UNIT 13: BEHAVIOURAL IMPLEMENTATION

UNIT STRUCTURE

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13.1 LEARNING OBJECTIVES

After going through this unit you will be able to:

- explain the meaning of Stakeholders' Relationship Management
- describe Social Responsibility and Strategic Management
- discuss Business Ethics and its Importance

13.2 INTRODUCTION

Development in modern context is based on increased productivity. Peter Drucker in his book "Managing in Turbulent Times" (1980) stated, "whenever there has been economic development in a country, it has been based on the purposeful management of resources for increased productivity… Indeed, nothing has changed the economic landscape quite so much between the 19th and 20th century as the explosion of productivity." This explosive expansion of productivity has totally changed the way we look at economic activities and functioning of the organizations. For improving productivity, the organizations need to continually engage with its stakeholders. In this Unit, we shall discuss the role and impact of

stakeholders' relationship management and business ethics on the managerial aspects in organizations. Social responsibilities in business have assumed a new role in strategic management. We shall discuss that aspect too.

13.3 STAKEHOLDERS' RELATIONSHIP MANAGEMENT

Organizations who stay close to the customers and other stakeholders are in a better position to cope with the challenges in the environment. Periodic surveys help the managers in developing strategies for improvement. The performance or satisfaction scores might be compared with the expressed/ perceived needs of the society.

Change is inevitable and it affects the public as well as the private sector. All organizations whether in government or in business sector, are subject to new challenges. Like business organizations, organizations in the government and social sector also do not have a guaranteed life. They must read the changes taking place in the environment. They must think strategically and must envision new modes of efficiency to deal with the expectations of different groups of stakeholders. The organizations have to function in an ethical and socially responsive manner. In the subsequent sections, we shall discuss with examples how some of the organizations have embraced stakeholders' orientation in their corporate policies.

13.4 SOCIAL RESPONSIBILITY AND STRATEGIC MANAGEMENT

Corporate Social Responsibility began as a philanthropic activity where organizations contributed to social causes. It started gaining in importance and became an essential activity for business. The increasing emphasis on CSR by the corporate organizations and the recent business scandals reflect on the urgent and essential need to pay attention to CSR. At the global level, there are emerging trends in terms of increased spending on CSR and search for new modes of imparting CSR benefits by the corporate

sector. More and more Indian business organizations also are embracing the practice of CSR under different names such as Corporate Philanthropy, Corporate Sustainability, Social Responsibility and Corporate Citizenship etc.

In their book on "Corporate Social Responsibility – Doing the most good for your company and cause" (Kotler et al, New York, Willey, 2005) six distinct corporate social initiatives were identified. The CSR activities that corporations undertake to contribute to a social issue are most commonly in the areas of health, community development, environment etc. They include the following:

i. ***Corporate cause promotion partnership*:** This is specifically intended to increase awareness and concern regarding a social issue, for example, Levi Strauss & Co. distributing leaflets about AIDS.
ii. ***Corporate cause related marketing partnership:*** A corporation commits toward making a contribution or donating a percentage of revenues to a specific cause based on product sales.
iii. ***Corporate social marketing partnerships*:** A corporation supports the development of a behavior change campaign mostly to improve community well being, public health, safety etc.
iv. ***Corporate volunteering*:** At local organization and for local cause efforts. Volunteer efforts may include employees serving as volunteers in local organizations or on their own.
v. ***Corporate philanthropy*:** It represents a direct contribution by a corporation to a cause, most often in the form of cash grants, donation, in-kind services etc. The corporations need to balance concerns for shareholder wealth with expectations to demonstrate responsibility for communities that have contributed to the corporation's livelihood.
vi. ***Socially responsive business practices*:** These are discretionary, not mandated by laws or regulatory agencies. Corporations adopt and conduct these business practices and investments as a means

to support social causes that improve community's wellbeing and help in protecting the environment.



CHECK YOUR PROGRESS

Q 1. What is corporate volunteerism?

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Q2. What is corporate philanthropy?

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Indian business organisations are embracing the practice of CSR under different names such as Corporate Philanthropy, Corporate Sustainability, Social Responsibility and Corporate Citizenship etc. These are well reflected in the Annual Reports and other corporate reports on their respective websites. Reports of surveys and rankings of CSR conducted by organisations such as Time Foundation and Karmayog etc. are also available CSR refers to corporate activities demonstrating the inclusion of social and environmental concerns in business operations and in interactions with stakeholders also according to the ambition levels of corporate sustainability. CSR is also influenced by organisation specific factors like the following

i. Organisation's stage of development,
ii. Strategy and
iii. Quality of leadership.

Profits do matter. Good firms bring innovations to the market, which in turn provide economic growth, employment and enrich people's lives. Michael Porter has written about the concept of "shared value" for companies, which involves creating economic value in a way that also creates value for society by addressing its needs and challenges. He suggests that companies should take the lead of bringing business and society back together.

Until recently words like love, joy, authenticity, empathy, soulfulness and other terms of endearment did not have place in business. Today a growing number of Firms of Endearment (FoE) embrace such terms. Conscious Capitation is another evolving paradigm for business that simultaneously creates multiple kinds of value and well being for all stakeholders: financial, intellectual, physical, ecological, social, cultural, emotional, ethical and even spiritual.



LET US KNOW

Firms of Endearment *are loved as they have 'hearts'. These companies do not fit into the norms that Wall Street is comfortable with. They create value by aligning stakeholders' interests with a long term perspective of organic growth through endearment. They take care of the interests of stakeholders strategically. These firms meet the tangible and intangible needs of the stakeholders through affection and loyalty to the company. They adopt a different kind of Stakeholder Relationship Model.*

Conscious capitalism *is a new operating system for business to work in greater harmony with the emerging trends and changes. In conscious capitalism, bottom-line is not just profitability but enrichment of all the major stakeholders of business, which include team members, customers, vendors, suppliers, investors, society at large and the environment. Conscious capitalism boasts of the enormous potential of making a positive impact in the world by business.*

Most business organizations now believe that investing a part of their profits and efforts in the society and natural environment from which they draw resources have positive implications for their well being. The benefits that CSR can bring to an organization are substantiated by research findings on the relationship between CSR activities and firm's financial performance, competitive advantage, reputation and legitimacy, employee attitudes and synergistic value creation.

Though CSR as a concept has gained immense popularity, there is lack of agreement on what it really means .The common opinion is CSR ensures a company to do business in an ethical manner and is accountable for the social and environmental impacts that the business creates for the society. A business can only be sustainable if the people and communities that they touch are sustainable and enriched along the way.

However, there are different expectations from different stakeholder groups. Different practices and different standards are leading to different kinds of understanding of CSR. The activities in the CSR spectrum may range from corporate giving fund to community development initiatives like livelihood promotion etc. to developing a marketing channel aimed at rural population where a company may empower poor women entrepreneurs to sell company products. Strengthening health delivery systems in rural locations by selling the company healthcare products can also be considered as a CSR initiative. Standards of CSR practices not only vary from one company to another but also from one industry to another. In India, the Ministry of Corporate Affairs and the Department of Public Enterprises, Government of India has prepared the policy guidelines to ensure some kind of uniformity in CSR practices in the central sector public enterprises of the country

13.5 BUSINESS ETHICS AND ITS IMPORTANCE

Values matter a lot – both at the organizational level and individual level as well. Long term effectiveness in an organization depends on the practice of sound human values. The process must begin with each individual – on his or her own. Strength or surplus in skills cannot compensate for weakness or deficiencies in values. Values are essential for becoming, skills are necessary for doing. Values relate to the inner world; skills relate to the outer world.

The ethical scererio of India is very pour. Corruption is at its heights.

Like lobbying, donations to parties by business can raise conflict of interests and problems. There has been widespread criticism about business donations to political parties. The key issue is in the legitimacy of these

donations. The parties have to be accountable for these donations. The temptation to link political decisions to financial support is substantial. Ultimately some of these party "donations" could early be seen as a "fee" to obtain a certain political decision or other personal favours. This may raise the prospect of preferential treatment, which might even threaten the very notion of democratic process. "Gifts" provide a number of other perspectives. Are they acceptable? What could be the intention of the gift givers? What could be the impact on the receivers? What could be the perception of others concerned? For business, maintaining good relations with parties can be a double – edged sword. It grants influences – but it could also severely harm the organizations image and perhaps encourage questionable behavior.

Law is one aspect of the broader area of regulation of business. It is the role of regulations that is most vital to understand. Regulations are all about the rules governing business behaviours. It includes laws and acts and other forms of formal or informal rule making and enforcement. This includes broader government policies, concepts, goals and strategies. Regulations are not the solitary prerogative of government. It can be delegated to other parties. Regulations can be defined as rules that are issued by governmental actors and other delegated authorities to enable, encourage and forbid particular business behaviours. Regulations include rule, definition, law mechanisms, processes, sanctions and incentives.

13.5.1 Organizational Ethos

Ethics begins first and foremost at one's workplace. An organization that is run unethically can never stand up to first rate competition anywhere in the world. If the atmosphere in the workplace is unethical, then it is impossible to combat the changes and complexities of the outside world. Ethics consolidates morale of the organization and boosts self confidence among employees at all levels. If the goal is ethical practice, then "hiring good people" is an important part of the job. Transparency is integral to an ethical enterprise because it uses knowledge to challenge itself to rise to greater heights.

In this process it benefits itself as well as its stakeholders. Transparency treats knowledge as a currency of exchange.

The code of conduct of an organization is very important instrument for aligning vision and mission ideas with routine activities. The thrust in the code of conduct should be prohibitive in character and these rules should get applied without fear or favour. One needs to know what cannot be done. Merely having the code of conduct is not at all important, compliance is. It should be a concerted effort. It cannot be an imposed intervention. The managers and employees need to discuss together the ethical lines and express the same in the form of codes for compliance. In case of implementation related issues, collective efforts should be there to sort out the problems.

Ethics remain as a matter of serious concern for both the society and the individual managers. In the modern pluralistic society, different demands arise from various agents and parties and the managers have to respond to these varied and conflicting demands. Hence the essential need for a manager is to develop his/her own "Code of conduct" and his/her own norms of "value judgment" to guide his/her in the performance of tasks assigned. In terms of conflicts of interests, the manager must decide what is right or what is wrong. The concept of "trusteeship" instead of "ownership" and "transparency" in stead of "confidentiality" are some of the alternatives which are being considered. Management institutions have started emphasizing on value judgments, ethical and social responsibilities as integral part of their management curriculum. There needs to be a shift of emphasis from profit making to concern for society, consensus management and shared values. Shared values ought to be the principal future requirement and that indeed is the essence of leadership that the future managers must be able to provide.

Making a comparision of the acceptance of business values in different societies.Dr. M.B. Athreya, a well known management consultant opines, "the three core values in the West are human dignity, result orientation (bottom-line) and concern for environment;

in the Japanese culture, the values held uppermost were working together for common good (Kyosai); continuous improvement (Kaizen) and training. Institutionalization of values helps a country to prosper.

In the Indian context, the values cherished most were: righteousness (dharma); working for the social good (lokasangraha) and involvement and action (yoga). Prof. S.K. Chakraborty has carried out pioneering research in this area. His focus is primarily on inculcating the ancient value system of India as propounded in the BhagavatGeeta – the concept of "Niskaam Karma" and the development of "antardrishti" to distinguish between right and wrong.

Individual influences on ethical decision making relate to the facets of an individual who actually is going through the decision making process. The employees bring certain traits and characteristics with them to an organisation and these are likely to influence the way on which the employees think and behave in response to ethical dilemmas. Individual factors can also account for why some people are perhaps more inclined than others into unethical conduct because of the influence of their colleagues. Empirical tests have tended to report very mixed results with no clear picture emerging on age and gender on ethical beliefs and action. The types and quality of education received by individuals and their professional training and experiences as well have effects on ethical decision making.

Attention to marketing ethics is important because we all have a duty to live a good moral life. This duty has as much application to our business lives as our private lives. Marketing professional should realize that good ethics is good business. Unethical conduct often has negative consequences, ranging from adverse publicity to diminished corporate reputation, to lower employee morale, to legal sanctions. Conversely ethical conduct can contribute to a good reputation, heighten morale.

Many people believe that "marketing ethics" is an oxymoron. In surveys of ethics in the professions, marketing generally are ranked

towards the bottom of the list. It is possible that marketers are more likely to be faced with ethical issues than managers in other functions because of their "boundary spanning" role; that is to deal with external parties or stakeholders. Many ethical issues that come to prominence are the result of insufficient attention to marketing ethics. A basic requirement is there for ethical sensitivity – awareness of moral obligations in marketing decision making and the potential for ethical issues to rise.Overstating the potential benefits of a product would be wrong and thereby one avoids questionable puffery. This depends upon one's willingness to do the job in a socially responsive manner. The Code of Ethics of the American Marketing Association states that marketers should conform to the basic rule of professional ethics not to harm knowingly and that they should offer products and services that are safe and fit for their intended use.



13.6 LET US SUM UP

Organizations have to be sensitive to the needs of the stakeholders. The expectations of the stakeholders are different. The organizations have to imbibe a relationship orientation for improving effectiveness and productivity. Being concerned about the social issues and developing strategies to redress them in a profitable manner is also important. In this Unit we have discussed the CSR spectrum and ethical issues in managing strategies.



13.7 FURTHER READINGS

1. Chakraborty, SK; Foundations of Managerial Work- Contributions from Indian Thought; Himalaya Publishing House, 1989, Mumbai, pp 61-81
2. Alan R. Andreasen and Philip Kotler, Strategic Marketing for Non Profit Organisations 6th Edition, Pearson Education, 2003,

3. Porter, Michael and Kramer, Mark; "Strategy and Society: The Link between Competitive Advantage and Corporate Social Responsibility", Harvard Business Review, December 2006

4. Sisodia, Rajendra S ; Wolfe David B; and Sheth, Jagdish N; "How world class companies profit from Passion and Purpose – Firms of Endearment "; Sound View Executive Book Summaries, Vol. 29 No. 7, part 3, July 2007.(Wharton School Publishing 2007).



13.8 ANSWERS TO CHECK YOUR PROGRESS

Ans. to Q. No. 1: *Corporate volunteering* implies providing voluntary services to local organizations and for local cause efforts. Volunteer efforts may include employees serving as volunteers in local organizations or on their own.

Ans. to Q. No. 2: *Corporate philanthropy* implies a direct contribution by a corporation to a cause, most often in the form of cash grants, donation, in-kind services etc.



13.9 MODEL QUESTIONS

Q.1: Write a brief note on stakeholders' relationship management.

Q.2: What is Corporate Social Responsibility? Write a brief note about its strategic management.

Q.3: Discuss briefly why business ethics is important?

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