BUSINESS ETHICS, CORPORATE CULTURE AND STRATEGIC LEADERSHIP FOR ORGANIZATIONAL EFFECTIVENESS

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ABSTRACT

Emerging Globalization of business and reducing importance of human values, it has become extremely important to adapt correct strategies as well as include Ethics as part of the day-to-day business. In Indian Institute of Management Calcutta (IIMC) has made 'Business Ethics' as a mandatory subject for all the programs they are running. This is one of the examples of Ethics becoming an important part of Business.

If we look at most successful businesses today, companies like Infosys, Apple, and IBM have a combination of ‘Values’ combined with ‘Strategy’, which is demonstrated by the great leaders who founded and nurtured these companies. It will be interesting to see how Strategy and Ethics can go hand in hand to create promising corporate culture for employees in a Corporate.

Strategic Leader giving high importance to business ethics can create a great corporate culture and encourage its employees to prosper in this environment. We have seen disasters like Enron Corporation and Satyam Computers where strategy was at its best but business ethics was missing which shows importance of both going hand-in-hand to make the culture blossom and make the Corporates a successful entity producing high quality manpower in the business and society.
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1. INTRODUCTION

During the initial period of Industrial Revolution it was considered that business and ethics do not go together. The popular concept was that if it is business then it is not ethical and if it ethical it does not represent business. The concept of business ethics started evolving in 60’s. The social awareness movement gave birth to business ethics. The business houses had the financial strength to help in solving social problems. The Commercial organizations started following their own ethical standards, since then the business ethic has developed in an increase in awareness and popularity. Management experts have developed concepts and understanding of the nature of business ethics.

Individual’s decision making is a continuous process in life. Individuals take various decisions based on his or her previous experience, knowledge base, his or her own analysis and expectations from decisions. Depending on the situations, that is, available resources and desired ends results or expectation on individual makes his or her choices. The important input in any decision making is moral values that are basically rules or duties govern any individuals. The moral values become foundation for decision making. Decision making is one link in chain of the actions. There will be inputs in decision making such as knowledge base, resources, analysis, inventory of morals and the like. On the other I hand there are consequent results or expectation from the decision made. There is a definite link between Corporate Culture, Strategy and Ethics. We must first understand the meaning of each of them individually and then try to see the relation between them.

Is there enough transparency in your Organization for the important things happening related to the Organization? Does your Organization have its well defined Values and Vision statement? Do employees of the Organization understand the importance of working towards common goals? Do people respect each other and employees are treated well in the Organization? Do people follow common processes and guidelines? Is there a pattern throughout the Organization of collective behavior? If the answer to all these questions is 'yes', then your Organization definitely has a Corporate Culture.

“Organizational culture affects the way people and groups interact with each other, with clients, and with stakeholders.”

Are there plans to use available resources most effectively to meet Organization Objectives? Does the Organization changes its structure and way of working as per market conditions and try to provide best services to the customer even in difficult times? Is the top management in the Organization focused on growth, lateral thinking, innovation and planning for future of the Organization and its stakeholders? If this is happening regularly, the management is definitely 'Strategic'.

Here is a famous quote on strategy from world Great Leader who is famous for his strategy: “However beautiful the strategy, you should occasionally look at the results - Winston Churchill”

Is ‘Do not lie’ an underlying principle in all communication? Are the employees told to submit all expenses at right time with all correct bills? Are financial disorders and malpractices absolutely not tolerated? Are there any basic rules defined for everybody in the Organization about accepting any kind of gift from anybody outside the Organization? Does top management share good as well as bad news with Employees regularly? If this is true, then company / organization definitely believe in having 'Ethics'. It applies to all parts of the
Business. Now-a-days everybody in Corporate Companies need to go through an Ethics and Code of Conduct training every year and sign off on the code of conduct. More than going into the details of problems faced by Emerging trends, here we would like to explore ways of management to keep these problems away from us or at least to minimize them as much as possible.

Here’s one of the quotes on Ethics from the famous German philosopher: “In law a man is guilty when he violates the rights of others. In ethics he is guilty if he only thinks of doing so. - Immanuel Kant”

Whatever is mentioned above in defining the Corporate Culture, Strategy and Ethics are only few examples but they are basic ones. We will see more examples both good and bad in this paper ahead.

2. BUSINESS ETHICS

Any business gets influenced from its organizational factors. The Internal factors can be controlled to some extent by proper management actions in the organization. The second type is the external factors which influence the business continuously. There is little or no control on these factors from the organization. The large MNC organizations can influence these factors to some extent. Influence in the external factors needs careful study, analysis and planning. Business ethics does not differ from generally accepted norms of good or bad practices. If dishonesty is considered to be unethical and immoral in the society, then any business person who is dishonest with his or her employees, customers, shareholders or competitors is an unethical and immoral person. If protecting others from any harm is considered to be ethical, then a company which recalls a defective or harmful product from the market is an ethical company.

3. CORPORATE CULTURE

Corporate or organizational culture is defines as the basic purpose which holds the organization together. It is the shared values and meanings that each of the member of the organization hold in common. The shared values are built up, articulated and practiced by organizational leaders in the corporations through communications between the employees and other stakeholders. Social meetings, gatherings, ceremonies where corporate members are present help corporate to define its moral nature. The meetings bring people together and help cross functional communication to encourage moral behavior.

The companies having strong corporate cultures will have

(a) shared philosophy
(b) Value the importance of people
(c) Respect for the high achievers
(d) Caring and sharing approach between members of management other employees.

A good company will have the cultural beliefs consisting of

- Common responsibility to the common good.
- Dignity of the individual.
- Endless search for excellence.
- Continuous renewal.
- Common good of all stakeholders.
A company constantly engaging in ethical practices, implementing ethical ways in its programmes and instituting the codes of conduct will contribute in beginning the corporate culture of a company. Building up ethical values and upgrading the levels will increase the reputation of the company in the eyes of the public.

4. STRATEGIC LEADERSHIP

The Strategic Leadership of any business organization starts with the first communication of corporate mission and code of ethics. Based on the corporate mission the corporate strategy and business strategy are drawn which gives more details to different product divisions or business divisions to guide the ethical behavior. Strategic Leadership is a major organizational dimension which influences the goals and objectives of the company and its stakeholders. The corporate leaders are responsible for development and execution of the competitiveness of the company. The strategy also sets the short-term and long-term span the company will go and how it can help the company and the society. The strategic formulation and implementation involves setting goals, formulating strategies, implementing the strategies, evaluating the results and analyzing the environment.

The business strategy is continuous and dynamic. It involves analysis, interaction and collaboration between various departments and various individuals. The business strategy basically consists of two parts:

- First part of function which deals with the business activities regarding production and use of resources,
- Second part deals with ethical performance which gives managers the ethical standards they have to meet.

4.1. The Strategic Leadership consists of three clear steps

- Corporate strategy which are drawn at corporate level and are guidelines for the entire organization. The corporate strategies include organizational interests and ways of doing business regarding different products, divisions, technologies and broad policy issues.
- Business strategies are managerial plans directing particular business unit. The strategies here will focus on particular product competition, pricing and use of resources, priorities and thrust of functional areas.
- Functional strategies deal with lower activities within the functional areas in business.

4.2. Management in Indian Companies

The recent fall of a large Multinational and Top Ranking Fortune 500 Company ‘Enron’ has brought a clear message to all large business houses world over that ethics matters in business. If one does not run an organization on strong ethical foundations, it will cost dearly at some point or the other. One can fool people for some times. Thanks to globalization and electronic media.

The Management of these companies is trying to build communication platforms to encourage their employees and other stakeholders to raise concern related to possible or actual deviations in ethical standards.
There are challenges in introducing ethical standards in Indian business. The reasons are:

- It is difficult to remove old or age old habits.
- The keen and growing competition in the market place.
  Business leaders are the one who have to stand the pressures and build ethical corporate culture. Indian managers have taken up this challenge and facing teething troubles.

4.3. IBM
IBM's value: Dedication to every client's success
- Innovation that matters, for our company and for the world
- Trust and personal responsibility in all relationships

"IBM has reinvented itself many times. But through it all, its DNA, its soul remained intact... IBM's most important innovation wasn't a technology or management system. Its revolutionary idea was to define and run a company by a set of strongly held beliefs."- Sam Palmisano, IBM Chairman & CEO

4.4. INFOSYS
- Vision: "We will be a globally respected corporation."
- Mission: "Strategic Partnerships for Building Tomorrow’s Enterprise."
- Values: We believe that the softest pillow is a clear conscience. The values that drive us underscore our commitment to:

4.5. C-LIFE
- Client Value: To surpass client expectations consistently
- Leadership by Example: To set standards in our business and transactions and be an exemplar for the industry and ourselves
- Integrity and Transparency: To be ethical, sincere and open in all our transactions
- Fairness: To be objective and transaction-oriented, and thereby earn trust and respect
- Excellence: To strive relentlessly, constantly improve ourselves, our teams, our services and products to become the best.

4.6. TATA CONSULTANCY SERVICES (TCS)
Established in 1968, Tata Consultancy Services has grown to its current position as the largest IT services firm in Asia on the basis of its outstanding service record, collaborative partnerships, innovation and corporate responsibility.
We are proud of our heritage as part of the Tata Group, which founded by Jamsetji Tata in 1868 is one of India’s most respected institutions today.
Our mission reflects the Tata Group's longstanding commitment to providing excellence:

- To help customers achieve their business objectives by providing innovative, best-in-class consulting, IT solutions and services.
- To make it a joy for all stakeholders to work with us.
4.6.1. Our values

Leading change, Integrity, Respect for the individual, Excellence, Learning and sharing. If we see the above four and many other successful Organizations in today’s world, we can easily see some common values upon which their foundation is built. Everybody gives utmost important to Client and Client's success as the whole purpose of the Organizations is to service the Clients who pay for these services. Integrity, Accountability and ownership responsibility is sometimes mentioned explicitly, sometimes it's implicit but it's always there. People are empowered to do their job best. Quality is given very high priority by most of them. Leadership and excellence must be there to take the Organizations to new heights every day, every year. These are the values which make these companies a great place to work with.

From above 3examples, IBM are American Origin companies whereas Infosys and TCS are Indian Origin Companies and it’s interesting to see how they have adapted best practices all over the world and are being reputed for their business practices. A simple example is in a gigantic Corporation like IBM, there are no attendance recording systems (!) and hundreds of thousands of employees work with self-discipline and personal responsibility.

5. LEADERSHIP WITH VISION, MISSION AND VALUES BASED CORPORATE CULTURE

“The seven largest emerging and developing economies by either nominal GDP or GDP (PPP) are China, Brazil, Russia, India, Mexico, Indonesia, and Turkey.”

We can directly relate issue related to growth of these markets to issues in management of these markets. The issues could be at Government level, Social or Corporate Level. Corruption is one of the major issues in these markets especially more in public sector.

Typically when the Organization is proprietary, partnership, private limited or a family business type of Organization, we should not be expecting the Corporate Culture in such Organizations. They are a group of people working together for common goals and to earn profit and mostly nothing more than that. Strategy is limited to surviving and increasing profitability, Ethics is a known parameter which is often neglected if the profitability is getting hampered because of Ethics.

For bigger size but privately owned Companies, the culture, strategy and ethics again depend mostly on the Owner's or director's way of behaving which percolates through the Company.

In multi-cultural, multi country Organizations / Multi-National Companies commonly known as MNCs, the Corporate culture is again a top down approach but due to the nature of the Organization structure and rules and regulations to be followed in different parts of the world, the Organizations by default adapt some standard good practices which makes them easy to operate in multiple countries and work with variety of employees from all over the world. We will see that Good culture, good strategies, best management practices and Ethics are respected in every part of the World!

6. LEADERSHIP WITH RIGHT STRATEGY

The main traits exhibited by Strategic Leader are Lateral thinking, inclusive loyalty, learning attitude, compassion, motivation and excellent communication skills. From formulation of a strategy to its implementation and achieving the success is the story of
strategic leadership. It is interesting to see how strategic leaders move up the ladder very quickly and efficiently. The strategic leadership should take the entire Organization or a part of Organization to new heights and employees should start feeling very proud to be a part of this focused and well informed team with a vision and mission. Examples can be quoted from Industry as well as from other walks of life and can even show how this has benefited a society or a part of society or an Organization. Though strategic leadership focus on key skills mentioned above, a list of as big as 50 skills or competencies can be matched with strategic leadership. More than one strategic leader can change the dimensions of a particular field in totality which can even be seen from some Indian historical examples.

Swami Vivekananda, Mahatma Gandhi, Jamsetji Tata, Dr. Homi Bhabha, are some of examples of historical strategic leaders. In India Recent examples could be Infosys founder Mr. Narayan Murthy and Tata group chairman who just stepped down from his office Mr. Ratan Tata. These strategic leaders have shown path to thousands, attracted and retained top talent, deployed corporate culture and stressed the importance of Values and Ethics on their work-force.

6.1. Example of interlinking of Corporate Culture, Strategy and Ethics

“Dr. Abdul Kalam was once interviewed by Knowledge @Wharton and the Video of this interview is also available. Interviewer asked Dr. Kalam to share some example of leadership he has seen in his life and Dr. Kalam shared a great example of a Leader who takes full responsibility and accountability for the task done by his team. The same story is also shared by Dr. Kalam in his book ‘Indomitable Spirit’. I am not going to copy the story from that book over here but in short the story is something like this:

When the SLV3 mission by Indian Space Research Organization (ISRO) failed for the first time in 1979, Dr. Satish Dhawan (25 September 1920 – 3 January 2002) who was chairman of ISRO that time, addressed the press conference and took full responsibility of the failure. After a year, when SLV-3 was re-launched on 18th July 1980 with Rohini satellite & it was a success, he asked Dr. Kalam to address the press conference and share the success story. Sr. Kalam says he learned unique quality of a Leader to absorb the failure & to give credit of success to the team.”

I think this is a great example of incorporating a Corporate Culture of Leader of the Organization accepting failure and letting the team take the credit of success. It also shows the culture where failure is accepted and team is given a chance to succeed. It shows strategy where the same mission is successful after one year and it also shows ethical behavior where the failure is not blamed on somebody and there is no hiding of information. This is one of the best examples I found on integrating or interlinking these three things together.

7. CONCLUSION

Corporate culture develops leaders with strategy and Ethics and such leaders always do value addition to corporate culture, which is a cyclic event for continuous growth of good Organizations. With some infamous stories of not following Business Ethics and human values, it’s great initiative from some Business Schools (like IIMC) to introduce Business Ethics as a mandatory subject in all their courses.

Emerging markets are constantly facing multiple hurdles in to sustain their growth and compete globally. A combination of adapting Corporate Culture, having a strategic leadership and following business ethics would be a key to climb the ladder of success for Companies in these markets.
Diagram 1: Customer centric combination of Ethics, Culture & Strategy

The following message from Prof. Shekhar Chaudhuri, Director of IIMC Calcutta is self-explanatory in this regard: “Over the years we at IIM Calcutta have realized that “hard” business skills alone are not sufficient for effective leadership. This has become very evident in the aftermath of the global economic crisis triggered by several MNCs’ questionable decisions that have damaged national economies and ruined the lives of large numbers of people. What organizations require are well rounded leaders who are trained to look at their organizations holistically and consider the long-term implications of their business decisions. In the mid-nineties IIMC took the lead to establish the Management Centre for Human Values. This Centre offers courses on business ethics, human values, leadership and management of non-governmental organizations and conducts research in related areas.”

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