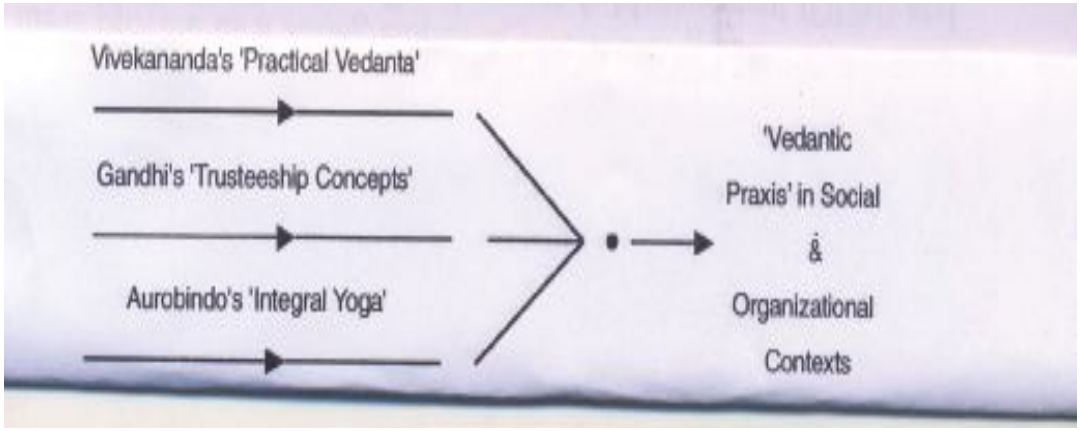


Fig.* 6: *Towards A New Path of Sacro-Civic Society Based* on *WWED

This integrative framework of 'Vedantic praxis 'provides us a basis for creating change in society and organizations through a touch of transcendence. Worldwide presence of several influential spiritual movements and institutions originating from India and rooted in these ideas provide us a strong empirical evidence of potentiality of these concepts for Organization Development & Management (ODM) and converting enterprises into sacro-economic entities.

7.9 Summary

Ideas presented in this chapter lead us to a new definition of 'management', wherein 'management' is defined as 'joy of living'. Managers create wealth for their organization, for their nation, their families and for themselves. They create employment as well as knowledge. Any process of creation is a process of joy. Hence, management'

can indeed be defined as 'joy of living'. This definition also represents the essence of the Vedantic approach to management. Swami Bodhananda (2006) suggests the idea of 'Joyful living in an interactive world'. The concept of management as *'joy* of living' is a dose equivalent of the same. This approach also implies that every individual in the organization should be SRI (Self Responsible Individual). Further, joy of living implies going beyond self- actualization to self-realization and self-transcendence. Broadly, self- actualization represents achievement, self-realization represents enlightenment and self-transcendence represents awakening. Self Management being a combination of the three, could be viewed as an ART (Actualization, Realization and Transcendence). This ART constitutes the foundation for the idea of 'joy of living' as well as joyful living.

7.10 Self Assessment Test

1. Examine the foundations of Indian management.
2. Discuss features of Indian ethos.
3. Discuss salient aspects Indian model of corporate development.
4. Examine development STEPS for Holistic Development.
5. Discuss the foundations of Indian management.
6. What do you unean by pratical spirituality for management?

7.11 References

- Sharma Subhash (2007), New Mantras in Corporate Corridors: From Ancient Roots to Global Routes, New Age International Publications, New Delhi.

Unit - 8 : Work Ethics

Unit Structure:

8.0 Objectives
8.1 Introuduction
8.2 Meaning
8.3 Origin of Work Ethics
8.4 Ethical Principles that Impact Work Life
8.5 Ethics and Implications for Work Life
8.6 How Can Organizations Cultivate Ethics?
8.7 Relevance of Ethics in the Business World
8.8 Ethical Issues in the Business World
8.9 Summary
8.10 Key Words
8.11 Self Assessment Test

8.0 Objectives

After studying this unit, you should be able to understand:

- The meaning of Work Ethics.
- Nature and Origin of Work Ethics.
- How Ethical Principles impact the Business world.
- The ways in which organizations can Cultivate Ethics.
- Relevance of Ethics in the Business World.

8.1 Introuduction

Although the world has vast human resources and natural reservoirs, the world is not a happy place. Due to much of selfishness, corruption, nepotism and divisiveness in society, unity, harmony and peace get affected. For the world to become a happier place there are so many things to be done such as removal of poverty, curtailment of social and moral degradation of people, humanizing politics and politicians, combining science and religion, bio-ethics and compassion etc. All this is possible to be achieved in a better manner if and only when subjective ethics become a part of this objective age.

Given the above scenario, not only is the demand for ethical business processes and actions is increasing, pressure is also being applied on industry to improve business ethics through new public initiatives and laws. It has also been felt that business decisions and actions often have ethical and moral ramifications. Until and unless there are clearly stated guidelines and norms of performance; coordinated functioning becomes difficult for the employees of the company.

India has already faced a series of scandals, frauds and scams, both in the corporate world as well as the stock market. Who can forget the scam perpetrated by Harshad Mehta ? The Satyam scam has caused anxiety in the minds of the small investors, business community itself and the other stakeholders. The most recent 2G scam has shocked the public. Even noble professions like education and health are

not bereft of such examples. Private hospitals are being run as business institutions where-in patients are being admitted for longer durations so as to charge fat bills from them, expensive investigations like MRI are often suggested without need to extract their own pre set commissions and many a times costly substitutes of cheap drugs are prescribed. Educational institutions charge large "donations" for admissions, question papers are leaked, private tutitions are preferred over collective classes etc.

Many organizations, small or big, are today involved in unethical practices. Some of the major contributing factors to this moral erosion may be :

1. The strong belief that in the times of corruption, you can't survive without becoming a part of it.
2. Existing loopholes in the present taxation system.
3. Resource scarcity in relation to demand.
4. Poor criminal justice system and delayed justice.
5. Failure of modern educational system to inculcate moral values.
6. Nexus between politicians, bureaucrats, businessmen and middlemen and percolation of pollution of politics in every aspect of citizen life.
7. Technological invasions leading to cyber crime.
8. Tolerance of crime by society and failure of social control system.

Thus, the individual working in an organization is under great pressure as to have to react, how to respond in situations and what decisions to take so that the individual works within an 'Ethical Framework'. This makes the knowledge and functioning of Work Ethics very important and relevant.

8.2 Meaning

In a very general way, ethics may be defined as a major branch of philosophy encompassing right conduct and good life. Others define ethics as a philosophical study of moral values and rules. Derived from the greek word "ethos" it basically means, "a way of life" and can be called as that branch of philosophy which studies and recommends the fundamental principles and basic concepts of what is morally considered to be good or bad, right or wrong in human conduct.

Ethics are not born in vaccum, they are more like a jigsaw puzzle that takes years to attain its final shape and when complete make one who he is and what he believes in, Learned behaviours, along with the traits one is born with, contributes in shaping one into the person he becomes.

The meaning of ethics is hard to pin down, as the views diferent poeple have about it are varied. Their interpretations may take the following dimensions :

1. "Ethics have to do with what our feelings tell us is right or wrong."
2. "Ethics are issues related to our religious beliefs."
3. "Being ethical is doing what the law requires."
4. "Ethics consist of the standards of behaviour our society accepts."

But the arguments against these views are :

1. A person following his or her feelings may not do what is right. In fact, feelings frequently deviate from what is ethical.
2. If ethics were confined to religion then these would apply only to religious people. Although religion can set high ethical standards to motivate for ethical behavious, it applies to the behaviour of both atheists and theists.
3. Although law incorporates ethical standards, but these can at times deviate from what is ethical. Previously practised Aparthid laws of South Africa is an obvious example of laws which may be unethical.
4. Lack of social consensus on many issues makes it wrong to equate ethics with what society accepts. For example, some people may accept abortion, others may abhor it.

This leads us to an important aspect of ethics - ethical relativism, which means that what is right is determined by what a culture or society says is right. What is right in one place may be wrong in another because the only criterion for distinguishing right from wrong is the moral system of the society in which the act occurs. For example, various countries stand on issues like polygamy, homosexuality, stealing, slavery, infanticide etc.

To sum up, 'ethics' may be explained as well based standards of right and wrong which prescribe what humans ought to do in terms of rights, obligations, benefits to society, fairness or specific virtues. Refrain from rape, stealing, murder, assault, slander and fraud, promotion of virtues of honesty, compassion and loyalty, respect for human rights like right to life, right to privacy etc. are covered under the purview of ethics.

In the light of the above discussion '**Work Ethics**' refers to how right conduct, values and rules can be applied to the work life of an individual. Thus, work ethics are simply ethics that are in the context of work life.

8.3 Origin of Work Ethics

It is hard to explain the origin of ethics because not everyone has the same views or religions. When trying to find answers to questions about the nature of ethics, it is impossible to know which religion's view is correct.

- **Ethics in Hinduism.** The ultimate goal of life in Hinduism in **moksha** i.e., stoppng the cycle of reincarnation and ceasing to exist. Hinduism also believes that the present life is the result of the previous existences bound by the law of Karma. People following Hinduism therefore tend to live their lives in a manner that they feel will be rewarded in the next life.
- **Ethics in Buddhism.** Just like in Hinduism the main goal in Buddhism is to achieve Nirvana (enmlightenment) through an eightfold path.

  The first two paths, having the right views and the right intentions, fall under Prajna, which mean wisdom. The next three paths, the right speech (i.e., no lying, gossiping or talking idly). The right conduct behaviour that causes no harm), and the right livelihood (avoiding earning a living in which have the effect can cause harm.... i.e., selling intoxicants) all fall under **Sila**, which means Morality. The last two paths, right mindfulness (becoming aware of oneself) and the right concentration (deep meditation) both fall under Samaathi, which means Concentration.

- **Ethics in Christianity**. The ultimate goal of life-salvation-can be achieved by following the Ten commandments from Bible. The commandments prescribe certain ethical principles and practices to the followed just like other religions.

  It is clear that the religions beliefs play a pivotal role in laying the foundations of owrk Ethics. So whatever the religious beliefs a person subscribes to will be the base of his or her work Ethics as well. Certain other factors will then build upon this base. These factors include :-

  - Family values.
  - Country context and National values.
  - Education.
  - Past Experience.
  - Peer Group and Reference Groups.
  - Company Culture and Image.

The 'work ethics' that develops will be a result of all the various factors mentioned above.

8.4 Ethical Principles that Impact Work Life

Some basic ethical principles relevant to work life includes :

- Do unto others as you would have them do unto you-put yourself into the other person's situation.
- If an action is not right for everyone, then it is not right for anyone.
- If an action cannot be taken repeatedly, then it is not right to be taken at any time.
- Take the action that achieves the higher or greater value-prioritize values in a rank order.
- Take the action that produces the least harm, or the least potential cost.
- Assume that virtually all tangible and intangible objects are owned by someone unless there is a specific declaration otherwise.
- Be very cautions about the "grey" areas or those that are anbigious for different people.

The ethical principles mentioned above are 'Universal', which means that they cut accross national, cutlural and company differences, and are applicable to all. The above list is not exhaustive and yet it points us towards creating a good 'Work Ethic' at the place of work.

8.5 Ethics and Implications for Work Life

The filed of ethics is usually broken down into three different ways of thinking :

- **Descriptive Ethics** : This category is the easiest to understand as it simply involves describing how people behave and what sorts of moral standards they claim to follow. Descriptive ethics incorporates research from anthropology, psychology, sociology and history to understand beliefs about moral norms.
- **Normative Ethics** : This category of ethics involves creating or evaluating moral standards in an attempt to figure out what people should do or whether their current moral behaviour is reasonable.

- **Analytic Ethics** : Also referred to as metaethics, this category is perhaps the most difficult to understand. It is the study of assumptions people make when engaging in normative ethics-e.g. existence of God, nature of reality, usefulness of ethical propositions etc.

Difference between the three categories of ethics can be clearly understood through the following example:

Descriptive : "Different societies societies have different moral standards". (It is a true and factual statement offering no judgements or conclusions).

Normative : "This action is wrong in this society, but it is right in another". (Here a conclusion is drawn from observations).

Analytic : "Morality is relative".(An even broader conclusion is drawn namely that the very nature of morality is relative. It argues that there are no moral standards independent of our social groups and hence whatever a social group decides is right is right and whatever it decides is wrong is wrong).

If we look at 'Work Ethics', we find that we can identify each of the type of Ethics in Working Life.

- Work Ethics which describe how a manager / employee behaves and what sort of moral standars they are following will be refered to as 'Descriptive Ethics'.
- Work Ethics which will try to identify what managers/employees must do and how they must behave or try to evaluate their behaviour as right or wrong refers to 'Normative Ethics'.
- Those work Ethics that state the assumptions that a person makes when evaluating or creating moral standards come under the category of 'Analytic Ethics'.

8.6 How Can Organizations Cultivate Ethics?

Some of the ways in which an organization can cultivate work Ethics are :

1. A well developed MIS (Management Information System) at the croporate level, the industry level and at the functional area level.
2. Fair payment system and rational wage system.
3. A three tier grievance procedure for quick redress of grievances.
4. Adopting a problem solving approach.
5. Regular management - employee communication meetings.
6. Developing a union - management forum.
7. Open door policy of top management.
8. Quality circles.
9. Consultative mechanism and open organizational culture.
10. Workers participation in decision - making.
11. Well delegated discretionary authority.

8.7 Relevance of Ethics in the Business World

Business ethics may be defined as a form of applied ethics that examines ethical principles and moral or ethical problems that arise in a business environment. It can be both a normative and descriptive discipline. As a corporate practice and career specialization, the field is primarily normative. In academia, descriptive approaches are also taken.

Historically speaking, the interest in business ethics accelerated dramatically during the 1980s and 1990s, both within major corporations and within academia. For example, majority of the corporate websites today, lay emphasis on committment to promoting non-economic social values under a variety of headings (e.g., ethical codes, social responsibility charters etc.). In some cases, corporations have refined their core values in the light of business ethical considerations.

If examined deeply, it can be seen that business ethics are in fact a manifestation of values in business management. Business, ethical values and social responsibilities are not contradictory. An enterprise adopting value-driven management can manage for profit and also assure the common good. In fact, an enterprise/ corporation conducting business with a "soul" may be said to be an ethically sound enterprise. Businesses have realized that if they want to achieve a sustainable edge in this era of cut-throat competition, they will have to manage by values - both human and ethical. Business ethics deals with truth and justice and has different aspects e.g., fair competition, social responsibility consumer automony, corporate behaviour etc. The important thing to be remembered by all business enterprises is that businesses have gained a bad reputation just by being in business to gain money. It has to be understood that making money is not wrong in itself, it is the manner in which some business conduct themselves, bringing up the question of ethical behaviour.

Business ethics apply not only to how the business interacts with the world at large, but also to their one on one dealings with a single customer. The ethical behaviour of all business should adhere to all their daily dealings with the world.

From the above discussion it can be deduced that business ethics is a multi-dimensional field that addresses numerious issues, problems and dilemmas. It may mean many things to many people :

- It is an application of ethics to the complete community.
- It is the identification of important business and social issues.
- It is a way to determine responsibility in business dealings.

8.8 Ethical Issues in the Business World

General Business Ethics

- This part of business ethics overlaps with the **philosophy of business**, one of the aims of which is to determine the fundamental purposes of a company. If a company's main prupose is to maximize the returns to its shareholders, then it should be seen as unethical for a company to consider the interests and rights of anyone else.
- **Corporate social responsibility or CSR** : an umbrella term under which the ethical rights and duties existing between companies and society is debated.
- Issues regarding the moral rights and duties between a company and its shareholders : **fiduciary** responsibility, **stakeholder concept** v. **shareholder concept**.

- Ethical issues concerning relations between different companies : e.g., hostile **take-overs, industrial espionage.**
- Leadership issues : like the use of **Corporate governance.**
- **Political contributions** made by corporations.
- Law reform, such as the ethical debate over introducing a crime of **corporate mansalaughter.**
- The misuse of corporate ethics policies as marketing instruments.

Ethics of Accounting Information

- Creative accounting, earnings management, misleading financial analysis.
- Insider trading, securities fraud, forex scams : concerns (criminal) manipulation of the financial markets.
- Exeecutive compensation : concern excessive payments made to corporate CEO's and top management.
- Bribery, kickbacks, facilitation payment : while these may be in the (short-term) interests of the company and its shareholders, these practices may be anti-competitive or offend against the values of society.

Ethics of Human Resource Management

The ethics of **human resource management** (HRM) covers those ethical issues arising around the employer-employee relationship, such as the rights and durties owed between employer and employee.

- Discrimination issues include discrimination on the bases of age (ageism), gender, race, religion, disabilities, weight and attractiveness, affirmative action, sexual harassment.
- Issues surrounding the representation of employees and the democratization of the workplace : union busting, strike breaking.
- Issues affecting the privacy of the employee : workplace surveillance, drug testing.
- Issues affecting the privacy of employer : whistle - blowing.
- Issues relating to the fairness of the employment contract and the balance of power between employer and employee : slavery, indentured servitude, employment law.
- Occupational safety and health.

Ethics of Sales and Marketing

Marketing which goes beyond the mere provision of information about (and access to) a product may seek to manipulate our values and behaviour. To some extent society regards this as aceptable, but where is the ethical line to be drawn ? Marketing ethics overlaps strongly with media ethics, because marketing makes heavy use of media. However, media ethics is a much larger topic and extends outside business ethics.

- ***Pricing*** : Price fixing, price discrimination, price skimming.
- ***Anti-competitive practices*** : These include but go beyond pricing tactics to cover issues such as manipulation of loyalty and supply chains.

- ***Specific marketing strategies*** : Greenwash, bait and switch, shill, viral marketing, span (electronic), pyramid scheme, planned obsolescence.
- ***Content of advertisement*** : Attack ads, subliminal messages, sex in advertising, products regarded as immoral or harmulf.
- ***Children and marketing*** : Marketing in Schools.
- *Black markets*, grey markets.

Ethics of Production

This area of business ethics deals with the duties of a company to ensure that products and production processes do not case harm. Some of the more acute dilemmas in this area arise out of the fact that there is usually a degree of danger in any product or production process and it is difficult to define a degree of permissibility, or the degree of permissibility may depend on the changing state of preventative technologies or changing social perceptions of acceptable risk.

- Defective addictive and inherently dangerous products and services (e.g., tobacco, alcohol, weapons, motor vehicles, chemical manufacturing).
- Ethical relations between the company and the environment : pollution, environmental ethics, carbon emissions trading.
- Ethical problems arising out of new technologies : genetically modified food, mobile phone radiation and health.
- Product testing ethics : animal rights and animal testing, use of economically disadvantaged groups (such as students) as test objects.

Ethics of Intellectual Property, Knowledge and Skills

Knowledge and skills are valuable but not easily "ownable" as objects. Nor is it obvious who has the greater rights to an idea : the company who trained the employee, or the employee themselves ? The country in which the plant grew, or the company which discovered and developed the plant's medicinal potential ? As a result, attempts to assert ownership and ethical disputes over ownership arise.

- Patient infringement, copyright infringement, trademark infringement.
- Misuse of the intellectual property systems to stifle competition : patient misuse, copyright misuse.
- Employee raiding : the practice of attracting key employees aways from a competitor to take unfair advantage of the knowledge or skills they may possess.
- The practice of employing all the most talented people in a specific field, regardless of need, in order to prevent any competitors employing them.
- Bioprospecting (ethical) and biopiracy (unethical).
- Business intelligence and industrial espionage.

International Business Ethics and Ethics of Economic Systems

The issues here are grouped together because they involve a much wider, global view on business ethical matters.

International Business Ethics

While business ethics emerged as a field in the 1970s, international business ethics did not emerge until the late 1990s. Looking back on the international developments of the decade, many new practical issues arose out of the international context of business. Theoretical issues such as cultural relativity of ethical values received more emphasis in this field. Other, older issues can be grouped here as well. Issues and subfields include :

- The search for universal values as a basis for international commercial behaviour.
- Comparision of business ethical traditions in different countries.
- Comparision of business ethical traditions from various religious perspectives.
- Ethical issues arising out of international business transactions; e.g., bioprospecting and biopiracy in the pharmaceutical industry; the fair trade movement; transfer pricing.
- Issues such as globalization and cultural imperialism.
- Varying global standards - e.g., the use of child labour.
- The way in which multinationals take advantage of international differences, such as outsourcing production (e.g., clothes) and services (e.g., call centres) to low-wage countries.
- The permissibility of international commerce with pariah states.

8.9 Summary

The study of work ethics is in fact a study of human kind. It deals with issues pertaining to various aspects of human conduct. Why do "good" people make "bad" choices ? What are the external factors that affect an individual's decision making and what are the more subtle personal factors ? How might an employer's/ employee's decisions be influenced by gender or the heirarchial level within the orgnisation ? What are the roles of trust and independence in auditing and accounting ? What are the benefit and limitations of professional codes of conduct ? Why do corporations introduce formal ethics programs and how effective are they ?

Sometimes it might happen that "moral people" who usually know the difference between right and wrong, fail to act in accordance with their conscience. This type of ethical failure of a manager/ professional does not necessarily mean that the person is immoral, the failure may be a result of personal weakness in need of institutional support.

If must be realized that running a business requires adequate consideration to a number of issues outside the traditional scope of making money, of which ethics is the most important one. Growing businesses have enhanced significance as they have an impact on the lives and circumstances of people through bringing jobs, creating wealth and inspiring others to grow their businesses. A neglect of ethical conduct can leave the business with a bad reputation, alienation of employees, suppliers and local community from the way in which sales and marketing is handled upto product development and customer service and even to some extent finance, production, human resources, management etc. Ethics have an important role to play by ensuring business success and living upto corporate social responsiblity.

When one looks at the current commercial scenario, the importance of instilling basic ethical norms in the system takes the driving seat. Ethics and values must find a place in the art and science of management. The ability to do the right thing and more importantly doing it every time (even when no one is watching) is the most noble duty of a manager.

8.10 Key Words

- **Ethics** - Well based standards of right and wrong which prescribe what humans ought to do in terms of rights, obligations, benefits to society, fairness or specific virtues.
- **Work Ethics** - The application of right conduct, values and rules to the work life of an individual.
- **Descriptive Ethics** - This category is the easiest to understand as it simply involves describing how people behave and what sorts of moral standars they claim to follow. Descriptive ethics incorporates research from anthropology, psychology, sociology and history to understand beliefs about moral norms.
- **Normative Ethics** - This category of ethics involves creating or evaluating moral standards in an attempt to figure out what people should do or whether their current moral behaviour is reasonable.
- **Analytic Ethics** - Also referred to as metaethics, this category is perhaps the most difficult to understand. It is the study of assumptions people make when engaging in normative ethics-existence of God, nature of reality, usefulness of ethical propositions etc.

8.11 Self Assessment Test

1 What is the meaning of Work Ethics ?

2 How did work Ethics Originate ?

3 Which Ethical Principles impact work life ? Discuss using examples.

4 What are the various types of Ethics and what are thier implications for the Business world.

5 In these times of deciept and fraud are Ethics still relevant for the Business world ?

6 Discuss the main ethical issues that are predominant in the Business arena.

Unit - 9 : Financial Ethics

Unit Structure:

9.0 Objectives
9.1 Introduction
9.2 Financial Markets
9.3 Financial Services
9.4 Insider Trading
9.5 Hostile Takeovers
9.6 Summary
9.7 Key Words
9.8 Self Assessment Test
9.9 References

9.0 Objectives

After completing this unit, you would be able to:

- Know about Ethics and its role in finance
- Learn about financial markets and its practices
- Enumerate about financial services
- Identify practices of Insider Trading
- Understand the effect of hostile takeover

9.1 Introduction

Involvement of finance requires ethical conduct. Wherever there is involvement of money it requires accountability and transparency. Maintaining fairyism in the business is maintaining ethics in finance. Nowadays, when financial markets are growing, chances of occurrence of fraud is also increasing. Growth and misuse often goes parallel. Today's world is very competitive and consumers are much aware about the market information. However, not all the investors are fully aware of every information. This inequality creates space for brokers, stock analyst and other financial expert or advisor to rule according to their own. This situation proves fruitful for brokers and agents.

Question arises that while preparing financial statements for a firm or auditing a company's book or suggesting the methods of costing of goods and services to a businessman, what moral or ethical decisions are involved? Accountants are supposed to present a *true* and *fair* picture of the company's financial position. If he fails to do so or he gives misleading picture there question arise of ethics. When accountant carries various maneuvers (within the law) is said to be ethically gray areas. This situation is often termed as *creative accounting* or *cooking the books.* In this case accountant has greater role to play. He presents legal picture of the firm but morally dubious. Creative accounting is not all the time unethical but it is used in unethical way in some cases. Some examples are being given here:

1. When costly meetings held but members could not get proceed to any conclusion or decisions. Is it ethical to waste resources which could have been employed in some other profitable avenues which add benefits to society?

2. When a firm shows increase in profits which have been generated through selling some of its capital.
3. A firm having low sales figure, shows increase in 'sales' by considering sale of goods which are held as security with bank against loan taken from the bank.
4. When a firm shows hypothetical monetary value of intangible assets.

At the present time, the field of finance ethics is barely formed. Although standard business ethics give some attention to ethical issues in finance. A few finance departments include a treatment of ethics in their business. Interest in finance ethics is growing, however, and many people in finance believe that ethics should receive some attention in finance area. In the development of any area of applied ethics, critical questions arise about the subject matter of the field and the appropriate theoretical approach. Finance area has broad approach of itself. Major components of finance which are important from the ethics point of view are financial markets like stock exchanges and financial service industry which includes commercial banks, investment banks, mutual funds companies, pension funds and insurance companies. In these financial markets public invest their money and expects to get fair return on their investment. Here ethical conduct is strictly required by these service providers because a large amount of fund is circulated in these markets which affect our economy favourably or adversely. Financial activities of the firm are the responsibility of Chief Financial Officer (CEO) of a firm which is not very visible to the general public. In this chapter we are going to discuss about such financial areas where ethics is highly required.

8.2 Financial Markets

Financial Markets are those markets where activities related with finance are traded like currencies, commodities and financial instruments such as stock, bonds, future, option, swap and derivatives etc. Financial markets are in the form of organized market such as:

- Stock Exchanges
- Bond Market
- Currency and Commodity Market
- Future and Option market etc.

Financial Markets are required to be more transparent as they deal in large with money of public. Transaction in these markets is generally done face to face between buyer and seller, through middleman or broker. Fairness is to be the most essential feature of these markets. These markets run on certain moral rules, ethical procedures and expectation of moral behaviour. The main element of fairness is prohibition of fraud and manipulative activities. These fair rules and procedures are framed in such a manner to support faimess in dealings which is generally expressed as *Level Playing Field*. This level playing field is often molded by certain dominant and reinforcing factors like:

- Unfair trade practices like manipulation and fraud,
- Unequal information or asymmetrical information,
- Bargaining powers,
- Resources,
- Unfair conditions or unlevel playing field. In this one take morally impermissible advantage of other.

Cases of fraud or malpractices arise when players or dealers or participants perform more than one time economic exchange. Long term dealings typically involve the assumption of fiduciary duties or obligations to act as agents. In case when these agents fail to act ethically, case of unethical conduct arises. Generally to avoid misunderstanding, participants enter into a contract on written basis. These written contracts include conduct required from each participant and remedy in case of any non compliance. But problem arises when such contracts proved to be wrong. This happens because of a hidden loop-hole in the contract. This is also called having a "wiggle-room" in the contract. When contracts drafted are vague, ambiguous, incomplete or problematic, there is always a problem of unethical conduct of business.

Some regulatory framework authorities are provided with law for financial markets. The Securities Act 1933 and The Securities Exchange Act 1934 with their amended rules proved to be the main regulatory framework for markets in securities. Ethics in financial markets can be judged through the following points

(A) Equity and Efficiency

Essential feature of market is efficiency. Efficiency can be best judged when there is maximum output from minimum input. Efficiency creates confidence and builds trust of participants. Efficiency and fairness in capital markets ensures maximum participation of people. Well productive use of capital is the most demanding feature of capital market.

(B) Fairness in Markets

What does fairness really means? Fairness is not merely a practice of preventing losses. Playing in markets means sometimes losses and sometimes gains. Sometimes gain of others is a loss of another. Fairness is promoted to avoid malpractices but not to avoid losses. Proper regulation of financial markets through regulatory authorities protect not only individual investor but also general public in large. Public invest their hard earned money in capital markets but when these markets get failed to serve the main purpose because of speculative activities, general people suffers from loss. Unfairness can be in many ways but following are some of their kinds to be discussed:

(i) Fraud and Manipulation: Generally, fraud occurs during buying and selling of securities through making false statement of material fact, omitting a fact that can lead decision in other way or employing any practice which will lead to fraud or malpractice. In simple words fraud can be defined as willful misrepresentation of material facts. Section 17(a) of Securities Act 1933 and section 10(b) of the Securities Exchange Act 1934 strictly prohibits such practices of misleading statement. Any company who did not give proper and adequate information may be committing a fraud.

Manipulation means buying or selling of securities with Intention of creating wrong direction about it so that other investors can get mislead by this price movement. Such manipulations are very common in capital markets. Not all the investors are fully aware about all the existing facts of capital markets. This unawareness creates much space for such manipulative practices. Both fraud and manipulation activities are framed to deceive others.

(ii) Equal information: Rules and regulations are meant to be equal for everyone. Competition is said to be fair and healthy if parties involved are of same level. We can say that competition participants with unequal information are widely regarded as unfair. Level playing field requires same rule for everyone with maximum information equally communicated. Financial markets are full of asymmetrical information. Possessing equal information could be a myth in financial markets. Asymmetrical information reduces efficiency in financial markets. This unequal situation leads investors to invest in

different securities in which they are not supposed to. But there are some ways which could help to overcome this problem. Individual investor can take help of stock analyst and savvy investors. They are more acquainted with market information because they spend more time, money and efforts in acquiring information than individual investor. People should try to search market information at the lowest prices rather to do costly investment or to invest on the basis of inadequate information. This could prove to be a loss of the economy. There should be a proper and strict procedure for issuing new securities so that investors could obtain maximum information which is beneficial for the society.

(iii) Equal Bargaining Power: Bargaining power of both buyers and Sellers may be relatively same or equal. Those agreements which are formed on the arm's-length bargaining can be said to be fair and irrespective of their actual result or output. In case when loss occurs in any negotiated future contracts, traders have to blame themselves. Unequal bargaining power can be due to many reasons. One of them is unequal information which has been discussed earlier. Other factors that give rise to unequal bargaining power are as follows:-

(a) ***Resources:*** **'**Large investors' or we can say that wealthy investors have better opportunities and options for investment rather than poor investors. Wealth as a resource in transactions has a pivotal role to play. Wealth enables traders to negotiate much better on matters of all kind. Wealthy investors can make their investments more diversified which make their outcome higher. They are in good position of bearing risk which results in greater return. Investors can also earn through arbitrage which is not possible for small investors.

(b) ***Processing Ability:*** Not all the investors are aware of every information of capital markets. This is the situation of unequal information. But sometimes after having knowledge about current position of capital market, individual investor may not be able to process well the acquainted information. This is because of trader's processing ability. Every individual has his own capacity of understanding and processing. Poor processing ability sometimes push investors into situation of loss while good processing ability for the same information may discount fruitful results. Financial markets can be proved dangerous for investors having lack of knowledge. Institutional investors and securities firm an use computers with latest software's to overcome this problem of personnel ability.

(c) ***Vulnerabilities:*** Investors as human being posses certain weaknesses and can be exploited. To save investors from such exploitations, consumer protection legislations provides investors a 'cooling-off' period which gives them a chance to cancel their impulsive trading. Investors must go through prospectus in details before investing in any particular security. Brokers and investment consultants should be legally bounded to aware investors about risky investment and advise them to select suitable investment opportunity.

(iv) ***Efficient Pricing:*** Efficient prices of securities should reflect the actual values underlying them. Prices should be efficient enough to reflect all the available information. Volatility is a feature of market which results in mismatch of buyers and sellers in eventually self correcting. Higher degree of volatility reduces confidence of investors. This results in reduction in stock prices. Inefficient pricing may cause a great harm to investors. In October 1987, there was a grate depression seemed in the stock market due to inefficient pricing.

9.3 Financial Services

Financial services industry mainly operates through personal selling. Stockbrokers, insurance agents, financial planners, tax advisers and other financial professionals are the main participants of this industry Personal selling creates space for unethical conduct and abuse. Buyers quickly blame the sellers for failed investment. Some examples of failed investment raise questions about the *deception* of investors by brokers or if there is any *concealment* of material information. While some cases show that there is accusation of *churning* of client's account and sometimes of selecting *unsuitable* investments. Other abusive sales practice includes *twisting* and *flipping*. We are going to discuss above abusive practices in detail as under:

(a) *Deception:* Deception is an act of making people to believe something that is not true. Brokers and agents sometimes give misleading statements. Ethical conduct requires from brokers and agents to give explanation of all the relevant information which is easily understandable, truthful and non-misleading. Agents should not use such words which may create ambiguity.

Generally, while convincing client, salesperson does not talk about their commission included. Deception can be stated as a matter of interpretation. Promotional matter or activities for any investment securities may not be accurate and creates misleading. Such things are designed in such a way that they show strengths and hide weaknesses. Following are some points through which clients may get deceived:

- When essential information may not be disclosed at its full.
- Selected past performance figures are presented in a misleading way which may direct decisions of investors into their favour.
- When the sales charge are rolled into the fund's annual expenses
- When projected hypothetical returns do not reflect all charges.

(b) *Churning:* Churning is an act of doing unethical, inappropriate trading of a clients account by a broker who got hold control over the account with intention of generating higher commissions. Brokers do churning to benefit themselves rather than to benefit customers. Although, brokerage industry says that churning is not a frequently occurring act but when it occurs clients detect such fraud. However, churning complaints are increasing in the past few years.

In other words, churning is a breach of fiduciary duty in which client has to suffer financial loss. Chances of churning occur when client handover control of their accounts to brokers. When brokers takeover control of their clients accounts, they start taking advantage of it rather giving benefits of their own. Brokers try to fill their pockets first which results in financial loss of customers. Churning can be detected if any of the following appears:

- Control of broker over their client's account
- Excessive trading (when broker do disproportionate trading to the size of their account in order to generate higher commission)
- Broker acted intentionally

Execessive trading can be more understood by following:

i) Character of the account decides whether trading is excessive. A speculative investor is ready to take higher risk by doing higher trading volume.

ii) Irrespective of the volume traded, sometimes relatively low volume pointless trading can be assumed as churning.

iii) Any particular pattern of trading that consistently supports trade which yields higher commissions.

Unsuccessful higher volume trade might be sometimes considered as intelligent investment while on the other hand unplanned investment giving fruitful results is considered pointless.

A 1995 report finds out the root cause of churning and suggests "best practices" which includes:

- Ending the practice of paying a higher commission for a company's own products.
- Prohibiting sales contests for specific products
- Tying a portion of compensation to the size of a clients account, regardless to the number of transactions.

(c) ***Suitability:*** It is the duty of the brokers, insurance agents and other sales person to recommend or suggest best suitable and profitable investment avenues, securities and financial products. Unsuitable Trading Techniques like use of margin or option creates higher leverage on an account and can cause excessive risk and higher volatility. Another form of unsuitability is Unsuitable Liquidity which means limited partnership. In this situation client can suffer problem of liquidity and can find difficulty in selling such investment quickly in the market.

Investment with higher degree of risk is considered as unsuitable investment. Agents must disclose appropriate facts in front of their clients about the securities they are going to sell so that they can take fair decision before purchasing. However, not all the securities with higher risk are unsuitable. A well-balanced portfolio is sometimes builds with such risky securities for trade-off.

9.4 Insider Trading

When trading is done in the stock of publicly held company on the basis of material, non public information is known as insider trading. Relation of trader to the source of information creates uncertainty in the law on insider trading. Insiders are the corporate executives but some outsiders can do insider trading in many ways like:

- When a printer got access to information about the targets of various takeovers from the legal documents that were being prepared.
- Financial analyst who uncovered a huge fraud at a high-flying firm and advises clients to sell
- When a stockbroker gets certain tips from their clients who is the relative of the company's president or any other top level executive.
- When a wife of a financier goes to psychiatrist and reveals major information about major takeovers which proves beneficial to psychiatrist.

Above two cases might be resulting from innocence but the later two are of guilty nature. These are some case how outsider becomes insider traders. A person is said to be performing insider trading when.

1. the trader has violated some legal duty to a corporation and its shareholders.

2. the source of information has such a legal duty and the trader knows that the source is violating that duty.

Arguments against Insider Trading

***1. Property Rights*:** Confidential information of the company is definitely the property of the company and whosoever used it or steal it is guilty of stealing that information which belongs to the corporation.

2. Fairness Argument : Traders using inside information are taking unfair advantage of the information which is not possible for the other investors who did not have such information. This creates atmosphere of asymmetrical information and unlevel playing field. Here processing ability is not counted because insider's information is unavailable to other investors not because of poor processing ability but because of lack of access. The basic rule of stock market is that every buyer and seller have equal access to information so that their decision are rational. Maximum information should be disclosed in the companys' annual reports and prospectus. Hiding weaknesses falls under committing fraud.

The main weakness of this argument is to determine the extent of information to be disclosed or revealed in any particular transaction. Some economist are in the favour of insider trading because they think that information will spread in the market through 'insiders' and have relatively low cost when compared to information provided by stock analyst.

9.5 Hostile Takeovers

The acquisition of one company (called the target company) by another (called the acquirer) that is accomplished not by coming to an agreement with the target company's management, but by going directly to the company's shareholders or fighting to replace management in order to get the acquisition approved. A hostile takeover can be accomplished through either a tender offer or a proxy fight. The key characteristic of a hostile takeover is that the target company's management does not want the deal to go through. Sometimes a company's management will defend against unwanted hostile takeovers by using several controversial strategies. Hostile takeovers are against ethical behaviour. They affect the interest of shareholders in many ways.

Ethical issues concern with hostile takeovers may have the following sides :

- Should hostile takeovers be permitted?
- Is there a market for corporate control?
- What about fiduciary duties of directors and other management towards shareholders?

Merger and Acquisition ("M&A") activity in India is booming. The Indian economy grew by 9.2% in 2006, but M&A deal volumes grew much faster, up 54% to $28.2 billion in 2006. Since its economic liberalization in 1991, India has experienced only a handful of hostile takeover attempts. In India SEBI, securities regulatory authority adopt a principles-based standard in the Takeover Code governing the actions that a takeover target would be permitted to undertake in response to a hostile bid. This standard should attempt to strike a balance between nurturing India's newly emerging global corporations and promoting efficient and value-creating investment in India.

9.6 Summary

Financial ethics demand fairness in financial markets. Unethical transaction by agents can cause financial sufferings to their clients. Unethical practices like Deception, Churning, and Unsuitable Investments shatters the trust of investors. Insider trading gives advantage to 'insiders' but other investors suffers from loss because they are not acquainted of such knowledge. Insider trading is unethical on moral grounds. Hostile Takeovers is another example that put question mark on ethics in finance.

9.7 Key Words

- **Deception:** Deception is the act of deceiving someone or the state of being deceived by someone.
- **Churning:** Churning is an act of doing unethical, inappropriate trading
- **Insider Trading:** When trading is done in the stock of publicly held company on the basis of material, non public information is known as insider trading.
- **Hostile Takeover:** Forceful acquisition of one company by another Company.

9.8 Self Assessment Test

1 What do you mean by Ethics ? How it is required in finance?

2 What do you mean by the term *Fairness in Market*? Explain in detail.

3 What is Level Playing Field? What are the factors affecting it ?

4 Explain the following terms:

1. Deception 2. Churning

5 What are the ways of insider trading ?

9.9 References

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Unit - 10 : Marketing Ethics

Unit Structure:

10.0 Objectives
10.1 Introduction
10.2 Marketing Malpractices
10.3 Fair Marketing Practices
10.4 Ethics in Advertising
10.5 Code for Advertisers Suggested by ASCI
10.6 Legal Measures for Marketing Malpractices
10.7 Ethics in Services Marketing.
10.8 Summary
10.9 Self Assessment Test
10.10 References

10.0 Objectives

After completing this unit, you will be able to understand.

- Meaning of marketing ethics.
- Relevance of ethics in marketing and advertising.
- Unethical behaviour of marketers in India.
- Fair marketing practices as suggested by CFBP and FICCI.
- Ethical aspects in advertising.
- Laws incorporating ethical aspects of marketing.
- Ethics in services marketing.

10.1 Introduction

Peter Drucker has stated that the purpose of a business is to create a customer. It is the customer who is the foundation of a business and keeps it in existence. If the purpose of business is to create and keep a customer, it is imperative that he must be the focal point of all business activities. The central theme of the marketing concept is that business of business is to identify, anticipate and satisfy customer needs and desires. The rationale of marketing concept implies that the company management makes all decisions in terms of marketing-orientation which begins with a customer. The concept recognises that the dictator of market success or failure, the customer, is of key concern in determining company policies and actions. All other activities of the business are integrated and balanced in terms of what is best for the company in the market place.

It cannot be ignored that under the marketing concept the focus is on the customer—his needs and requirements—rather than the product. The old homespun philosophy that, "If you make a better mousetrap, the world will beat a path to your door" or "We will give them any colour car they want, as long as it is black" has to be replaced by new customer logic like, "We are more interested in pleasing a customer than in making a sale," "I do not run a soap company, I run a marketing organisation."

10.2 Marketing Malpractices

We witness several marketing malpractices in our country. Inspite of keen competition, the fact remains that the Indian buyer does not buy what he/she wants but has to buy what he/she gets. It is so because consumer goods have received a low priority in our planning, the first priority being given to the use of resources for producer goods. This gave a certain imbalance to growth; and as there was a shortage of consumer goods whatever was made was sold and the interest of the consumer was never a compelling consideration.

Pricing out of proportion, artificial scarcity, adulteration and poor quality have become common phenomena. Even national calamities and Acts of God do not deter Indian businessman from anti-social practices and consumer exploitation. The consumer aspires for a wholesome article. The adulterators find salubrious climate in India. Processed foods, added with a small quantity of a large variety of substance to improve the appearance, flavour, etc., are being produced increasingly. A certain impurity in these food additives has been found to be very harmful. Hoarding habit in case of scarcity or fear of scarcity is a common experience. It is prevalent in non-perishable products with inelastic demand. Artificial scarcity is created through this process by keeping the goods out of the free flow of commerce. This has happened again and again in recent years in food grains, edible oils, sugar, kerosene oil, baby food, cosmetics and numerious other articles of daily use; and controls not rigorously enforced have proved to be ineffective.

The common marketing malpractices include :

1) Adulteration

2) Black marketing

3) Hoarding

4) Profiteering

5) Short weighting

6) Unethical advertising

7) Sale of substandard and spurious products.

Marketing malpractices in service sector are noted below :

1. Doctors often resort to unnecessary hospitalisation, tests, drugs and surgery. Advertising by doctors is also not uncommon.

2. Advocates misstate the facts and conceal the truth. Service to humanity is secondary to them. They charge high fees and still prefer to defer the cases to the disadvantage of clients.

3. Credit card agents use unethical means to create customers. They also conceal vital information.

4. Chartered Accountants use all possible wrong means to settle tax matters and in auditing accounts.

5. Financial consultants are charged with misguiding investors. As a matter of fact, unethical behaviour of financial consultants was a major reason of enactment of SEBI Act in 1992.

6. Misleading advertising by bankers, insurance companies, educational institutions, travel and tour operators is also disheartening.

7. There is use of aggressive marketing techniques by insurance and bank agents particularly by those of the private owned insurance and bank companies. Undoubtedly, this irritates the customers.

8. The use of tele calling is quite common which customers don't appreciate because of busy schedule in work and life.

9. Complaints against railway employees, staff of airlines and private and public bus operators is very common.

10. Tourists, especially foreign tourists, are many a times cheated and ill-treated by tour and travel agents and the hotel staff

11. The hidden costs and service charges are often concealed by bankers.

10.3 Fair Marketing Practices

Promotion of highest ethical practices by business and professionals is extremely important in order to ensure complete satisfaction to consumers and other stakeholders. The Council for Fair Business Practices (formerly Fair Trade Practices Association) has identified mine parameters of fair marketing practices.

Every member of the CFBP has to self-impose nine fundamental obligations, viz.,

(i) To charge only fair and reasonable prices and take every possible step to ensure that the prices to be charged to customers are brought to his notice.

(ii) To take every possible steps to ensure that the agents or dealers appointed by him do not charge prices higher than fixed.

(iii) In times of scarcity, not to withhold or suppress stocks of goods with a view to hoarding and/ or profiteering.

(iv) Not to produce or trade in spurious goods or goods of standards lower than specified.

(v) Not to adulterate goods supplied.

(vi) Not to publish misleading advertisements.

(vii) To invoice goods exported or imported at their correct prices.

(viii) To maintain accuracy in weights and measures of goods offered for sale.

(ix) Not to deal knowingly in smuggled goods.

The member gets an emblem, which can be displayed prominently in his business premises. The Investigation Panel of CFBP investigates into complaints of breach of code. The defaulter is de-listed from membership and the fact is given due publicity so that all may become aware of the fact. Some of India's top businessmen are associated with this organisation.

It is worthwhile to mention here that on the lines of Fair Trade Practices Code, in 1985, the FICCI drew up ten-point norms of business ethics. The Federation has recommended to the business community in India to follow the following ten guidelines;

(i) ensure quality of articles manufactured, processed or sold and adhere to standards specified;

(ii) not to manufacture, store or sell adulterated goods;

(iii) maintain accuracy in weights and measures of goods offered for sale;

(iv) support free distribution of goods and avert creation of artificial scarcity;

(v) not to deal knowingly in smuggled or spurious products;

(vi) avoid publishing misleading advertisements;

(vii) ensure that warranty of product or service is based on adequate data or test;

(viii) conform to specified standards or accepted norms for ensuring safety of products;

(ix) provide effective after-sales service for consumer durables; and

(x) encourage setting up of Consumer Affairs Cells in industrial houses to attend to consumer complaints and get proper feedback.

In order to ensure fair marketing practices some associations have framed code of conduct. Some examples are noted below :

1. Code of Conduct of Tata

Tata companies are also engaged in the service sector (telecommunication, insurance, etc.) The Tata code of conduct says : "A Tata company shall be committed in all its actions to benefit the economic development of the countries in which it operates. It shall not engage in any activity that adversely affects such an objective. It shall not undertake any project or activity to the detriment of the nation's interests, or those that will have any adverse impact on the social and cultural life patterns of its citizens. A Tata company shall conduct its business affairs in accordance with the economic, development and foreign policies, objectives and priorities of the nation's government, and shall strive to make a positive contribution to the achievement of such goals at the international, national and regional level, as appropriate."

"A Tata company shall market its products and services on its own merits and shall not make unfair and misleading statements about competitors' products and services. Any collection of competitive information shall be made only in the normal course of business and shall be obtained only through legally permitted sources and means." "A Tata company shall strive to provide a safe and healthy working environment . . . prevent the wasteful use of natural resources ..... improve the quality of the life of the people." Further every employee shall deal with professionalism , honesty and integrity as well as high moral and ethical standards .

2. Code of Conduct of Jet Airways

In carrying out their duties and responsibilities, employees and directors are prohibited from:

(i) appropriating corporate business opportunities for themselves that are discovered through the use of Company resources or information or their position as directors or employees;

(ii) using Company resources or information, or their position as directors or employees, for personal gain; and

(iii) competing with the Company, directly or indirectly.

Fair Dealing: In carrying out their duties and responsibilities, employees and directors should endeavor to deal fairly, and should promote fair dealing by the Company, its employees and agents, with customers, suppliers and competitors. No employee or director should seek to take unfair advantage of anyone (including the Company) through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair dealing practice.

3. Fair Practice Code of Indian Banks Association (IBA)

The IBA has provided some guidelines in respect of credit cards. It says "Our key commitments to you. We promise to -

(i) Act fairly and reasonably in all our dealings with you by:

- Meeting the commitments and standards in this Code, for the products and services we offer, and in the procedures and practices our staff follow.
- Making sure our products and services meet relevant laws and regulations.
- Our dealings with you will rest on ethical principles of integrity and transparency.

(ii) Help you to understand how our product work by:

- Explaining their financial implications and

(iii) Deal quickly and sympathetically with things that go wrong by:

- Correcting mistakes quickly
- Handling your complaints quickly
- Telling you how to take your complaint forward if you are still not satisfied

(iv) Publicize this Code, put it on our website and have copies available for you on request.

Terms and Conditions

(i) "When you become a customer or accept a product for the first time, we will give you the relevant terms and conditions for the service you have asked us to provide.

(ii) All written terms and conditions will be fair and will set out your rights and responsibilities clearly and in plain language. We will only use legal or technical language where necessary.

(iii) Changes to terms and conditions will be notified to you from time to time.

(iv) Normally, changes [other than interest rates] will be made with prospective effect giving notice of at least one month."

Advertising and Marketing

(i) "We will make sure that all advertising and promotional material is clear, fair, reasonable and not misleading."

Tele-Calling

All Sales Executives will follow the following rules when tele-calling:

(i) Mention the following - The name of the person making the call, the name of the organisation on whose behalf the call is being made, the purpose of the call – being the offer or promotion of financial services, including the specific nature of those services e.g., credit card.

(ii) Request permission to proceed.

(iii) If denied permission, apologize and politely disconnect.

(iv) Ensure we ask the prospect if we can call back if the prospect appears to have been interrupted at an inconvenient time, and inquire, as to when a more appropriate time would be.

(v) If calling on mobile no, offer to call back on a landline no.

(vi) Never interrupt or argue; talk firmly and politely. Do not engage in harassing/abusive conduct.

(vii) To the extent possible, talk in the language which is most comfortable to the prospect.

(viii) Explain features about the SBI card patiently and correctly. Clarify doubts about the product as far as possible; without misleading or giving wrong information about the product. Do not make any false/ unauthorized commitment on behalf of SBICPSL for any facility. In case the prospect desires additional information, ask the Team Leader to provide the same.

(ix) Never call or entertain calls from customers regarding products already sold. Advise them to contact the Customer Service Staff of SBICPSL.

(x) Ensure we provide the customer with a clear opportunity to accept or decline the offer.

(xi) Reconfirm next call or next visit details.

(xii) Provide his telephone no, the team leader's name and other contact details if asked for by the prospect.

(xiii) Thank the customer for his/her time.

Sales Calls

The Sales Executive will:

(i) Respect personal space – maintain adequate physical distance from the prospect.

(ii) Not enter the prospect's residence/office against his/her wishes.

(iii) Not visit in large numbers – i.e. not more than one SE and one team leader/trainer, if required.

(iv) If the prospect is not present and only family members/office persons are present at the time of the visit, he/she should end the visit with a request to come back at time the prospect is present.

(v) Provide his/her telephone no, the team leader's name and other contact details if asked for by the prospect

(vi) Limit discussions with the prospect to the business – Maintain a professional distance.

(vii) Not misbehave in any manner; respect the prospects time and space

(viii) Will not accept gifts from prospects or bribes of any kind. Any bribe or payment offered of any kind by a customer must be reported to his/her management.

(ix) Will be formally dressed. He/She will wear clothes that are appropriate and will have well groomed appearance.

4. Code Conduct for Chartered Accountants

Some of the acts and omissions which constitute professional misconduct in the code for Chartered Accountants are as under:-

(i) Soliciting clients for professional work either directly or indirectly.

(ii) Advertising his professional attainments or services

(iii) Charging fee based on percentage of profit or which are contingent on the findings or results of such employment.

(iv) Accepting a position as auditor in such conditions to constitute undercutting.

The code aims at ensuring professional independence and integrity.

10.4 Ethics in Advertising

Business ethics is mainly concerned with the relationship of business goals and techniques to specifically human ends. As such ethics in advertising relate to the impact of advertising activities on the good of the individual, the firm, the business community, and the society as a whole. Indeed, advertising communication is a mix of art and facts based on ethical principles.

Advertising ethics require that;

a) advertising is truthful,

b) agencies and advertisers provide substantiation of claims made,

c) advertising is in good taste, and the generally accepted standards of public decency are followed,

d) advertisers refrain from attacking competitors unfairly,

e) guarantees and warranties are explicit,

f) advertisements are not false or misleading,

g) claims are not exaggerated, and that

h) testimonials are genuine.

It is extremely difficult to determine whether an advertisement is ethical or not. Undoubtedly, the line of demarcation between ethical and unethical advertising is very thin. It depends upon the values, opinions, perceptions and judgment of the viewer. An advertisement may be ethical for one, unethical for another.

To avoid this paradox, it is pertinent to point out what good advertising is. According to the Advertising Federation of America,

a) Good advertising aims to inform the consumer and help him to buy more intelligently.

b) Good advertising tells the truth, avoids mis-statement of facts as well as possible deception through implication or omission. It makes no claims which cannot be met in full and without further qualification. It uses testimonials of competent witnesses.

c) Good advertising conforms to the generally accepted standards of good taste. It seeks public acceptance on the basis of the merits of the product or service advertised rather than by the disparagement of competing goods. It tries to avoid practices that are offensive or annoying.

d) Good advertising recognises both its economic responsibility to help reduce distribution costs and its social responsibility in serving the social interest

Is comparative advertising unethical? This issue is undoubtedly perplexing. Comparative advertising by producers of Surf Excel and Ariel, Nirma and Rin; Coke and Pepsi and Captain Cook and Tata Salt is notable. Quite often, the ad war between competing companies leave suds flying. Proctor and Gamble's new Ariel, endorsed by 'Vimal, claimed in its advertisement that it is the first to introduce carezyme and organic dispersal, two agents for better cleaning. The moment this ad hit the stands, Hindustan Lever Limited came out with a new set of ads saying that Surf Excel has always had them and the company had never thought of advertising

Ethics require that advertisers work with great sense of social responsibility and uphold high moral values. About fifteen years back, a retired judge of Supreme Court returned the Rs. Five Lakh award – Environmentalist of the Year Award – in protest against the ad of the sponsors of the award which used his name for enhancing business prospects of the company.

10.5 Code for Advertisers Suggested by ASCI

India, several efforts have made to ensure that all advertising is "Good Advertising". The Advertising Standards Council of India has developed a code for self-regulation in advertising. This code for self regulation has been drawn up by people in professions and industries in or connected with advertising, in consultation with representatives of people affected by advertising, and has been accepted by individuals, corporate bodies and associations engaged in or otherwise concerned with the practice of advertising, with the following as basic guidelines, with a view to achieve the acceptance of fair advertising practices in the best interest of the ultimate consumer:

a) To ensure the truthfulness and honesty of representations and claims made by advertisements and to safeguard against misleading advertisements.

b) To ensure that advertisements are not offensive to generally accepted standards of public decency.

c) To safeguard against the indiscriminate use of advertising for the promotion of products which are regarded as hazardous to society or to individuals to a degree or of a type which is unacceptable to society at large.

d) To ensure that advertisements observe fairness in competition so that the consumer's need to be informed on choices in the market place and the canons of generally accepted competitive behaviour in business are both served.

Responsibility for the Observance of this Code

The responsibility for the observance of this Code for Self-Regulation in Advertising lies with all who commission, create, place or publish any advertisement or assist in the creation or publishing of any advertisement. All advertisers, advertising agencies and media are expected not to commission, create, place or publish any advertisement which is in contravention of this Code. This is a self-imposed discipline required under this Code for Self-Regulation in Advertising from all involved in the commissioning, creation, placement or publishing of advertisements.

This Code applies to advertisements read, heard or viewed in India even if they originate or are published abroad so long as they are directed to consumers in India or are exposed to significant number of consumers in India.

The Code and the Law

The Code's rule are not the only ones to affect advertising.

There are many provisions, both in the common law and in the statutes, which can determine the formor the content of an advertisement.

The Code is not in competition with law. Its rules, and the machinery through which they are enforced, are designed to complement legal controls, not to usurp or replace them.

Definitions

For the purpose of this Code:

- an advertisement is defined as a paid-for communication, addressed to the Public or a section of it, the purpose of which is to influence the opinions or behaviour of those to whom it is addressed. Any communication which in the normal course would be recognised as an advertisement by the general public would be included in this definition even if it is carried free-of-charge for any reason.
- a product is anything which forms the subject of an advertisement, and includes goods, services and facilities.
- a consumer is any person or corporate body who is likely to be reached by an advertisement whether as an ultimate consumer, in the way of trade or otherwise.
- an advertiser is anybody, including an individual or partnership or corporate bod yor association, on whose brief the advertisement is designed and on whose account the advertisement is released.
- an advertising agency includes all individuals, partnerships, corporate bodies or associations, who or which work for planning, research, creation or placement of advertisements or the creation of material for advertisements for advertisers or for other advertising agencies.
- media owners include individuals in effective control of the management of media or their agents; media are any means used for the propagation of advertisements and include press, cinema, radio, television, hoardings, hand bills, direct mail, posters, internet, etc.
- minors are defined as persons who are below the age of 18 years.
- any written or graphic matter on packaging, whether unitary or bulk, or contained in it, is subject to this Code in the same manner as any advertisement in any other medium.
- to publish is to carry the advertisement in any media whether it be by printing, exhibiting, broadcasting, displaying, distributing, etc.

Standards of Conduct

Advertising is an important and legitimate means for the seller to awaken interest in his products. The success of advertising depends on public confidence. Hence no practice should be permitted which tends to impair this confidence. The standards laid down here should be taken as minimum standards of acceptability which would be liable to be reviewed from time to time in relation to the prevailing norm of consumers' susceptibilities.

Chapter-I.

To ensure the Truthfulness and Honesty of Representations and Claims made by Advertisements and to Safeguard against misleading Advertisements

1. Advertisements must be truthful. All descriptions, claims and comparisons which relate to matters of objectively ascertainable fact should be capable of substantiation. Advertisers and advertising agencies are required to produce such substantiation as and when called upon to do so by The Advertising Standards Council of India.

2. Where advertising claims are expressly stated to be based on or supported by independent research or assessment, the source and date of this should be indicated in the advertisement.

3. Advertisements shall not, without permission from the person, firm or institution under reference, contain any reference to such person, firm or institution which confers an unjustified advantage on the product advertised or tends to bring the person, firm or institution into ridicule or disrepute. If and when required to do so by the Advertising Standards Council of India, the advertiser and the advertising agency shall produce explicit permission from the person, firm or institution to which reference is made in the advertisement.

4. Advertisements shall neither distort facts nor mislead the consumer by means of implications or omissions. Advertisements shall not contain statements or visual presentation which directly or by implication or by omission or by ambiguity or by exaggeration are likely to mislead the consumer about the product advertised or the advertiser or about any other product or advertiser.

5. Advertisements shall not be so framed as to abuse the trust of consumers or exploit their lack of experience or knowledge. No advertisement shall be permitted to contain any claim so exaggerated as to lead to grave or widespread disappointment in the minds of consumers.

For example:

(a) Products shall not be described as 'free' where there is any direct cost to the consumer other than the actual cost of any delivery, freight, or postage. Where such costs are payable by the consumer, a clear statement that this is the case shall be made in the advertisement.

(b) Where a claim is made that if one product is purchased another product will be provided 'free', the advertiser is required to show, as and when called upon by The Advertising Standards Council of India, that the price paid by the consumer for the product which is offered for purchase with the advertised incentive is no more than the prevalent price of the product without the advertised incentive.

(c) Claims which use expressions such as "Upto five years' guarantee" or "Prices from as low as Rs. Y" are not acceptable if there is a likelihood of the consumer being misled either as to the extent of the availability or as to the applicability of the benefits offered.

(d) Special care and restraint has to be exercised in advertisements addressed to those suffering from weakness, any real or perceived inadequacy of any physical attributes such as height or bust development, obesity, illness, impotence, infertility, baldness and the like, to ensure that claims or representations directly or by implication, do not exceed what is considered prudent by generally accepted standards of medical practice and the actual efficacy of the product.

(e) Advertisements inviting the public to invest money shall not contain statements which may mislead the consumer in respect of the security offered, rates of return or terms of amortisation; where any of the foregoing elements are contingent upon the continuance of or change in existing conditions, or any other assumptions, such conditions or assumptions must be clearly indicated in the advertisement.

(f) Advertisements inviting the public to take part in lotteries or prize competitions permitted under law or which hold out the prospect of gifts shall state clearly all material conditions as to enable the consumer to obtain a true and fair view of their prospects in such activities. Further, such advertisers shall make adequate provisions for the judging of such competitions, announcement of the results and the fair distribution of prizes or gifts according to the advertised terms and conditions within a reasonable period of time. With regard to the announcement of results, it is clarified that the advertiser's responsibility under this section of the Code is discharged adequately if the advertiser publicizes the main results in the media used to announce the competition as far as is practicable, and advises the individual winners by post.

6. Obvious untruths or exaggerations intended to amuse or to catch the eye of the consumer are permissible provided that they are clearly to be seen as humorous or hyperbolic and not likely to be understood as making literal or misleading claims for the advertised product.

7. In mass manufacturing and distribution of goods and services it is possible that there may be an occasional, unintentional lapse in the fulfillment of an advertised promise or claim. Such occasional, unintentional lapses may not invalidate the advertisement in terms of this Code.

In judging such issues, due regard shall be given to the following:

(a) Whether the claim or promise is capable of fulfillment by a typical specimen of the product advertised.

(b) Whether the proportion of product failures is within generally acceptable limits.

(c) Whether the advertiser has taken prompt action to make good the deficiency to the consumer.

Chapter II

To ensure that Advertisements are not offensive to generally accepted standards of Public Decency.

Advertisements should contain nothing indecent, vulgar or repulsive which is likely, in the light of generally prevailing standards of decency and propriety, to cause grave or widespread offence.

Chapter III

To safeguard against the indiscriminate use of Advertising in situations or of the Promotion of Products which are regarded as Hazardous or Harmful to society or to individuals, particularly minors, to a degree or of a type which is Unacceptable to Society at Large.

1. No advertisement shall be permitted which:

(a) Tends to incite people to crime or to promote disorder and violence or intolerance.

(b) Derides any race, caste, colour, creed or nationality.

(c) Presents criminality as desirable or directly or indirectly encourages people - particularly minors - to emulate it or conveys the modus operandi of any crime.

(d) Adversely affects friendly relations with a foreign State.

2. Advertisements addressed to minors shall not contain anything, whether in illustration or otherwise, which might result in their physical, mental or moral harm or which exploits their vulnerability. **For example, Advertisements:**

(a) Should not encourage minors to enter strange places or to converse with strangers in an effort to collect coupons, wrappers, labels or the like.

(b) Should not feature dangerous or hazardous acts which are likely to encourage minors to emulate such acts in a manner which could cause harm or injury.

(c) Should not show minors using or playing with matches or any inflammable or explosive substance; or playing with or using sharp knives, guns or mechanical or electrical appliances, the careless use of which could lead to their suffering cuts, burns, shocks or other injury.

(d) Should not feature minors for tobacco or alcohol-based products.

(e) Should not feature personalities from the field of sports, music and cinemafor products which, by law, either require a health warning in their advertising or cannot be purchased by minors.

3. Advertisements shall not, without justifiable reason, show or refer to dangerous practices or manifest a disregard for safety or encourage negligence.

4. Advertisements should contain nothing which is in breach of the law nor omit anything which the law requires.

5. Advertisements shall not propagate products, the use of which is banned under the law.

6. Advertisements for products whose advertising is prohibited or restricted by law or by this code must not circumvent such restrictions by purporting to be advertisements for other products the advertising of which is not prohibited or restricted by law or by this code. In judging whether or not any particular advertisement is an indirect advertisement for product whose advertising is restricted or prohibited, due attention shall be paid to the following:

(a) Visual content of the advertisement must depict only the product being advertised and not the prohibited or restricted product in any form or manner.

(b) The advertisement must not make any direct or indirect reference to the prohibited or restricted products

(c) The advertisement must not create any nuances or phrases promoting prohibited products

(d) The advertisement must not use particular colours and layout or presentations associated with prohibited or restricted products

(e) The advertisement must not use situations typical for promotion of prohibited or restricted products when advertising the other products

Chapter IV

To ensure that Advertisements observe fairness in competition such that the Consumer's need to be informed on choice in the Market-Place and the Canons of generally accepted competitive behaviour in Business are both served.

1. Advertisements containing comparisons with other manufacturers or suppliers or with other products including those where a competitor is named, are permissible in the interests of vigorous competition and public enlightenment, provided:

   (a) It is clear what aspects of the advertiser's product are being compared with what aspects of the competitor's product.

   (b) The subject matter of comparison is not chosen in such a way as to confer an artificial advantage upon the advertiser or so as to suggest that a better bargain is offered than is truly the case.

   (c) The comparisons are factual, accurate and capable of substantiation.

   (d) There is no likelihood of the consumer being misled as a result of the comparison, whether about the product advertised or that with which it is compared.

   (e) The advertisement does not unfairly denigrate, attack or discredit other products, advertisers or advertisements directly or by implication.

2. Advertisements shall not make unjustifiable use of the name or initials of any other firm, company or institution, nor take unfair advantage of the goodwill attached to the trade mark or symbol of another firm or its product or the goodwill acquired by its advertising campaign.

3. Advertisements shall not be similar to any other advertiser's earlier run advertisements in general layout, copy, slogans, visual presentations, music or sound effects, so as to suggest plagiarism.

4. As regards matters covered by sections 2 and 3 above, complaints of plagiarism of advertisements released earlier abroad will lie outside the scope of this Code except in the under-mentioned circumstances:

   (a) The complaint is lodged within 12 months of the first general circulation of the advertisements/ campaign complained against.
   (b) The complainant provides substantiation regarding the claim of prior invention/usage abroad.

The code's rules form the basis for judgment whenever there may be conflicting views about the acceptability of an advertisement, whether it is challenged from within or from outside the advertising business. Both the general public and an advertiser's competitors have an equal right to expect the content of advertisements to be presented fairly, intelligibly and responsibly. The code applies to advertisers, advertising agencies and media. The self-regulation and social control measures bear importance. From this point of view, the ASCI has a significant role to play.

It is heartening to note that some other organisations in the country have also endeavoured to ensure ethical standards in advertising. The Times of India group of publications, The Indian and Eastern Newspaper Society (now 1145), and The Advertising Agencies Association of India have developed code of advertising based on moral values.

It is, however, anguishing to note that in India neither the legal regulation nor the code for self-regulation has succeeded in checking unscrupulous and misleading advertising. Indian advertising continues to be a glamour trade, targeted at the bold and the beautiful, the rich and the famous, the celebrities and the celebrated.

10.6 Legal Measures for Marketing Malpractices

It is pertinent to point out that in India various legal measures have also been taken to control advertising. The most important legal weapon against unscrupulous advertising is the Monopolies and Restrictive Trade Practices Act, 1969 (now Indian Competition Law). Other laws that directly or indirectly control advertising include the Indecent Representation of Women (Prohibition) Act, 1986, The Consumer Protection Act, 1986, The Indian Penal Code, 1860, The Drugs and Magic Remedies (Objectionable Advertisements) Act, 1954, The Young Persons (Harmful Publications) Act, 1956, The Cigarettes (Regulation of Production, Supply and Distribution) Act, 1975, The Emblems and Names (Prevention of Improper Use) Act, 1950, Drugs (Control) Act, 1950, and Trade and Merchandise Marks Act, 1958. However, these laws have failed to control advertising in India. There are various reasons for this state of affairs. The legal procedure is cumbersome. The cost of a legal suit is also high, beyond the reach of the ordinary man. Poverty and illiteracy have also contributed to the failure of legal control on advertising.

Food Safety and Standards (FSS) Act, 2006 which came into effect throughout the country on 5th August, 2011 repeals other Acts viz. Prevention of Food Adulteration Act 1954, Fruit Product Order (FPO) 1955, (SODEF) Solvent Extracted Oil, De-Oiled Meal and Edible Flour (Control) Order, 1967, Meat Food Products Order (MFPO) 1973, Edible Oils Packaging, 1998, Vegetable Oil Product Order, 1998, Milk and Milk Product Regulation, 2009.

Section 24 of the FSS Act puts restriction on misleading or deceiving advertisement and unfair trade practices, promoting the sale, supply, use and consumption of articles of food or adopt any unfair or deceptive practice or information which.

a) Falsely represents standards, quality, quality or grade-composition.

b) Makes a false or misleading representation about usefulness;

c) Gives guarantee of the efficacy without adequate scientific justification thereof.

All persons/ manufactures/ dealers / importers of food items are required to comply with the above provisions of the law while advertising or disseminating information through direct or indirect promotional activity. The Drugs and Magic Remedies (Objectionable Advertisements) Act (1954), prohibits advertisements of certain drugs for treatment of certain diseases and disorders and misleading advertisements of magic remedies for treatment of certain diseases and disorders. Magic Remedies are mentioned to include a *talisma*, *mantra, kavacha* and other charm of any kind alleged to possess miraculous power. Industries (Development and Regulation) Act (1951) provides of consumers on goods manufactured or produced by scheduled industries on the Central Advisory Council. The Act contains several provisions about regulation of price, quality, and hoarding. The Drugs and Cosmetics Act (1940) prohibits the import, (manufacture and sale of sub-standard, adulterated or misbranded drugs and cosmetics (Section 10). The Prevention of Food Adulteration Act (1954), Whose amending Act came into operation from March 1, 1965, prohibits manufacture and/or sale of adulterated food. 'Adulterated' includes article of cheaper substance injurious to health, contaminated, filthy, rotten, decomposed or diseased, etc. and includes drink for human consumption.

10.7 Ethics in Services Marketing

It is pertinent to note that ethical issues become more relevant in the service sector as the when there are very little tangible clues. Thus, evaluation of service performances, both before and after purchase, may entail disappointment. Services like holiday entertainment, sporting events, restaurants, haircut are high in experience

attributes and can't be evaluated prior to service and customers must experience the service to know what they are getting. In many services, high in credence, customers find it difficult to evaluate confidently even after the service has been purchased and consumed, such as in the case of education, legal services, complex surgery and computer repair.

While marketing strategies (like advertising, providing some tangible clues to customers, display of degrees by lawyers, doctors and other professionals, dress and behaviour of employees, appearance of furnishings, equipments and facilities, etc.) may be used to face this challenge, ethics play an important role in such a situation. Marketing men should not take undue advantage of this situation of the customer. Undoubtedly, from social and human points of view, there exists a relationship of mutual trust, confidence and goodwill between the service provider and the service recipients. There is a need of providing efficient services to the full satisfaction of the customers. This is also important for customer retention and loyalty. It is worthwhile to mention that the service providers must apply the societal marketing concept which requires a balance between three considerations—profits, want satisfaction and society's interest (human welfare).

Ethical issues-while pricing services also deserve attention. There is no denying the fact that customers often face great difficulty in understanding how much it is going to cost them use a service. They are not sure in advance what they will get in return for their payments. Quite often, credence services invite performance and pricing abuses. Customers find themselves in a very embarrassing and vulnerable position when they don't know the benefits they get from service supplier, are not present when the work is being performed and lack the technical skills to assess the work done. Moreover, the complexity of pricing schedule also encourage firms to engage in unethical behaviour. Ethical behaviour requires that there should be fairness in pricing strategy. There's a need of reconciling pricing schedules and management practices with customer trust and goodwill. Thus, the pricing should be fair, logical and clear. Service fees and expenses should be spelled out in advance.

10.8 Summary

The rationale of marketing concept implies that the company management makes all decisions in terms of marketing-orientation which begins with a customer. The concept recognises that the dictator of market success or failure, the customer, is of key concern in determining company policies and actions. In common parlance, ethics refer to a system of accepted beliefs based on morals that control behaviour. Thus, business ethics are generally construed as rules, standards or principles that provide guidelines for morally appropriate behaviour for businesses. Business ethics studies the impact of the business activities on the goods of the individual, the firm, the business community and society as a whole.

Promotion of highest ethical practices by business and professionals is extremely important in order to ensure complete satisfaction to consumers and other stakeholders. The Council for Fair Business Practices (formerly Fair Trade Practices Association) has identified mine parameters of fair marketing practices.It is pertinent to note that ethical issues become more relevant in the service sector as the when there are very little tangible clues. Thus, evaluation of service performances, both before and after purchase, may entail disappointment.

Ethical behaviour requires that there should be fairness in pricing strategy. There's a need of reconciling pricing schedules and management practices with customer trust and goodwill. Thus, the pricing should be fair, logical and clear. Service fees and expenses should be spelled out in advance.

10.10 Self Assessment Test

1. What do you mean by business ethics ? What is the relevance of ethics in marketing ?
2. Explain how business associations in India endeavour to check marketing malpractices.
3. What is the role of Advertising Standards Council of India (ASCI) in controlling unethical advertising ? Cite few examples of action taken by ASCI against misleading advertisements.
4. Why ethics are more relevant in marketing of services ? Suggest measures to ensure ethical standards in marketing of services.

10.10 References

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Unit - 11 : Ethics in Human Resource Management

Unit Structure:

11.0 Objectives
11.1 Introduction
11.2 Business Ethics
11.3 Ethical Issues in HRM
11.4 Ethical Management Programmes
11.5 Ethics for Employees without Collective Representation
11.6 Development of an Ethical Perspective
11.7 Difficulties in Ethical Decision Making
11.8 Self Assessment Test
11.11 References

11.0 Objectives

After reading this unit, you will be able to understands:

- Ethics in HRM.
- Ethical issues in HRM.
- Ethical management Progammes.
- Development of ethical Prespective.
- Difficulties in ethical decision making.

11.1 Introduction

Despite the moral appreciations of Human Resource Management (HRM), there is a strong tradition in business that insists that business should not be concerned with ethics. As Milton Friedman, a vociferous proponent of this position has put it:' *the social responsibility of business is to its shareholders. . . . The business of business is business'* .

It is a curious fact that the current surge of interest in business ethics has largely by passed the theory and the practice of Human Resource Management (HRM). While business as a whole is presenting itself more and more in terms of social responsibility, and employees are routinely accepted as crucial stake- holders in most business organizations, HRM practice continues to a farm its signifcance for corporate proftability and prefers to distance itself from its traditional welfare image. It is, therefore, timely to revisit the subject of ethics in employment with respect to HRM, and to do so in a way that brings out the complexity of articulating a conception of ethical HRM that goes beyond a shaky afrmation that 'good ethics is always good for business'.

The objective of business ethics is to know about that ethics is very much important and they are playing vital role each and every organization. When we trace the origin of business ethics we start with a period where profit maximization was seen as the only purpose of existence for a business. Nowadays business ethics determines the fundamental purpose of existence of a company in many organizations. Human Resource Management deals with manpower planning and development related activities in an organization. Arguably it is that branch of management where ethics really matter, since

it concerns human issues specially those of compensation, development, industrial relations and health and safety issues. Values and ethics in simple words mean principle or code of conduct that govern transactions; in this case business transaction. These ethics are meant to analyze problems that come up in day to day course of business operations. Apart from this it also applies to individuals who work in organizations, their conduct and to the organizations as a whole. Business ethics is a wider term that includes many other sub ethics that are relevant to the respective field. Whether men understand it or not, they are impelled by that power behind to become unselfish. That is a foundation of morality. It is the quintessence of all ethics, preached in any language, or any religion, or by any profit in the world. "Be thou unselfish," not 'I', but "thou "that is the background of ethical codes.

11.2 Business Ethics

'Business ethics' we understand in this unit as referring to the moral evaluation of the goals, policies, practices, and decisions taken within business organizations as they impact on human well-being, fairness, justice, humanity, and decency. Here, the term 'ethics' is synonymous with 'morality' which are in general equivalent terms, the former stemming from Greek and the latter from Latin roots. Both refer to that aspect of human experience which involves making what purport to be impartial judgments as to the ultimate rightness and wrongness of conduct and the values to which priority ought to be given in personal, social, and political decision-making. In so far as the usage of the two terms does diverge, ethics is more commonly deployed to refer to what we call 'role performance' which applies to the conduct of persons fulfilling a particular social role, such as parent, or employer, while morality has a more general connotation, ranging from personal behaviour to the assessment of laws and social organizations.

Often business ethics is presented in terms of the decisions facing individuals as board members, managers, or employees and the dilemmas (i.e. choices between competing moral considerations), or temptations (as in conicts of interest) facing them. However, these individual choices have to be seen in the context of the roles that people are expected to play within a specic organization operating in a particular type of political, economic, and social system. This means that business ethics has to consider the moral critique of business and management practice as a whole and not just address the behaviour of individual managers and others. It is individuals who must ultimately make moral choices, either on their own or collectively, but identifying what choices exist and decisions they ought to make requires analysis of the morality of the existing and potential system and its constituent roles.

11.2.1 SOURCES OF ETHICAL STANDARDS

a. The Utilitarian Approach

Some ethicists emphasize that the ethical action is the one that provides the most good or does the least harm, or, to put it another way, produces the greatest balance of good and does the least harm for all who are affected- customers, employees, shareholders, the community, and the environment. The utilitarian approach deals with consequences; it tries both to increase the good done and to reduce the harm done.

b. The Right Approach (The DeontologicalApproach)

Other philosophers and ethicists suggest that the ethical action is the one that best rotects and respects the moral rights of those affected. This approach starts forms the belief that humans have a dignity based on their human nature per se or on their ability to choose freely what they do with their lives. On

the basis of such dignity, they have a right to be treated as ends and not merely as means to other ends. The list of moral rights-including the rights to make one's own choices about what kind oflife to lead, to be told the truth, not to be injured, to a degree of privacy, and so on-is widely debated; some now argue that non-humans have right, too. Also, it is often said that rights imply duties-in particular, the duty to respect others' rights.

c. The Fairness or Justice Approach

Aristotle and other Greek Philosophers have contributed the idea that all equals should be treated equally. Today we use this idea to say that ethical actions treat all human beings equally-or if unequally, then fairly based on some standard that is defensible. We people more based on their harder work or the greater amount that they contributed to an organization, and say that is fair. But there is a debate over CEO salaries that are hundreds of times larger than the pay opf others; many ask whether the huge disparity is based on a defensible standard or whether it is the result of an imbalance of power and hence is unfair.

d. The Common Good Approach

The Greek philosophers have also contributed the notion that life in community is a good in itself and our actions should contribute to that life. This approach suggests that the fdinterlocking relationships of . society are the basis of ethical reasoning and that respect and compassion for all others-especially the "11nerable-are requirements of such reasoning. This approach also calls attention to the common .iditions that are important to the welfare of everyone. This may be a system oflaws, effective police Id fire departments, health care, a public educational system, or even public recreational areas.

e. The Virtue Approach

A very ancient approach to ethics is that ethical actions ought to be consistent with certain ideal virtues that provide for the full development of our humanity. These virtues are dispositions and habits that enable us to act according to the highest potential of our character and on behalf of values like truth and beauty. Honesty, courage, compassion, generosity, tolerance, love, fidelity, integrity, fairness, self-control, and prudence are all examples of virtues. Virtue ethics asks of any action, "What kind of person will I become if! do this?" or "Is this action consistent with my acting at my best?"

11.3 Ethical Issues in HRM

Human resource management deals with manpower planning and development related activities in an organization. Arguably it is that branch of management where ethics really matter, since it concerns human issues specially those of compensation, development, industrial relations and health and safety issues. There is however sufficient disagreement from various quarters.

There are different schools of thought that differ in their viewpoint on role of ethics or ethics in human resource management**.** One group of thought leaders believes that since in business, markets govern the organizational interests and these interests are met through people, the latter are therefore at the highest risk. They believe that markets claim profits in the name of stakeholders and unless we have protocols, standards and procedures the same will develop into a demon monopolizing markets and crushing human capital; HR ethics are become mandatory.

There is another group of ethicists inspired by neo-liberalism who believe that there are no business ethics apart from realization of higher profits through utilization of human resources. They argue that by

utilizing human resources optimally, there is more value creation for the shareholders, organization and the society and since employees are part of the society or organization, they are indirectly benefited. Nevertheless ethics in human resource management has become a perennial debate of late!

Discussions in ethics in HRD stem from employee relationships and whether or not there can be a standard for the same. Employee rights and duties and freedom and discrimination at the workplace are issues discussed and covered by most texts on the topic. Some argue that there are certain things in employment relationship that are constant others disagree with the same. For example, right to privacy, right to be paid in accordance with the work (fair compensation) and right to privacy are some areas that cannot be compromised upon.

11.3.1 Ethics and Market System

The kind of market system affects business and HR ethics; the latter thus becomes negotiable. In occupations where the market conditions do not favor the employees it is necessary to have government and labor union interventions in order to control the possible exploitation. In free market system, employees and the employer are almost equally empowered, negotiation create win situations for both the parties. Government or labor union interventions become harmful.

Globalization has brought about the concept of globalizing labor, trade unions have started to decline and the role of HR as such in issues like employee policies and practices has become a debatable topic. In fact many people are of the opinion that HR is nothing but an arm of the stakeholders through which major strategic and policy decisions are divulged geared towards profit making!

Thought there can be no single opinion on ethics in HR that is convincing. Market in itself is neither an ethical institution nor unethical and no policies and procedures alone cannot govern and align markets to human well being. However the requirement of such policies and procedures can also not be denied. In lieu of this HR ethics should take care of things like discrimination (sexual, religion, age etc), compensation, union and labor laws, whistle blowing, health and safety of the employees etc.

11.3.2 Ethical Human Resource Management

When employee engagement combines with moral treatment of employees, we have a scenario of ethical HRM. According to stakeholder theory it is incumbent on the organization to treat its employees as an end in their own right and to bear the consequences of its behaviour towards employees. This stance is consistent with pluralist assumptions of the employment relationship. The parties have entered into a contract with consent and voluntary action. The organization has positive obligations by virtue of its acceptance of the benefits of employees' contribution (and vice versa).

Employees have the fundamental rights to liberty and safety within the workplace including: freedom of association, the right to organize, collective bargaining, abolition of forced labour equality of opportunity and treatment, and other standards regulating conditions across the entire spectrum of work-related issues (ILO 2004). Argues beyond this, suggesting that employees also have the right to meaningful work. In addition, argues the employee has the right to 'respect', in which he includes the rights to freedom, well-being, and equality. This view of ethical HRM implies that the organization will not only act in the interests of its employees and do so with the intent of furthering those interests, but also involve employees in decisions regarding those interests. In the light of these claims it is clear that demands on the organization of ethical HRM are very high. Essential questions of why the company would undertake such morally demanding and economically costly practices and, indeed, whether a

company should undertake such practices remain unanswered. The question arises as to whether or not these are correct demands to make of a corporation? This raises the issue of whether or not ethical HRM is in fact an appropriate responsibility of business. Comprehensive debate over the purpose of the organization is beyond the scope of this chapter; however, for comprehensive coverage of the 'no' argument,

Finally there is the likelihood that organizations will engage employees not with the purpose of furthering the interests of the employee group but rather with the intention of furthering the interests of another group, that of the shareholders. Similar to employment at will scenario of no engagement/no responsibility, employees would be treated entirely strategically. However, unlike the earlier instance, this would not be necessarily clear and unambiguous. Similar to the ethical scenario of engagement/moral treatment may be the suggestion of moral treatment. The employee empowerment literature abounds with apparent moral rightness for both organization and employees However, unlike the earlier instance, the consent of the employee and voluntary nature of the contract cannot be assumed.: ' "empowerment is voluntary but not optional", meaning that it demands the voluntary exercise of employees' capacities, but there is no option to refuse this demand'. Grave doubts are thrown on the purported nature of such practices with Wilkinson suggesting that 'management have defined the redistribution of power in very narrow terms ...strictly within an agenda set by management' Thus, there is an apparent con?ict between the pluralist overtones of employee engagement practices and the unitarist reality of powerful corporations acting in self-interest. This 'double edged sword' of 'soft' HRM practices has been noted in the words of 'Labour is required more than ever to be both committed as a productive subject and disposable as a commodified object.'

11.3.3 Ethical issues in HR

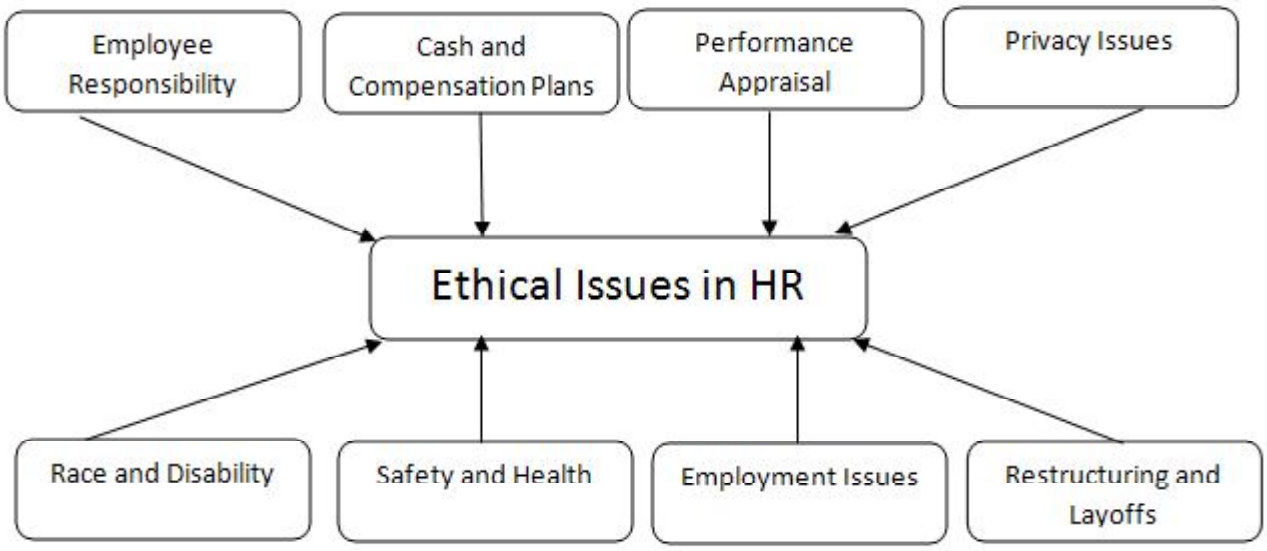
- **Cash and Compensation Plans:** There are ethical issues pertaining to the salaries, executive perquisites and the annual incentive plans etc. The HR manager is often under pressure to raise the band of base salaries. There is increased pressure upon the HR function to pay out more incentives to the top management and the justification for the same is put as the need to retain the latter. Further ethical issues crop in HR when long term compensation and incentive plans are designed in consultation with the CEO or an external consultant. While deciding upon the payout there is pressure on favoring the interests of the top management in comparison to that of other employees and stakeholders.
- **Race, gender and Disability:** In many organisations till recently the employees were differentiated on the basis of their race, gender, origin and their disability. Not anymore ever since the evolution of laws and a regulatory framework that has standardised employee behaviours towards each other. In good organisations the only differentiating factor is performance! In addition the power of filing litigation has made put organisations on the back foot. Managers are trained for aligning behaviour and avoiding discriminatory practices.
- **Employment Issues:** Human resource practitioners face bigger dilemmas in employee hiring. One dilemma stems from the pressure of hiring someone who has been recommended by a friend, someone from your family or a top executive.

  Yet another dilemma arises when you have already hired someone and he/she is later found to have presented fake documents. Two cases may arise and both are critical. In the first case the person has been trained and the position is critical. In the second case the person has been

highly appreciated for his work during his short stint or he/she has a unique blend of skills with the right kind of attitude. Both the situations are sufficiently dilemmatic to leave even a seasoned HR campaigner in a fix.

- **Privacy Issues:** Any person working with any organisation is an individual and has a personal side to his existence which he demands should be respected and not intruded. The employee wants the organisation to protect his/her personal life. This personal life may encompass things like his religious, political and social beliefs etc. However certain situations may arise that mandate snooping behaviours on the part of the employer. For example, mail scanning is one of the activities used to track the activities of an employee who is believed to be engaged in activities that are not in the larger benefit of the organisation.

Similarly there are ethical issues in HR that pertain to health and safety, restructuring and layoffs and employee responsibilities. There is still a debate going on whether such activities are ethically permitted or not. Layoffs, for example, are no more considered as unethical as they were thought of in the past.its products and services.



Diagrammatic representation of HR Ethical Issues

11.4 Ethical Management Programmes

Ethics Management Programs are designed by an organisation or an employer as an attempt to have formalised structures for ensuring the organisation is perceived as fair, honest, responsible and just.

Ethical programs globally are designed keeping four things in mind:

- Considering oneself and the organisation as part of the larger social framework.
- Considering the development and welfare of others (internal and external customers) to the extent possible.
- Respecting the traditions / rituals (organisational diversity) of others.
- Evaluating a situation objectively and the consequences thereof.

Many of you may ask why we need ethics management programs when you already have policies and procedures in place that define behavioural standards. Ethics programs are designed to ensure that

there is no deviation from the standards laid down and also to ensure that employees are fair and honest in their conduct to the organisation.

The benentsof etics programs mcruue oecreaseu rmseunuuci anu aUUllIUllal uereuce tu rue organisation against complaints from the employees, when the latter perceives that the organisation is being unjust to him / her. However in order for the ethics programs to be successful managerial support and role modeling is very important. In fact there is a whole body of research that proves that organisations are increasingly documenting their ethics programs to align behaviours within the organisation and also going ahead to develop systems for implementation of the same.

Implementation of ethics programs is a clear example of organisations being very clear in communicating what they expect of the employee relationships. Many organisations have adopted innovative ways of communicating and continuously reminding employees what is expected. Lockheed Martin, for example, distributes a calendar and a computer screen saver outlining the organisations 12 building blocks of trust! Texas instruments, similarly uses training programs and distributes a 14 page booklet to convey the standards for ethical behaviour. We thus see that honesty, fairness and ethics programs are prerequisites to the employment relationship.

There are other actions also that help better the employment relationships. Certain actions are possible at the time of entry like flexible work arrangements (flexitime,job sharing, compressed work weeks), induction and orientation that are very convenient means of conveying the ethical policies.

Ethics programs thus benefit organisations in many ways, one they help lay down standards of behaviour and second they help in clear communication of the same. This prevents the employee plead on condition of ignorance, which is not the case with the manual containing policies and procedures that are hardly known to any of the employees.

Organisations have now realised the importance of having ethics management programs. Unlike the belief held earlier that it only helps the employee, the beliefis gaining more ground that ethics programs are equally beneficial to the organisations. No wonder more and more number of organisations is implementing these programs for the greater benefit of their own, the employees and most importantly the employee relationship.

11.5 Ethics for Employees without Collective Representation

So what is most ethical employment relations system for employees without collective representation? In line with Berlin's privileging of choice in his conceptions of liberty, one might suggest that it is a system which employees themselves might choose. Clearly, in relation to the UK and elsewhere, the majority of employees are not choosing to join a union (to put this choice at its weakest-some may be actively choosing not to join a union).guest and Conway's data (1999) from their 1998CIPD survey found that workers' attitudes towards unions were lukewarm to say the least. For example, around 70 per cent of unionized as well as non-unionized respondents felt that union membership either made or would make no difference to fairness in the workplace.

So what employee relations system might employees choose? If they sought the rational self-determination embodied in the idea of positive liberty, logically they might choose a system which they believed would deliver the good (want satisfaction)in the 'right' way (the just distribution of the good). These two ideas, as Guest and Conway (1998) persuasively argue, come together in the idea of a psychological contract resting on workers' perceptions of the fairness, trust and delivery of the deal' in employment

relationship. On the basis of their CIPD surveys Guest and colleagues ague that such a contract is most likely to come into being in good workplace, where high commitment HRM policies are implemented as part of business strategy, or even in 'lucky' workplace where the are implemented because the are fashionable, in such workplace the respondents who report the existence of more HR partices also report a more positive psychological contract and great job satisfaction, job security and motivation and lower levels of work pressure. The more HRM practices are implemented and the more there is scope for direct participation, Perhaps through schemes of employee involvement (EI), the more likely it is workers will experience positive liberty in the sense that they feel they have more opportunities to participate in and exercise some innocence over relevant company decisions. The unitarism of HRM would not be problematic from the perspective of positive liberty as relation self-determination on the part of all stockholders would imply the compatibility of the deferent end they might seek. From the perspective of negative liberty, through, with its assumption of plural, rivalrous, and conicting ends,this could be a problem.

Perhaps the most realistic role for trade unions in the private sector today is to go with the fiow of the individualistic, consumer-oriented culture of the twenty first century and become what has been termed the 'AA ofthe work-place'. The possible danger of union marginalization is less relevant in those circumstances where unionism, at this time, has no presence at all. Most employees in the a?uent west exercise their most conscious lifestyle choices in acts of consumption. (At the same time, of course, large ?rms may impede consumers' negative liberty through the manipulation of such choices via the media.) One role for unions is to provide individual services for member-consumers, ranging from nancial, legal, training, and education services, to the expanding area of individual representation in discipline, discrimination, and grievance cases. The latter area, in particular, is likely to grow given the increased emphasis on individuals' statutory legal rights in the employment relationship. This form of'collective individualism' or, as Fox (1985) put it, 'instrumental collectivism' is central to the role of trade unions as 'a means of redressing the vulnerability of the individual employee in his or her dealings with the employer'. When this takes the form of protecting individuals from the arbitrary actions of management, unions are acting to protect employees' negative freedom. Ironically, such arole recalls the pre-Fordist days of unions' birth, when 'the Webb's identified "mutual insurance" as a trade union method even more ?rmly established than collective bargaining'.

11.6 Development of an Ethical Perspective

The debate on ethical issues in the employment relationship can be linked to extant debates in employment. Critical writers have exposed HRM practices as objectifying individual as suppressing resistance and confrontation as creating a new reality through its rhetoric in short, as manipulating employees. These writers tend to eschew adoption of normative stances. Exceptions include who introduced ethical analyses to debate on the gestalt ofHRM have considered ethical implications in areas such as performance management, HR development, and employee remuneration. The fact that the way employees are managed may invite ethical scrutiny appears to have been overlooked. suggests a number of reasons for resistance of ethics as a form of enquiry: positivists are likely to see ethical statements as meaningless on the grounds that they are not matters of definition nor can be empirically verified; postmodernists would be unconvinced about an absolutist stance or the possibility of insight into 'reality'; and Marxists oppose both morality and religion on the grounds that they represent bourgeois interests.

The ethical debate in HRM has followed the mainstream HRM debate in that it tends to two extremes: macro-level and micro-level. Research in the area has focused on the dissection of individual practices

or debating the totality of HRM as 'ethical'. At the micro-end of the scale, the ethical assessment of individual practices mirrors the traditional functional approach of single practice research at the individual level. In the HRM arena, policies and practices ranging from recruitment to retrenchment are firist for the equity and justice. From the perspective of business ethics, individual employee rights and responsibilities are common areas of concern. However, we are cautioned that reductionist research may suffer from losing sight of the end goal as the research becomes more and more focused on a narrowly defined phenomenon. For instance, lists of employees' rights can be ambiguous and, as such, open to a variety of interpretations and applications.

At the macro end of the scale, the main subject of ethical scrutiny is HRM as a system. This analysis corresponds with the SHRM focus on multiple practices at an organizational level. The two prime areas of research in the subfield-the link between HRM practice and performance and the classification of HRM practices-open themselves readily to the ethical debate. In the first instance, corporate performance may be interpreted in the broader sense by those interested in the social and environmental outcomes of HRM practice. Similarly, the classification of HRM practices may be conceptualized differently by those concerned with ensuring the rights of an employee to autonomy and the determination of their future. It also has the potential to go beyond the limitations of these methodologies to 'identify' and 'fix' HRM by consideration ofthe totality of HRM, within the context of the corporate form and at the societallevel.

Stakeholder theory is conspicuously absent from discussions within the ethical HRM literature. The notion that the 'stakeholder' status of employees is of significance to the ethical debate has been raised only recently and briefly some might argue that the absence of stakeholder theory from the ethical HRM literature is a reflection of deficiencies in the theory. Yet, at the very least, the stakeholder framework has become a powerful and pervasive heuristic for the understanding of organizational relationships. Indeed, the view that employees are legitimate stakeholders in the organization is often taken for granted in both fields of HRM and business.

11.7 Difficulties in Ethical Decision Making

Decision making involves a great degree of value clarity, ethical decision making involves more! Unlike certain financial, inventory and production decisions, ethical decisions cannot be coded into digital machines. They require critical thinking and evaluation.

What makes ethical decision making so difficult? Why cannot ethical decisions be prograrnmed like other decisions? What leads to dilemmas in ethical decision making? In the coming paragraphs we try to answer all these questions. We also try to understand basic difficulties involved in ethical decision making. An organization is an amalgamation of various individuals and there is a conflict of interest at the personal level between these members, each one is concerned about his benefits and neutral or opposing to the benefits or good of others. This conflict of interest leads to situations that are morally challenging to the manager who wants to be moral and righteous to his own conscience and serve the interests of the organization. Here the dilemma arises on deciding upon the course of action.

In the second case a conflict arises when there is a distinction to be made about facts and values. This implies a situation where a manager confronts 'what is' and weighs the same against 'what ought to be'. F or example an organization may spend lots of resources upon developing, researching or upgrading a certain product and service, which gets reflected in the final price of the latter. This increase in price may be looked upon as exploitative by the end users!

Yet another difficulty arises in cases when there is a fine line dividing the good from the bad or the evil and in situations when there is a difference of opinion on what is morally permissible and what is not.

Undoubtedly, in our society the good and the evil exist side by side. Example in case, Nestle infant formula lead to many deaths in Kenya because the formula was prepared in contaminated water. The same formula proved life saving in other countries. The challenge lies in minimizing the evil and trying to arrive upon a consensus.

In an era of uncertainty, it is almost impossible to predict the outcomes of decision making. One of the principles of ethical decision making assumes that the outcome of a decision is known and that the decision that results in greatest good for greater number of people is the best. Practically, anticipating the exact outcome of a course of action is impossible. This uncertainty is at the root of all difficulties in ethical decision making.

Lastly we may say that ethical stand points of organization and their critics are opposite and based on an entirely different set of reasons; here the ethical arguments made to justify intentions are by and large incompatible. For example an environment protection foundation may criticize the operations of an organization on grounds of the latter polluting the environment. The organization may justify itself by saying that it is adding more value to the society and to individual lives, making it more comfortable by its products and services.

11.8 Self Assessment Test

1. Where is the origin of Business Ethics?
2. What is the role of Ethics in HRM?
3. What are the various ethical issues in HRM?
4. What are the difference between values & Ethics?
5. What are the various Ethical Management Programmes?
6. What is ethical HRM?
7. What is unethical HRM?
8. What are the various difficulties has been faced to take the decision in ethics of HRM?

9 What are the various fives sources of ethical standards?

10 What is the contempary context in HRM?

11.11 References

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Unit -12 : Gandhian Management Thought

Unit Structure:

12.0 Objectives
12.1 Introduction
12.2 Essentials of Gandhi's Leadership Style
12.3 Gandhi & Societal Management
12.4 Management of Individual
12.5 Management of Organization
12.6 Management of the Society
12.7 Holistic Development
12.8 Key Words
12.9 Self Assessment Test
12.10 References

12.0 Objectives

After reading this unit you should be able to understand:

- Gandhian vision for economic systems.
- Gandhian thought to manage individual and organization.
- Gandhian philosophy of managing at national and international level
- Gandhian perspective in societal context.
- Gandhian view for holistic development.

12.1 Introduction

Management is probably becoming the most widely used term in the society today. With an emerging economy and a vibrant nation, there is a growing realization that growth has to be managed well for overall progress and prosperity. The optimum utilization of resources– not only material resources but also like people, time and community spirit is a must for balanced development. Management is no longer restricted to business organizations, but is being acknowledged as a tool for everyday improvement of human life. Good management should be viewed as a means of improving the overall quality of life of men, organizations, society and the nation at large. As a result management of an individual at the micro level will ultimately lead to good management of organizations, society and the nation at the macro level. The basic premise of Gandhian philosophy is that an individual is the source of revolution and change. If an individual manages himself well, it would ultimately lead to better management of the society. This means that, instead of focusing one's energy on demanding a change from others we should first try and change ourselves. Often a lot of activism is seen against government policies, bureaucratic machinery and organizational policies but a similar zeal is absent in managing oneself. Even people in leadership positions, direct their energies on changing others, without giving and attention to their own self-improvement. Gandhi had said, "Be the change that you want to see in others." Change is in fact, the biggest challenge faced by managers today. They are constantly under pressure to anticipate change and respond to it. Often the biggest hurdle faced by managers is to convince other employees about the desirability of the change initiative. With organizations grappling with people problems, motivational theories

are being put under a scanner. Money which was considered the source of happiness seems to be failing in its effectiveness.

Fulfillment is the aim of man's endeavors. The desire to achieve happiness and fulfillment has spurred men to perform action. In the pursuit of development business is done, technology is orated, products are developed and services are rendered. Science has spearheaded man's march towards civilization and business has pulled out scientific breakthroughs from laboratories and put it in the homes of common people. But the pace and direction of development has tilted the natural of balance nature and society. Lopsided development has created a chasm between the haves and the have-nots. Indiscriminate industrialization has destroyed local economies. Thoughtless mining and extraction of minerals and other related human activities have destroyed natural eco systems. The focus of management has been self-centric. Organizations have fine tuned their individual management processes, without paying too much attention to their harmony with the overall environment. Similarly nations have been self-centric and policy making has been piece meal. With different sections of society moving in different directions there is a lack of harmony in people's life. Pressures of work, social and emotional pulls, economic disparities, political delinquency and environmental upheavals have necessitated a re-look at prevailing management practices and policies. The need for an all encompassing, balanced and holistic style of management is being felt. Gandhi's numerous experiments do provide us an indication of how to proceed that vision of holistic development.

A very pertinent question could be, 'Why is there a need to study Gandhi?' In attempting to answer this question, we should first try and analyze what is the biggest problem being faced by organizations today? Is it capital, is it material or is it technology? The answer surprisingly is none. Most organizations today are facing people problem – low motivation, high attrition, greater stress, personality clashes and general apathy. Bigger pay packages and perks are also failing to attract and retain people. On the other hand, Gandhi, who had no resources of his own managed to mobilize an entire nation. He did not have any formal authority, nor did he have any means of rewarding people, still he organized the entire Congress machinery and made it a formidable weapon of India's resurgence, not only politically but also socially. A lot of lessons can therefore, be learnt from him. He managed a countrywide organization, which stated numerous political and social reconstruction plans, without being bogged down by people issues and financial constraints. Gandhi's style and his life have various valuable messages which can provide very simple solutions to complex problems. He believed in simplicity and simplifications. However, complex a problem may be he always simplified it by approaching it in a straightforward manner. Hence Gandhian philosophy can be said to be of relevance even today. The context may have changed but the applicability of Gandhi's principles remains. We should not assume that we will be able to apply Gandhi's philosophy in its exact form to present day organizations. Neither did Gandhi ever advocate the exact adaptation of any practice or philosophy. He always experimented with the various ideas that came to his mind after studying any philosophy, and then drafted a plan of action which would be best suited in the given context. Similarly, present day managers will have to re-mould the various principles of Gandhian philosophy to suit their specific requirement. Simply discarding Gandhi's ideas as being non-pragmatic would be a naïve thing to do. Hence a study of his life provides us with excellent insight in ways of managing self, organizations, social and political institutions as well as the country at large and ultimately the world as a whole.

Gandhi's aim was to ensure the benefit of the maximum number of people. He therefore, integrated various ideas to provide for the holistic development of people. His aim was to design economic policies in such a manner that there was minimum harm to the environment. "The intellectual roots of Gandhi's development theory can be traced to the concept of harm minimization." Thus, Gandhi can be said to be one of the first

advocates of sustainable development. "Gandhi advocated the percept of limitation of wants to take care of one' s need and not greed. This is a counterpoise to the entire edifice of mainstream economic thinking which is based on the notion of continuous expansion of the goods space to satisfy unlimited wants. It is conceivable that this may turn out to be the single major Gandhian insight that could dictate the agenda of the long term sustainability of the ecosystem."

When we examine Gandhi's overall economic vision, we find they operate on four different levels-individual, organization, nation and world. For each of these levels, Gandhi postulated various guidelines, to ensure well being and prosperity of the common man. Since he believed in working at the grass root level, his economic philosophy is also focused on the common man and his needs and duties. According to Gandhi if the basic needs of the common man were fulfilled, it would automatically result in the overall prosperity of the nation and in addition to the trickle down effect advocated by modern economists. The strength of any structure depends on its foundations. The stronger the foundation, the greater is the strength of the structure. That is why, economic prosperity will be more lasting, if grass root economic units are healthy. Rather, than creating wealth at the top and then pushing it down, Gandhi suggested the development of economic units at the village level and the building of wealth from bottom up. That is why Gandhi's economic philosophy starts with the individual and grows upwards with implications for national as well as international economics.

11.2 Essentials of Gandhi's Leadership Style

1. Uniformity of Though and Action: What made Gandhi such a great leader and the most respected individual among a galaxy of prominent men of his times? There was no dearth of good leaders during his time. Still the greatness of Gandhi supercedes those of all else and he has been called the Mahatma. If we examine close the life of Mahatma Gandhi we will find that there was no dissonance in his thoughts, words and actions. He had the habit of "thinking aloud" and then performing his actions in accordance to his thoughts. "There was a fundamental integrity between Gandhi's leadership' theory and practice. He demonstrated an amazing synchronicity among his speech, thought and action. Gandhi was an embodiment of the trusteeship principle of leadership. For him a leader was responsible for holding in trust the power that followers gave him.

A misuse of this power was for Gandhi a betrayal of trust. This is a very rare quality in man. Usually it is difficult to comprehend the real intentions of leaders, because their actions are not in accordance to their words. Such leaders fail to invoke trust among the followers. Hence, they remain just ordinary men, who occupy important positions. They are never truly respected and history always analyses them with due criticism. Leaders who want to set high examples for their followers, have to rise above this tendency and should develop a synchronicity in their thoughts, words and actions.

2. Leading By Example: Gandhi never propounded any theory of leadership, nor does his style subscribe to the existing theories of leadership. He did not preach, rather he led by Example. Gandhi never told his followers to do anything, which he himself had not practiced and imbibed in his own life. Be it the concept of non-possession, Khadi, Ahimsa or Swadeshi. He first experimented with these ideas, and then he propagated it among others. He was therefore, better able to appreciate the problems encountered by the ordinary man, while following his ideals. This identification with the common man, on the one hand, and the pursuit of super ordinate goals on the other hand, has indeed made Gandhi a leader of leaders. "For example, by undertaking "Padyatras" [loosely translated as rally on foot] to meet the most down- trodden people, he was able to give a new direction to the energies of these people."

3. Creative Leadership: His understanding of the Indian psyche was astute. He clearly understood that the masses have to be shaken from their slumber and motivated to work for their upliftment. He therefore relied on ingeous methods of leading people such as Ahimsa and Satyagraha. Bums has used the term "creative leadership" to describe Gandhi's Satyagraha. "Satyagraha means the pursuit of truth and steadfastness therein. Satyagraha believes in the brotherhood of man. It rather believes in love, / mutual aid and co-operation, as the basis of social intercourse and of human progress." This technique was developed first in South Africa and was later fine tuned into a weapon of opposition to the British empire in India. In a world armed to the teeth, it is difficult for anyone of us to comprehend the opposition of a mighty military power through peaceful means. But here it is important to recall that India had been under British subjugation for more than a century and had been systematically stripped of its armed forces. There was no access of weapons to Indians. Moreover even if a few indigenous weapons were made they stood no chance against the might of the Imperial army. How was he supposed to oppose the British and reestablish a balance of power? On the one hand was the greatest military power of that time and on the other hand was a nation without any military knowledge and a will that had been crushed thorough decades of colonial suppression. There was no realistic chance of defeating the British militarily. The balance of power was tilted heavily in favour of the rulers. Here is where his creativity and astute understanding is manifested. He took recourse to the development of the inner strength of an individual and synergized this into a mass revolution.

Rather than setting unrealistically high targets, he sought to oppose the British over apparently minor 'issues, but which grabbed headlines throughout the world. This was because of the way he implemented his ideas. A beautiful example of this strategy can be seen in the Salt Satyagraha that was offered in 1930. Against the failure of the government to give India Dominion Status, Gandhi marched to Dandi, a small town on the sea coast of the Arabian Sea, with 78 trained members of his Ashram. As his march proceeded he was joined by thousands, and on April 6,1930 he picked up a handful of the contraband salt and thus broke the salt tax law. This acted as a cue to the entire nation and salt began to be produced at various places throughout the country. Though it was illegal for Indians to manufacture salt. The government reacted with brutal force. Thousands were arrested and put in jail. The next act was the raid on the Dharasana Salt Works, which was a major British Salt depot. Groups of twenty five volunteers advanced towards the depot and were hit by steel-shod lathis [batons]. Not one of them raised their hand even to ward off the blows. When the first batch of volunteers was injured, the next batch of twenty five proceeded in the same manner and was subjected to the same treatment. There were no signs of fear or wavering seen in anyone of them. "The British beat the Indians with batons and rifle butts. The Indians neither cringed nor complained nor retreated. This made England powerless and India invincible." The incident at Dharasana manifested the power of Truth and Ahimsa over brute force. If you are not as powerful as your enemy you have to find out some other method of defeating him. In organizational context, if you cannot match the resources of your competitor, it is better to devise some other method of competing, which is based on your own core competence.

Rather than stretching your resources to compete on the terms of the opponent it is better to redefine the battle lines in such a manner that your organization's strength can be effectively utilized. Always following the traditional path will not guarantee success. The path of success has to be designed keeping in mind the intrinsic strength of the i dividual organization.

4. Adherence to Values: In the performance of his duties Gandhi did not give too much weightage to public opinion. Instead he preferred to perform his duty in accordance to what he felt was right, even though it may appear wrong to others. "I admit that there is always a possibility of one's mistaking right for wrong and vice-versa but often one learns to recognize wrong only through unconscious error. On the other hand if a man fails to follow the light within for fear of public opinion he would never be able to know right from wrong and in the

end lose all sense of distinction between the two." Suspension of the Civil Disobedience Movement because of the Chauri Chaura incident is a classic example of Gandhi's

insistence on values and sticking to his sense of right and wrong. When during a political procession the mob turned violent and set a police station on fire, resulting in the death of several police constables, Gandhi suspended the Civil Disobedience Movement. He was severely criticized for his decision by everyone. However he was not ready to compromise on his values for political gains. Business leaders should also understand that organizational values cannot be traded for the sake of short term gains.

Even though apparently the attitude of not compromising on organizational values may appear against business pragmatism still it should be conscientiously avoided. The moment you compromise on principles for the sake of profit you open the gates for further erosion of values lowers the standards of the company, harms its corporate image and reduces customer loyalty and trust.

5. Empathy: The use of Khadi [coarse cloth spun on a spinning wheel at home] was another way of identification with the poor people of India. An effective leader has to be one with the followers. How could he claim to understand the pathos of the common man if he himself dressed in a three piece suit?

Wearing Khadi was an indication of his understanding of, and sensitivity to the crushing poverty of rural India and an attempt at becoming one with the common mass. Gandhi's adoption of minimal clothing and restricting his diet to only five articles of food a day, was done because of his urge to understand how millions of Indians lived. He wanted to empathize with them and this was possible only when he adopted the lifestyle of those whom, he was expected to lead. Empathy has to be manifested by all leaders. Employe s want their managers to be empathetic. Too much task orientation and emphasis on the achievement of results, without an attempt being made 10 understand the problems of the employees leads to discontent amongst them. It has been found that most employees leave their job because of unsatisfactory relationships with their boss. Employees who perceive their boss as unsympathetic and insensitive are more prone to quit. This has great implication for the organization. Managers have to balance their task orientation with employee orientation an' hould make , extra efforts to relate to their subordinates.

After coming back from South Africa, Gandhi did not plunge head long into the Indian political spectrum. Rather at the instance-nf Gokhale, Gandhi toured the entire nation. This exposure to the villages of India, broadened his view and enabled him to design his leadership style in congruence to the needs of millions of Indians living in the villages. The understanding of the ground realities of a situation is as important for business leaders as it was for Gandhi. You cannot lead successfully, unless you are aware of the total context in which you have to work. Being aware of the people involved, their problems and aspirations and other environmental factors affecting the situation is essential for effective leadership. It is generally felt that monetary benefits are sufficient to win people's loyalty. If the financial needs of the people are met they will be happy with their leaders. If we accept this argument, it means that developed countries or financially rich organizations should have highly satisfied people. But it is not so. "I have seen from experience that money cannot go as far as fellow-feeling, kind words and kind looks can. If a man who is eager to get riches gets riches from another but without sympathy, he will give up in the long run. On the other hand, one who has been conquered by love is ready to encounter no end of difficulties with him who has given him his live." In order to motivate employees and increase their loyalty towards the organization, the leaders sho strive to make them feel wanted and important. Employees who are able to relate to their leaders in a personal manner are more likely to be satisfied. This is particularly true in the Indian context, because Indians are relationship oriented and have high dependence proneness. There is a tendency to form relationships

at the workplace. In such a case, a leader who deals with his subordinates in a loving manner is more likely to evoke trust and loyalty.

6. Mentoring: It is generally felt that mentoring is an important responsibility of leaders. Organizations don't want to become leader-centric. Rather they want people who will always be able to fill the vacuum caused by the departure of the leaders. But, it is generally seen that leaders fail to nurture the second line of command under them. It could be because of lack of time; but more often than not, it is because of insecurity and fear. They feel that if they promote the subordinates, the latter may usurp their power. Such leaders grow to become the proverbial banyan tree, under which grass never grows.

Contrast this to Gandhi's leadership style. Some of India's greatest leaders were either his contemporaries or were nurtured by hi to leadership positions. Once he designated someone to be in charge of a particular task, he generally refrained from interfering with his style of functioning. This can be clearly seen in the Bardoli Satyagraha struggle, being led by Sardar Patel. He writes, "It should be a principle with us implicitly to obey the commands or instructions of one whom we have chosen to be our Sardar. I admit, I am Vallabh Bhai's elder brother, but in public life no matter whether one is father or elder brother of the man under whom one serves, one must obey his instructions."

This is also a manifestation of his egolessness. He did not mind being guided by Patel, during the Bardoii Satyagraha. He has further clarified this point by saying that even Krishna, agreed to be Arjuna's charioteer during the Mahabharat war. Thus a true leader should transcend egoism and encourage his subordinates to lead. He should make his protege self- sufficient. This will be his greatest contribution to the growth of the individuals under his charge and also to the organization he is leading.

7. Insight into Followers Potential: Gandhi had the uncanny ability to judge the capabilities of a person and assign him responsibilities as per the individual's caliber. This ability is considered to be one of the biggest assets of a good leader. He should have the insight to assess the potential in his followers ~.u direct that potential in the right direction for the achievement of goals. Even in organizations the focus should be shifted from mere performance appraisal to potential assessment. Often people have a lot of potential inherent in them but they may not be in the right place for that potential to be manifested. A good manager should have the ability to see through such situations and redeploy such people to tap into their potential. 'One of the principle elements in leadership training is developing a sense of responsibility.

Gandhi gave the same by entrusting definite responsibities to his men. By entrusting people with responsibility. the leader can make them realize their hidden talents and kindle III them a feeling of greater selfworth.

8. Emphasis on the Strength of Character of a Leader: With the ever increasing role of the media, there has been a raging debate over privacy of public figures. The general argument seems to be that public figures, also have a private life, and what they do in their private life, should not be the concern of the general public. Every time we have incidents like the tragic death of Princess Diana or the infamous Bill Clinton-Monica Lewinsky affair, further fuel is added to this fire. This brings us to the question, whether the private character of a public figure should be totally ignored?

"It is said that everybody's character is his own private concern. Though I have known this view to have been often taken I have never been able to appreciate it, much less to adopt it." Gandhi feels that organizations which adopt such an attitude will have to bear serious consequences. If the leader's character is open to question, the followers will be easily misguided. Leaders have to set good examples for others to follow. And differentiating between public and private life will only bring about dissonance in their actions and words.

Such leaders will never be In able to command respect from their followers. Hence, the conduct of a leader should be above reproach.

9. Sithpargya or Equanimity: People who have acquired leadership positions in life will agree to the fact that there is hardly a moment of peace in the life of a leader. Either their actions are effusively praised or are vehemently opposed. In both cases, the leader in put under a lot of emotional stress. Often it is seen that when all is going well the leader is showered by praise and in such moments he may be exhilarated by this praise. However when the going gets tough the same leader may by severely criticized and he might feel unhappy. This is where the value of equanimity is important. Gandhi says that, "a public servant is not flattered by praise or frightened b~ censure. He who swells with applause and droops with criticism cannot render service. The reward of the worker lies in the work he does." Hence the leader should be Sithpragya. He should not be affected by people's adorations or criticisms. The focus of a leader should be on the effective performance of his task. Gandhi writes that, "I am not at all enamoured of the adoration of the world and my work has no such aim. Its only aim is my welfare. The self in me assures me that it is my Dharma to act as I do and when, any action is undertaken as being required by one's dharma there can be no expectation of the worlds adoration by way of rcward.

10. No Expectation of Reward: Our socialization has become such that whenever we perform a good task, there is a desire for some reward. There are multitudes of motivational techniques that say that in order to reinforce desirable behaviour, the person manifesting it should be rewarded. This expectation of reward may also be because we look upon our work as an obligation rendered to someone or some organization or society at large. Leaders, who work with such a psychology, will therefore, harbour the desire for some kind of positional power or monetary benefit for the service that they render to the society. However, Indian philosophy has always emphasized that work itself should be the motivator. Bhagvad Gita propounds the theory of philosophy of Nishkama Karma. How can such a leader then expect his subordinates to perform work without the desire for extraneous rewards and benefits? The leader sets an example for others to follow. Therefore, he should concentrate his energies on performance of work and not on rewards. Gandhi writes, "Whatever duty I render, I do merely as my dharma. I want no return from you for that service. Dharma has no concern with reward, it is concerned with God. I do not want a salary from the people. God will give me my salary and reward." [Vo1.20. 1966. p.24].

11. Fiscal Responsibility of Leaders: There is an old adage Honesty is the Best Policy. This adage is as relevant for a common man as it is for a leader. In a world where moral standards of public figures leave much to be desired Gandhi has exemplified this adage in every aspect of his life. This honesty was manifested in various ways. In financial matters he was very vigilant and ensured that all the money collected from the public was accounted for. That is why even though he regularly collected a lot of money for some cause or the other, there has never been a doubt about the use to which this money was put to. In today's world such accountability and transparency is a must. We aim at achieving corporate governance, but this aim will remain unfulfilled until and unless, accounts are properly kept and every single paisa can be accounted for. Leaders have to ensure have eye because of this lack of accountability and honesty. Gandhi has strongly advocated fiscal responsibility and transparency. Even rulers or people in government have to be prudent in the way they spend public money. "If the Ruler spends money on himself in an unbecoming manner, he is not utilizing the revenues properly." This is as relevant today as it was at the time Gandhi was leading the nation. The leader has to be careful and is fully accountable to the people whose hard earned money he is entrusted with.

12. Honesty of Intentions / Transparency: Not only was Gandhi honest in his actions but also in his intentions. Even while opposing the British and starting mass campaigns, he never hid his intentions from them. Though there was always this fear that this open declaration of his proposed actions may give his opponents time to scuttle his plans but this did not deter him. He felt that a true Satyagrahi should be fearless and should not try to hide behind anonymity and resort to concealment. So before starting his movements he always made it a point to inform the authorities about his plan of action. This was also done so as to give the opponent a chance to see reason and strive for a compromise before the agitations started. He writes, "It is a rule of civilized fighting that a warrior, having mobilized all his strength, acts with the utmost modesty. From then onwards, he never forsakes courtesy. At the commencement of every battle, he gives due warning to the opponent, cautions him and requires him to rectify his mistakes and remove the cause of the conflict." Thus, he always gave his opponents a chance to rectify their mistakes or to correct a wrong. In organizations when disciplinary actions have to be initiated, the concerned employee should always be informed and given a chance to explain his position. Gandhi was also honest in the admission of his mistakes. He did not shy away from admitting his errors. When during the Civil Disobedience movement there was violence in parts of the country and also in the small town of Chauri Chaura, where police constables were murdered by an errant crowd, Gandhi suspended the movement and called it his "Himalayan Blunder." He was criticized by every one, from his political colleagues in the Congress to the British officials. But he did not shy away from taking responsibility for the actions of the masses. This is the surest sign of a great leader. The ability to accept mistakes and to learn from them is what makes ordinary men great leaders. It is human to err but is intelligent to learn from those mistakes. Learning from mistakes is possible only when one admits that he has made a mistake. In organizations where managers have to take decisions day in and day out they are bound to go wrong sometimes. Instead of getting defensive about a wrong decision and trying to brush it under the carpet it is better that you admit that a mistake has been made and make an attempt to learn from it. Thus, honesty is not only limited to transparency in financial matters, but it extends to all spheres of human activity. A leader has to inculcate this honesty in his actions as well as in his intentions.

13. Benevolence Towards Opponents: Despite having waged many a battle in his life, Gandhi did not bear ill-will against people who opposed him. He believed that the opposition was not to him; rather to his ideas or causes. And this opposition was not to be viewed as a personal affront. He himself said that it was to him a matter of perennial satisfaction that he retained generally the affection and trust of those whose principles and policies he opposed. Very few leaders in the world have experienced this kind of satisfaction. He always fought for Truth and that was the touchstone for all his actions. This quest for Truth, gives a distinctive flavour to Gandhi's leadership. General Smuts once remarked, "It has been my fate to be the antagonist of a man for whom even then I had the highest respect. ... he never forgot the human background of the situation, never lost his temper or succumbed to hate, and preserved his gentle humour even in the most trying situations." In a business setting when managers contemplate organizational change, they are often faced with opposition. In fact resistance to change is as ubiquitous as change itself. If managers face opposition to their ideas they should not take it as a personal insult. Neither should they bear a grudge against those who oppose him. Leaders and managers have to be prepared to accommodate unpleasant and hostile reactions from others. They should consider it as a part of their job and not be deterred by it.

14. Belief in Human Nature: Fischer writes about Gandhi, "boundless faith in human beings sometimes blinded him to their faults. It was the sort of blindness which blots out obstacles and thus leads to brave

ventures." Gandhi like any great leader looked at the potential hidden in people. He believed that people had immense potential which if channclizcd properly could yield astounding results. Gandhi had himself written,"My faith in human nature is progressively growing. I have concluded, on the basis of my experiments, that human nature can be easily moulded. We have come to assume, because of our inertia, that human nature is always the same and seldom amenable to progress." This kind of philosophy is particularly important for organizational leaders. If you want to motivate your employees and draw out their best, you have to believe in the essential goodness of human nature. Only when a leader trusts that the followers have inherent goodness and potential in them, will he be able to make them perforrn their best. Sometimes the belief of the leader spurs the followers to accomplish tasks which they felt were beyond their power.

This is what is termed as self fulfilling prophecy in management parlance. Further he did not believe in dictating to his followers what has to be done. Instead he wanted them to see reason in a situation and act accordingly. Gandhi wanted them to think for themselves. He says, "I consider myself a practical idealist. I take from human nature what it yields and go my way.

My business is to present to you the realities of the situation, to stimulate your intelligence and your imagination, to touch your heart and then leave you to do the very best that you can possibly do for a cause. Gandhi did not worry about people's shortcomings because he believed that if people were convinced they would overcome their reservations shortcomings and work for a noble cause. This kind of thinking shows that people are responsible and if you can appeal to their reason. they will perform good tasks. Leaders should realize that people when treated with respect and given responsibility they can perform wonders.

In such cases there is no need for supervision and constant monitoring of subordinates. They realize the worth of the task they are performing and will ensure its successful accomplishments. So instead of harping on the faults of people leaders should focus on good qualities of the subordinates and appeal to their reason .

In conclusion we can say that leadership is not about accumulating power. rather it is the mastering of the use of power in a manner. which will prove beneficial to the common man. The greatness of a leader lies in his ability to make his followers powerful. He has to be able to harness the potential of those whom he leads. There is a need for future leaders to understand that leadership is an opportunity to serve, not a chance for gaining self importance. There is a need to increase the service orientation in the leaders and a decrease in the accumulation of power and self. So let the future managers be like the rising sun that nourishes all life rather than be the proverbial banyan tree under which no grass grows.

12.3 Gandhi & SocietaI Management

How can the robustness of a society be measured? Can economic indicators like GDP, gross national income, per capita income etc. be considered as accurate measurement of a society's well being? If yes then why are economically well off countries, facing problems of social unrest, value erosion and general unhappiness amongst its population? Countries like Japan which have become economic giants are reporting high rates of suicide. Social institutions like marriage and family are losing credibility.

On the one hand we are seeing tremendous economic and scientific progress and on the other hand we are becoming more and more unhappy and depressive. Social networks are shrinking and relationships are failing quickly. At the macro level there is greater intolerance towards others and at the micro level there is lesser sensitivity towards our friends and family.

So while we are claiming to be a civilized society, we are actually developing in a unidirectional manner, without giving due thought to the holistic development of the community. So where is our civilization heading?

There is a big debate on Gandhi's interpretation of the word' civilization.'

The Thesaurus defines the word civilization as meaning 'people.' or 'development.' In common parlance, civilization is generally understood as mcarung developed. And development is usually translated as material prosperity and industrial growth. There is a common understanding that countries that are economically prosperous and have high degree of industrial growth and large scale automation are truly civilized. This is where Gandhi begged to differ. He said, "My opinion of modern civilization is that it is a worship of materialism, resulting in the exploitation of the weak by the strong. American wealth has become the standard meanwhile, moral growth has become stunted and progress measured in pounds, shillings and pence." Even today many define progress in terms of material growth. American prosperity is the ideal, many are struggling to achieve. We in India are also racing ahead to acquire the status of a developed country. The growing rate of consumer spending, high GDP and huge forex reserves are touted as spearheading our march towards civilization. No longer is the world looking at India as the land of snake charmers. But will fashioning our society along western lines make us civilized? And are the social institutions of our country keeping pace with the rate of economic growth? Is economic prosperity the only measure of civilization?

Gandhi defined true civilization as, 'That mode of conduct which points out to man the path of duty. Performance of duty and observance of morality is to attain mastery over our mind and our passions. So doing, we know ourselves. The Gujarati equivalent for civilization means "good conduct." Thus, according to this definition a socicty can be called truly civilized if people have a high moral character and good conduct. Any society where people perform their duty honestly and exhibit a sense of responsibility towards their environment and the people around them can be called truly civilized. High per capita income, good infrastructure, large scale automation, can serve only as means but cannot be viewed as an end. Economic prosperity alone does not ensure social progress. A truly civilized society is based on the principles of justice and equality, where maintaining law and order is not the responsibility of the government alone, but of all the citizens. In fact Gandhi has said, 'That government is the best that governs the least.' This is possible only when people in government realize that their role is of enablers and not of executioners of power. Governments of civilized societies would only facilitate the smooth running of social systems without interfering in the day to day life of the citizens. But the people have to deserve such governments. This kind of ruling dispensation is possible in only those societies where human values are respected and a sense of duty supercedes the sense of demanding rights. If we can rule ourselves there will be no need for outside interference.

12.4 Management of Individual

Gandhi always kept the common man as the pivot, around which all his ideas revolved. He was a firm believer in the freedom of the individual. He was of the opinion that the aim of policies should be to ensure the well-being of every individual. But he also believed in duties above rights. So, an individual has to first understand his duties and then expect rights. Economic prosperity is possible only when individuals understand their role in the conomic structure. Keeping this in mind, Gandhi propagated two main ideas for the management of the economy at the individual level:

(a) Limitation of Wants

It is common knowledge that there is no end to human desires. The more we have, the more we want. This kind of psychology has led to growing materialism among people. Invariably there is greater spending than available income. Most of the double income single kid couples have fallen into the 'debt-trap'. The ease of plastic money lures them to buy one commodity after another, all on installments, thereby making them perpetually in debt and struggling to pay their Equal Monthly Instalments. The cause of most financial problems at the individual level arises because of unbridled greed and desires. Gandhi therefore, said that insteads of focusing on the ways of acquiring more wealth, man should concentrate his energies on limiting his wants. Though this may appear a moralistic stand, however, it is a very practical proposition. Desires can never be fulfilled by acquisition. In fact the more we acquire, the more we fuel our desires. Since there is a limit to which you can increase your income, it is more practical to understand your limitations and design your wants accordingly. Moreover, this consumption boom and increase in materialistic tendencies cannot be sustained in the long run. Thoughtless acquisition of commodities puts pressure on the society and the environment. There are grave economic, social and environmental implications of this consumption boom. The more an individual increases his wants the more pressure he puts on the available resources. Since the environment has its own limitations, there is an imbalance created which has far reaching effects on the entire world. There are certain social implications also. Growing consumerism had led to various lifestyle problems. People are getting more and more individualistic and are failing to care for others. Information technology has made the world a small palce and increased connectivity manifold. However , now we are more in touch with strangers in internet chat rooms, than with our very own neighbours.

Gandhi says, "It is not enough that we produce and consume; we should use our descretion in doing so. Production-and the manner of consumption too-should be so organized as to benefit the maximum number of people. This is the simple principle of economics. People starve where this is violated". This means that maximization of wants and their satisfaction is not true economics. Instead individuals should behave in such a manner that benefits all. Lopsided development and consumption by a few at the cost of many will only generate antagonism and upheaval. True economics should work towards removing disparity between income groups and not widening it. This is possible only when individuals realize the importance of self discipline and self-sacrifice. Since resources are limited, if individuals keep increasing their wants, then for fulfilling the same, they will be growing at someone else's share. This is also a form of exploitation, which is not healthy. Hence, individuals have to mainifest socially responsible behaviour.

Gandhi syas, " Ancient culture tells us that a man advances in the measure that he deliberately and with full knowledge reduces his wants. Modern civilization teaches us that man progresses by increasing his wants. The difference between self-restraint and self-indulgence is the difference between dharma and adharma." The consumerist socienties of the west have all been established on the foundation of maximum satisfaction of individual's wants. But even they are realizing that such expansion of consumerism cannot be sustained and simply gratifying desires cannot give happiness to an individual. "It seems ironic that when the culture of consumerism is gaining such influence over Indian society and the rest of the world, many Americans are rejecting it. For some of these Americans, Gandhi helps them to understand how modern consumerist conditioning maximizes our ego desires, needs and attachments, and this leads to insecurity, selfishness, aggressive competition, exploitation, violence and war. Gandhi teaches us not to allow those who profit from consumerism to define who we are."

Traditionally, economics has talked about satisfying individual wants. The result has been the maximization of individual's wants. This leads to efforts for satisfying the demands, resulting in large scale industrialization. Thoughtless industrial gwowth puts pressure on the enviornment in two ways-indiscriminate use of available resources at the entry level and industrial waste at the exit. The resulting environmental degradating has resulted in efforts being made to improve the situation. But these attempts are more like treating the symptom of the disease rather than the disease itself. This is because all efforts to preserve the environment focus on treating industrial waste and discharging them into the environment. However, very little is done to reduce the use of natural resources-both renewable and non-renewable.Such an approach cannot last for long. Gandhi suggested that development can be sustained only when the individual limits his want. The lesser the wants of an individual the lesser is the pressure on the environment. Industrial development is such and atomsphere would be more in environment-friendly. The root of sustainable development is the individual and there is a need to make him realize the importance of limitation of wants and self sufficiency.

When we look at the world today, there appears to be a great disparity in terms of development. There are certain countries which are highly developed, but there are others where even basic amenities are hard to get. The same holds true for our own country. On the one hand we have burgeoning metropolises, which are expanding and have world class infrastructure, but on the other hand there are villages which are still covered with a blanket of darkness after sunset. There is no electricity and drinking water supply. Children either don't go to school at all or have to trudge miles to reach the nearest school. Even the so called well developed cities are bursting at the seams. They are overcrowded, demand for power is more than available supply and drinking water is becoming scarce. How long can this kind of development be sustained ? Maximization of demands will lead us nowhere. We have to design a development policy that can be sustained by the resources that we have. Sustainable development is the need of the hour. Sustainability as understood in a social sense, meaning a thriving socio-economic order wherein the production structures and relationships ensure a fair distribution of income, power and opportunities, thus providing the desired need and objective of social peace; and long term carrying capacity of regions with no negative impacts on their immediate and inter-related environments. In order to achieve this sustainable development, policy makers will have to focus on local communities. Development that is achieved using outside technology and ideas will peter out. For sustained development appropriate technology using indigenous methods will have to be nurtured. For instance, money invested from outside without generating jobs at the local level cannot lead to economic upliftment. Similarly, industrialization done at the cost of local industrry also creates more problems than it solves.

In a country like India, where a very large population poses a big challenge for employment generation, self employment is the best option. Post independence 'the temples of modern India' were set up with an objective of providing employment. But this policy back fired with most Public Sector Undertakings becoming over-staffed and inefficient. Moreover the unemployment problem remained just as it was. Now a need is being felt to encourage entrepreneurship. The spirit of enterpreneurship has to be developed at local levels, leading to the growth of robust local enconomy. Enterpreneurship at the local level also solves the problem ofdesplacement, so acutely felt by people affected by industrialization. Large industries generally lead to the displacement of people from their homes, thereby causing psycho-social problems. There are various cases when the young population of entire villages has migrated to cities in search of employment becasue there is no suitable work in their villages. Such people have to struggle in the cities for work and the remittances they send back are also not sufficient. The women folk and the elderly who are left back also do not have any work. Such situations lead to various social problems also. This is exactly what Gandhi was talking about when he said that employment has to be generated at local levels for the well being of society.

(b) Bread Labour

The concept of bread labour given by Gandhi is a unique idea. He says that individuals should perform manual work for earning their livelihood and the intellect should be used for attaining higher goals in life. He says, "Last but not the least, it seems to us that,after all, nature has intended man to earn his bread by manual labour- "by the sweat of his brow" and intended him to dedicate his intellect not towards multiplying his material wants and surrounding himself with exegerating and soul destroying luxuries but towards uplifting his moral being-towards knowing the will of the Creator towards serving humanity and thus truly serving himself." However, in today's knowledge economy it is difficult to appreciate this idea. With more and more emphasis being given on brain power, how can manual labour be used for earning a livelihood ? However, we can see this idea in a new light. What Gandhi can be believed to have meant was that in a country with a large population , manual labour would ensure livelihood for millions. Thus, it should be respected and not scorned upon as has been the trend. We as a nation have a tendency to look down upon manual work and attach too much significance on intellect. This elitist mentality has resulted in the division of society, where manual workers feel lowly and less respected. The Brahminical order of Indian society also encourages this elitist mindset. But such a mind set is not healthy for any society. All great plans have to be concretized through manual work. Hence physical work should be viewed with as much respect as intellectual work. Let knowledge be used for the betterment of human life and improvement in the quality of our soul. There should be respect for work. No job is menial and therefore, should not be looked down upon.

However, if taken in the literal sense, the concept of 'bread labour' does not appeal in the present context. India has emerged as a knowledge economy and is beign acknowledged in the world for its brain power. In such a scenario, emphasizing on only physical labour as a means of economic prosperity will greatly retard economic growth. Hence, it is difficult to appreciate this concept in its original form. Maybe with respect to dignity of manual labour the concept may have relevance, but not beyond that.

12.5 Management of Organization

It is generally believed that Gandhi was against private enterprise and did not appreciate large scale business activities. His opposition to lage scale mechanization and industrialization is taken as an argument to prove that he was against private business. Once he was asked whether he would abolish private business and private capital, to which he replied, "No, private capital must function; otherwise there will be no progress. Business men will have to give fair wages to their employees, make arrangements for old-age pension, sickness allowance, proper housing and so no." This shows his astute understanding of economic activity. Though on the one hand he aimed at proagating village industries but at the same time he understood that one could not do away with private business altogether. What he desired was that private business be conducted in a ethical manner, with the employers being sensitive to the needs of their employees. He clearly understood that there was little scope for government to run business. Instead enterprising people should be given the opportunity to do business. This was the reason why he propunded the trusteeship theory of business. He felt that like any other talent, some people were endowed with money-making skills and they should be encouraged to use their skill. He wanted business to be operated for the welfare of all. Gandhi realized that in any business venture there were two major parties involved-the employer and the employee. If the business had to run smoothly, both these parties will have to understand each others concerns and work for mutual benefit. This entails certain responsibilities on both the parties of the dyad. He therefore outlined certain desirable behaviours for both the employer as well as the employee as discussed below:

(a) Trusteeship :

Gandhi had a very clear philosophy about managing the organizations. Contrary to popular belief, he encouraged private enterprise. He felt that like any other talent, some people were endowed with money making skills and they should be encouraged to use their skill for the benefit of society. It was this attitude, which made him dear to many capitalists. He himself says, "I am not ashamed to own that many capitalists are friendly towards me and do not fear me. They know that I desire to end capitalism almost, if not quite, as much as the most advanced socialist or communist. But our methods differ, our language differ. My theory of 'trusteeship' is no makeshift, certainly no camouflage. I am confident that it will survive all other theories. " His method was to appeal to the reason of private entrepreneurs. The theory of trusteeship is in accordance to the belief of Non-Violence. Like all his actions were rooted in Non-violence, so was his theory of Trusteeship. Just like Marx, he too understood the pathos of the masses, but he did not understand the class war so vociferously advocated by marx. Gandhi felt that forceful redistribution of wealth is not the solution, becuase as soon as the force is removed, people will revert back to the previous status. Another danger of this strategy is that those implementing this policy of forceful redistribution of wealth may themselves get corrupted. Maybe the leaders at the initial stages be true to the cause but the successive leaders may lose this sense of right and worng. Most countries which adopted communism as propounded by Marx, have indeed met this fate. Russia, the cradle of communist thought, could not sustain such a philosophy and its degeneration after the cold war left people struggling for basic necessities of life. Hence, Gandhi advocated the use of 'Soul-force' instead of external force to ensure equitable distribution of wealth. He wanted every businessman to inculcate this sense of economic responsibility from within, without having to be gouided by outside force. He felt that such inner drive and self motivation would last longer than any government regulation.

Also, Gandhi's insistence of letting talented people generate wealth, encourage professionalism and ensures the proper utilization of individual's talents. Thus, the trusteeship theory favours a professional approach to managing business. Instead of succession being by birth right, trusteeship theory advocates succession by talent and ability. Most family run businesses, adopted this principle in the wake of the liberalization of the Indian economy.

Gandhi recognized that differences in requirements exist and cannot be removed. Instead, one could strive to minimize this difference among people. He says, "Experience tell us that differences in requirements do exist in society. But we do not know the law governing them. All therefore, that is possible today is to try to reduce the differences as far as possible. The reduction can be brought about by peaceful agitation and by the creation of public opinion." He wanted businessmen to work as trustees and ensure that their activities benefit maximum mumber of people. Being a trustee was a great responsibility and such a person was expected to live on the commission he/she would earn as a trustee. He says, "If you think that being appointed one of the trustees will make you free, you are mistaken. The word 'trust' means responsibility, and I would certainly welcome a person becoming a trustee of this property. He must then live within the commission which as a trustee he gets from the property. This is the meaning of trust." Hence, trusteeship can be adopted by organizations profitably, without in any way retarding their growth.

There might be a feeling in the minds of people that trusteeship is a utopia and is not practically possible. However, there is no dearth of examples of industrialists who have imbibed the concept of trusteeship and have done good business. The most prominent followers of Gandhi's trusteeship theory have been Jamnalal Bajaj, Pirojsha Godrej and G.D. Birla. Even today these names evoke trust and respect in the minds of the Indian counsumer. The Bajaj Group has been the market leader in the scooter industry for decades and

similar is the case of the Birla Group . Even today, many multinational companies having international reputation, find it difficult to compete with these Indian industrial giants in terms of employee as well as customer loyalty.

(b) Corporate Social Responsibility:

There has always been a major debate over whether businesses have any responsibility towards society or not. One school of thought says that business is done for earning profit and there is no need for business to indulge in social welfare. That task is best left to the government and other social agencies. However, an opposing view is that since business operates in the society and derives its resources from it, it should be socially responsible. Gandhi also asserts the same viewpoint when the says, "Experience shows that altruism and self interest can be blended in trade. Genuine artha is that alone which includes parmartha." Some organizations have been able to find a perfect blend between social responsibility and business. For example, the Indian tobacco giant ITC's e-choupal ventrue, aims to provide internet access to farmers in remote villages. Wealth should not be an aim in itself, rather is should be a means for reaching higher goals. Businesses which understand this are the ones wich will be respected and will survive in the long run. Being socially responsible does not mean that business have to necessarily be philanthropic. What is essential is that business is operated keeping in mind the interests of all the stakeholders. Gandhi says, "I do not say you should be philanthropic, though there would be nothing wrong if you combined philanthropy with business. But I do plead for the conduct of your business on national rather than purely selfish lines. A man is not less business-like because he thinks of the nation as well as of himself and his shareholders' Another thing that needs to be made clear here is that, being socially responsible does not make business non-viable. In fact, quite to the contrary, socially responsible behaviour helps in profit maximization. A business enterprise which seeks to produce quality products at reasonable prices is fulfilling its duties towards society. Customers would appreciate such an organization and will ensure that it continues in business. On the other hand, any organization which cheats its customers by providing low quality products or products at high prices may have success, but it will definitely be short lived.

A lot of organizations today are trying to forge a strategic link between their business endeavors and their social responsibility. They are trying to develop a model which will help them to serve the community at large, while still remaining profitable. For example, when Pepsi Co. started operations in India it was required to maintain contract farming programmes with local farmers. 'There was execution of technology transfer, farmer selection, training, field preparation and post transplantation care. The company continued with their contracts and partnerships with farmers in India even after the government obligation ended.' Later with the growth of the agri-business of Pepsi, this strategy paid handsome dividends to both the company as well as the local farmers. Similarly, Microsoft has been running projects like Project for promoting IT literacy, Project Bhasha ior developing computing in Indian languages and Project Jyoti for using IT to empower rural communities. 'Thus, being socially responsible has sound and is a commercially viable proposition.

(c) Ethics and Economics:

Ethics and economics are generally considered contradictory. That Economics is untrue which ignores or disregards moral. This means that economic activity devoid of moral reasoning cannot yield success. So how businesses suppose corporate ethics in their structure? To this Gandhi says, "You will be rendering a service to others through your business if you can notice absolute honesty in your dealings. You ought not to sell articles which you would not use yourself you should be civil to the customers, [though] you need not flatter them in order to promote sales."

Businessmen are expected to be honest in their dealings. This is what is meant by corporate governance. There is a need to ensure total transparency in the affairs of a business enterprise. Customers and other stakeholders have a right to know the way a business is being run. A transparent and open business inspires trust amongst its stakeholders.

This honesty can be further manifested by having a fair pricing policy. Prices should be fixed in such a manner that they yield reasonable profit for the business enterprise. Gandhi recognizes that business cannot run without earning profit. In fact, he never opposed the idea of business making profit. However, he was against the earning of super normal profit. This is very relevant in today's competitive environment. Businesses are becoming more and more cost efficient and customers are becoming more and more price sensitive. They want value for money. So it is difficult for businesses to charge exorbitant prices for their products. Goodwill can be created only when businesses give their customers the most price efficient deal.

Similarly, sales and sales promotion should be done in an ethical manner. Misleading advertisements and false claims about product efficiency and quality are methods of duping the customers. Selling products by promising more than what the product can deliver is an unhealthy practice. Such strategies may help in selling the product initially but in the long run these practices will lead to the downfall of business. The customers are a business' best advertisers. Once they feel duped or cheated, they can give very bad publicity to the company. Hence, companies should refrain from misleading customers.

(d) Labour Relations :

Gandhi laid a lot of stress on ensuring harmonious industrial relations. He did not believe that labour and capital are antagonistic. He had no faith in the theory of a class war, as propounded by Marx. He was pragmatic enough to realize that capitalism cannot be entirely abolished and differences among human beings will always exist. He therefore, strove for a world order where such differences would be minimized and there would be less concentration of wealth in the hands of a few. He says, "Capital and labour need not be antagonistic to each other. I cannot picture to myself a time when no man shall be richer than another. But I do picture to myself a time when the rich will spurn to enrich themselves at the expense of the poor and the poor will cease to envy the rich. Even in a most perfect world we shall fail to avoid inequalities, but we can and must avoid strife and bitterness." He believed that it is not possible to do away with capitalists. Both labour and capital are integral to an industrial set up. Therefore, instead of working towards the liquidation of one another, there should be attempts to understand the role played by each in this relationship and work towards establishing mutual trust and respect. There is a need to stop viewing one another with distrust and anger. Instead Gandhi says, "What is possible and what should happen is that instead of mutual distrust and enmity, there should be trust and love between them." IR practitioners should work with this premise and work towards establishing trust and affection between labour and management. Management must design its policies in a just manner and should not exploit labour, nor be perceived as doing so.

On the one hand, Gandhi advocated the rights of labour, on the other hand, he also elaborated on the duties of workers. Thus, he put the responsibility of ensuring industrial peace, on both the parties, involved in the work relationship. He says, "What is necessary is that labourers or workers should know their rights and should also know how to assert them. And since there never has been any right without a corresponding duty, in my opinion a manifesto is incomplete without emphasizing the necessity of performance of duty and showing what that duty is." Whenever he has talked about labour and capital, he has always defined the role of labour vis-a-vis the capitalists. He did not agree to the belief that labour and capital are antagonist and cannot work for mutual good. He says, "In the West, practically capital and labour are at opposite interests. Each distrusts the other. It was not so in ancient India, and I am glad the leaders of the labour movement here had not

introduced the Western form of agitation between capital and labour. His approach to industrial relations can therefore, be divided into two broad parameters :

(i) **Responsibility of Employers:** In any relationship, it is always the stronger party which is expected to show magnanimity and concern for the weaker party. Traditionally, in an industrial set-up, labour is considered weaker vis-a-vis management. Therefore, for ensuring an amicable relationship, management is expected to safeguard the interests of labour and work towards their betterment. It is only when management adopts a just attitude towards labour, that they can expect the latter to be sensitive to the management's objectives, keeping this in mind Gandhi has advocated the paternalistic approach to management. He says, ''There can be no two opinions as to the fact that mill owners, no less than other business and commercial firms, ought to take a paternal interest in the welfare of their employees. The relations between the employer and the employee have been up to now merely those of master and servant, they should be of father and children.'' This paternalistic approach has been successfully applied in various Indian organizations. The TATA group, with over 100 years of business, is even today one of the most trusted and respected organizations in India. JRD Tata is remembered for his paternalistic approach to management and emphasis on employee welfare. This collaborates Gandhi's thinking that paternalism is one of the best ways of managing employer-employee relationship. This style of management is all the more suitable for Indian organizations. Indians by and large, value emotional bonds and are relationship oriented. Their socialization is such that leads to dependency and a tendency of seeking approval from superiors. In such a case, paternalistic approach is best suited for managing labour. However, a word of caution is important here. The profile of labour has undergone a sea change, since the time of Gandhi. Today labour is more literate and aware. They want to be treated as mature individuals. So, paternalistic approach has to be mingled with participation. This will give them a chance to express themselves and feel that their opinion is important. But, by and large, paternalistic approach helps in binding employees to the organization and is one of the most suitable approaches of managing in the Indian cultural context.

Though on the one hand Gandhi advocated the introduction of employee friendly policies, on the other hand, he did not encourage unnecessary philanthropy and dissemination of free benefits. He wanted employers to provide welfare facilities to their employees, but he was against giving free services to employees. He says, "Medical relief should not, in my opinion, be free. It should be genuine, prompt and cheap. Free aid is likely to undermine their individual spirit. Sometimes free aid is rendered perfunctorily and sometimes it is abused, from both of which evils the clerks should be saved." His astute understanding of human nature, compelled him to suggest that welfare facilities, will be most efficiently utilized only when they are easily available and cost effective. When a facility is provided free of cost, it is invariably misused. Moreover, no business, however profitable it may be, can long afford to provide free service. This psychology can be seen today, where governments throughout the world are being forced to adopt the self-finance model, for providing services to people. Thus, Gandhi, hit the nail on the head when he said.

Gandhi felt that the situation of labour could be improved by concerted efforts on the part of the employers. He said, "A satisfactory solution of the condition of labour must include the following:

- The hours of work must leave the workmen some hours of leisure.
- They must get facilities for their own education.
- Provisions should be made for an adequate supply of milk, clothing and necessary education for their children.
- There should be sanitary dwellings for the workmen.
- They should be in a position to save enough to maintain themselves in old age."

A lot of IR experts can draw inspiration from the above words. The aim of IR policies should be to provide comfortable wages and good working conditions to workers, so that they may live with dignity and self-respect. The most important point here is that wages structures should be designed in such a manner that workers have enough savings for old age.

(ii) Responsibility of Employees: Gandhi was a champion of the working class. He fought for their rights and wanted employers to treat them justly. But he did not aim to destroy the capitalists. He says, "I believe that workers would gain nothing by liquidating the capitalists." While on the one hand he advocated fair wages and respect for labour, on the other hand, he also elaborated on the duties of the same. He says, "One word as to policy. It is not anti-capitalistic. The idea is to take from capital labour's due share and no more...,"

(e) Organization of Labour:

Gandhi worked for ensuring the dignity of labour. And to achieve this end, he wanted to organize labour as one. i idea was to organize labour from within. He wanted labourers to become self-conscious and develop inner strength. Labour should develop internal leadership and not be maneuvered by external parties. He says, "The idea is to take from capital labour's due share and no more, and this not by paralyzing capital, but by reform among labourers from within and by their own self-consciousness; not again through the cleverness and maneuvering of non-labour leaders, but by educating labour to evolve its own leadership and its own self-reliant, self-existing organization." So, the way to better the lot of labourers is through their employer: The labour ought to organize themselves from within and should threv leaders from amongst themselves. One of the major ailments of the labour movement in India, has been the hijacking of trade union leaders by political parties. Almost all major trade unions are affiliated to one or other political party. This affiliation has done more harm than gain to working class. Instead of safeguarding the interests of labour, these outside leaders manipulate people's sentiments, for their own political agenda Gandhi says, "Labour, in my opinion, must not become a pawn :n the hands of the politicians on the political chess board.

Gandhi wanted labour to realize their strength and not consider thi as a weak Gandhi felt that intelligently organized labour, was as powerful as any capitalist. He says, "When labour is intelligent enough to organisation itself and learn to act as one man, it will have the same weight. This means that in order to improve their condition, labour must work intelligently and organize themselves. Such an organization will be a source of strength and will act as a safeguard against any form of exploitation. But at the same time. Gandhi cautioned labour to use their strength judiciously. He felt that there was no need for conflict between labour and capital. He fiercely opposed playing one party against the other. He says, "Moneyed people alter all form a microscopic minority in the world. They will act on the square, immediately labour realizes its power and yet acts on the square. To inflame labour against moneyed man is to perpetuate class hatred, and all the evil consequences flowing from it. It is an admission of weakness, a sign of inferiority complex. The moment labour recognizes its own dignity money will find its rightful place, i.e., it will be held in trust for labour. For labour is more than money." Thus, in order to ensure a healthy relationship between labour and capital, it is imperative that labour stop viewing themselves as weak or inferior. Instead they should reform themselves from within, acquire knowledge both of their rights as well as duties.

(f) Conflicts:

When we talk about any relationship, there is always a scope of conflict. Organizations have to recognize the existence of conflicts and have to work towards framing a system for solving the same. In any industrial

setting, where so many people are working together, one cannot negate the existence of disagreements, grievances and conflicts. Labour has often resorted to strikes in order to protest against injustice. But often it has been observed that these strikes become violent and the result is generally disastrous for all the parties involved. Sometimes the agenda is hijacked by outsiders and the management is held to ransom. Gandhi observed, "Strikes have today become a universal plague. There are strikes everywhere. America and England are not excepted. But in India they have a special significance. We are living under an unnatural condition. As soon as the lid is removed and there is a crevice letting in the fresh air of freedom, there will be an increasing number of strikes. The fundamental reason for this spreading strike fever is that life here as elsewhere is today uprooted from its basics, the basis of religion and what an English writer has called 'cash nexus' has taken its place."

Gandhi himself led a strike against the mill owners of Ahmedabad. However, he has put down certain norms, to ensure that strikes are not used to put the management at a disadvantage, he says, "Strikes, cessation of work and hartals are wonderful things no doubt, but it is not difficult to abuse them. Workmen ought to organize themselves into strong labour unions, and on no account shall they strike work without the consent of these unions. Strikes should not be risked without previous negotiations with the mill owners. If the mill owners resort to arbitration the principle of panchayat should be accepted. And once the panch are appointed their decision must be accepted by both the parties alike, whether they like it or not. Many of today's IR experts can find the wisdom of these words and the practical advantages, that one can reap from such an advise. Strike should be the last resort in any conflict situation. Conflicts can be resolved by negotiation between the two parties. When negotiation fails, then arbitration is the best method of solving conflict. Taking a matter to court only aggravates the conflict, puts monetary pressure on the concerned parties and leads to increase in bitterness among the two. According to Gandhi, "We have completely forgotten the advantages of having our disputes settled by a panch or an arbitrator, as if we thought that justice could only be got through unknown persons or by spending money. Justice is not to be bought for money in this way; what can be sold is injustice. Fraud or falc witness will be of no avail before a panch or an arbitrator. A panch settles the dispute and so brings the two parties together. Courts increase enmity, panchas lessen it." The Industrial Dispute Act, 1947, enacted by the Government of India has laid down a proper mechanism for solving industrial conflicts. This act also advocates arbitration as a method of conflict resolution. The disputing parties can mutually agree upon a third party to solve the conflict. The benefit of this method is that it prevents outsiders to take advantage of the situation and it also prevents the cessation of work, thereby ensuring that the organization does not lose in the process. An additional benefit of arbitration will be that it will reduce the pressure on the already overburdened judiciary and lead to speedily redressal of grievances.

However, sometimes strikes become inevitable. In such a scenario, Gandhi has given the following outline for conducting a successful strike:

- The cause of strike must be just.
- There should be practical unanimity among the strikers.
- There should be no violence against the non strikers.
- Strikers should be able to maintain themselves during the strike period without falling back upon union funds and should therefore, occupy themselves in some useful and productive temporary occupation.
- A strike is no remedy when there is enough other labour to replace the strikers. In that case, in the event of unjust treatment or inadequate wages or the like, resignation is the remedy."

A strike can be successful only when the demands of labour are just. In case of unjust demands, strikers lose public support and then there is little pressure on the management to fulfill these demands. And today's environment where there is stiff competition among states for capital investment, an unpleasant labour situation acts as a major deterrent to business. Businesses do not want to operate in environments where they will be held on ransom by labour unions and the like.

With the changing times, the dynamics of managing an organization have also undergone a sea change. No longer is an organization an entity that uses resources and produces products to sell them at a profit. Though this still remains the primary objective of most business organizations, but it is a very narrow perspective on the role of an organization. Today's organizations are influencing and in turn are being influenced by society to a very large extent. With changing socio-cultural, demographic and economic factors, organizations are also feeling a need to change. People issues are becoming important. The way an organization treats its customers has always been vital for success and profitability. But now the way it treats its employees is becoming equally important. Employees cannot be considered only as a cog in the machine, instead they are the touchstone of an organizations worth and value system. Organizations which respect their employees will in turn earn respect. Society is also closely monitoring the contributions made by organizations. Simply providing products or service is no longer sufficient. The amount of responsibility an organization shows towards its environment and surrounding community is also critically analyzed. Thus the major area for better management of organizations today are: leadership, employee relations and manifestation of ethical and socially responsible behaviour.

(g) Developing Leaders:

Leadership is a burning issue in most organizations today. Finding the right leaders who can steer the organization through this competitive era is becoming very difficult. In fact today leadership is not about having one individual at the top, who will guide the organization. Instead, there is a need to have leaders at all levels in the organization. With decentralization and empowerment, there is a growing need to have leaders, at all hierarchical levels. The greatness of Gandhi lay not so much in his ability to lead but in his ability to develop leaders under him, who had the capability to lead in his absence. He took conscious steps to develop leadership traits in his followers. Gandhi had the uncanny ability to judge the capabilities of a person and assign him responsibilities as per the individual's caliber. He made people think on their own without having to follow him blindly. While sensitizing people to the plight of untouchables in the Hindu society , Gandhi said, my business is present to you the realities of the situation, to stimulate your intelligence and your imagination, to touch hearts and then leave you to do the very best that you possibly do for cause as noble and so sacred as that of the Harijans.' This encouragement to solve problems independently, without desiring a solution from the leader, is critical for developing leadership skills amongst employees. Further this approach of letting decide their own course of action shows that the leader respects their intellect and considers them capable of taking the right action. This helps in building self esteem among subordinated and strengthens the leader-follower dyad. Today's managers can learn a lot from him, on how to develop to take leadership positions. Organizations will have to encourage creativity and independent thinking among employees in order to nurture them to be leaders.

The often quoted statement of Gandhi, "I do not want followers is easily explained but is probably the most difficult to implement. This is because it has often said there can be no leader in there are no followers. If the above statement is viewed in this light, it means that Gandhi was ready to dissolve his persona in favour of others. Is it not another indication of selfless service for the greater good and subservience of the leader's individuality? Organization which can develop such self-driven, selfless and competent individuals can gain a

definite advantage in their business, Rewards and appreciation would then be shared by all, without negative compectition and rivalry.

(h) Employee Relations: The basis of any human relationship has to be trust. Gandhi exemplified this in all his interactions. He always said, "I believe in trusting. Trust begets trust. Suspicion is fetid only stinks. He who trusts has never lost in the world." Despite the universality of trust as the foundation of any successful human relationship, it has been seen that the employer relations are always based on distrust and suspicion. This distrust necessitates elaborate control systems and continuous supervision, on the part of the employers. The impact of such behaviour on the part of the employees is also negative. They start assuming that since they are not trusted and will be externally supervised they wait for instructions and do not take initiative. Hence the control system becomes a tool for stifling creativity and initiative among employees. It also encourages errant behaviour because employees find ways of subverting control mechanisms. Organizations will have to manifest their trust in employees in order to encourage them to be responsible and motivated. Lack of trust is a manifestation of lack of respect for employees. Organizations that want to value their human resources will have to develop trustworthy employer-employer relations. Healthy employee relations have to be based on trust and dignity of labour. This will however, be impossible in organizations where there is a gulf between the owner and the worker. When worker are made to feel part owners of the business, they acquire a sense of responsibility. A sense of ownership encourages individual contribution and fosters pride in the organization.

(i) Ethics in Organizations :

Contrary to popular perception, Gandhi never accepted a demarcation between ethics and business. He vehemently refused to believe that business could not be done ethically. Today, after almost a century since his teatise' Hind Swaraj,' in which he elaborated his principles of ethics in business, corporate leaders are proclaiming the same. Successful businesses are built on the foundation of integrity, trust, transparency and social responsibility. Cases of corporate fraud have further emphasized the need of ethics in organizations.

Ethics in organizations can have a very broad meaning. On the one hand, it should indicate honesty in a business' dealings with all its stakeholders and on the other hand it also could stand for the manifestation of socially responsible behavior. Business organizations are leaving a big impact on all aspect of human life. Traditional areas of public service such as health, education and basic infrastructure are being run by private organizations. Thus, more and more private enterprises ate touching the lives of ordinary citizens. In such a scenario. The transparency and integrity of business organizations becomes all the more significant. Especially with the Indain economy having a booming sector, customers' experience and word of mouth publicity is becoming vital for profitability. Hidden costs and inefficient services can be considered as examples of unethical behaviour. Gandhi always propounded the concept of service. He said that the aim of organizations should be to serve. His philosophy of Trusteeship also talked about an entrepreneur being a trustee, who should devote himself to serving his stakeholders. In fact, the word Trusteeship encompasses within itself the concept of **'Trust.**' The biggest challenge faced by business organization today is to win the trust of their customers, shareholders and the society at large. This trust can be won be won only by conscientiously following high ethical standards in all business activities.

12.6 Management of the Society

Indian society is in a state of turbulence today. The opening up of the economy has exposed it to global forces like never before. The boom in business has accelerated the process of change, and the IT revolution has thrust the younger generation into a global village. The culture of consumerism is gaining ground and age-old practices of restrain and need based spending are being discarded. Individualism and instant gratification are becoming the norm. The gulf between the haves and the have nots is widening at a very fast rate. Economic progress in not getting translated into social progress. For example. The cases of female infanticide are higher in comparatively richer states of Punjab and Haryana. Similarly, the sex ratio is more skewed in urban areas as compared to rural areas. This and numerous other examples point to the fact that economic prosperity can sometimes be used perpetuate retrograde social practices.

Health of a society can therefore, not be linked to just economic upliftment Economic progress has to be tempered with a sense of duty, justice and responsibility, to be truly effective and progressive. The common man and his family should be the center of societal management initiatives. The overall happiness, health and equity in a family should be made the indicator of social progress. Development initiatives should start with the education of people, with regard to first their duties and then their rights. In fact the woman in the family should be made to serve as the catalyst of social change. It has been aptly said, 'the hand that that rocks the cradle rules the world.' Gandhi always advocated the need to empower women, because they have been the repository of Indian culture and values. Their active involvement in development initiatives will ensure equitable distribution of economic and social justice. The ancient Indian psycho-philosophy talks 'Panchmukhi Vikas' which means five-fold development. The underlying sentiment behind this concept is that development in order to yield prosperity and happiness should be multidimensional and not unidirectional. The five dimensions of Panchmukhi Vikas are –Physical, Intellectual, Practical Aesthetic and Spiritual. Though this has been advocated as the basis of development of the education system of the nation, it can be used for designing the development model of society at large. The entire Cold War Era has effectively showcased the futility of development aimed at increasing the might of a nation. Intellect driven technological innovation fuelled the arms race which sapped society of its more creative energies. The collapse of the Soviet Union to the futility of such mindless technological innovation. In the same vein, too much emphasis on the aesthetic dimension of human life also leads to the downfall of society. A case in point in the Roman civilization, which deteriorated and was wiped out because of the stagnation of spiritual and intellectual progress. Similarly a lot of research studies are pointing out to the unconnectedness of economic prosperity with individual happiness. Hence, there is a growing realization that optimization than maximization is the key to societal progress and happiness.

Another challenge that the society is facing today is that while on the one hand there appears to be an eagerness to discard existing value systems, on the other hand no progressive new values are getting implanted. This is creating vacuum in society. And since a state of vacuum is not possible for a very long time, there is bound to be some substitution of the old values by a set of new practices. But can the new practices really be classified as values? So while designing strategies for social improvement, we will have to carefully analyze that we don't uproot existing values without implanting some new values in their place. Maybe there may not be any need to discard the old values, but simply to de-link the ills that have become associated with them.

Gandhi vehemently opposed the adoption of western principles, customs and lifestyles on the one hand and blind following of Indian traditions on the other hand. He always advocated the adherence to basic Indian values with openness for the good practices of the West. He wanted Indian society to remain firmly rooted in the Indian ethos but at the same time adopt the virtues and forward looking Western social systems. We need

to have a more vibrant civil society, where an average citizen is an informed, educated, healthy and responsible individual. This will ensure greater individual accountability so that the society benefits at large.

12.7 Holistic Development

Indians have always been proud that we have a vibrant democracy. As opposed to other countries that became independent in the sub-continent, such as Pakistan, Bangladesh, Myanmar, etc., India has been successful in keeping its democracy alive. Except the short period of emergency India has always had a democratically elected government. We tout this as a great success of our political system. But can holding of elections and having elected representatives he considered an indicator of a healthy political system? Are not the votes given to a candidate more a of elimination rather than a choice by selection? Contrary to our claims, according to the Global Integrity Index prepared by the US based Centre of Public Integrity India has been rated as a 'weak democracy. The centre studied 25 nations and classified Indian as a weak democracy because of the absence of any meaningful law to monitor the funding for political parties, lack of transparency about the source of party funds, ineffective implementation of laws to check corrupt practices, etc. Despite the constant appeals by the Election Commission to amend the laws to prohibit candidates with criminal antecedents to contest elections, or creating mechanisms for grater transparency in party funding and election expenses, expenses, little has been done. We feel that conducting elections every five years to elect a government is the foundation of a great democracy. But democratic and independent India is not very different from the India that was ruled by the British. Even today an average citizen does not have access to lot of official Information. The recently enacted 'Right to information Act came into being after a long and bitter struggle between the government and the average Indian. There is very little transparency in the official machinery. The political arena today is dominated by money, muscle power and corruption. Freedom led to the transfer of political power from the British to Indians. This maybe called independence but is this Swaraj? Political power has still not percolated to the villages. For the average Indian the people in power are as alien and unapproachable as the British. Can we then say that our Political systems have empowered the average Indian ? And has freedom enabled the average Indian to actively participate in the political process? Can having a large number of armchair critics of politics be considered an indicator of a sound political system? The dismal voters' turnout percentage in elections is an indicator of the loss of faith of the common man in the political process.

Gandhi always advocated that his aim Swaraj, i.e. Self Rule and not merely independence, which he considered to be negative freedom. 'Swaraj for Gandhi is a 'sacred' or 'Vedic' word coming from the very origins of Indian civilization. Independence, on the other hand, is a modern concept; it does not require any 'disciplined rule from within.' It often means "license to do as you like.' Maybe Swaraj may appear like a utopia, towards which men should strive to move. Our political systems should therefore be managed in such a manner that encourages Swaraj or Self Rule. Starting with the individual, Swaraj Should be established at the village level through the Panchayati Raj System. Village should be made the unit of 'enlightened anarchy.' By this Gandhi meant that each individual would become his own ruler. This will result in a situation where That government is best that governs the least.' will become a reality. When political power percolates to the village level, only then we can we expect radical change in our society. But the involvement of the common man in politics will not be possible, unless there are well defined systems for management of election funds and a system of free and fair elections.

Holistic Development

The most outstanding feature of Gandhi's personality was his versatility. He involved himself in all walks of human life. Despite being remembered most popularly as a political leader, Gandhi left his legacy in such diverse areas as economics, nature cure, rural reconstruction, women's empowerment, education and environment. There was probably no area of human activity about which he did not think. And since he 'thought aloud, he experimented with his ideas and tried to test their feasibility. Though he himself said that he was not consistent in his views, we still find an underlying harmony in them. All his actions were aimed at ensuring holistic development. He strongly opposed those who felt that progress in one area would automatically lead to progress in other areas. For instance it is often said that economic emancipation can single-handedly remove all other problems. But experience shows otherwise. Often economic prosperity fails to alleviate social evils. Sometimes lopsided development creates more problems than it solves. That is why holistic and sustainable development is the need of the hour.

While propounding the idea of holistic development, Gandhi emphasized on an education system which address not only the intellect but also the physical and livelihood issues of children. He laid stress on vocational training so that gainful employment could be generated. Also emphasizing the importance of good physical and spiritual health at school level is essential for developing balanced individuals. Education, to be truly effective, should therefore be Panchmukhi, i.e. five-fold-intellectual, practical, physical, aesthetic and moral. A society which has such balanced citizens will be truly progressive and civilized. Gandhi's vision of development as always individual and culture centric He envisioned a development model which would be fuelled by individuals without making them overly dependent in external forces. He always talked about progress within the overall cultural framework of a society. That is why he advocated rural reconstruction. A vibrant rural economy. Based on indigenous resources would be environmentally sustainable and non-exploitative. By adopting this model the detrimental effects of large scale industrialization can be easily avoided. A healthy local economy would contribute to a healthy society, where global influences will not be strong enough to destroy existing value systems. It is often observed that value crisis acquires grave proportions in migrant populations. If people are rooted in their own surroundings they are less likely to be swayed by external influences.

Gandhi's philosophy is very wide and all encompassing. Sometimes he appears too idealistic, sometimes extreme and sometimes contradictory .But he was not a casual thinker and his thoughts have always been always been directed towards balanced development and harmony. His philosophy is indicative and not prescriptive. Gandhi always said that he was not offering anything new to the world. Everything that that he said had already been stated before. He only interpreted those perennial principles and moulded them according to contemporary times, for the betterment of making. He often said, ' there is no such thing as Gandhism. I have not put anything new before India ; I have only presented an ancient thing in a new way. That is why he was opposed to blind follower ship. He wanted people to reflect, introspect and design their own strategy. Hence, Gandhi's principles will always be relevant, because they are not bound by time or nationality. With minor alterations, necessitated of cultural and social differences they are applicable throughout the world.

Gandhi's biggest contribution to mankind is his life and not his thoughts. He did not preach what he had not practiced. Maybe his thoughts were not new but he is probably the most potent example of the practical application of the combined wisdom of the world's religions, philosophies and thinkers. He pulled out the

ideals of human life from books and practiced them in real life. He once that, 'Gandhian thought can hardly be spread through books. Indeed it will be propagated best through being lived. Truth and non-violence are propagated in this manner. If we place a million books on one side and a living example on the other. The value of the example will be greater.' Gandhi has to be lived to be fully understood.

12.9 Key Words

- **Bread Lobour:** Gandhian Philosophy refers that individual should perform manual work for earing his livelihood.
- **Self Management:** Optimum utilization of a person's energy and talent without causing stress on the individual and resolving in greater hormony of the individual with his organisation and people around him.
- **Trusteeship:** The theory that businessmen should work as trustee with basic the responsibility to safeguard the interests of stockholder.
- **Corporate Social Responsibility.** A blend of profit objective of business with responsibilities towards different stakeholders.
- **Business Ethics:** Dealing in business with sound moral standards.
- **Labour Relation:** A scanario of maintaining solutions between labourers and management.

12.10 Self Assessment Test

1. Discuss the essentials of Gandhian leadership.
2. Examine the Gandhian views on societal management.
3. Discuss the management issues of an organization.
4. Describe as how can individual manage himself.
5. What is holistic development? Elaborate Gandhian view point.

12.11 References

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Unit -13 : Organisational Character Competence

Unit Structure:

13.0 Objectives
13.1 Introduction
13.2 Competency-Character Alignment
13.3 Competencies of Competent Organisation
13.4 Characteristics of an Organization with a character Precedence
13.5 Indian Scriptures and Ethical Organization
13.6 West Point Model
13.7 Important Parameters for Organizational Character Index
13.8 Organizational Character
13.9 Character and Competence Matrix
13.10 Summary
13.11 Self Assessment Test
13.12 References

13.0 Objectives

After reading this you will be able:

- To study the concept and importance of character competence of an organization;
- To differentiate between competence and character of an organization;
- To study the parameters for developing a character index for an organization;
- To study the various types of competencies in an organization;
- To understand the relevant broad dimensions in developing character competence in an organization;
- To study the relationship between the character competence and success of an organization;

13.1 Introduction

Management is a process of aligning people and getting them committed to work for a common goal to the maximum social benefit. There is growing concern about the rapid deterioration of ethical and moral values cutting across all segments of society, increasing graph of violence and corruption, growing fanaticism and fundamentalism, cynical disregard for the rule of law, etc. Faith in democracy and our political leadership is eroding at an alarming rate. India has not been able to garner good ratings for herself on the corruption index as a clean country; rather she has been rated quite high on the scale of corruption in the world. In spite of open and repeated evidence of this malaise, neither the leadership nor the education-training system has done anything tangible for curing the disease, which is ruining our culture. Role of Education is man making and character building. But our Education system gives very little attention to this vital aspect. The main emphasis in training programmes is in imparting “knowledge and skills” and in manipulation of the mind for cultivating artificial attitudes and behavior, rather than on “purification of the mind”. Thus Competence is given importance, totally neglecting Character, which is equally, if not more, important.

Competence is the possession of the ability to function in a field. It is the possession of skill and knowledge required in a particular domain of activity. An adequate and sufficient ability in doing something. Every field in life has its required skill and knowledge to function in such field, which is in most cases deposited in human nature but hidden (raw). Since human potential is hidden to man it requires a kind of education to train it to maturity.

These are the two keys to corporate relevance: competence and character. An organizational behavior is traced down to the founder of the organization character. The mission and vision statement is constructed from the identity of the owner. To have a product to offer is one thing but the other is to build a corporate character. This often refers to the ethics of an organization, your character as a person can be developed in a brand that compete in the global market but could also reduce the corporate identity, if poorly managed. Every field has a required skill and knowledge as well as corporate ethics through character. Character competence at length in this unit.

Orgnisational character is a web of influences on a social system from which it develops a unique way of behaving, a personality or culture. OC is not merely the transparent observations of corporate culture but a construct to explain an organization's behavior. Culture is the effect, character the cause.

13.2 Competency-Character Alignment

Competencies must also reflect or factor the unique requirements of the organization based on its operating philosophies, culture, employee relationships and team dynamics. Primary, secondary and tertiary competencies depends on their potential impact on performance.

But in business, confidence in character is not enough to justify trust. Trust also involves the conviction that the person or organization will successfully do what is expected. This competency dimension of trust embraces faith in ability, knowledge and judgment as well as a belief that the person or organization will be reliable and responsive. Reliability is established through diligence and follow-through while responsiveness involves respectful communication and demonstrated concern.

TRUST or RELIABILITY = CHARACTER + COMPETENCE

The four Cs of leadership

The quality of the leadership at the top is perhaps the most important factor in any business organization. There are broadly four attributes that a corporate leader needs to have.

The first is **character**, and this is the most important element. Character starts with ethics and value systems, traditionally known as, *Rajdharma*, from the root word *dharma*. *Rajdharma*, then, is the behavioral expectation from a king. Times have changed and what was expected of a person in the ancient past is different from the expectations of today, but the basic principles remain the same. The person who leads his flock to do well is a good leader; the one who leads his people to do bad is a bad leader. A good leader has to be a strong character that has the interests of those he leads and of wider society at heart. These are the kind who makes for truly good business leaders.

The second element is **commitment**. Leaders must necessarily have and must necessarily exhibit commitment. There cannot be any gaps between the word and the deed.

The third factor is **competence**. The particular nature of the competence does not matter so much, but there must be — somewhere, someplace — a superlative competence in some aspect of business. This

could translate into an ability to grasp what is happening, technical capabilities or something else. You do not really need comprehensive competence, which is anyway near impossible to secure.

The final piece in the leadership equation, one that runs parallel with character, is **courage**. If you have no courage, then character, competence and commitment will not take you too far. Leaders live on the precipice and that is where leadership is determined. Decisions are shaped because of circumstances and the way you interpret and act on them. If a leader has character and courage, commitment and competence, then charisma will follow naturally.

People want to do business with people who have both character and competence, but how to do that? Mellor said that if companies hire for both character and competence as opposed to just one or the other, then they get consistency, because C1 (character) + C2 (competence) = C3 (consistency).

Competence is the engine and character is the steer, resulting into consistency, the journey. Competence enables to compete with others but character creates the unique identity and long – term viability. Character is what the organization is.

Including character in the equation is what gives companies and organizations a competitive edge, because they do business differently.

C1 — CHARACTER describes the set of values used to determine one's actions. An organization's character includes the cultural norms and values that guide its decision-making in the larger benefit of the stakeholders.

C2 — COMPETENCE is determined by one's ability to do something well measured against a common standard. An organization's competence is determined by its ability to solve technical problems.

C3 — CONSISTENCY is one's ability to produce the same results over an extended period of time. An organization's consistency is its ability to provide character- and competence-based solutions over an extended period of time.

The product or service that an organization produces or caters to, should not define the entity, rather the way these are delivered at the receiver's end reveals the real face of the organization.

Character is the basic foundation on which the bottom-line rests. It helps with the bottom-line.

The characteristics of a healthy organization include:

- Clear Mission and Purpose
- Respectful
- Loyal
- Creative/Innovative
- Generous
- Express Appreciation
- Sound Business Practices
- Customer-Oriented Approach
- Courageous
- Flexible
- Efficient
- Friendly

13.3 Competencies of Competent Organisation

There are various aspects of the competent organization which are discussed below:

- First, competence must include the ability to respond to the dynamic nature of an organization's external environment and of its own internal processes. The requirement of sustainability in the above definition of competence encompasses both forms of dynamics. To be sustainable, a competence must respond to the dynamics of the external environment by enabling an organization to maintain its ability to create value in the marketplace even as changes take place in market preferences and available technologies. Sustainability also requires overcoming internal organizational dynamics that result in various forms of organizational entropy, such as a gradual loss of organizational focus, a narrowing and increasing rigidity in the patterns of activity the organization can or does perform, a progressive lowering of organizational expectations for performance and success, and the like.

- Second, competence must include an ability to manage The essential feature of the law of entropy is that systems naturally tend to devolve to lower states of energy, which takes the systemic nature of organizations and of their interactions with other organizations. The requirement of coordination of resources addresses this dimension of competence. In the first instance, competence requires an ability to coordinate an organization's own organization-specific resources - i.e., the resources within the boundaries of the organization and thus under its direct control - in processes of creating value through product creation and realization. In addition, competence involves accessing and coordinating important organization-addressable resources that lie beyond the boundaries of the organization. Providers of key organization-addressable resources include materials and components suppliers, distributors, consultants, financial institutions and customers.

- Third, competence must include an ability to manage the cognitive processes of an organization. The requirement of deployment of resources - directing organizational resources to specific value-creating activities - addresses this dimension of competence. Organization's managers are ultimately responsible for deciding the ways in which an organization will try to create value in its targeted product markets. Thus, achieving organizational competence poses a twofold cognitive challenge to managers. Managers must be able to ascertain and assure that an organization's operations meet at least the minimum efficiency requirements needed to carry out the strategies of the organization, but they must also be able to define and select strategies that have the potential to create value in targeted markets when they are carried out efficiently. In other words, managers are responsible for both efficient and effective use of an organization's resources.

- Fourth, competence must include the ability to manage the holistic nature of an organization as an open system. The requirement of goal achievement addresses the multiplicity of individual and institutional interests that intermingle in and are served through any organization. To lead an organization in achieving goals requires that managers be able to define organizational goals that promise a satisfactory level of goal achievement for all individual and institutional providers of the essential resources the organization needs. Thus, the definition of organizational competence recognizes the existence of multiple stakeholders and the importance of meeting the expectations of all providers of essential resources in sustaining the value-creating processes of an organization.

When we talk about the competencies of an organization, they cannot be seen in isolation with those of its various organic and inorganic structures. The sum total of all the relevant parts of an organization forms the basis of organizational competencies.

The core competencies required for efficient working of an organization include the following:

1	**General Competencies**	• Ability to make informed business decisions • Entrepreneurial • Ability to gauge wider picture and perspective • Integrity in personal and business dealings • International experience • Personal commitment to the Purpose, Vision and Values of the organization
2	**Character Competencies**	• Actions based on morals and values • Willingness to act on and remain accountable for board decisions • Courage to pursue convictions • Can be objective at all times about what is best for the organization • A good sense of humor • Has an independent mind and is inquisitive • Ability to act as a team player • Prepares well for board meetings – reads papers, seeks answers • Committed to seeing the organization makes a difference
3	**Communication Competencies**	• Can articulate thoughts, opinions, rationales, & points in a clear, concise & logical manner • Flexibility & willingness to change stances when necessary or appropriate • Has the ability to listen, process and understand key points • Interact with other board members in a group setting, both contributing to, and valuing the contributions of all members • Ability to coach members of staff • Ability to deal with the media – comfortable on public platforms • Recognizes the motivations of stakeholders such as investors, members, customers, competitors, employees, regulators & other groups, & communicates with them accordingly • Ability to relate to a wide range of people & establish quality relationships • Can influence and persuade others • Adds value to the board dialogue • Is able to focus at the governance level of issues • Is able to disagree without being disagreeable • Is competent and experienced in using the Internet and email • A cultural awareness & understanding and appreciation of different cultural needs
4	**Knowledge Competencies**	• Understands responsibilities according to post • Aware of latest business and management practices • Understands the roles, processes and relationships of the board and its members • Knows key performance indicators of the company & its senior management • Understands legal, accounting, & regulatory requirements affecting company • Keeps up to date developing knowledge and skills – reads widely • Has a knowledge of own limitations and is prepared to ask for help • Has governance experience

5	**Strategic Competencies**	•Can see strengths & weaknesses of company, & how decisions will impact •Ability to recognize opportunities and threats in specific industry •Ability to recognize wider business & societal changes, particularly in the context of global markets •Ensures strategies, budgets & business plans are compatible with vision & strategy •Aware of change and the need for change •Understands the difference between governance and management issues
6	**Analytical Competencies**	•Can read and interpret financial reports •Ability to think critically and challenge proposals •Understand issues from different perspectives •Asks for and uses information to make informed judgments/assessments
7	**Sector Competencies**	•Specific experience with the sector in which the organization operates •Professional expertise in the sector in which the organization operates •A deep understanding of the particular business model most effective in the sector

Core Competences

Core competencies are those capabilities that are critical to a business achieving competitive advantage. The starting point for analyzing core competencies is recognizing that competition between businesses is as much a race for competence mastery as it is for market position and market power.So the goal is for management to focus attention on competencies that really affect competitive advantage. The main ideas about Core Competencies were developed by C K Prahalad and G Hamel through a series of articles in the Harvard Business Review followed by a best-selling book - Competing for the Future. Their central idea was that over time companies may develop key areas of expertise which are distinctive to that company and critical to the company's long term growth.These areas of expertise may be in any area but are most likely to develop in the critical, central areas of the company where the most **value is added** to its products. Core Competencies are not seen as being fixed. Core Competencies should change in response to changes in the company's environment. They are flexible and evolve over time. As a business evolves and adapts to new circumstances and opportunities, so its Core Competencies will have to adapt and change.

Identifying Core Competencies

Prahalad and Hamel suggest three factors to help identify core competencies in any business:

Provides potential access to a wide variety of markets	The key core competencies here are those that enable the creation of new products and services. **Core Competencies that enable to enter apparently different markets:** **- Clear distinctive brand proposition that focuses solely on a closely-defined customer group** - Leading direct marketing skills - database management; direct-mailing campaigns; call centre sales conversion - Skills in customer relationship management
Makes a significant contribution to the perceived customer benefits of the end product	Core competencies are the skills that enable a business to deliver a **fundamental customer benefit -** in other words: what is it that causes customers to choose one product over another? To identify core competencies in a particular market, ask questions such as "why is the customer willing to pay more or less for one product or service than another?" "What is a customer actually paying for? Core competencies that mean customers value the company experience so highly: - Designing and implementing supply systems that effectively link existing shops with the Tesco.com web site - Ability to design and deliver a "customer interface" that personalizes online shopping and makes it more efficient - Reliable and efficient delivery infrastructure (product picking, distribution, customer satisfaction handling)

Difficult for competitors to imitate	A core competence should be **"competitively unique"**: In many industries, most skills can be considered a prerequisite for participation and do not provide any significant competitor differentiation. To qualify as "core", a competence should be something that other competitors wish they had within their own business. Core competencies that are difficult for the competition to imitate: - Online customer "bespeaking" of each computer built - Minimization of working capital in the production process - High manufacturing and distribution quality - reliable products at competitive prices.

A competence which is central to the business's operations but which is not exceptional in some way **should not be considered as a core competence**, as it will **not differentiate the business** from any other similar businesses.

Such a process is highly unlikely to generate a differentiated advantage over rival businesses. However it is possible to develop such a process into a core competence with suitable investment in equipment and training. It follows from the concept of Core Competencies that resources that are standardized or easily available will not enable a business to achieve a competitive advantage over rivals.

13.4 Ethical Organization with a Character Precedence

Characteristics of an ethical organization can be summarized as follows:

Trust	**Trusting and believing in your employees or subordinates, making them feel worth it and adding to the project and the company, showing of appreciation i.e. praises and acknowledgement**
Effective communication (upwards/downwards)	Able to communicate the company objectives, mission and vision with all customers, clients and the stakeholders
Openness	Be open with your employees, no hidden agendas
Objectivity and fairness	Be object in your praises and critics with your employees. Don't judge, communicate
Integrity	Live up to your values, beliefs in whatever you do
Transparency	Be fair, just, consistent and objective in anything you do
Values	Live up to your values
Sharing your wealth	Knowledge and/or money through Corporate Social Responsibility, empowering others who helped you become who you are today &/or whom you are benefiting from in the business society, community, etc.

A statement by Kapil Jawa emphasizes the importance of character as the basis of any policy decision. He states that, "Just as economic growth is necessary for human development, human development is critical to economic growth. This two-way link must be at the heart of any enlightened policy action. The purpose of development is to create an enabling environment for people to enjoy long, healthy, and

creative lives. This simple but powerful truth is too often forgotten in the pursuit of material and financial wealth."

He further states that, character development is a business leader's greatest contribution to economic development, and business leaders steeped in spiritual values can best help build the **Gross National Character (GNC)** of nation.

The philosophy found in Kautilya's Arthashastra inspired revival of many kingdoms in India for years after his reign. As Kapil stated: the healthiest state of affairs was one in which values higher than worldly possessions received honor and approval; maximum production was not the supreme objective of the economic organization; commerce or wealth-making was not an end in itself; and merchants and manufacturers carried out their activities in a trust for the society they lived in.

Kapil concluded his findings in this way:

- Gross National Product and per capita income are not holistic indicators to compare the progress and development of nations.
- A developmental philosophy should be framed in terms of achieving the overall welfare of society and not just economic growth.
- Economic development should result in enabling people to achieve the final spiritual goal of human life.
- In addition to the use of economic indicators, we could use indicators of five universal values – truth, righteousness, peace, love, and non-violence – to measure national development.

We can decipher from the above that the real wealth of a nation is the character of its people in the Following paragraphs:

As Swami Vivekananda once said: The rise of nations comes with an increase of men of character and of strong ethical and moral fiber.

Therefore, every country in the world that wishes to increase its real wealth must necessarily focus on increasing its Gross National Character (GNC), along with its Gross National Product (GNP).

While these initiatives are at a macro level; the business leaders also have the opportunity to make a dramatic difference to the overall welfare of the world, by taking the lead in exercising their own character, inspiring integrity in their colleagues, and transforming the character of their organizations. It has been found through various reliable studies that character springs most deeply and most directly from one's spiritual nature. Therefore, the real call is for transformational leaders who base their leadership on their spiritual roots and values.

Character development is a business leader's greatest contribution to the development of an economy, which comes from the Greek word "oikonomos", meaning "household management". When one steps up to the call to be business leaders steeped in the spiritual values, then the management of companies and economies would be with the same character as own households – and thus build the Gross National Character (GNC) of our nations.

So, it is important to ask one: How can I contribute to the strengthening of character in my colleagues, my organization, and myself? How can I contribute to the Gross National Character of my country? This is the only way to create an organization with character and competency in a proper balance.

There is growing concern about the deterioration of ethical and moral Values in all segments of society, increasing violence and corruption, growing parochialism and fundamentalism, cynical disregard for the rule of law, etc. In spite of open evidence of this malaise, neither the leadership nor the education-training system has done anything tangible for curing the disease, which is ruining the culture. Role of Education is man making and character building. But the Education system gives very little attention to this vital aspect. The main emphasis in training programmes is in imparting "knowledge and skills" and in manipulation of the mind for cultivating artificial attitudes and behavior, rather than on "purification of the mind". Thus Competence is given importance, totally neglecting Character, which is equally, if not more, important.

13.5 Indian Scriptures and Ethical Organization

The ancient Indian Scriptures, the wisdom of which transcends the realms of time and space, harbor the Indian ethos which is relevant to all the spheres of human activity. Careerism is corroding the cultural base of organizations.

In the case of professionally managed Indian Private Companies and MNCs, motivation is based on conventional concepts of management, material incentives for good work and behavior as well as punishment for corruption and deviant behavior. Since punitive methods are not feasible and more often fail to rectify the incorrect behavior, the only way that remains is to inspire organizations with idealism and service consciousness, mission and vision – based on a spiritual approach to life and work. One aspect of Management is a-cultural, like techniques, but all relational aspects are culture specific. Indian concepts, drawn from ancient wisdom, are a treasure for management.

Management and organizations are now recognized as living entities. They have mind, heart and soul. They have their own distinct dharma. They are bound to natural, ecological, human, ethical and moral values, which determine their public image. Dharma means right through, right speech, right action and right behavior. Management must maximize life quality but also the quality of work. All living things are related to one another. They are also related to their physical environment or nature.

Organizations, institutions as well as nations comprise of human beings, nature and environment and all these are interrelated to each other. If we harm one, the other two will have an impact. Holism means oneness. The unity or oneness demands social responsibility, social awareness and social responsiveness of management to society.

- An enterprise must interact with and live in as a responsible enlightened citizen in the society. In age of fast changing and turbulent environment proactive management is demanded to meet challenges of change in the society, through wisdom, leadership, and learning organization.
- Each organization and management is considered by Indian ethos as a living entity, having heart and soul and dharma. The traits of dharma or integrity. E.g. Courage, Self Discipline, Goodness, Righteousness and all other essential human and ethical values constitute the character (collective character) of management or organization, just as they are of individual character.
- All the human beings follow their own dharma. They have their heart, mind and soul with their own opinions, values, ethos that constitute an organization, institute and so on hence represent living entity.

- Soul less company has no life. The spirit is the root or ultimate source of all values and character. These values and character are the invaluable assets of the credibility and goodwill of individuals, organization and management.
- The dharma of the chairman or president of a company is different from the dharma of a clerk in the office. They are in different places in life. They have different roles, duties and responsibilities.
- The corporate/organization culture and character govern their image, credibility and goodwill in the market and we have profitability, harmony and prosperity

Four traditional methods of mind purification is:

1. **Jnana Yoga (Path of Knowledge):** Discrimination enables to distinguish lower self from higher self and find out (rediscover) our Real Nature God reveal thyself in my heart and actions.
2. **Raja Yoga (Path of Mind Control):** If operates wit the mind, aims at perfections of mind control, then enter into concentration and trance of Samadhi, we have training of whole mental system a pre-condition of perfection.
3. **Bhakti Yoga (Path of Devotion):** Self surrender to the Lord and emotionally one can reach the goal of pure consciousness or Divinity.
4. **Karma Yoga (Path of Action):** Selfless action purifies our mind-intellect. Purer mind can concentrate, contemplate and meditate to approach perfection or divinity i.e. pure consciousness.

For it is character through which leadership is exercised, it is character that sets the example and is imitated in turn. Leader lacking in character and integrity which are the part of values no matter how knowledgeable, how brilliant, how successful – he destroys people the valuable asset of company.

Deep Rooted Values of Indian Culture:

1. Every individual must be respected: Because every individual is a reflection of God has a divinity
2. Cooperation and trust – because of the divine inner being of all human beings
3. Jealousy is harmful for mental health
4. Chitta-shuddhi or purification of the mind – with noble thoughts of compassion, friendliness, humility, gratitude etc.
5. Work is worship or Karma yoga –
6. Containment of greed
7. Ethico-moral soundness because every karma is a cause for subsequent effect
8. Self discipline and self restraint
9. Creativity – because human creativity is an integral component and extension of cosmic creativity
10. The inspiration to give –as opposed to the motivation to need grab etc.
11. Renunciation and detachment –not from duties and responsibilities but from selfish results/ rewards.

13.6 West Point Model

Simply put, we must practice what we know or believe to be right, true, proper, etc. Being true to ourselves and our understanding of truth is the essence of integrity (a cardinal value). To profess something to be true or correct while behaving in a contrary manner is hypocrisy (a cardinal vice). Sometimes, we adhere out of fear of adverse consequences. Such fear may promote a behavior that is consistent with desired societal norms, standards, rules, or law – but, not for the essentially right reason. Inevitably, behavior that is motivated by fear may change completely when or if the fear factor is removed. Rather, behavior that is self-motivated, based on the principle of "doing what is right for its own sake" is enduring and meaningful. Such principle-based behavior is often difficult to achieve and to sustain. It takes courage (a cardinal value) and it often needs help. The process of character development is life-long, and people can learn to be good, and they can get better at it, but not by accident.

Application of West Point Model in the Corporate/Professional Environment

- The leadership must be committed to the goal of developing professional character within the organization. "Every great institution is the lengthened shadow of a single man (person). His (or her) character determines the character of (the) organization." (Ralph Waldo Emerson)
- Everyone must be invested. Ethical practices are everyone's business. The ethical spirit transcends rules, regulations, policies, and mere "compliance" and "enforcement".
- Ethical business practices must be taught and nurtured along with every activity that is intended to develop individual and corporate professional competence.

  Every organization invests in and requires "continuing education/training, and professional development". Such activities include classes, seminars, off-sites, conferences, lectures, required reading/study, among many others. The intent is to enhance competency in business practices. Without additional costs, the ethics of the practice must be imbedded within the presentation. This can be done with case studies, discussion points, dilemma resolutions, and other (cost-free) means.
- In order to develop character in ourselves and in our organizations, we must understand what we want (goals, hopes, dreams, aspirations, etc.). We must know what we value (that which is always important). We must know whom we admire and want to emulate. We must know and understand our fundamental beliefs. We must know why we hold these to be true. In essence, we must examine our personal, professional, corporate life. It is useful to embrace a code, one that simply and clearly captures the foundation of our personal philosophy. It is essential to read, to listen, and to watch others in order to learn what they believe. We must be willing to challenge our own opinions in light of facts or views to the contrary.
- Character is manifest in decision-making and action at the same time. The entire process of character development is a continuum. From all this, we gain experience, contributing to our wisdom (our ability to make better decisions in the future). As we grow in wisdom and understanding, we are better able to help others (through mentoring and setting the example). Thus, we develop in character by helping others and ourselves. Always, we are striving to live up to our ideals while helping and encouraging others to do so, too. When we err, as inevitably we will, we learn from our mistakes (admit them honestly) and move on.

Changing the culture of a corporation is like conducting a major political campaign. It takes total commitment at all levels. Ethical behavior must be a condition of employment and positive ethical behavior should be evaluated and rewarded and unethical behavior should be identified, recognized and punished. This is serious business that requires more than lip service. A culture of character must be developed and sustained and it begins and ends at the top. When an organization has truly developed a culture of trust that goes a long way toward enhancing synergy and empowerment that greatly facilitates the ability of people to work together for common purposes.

A corporation's well being or its ability to compete is conditioned by a single pervasive cultural characteristic – the level of trust inherent in it employees and leaders. That trust springs from habits, customs and ethics. Moral leadership is good business and Good ethics is good business.

13.7 Important Parameters for Organizational Character Index

S. NO.	PARAMETER	ALTERNATIVES AVAILABLE
1.	Organization's focus is	• demands of stakeholders • to perform its best
2.	Organization is better at	• producing and delivering established products/services • planning or creating new ones
3.	Organization gives importance to	• its efficient systems • its dedicated people
4.	Does the organization	• spell out the details of its policies and procedures • does it avoid such detail in the name of letting people work in the their own best style
5.	Can the employees	• see the organization's inner workings fairly clearly • decision making invisible to most people
6.	Organization emphasizes	• reaching a decision quickly • considering things from every angle, even if it takes quite a while
7.	Are decisions more often made	• because of market data • because of internal factors
8.	Organizational decisions really made	• with the head (tempered by humanity) • with the heart (balanced by information)
9.	At the organization, does communication mean	• giving information to • staying in touch with its constituencies
10.	Which are taken more seriously in dealing with personnel issues	• general principles and standards • individual circumstances and situations
11.	If the organization has a fault, then it	• it locks into decisions to quickly • it keeps too many options open too long
12.	Does the organization rely on	• carefully established procedures • "playing it as it lies"
13.	Organization's leadership better described as	• solid and down to earth • intuitive and visionary
14.	Is the organization better described as	• a structure of tasked-based positions (where the relationships are secondary) • a system in which relationships are almost as important as tasks
15.	Which better describes the leaders' style	• criticism • encouragement
16.	Do the organization's people and component units	• collaborate naturally and from the beginning of a project • somewhat uncomfortably and after their separate positions have been established

17.	Which usually determines the organization's direction	• the external challenges it faces • the internal resource it possesses
18.	When people in the organization talk about "the right thing to do," are they referring to	• the logical or rational thing • the humane and sensitive thing
19.	In terms of strategy, is the organization driven by	• its clients' needs and its competitors' action • its functional and professional capabilities
20.	Which better describes the organization	• sticking to tried and true • undertaking bold new ventures

13.8 Organizational Character

"Character" is from a Greek term that means "to engrave." Character is that which is etched in stone, in the sense that, once formed, it is not readily changed. It is whatever the person or organization takes seriously, without reservation. Character is as deep as it gets. At the same time, character is a construct that we see expressed through consistent behaviors—words, expressed attitudes, interactions, and deeds of all sorts.

Character is best understood as an independent variable, separate from the positions one takes or one's ability to achieve results. While organizational character is enduring, it is much less relevant to constancy than to change. Organizations do not need character to continue to do the same things. Many other facets of organizational life are far better designed to ensure the preservation of present trends and conditions.

What forms organizational character?

Generally it is believed to be most closely aligned with two terms: belief and intention. Beliefs, of course, are readily stated and connected to vision and mission. When beliefs reflect character, however, they are not simply held or repeated; they are actively expressed. Further, they are expressed not only explicitly in formal program and policy decisions but implicitly in the way people do their relating.

Intent is the second key element. Intentions in a framework of outcomes have lost currency. Those with performance targets, for example, are generally thought to outperform those with "best intentions." Who cares what you aspired to do? What matters is the result. If care is not taken, then intention becomes nothing more than explanation or excuse for failure. But intention does matter. Indeed, one of the best uses of Out-come frameworks is that they codify intention.

It is tempting to say that all organizations have and express every organizational component deemed important and that the only question is the form that they take. I have long questioned that doctrine. In some organizations, for example, I simply do not find organizational culture, be it good, bad or indifferent, to exist. There is no one common framework of values or even habits. This is even more the case with character. All organizations have characteristics; few

Organizations have character. How do we know when character is present? Here are four indicators.

1. The Extra Mile Test

Beyond what an organization does when push- comes-to-shove is what it chooses to do to express a belief that goes beyond expectation or presumption of reasonable behavior. Few examples of character in action are:

- William Carey, head of W. P. Carey, Inc., did not have to send checks to stakeholders owed money years after his family's sugar business in Colorado went under, but he did so.
- Herb Kelleher, President of Southwest Airlines did not have to write to some obnoxious passengers to tell them they were wrong to abuse his staff and to take their business elsewhere, but he did so.

Character shines when it creates a path rather than follows one. Further, it is at work seeking direction and focus even when no external prompt is forthcoming.

2. Policy and Practice Congruence

Many organizations say that their people are "empowered" but few actually do so. If they do, then, return on Investment backs this remarkable policy, Return policies are another example. When an organization truly stands behind its product, it takes it back not only when defective but when it does not create intended enjoyment or other value. In most organizations, policies and beliefs are found to be at remarkable odds if anyone bothers to analyze the discrepancy.

3. Beliefs and Intents as Change Determinants

When crisis or opportunity strikes, many groups look to situational ethics for the answer. They appraise strengths and weaknesses, environmental shifts, and current opportunities and gaps. Indeed, innovation concepts thrive on situational factors. In a few cases, organizations also use character as a beacon. "Our belief is that we must give employees mobility opportunities. Since we have few mobility paths here, let's acquire organizational capacity to create more paths." This is not a common rationale for growth, but it is a character-based one: In more frequent cases, change requirements come first and the role of character is to shape the qualitative dimensions of change. For example, will employees being terminated be sent a slip and asked to exit by noon or will someone look them in the eye and tell them why they cannot stay, then give them the time to close out psychologically as well as physically or will people be allowed to stay the extra four months to earn their pension or be cut off just in time to save the expense?

4. Relationship between Surface and Mass

One of the arenas in which appearances and character go hand-in-hand is sculpture. In organizations as in art, the shape of the organization tells you something about its core nature. The traditional organization chart, for example, is a triangle with the base at the bottom. A few leaders are on top, and an array of support staff and workers are at the bottom. A belief in the importance of staff would suggest a reversed shape, with the people delivering the service at the top, and the leaders below, supporting them. So, the character is integral in an organization.

Is the Organizational Character beyond the Person?

We are still left with the issue of whether character in an organization exists independently of the character of its people. The reality is that it does not, and that this—in itself—is an important character belief. Organizational structure is often defined as that which survives shifts in people and, indeed, determines how people will end up behaving regardless of initial disposition.

Organizational character is different. It is dependent on personal character. Yet, it also hopes to build a critical mass that will be sustained over time. When organizations have character, they can build on it. But if they do not begin with character, they will have a hard time ending with it. This paradox is as true for organizations as for individuals.

High performing businesses have distinct technical/functional competencies that are core to strategy, and as such, are a source of sustainable market advantage. In addition to these technical or functional skills, the high performing organization has a focused agenda for establishing and communicating shared values and organizational competencies. Organizational competencies in leadership, planning, information

exchange, rewards, teamwork and learning or innovation are the basic building blocks of culture, and as such, guide the decisions and behavior across the high performing organization.

Shared values stem from the company's heritage and roots and tend to reflect the personal values of leadership. Organizational competencies also reflect this individual influence, yet in high performing companies, tend to flow more deliberately from the company's vision and strategy. When cemented in the business strategy, they become more meaningful and measurable for all organizational members.

Technical/functional competencies describe what a company has that is "special", while shared values and organizational competencies describe how the business will run, and ultimately, become the essence of culture, enabling clarity of goals and highly accountable roles for all.

Business Values

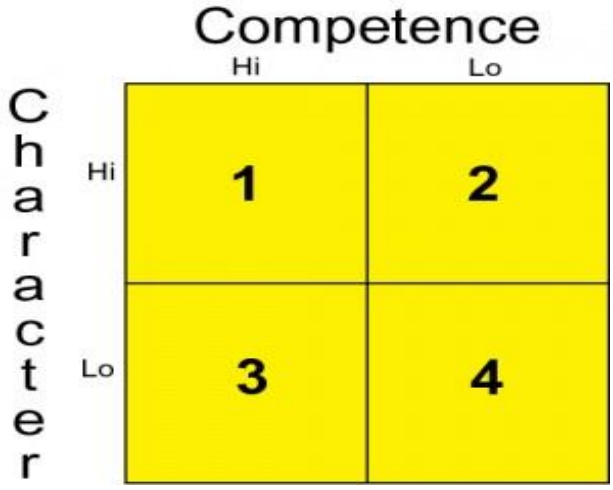
Shared values have tremendous impact on the cycle time, quality and credibility of management decisions in the eyes of shareholders, partners, customers and employees. When they are a part of the day-to-day running of the business, shared values serve as a point of continuity and stability through the turbulence that most management teams experience.

High performing organizations have shared values; fundamental beliefs and principles that serve as guideposts for key business decisions as well as the day-to-day activities and behavior of the organization. These are not merely words, but clear standards upon which people judge success and each other's contribution to winning.

High performing organizations demonstrate shared values in all they do. They are exceptional at communication. Their strategy is clear and their brand is distinct, while both are demonstrated in the day-to-day behavior of the organization. Leadership thinks and acts systemically to create a high performing culture. The company has an unwavering focus on results and is continually fine-tuning the alignment of company resources to reflect shifts in strategy. These organizations have clear operating models and a set of well-defined competencies that are aligned with the vision, mission and strategy. The high performing business demonstrates solid general management discipline that compliments the value of visionaries and strategists to unleash passion and an unwavering drive for financial results, customer value creation, operational excellence and continual learning.

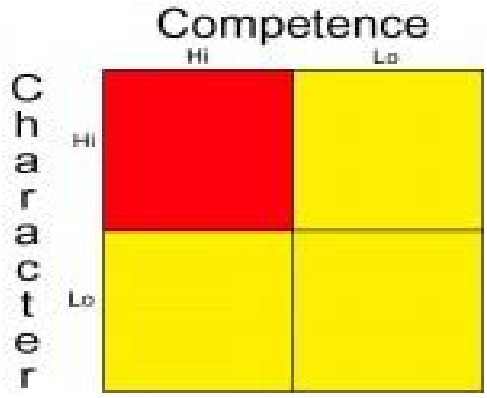
13.9 Character and Competence Matrix

Both character and competence are necessary for trust in the context of organization or the employees. It is broadly understood that the attributes like character and competence of an organization are expressed through its employees. By placing these in a matrix, some observations become clear.



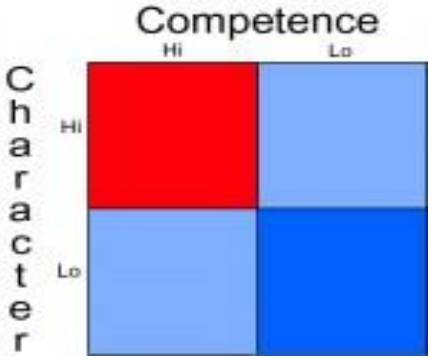
The matrix to the right displays "Character" and "Competence" ranging in strength from "High" to "Low." This yields four possible positions on the matrix:

1. High Character/High Competence
2. High Character/Low Competence
3. Low Character/High Competence
4. Low Character/Low Competence



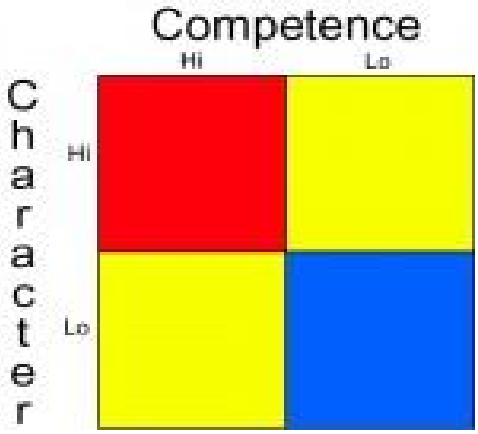
Trust—in functional relationships—is only possible when both character and competence are high. One can trust another —fully, completely—only when there is confidence that one is working with people who have high integrity and high ability. Trust is a function of believing both in "who someone is" and "what someone can accomplish." This holds very true especially in 2 cases, namely:

- Between Organization and Customers
- Between Organization and Employees



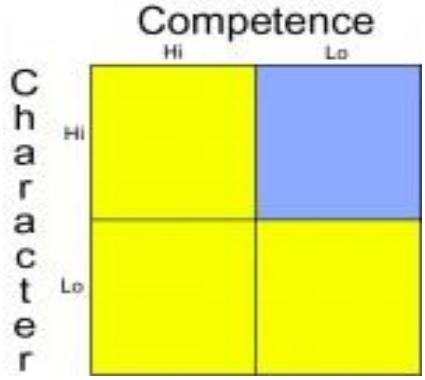
Once character or competence is called into question, trust becomes the first victim. Certainly we respond to people of both low character and low competence with distrust and suspicion. But even when only one of these attributes is questioned (e.g., high character but low competence), trust still takes a hit.

Someone may have the best motives and intentions. But if he or she doesn't have the skills to translate those intentions into results, we will not trust them with the important work we've been given to accomplish. In a similar way, someone may have the best skills, abilities, and experience. But if we cannot count on their character (their honesty, humility, selflessness), we will not trust them to put their skills to work on trustable means and ends.



It's fairly easy to know how to handle those at the extremes—those high or low on *both* dimensions. Organizations, who are of high character and competence (the red square), should be celebrated, honored, and rewarded. On the other extreme, those who lack character and competence (the blue square), who can't be effective in an economical and leadership role, won't live out the principles that define the mutual coexistence, should be let go quickly.

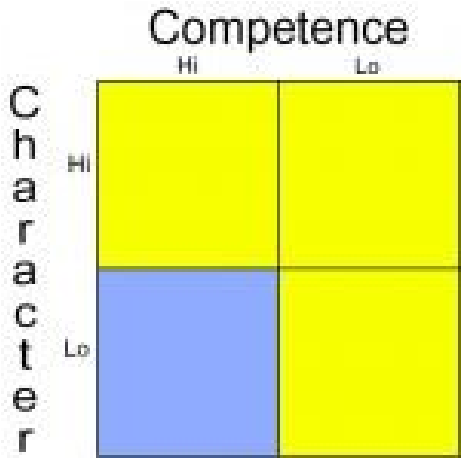
Such an organization is a kind of parasite on the society at large, impacting the stakeholders in a negative manner.



It's in the middle ground that things become more complicated. How to handle organizations or the leadership team who evidence the highest character, the best motives and intentions, but are incapable of doing effective work? They are nice, but they can't be trusted with any work that matters. Such cases are absolutely worth the time and attention.

Because of the good character (a relatively rare thing in this dark world), they deserve the best to be offered in helping them to be successful. What should not be done is to consider that competence is unimportant, or it can be overlooked or ignored. Even though it may be painful, when we find ourselves "blessed" with people of high character and low competence, we need to muster up the courage to confront the issue, see if there is any willingness to develop competencies, and develop a strategy for skill building. Perhaps some reading, specific training or pairing the person with someone who is successfully doing similar work (a model) … intensive coaching. If all else fails, it should be deliberated whether the incompetence is general or specific. Sometimes people are mismatched to responsibilities. A change in job description (reassignment) can often do wonders for someone who is ill-equipped for their present role.

If even that fails, however, organizations must value their mission and their work highly enough to let good-character, poorly-skilled people go (or ask them to step down). Doing so is hard and won't be accomplished without pain. But it underscores the commitment to work, the estimation of its importance, and the determination to see it done.



The last square on the matrix (low character/high competence) is the hardest kind of leader to deal with. What to do with members, who can organize up a storm, speak and write well, run a program, possess a charismatic style, but are careless about the constancy of their character? They excuse small dishonesties. They rationalize laziness. They downplay inappropriate interactions. They ignore their faults. .

One should not be foolhardy to think that such people can be handled well. The most difficult leader to deal with is the one who demonstrates surface success while experiencing character leakage below the waterline, It is important to notice and rectify small erosions of character or else a character-avalanche would sweep away the organization.

What are we to do with people like this?

1. Determine that competence never trumps character. No matter how gifted or skilled, an employee is, he or she is never exempt from the character rules that govern an employee's conduct.
2. Address character issues immediately and earnestly. Step in. Confront. Give opportunity for confession and repentance. Doing so may well save a competent leader's future. Failing to do so only postpones the inevitable and intensifies the fall.
3. Explain the difference between *lack* of character and *failure* of character, between a *pattern* of uncharactered behavior and an *instance* of uncharactered behavior. Explain that you only the latter can be tolerated for a certain time and that one of the primary tasks in the present situation is to discern which problem of character are involved.
4. Be crystal clear about boundaries and consequences. If there is a certain weakness related to a specific area, explain what is expected, how it would be monitored, and what will happen if there is a lapse.
5. Define your relationship with the person in question. You may become the mentor or guide or fellow colleague for the purpose, but you are also the one who will monitor their behavior in the future and hold them accountable for their decisions.

If even this fails, own integrity must be valued highly enough to let highly-skilled, poorly-character people go (or ask them to step down). Doing this is hard and won't be accomplished without pain. But it underscores the commitment to principles, integrity, and the determination to put stakeholders above everything else. And, in the end, such hard decisions increase the credibility of an organization with the stakeholders.

13.10 Summary

If the concept is extended to a modern corporation, its effectiveness and sustainability depends heavily on the character of its leaders and its employees. The importance of character development within the corporate environment cannot be overemphasized. The argument can be given that by the time people associate with each other in an organization; it is too late to develop their character. So proper interventions need to be developed at all stages of hiring. To be successful, persons and organizations must act with character, competence and commitment in a harmoniously orchestrated environment that energizes all and synergizes everything. As an employee or employer, these core value traits are essential minimums.

13.11 Self Assessment Test

1. Explain the concept of competence and character with reference to an organization.
2. Why do you think that an organization should emphasize character over competence?
3. Explain the Indian concept of organizational character.
4. What are the mandatory requisites for developing an index for organizational character
5. What are the various types of competences in any organization?

13.12 References

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Unit - 14 : Indian Management Models

Unit Structure:

14.0 Objectives
14.1 Introduction
14.2 Theory 'Basket of Needs': A Theory of Human Motivation
14.3 OSHA – OSHE Model of Human Being
14.4 Nurturant Task Leadership
14.5 Theory K of Management and Leadership
14.6 'Corporate Rishi' Model of Enlightened Leadership
14.7 Managing Self
14.8 Triguna and Panchkoshas Models for Self Management
14.9 Yoga, Meditation and Consciousness Studies for Managers
14.10 Self Assessment Test
14.11 References

14.0 Objectives

After reading this unit you should be able to understand:

- Indian Management Model.
- Theory 'Basket of Needs'.
- OSHA – OSHE Model of Human Being.
- Nurturant Task Leadership.
- Theory K of Management and Leadership.
- 'Corporate Rishi' Model of Enlightened Leadership.
- How to managing Self.
- Triguna and Panchkoshas Models for Self Management.
- Yoga, Meditation and Consciousness Studies for Managers.

14.1 Introduction

Indian Business has long history and can be traced back to Indus Valley Civilization and has its roots in Indian Ethos. Just as Japanese management received attention in 1980s, the idea of Indian Management has been getting attention from the last two decades. Practitioners and Researches are intrigued by the fact that Indian Management not only addresses the bottom-line of business, but it also addresses the idea of leadership, quality of people, well-being of society and planet. In this unit some of the Indian Management Models that have gained global attention are being discussed.

14.2 Theory 'Basket of Needs': A Theory of Human Motivation

'Basket of needs' is a concept that takes us beyond Maslow's 'Hierarchy of Needs' as theory of motivation. Given by Dr. Subhash Sharma (1996) the theory is based on the assumption that the needs of an individual are arranged in a basket and not in a hierarchy (as envisioned by Abraham Maslow).

Like fruits are arranged in a fruit basket, the Basket of Needs is also made up of variety of needs, which are – Biological, Economic, Social, Political, Psychological and Spiritual. Biological needs include 'Kama' or gratification of the senses. Economic needs include 'Artha' or the material needs. Social needs include the sense of belonging to the group, community or society. Political needs include the sense of participation in decision-making and also the sense of power to influence. Psychological needs include the sense of being at peace with oneself. Spiritual needs include the need of becoming a 'higher human', by relating oneself to the cosmic entity or it manifestations. All these needs put together form the 'Basket of Needs' that has its deeper roots in Purushartha theory of human development in terms of four objectives of life viz. dharma, artha, kama and moksha.

The size of the basket can vary from person to person, and the individuals can also exercise self control over the size of the basket, through the process of 'Will-actualization' i.e. by strengthening the will power and reducing the needs in the basket individuals can motivate self and others.

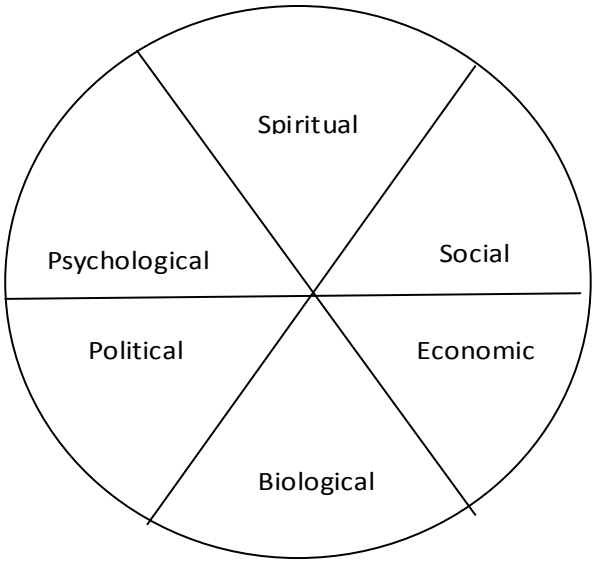


Fig. 1: Basket of Needs

For survival, all human beings have a certain amount to minimum biological requirements. This idea is expressed by an old proverb, "bhooke bhajan na hoiyen gopala" (one can't pray on empty stomach). This also means that one type of need affects other type of need. An understanding of this interconnectedness helps in understanding 'Self' and others. These needs also show a lot of variation. The needs can appear in excessively dominant, dominant, back-up or very low form. When a particular need appears in excessively dominant form, there is risk of its becoming a 'weakness'. Thus, an excessively dominant political need may get reflected in a desire for power acquisition at any cost and excessively dominant economic need may get reflected in material acquisition or control over resources.

It may be indicated that different cultures may ascribe different importance to the needs, which in turn influences their shape, structure and emphasis. In the context of organizations, different types of needs find their expression in different forms. For example, psychological and sociological needs find their expression in the formation of formal and informal groups. Further, political needs find their expression in decision making process. Workers' participation in decision-making is an expression of the satisfaction of their political needs. It may be indicated that a formal organization can't address all types of human needs.

This idea of 'Basket of needs' helps us in appreciating the concept of human-motivation in a more holistic manner. There is connect between needs and desires, and this connectivity directly impacts human-motivation

and brings to light the role of will-power of human-motivation, which is not usually directly addressed by other motivational theories. Since, individuals can exercise control over their needs, they differ in their intensities of desires to satisfy the needs.

This idea of 'basket of needs' can very well be connected with some of the insights from 'Arthashastra' and a framework of the 'balanced diet' approach to need satisfaction can be evolved. 'Arthashastra' suggests a 'regulated sense need' approach to human behavior and motivation. It recognizes the 'legitimate' satisfaction of the sense needs. It cautions that when no restraint is exercised by the individual the sense needs may turn into nonsense needs of lust, anger, greed, pride, arrogance, and foolhardiness. Thus, in the absence of self-restraint, biological needs turn into lust, economic needs turn into greed and psychological and social needs turn into pride and arrogance. When this happens, needs become 'enemies', and under the influence of these human weaknesses, a person ends up making wrong decisions and choices. Sometimes, the downfall of managers and business empires occurs due to such weaknesses.

The above discussion about needs and desires indicates the multi-dimensionality and complexity involved in human-motivation. In general, organizations tend to design motivational systems that are applicable to all employees, because addressing each person's individual needs is extremely difficult. The situation gets intensified due to the fact the degree of each need in an individual is dynamic and changes from time to time. The cost of designing the motivational system increases as an attempt is made to design it separately for each and every individual. At the same time, dissatisfaction from the motivational system decreases, if the system is designed for each individual requirements. Since, it is difficult to estimate cost when the system is customized and it is equally difficult to quantify dissatisfaction, managers try to opt for a middle-path. They try to design standardized systems, but relax rules to meet the individual motivational needs and requirements.

Divya Kirti Gupta and Kirti Prakash (2012) use the idea of Basket of needs to understand one of the ethos of Indian Business and Management, which is Indian Business has always given emphasis to catering to individual's needs. Since, Basket of needs model helps us in appreciating the fact that an individual is made up of 6 different kinds of needs, so the needs originating from each dimension have to be addressed for holistic development of the individual and balanced growth of the society. Hence, undue weight to any one dimension may lead to an erroneous understanding of the nature and personality of an individual and contributes to unbalanced satiation of needs. In olden times, there was a largely shared realization that all the dimensions and needs were to be addressed, thus the business got uplifted to higher levels and didn't remain a mere economic activity. That explains why the artisans, traders, financiers and consumers all put their efforts as stakeholders and worked to add to their share in building, running and progress of the business i.e. all contributed to the management of business.

14.3 OSHA – OSHE Model of Human Being

The expression 'OSHA' forms a conceptual framework that encompasses essential elements of person's nature. 'OSHA' model was propounded by Professor Subhash Sharma (1996). This model induces man to elevate himself to the level of oneness with nature, and thereby, sets an agenda for the evolution of man as a harmonic being. Therefore, the model has relevance for preventing man's fall. In the word OSHA as O stands for 'oneness' with nature. An individual, who attains this level, finds himself as one with the 'giver of the divine energy'; S stands for spiritual *guna*; H stands for human *guna*; and A stands for animal *guna* S. While an individual's behavior is guided by dominance of a specific *guna*, the highest aim is to transcend all the *gunas* and thereby, achieve oneness with the nature i.e. liberation from the bondages of *gunas*. This is the stage of Nirvana.

Fig. 2 presents the 'OSHA' model of human behavior and action. In this figure, the hierarchy of the three *gunas* has been graphically depicted. In this hierarchy, the animal *guna* is the lowest level of guna, the next being the human and spiritual *guna*. The transcendence of all *gunas* is depicted by O, this, obviously, is only for those who desire to be Boddhisattavas. For ordinary people, the key question is, whether action should be guided by the animal-self, the human-self or the spiritual-self i.e. the lower self, middle-self or the higher-self.

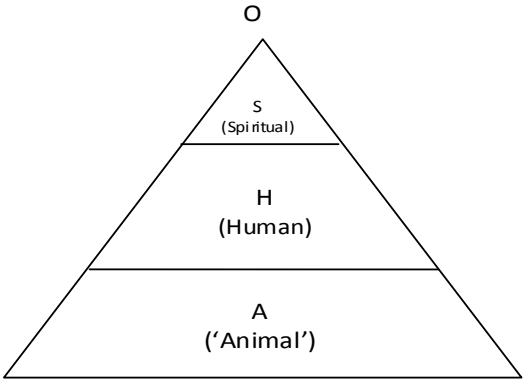


Fig 2. The 'OSHA' model of hierarchy of *Gunas*

'OSHA' model conceptualizes the three modes of behavior in terms of Spiritual, Human and Animal tendencies. These three tendencies are the reflections of the *sattava*, *rajas* and *tamas gunas*. Further, depending upon what type of behavior is legitimized by a society we may directly or indirectly, contribute to the creation of an 'animalistic', 'humanistic' or 'harmonic' society. A harmonic society being one in which each individual is in harmony with the real self. In such a society, people are likely to be at peace with each other.

OSHA model can be applied practically in understanding in inter-personal interaction, organizational contexts and social implications. OSHA interaction matrix can be applied to inter-personal communication process.

Fig. 3 presents an inter-personal interaction matrix, indicating the various modes of interaction. In this matrix, the following six modes of behavior have been identified, namely, (S, S), (S, H), (S, A), (H, H), (H, A) and (A, A). Thus, (S, S) represents the interaction between two individuals, both of them being dominant in spiritual *guna.* (A, A) represents an interaction in which both individuals are dominant in animal *guna*, (H, A) represents an interaction in which one individual is dominant in animal *guna* and the other individual is dominant in animal guna. The other interactions have similar interpretations.

			A
S	SS	SH	SA
H		HH	HA
A			AA

Fig. 3: The 'OSHA' Interaction Matrix

There are a number of examples from our day to day life which illustrate one or the other kind of interactions in OSHA matrix. Buddha-Angulimal interaction falls in category of (S, A) wherein under the influence of Buddha, the latter got transformed into Buddha's disciple. In (H,H) type interactions both individuals have immense respect and admiration for each other.

In modern world, the increasing dominance of (A, A) type of interactions is easily visible. This type of interaction has considerably contributed to the degradation of human society. If further degradation is to be avoided, a conscious effort on the part of each individual will be needed, to elevate himself beyond the animalistic level. Further, society, as well as the institutions within, should consciously promote those interactions that will lead to the creation of a humanistic and harmonic society. It may be pointed out that the (S, S) stage can be considered a transcendental stage, because this stage can only be reached after transcending both the humanistic, as well as animalistic *gunas*. In interpersonal interactions, this represents ideal interaction.

In respect to organizational context, this model helps in understanding concepts such as communication, leadership, motivation, behavioral environment, organization culture, stress management etc. This model can also be used for analysis and methods of conflict resolution. Competitive behavior can be more meaningfully understood through this model. It is a kind of a pathway to begin this search within the synergetic relationship management in day to day existence in family, organizational and social relationship contexts.

OSHE model is the feminine counterpart of OSHA. Prof. Sharma explains the word OSHE as Oneness, Spiritual, Humanistic and Existential levels. Like Shiva-Shakti, an individual is a combination of OSHA and OSHE in double helix form. While OSHA is Shiva, OSHE is Shakti. When the two are combined we get the holistic view and their combination creates synergy like creation of light from matter and energy. Author says that all the concepts originating from the different space time and historical contexts find their integration in OSHA – OSHE. Their integration in the field of management represents the concept of androgynous manager.

OSHA-OSHE model can also be used as a framework for spiritualization and humanization of work places and organizations. Well being of employees has become a major issue in organization context and OSHA interaction can guide us in this respect to transform work places into humanistic and harmonic places of work.

14.4 Nurturant Task Leadership

Nurturant Task (NT) Leadership model was suggested by Prof. J. B. P. Sinha (1980). He observed that that Indian Managers tend to use 'Nurturant Task' leadership style. They display nurturing and caring orientation contingent on task performance. This model differs from the typical authoritarian (Theory X) and typically participative (Theory Y) leadership styles. It adds the dimension of nurturing and caring as an important aspect of leadership. This model is based on Prof. Sinha's empirical studies of management styles of Indian Managers who don't use a purely authoritarian or purely participative style and tend to be nurturant in their approach. He found the caring and nurturing dimension of Indian culture influenced the management styles of Indian managers and this observation was conceptualized in the form of Nurturant Task (NT) leadership model. A Nurturant Task leader focuses on the task achievement and also takes care of the subordinates. This facilitates Organizational growth as well as personal growth of the subordinates. Sinha had also observed, 'while Nurturant Task style was different from authoritarian and participative styles, however, it is comes closure to participative than authoritarian style'.

14.5 Theory K of Management and Leadership

Theory K (K stands for Karta and Kutumbh). We can explore an Indian way of managing through the use of Theory K derived from the metaphor of Kutumbh or Family. Theory K views organizations as 'Kutumbh' i.e. community. Concept of 'Vasudhaiv Kutumbakam' i.e. entire world is a family has been around since ancient times. Singh and Bhandarkar (1991) suggest the metaphor of organization as 'Kutumbh'. Sinha (1980) observed that Indian Managers tend to use 'Nurturant Task' leadership style. They display nurturing and caring orientation contingent on task performance. This style has traces of the nurturing dimension of 'Kutumbh'. Theory K suggested by Prof. Subhash Sharma (1998) essentially extends these ideas.

In academic literature, there are three management styles that have been widely discussed, viz. Theory X, Theory Y and Theory Z. McGregor conceptualized Theory X and Theory Y and Ouchi suggested Theory Z. Theory X refers to authoritarian style of management, while Theory Y refers to participative approach. Theory Z goes a step further and focuses on team work.

Theory X and Theory Y were considered American styles, Theory Z was considered Japanese because of their origin from American and Japanese experiences. Theory K being Indian in its origin suggests a flexible approach to use of Theory X, Theory Y and Theory Z depending upon the situational requirement.
Theory K is essentially a combination approach. Hence can be expressed through the following equation:

$$K = X+Y+Z$$

This Theory K equation can be further refined as follows:

$$K = X^a Y^b Z^c \quad (a< b< c)$$

In this formula, a, b, and c represent the intensities with which Theory X, Theory Y and Theory Z are used in various managerial contexts. The condition a < b< c suggests a preference for Theory Y and Theory Z in consonance with 'Nurturant Task' and 'Divine – Democratic' leadership approach.

An individual's personality profile could include various intensities of X, Y and Z orientations. Hence, Theory K can be formulated in a matrix format wherein one side of the matrix represents manager's style in terms of X, Y, Z orientation and the other side represents situational requirements in terms of X, Y, Z treatments. This formulation of Theory K is presented in Fig. 4.

Situational Requirements

	X	Y	Z
	(Z,X)	(Z,Y)	(Z,Z)
	(Y,X)	(Y,Y)	(Y,Z)
	(X,X)	(X,Y)	(X,Z)

Fig. 4: Theory K in Matrix Format

The Situations (X, X), (Y, Y) and (Z, Z) represent the style fit. The other situations given in the matrix represent the lack of fit between the style and the situation. In these situations managers will have to undertake the change of gear in order to attain the better situation- style fit.

In interaction with large number of practicing Indian Managers Prof. Sharma observed that most managers tend to use a blend or mix of theories X, Y and Z and not exclusively just one of the theories. Enlightened leaders tend to use Theory K with greater reliance on Theory Y and Theory Z coupled with Rajas and Sattva qualities.

14.6 'Corporate Rishi' Model of Enlightened Leadership

The concept of leadership has been an intensive field of study by scholars and practitioners. During the recent years, 'Indian Management' has also emerged as a distinct field of study. An important contribution of 'Indian management' has been its contribution to enrichment of the leadership concept and leadership models. Today in the corporate context, do we have some new conceptualization and new role models? The need of the hour is to have enlightened leaders in the society and organizations.

Prof. Subhash Sharma sketches the journey towards enlightened leadership in terms of four steps viz. Robot, Manager, Leaders and Enlightened Leaders and suggest the Corporate Rishi model as a model of enlightened leadership. When an individual is at the 'robot' stage, he/she is largely following the instructions of others. Like a robot is programmed to achieve high efficiency, such a person works efficiently in a structured environment wherein no decision making is needed. A manager differs from a robot in terms of his/her decision making capabilities in relatively complex and unstructured environment. A leader's sphere of influence is relatively much larger and a leader motivates and inspires people to achieve extra-ordinary results. An enlightened leader creates mega changes in positive direction and is thus able to influence the society and the world by providing a new vision. We have many examples of enlightened leaders from industry, social contexts, education and many other fields who created history and changed the mind-set of people.

"Individuals evolve to Re-see level, though education, experience and continuous learning – wherein they acquire the abilities to make use of reason, intuition and practical wisdom in varying combinations and thereby provide enlightened leadership to their organizations. There 'Re-see competence' is very high. Leaders use their intuition effectively, and thus, arrive at new interpretations and revelations that lead to radical changes in organization and society. Leaders can also be referred as 'Full Circle Leaders', as they see and re-see the environment through the full circle radial visioning approach".

It may be indicated that 'corporate rishi' model can be considered as an extended version of the ancient model of leadership such as King-Philosopher, *Raj-Rishi* (Chakraborty, 2001 considers it as Wisdom Leadership) and Spiritual-rishi models. Drawing upon Ashoka's leadership style, Bhatta (2000) suggests the notion of 'Responsible Leadership'. Gupta (1994) suggests the concept of leadership and managerial action through consciousness and Chatterjee (1998) suggests 'workship' approach to leadership. With the new definition of Rishi as individuals who have the ability to 'Ree-See' events in new perspectives, corporate rishis can indeed be trained, developed in educational institutions based on the philosophy of imparting holistic education hat enhances an individual's capabilities of combing reason, intuition and practical wisdom.

Hence the model of enlightened leadership is referred to as Corporate Rishi Model (CRM) of Leadership. The idea is also rooted in the concept of human welfare and ethical and 'Corporate Rishi' is the one,

who has the ability to Re-See the things, events and actions around him or her in new perspectives and providing a touch of humanness. He/ She is also a Self Responsible Individual (SRI).

We can also find some recent initiatives in the direction of facilitating the development of such new leadership. Infosys has set up a Leadership Institute to build future leaders for the organization. There are some academic initiatives in this direction too. Women's Institute for Studies in Development Oriented Management (WISDOM) at Banasthali University, Banasthali, is an initiative in the direction of developing 'Wisdom Based Leadership'.

14.7 Managing Self

In the past in management theory and practice focus has largely been on managing others rather than managing self. Gandhi ji pointed out in his famous quote, *'nij par shashan phir anushshan'* (rule on self, before you rule others). In the twenty first century, a new realization is dawning upon management thinkers that this observation by Mahatma Gandhi needs to be incorporated in management theory and practice. Self Management is a prerequisite for managing others. If a leader is not self disciplined, she/he cannot command respect of the subordinates. Hence, self management has acquired a new importance.

The concept of Self, should be understood in the context of Self Other and the Environment. An individual exists in the context of others and the Environment. She/he interacts with the society/ community (social world) and the environment (natural world). A harmonious relationship with others and nature leads to synergy. A relationship originating from hate and anger view of self and others, leads to negative energy and an attitude of aggression towards nature leads to destruction of environment. This is also true in the context of organizations. Hence, managing self is very important from organizational and team building perspective. Recently developed triple bottom line concept in management viz. Profit, People and Planet, is based on the idea of harmonious relationship of the self with others and environment.

'Basket of Needs' model discussed earlier provides us a framework for understanding Self and its expressions in various forms. As per this model Self can be understood in terms of Biological-Psychological and Spiritual (BPS) levels of human existence. Hence, Self can be referred to as Bio-Psycho-Spiritual entity. This corresponds with Body, Heart-Mind and Spirit model of human beings. For an easy understanding this model of Self can be presented in terms of following:

BHS: Body-Heart-Spirit

BMS: Body-Mind-Spirit

These two aspects of self find expression in varying forms in the Economic, Political and Social domains of human existence. In fact Psycho-spiritual dimension of the self is at the root of the mind sets that human beings develop. They are also at the root of the Ethos of a nation. For example, the non-violent roots of Indian thinking are determined by the psycho-spiritual mindset of its people. Our attitude towards other living beings and environment is also a result of our psycho-spiritual make up. Thus, Self-Other and the World are interconnected through our psycho-spiritual makeup. In the organization context, psycho-spiritual make up of employees influences the organization culture, team building and other management processes.

14.8 Triguna and Panchkoshas Models for Self Management

Two important Indian models for understanding self are: Triguna model and Panchkoshas model. Triguna model as presented in ancient literature identifies three characteristics of nature viz. tamas (inertia), rajas (energy) and sattava (illumination). Tamas, literally means darkness and it arises out of ignorance (ajnana) and delusion (moha) and it lends one to negligence and indolence. Rajas springs from craving and attachment, and it binds one to action. The Sattava refers to purity and illumination, and it binds one to bliss. Behavior of human beings is influenced by the dominance of a particular type of guna. The Tamsik person is indolent and lacks initiative. The Rajsik type driven by desire and passion is ever active to conquer and consolidate his position this. Sattvik person is one whose buddhi (intellect) is not clouded by passion. Such a person is free from passion and is essentially good. Guna theory suggests that a person is a combination of tamas, rajas and sattava and proposes the ideal of moving towards sattava in order to become a good human being. Guna theory suggests the self evolution from tamas to sattava and even moving beyond all the three gunas to achieve a state of 'Sthithpragya' i.e. a state of 'unattached action'. Further according to this theory, self management implies exercising control over tamas and channelizing rajas towards higher purposes in life. If rajas energy is not used in positive manner, it may lead to greed with its attendant consequences. Hence, it is generally suggested that managers and leaders should combine rajas with sattava qualities in order to create transformation in their organizations and in society.

Second Indian model for understanding self is the Panchkosha (Five sheaths) model suggested in the ancient literature. In this model, self is conceptualized in terms of five sheaths or layers consisting of annamaya, pranmaya, manomaya, vigyanmaya and anandmaya koshas. When we use equivalent phrases in English language, this model implies five layers of self in terms of physical, vital, emotional, mental and transcendental levels.

This model also suggests self evolution from physical consciousness to transcendental consciousness via emotional and mental development. It may be indicated that when we look at the world around us we observe two types of systems viz. physical systems and vital systems. Vital systems with varying intensities of life and self consciousness display varying levels of emotional, mental and transcendental dimensions of existence. Plants, animals and human beings differ in terms of these dimensions of existence. Emotional, mental and transcendental dimensions are also reflected by Emotional Quotient (EQ), Intellectual Quotient (IQ) and Spiritual Quotient (SQ).

Panchkoshas or five sheaths are also indicative of five energies of human beings viz. Physical energy, Vital energy, Emotional energy, Intellectual energy and Spiritual energy. Thus, we can represent Self in terms of these five energies as follows:

Self = (Physical, Vital, Emotional, Mental, Spiritual)

Self development and management implies an individual's development across all these five dimensions. This is the 'Panchmukhi Vikas' of the Self. Self Management also implies that an individual manages her/his work and life in such a manner that she/he is able to optimize the use of these five energies.

14.9 Yoga, Meditation and Consciousness Studies for Managers

People from all walks of life, throughout the planet belonging to all the probable religions, meditate and practice yoga for a wide range of reasons. Today the knowledge of Yoga and Meditation has spread far and wide to many countries in the world. With increasing stress levels and disconnectedness of people with their

'Self', the acceptance of yoga, meditation and consciousness studies has gained momentum. Today 'Spirituality at Workplace' is an accepted phrase and involves conducive and facilitating work culture. It has helped organizations in humanizing and spiritualizing the work places and organizations.

There are different reasons for managers to indulge in such studies. Some of them are as follows:

1. To unwind the body and mind and rejuvenate one's flow of energy in order to more efficiently face the responsibilities of one's demanding and active life.
2. To cure illnesses (especially psychosomatic ones).
3. To conquer emotional problems.
4. To develop a more calm and optimistic view towards life.
5. To develop a peaceful and more clearly functioning mind.
6. For larger ability to pierce into the core of problems and find inspirational solutions. This has been found especially useful by scientists and businessmen.
7. To tune into creative inspirations for artistic expression.
8. For liberation of oneself from addictions such as cigarettes, narcotics and tranquilizers.
9. To cleanse one's character.
10. To build up will-power.
11. As a means of self-examination and self-discovery.
12. To build up the dormant powers of the mind.
13. To make a connection with their Self
14. For divine growth, self-knowledge or clarification.

14.9.1 Yoga

Yoga aims to purify one's thought and maintain bodily discipline by bringing relaxation to body, mind and spirit. In contemporary times, the physical postures of yoga called 'asana' are used to alleviate health problems, reduce stress and enhance general well-being of body. According to Patanjali's Yoga Sutras, the purpose of yoga is defined as citta-v[tti-nirodha% (the cessation of the transformation of awareness). Yoga can also be understood as a complete exercise program and physical therapy routine. By doing different Asanas (yogic postures) the practitioner relaxes the limbs and joints, which get stressed due to different working postures. The yogic postures change the blood circulation in the body due to desired stretching and holding of body and limbs in particular position. This brings relaxation to body. The breathing exercises which are integral to Yogic postures come under the heading of Pranayams. They cause movement of the diaphragm (which separates thorax from abdomen) resulting in healthy rhythmic movement of heart. This leads to enhanced supply of oxygenated blood to the brain. The net effect of such blood supply is that brain gets healthy and mind gets relaxed.

The yogic postures and pranayams, while adding to body and mind relaxation also prepare them for relaxation of spirit, which is done by Dhyan Yoga. Dhyan yoga is essential to get complete relaxation of spirit. In Dhyan Yoga, one focuses on abstract. Since, abstract also contributes to tensions and stress in form of uncertainties and worries, hence the healthy abstract is conceived and concentrated upon by the practitioner in the form of

symbols and figures. It is suggested that a practitioner should take yoga exercises under the guidance of a trained teacher.

There are many yoga centers in India, providing everything from in-depth yoga courses to flexible drop-in classes. As the style of yoga and approach to teaching varies at each center, it's important to give proper thought to one's needs before joining them. Leading institutions of yoga in India are Ramamani Iyengar Memorial Yoga Institute, Pune; Ashtanga Institute, Mysore; Parmarth Niketan, Rishikesh; Krishnamacharya Yoga Mandiram, Chennai; Bihar School of Yoga, Munger; Sivananda Vedanta Centre, Trivandrum; and Yoga Institute, Mumbai.

Although Yoga originated in India, it is now being practiced in countries other countries also, like America, Russia, and many Asian, European and Latin American Countries. Yoga Journal, America's premier yoga magazine in its 2012 annual "Yoga in America" survey has revealed that 7.5% of U.S. adults, or 16.5 million people, now practice yoga, an increase of 5.6% from the prior year and 43% from 2002. Of the 16.5 million people now practicing yoga, the fastest growing segment is the 18-24 age group, which increased by a remarkable 46% in one year.

Given the fast pace and stresses of today's life and work, maintaining a balanced and healthy lifestyle has become a challenge. Yoga definitely helps in understanding things in better perspective and helps in brining balance to various opposing forces in one's life.

14.9.2 Meditation

The idea of Meditation entered the corporate world some 30 years back through the popularity of TM: Transcendental Meditation popularized by Maharishi Mahesh Yogi. The concept of 'Meditation' originated from the 'Dhyan'. Meditation is an attribute. It is an attribute of the witness.

Meditation is that source which is present even in deep sleep – self-awareness - even in the state of unawareness. Meditation is a practice of concentrated focus upon a sound, object, visualization, the breath, movement, or attention itself in order to increase awareness of the present moment, reduce stress, promote relaxation, and enhance personal and spiritual growth. According to Michael J. Baime, "Meditation cultivates an emotional stability that allows the mediator to experience intense emotions fully while simultaneously maintaining perspective on them".

Meditation produces a state of deep relaxation and a sense of balance or equanimity. Out of this experience of emotional stability, one may gain greater insight and understanding about one's thoughts, feelings, and actions. This insight in turn offers the possibility to feel more confident and in control of life. Meditation facilitates a greater sense of calmness, empathy, and acceptance of self and others.

Meditation techniques have been practiced for millennia. Originally, they were intended to develop spiritual understanding, awareness, and direct experience of ultimate reality. Although meditation is an important spiritual practice in many religious and spiritual traditions, it can be practiced by anyone regardless of their religious or cultural background to relieve stress and pain.

Importance of Meditation

1. **Stress Reduction:** Meditation reduces stress better than anything else I know of. Not only does the practice of meditation give you some "down time" to rest physically and mentally, it also has a very direct effect on your entire nervous system by reducing your body's production of stress.

2. **Improved Health:** Meditation will improve your health by strengthening your immune system, reducing your blood pressure and lowering cholesterol levels. Meditation is often of particular interest to people who are diagnosed with a chronic or potentially life threatening illness. People with serious medical conditions like cancer will sometimes turn to meditation as a means to enhance the process of healing and recovery. While meditation should never be used as a substitute for proper medical care, in some cases it can lead to medical breakthroughs and healing even when traditional medical treatments have been unsuccessful.
3. **Improved Sleep**: Sleep is a totally natural human function, and it's something we need every day. But if you have a busy mind or if you are stressed then you may find that your sleep is not as restorative as it should be. Meditation dramatically improves the quality of your sleep, and it is one of the most powerful natural treatments for insomnia.
4. **Slowed Aging:** Studies into the effects of meditation have shown that the regular practice of meditation can slow the aging process. The biological age of long term meditators is generally less than those of people who have never meditated. It is believed that the physiological cause of this is due to the fact that meditation helps to reduce the body's production of free radicals.
5. **Emotional Stability and Positive Thinking:** Meditation is a very powerful natural prescription for people who suffer from anxiety and/or depression, and it is also taught to people who have difficulty controlling their anger.
6. **Happiness:** People who meditate are less stressed, healthier, they sleep better, and they have a more positive outlook on life. Simply put, meditation makes you a happier person!
7. **Spiritual People:** It is common for spiritual people to practice meditation. Meditation has been used for thousands of years as a way to attain a level of awareness that is beyond the limitations of the everyday thinking mind, to find freedom, and to connect with the spiritual awareness within.

Meditation Techniques

There are a numerous meditation techniques for efficient meditation. Diverse cultures have different mediation techniques, but one thing is sure - meditation is universal. The different techniques are well -matched to different personality types.

- **Mantra Meditation:** Mantra, exactly means 'revealed sound', means a sound or mixture of sounds which develop spontaneously. In mantra meditation, definite sounds are repeated (japa) to accomplish a meditative state. A Mantra is a combination of sound vibrations which have a result on the mental and spiritual consciousness. Mantra chanting creates powerful vibrations which are said to be focused to the right "chakras" to draw divine forces. This procedure is said to mysteriously cure the pious, physical & psychological body. Mantras do not have any specific meaning. Their power lies not in the meaning of the word but through the vibratory effects of the sound that they produced when spoken verbally or psychologically.
- **Chakra Meditation:** Chakras means "wheel" and represent the major nerve plexi which branch off the spinal cord to serve the major organs of the body. Chakras represent a different level of energy manifestation and consciousness development. Chakra Anusandhana means "discovery or search of the chakras".

- **Vipassana Meditation:** Vipassana means "insight" to see things as they really are, through a process of self observation. It means insight into your own nature which enables one to recognize himself as the cause of suffering and eliminate it.
- **Raja Yoga Meditation:** Raja yoga meditation fills the yogi with super-sensuous elation or ecstasy which is the highest and the most wonderful experience. The bliss elevates the mind and raises the yogi above carnal pleasure, and moulds his bad habits. A Raja yogi establishes a relationship with Cosmic consciousness/ God. He withdraws from all the superfluous and preventable worldly activities. He spends least amount of time and resources on his personal comforts and devotes most energy for noble cause i.e. spiritual awakening of his fellow-beings.
- **Osmotic Meditation:** Rooted in the scientific concept of osmosis, Osmotic meditation is a technique for connecting oneself with the nature and cosmos through various techniques of instant connection. Techniques include Inner Being (IB) and Anchor (A) connectivity, feeling the inner strength through imagination, invoking the inner star and listening to silent sounds of nature and also listening to the hello within.
- **Transcendental Meditation:** Transcendental Meditation (TM) technique is a form of Mantra meditation developed by Maharishi Mahesh Yogi. The use of sound, called Mantra, is practiced for 15–20 minutes twice per day, while sitting with closed eyes. Maharishi Mahesh Yogi taught transcendental meditation to thousands of people during a series of world tours from 1958 to 1965. Slowly the technique became so popular, especially in west, that by the late 2000s TM had been taught to millions of people, and the worldwide TM organization had grown to include educational programs, health products, and related services. The technique is made available worldwide by certified TM teachers in a seven step course.

14.9.3 Consciousness Studies and Management

'Consciousness studies' as a field of studies has been evolving over the years. It embraces, neuroscience, philosophy of consciousness and yoga and meditation. It implies scientific study of consciousness and getting an understanding of the 'science of consciousness'. It is also referred to as 'inner sciences' and has also been deeply influenced by Eastern world views and ancient wisdom. It explores different levels of consciousness and implications of the same for human beings, society and nature. It explores the colors of mind and colors of consciousness and implications of the working of mind for human development. In essence it takes a psycho-spiritual perspective of human beings and thus goes beyond the field of Psychology. This field also draws heavily from the yoga and meditation literature. Consciousness studies have also been influenced by writings of Swami Vivekananda, Sri Aurobindo, Maharishi Mahesh Yogi and others. During recent years, consciousness studies have also found application in the field of management and leadership. For example, Swami Vivekanand gave the concept of 'Practical Vedanta', which tells us how to put spirituality in action in life. Now this idea is finding application in management and leadership.

Many Indian spiritual movements have originated from 'scientific spirituality' or science of consciousness with roots in yoga and meditation. These movements have made worldwide impact and have popularized various yoga and meditation techniques. They have also influenced the business and corporate world, particularly in the areas of stress management, work-life balance, well being and environmental awareness. Movements such as RamKrishna Mission, Brahmakumaries, Gayatri Parivar – Dev Sanskriti University, Art of Living, Pitanjali Yogapith, SVYASA University etc. have designed special programs

for the corporate executives on the above mentioned areas of concern for the managers and corporate leaders.

G. P. Gupta (1994) in his book, 'Management by Consciousness' published by Sri Aurobindo Ashram, proposed the idea that management practices should be driven by consciousness. Now this has become an accepted idea in the field of leadership as it leads to development of 'Enlightened leadership'. Acceptance of the idea of Spiritual Quotient (SQ) in the field of management and leadership also facilitated the acceptance of the idea of leadership by consciousness. When human actions are based on higher consciousness they lead to an enlightened perspective. Environmental awareness and similar social issues are forcing the business world and the corporations to move in the direction of higher consciousness about society and environmental concerns.

In fact, during recent years Spirituality in Management has emerged as a new research theme in management research and practice. Atma-vigyan (science of self) provides conceptual foundations for the idea of spirituality in management. In it Self is viewed as a psycho-spiritual entity with psycho-spiritual energy that can be tapped for the benefit of the organization.

To put the idea of management by consciousness in the context of business, management, leadership, education, life and self management, Indian Management Guru, Prof. Subhash Sharma (2012) has given the CH3 model, wherein C stands for Consciousness, H3 implies, Head, Heart and Hand. In this integrative model C represents the Chetna shakti in the form of psycho-spiritual energy, Head represents the cognitive aspect, Heart represents emotive aspect of personality and Hand represents action orientation. According to this approach, cognitive, emotive and action aspects of management and leadership are driven by Consciousness. In the context of the organizations, organizational consciousness as a driving force is represented by vision, mission and core values of the organization. When managers and leaders practice this approach, they evolve as wise and enlightened managers and leaders. This is the essence of the idea of management by consciousness.

14.10 Self Assessment Test

1. Define theory of 'Basket of Needs' and compare it with Maslow's hierarchy of needs?
2. How can theory of 'basket of needs' be used to motivate employees?
3. In present times, why is there a need for 'Corporate Rishi' in the organizations?
4. How do you think, individuals may evolve in a 'Corporate Rishi'?
5. Define OSHA-OSHE model. How does the model help in understanding interpersonal interactions?
6. Illustrate with corporate examples, how OSHA interaction matrix helps in explaining personality and behavior of people in organizations.
7. How is model of Nurturant Task Leadership relevant in today's times for organizations?
8. What is Theory K and why is it called as Indian Model of Leadership?
9. How does Theory K help in understanding the management style appropriate to a situation?
10. Explain the basis of Yoga, Meditation and consciousness studies
11. What is Yoga and how does it help people in understanding themselves more?

12. Define Meditation and its relevance in modern times?

13. What are different meditation techniques?

14. Which three characteristic of nature are identified by Triguna Model? Also describe the qualities of each nature and their impact on human personality.

15. How yoga, meditation and consciousness studies help in management of Self?

16. "Spiritual Quotient is very relevant for managers and organizations". Justify this statement.

17. How does CH3 approach help in becoming enlightened managers?

14.11 References

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