— Industrial sector is passing through a process of restructuring, consolidation, adoption of cost cutting measures, foreign collaboration and technology upgradation

— Growing integration of the economy with the world economy

— Diversification of agriculture in favour of vegetables, horticulture, livestock, afforestation, and agro-processing

— Exports and imports together account for 23 per cent of GDP as against just 15 per cent in 1990-01

— Stable and proactive government

State of Poverty

The growth achieved at the economic front has percolated down to the people. The proportion of the population below poverty line has fallen as Table 31.7 shows.

		Table 31.7
1970s		Decline in Poverty
1980s		
1990s		

How has this decline been achieved? The reduction in poverty rate can be attributed to higher economic growth, improvement in real wages, and proliferation of poverty alleviation programmes. It is likely that the incidence of poverty continues to decline and will become residual by the end of this decade.

Access to Water and Sanitation

Drinking water, basic to human beings, continues to be a major problem in India, both in villages as well as in cities. The latter is better in the sense that water trickles through taps atleast on alternate days. But it is nightmarish in rural areas. One has to trek kilometers to fetch a bucket of water or pay Re.0.50 per bucket if water is delivered at your doorstep. Urban or rural, full-pressure, "24-7" water supply remains a pipe dream.

Less said the better so far as sanitation is concerned. In rural India, about 71 million households fetch water from outside by spending some 102 billion hours in a year. Further, only 7 per cent of rural households are connected to the sewerage system and only 9 per cent households have in-house toilet facilities. The opportunity cost of the time thus spent is high, particularly in terms of schooling for girls and social and economic opportunities for women.

Status of Health

Poor people in most countries have the worst health services. They are pushed further into poverty due to ill health. Luckily, India has over the years, built up a vast health infrastructure and manpower at primary, secondary, and tertiary care in the government, voluntary, and private sectors. The expenditure on health accounts for 5.6 per cent of the total GDP while the public health expenditure is at 0.9 per cent.

Technological advances have made deep inroads into health services. During 1951-96, the number of hospitals and dispensaries increased from 9209 to 43,322 and hospital beds from 1.17 to 8.70 million; and during 1951-99 nursing personnel rose from 0.18 to 8.7 lakh and alopathic doctors from 0.62 to 5.0 lakhs. Such massive expansion on the supply side has resulted in the eradication of leprosy, small pox, guineaworms, and in the near eradication of polio.

However, the country is far from realising the 1978 Alma Ata declaration of 'Health for All by 2000' incorporated as a goal in its National Health Policy, 1983. About 2.2 million children die every year because of malnutrition and inadequate supply of vaccines. Less than 20 per cent of the population utilise public health facilities. Preventable and treatable diseases take a huge toll among the poor. Disparities exist between poor and rich and between rural and urban so far as health care facilities are concerned.

The country is far from reaching the goal of reaching health for all.

Social Sector

The poor lack access to safe drinking water, decent housing, adequate sanitation, and health care. They depend on public services for their needs. But public spending on the social sector is less than what is spent in other developing countries. This low spending has been further badly affected during the economic reforms period.

Emerging Techniques

By 2008, India's IT exports account for six per cent of global exports in the IT sector.

The Indian economy has witnessed several technological advancement particularly in the fields of information and communication. New technologies promise great opportunities for Indians. It is estimated that, by 2008, exports by India's information technology (IT) industry will form 35 per cent of the country's total exports and 6 per cent of the total global IT exports. It is also estimated that IT industry will generate 2.2 million additional jobs in India by 2008.

New technologies have trickle down and reach poor people. But lack of infrastructure may check the trickling down effect.

New technologies will have 'trickle down effect' on rural India and on disadvantaged sections of society. Information and communication technologies have been used to enhance effectiveness in the delivery of health services in rural and remote locations; in programmes to impart literacy among adults; and as a tool for improving efficiency in agriculture and traditional industries. These technologies have been used in governance to speed up the process of interaction between citizens and administration.

But there are hurdles which come in the way of technologies reaching out to the people. We lack infrastructure for the spread of digital technologies. Access to phones, computers, and internet is not widespread. Illiteracy and social inequalities also check the spread of technologies to vast majority of people. Investment in physical infrastructure and R&D is the urgent need if benefits of technologies were to spread across the country.

New Agricultural Varieties

A major development that has occurred in India's agricultural sector is the discovery of high yielding varieties. The high yielding varieties have played significant role in the economic development. Poverty ratios are lower in states such as Punjab, Haryana, Andhra Pradesh, and Tamil Nadu that have higher adoption rates of modern varieties of rice. Three related developments have taken place thanks to the new varieties. First, overall food supply has improved while real prices declined. This has improved consumer welfare. Second, more output has been produced with relatively less labour and thus facilitating development of the non-agricultural sector. Third, the surpluses generated because of increased farm production are reinvested in development of the non-agricultural sector and on improved human capital.

Thus, the Indian economy has travelled a long way. It needs to travel further and travel faster, as Box.31.4 shows. The economy has strengths as the description above indicates. It has weaknesses too. There is inequality, poverty and underemployment. Labour laws are regressive. SSI sector is languishing. Infrastructure is inadequate. But these are weaknesses which can be overcome.

Box 31.4

India Vision 2020

A report entitled 'India Vision 2020' (Planning Commission, 2004) has recently formulated a set of long-term economic goals for the nation realisable by proper utilisation of untapped potentials. Prepared by a committee of the Planning Commission, the report recognizes the changing environment and the wide range of new possibilities open before the nation-rapid rise in educational levels, technological advancement, cheaper and faster communication, quick availability of information, and access to world market due to globalization. Some salient features of the Indian economy as visualised in the report over the next two decades are:

● India could aspire to attain an average level of living of the current upper middle income countries such as Argentina, Malaysia, and South Africa.

● The nation would be able to produce food needed for the projected population of 1.3 billion and generate some exportable surplus. But this by itself would not ensure eradication of under-nutrition due to lack of purchasing power of the poor.

● A comprehensive national food security strategy must include security of livelihood. Labour force is expected to expand by 45 per cent and generation of about 200 million new jobs over the next 20 years would be a major challenge before the nation.

● A significant departure from earlier government statements is the report's advocacy of access to gainful employment as a constitutional right for the citizens to enable them 'to exercise their economic rights in a market economy.'

● Changing demographic composition would double the number of senior citizens necessitating adoption of special measures for them.

● The report describes the knowledge revolution as an uncommon opportunity and human resource as the most

important determinant of future output and employment growth. It recommends school education as an essential prerequisite for citizens to adapt and succeed economically.

● Further growth is likely to concentrate in big cities of one million or more population and urban population is expected to reach 40 per cent of the total. This would put more strain on urban infrastructure.

development calling for innovative solutions.

● Establishment of links among the major rivers could channel surplus water from flood-prone areas to drought-prone areas and help increase the irrigation potential.

● India has to meet the challenge of global competition and seize upon the global capital flows destinations by providing secure and attractive returns.

(Source: India Development Report, 2004-05, p.27)

QUESTIONS

1. Bring out the various economic reforms. Why were these reforms necessary?
2. How far has the new economic policy succeeded? Failed? Discuss.
3. What are second generation reforms?

REFERENCE

1. This section is based on *India Development Report, 2004-05.* (ed) by Kirit S. Parikh and R. Radhakrishna.

CHAPTER 32

Cultural

Environment

. . . .

CHAPTER OUTLINE

Nature of Culture

Impact of Culture on Business
- *Culture Creates People*
- *Culture and Globalisation*
- *Culture Determines Goods and Services*
- *People's Attitude to Business*
- *Attitude to work*
- *Collectivism and Individualism*
- *Ambitious or Complacent*
- *Education*
- *Family* ✓
- *Authority*
- *View of Scientific Method*
- *Ethics in Business*
- *Religion* ✓
- *Marriage* ✓
- *Time Dimension*
- *Cultural Resources*

Business Participation in Cultural Affairs

. . . .

LEARNING OBJECTIVES

After reading this Chapter, you should be able to:

1. *Understand the nature of culture*
2. *Describe the interface between culture and business*
3. *Explain why business takes active part in culture*

. . . .

Cultural environment refers to the influence exercised by certain social factors which are *'beyond the company's gate.'* Such factors include, among others, attitude of people to work, attitude to wealth, family, marriage, religion, education and ethics.

NATURE OF CULTURE

Culture include several behavioural influencing factors shared by members of a society and passed through generations.

In its narrow sense, culture is understood to refer to such activities as dance, drama, music and festivals. In its true sense, culture is understood as that complex whole which includes knowledge, belief, art, morals, law, customs and other capabilities and habits acquired by an individual as a member of a society. "Culture consists of", writes Elbert W.Steward and James A.Glynn,

"The thought and behavioural patterns that members of a society learn through language and other forms of symbolic interaction-their customs, habits, beliefs, and values, the common viewpoints which bind them together as a social entity. Cultures change gradually, picking up new ideas and dropping old ones, but many of the cultures of the past have been so persistent and self-contained that the impact of any sudden change tears them apart, uprooting their people psychologically."

The following characteristics of culture are worth knowing:

1. *Learned* - Culture is not inherited or biologically based, it is acquired by learning and experience.

2. *Shared* - People as members of a group, organisation, or society share culture, it is not specific individuals.

3. *Transgenerational* - Culture is passed on from one generation to the next.

4. *Symbolic* - Culture is based on the human capacity to symbolise or use one thing to represent another.

5. *Adaptive* - Culture is based on the human capacity to change or adapt, as opposed to the more genetically driven adaptive process of animals.

Levels of Culture

There are three levels of culture, viz., national culture, business culture and the occupational and organisational cultures (See Fig.32.1).

Figure **32.1**

Levels of Culture
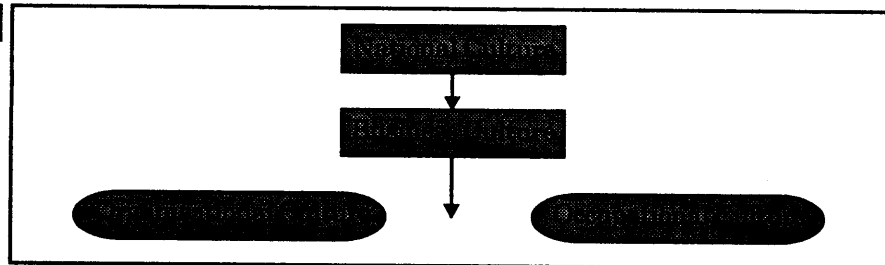
National Culture National culture is the dominant culture within the political boundaries of a country. Formal education is usually taught and business is generally conducted in the language of the dominant culture.

Business Culture Business culture guides everyday business transaction. What to wear to a meeting, when and how to use business cards, whether to shake hands or

embrace - all are examples of business etiquette taught by business culture. It needs no mention that business culture is a part of the total national culture. In any society, business closely interweaves with the broader cultural values, norms and beliefs. Examples include the priorities given to age and seniority, the role expectations of women, and expectations concerning treatment of subordinates by bosses.

Organisational Culture

Within national and business cultures, there develop organisation-specific and occupation-specific cultures. Organisational culture (or its sister-term corporate culture) refers to the philosophies, ideologies, values, assumptions, beliefs, expectations, attitudes, and norms that knit an organisation together and are shared by its employees.

> Organisational culture is shared by members of an organization and are tied together by it.

Organisational members tend to internalise cultural nuances and like to internalise newcomers into such mores. Some of the practices are so thoroughly internalised that no one questions them-they are taken for granted, that is, they get institutionalised.

Besides institutionalization, deification or glorification tends to occur in organisational cultures. Heroes emerge, especially among the founding fathers of the firm, whose sacrifices, valorous deeds and ingenuity in the difficult initial years of the organisation or during later crises periods are embellished into stories and sagas. The firm itself may come to be regarded as a source of pride, and in some sense unique. Employees begin to feel a

> Several joint ventures were wound up because of the clannish culture of Indian companies

strong bond with it that transcends material returns given by the company, and they begin to identify with it. The organisation turns into a sort of clan and the organisational members become ethnocentric. Clannish organisations often pose problems to managers. Most Indian companies had developed the clan culture. The clan culture led to the collapse of several joint ventures between Indian companies and overseas firms. Mention may be made of the breaking up the marriage between Tatas and IBM and Daimler Benz, of Godrej with P&G and GE, of DCM with Toyota, of LML-Piaggio and of Mahindra with Ford.

Occupational Culture

Different occupational groups such as physicians, professors, lawyers, accountants, and crafts people have distinct cultures-called occupational cultures. Occupational cultures are the norms, beliefs, and expected ways of behaving of people in the same occupational groups, regardless of which organisations they work for.

IMPACT OF CULTURE ON BUSINESS

The interface between business and culture is brought out in the following paragraphs (also see Fig 32.2).

1. Culture Creates People

The concept of culture is of great significance to business because it is the culture which generally determines the ethos of the people. It trains people along particular lines, tending to put a personality stamp upon them. Thus, we have Indians, Japanese, Americans, Germans, Britisha and so on. It is not that all people are alike in a particular culture. There are sub-cultures within a culture. People have their own idiosyncrasies and are a blend of heredity, cultural experience, sub-cultural experience, family experience, and unique personal experience.[2]

Figure 32.2

Culture and Business
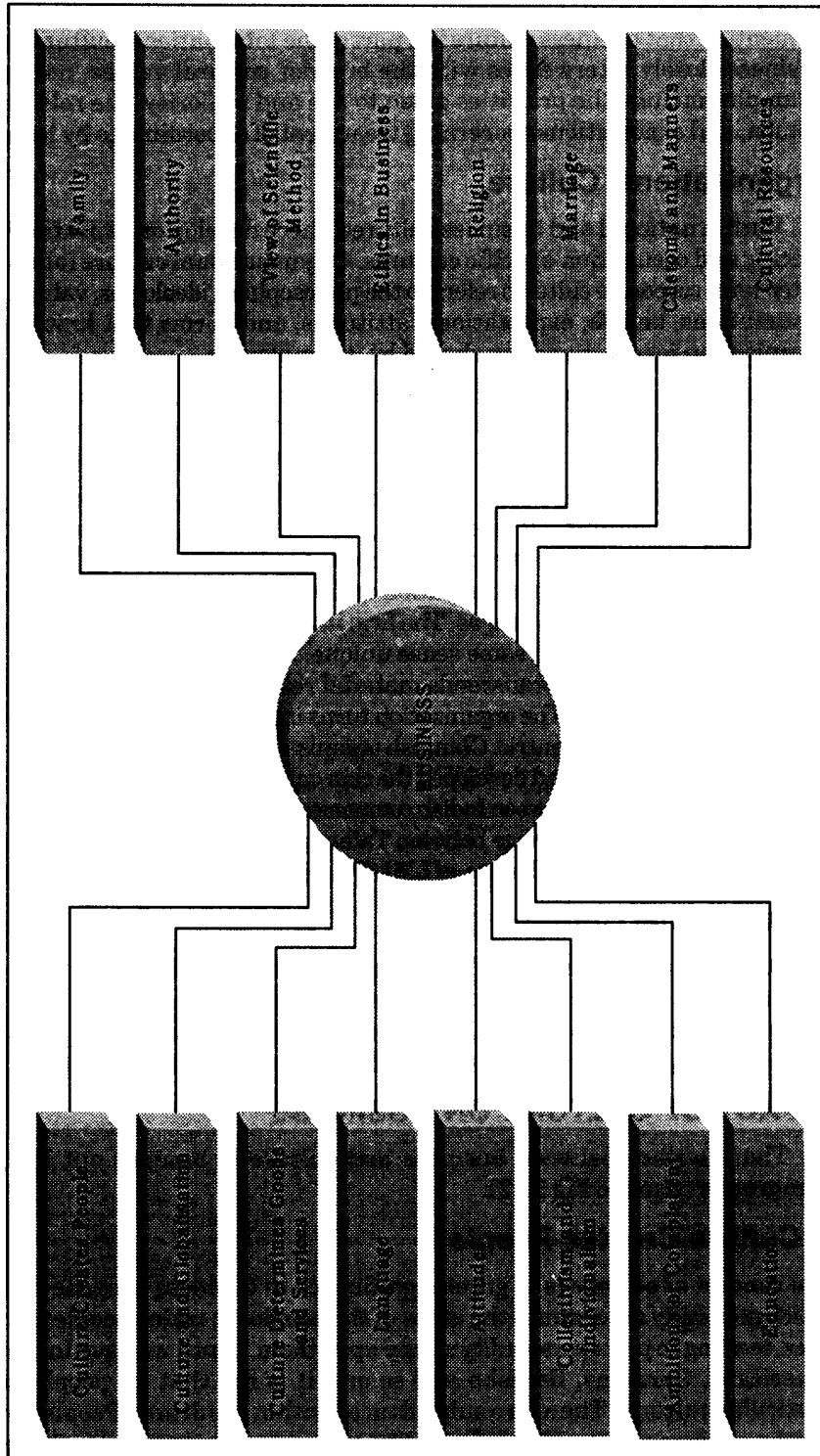
When people with different cultural backgrounds promote, own and manage organisations, organisations themselves tend to acquire distinct cultures. Thus, the culture of the Tata group of companies is different from that of the enterprises owned by the Birlas.

Organisational culture has functional and dysfunctional consequences. Culture performs at least four functions. *First*, culture creates distinctions between one organisation and another. *Secondly*, it conveys a sense of identity for orgnisational members. *Thirdly*, it facilitates the generation of committment to something nobler than one's own self interest. *Finally*, it enhances the social system stability. Culture is the social glue that helps hold the organisation together by providing appropriate standards for the behaviour of organisational members.

Culture becomes a liabiltiy where the shared values are not in agreement with those that will further organisation's effectiveness. This is most likely to happen where organisation's environment is dynamic. When the environment is changing fast, the organisation's entrenched culture may no longer be appropriate. So consistency of behaviour is an asset to an organisation when it faces a stable environment. It may, however, burden the organisation and make it difficult to respond to changes in the environment. This has what precisely happened to ITI. In the pre-economic reforms decades, the telephone company had stable environment. It had developed its own identity as a monopolist in telephones and thrived well sticking to old and outdated technology. In the changed environment of today, neither its culture, nor its old technology could save the ailing ITI.

2. Culture and Globalisation

As business units go international, the need for understanding and appreciating cultural differences across various countries is essential. Work motivation, profit motivation, business goals, negotiating styles, attitudes towards the development of business relationships, gift-giving customs, greetings, significance of body gestures, meaning of colours and numbers, and the like vary from country to country. Table 32.1 brings out a summary of how major management concepts are perceived by the Japanese and Americans.

Table 32.2 reveals contrasting cultural factors between India and Japan.

When people from different cultures converge in a workplace, management will be required to manage *diversity*. Workforce diversity has important implications for management practice. Managers will be required to shift their philosophy from treating everyone alike to recognising differences and responding to those differences in ways that will ensure employee retention and greater productivity while, at the same time, not discriminating. Diversity, if positively managed, can increase creativity and innovation in organisations as well as improve decision making by providing different perspectives on problems. Where not managed properly, diversity is likely to result in increased turnover, reduced communication and heightened inter-personal conflict.

Any move from one country to another will create a certain amount of confusion, disorientation and emotional upheaval. This is called *culture shock*. An executive transferred from India to Germany, for example, would require lot of adjustment to

Table 32.1 *Major Concepts in the Comparative Analysis of US and Japanese Management*	*Management Concepts*	*How Perceived in the United States*	*How Perceived in Japan*
	Company	Team in sport	Family in village
	Business goal	To win	To survive
	Employees	Players in a team	Children in a family
	Human relations	Functional	Emotional
	Competition	Competition	Cooperation or sin
	Profit motivation	By all means	Means to an end
	Sense of identification	Job pride	Group prestige
	Work motivation	Individual autonomy	Group atmosphere
	Production	Productivity	Training and diligence
	Personnel	Efficiency	Maintenance
	Promotion	According to abilities	Length of service
	Pay	Service and results	Award for patience and sacrifice

(**Source**: Adapted from M.Murayana, "A Comparative Analysis of U.S. and Japanese Management Systems", in Sang M.Lee and Gary Schwendiman(eds.) *Management by Japanese System*, p.237).

make. Language differs, climate varies, food habits are different and the socialisation pattern will be totally new. Culture shock will be severe when the new environment is totally different from the old one. Organisations, particularly MNCs, must be prepared to cope with the culture shock.

3. Culture Determines Goods and Services

Culture broadly determines the type of goods and services a business should produce. The type of food people eat, the clothes they wear, the beverages they drink and the building materials they use to construct dwelling houses vary from culture to culture and from time to time within the same culture. Business should realise these cultural differences and bring out products accordingly.

The fact that culture determines the types of goods and services is not as important as its varied manifestations. Culture expresses itself through people's views of themselves, others, organisations, society, nature and cosmos (See Box 32.1 for varied expressions of culture).

4. Language and Culture

Language is the foundation of any culture. It is an abstract system of word meanings and symbols for all aspects of culture. Language includes speech, written characters, numerals, symbols, and gestures of non-verbal communication.

Social/Cultural Factors	Japan	India	*Table* 32.2
Principles of government/ administration		Prevalence of impersonal bureaucratic social relations, mistrust of fellow beings based on the assumption of human nature as evil. Results in highly centralised administration, overemphasis of hierarchial status in decision-making, bureaucratic delays, low levels of delegation, dissatisfied workforce, and accentuation of apathy in individuals and groups	*Contrasting Social and Cultural Factors-India vs Japan*
Attitude towards work and goals		General and deep-seated apathy, dissociation of work from its results based on the belief that the results are pre-ordained. Tasks are performed without any interest, dedication or pride	
Discipline and order		Lack of discipline at all levels, basic mistrust of authority, poor superior-subordinate relationships	
Group harmony		Assumption of inequality of human beings, nagging suspicion of fellow beings and highly self-centered behaviour, resulting in a lack of cooperation and teamwork	
Emphasis on education		Generally indifferent and highly ambivalent	

(**Source:** *Vikalpa*, Oct.-Dec.1991, IIMA)

The interrelationship between language and culture is very strong and often the former determines the latter. Words provide the concepts for understanding the world. All languages (there are approximately three thousand of them) have limited sets of words. These restricted word sets in turn constrain the ability of the users to understand or conceptualise the world. Since language structures the way we think about what we see and behave, it determine cultural patterns.

The above hypothesis that language determines cultural patterns is not acceptable to several experts. Many social scientists argue that language does not determine

Box 32.1

Cultural Manifestations

People's Views of Themselves: People vary in the relative emphasis they place on self-gratification versus serving others. The move towards self-gratification was especially strong during the 1960s and 1970s. Pleasure seekers sought fun, change and escape. Others sought self-realisation and joined therapeutic or religious groups. The marketing implications of a "me society" were many. People bought products, brands and services as a means of self-expression. They bought 'dream cars' and 'dream vacations.' They spent more time in health activities (jogging, tennis), no introspection, and no arts and crafts. The leisure industry (camping, boating, arts and crafts, sports) benefited from the growing number of self-gratifiers.

People's Views of Others: Some observers have pointed to counter movement from a "me society" to a "we society." They think that more people want serious and lasting relationships with others. Some recent advertising features people in groups sharing things with others. A Doyle Dane Bernbach survey showed a widespread concern among adults about social isolation and a strong desire for human contact. This portends a bright future for "social support" products and services that promote direct relations between human beings, such as health clubs, vacations, and games. It also suggests a growing market for "social surrogates," things that allow people who are alone to feel that [...] such as television, home video [...] computers [...]

People's Views of Organisations: People vary in their attitudes towards corporations, government agencies, trade unions, and other organisations. Most people are willing to work for these organisations, although they may be critical of particular ones. There appears to be decline in organisational loyalty. People are giving a little less to these organisations and trusting them less. The work ethic is eroding. Many see work not as a source of satisfaction but as a necessary pursuit to earn the means to enjoy their non-working hours.

Several marketing implications follow from this outlook. Companies need to find new ways to win consumer confidence. They need to review their advertising communications to make sure their messages are honest. They need to review their various activities to make sure they are being 'good corporate citizens.' More companies are turning to social audits and to public relations to improve their image with their publics.

People's Views of Society: People vary in their attitudes towards their society, from those who defend it (preservers) to those who run it (makers), those who take what they can from it (takers) to those who want to change it (changers), those who are looking for something deeper (seekers), those who want to leave it (escapers). Often people's consumption patterns reflect their social attitude. Those who are high achievers who eat, dress, and live well; makers and changers live more frugally, driving smaller cars, wearing simpler clothes, and so on. Escapers and seekers are a major market for movies, music, surfing, and camping.

People's Views of Nature: People vary in their attitude towards the natural world. Some feel subjugated by it, others feel harmony with it, and still others seek mastery over it. A long-term trend has been people's growing mastery over nature through technology and the attendant belief that nature is bountiful. More recently, however, people have awakened to nature's fragility and finite supplies. People recognise that nature

can be spoiled and destroyed by human activities.

People's love of nature is leading to more camping, hiking, boating, and fishing. Business has responded with hiking boots, tent equipment and other gear for nature enthusiasts. Tour operators are packaging more tours to wilderness areas. Food producers have found growing markets for 'natural' products, such as natural cereals, natural ice cream and health foods. Marketing communications are using more scenic backgrounds in advertising their products.

People's Views of the Universe. People vary in their beliefs about the origin of the universe and their place in it. Most

Americans are monotheistic, although their religious conviction and practices have been of waning through the years. Church attendance has fallen steadily, with the exception of certain evangelical movements that have not been lost but have been redirected into an interest in Eastern religions, mysticism, the occult and the human-potential movement.

As people lose their religious orientation, they seek more of the 'good life' here on earth. Self-fulfilment and immediate gratification are the emerging cultural values. At the same time, every trend seems to breed a counterforce. From time to time, a 'futurist' will announce a new list of trends that warrant attention.

human thought and behaviour patterns. For example, humans possess the physical ability to make millions of colour distinctions, yet languages differ in the number of colours that are recognised. The English language distinguishes between yellow and orange, but some other languages do not.[3] The word **punya** is popular in Indian languages but there is no equivalent of that in the English language.

Obviously, it is not that languages determine culture. It is the culture that comes first and requires the development of certain concepts and thus certain words. Notwithstanding the arguments, there is close interrelationship between language and culture.

> There is no perfect equivalent in English for the word Punya.

High- and Low- Context Languages

The world's languages can be classified, based on whether the message conveyed is explicit or implicit, into two groups. Languages in which people state things directly and explicitly are called **low context**. The words provide the meaning. There is no need to interpret the situation to understand the import of the words. Languages in which people state things indirectly and implicitly are called **high context**. In the high context language, communications have multiple meanings that can be interpreted only by reading the situation in which they occur. So important are the ideas of high and low context that many people refer to the whole culture as being high or low context.

> Language can be either low context or high context. Low context language is direct but high context language carries multiple meanings with it.

Most northern European languages, including German, English, and the Scandinavian languages, are low context. People use explicit words to communicate direct meaning. In contrast, Asian and Arabic languages are high context. In Asian languages, often what is left unsaid is just as important as what is said. Silent periods and the use of incomplete sentences require a person to interpret what the communicator does not say by reading the situation. Arabic introduces interpretation into the language with

> European languages are low context type. Asian languages are high context type.

an opposite tack. Extensive imprecise verbal and nonverbal communication produces an interaction where reading the situation is essential for comprehending.

Among all languages, Chinese is widely used across the globle (See Table 32.3). But in corporate world, it is English which is widely used. Naturally, countries go out of the way to promote teaching and learning of english among their citizens. Infact, one of the competitive strengths of India is the capabilities of her citizens to talk in English.

Language Distribution of the World

Table 32.3	Rank	Language	Primary country	Population
	1	Chinese, Mandarin	China	
	2	Spanish	Spain	
	3		United Kingdom	
	4		Bangladesh	
	5		India	
	6		Portugal	
	7		Russia	
	8		Japan	
	9		Germany	
	10		China	
	11		Indonesia, Java, Bali	
	12		South Korea	
	13		France	
	14		Vietnam	
	15		India	
	16		China	
	17		India	
	18		India	
	19		Turkey	
	20		Pakistan	

(**Source:** Adapted from Barbara F.Games(ed)(1996) *Ethnologue Languages of the World*, 13th Edition)

A clear understanding and effective use of language is essential for the success of any business particularly global business. It helps determine success in the following ways:

- It provides a clearer understanding of a given situation. Having the ability to communicate in the host language enables an international manager to conduct business directly with his/her hosts without the need for an interpreter. There is no need for a third person to explain the situation or what is being discussed. Thus, the manager is able to size up the situation instantly and act accordingly. This obviously saves time and adds spontaneity to social intercourse.

- Language establishes one of the most effective and flattering bridges to local people. To speak the host's language means having direct access to hosts who are more willing and delighted to communicate openly in their own language. In many instances, this is how friendships develop and prosper, as in most cultures speaking the host's language is one of the most flattering ways to pay compliments to the host culture and those who belong to it.

- Even the most competent interpreter could have difficulty conveying hidden, implied meanings of words and nuances, phrases, or slang. Speaking directly with the host in his/her language gives the speaker a feel for the emotions and significance with which the host communicates.

- Language properly and effectively learned and practised, provides one of the most practical means of understanding another culture. When learning a foreign language, one is not just acquiring a means of communication but also developing a deeper understanding and appreciation of the host's history, politics, social life, and other cultural aspects.

- Learning a language, understanding all the nuances and cliches, and enjoying ways of socializing with a host are some of the most practical and rewarding experiences for an international manager. It builds confidence and earns the respect and admiration of local people. In short, they help make a manager more effective.

Language plays an important role in making business a success by (i) providing a clear understanding of the situation, (ii) establishing a flattering bridge, and (iii) making it easy to understand any culture.

5. Attitudes

Attitudes are positive or negative evaluations, feelings and tendencies which make an individual behave in a particular way towards people or objects. Attitudes include many things including opinion about individual freedom, democracy, truth and honesty, role of sexes, justice, love, marriage, and sex. Of particular interest to us in this context are one's attitude towards work, attitude towards business, and attitude towards time and the future.[4]

Attitudes are positive or negative evaluations that determine one's behaviour.

Attitude **towards work** is important as it has significant impact on motivation, morale, job satisfaction, productivity and other aspects of human resource management. Positive attitude towards one's work, also called **work ethic**, makes a worker a more productive and a more satisfied employee. Compensation and reward system are critical elements in determining work attitudes. A business firm needs to devise a system of compensation and reward that would help promote work ethic.

Japanese worker is supposed to have a strong work ethic. On the other hand, Indian ethos such as detachment from work, **nirvana**, and renunciation are said to be inconsistent with the positive work attitudes of workers. This observation is not true, for, it is only in India that an average worker takes work as worship. For him or her work is everything. No worker touches his or her tools, wheel, mouse or button in the morning without closing his or her eyes for a few seconds, worshiping the almighty expressing gratitude for having bestowed his blessing in the form of work. The Indian worker has earned appreciation from everywhere for his or her sincerity, hard work, loyalty and honesty.

Culture determines people's attitude towards business.
The culture of the land determines its people's **attitude towards business**. Business systems are a product of beliefs, mores, and customs of the society in which they exist. Infact, their very existence depends upon social philosophies which conduct and support various kinds of business functions. Business people must have some basic set of philosophies to guide their actions. Beliefs and value systems concerning what is right and what is wrong are basic to all business activities and serve as a justification for doing or not doing something in a particular value system by which actions of business persons and other groups are judged.

In capitalist systems an individual perceives business basically as profit-seeking organisation producing goods and services in response to market demand. In Islamic social systems, business is an all-important institution based on personal relationship, trust and respect. Business firms are viewed not just providers of goods and services but as partners in progress and prosperity. Attitudes towards profit-making and business in general are an important part of the decision of an MNC to expand into a particular country.

French culture lays emphasis on elegance, elitism and form. But Mexican culture is death oriented.
French culture is known for its emphasis on elegance, elitism, and concern for form. Not only does this get reflected in its 1200 museums, its 5000 variety of wine (which are classified, like the French society, into from superior to ordinary table wine), more than 50,000 drama performance per year, but also in the fact that France has always been the capital of fashion industry.

On the other hand, Mexican culture is known for its "pro-death" values: Mexicans celebrate The Day of the Deads, have folk art forms which feature skeletons, have museums of Mummies, adorn the graves as a work of art, and even have a popular magazine called La Calavera (meaning The Skeleton)!! Not surprisingly, life insurance industry is not a flourishing business in Mexico. In mid 90s, less than 20% of employed population had life insurance cover, and the insurance premium formed just about 1.5% of the GDP (as compared to 5.5% in Brazil, and close to 9% in US).

People's attitudes **towards time** depend on culture. Most western and capitalist societies believe that time is money. To waste time is to waste money. For most westerns punctuality is a must. Being late for a meeting or appointment is not only considered rude but also offensive. Every business activity is timed in terms of hours, minutes, days, months, and years. Long-term strategic plans are prepared to ensure targets are met in time. Time seems to control every aspect of human endeavour. Pay and productivity are measured in terms of the time it takes to complete a given task. But in some other societies time is viewed as something not to be taken seriously. Punctuality is observed rarely.

Another dimension of time is the people's perception of future. In some societies, the prevailing belief is that people can influence and even control the future. Educational systems offer a variety of training and self development courses to help individuals develop strong internal locus of control — the ability to carve out one's own future. In Islamic societies and in India the belief is that future is pre-ordained and no one can alter it. This attitude often manifests itself in an almost total absence of forward business planning, with each day taken as it comes. What is not finished today can be continued tomorrow.[5]

6. Collectivism and Individualism

The spirit of collectivism and individualism is related to such personnel aspects as employee morale, multiplicity of trade unions and inter and intra-union rivalries. It is said that our culture, unlike Christianity, stresses individual salvation and negation of the world. Behind a small charity or a good deed, it is pointed out, there is the motive of self, rather than society's welfare. This is the main reason for the low morale of our workers, multiple unions and the rivalries among them.

The feeling of collectivism or individualism has its influence on employee morale, multiplicity of unions and inter-union rivalry.

Contrary to popular belief, our culture did advocate collectivism and general welfare. As a proof of collectivism, we are told about guilds which played a major role in the economy of ancient India. "This was the guild (*Sreni*)", wrote A.L.Basham, 'a form of industrial and mercantile organisation which played a big part in the economy of ancient India as it did in that of most other ancient or medieval civilizations. There are faint and uncertain references to some sort of guild organisations even in vedic literature, and by the time of the composition of Buddhist scriptures, guilds certainly existed in every important Indian town, and embraced almost all trades and industries- we even read of a guild of thieves.'

"The guild united both the craftsmen's cooperatives and the individual workman of a given trade into a single corporate body. It fixed rules of work and wages and standards and prices for the commodities in which members dealt, and its regulations had the force of law and were upheld by the king and government. Over its own members, the guild had judicial rights, which were recognised by the state. A guild court could, like a caste council, expel a refractory member, a penalty which would virtually preclude him from practising his ancestral trade and reduce him to beggary. We read in Buddhist literature of guild courts settling quarrels between members and their wives, and the rules of Buddhist order lay down that a married woman may not be ordained a nun without the consent of her husband and his guild. Thus, the guild had the power not only over the economic, but also over the social life of its members. It acted as a guardian of their widows and orphans, and as their insurance against sickness. Its powers and functions in this respect were very similar to those of the caste councils in more recent times, and though some authorities would disagree with us, we cannot but conclude that the guilds played an important part in the evolution of trade castes."[6]

Primary importance of community welfare is stressed even by Manu. Charity and philanthropy have a high moral value in our tradition.

Collectivism is the hallmark of our society. Whether it is celebrating a marriage, a social function, inauguration of a business unit or installing a CNC machine in a factory, we believe in people and crowds. We have factories (particularly in Public Sector) which have thousands of employees and we have trade unions whose membership runs into lakhs.

7. Ambitious or Complacent

An individual's ambition to grow or remain complacent depends on his cultural ethos. An ambitious individual is highly motivated, is wealth acquisitive, has a strong urge to excel, is prepared to change organisations

Culture makes a person to become ambitious or complacent.

and even take risks. Economy becomes vibrant if a large proportion of the population comprises ambitious people.

Majority of our people are known to be complacent. An average citizen will be happy to get into a government job (lower the order, the better) as it assures safety of tenure and demands no initiative, no skills and no hard work. He is not prepared to join the private sector as the job here demands hard work and high productivity. Complacency of citizens is attributed to be one of the reasons for the backwardness of our economy.

Contrary to popular belief, our society has been known for its ambition, particularly in wealth acquisition. Ours is probably the only society in the world where wealth is worshipped in the form of Goddess *Lakshmi* unlike in the West where wealth is merely respected.

Looking at the past, in most Indian literature, the world is viewed from the angle of well-to-do. Poverty, it is more than once said, is a living death; to serve another for one's keep is a dog's life, and not worthy of an Aryan. From the time of the RigVeda, which contains many prayers for riches, worldly wealth was looked as morally desirable for the ordinary man, and indeed essential to lead a full and civilized life. The ascetic who voluntarily abandoned his wealth performed an act of renunciation which entitled him to the utmost respect, though by such renunciation, he assured himself of spiritual advancement, as well as the way to salvation (*Moksha*). The fourth and ultimate aim of existence, the ascetic's life, was not that of an ordinary man, and the theoretical classification of the four stages* of life gave ample scope in the second stage to the householder, who was indeed encouraged to build up the family fortunes, and to spend part of them at least on the pleasures of the senses. Thus, the ideals of ancient India, while not perhaps the same as those of the West, by no means excluded money-making. India had not only a class of luxury-loving and pleasure-seeking dilettante but also one of wealth-seeking merchants and prosperous craftsmen, who, if less respected than the Brahmins and warriors, had an honourable place in society.[7]

8. Education

The close interface of business and higher education is a new development. Centuries ago, each had a somewhat hands-off attitude towards the other. A relatively small section of the intellectual elite maintained their seclusion in university halls, educating a few selected students to become intellectual and social leaders of their nation. Education was not for the masses who laboured in factories, fields and stores. University education had little interest in business and businessmen had little interest in education. Each lived in a different world. Many educators showed an *elitist* disdain for businessmen who were perceived as less nobly motivated than educators. Most businessmen admitted that the disdain was mutual since men in the ivory tower had little that was practical to offer to business.

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*   The four stages are: (1) Brahmacharya-student life, (2) Grihstha-married and householder, (3) Vanaprastha-hermit in a forest, and (4) Sanyasin-old man and a homeless wanderer with all earthly ties broken.

The separation of business from education gradually waned as higher education expanded in accordance with the democratic ideals of equal opportunity, but the real breakthrough came with the rapid trend towards a knowledge-oriented society.[8]

> For a long time there was a kind of rift between business and higher education. Now they have become closer.

Industrial societies of today are knowledge-oriented and educated, and education is considered as one of the social overheads that has been accorded due priority among the developmental activities. But there are variations. A society without too many constraints on social mobility may accord prestige to the teaching profession and a large part of the national income will be spent on educational equipment than in a society which is more rigidly stratified. Educational institutions are sometimes resented in countries where children are regarded as a source of income. Other countries, by no means always the same ones, will be opposed to welfare support for adults.[9]

In our traditional society, education was a preserve of the Brahmins and it was unfortunate that people of other castes were denied the facility. The economic environment of the day also supported the prevailing system. Our economy was primitive, and occupations were based on heredity. No education was needed for a cobbler to stitch footwear, for a barber to shave, for an agriculturist to till land or for a goldsmith to make a piece of gold ornaments. All these and other crafts were passed down from one generation to the other.

Things changed over the passage of time. Economy gradually shed its primitiveness and almost turned into an industrialised one, demanding technical education at all levels and of all castes. Educational institutions sprang up in all corners of the country and it is estimated that we have more number of primary schools than the USSR and USA put together. Vast sums have been spent on education in successive plans.

Education has considerable business implications. Economic progress of a country depends on the education of its citizens. This being a broad statement, specific economic implications are as follows:

> 1. Countries rich in educational facilities vastly attract high wage industries. By investing in education, a country can attract (nay, create) the kind of high-wage industries that are often called "brain power" industries.
>
> 2. The market potential of a country depends on education. Educationally advanced countries such as England, France and Germany are more likely to be markets for computers and high-tech equipment than are less educated countries such as Poland, the Czech Republic, and Romania. It is also likely that MNCs doing business in these countries will find it easier to hire and train local managers in Western Europe than in Eastern Europe.
>
> 3. The level of literacy and educational attainment determines the nature of advertising, packaging, quality of marketing research, and distribution system.

> Impact of education on business is basically three-fold: attract high wage industries, market potential is enhanced, type and quality of advertising and packaging.

9. Family

Basic to all types of social organisations is the family, the institution which concerns itself with love, sexual relationship, marriage, reproduction, socialisation of the child

and the various levels of status and roles involved in kinship organisation. Little wonder that the family is referred to as a remarkable institution.

The family is recognised as the institution responsible for procreation and child-rearing. In civilised societies, especially, the process of child socialisation has come to have tremendous significance. Gone are the days when the children should be seen but not heard; on the contrary, the importance of childhood and the effects of home life on personality and character formation have been widely recognised. Infact, as the basic primary group, the family probably has more to do with the child's ultimate behavioural pattern than does any other single environment factor, and it is on this assumption, that a loose home life is so often associated with delinquency.

The family, through the husband-wife relationship, is also a recognised institution for the fulfilment of sexual needs. The sex urge is a powerful one and most societies have set-up rather elaborate safeguards to ensure that sexuality is kept within bounds. In a very real sense, the family is answer to man's sex problems.

The family is also one of the chief agencies of social life. This was not always so, and in some societies, it is not the case today. In different cultures, for example, men and women have tended to socialise in same sex-groupings. Yet over the years, wherever women have been accorded a relatively equal status, the husband-wife relationship has taken on an added meaning in terms of companionship, shared activities, satisfaction of emotional needs and other manifestations of primary group association.

The family is important for a variety of other reasons, such as those relating to protection, inheritance, property rights, morality, care of the sick and the aged, and the transmission of cultural values.[10]

Such is the role of the family in societies. Family ties have been very strong in our culture. The joint family, also called the extended family system, peculiar to our society, has flourished for centuries. A joint family is understood as a group of people who generally live under one roof, who eat food cooked at one hearth, who hold property in common and who participate in important family events, are related to each other and stand together in crisis.[11]

Like the European and Semitic family, the joint family was patriarchal and patrilinear. The father was the head of the house and the administrator of joint property and except in Kerala, the headship descended in the male line of hierarchy.

The joint family had its plus points. In times of distress, a man could rely on his sapindas, and the never-do-well cousin or the indolent good-for-nothing uncle, live in a corner of the family home in comparative comfort while adding little or nothing to the family fortunes.[12]

Secondly, in the joint family, affection as well as dependence is diffused among so many relatives that the loss of even an important member, such as a parent, is less critical than in the nuclear family system, which is so small that every member plays a decisive role. In reality, the joint family is a revolving system which provides a full complement of young and adult people at all times to carry out its various functions.[13]

Thirdly, safety and security needs of man, the second-level needs as per Maslow's need stage of hierarchy, are met through the joint family system. *Finally*, and the crucial point is the role of the joint family in entrepreneurial development. There are some who believe that the individual is constrained and held back by the group. On the other hand, there is some evidence that, atleast in the initial stages, the joint family may be a useful institution in capital accumulation. Birlas, for instance, manage what is virtually a joint family business, but the brothers and the sons and the nephews live separately and the companies they control are also separate entities. The Mafatlals in Mumbai live in the same building but the brothers have now separated and the companies have been parcelled out among the brothers.[14]

The joint family system had its blemishes. There was strain in the relationship among family members; life was not peaceful; women generally were forced to bear a larger share of family strains and as Basham put it, *"The deep sense of solidarity led, as might be expected, to nepotism and various other abuses, and today the joint family system is beginning to weigh heavily on the younger generations..."*[15]

The extended family system is almost on the wane, thanks to the spread of education, technological development, unmanageable size of families, the Mitakshara school of law which permits division of property even while the *paterfamilias* is alive and India's fight for Independence shook the older customary patterns of behaviour.

We do come across the existence of joint families here and there. One such instance is a family of 217 strong, living at Shimoga in Karnataka (Box 32.2 gives more details).

Nuclear families have now become common in our society replacing the traditional extended family system. Women now enjoy equal status with men and most of them supplement family income by their own earnings. People have money and are prepared to spend on children's education, household appliances and on vacations. Children have become spenders instead of earners-a position they held in joint families. With big families being broken up, family businesses are slowly turning into limited companies. All these developments are significant to business.

10. Authority

The exercise of authority varies according to the management styles, but different styles are likely to be present in different cultures. One research relevant to this has produced a measure of the cultural differences-the power distance measure. This is defined, *'as a measure of inter-personal power of influence'*, between a boss and a subordinate, as perceived by the least powerful of the two, while the distance is seen as the extent to which either participant can influence the behaviour of the other. It is suggested that the distance is to a considerable extent determined by their national culture. The evidence for this statement has been provided by research in 39 countries in which questions were asked on such subjects as the fear subordinates have of expressing disagreement with their bosses (answers expressed by 'I am afraid very frequently' through to 'I am afraid seldom'). The answers have been assembled in a series of tables showing power distance index values varying 94 ('very often afraid') for the Philippines to 11 ('very seldom afraid') for Austria.[16]

Box 32.2

Strengthening family ties

It is heartening to note that a family in Shimoga has been zealously trying to maintain its links, as a result of which it now is 217-strong. Financial and other constraints might have forced a division in the family, but all those coming under the family umbrella make it a point to meet or get together at least once a year only to strengthen family ties, deriving the pleasure and warmth of living in a joint family at least on that one day.

The descendants of three brothers, the late Davangere Halappa, Davangere Manjappa and Davangere Hanumanthappa, spread now over five generations, meet once a year, preferably in the first week of April or the last week of June depending on the convenience of the majority of the members and make it an exclusively family affair.

As the date and the venue for the family get-together are fixed three months in advance, various committees are formed for its preparations. It is not an easy job to arrange to feed 217 people. It is like organising a conference, says Mr.D.M.Ranganath.

The day invariably starts with a religious programme, a homam or yagna which is then followed by lunch. Quizzes and games are arranged in such a manner that all the members, regardless of age, participate in them. There is also an entertainment session. Besides, a separate game is devised for the newly-weds.

However, the most interesting part of the cultural programme is a competition in which prizes are given to those who can give the correct names, age and relationship of all the family members—the idea behind this contest being that everyone in the family is known to the others. It is interesting to note that no one in the family has yet won the first prize in this contest.

The atmosphere is joyous. A suggestion was made last time that a separate session be held for gossip and chatter.

Mrs.Seethamma, 80-year-old widow of Davangere Manjappa, is the sole survivor of the first generation. She is the oldest member of the family.

The yearly family meet, which was held for the third time in succession in May last year, was the fulfillment of a suggestion by Mr.N.Krishnappa. He addressed the family members on one such occasion, and highlighted the efficacy of the Hindu Joint Family system.

The three brothers, Halappa, Manjappa and Hanumanthappa, hailing from a well-known business family in Davangere, migrated to Shimoga some four generations ago. Though the brothers are no more, their children, grandchildren and great grandchildren spread over four generations have been making their presence felt in various activities in Shimoga. There is hardly any field where the family has not made its impact.

The family's contribution to politics in particular is noteworthy. Four members of the family were jailed for their active participation in the freedom struggle. Only one of them claimed a freedom-fighter's pension.

The family had lived in their ancestral house in Gandhi Bazaar till it was burnt down. The damaged house was rebuilt but the family did not stay there and shifted to another house. The total strength of the family was 70 in 1957 when it branched out.

The family has proposed to form a trust for the well-being of society.

(Source: *The Hindu*, Jan.17, 1995)

What applies to the Philippines applies to our country, too, where the boss is held almost as a *demigod*. It is for this reason that egalitarian concepts like participative management do not mean much to our managers and workers.

Traditionally, our society was known for authority and power being concentrated with the King. But the greatest merit of our society has been that the king or the boss is governed by the principle of *Dharma*, a concept which is unique to our culture.

11. The View of Scientific Method

It is said that, unlike Western society, our society is steeped in fatalism and the theory of *Karma*. The followers of our religion do not appreciate the logic of things-logic of wealth, rainfall, demand–supply mechanisation and related phenomena. It is also said that they believe in preserving traditional mores and are not adaptive to things modern.

Contrary to popular belief, our views did not conflict with science. A study of the Upanishads will show that Vedanta postulates that the universe is the result of a gradual unfolding of the creative power inherent in the primordial substance. Infact, it may be said that the philosophy of our religion anticipated the basic theories of biology and physics. The very approach to things in the Upanishads, the insistence on adherence to truth and on tireless investigation is remarkable in the nature of an anticipation of the methods of science.[17]

The followers of our culture are receptive and open. They have always absorbed new technology and adopted the latest methods of production. Most of our industrial establishments are highly mechanised and automated. Being scientific does not mean one should reject one's traditional culture. Traditional culture and modern science can go together as is proved in our country. Probably, it is only in our country that a manager performs *pooja* before installing a new machine in his factory. It is a tribute to our worker that he does not touch his tools on the shop floor in the morning without closing his eyes for a second in remembrance of god.

Even in a village, a farmer is not averse to adopting new varieties of seeds, fertilisers or new methods of cultivation. The two green revolutions we had experienced so far would not have been possible if our farmers had stuck to the traditional methods of cultivation. The farmer should only be told about the possibilities and benefits of new varieties and methods, and then he would gladly adopt them. But never will he forget to break a coconut before sowing the seeds or harvesting the crop.

12. Ethics in Business

Ethics refers to the code of conduct that guides an individual in dealing with others. A formal definition of ethics is that it deals with personal conduct and moral duty and concerns human relations with respect to right and wrong. Ethics concerns morals and philosophy. It deals with the behaviour of individuals and the standards governing the interrelationship between individuals.[18]

Ethical rules differ from legal rules inasmuch as the former are not enforced by public authority whereas the latter are. Legal rules become unnecessary when ethical rules are observed by businessmen. Society expects businessmen to act ethically.

Ethics maybe internal or external. As regards the former, a manager must be honest with oneself, since one's greatest asset is one's character. One should be honest and straightforward with others, treating them in the same manner in which one wishes to be treated. Fairness in dealings with co-workers and subordinates is mandatory; one should never discriminate by dispensing special favours or privileges, whether for remuneration or not. Information coming to one confidentially should neither be revealed nor used to the disadvantage of any co-worker. One should ensure one's employment right to privacy. With reference to external ethics, the same suggestions as stated above can be followed.[19]

Is it enough if the manager, as an individual, is ethical in his behaviour and dealings? Many people believe so. This is however, erroneous. Every individual has a responsibility of not only himself being ethical; he must make his group so. Ethical people doing nothing is the best way for moral decay to take over.

13. Religion

Religion refers to a specific and institutionalised set of beliefs and practices generally agreed upon by a number of persons or sects. There are nearly 100,000 religions across the globe, but the major one's among them are Hinduism, Christianity, Islam, Buddhism and Confucianism. Each has its own distinct characteristics and followers.

Religion has considerable impact on one's life, irrespective of the country to which he or she belongs. People go to any extent and practice abnormal activities in the name of religion. Animals and human beings are scarified to propitiate god, heads are tonsured, cheeks and tongues are pierced, sex and food are given up for days, dip in rivers and roll over around places of worship-all in the name of religion. People are compelled to change their religious faiths, places of worship are destroyed and pillaged, people are beheaded and battles are fought over religious matters. In modern democracies, elections are fought on issues relating to religion.

Religion has its impact on the economy of a country. Take Hinduism for example with nearly 500 million adherents, Hinduism is found mainly in India. Critics argue that by emphasising **moksha, dharma,** renunciation and ascetic principles, Hinduism negates entrepreneurialism and wealth acquisitive nature of its followers.

This perception is not all that correct. India has produced hundreds of entrepreneurs who have made it big in India and abroad. India is, probably, the only country in the world where wealth is worshiped in the form of goddess **Lakshmi,** unlike in the west where richness is merely respected.

Major Religions of the World

Christianity is the most widely practised religion in the world. About one billion people, approximately 20 per cent of the world's population, identify themselves as Christians. The vast majority of Christians live in Europe, the Americas, although their number are growing in Africa.

Protestianism (one branch of Christianity, the other being Catholicism) has considerable implications for business. Capitalism, which is the most dominant economic philosophy today, has grown out

of Protestianism. Protestatianism advocating hard work and encourages wealth acquisition. Hard work and wealth are essential requisites for capitalism to grow.

Islam is the second largest religion with followers being spread over more than 35 countries and inhabit a nearly continuous stretch of land from the North West Coast of Africa, through the Middle East, to China and Malaysia in the Far East.

Islam prohibits receipt or payment of interest which is considered usury. To the devout Muslim, receipt of interest is considered to be a grave sin. This principle has been codified in certain countries. In 1992, for example, Pakistan's Federal Shariat Court, the highest Islamic law-making body in the country, declared interest to be un-Islamic and therefore illegal.

Fearing that rigid adherence to the above principle could wreak havoc with a country's banking and financial system (thereby driving away international businesses), Islamic banks have been experimenting with profit-sharing system.

Under this system, when a bank lends money to a businessman, the lending bank takes a share in the profit earned by the business person, instead of demanding interest payment. Similarly, a depositor of money will not get interest from the accepting bank, but takes a share in the profit earned by it.

Some critics argue that Islam discourages profit. This is not true. The Quaran speaks appealingly of free enterprise and of earning legitimate profit through trade and commerce.

Islam also advocates marketing based systems. Given this proclivity, Muslim countries tend to attract international businesses so long as they behave in a manner that is consistent with Islamic ethics.

There has been an upsurge of fundamentalism in the Islamic countries. This fundamentalism is being associated in the media with militants, terrorists, and violent upheavals such as the bloody conflict occurring in Algeria or the killing of foreign tourists in Egypt. This characterisation is not true. Fundamentalism is not peculiar to Islam. It may be noticed in Hinduism or Christianity.

Buddhism has 250 million followers and is being practised in Central and Southeast Asia, China, Korea and Japan. Buddhists stress spiritual achievement and obviously wealth creation is not encouraged. In Buddhist societies, we do not see the same kind of cultural stress on entrepreneurial behaviour that we see in the Protestant west.

Confucianism: Confucians numbering over 150 million, are found in China, Korea and Japan. The religion teaches the importance of attaining personal salvation through right action. Confucianism is built around a comprehensive ethical code that sets down guidelines for relationships with others. The need for high moral and ethical conduct and loyalty to others is central to Confucianism.

Confucianism has economic implications too. It teaches the followers to lower the costs of doing business and this has largely contributed to the success of Japan, South Korea, and Taiwan.

Three principles are central to Confusianism-loyalty, reciprocal obligations and honesty. Loyalty to one's boss is considered to be essential for salvation. This belief

Honesty, loyalty and reciprocal obligations are central to Confucianism. helps organisations maintain cordial employer and employee relations. Loyalty to one's superior brings the concept of reciprocal obligations to the centre-stage. The principle of reciprocal obligations enjoins the superior to bestow "blessings" on subordinates for their loyalty. The employees of a Japanese company are loyal to the leaders of the organisation, and in return the leaders bestow on them the "blessings" of life time employment. Honesty is the third principle of confuscianism. The religion points out that dishonest behaviour fetches only short run benefits. Ethical conduct is vital for long term benefits of organisations. Ethical conduct begets trust-trust eliminates expensive lawyers to resolve disputes and contractual obligations are discharged without hassles.

14. Marriage

Traditionally marriage had three objectives: the promotion of religion by the performance of household sacrifices, progeny whereby the father and his ancestors were assured of a happy after-life and the line was continued and *rati* or sexual pleasure.

Performance of household sacrifices, progeny and sexual gratification are the three objectives of marriage. While the three objectives are relevant even today, what needs to be stressed is that the marriage is a social institution which results in the multiplication of people, settled life and systematised and organised activities. All these have economic significance.

Marriage also means several things to several people. A single marriage may spark off protest from women and approval from men. What is more, marriage may even revive a recession hit economy (see Box 32.3).

15. Cultural Resources

Cultural resources refer to the heritage which makes the country distinctive. Our country is vastly rich in cultural heritage. A look at our past is a pleasant and rejuvenating experience. It makes an individual feel proud that he is an Indian. It certainly makes him raise his head and look ahead with confidence and hope.

Ours is a beautiful country with vast, varied and rich mineral resources, splendid flora and fauna, varied animal life, beautiful rivers, huge mountains, dense forests, splendid architecture, innumerable temples and mosques and great thinkers and seers. It is on this land that Adishankara, Gautam Buddha and Swami Vivekananda were born and it was here that Mahatma Gandhi led the country to freedom from colonial rule through non-violence.

The whole of South East Asia and Central Asia received culture from India. Along with culture, India conferred many practical blessings on the world, notably rice, cotton, sugarcane, many spices, the domestic fowl, the game of chess and the most important of all, the decimal system of numeral notation-the invention of an unknown Indian mathematician early in the Christian era. India developed a grammatical system which is unparalleled in any other country. And Sankrit literature is one of the greatest contributions India has made to the culture of mankind.

Today, there are few Indians whatever their creed, who do not look back with pride on their ancient culture and there are few intelligent Indians who are not willing to abandon some of its effete elements that India may develop and progress. Politically and economically, India faces many problems, and no one can predict her future with

Box 32.3

Superwoman is Shackled

Japan has a severe case of royal fever. And the gloom of recession, last week's announcement that Crown Prince Naruhito, seemingly destined to a lonely life of bachelorhood, has finally found a bride, has provoked a range of emotions from tears of joy among shoppers to a forecast that the economy will grow by an extra 0.8 per cent this year.

There is a general sense that the crown prince, the 32-year-old heir to Japan's Chrysanthemum Throne, has chosen well. Miss Masako Owada, 29, a career diplomat, speaks English, French and German, shares his love of skiing and tennis and, after a stint at Harvard, studied, like the prince, at Oxford University.

But his choice has also provoked a debate about the role of women in Japan. Miss Owada, whose father is vice foreign minister, is on a fast track on her career. She has sat in negotiations with Mr James Baker, the former US Secretary of State, and Mrs Carla Hills, the US trade representative. She has also been responsible for policy formulation on semiconductors, one of the most sensitive trade issues between the US and Japan.

Her career will be sacrificed for the cloistered life of loyal wife to the crown prince, responsible for official tree planting and paper folding festivals. Miss Owada, likely to be wed in May, has already handed in her notice, and her decision has provoked dismay among some Japanese women, who are painfully making their way through the male-dominated hierarchies of business and the government bureaucracy. "I can't believe she's giving up her job", said one career woman, expressing her shock over the resignation of Miss Owada, dubbed 'Superwoman' by the media.

By contrast, many Japanese men, who feel threatened by the emergence of stronger career women, are sure she has done the right thing. "Japanese women should follow her example, they've just not made for the workplace", says one male office worker.

But Miss Owada's acceptance of the imperial proposal has also inspired hope that she may be able to weaken the stifling influence of the Imperial Household Agency, the division of the civil service that is in charge of imperial matters and keeps the imperial family aloof from the public. Many Japanese want their royal family to become more accessible, and see the British royal family as a model.

The agency's determination to maintain its tight control over royal affairs and the mystique of the imperial family was shown in a recent controversy over Prince's Aki's hair.

The agency was outraged by an unauthorised snapshot of Prince Akishino, the younger brother of the crown prince, having a strand of hair swept from his forehead by Princess Kiko, his wife, moments before the wedding. The picture was banned by news agencies and the photographer was sacked.

Another sign of the agency's strong grip on royal affairs was its ability to impose a blackout on media coverage of Prince Naruhito's search for a bride. It blamed previous media reports for his difficulty in finding a match and said that, as the next emperor and spiritual head of the Shinto religion, Naruhito should be protected from press intrusion.

On a more worldly level, Japanese businessmen are hoping that the imperial marriage will stimulate the sluggish economy. Consumer spending revived before the wedding of Akihito, the current emperor, and empress Michiko in 1959. The research arm of Nippon Life, the country's largest life assurer, estimates that the royal engagement could add as much as Y3,300bn (sterling 17bn) in consumer

spending this year through the sales of commemorative souvenirs and new housing demand triggered by an increase in the number of couples getting married.

Electronics manufacturers hope for a boost from a new "Michiboom-the sharp increase in sales of television sets to people wanting to watch the 1959 wedding. Most Japanese now have a television set, but that has not stopped profit-starved executives from suggesting that a royal wedding could be just the thing for high-definition television, which has so far been an over-priced flop.

The imperial wedding will certainly be over-promoted, with the Japanese government suggesting recently that it would be made a national holiday, and media organisations already assigning squadrons of reporters to prepare programmes on every conceivable royal issue. But whether the imperial marriage is a flop depends on Prince Naruhito, who will either take Miss Owada by the hand and lead her into a new era of openness or ensure a life of frustrating, refined confinement.

The prince has expressed a desire for a more informal relationship between the imperial family and the people, and has complained about excess security precautions. Film footage of the prince's life behind the palace walls this week showed him jogging, apparently alone, until the camera panned to the right, showing a pack of security officials scurrying behind him.

Having observed the British royal family during his time as a graduate student at Oxford, the prince recently expressed his admiration for the Windsors' social profile. After their recent problems, however, the crown prince may well be hoping that his journey through married life proves somewhat smoother.

any certainty. But it is to be hoped that whatever the future maybe, the Indians of the coming generations will not be unconvincing and self-conscious carbon copies of Europeans, but will be men rooted in their own soil and traditions and aware of the continuity of their culture. Already the extremes of national self-denigration and fanatical cultural chauvinism are disappearing. In the past, Hindu civilisation had received, adapted and digested elements of many different cultures-Aryan, European, Mesopotamian, Iranian, Greek, Roman, Scythian, Turkish, Persian, Mughal and the Arabs. With each new influence, it has somewhat changed. Now, it is well on the way to assimilating the culture of the West.

Our civilisation will, we believe, retain its continuity. The *Bhagavad Gita* will not cease to inspire men of action, and the Upanishads men of thought. The charm and graciousness of the Indian way of life will continue, however much affected it may be, by the labour-saving devices of the West. People will still love the tales of the heroes of the *Mahabharatha* and the *Ramayana*, and of the loves of Dushyanta and Puruvas and Urvasi. The quiet and gentle happiness provided to Indian life, where oppression, disease and poverty have not overclouded it, will surely not vanish before the more hectic ways of the West.

Much that was useless in ancient Indian culture has already perished. The extravagant and barbarious hecatombs of the Vedic age have long since been forgotten, though animal sacrifice continues in some sects. Widows have long ceased to be burnt on their husbands' pyres. Girls may not by law be married in childhood, caste is vanishing and the old family system is adapting itself to the present day conditions.

Infact, the whole face of India is altering, but the cultural tradition continues, and it will never be lost.[20]

Culture is a big business too. Countries export cultural products to and earn foreign exchange. US is making big money by selling culture-movies, music, T.V.programmes, and home video-to other countries. Pop culture is so popular that only the sale of aircraft and related equipment accounts for more US exports. American music industry earns about 70 per cent of its profits outside the US with sales of US TV programmes to Europe accounting for over $600 million a year. One of the most popular films of all time is **Titanic**, which grossed more than $ 1 billion.

Japan is earning vast sums through the exports of its cultural products. International embrace of Japan's pop culture, films, food, style and arts is second only to that of US. Revenues from royalty and sales of music, videogames, animation, art films and fashion had gone up to $12.5 billion in 2002, up 300 per cent a decade ago.

16. Customs and Manners

Customs are common or established practices. Manners are behaviours that are regarded as appropriate in a particular society. Customs dictate how things are to be done; manners are used in carrying them out. Further, manners are part of an individual's character whereas customs are what society collectively expects its members to do.

> Customs are established practices. Manners are behaviours that are regarded as appropriate in a particular society.

The businessman should understand manners and customs of his or her country citizens. Failure to understand and respect local customs and manners may land the manager in trouble, besides losing business.

Customs and manners differ from country to country. In Arab countries, for example, it is considered bad manners to attempt to shake hands with a person of higher authority unless this individual makes the first gesture to do so, unlike in the US where a person would not hesitate to offer his or her hand regardless of the person's rank. Similarly, shaking hands with the opposite sex is not appreciated in India, though the practice is prevalent in rich countries. Table manners vary from culture to culture, ranging from precise placement of eating implements to using fingers instead. Understanding customs and manners is particularly important during discussions and negotiations. Bodily expressions may contradict what is being said or implied. Observing manners and respecting customs are essential ingredients of successful negotiations in Far and Near Eastern cultures.
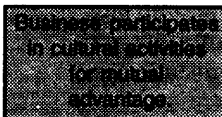
BUSINESS PARTICIPATION IN CULTURAL AFFAIRS

Till now we described the various cultural factors which influence business generally. Specially, business does two things in the name of culture: (a) support to cultural activities; and (b) beauty in building design.

Support to cultural activities include such activities as employing artists and musicians, organising exhibitions of contemporary paintings, sponsoring cultural programmes through TV, instituting awards for excellence, sponsoring Sangeet Sammelans and maintaining Sangeet Research Academy as is done by the Indian Tobacco Company(ITC) in Calcutta.

Earlier beauty in the building was not considered in designing and constructing. Generally, factories and business buildings focussed mainly on utilitarian functions. The result was not just an absence of beauty, but distasteful; ugliness, sometimes called the '*nineteenth century ugly school of factory design.*' Things are different now. Factory buildings are now constructed keeping in mind aesthetic values. Many factory sites are now industrial parks, more beautiful than the surrounding residential houses.

Why should business participate in the cultural affairs? Business justifies its involvement because of the better quality of life in the community. In turn, this quality of life improves recruiting and the retention of employees. It also improves satisfaction of the employees with their community, provides a better place for their children to grow up, and encourages each employee's own cultural growth. The effects continue in many directions in the same way that a stone cast into the water extends its ripples to the limits of the lake. If, for example, the firm sells its products locally, a community with a better cultural life should have improved chances of growth, thus providing more customers. Further, culture should attract better quality of citizens thus improving the quality of the labour pool from which the firm recruits. Cultural opportunities also may challenge youth in the community to raise their achievement, drives and provide favourable outlets for their energies, thereby reducing tendencies towards delinquency. In turn, less crime and delinquency may reduce the tax burden. When a system's view as this is taken, it can be argued that an instrument in community cultures tends to improve the entire social system.[21]

QUESTIONS

1. Define culture. How does culture influence business?
2. In Table 32.1, provide one more column and list how all the concepts are understood in our country.
3. What is business ethics? What are ethical problems?
4. How do you make businessmen ethical?
5. Discuss why business should participate in cultural affairs?

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33

Social Responsibility

of Business

LEARNING OBJECTIVES

After reading this Chapter, you should be able to:

1. *Define social responsibility and explain its models*
2. *Argue for and against social responsibility*
3. *Outline barriers to social responsibility*
4. *Point out social responsibility strategies*
5. *Explain how organisations implement social responsibility actions*
6. *Bring out the limiting factors of social responsibility*
7. *Point out the salient features of socially responsive firms*
8. *Trace the historical evaluation of social responsibility in India and abroad*

Business depends on the society for the needed inputs like money, men and skills. Business also depends on the society for market where products may be sold to their buyers. Thus, business depends on society for existence, sustenance and encouragement. Dependence of business on society is so complete that as long as the latter wants the former, business has reason to exist. Once society ceases to have any use for business, it has no place and reason to live. Being so much dependent, business has definite responsibility towards society. Popularly called the social responsibility of business, the subject has become an important topic for discussion in business and academic circles.

> Social responsibility is understood as the obligation of decision-makers to take actions which protect and improve the welfare of society as a whole along with their own interests.

> SR refers to the responsibility of decision-makers to take actions which help society and serve own interests.

Every decision the businessman takes and every action he contemplates have social implications. Be it deciding on diversification, expansion, opening of a new branch, closure of an existing branch or replacement of men by machines, the society is affected in one way or the other. Even routine matters like overtime and night shifts, subcontracting, and laying off employees due to load-shedding have a social impact. Whether the issue is significant or not, the businessman should keep his social obligation in mind before contemplating any action.

Social responsibility of business is not new to our country. In the olden days, whenever there was a famine, the leading businessmen of the area would literally throw open their godowns and their treasure chests to provide food and other assistance to the needy. The history of every region of this country is replete with stories of the magnificent manner in which businessmen rose to the occasion in times of calamity. Even in ordinary times, it was the businessmen who looked after the welfare of the destitute, the *goshalas*, wells and ponds wherever water was difficult to get, the *pathashalas* and so on. So to accept social responsibility is no more than rededicating ourselves to the cherished values of our ancestors in the field of business. Gandhiji reminded us of these values when he propounded the theory of trusteeship.[1] (Read Box 33.1 for trusteeship in action).

SOCIAL RESPONSIBILITY MODELS

There are two basic approaches to the concept of **corporate social responsibility**. Some theorists, focusing on the 'micro' level of analysis, try to show individual companies how they can be more socially responsive. Other researchers concern themselves with the 'macro' level of analysis, assuming that the government, not individual companies, should establish a country's social goals. Needless to say that it is the micro level of analysis which is significant.

Ackerman's Model: Micro-level theorist Robert Ackerman was among the earliest people to suggest that responsiveness (he prefers to use the term responsivness) should be the goal of corporate social endeavour. Ackerman described three phases through which companies commonly tend to pass in developing a response to social issues (see Table 33.1).

In phase 1, A corporation's top managers learn of an existing social problem. At this stage, no one asks the company to deal with it. The chief executive officer merely acknowledges the problem by making a written or oral statement of the company's policy towards it.

Box 33.1

A Way of Thought

India's largest and internationally best known group of companies with a turnover of approximately four billion dollars and an employee strength of about 240,000 was launched by its founder, Jamsetji Tata, over a century ago with a textile mill in Central India.

The enterprises promoted by Tatas were born at a time when India was no more than a geographical expression, in need of all the basic and vital necessities of life.

The key nation-building activities that Tatas promoted called for a spirit of adventure, the taking of great risks and a commitment to build castles on the clouds of intention. Over the years, not only did Tata enterprises develop and branch out into many diversified fields of commercial activity, but they came to represent a way of thought bringing the industrial revolution to a vast multilingual subcontinent, hitherto wedded exclusively to agricultural pursuits.

Started in 1907, Tata Steel, India's first integrated steel plant, and at one time the biggest in the then British Empire, came into being at a time when British experts laughed at the very idea of Indians wanting to produce steel to British specifications.

Nearly 40 years later, Tata Steel promoted The Tata Engineering and Locomotive Company Limited initially to produce locomotives for the Indian Railways, then diversifying to emerge as the country's largest and most modern commercial vehicle producer and consequently a major foreign exchange earner.

In 1939, Tata Chemicals, struggling hard for years, ultimately mastered the soda ash production technology which was until then a closely guarded secret of about six world giants.

Three years after Jamsetji Tata's death in 1904, saw one of his dreams came true, bringing hydro-electric power to Western India, making Bombay the first smoke free industrial city in the country. It was also in Bombay that Jamsetji Tata built another Taj Mahal, which today, some three quarters of a century later, is recognised as one of the finest hotels in the world.

To support and preserve the results of a growing green revolution, Tatas promoted Voltas, a leading enterprise in refrigeration and air-conditioning. The country's largest private sector Trading House, Tata Exports, was set up in the early 1960s. Simultaneously, a series of diversification activities took place ranging from the manufacture and processing of tea to genetic engineering, from cosmetics to management consultancy services, from oil rigging to telecommunications.

Through a pioneering concept of trusteeship in management, the benefits of the profits of many of these companies are channeled back to the people through major philanthropic trusts with nearly 80 per cent of the capital of the holding company, Tata Sons Limited, being held by these Trusts. As a result, great national institutions have come into being in the areas of science, medicine, atomic energy and the performing arts.

Once upon a time, Indian cottons and muslins were sold in the markets of Babylon and Indian pepper was weighed against gold in the Forum at Rome. Today, after hundreds of years of stagnation, Indian manufactures are travelling back into the market places of the world on a bridge built by Tata enterprises.

ORGANIZATIONAL LEVEL	PHASES OF ORGANIZATIONAL INVOLVEMENT		Table 33.1
		Phase II	
Chief Executive		Obtain knowledge Add staff specialists	
Staff Specialists		Issue:Technical problem Action:Design data system and interpret environment Outcome:Technical and informational groundwork	
Division Management			Issue:Management problem Action:Commit resources and modify procedures Outcome:Increased responsibility

Ackerman's Three Stages of Social Responsibility

In phase 2, the company hires staff specialists or engages external consultants to study the problem and to suggest ways of dealing with it. Upto this point, the company has limited itself to declaring its intentions and formulating its plans.

Phase 3 is implementation. The company now integrates the policy into its ongoing operations. Unfortunately, implementation often comes slowly-and often not until the government or public opinion forces the company to act. By that time, the company has lost the initiative. Ackerman thus advises that managers should *"act early in the life cycle of any social issue in order to enjoy the largest amount of managerial discretion over the outcome."*

For example, it has recently been suggested that women who spend a great deal of time working at video display terminals, such as word processors or computer operators, stand a higher than average chance of having problem pregnancies. The research is preliminary, tentative and disputed by some investigators. Ackerman's point is that as this issue unfolds, as more actors and competing interests become involved in efforts to resolve it, managers could conceivably lose control over their ability to handle the issue at their own discretion. We can easily imagine several studies confirming these early indications and the resulting drama of congressional hearings, work stoppages, lawsuits, and bureaucratic regulations. Ackerman's model suggests developing options early in the life cycle of an issue. In this case, 'enlightened' companies could make the best information available to their employees, encourage them to ask questions, and even seek transfers or retraining if they believe it is warranted. Being responsive may well be the only responsible course of action.[2]
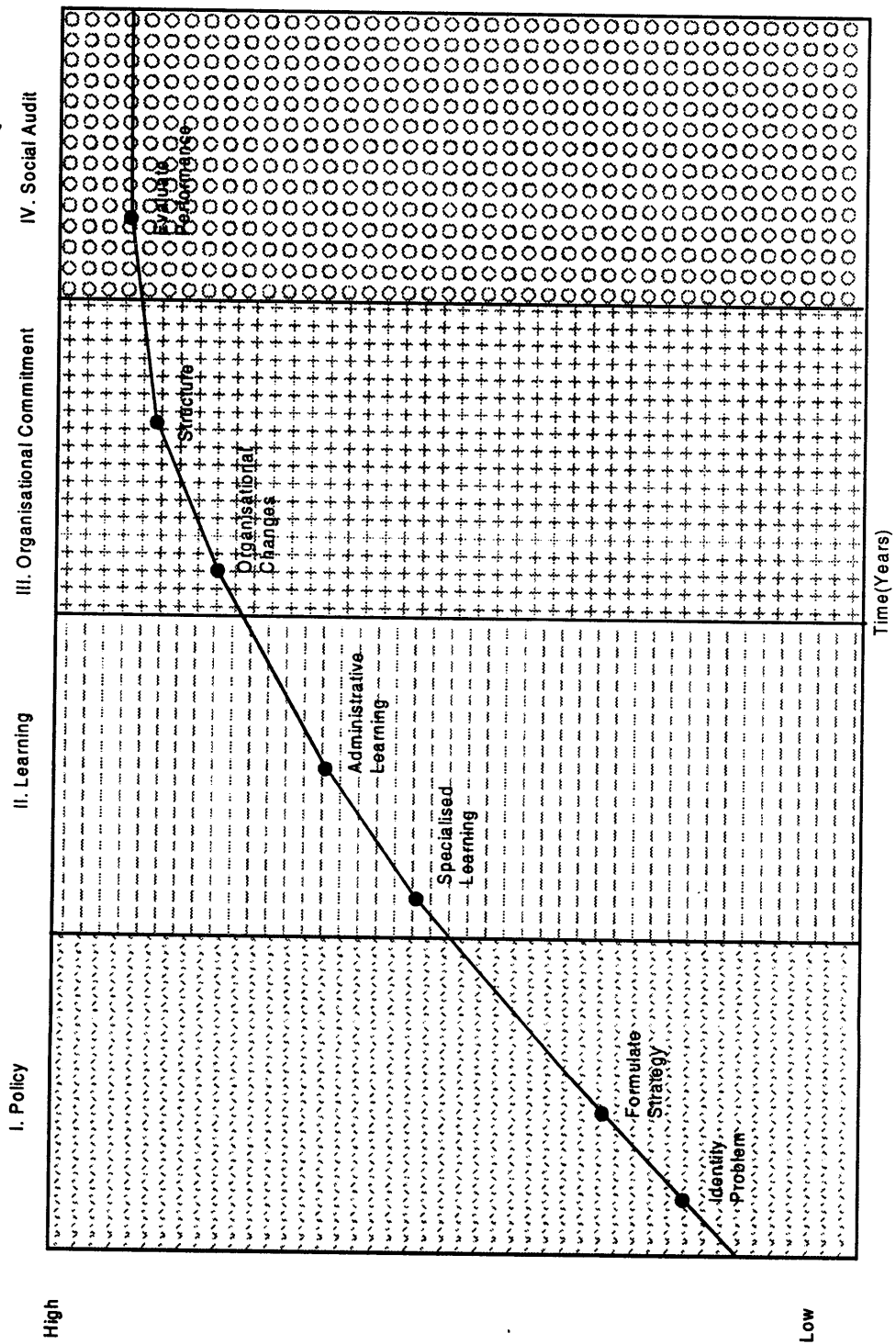
Another model of social responsibility is shown in Fig.33.1.

In the **policy stage**, the firm becomes aware of those parts of the environment to which it needs to respond and act on. Awareness may occur after stakeholder's

Figure   33.1

*A four-stage
model of
corporate
social
responsibility*

expectations change, or it may result from an analysis of environment. Whether or not stakeholder pressure exists, a firm's management may think, based on environmental analysis, that it should respond to emerging issues, concerns, or social needs. The firm needs to formulate an appropriate policy to respond to the society's needs. The policy provides a framework for shaping other aspects of the organisation's response. New production policies, for example, may result in better quality control, remove job hazards, and reduce water pollution.

A firm must develop a socially responsive strategy. The strategy may vary from an outright rejection to a proactive approach (See Fig.33.2). Including these two, there are six strategies towards corporate social responsibility.
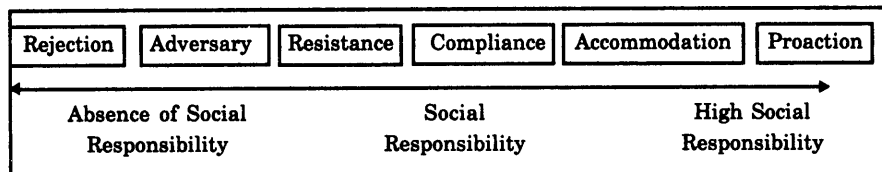

| Rejection | Adversary | Resistance | Compliance | Accommodation | Proaction |

Absence of Social Responsibility   Social Responsibility   High Social Responsibility

Figure 33.2

Socially Responsive Strategies

First is **rejection**, a strategy in which a firm denies any responsibility for taking action on a social issue. Strategy of rejection, though sounds harsh, is justified particularly when fringe groups make unreasonable demands on firms. At the same time, rejection and other defensive strategies invite more pressure and a fight in which the corporate image may be dented.

Second, is the **adversary** strategy, in which a firm fights to avoid having to take social actions but will, under severe pressure, cave in. In 1996, the U.S. government ordered the then Chrysler Corp to recall more than 91,000 Chryslers and Dodges because of unsafe seat belts. Chrysler refused to comply, as it believed the belts were safe. The result was continuing controversy between Chrysler and the government. In 1998, Chrysler was fined $8,00,000 for disobeying government's order. The company said it would appeal this decision made by a US District Court Judge after two years litigation.[4]

Resistance strategy is the third approach in which a firm may make token moves or act slowly to satisfy demands that it considers are beyond its social responsibilities.

Fourth is **compliance** strategy. In this posture, the firm simply decides to abide by a government request or a reasonable demand of some stakeholder group.

Fifth is the **accommodation** strategy in which a firm takes actions designed to address potential future stakeholder demands or other pressures. Firms in this category do not oppose, strongly resist, or act reluctantly. They develop social programmes to meet the felt needs of committees. Hewlett-Packard, for example, is responsive to needs of universities for advanced computer equipment. Coca-Cola is responsible to civil rights causes.

Sixth is the **proaction** strategy in which a firm takes actions designed to address potential future stakeholder demands or other pressures. Polaroid, for example, has developed a programme that groups chemicals it uses into toxicity categories and develops plans to reduce or eliminate them. In this way, the firm may avoid future demands for such action.

In the **learning stage**, the firm must learn after it has identified a social problem, how to tackle the problem and make the new policy work. Two kinds of learning are needed here: specialised learning and administrative learning.

Specialised learning occurs when a socio-technical expert-for example, an educational expert who is thoroughly familiar with the culture, lifestyles, motivations and special problems of high school youth-is employed to advise firm's managers. The kind of specialised knowledge that the expert can provide is particularly helpful in the early stages of social responsiveness when the firm is unfamiliar with social problems, whether it is school dropouts, excessive pollution, or toxic chemical hazards.

Administrative learning occurs when a firm's managers become familiar with the new routines that are necessary to cope with a social problem. A technical expert can assist the firm in taking its first step to solve a problem but cannot do the whole job alone. Social responsiveness requires the full cooperation and knowledge of line managers and staff experts. Personal involvement is essential.

Organisational commitment refers to the institutionalisation of the new social policy by the firm. The new policies and routines in the first two stages should become so well accepted throughout the firm that they are considered to be a normal part of doing business. In other words, they should be a part of the firm and its standard operating procedures. For example, when managers respond to the needs of the local education system or to the students without having to rely on special directives from top management, the socially responsive policy can be considered to be institutionalised.

Social responsiveness evolves overtime. In the past, it took large firms an average of six to eight years to progress from the first stage to the third stage on any social issue or problem such as pollution control. Yet, some firms are more flexible than others, and some social problems are easier to handle than others, so the time involved may vary considerably. It is obvious, however, that a combination of internal factors, particularly management determination; and external factors, especially continued stakeholder action on the problem, is necessary for effective change to occur.

The next step in becoming a socially responsive firm is to change the organisational design to be more responsive to external social challenges and better able to implement socially responsive strategies. This structure evolves from the values and beliefs held by the company's top managers and is expressed through socially responsive business strategies. There are four basic design dimensions that help distinguish a socially responsive structure in a firm. They are breadth, depth, influence, and integration.

Breadth is the number of staff units that specialise in the socially responsive strategies undertaken by the firm. The breadth of the design must be sufficient to enable the firm to adequately monitor and respond to the demands made by stakeholders. Depth is the intensity of the organisational learning process in response to the potential for social challenges and is addressed by the socially responsive strategy process. Firms more vulnerable to social challenges require more developed social response functions, which provide a wide range of perspectives and responses.

Influence and integration are the two final dimensions of the socially responsive organisational design. They refer to the quality of relationships that exist among the firm's staff units. The absence of this influence and integration could undermine or

bias the firm's socially responsive strategy process since it could lead to one staff unit, or a few, dominating the process at the cost of other units. The ultimate effectiveness often is due to the degree of integration achieved among the staff units.

Social audit: The last stage in the model is **social audit.** A social audit is a systematic study and evaluation of a firm's social performance. Social audit leads to a report on the social actions of a firm.

> Social audit is a systematic study and evaluation of a firm's social performance.

FORCES PRESSURING SOCIAL RESPONSIVENESS

Not all firms are vulnerable to social group pressures and social regulations. Only some firms are pressured to undertake social responsibility actions. The forces that make firms become socially responsive are: government, community interests and demands, environmental concerns, competitive pressures, shareholder/investor pressures, philanthropic requests and initiatives and crises (See Fig.33.3).

Figure 33.3

Pressures Leading to Social Responsibility
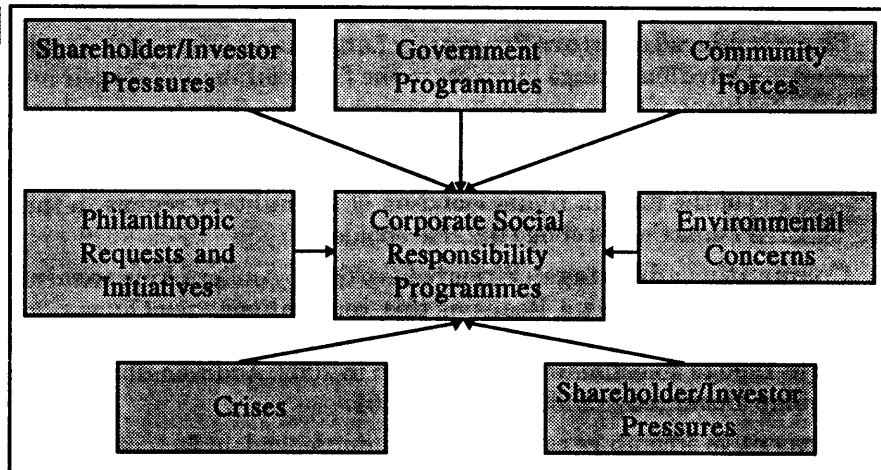
Government Programmes: Government (foreign and domestic) are the most significant forces pressuring firms for social actions. Most government pressures concern compliance with existing regulations. But governments are also major sources of potential rules, a fact which businesses need to take note of. Governments ask businesses to volunteer to help them solve their problems.

> Government forces pressuring social actions.

Governments mandating social actions are not new. In the 1300s, for example, Londoners who violated the city's smoke pollution ordinances were beheaded. In the US, laws that regulated the purity or quality of certain goods date from colonial times and state and federal efforts to control water pollution began in the late 1800s.

> Londoners who violated the city's smoke pollution ordinances were beheaded.

Foreign governments exert pressures on international businesses to abide by codes of conduct that they and international organisations have drafted. These codes expect businesses to respect human rights and social justice, pay fair wages, protect the environment, ensure safety and health of workers, improve worker living conditions, and behave ethically.

Community Interest and Demands: Firms undertake many programmes that benefit society in general, not necessarily favouring stakeholders. Programmes can range widely, from helping rebuild disadvantaged sections to providing executive talents to run government undertakings.

MNCs from the US undertake a wide range of programmes in foreign countries, for example, creating scholarships for poor but deserving students from Korea, Malaysia, and Mexico, to pursue higher studies.

Environmental Concerns: Environmental programmes of firms mainly result from standards established by government agencies. The Government of India, for example, enacted the Environment Protection Act 1986. The main objective of the Act is to protect and improve the environment and the prevention of hazards to human beings, other living creatures, plant and property. Pollution Control Boards set up under the provisions of the Act, have laid down norms that firms are expected to comply with.

Shareholders/Investors Pressures: Large shareholders such as pension funds have long-range interests in the financial success of their investments. Some of them, obviously, exert pressure on firms to respond appropriately to community social interests. For example, shareholders of Pepsi Co. launched a campaign to force the company to pull out of Myanmar because of the human rights violation of the military regime in that country. Pepsi Co. did oblige the shareholders.

Competitive advantage[5]: Firms believe that by undertaking social actions they would gain competitive edge. Realising this, corporations spend huge sums on social responsibility. U.S. corporate spending on social responsibility shot up from $125 million in 1990 to an estimated $828 million in 2002. Additionally, spending on arts sponsorship amounted to $589 million in 2001.

Competitive advantage comprises four interdependent factors: factor conditions, demand conditions, related and support industries, and context for strategy and rivalry (See Fig.33.4).

Figure 33.1

Four Elemets of Competitive Strength
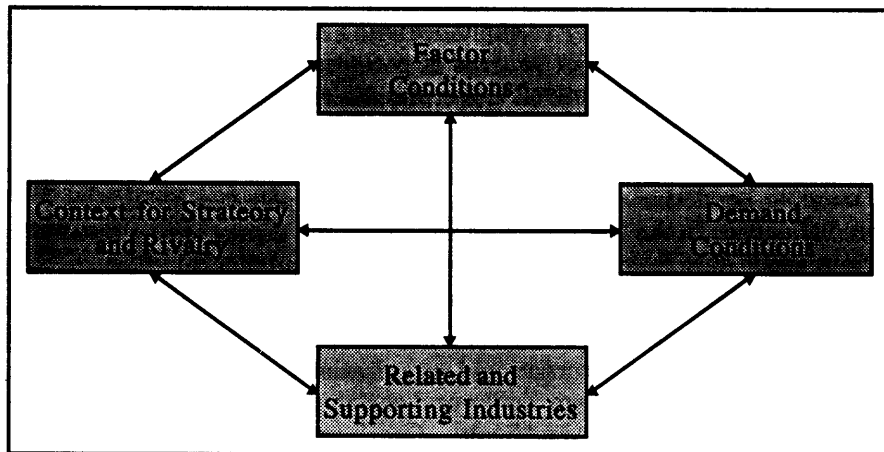
(**Source:** Adapted from Michael E.Porter and Mark R. Kramer, *op. cit., p.60*)

Factor Conditions: These include the availability of trained workers, high quality scientific and technological institutions, adequate physical infrastructure, transparent and efficient administrative processes and natural resources. All these are the areas that social responsibility actions can influence.

Demand Conditions: Demand conditions in a country or a region include the size of the local market, the appropriateness of product standards, and the sophistication of local markets. Sophisticated local customers enhance the regions competitiveness by providing firms with insight into emerging customer needs and applying pressure for innovation.

Social actions can influence both the size and quality of the local market. Apple Computer has donated computers to schools as a means of introducing its products to young people. This provides a clear social benefit to the schools while expanding Apple's potential market and turning students and teachers into more sophisticated purchasers.

Related and Supporting Industries: Productivity of a firm can be greatly enhanced by having high quality industries and services close by. While outsourcing from distant suppliers is possible, it is not as efficient as using capable local suppliers of services, components, and machinery. Proximity enhances responsiveness, exchange of information and innovation, in addition to lowering cost on transportation and inventory.

Social responsibility can foster the development of clusters and strengthen supporting industries. American Express, for example, depends on travel related expenditure for a large share of its credit card and travel agency revenues. Hence, it is part of the travel cluster in each of the countries in which it operates, and it depends on the success of these clusters in improving the quality of tourism and attracting travellers.

Context for Strategy and Rivalry: The rules, incentives, and norms governing competition in a nation or region have a fundamental influence on productivity. Policies that encourage investment, protect intellectual property, open local markets to trade, break up or prevent the formation of cartels and monopolies, and reduce corruption make a location a more attractive place to do business. Social responsibility can have a strong influence on creating a more productive and transparent environment for competition. For example, 26 US corporations and 38 corporations from other countries have joined to support Transparency International in its work to disclose and deter corruption around the world. By measuring and focussing public attention on corruption, the organisation helps create an environment that rewards fair competition and enhances productivity. This benefits local citizens while providing sponsoring companies improved access to markets.

ARGUMENTS FOR SOCIAL RESPONSIBILITY

There are many arguments in support of socially responsive actions. More important of them are explained below:

1. Changed Public Expectations of Business One of the most potent arguments for social responsibility is that public expectations from business have changed. It is reasoned that the institution of business

exists only because it satisfies the valuable needs of society. Society gave business its charter to exist, and the charter can be amended or revoked at any time that the business fails to live up to society's expectations. Therefore, if business wishes to remain viable in the long run, it must respond to society's needs and give the society what it wants.[3]

2. Better Environment for Business Another argument favouring social responsibility is that it creates a better environment for business. This concept rationalises that a better society produces environmental conditions more favourable for business operations. The firm which is most responsive to the improvement of community quality of life will as a result have a better community in which to conduct its business. Labour recruiting will be easier, and labour will be of a higher quality. Turnover and absenteeism will be reduced.

As a result of social improvements, crime will decrease with the consequence that less money will be spent to protect property, and less taxes have to be paid to support police forces.[4] The arguments can be extended in all directions to show that a better society produces a better environment for business.

3. Public Image Another argument in favour of social responsibility is that it improves public image. Each individual firm seeks an enhanced public image so that it may gain more customers, better employees, more responsive money markets and other benefits. A firm which seeks better public image should support social goals.

4. Avoidance of Government Regulation Government is a massive institution with long arms. It seeks to regulate business in the public interest. Government regulation is costly and denies the much needed freedom in decision making. Before the government stretches its long arms, business should discharge its obligation to society.

5. Balance of Responsibility with Power Another argument for social responsibility is that business's responsibility should be more related to its power. It is reasoned that businessmen have vast amounts of social power. They do affect the economy, minorities, and other social problems. In turn, an equal amount of social responsibility is required to match their social power. If each institution is to perform its social role in an orderly relationship with other institutions, then responsibility must be accepted whenever there is power. Any other arrangement invites irresponsible behaviour.[5]

6. Business has the Resources Another argument for social responsibility is that business has a vast pool of resources in terms of men, talents, functional expertise and money. Probably, business is without peers in respect of the resources it possesses. With these resources at its command, business is in a better position to work for social goals.

7. Let Business Try One interesting argument for business social responsibility is a sort of back-handed one. It is that many other institutions have failed in handling social problems, so why not turn to business. Many people are frustrated with the failures of other institutions, and in their frustration, they are turning to business.[6]

8. Prevention is Better Than Cure The last point is that prevention is better than cure. If business delays dealing with social problems now, it may find itself constantly occupied with putting out social fires so that is has no time to accomplish

its goal of producing goods and services. Since these social problems must be dealt with at some time, it is actually more economical to deal with them before they develop into serious social breakdowns that consume most of the management's time.[7]

There is no gainsaying the fact that criticism of business is far reaching. The criticism is evidenced by protests at global meetings of WTO since Seattle in 1999 as well as actions targeting individual firms. In 2002, the accounting and governance scandals associated with Enron, WorldCom, and other major corporations have further contributed to the criticism.

Time it is for businesses to become socially more responsive and accountable.

9. Moral Responsibility It is said that the acceptance of corporate social responsibility is the morally correct position. This notion suggests that our modern industrial society faces many serious social problems brought on, to a large extent, by large corporations. The corporations therefore have a moral responsibility to help solve or ameliorate these problems. A corollary to this notion is that because business firms control so many of the resources in our economy, they should devote some of these resources to the overall betterment of society.

10. Citizenship Argument Corporations are institutional members of society. If individual members of the society have an obligation to improve society-to leave the world better than they found it-corporations also have this responsibility. After all, corporations unlike citizens, are created by society. Corporations are citizens, and citizens have civic duties and responsibilities.

11. Duty of Gratitude Business units benefit from society. On the basis of the commonly accepted principle that one owes debts of gratitude towards those who benefit us, the corporation has certain debts that it owes to the society.

12. Globalisation: The recent globalisation of large corporations has led to firms increasingly operating in countries with very different and generally much lower standards of living than found in their respective home countries. More extensive media reach coupled with advances in information technology (e.g. NGO use of websites) has allowed rapid and widespread exposure of alleged corporate abuses even in the remote parts of the globe, as both Shell (oil spills in Nigeria exposed on television documentaries) and Nike (exposure of sweetshop labour conditions in its subcontractor operation in developing countries) have learnt to their cost. Such revelations compel global firms undertake social actions.

Failure to undertake social actions may dent the reputation and brand image of the firms. Infact, firms are likely to be penalised by consumers and other stakeholders, for actions that are not considered socially responsible.

ARGUMENTS AGAINST SOCIAL RESPONSIBILITY

Arguments against social responsive actions are equally strong. Some arguments are as follows:

1. Profit Maximisation The first and the most forceful argument disfavouring social responsibility is that business has profit maximisation as its main objective. Infact, the business is most socially responsible when it attends to its interests and leaves other activities to other institutions. Since business operates in a world of poverty and hunger,

the economic efficiency of business is a matter of top priority and should be the sole mission of business. Business's function is economic, not social and economic values should be the only criteria used to measure success. In this kind of system, managers are the agents of the stockholders, and all their decisions are controlled by their desire to maximise profits for the stockholders while reasonably complying with law and social custom.[8]

2. Society has to Pay the Cost Another argument is that the costs of social responsibility will be passed on to the society and it is the society which must bear them. Can the society afford these additional costs?

3. Lack of Social Skills Business managers are best at managing matters relating to business. They are not equally good at solving social problems. Their outlook is primarily economic and that their skills are the same. They really do not feel at home in social matters. If society is going to depend on someone to work with social problems, why choose a group which is so poorly qualified? Does society really want economic and technical people meddling in social affairs? Will they broaden their outlook and will their skills transfer? Can business really do the job? Is it better equipped than the government and other institutions?[9]

This problem is, however, sought to be overcome to a considerable extent. We have a number of fairly high calibre institutions, like the Xavier Institute of Social Sciences and Institute of Rural Management Anand (IRMA), which train students specifically for social work. Corporates like the Lalbhais, Mafatlals and Shroffs have already attempted to bring in management professionals into the social responsibility area.

4. Business has Enough Power Another argument is that business already has enough social power, therefore, society should not take any steps which give it more power. According to this line of reasoning, business is one of the two or three most powerful institutions in society at the present time. Business influence is felt throughout society. It is felt in education, in government, in the home and in the market-place. It moulds many social values. The process of combining social activities with the established economic activities of business would give business an excessive concentration of power. Business is an institution which is considered to be not so good and giving more power to it is not advisable.

5. Social Overhead Cost Cost on social responsibility is considered to be a social cost which will not immediately benefit the business. Why spend money on an object, the benefits of which will be realised only in the future? It is the heavy social overhead cost which is one of the reasons for the dismal performance of some of our government undertakings.

6. Lack of Accountability Another point of view is that the businessmen have no direct accountability to the people, therefore, it is unwise to give businessmen responsibility for areas where they are not accountable. Accountability should always go with responsibility, and it is poor social control to allow any other kind of arrangement. Until the society can develop mechanisms which establish direct lines of social accountability from business to the public, business must stand clear of social activities and pursue only its goal of profit where it is directly accountable through the market system.

7. Lack of Broad Support Another point is that business involvement in social goals lack support from all groups in society. If business does become socially involved, it will create so much friction among dissident parties that business cannot perform its social assignment. Although many persons desire business to become more socially involved, others oppose the idea. There is lack of agreement among the general public, among intellectuals, in the government and even among businessmen themselves.[10]

8. Drucker, Friedman and Levitt's Views The most cogent criticism has been voiced by the economist Milton Friedman. Friedman based his arguments on two principal contentions, one economic and one legal. From the economic perspective, he asserted that if managers spend corporate funds on projects not intended to maximise profits, the efficiency of the market mechanism will be undermined and resources will be misallocated within the economy. On the legal side, Friedman contended that because managers are legal agents of the stockholders, their sole duty is to maximise the financial return to the stockholders. Hence, if they spend corporate funds for social purposes, they are essentially stealing from the stockholders. Moreover, Friedman suggested that if the stockholders want money spent on social causes, they are free to do so individually with their dividends.

Peter Drucker opposed social responsibility bittaly. Said he,

"If you find an executive who wants to take on social responsibility, fire him fast."

Theodore Levitt argued against corporate social responsibility fearing that business values might come to dominate society. He posited that business, as an institution, would become the twentieth-century equivalent of the medieval church-the all-embracing institution in society. He suggested that this would not be healthy for society.

Nearer at home, we have the late Dhirubhai Ambani, of Reliance fame, who was opposed to corporate social responsibility.

"As an industrialist my job is", declared he, "to produce goods to satisfy the demand. Let us be very clear about it. Everyone has to do his job. My commitment is to produce at the cheapest price and the best quality. If you dabble in everything then you make a mess of things. If we cannot take care of our shareholders and employees and start worrying about the world, then that is hypocrisy".[1]

PROMINENCE OF SOCIAL RESPONSIBILITY

Counter arguments notwithstanding, social responsibility has come to stay. In its **1981 Statement of Corporate Responsibility**, the Business Round Table, a group of 200 leaders of large corporations, said that the pursuit of profit and assumption of social responsibility were not incompatible. Social responsibility has been one of the leading topics at 2003 World Economic Forum (WEF) meetings. A report from the WEF observes that the three pressures of corporate competitiveness, corporate governance, and corporate citizenship, and the linkage among them, will play crucial role in shaping the agenda for business leaders in the coming decade. Similarly, the World Business Council for Sustainable Development (WBCSD), a coalition of 120 international businesses, refers to the increasing calls for firms to assume wider responsibilities in the social arena and claims that social responsibility is firmly on the global policy agenda. Among the many other organisations that are advocating

greater attention to social responsibility are the Business for Social Responsibility (BSR), and Business in the Community (BITC).

The government of UK has appointed a minister for social responsibility. The European Commission adopted a new strategy on social responsibility in July 2002. The strategy reads thus: "Many businesses have already recognised that social responsibility can be profitable and social actions have mushroomed. However, the EU can add value in atleast two key ways: by helping stakeholders to make social responsibility more transparent and more credible, and by showing that social responsibility is not just for multinations - it can benefit smaller businesses too.

BARRIERS TO SOCIAL RESPONSIBILITY

Efforts to achieve greater social responsibility encounter practical problems at every level of the organisation. Awareness of the problems is helpful to take steps to overcome them.

The Individual Manager The individual manager is the person who is ultimately responsible for the social action programmes of any organisation. The manager can initiate, advocate, and put programmes into effect. The manager can also balk, hinder, and prevent programmes from being planned or implemented. Almost all employees in business are employers. Their careers may be in jeopardy if they consistently advocate actions of which their superiors disapprove or if they make unprofitable trade-offs. For this reason, most managers are cautious about proposing significant changes in their organisation's behaviour.

The Organisation At the organisation's level, the greatest barrier is the focus on profits. Social action projects must always be evaluated in terms of the net cost. Shareholders want profits distributed in dividends or invested to expand production. Employees want higher salaries and better working conditions. Against these competing claims, social programmes may have little chance.

The Industry There may not be support from competitors in the same industry for social action programmes.

The Division Like the organisation of which it is part, a division must try to maintain itself as a profit centre. Any social responsibility decision that reduces the level of profit might threaten the division's viability. Thus, most divisions are slow to initiate socially responsible programmes until they receive clear instructions to do so from the top management.

SOCIAL RESPONSIBILITY IMPLEMENTATION

Social responsibility has two facets: first, to whom the business is accountable and the second, business's responsibility to society. The first relates to accountability of business to its owners, employees, government and consumers. This accountability or responsibility is popularly called *corporate accountability* in the literature available on the subject. Corporate accountability is discussed in this chapter and the responsibility of business to society is dealt with in the next chapter.

Irrespective of the facet of social responsibility, two processes are essential in developing organisation's social responsiveness. First, it is necessary to establish methods of monitoring social demands and expectations in the external environment. Secondly, it is important to develop internal social response mechanisms.[12]

Monitoring Social Demands and Expectations

Important means of assessing social needs and expectations relative to organisations include social forecasting, opinion surveys, issues management, social scanning and social audit.

Social Forecasting This is the systematic process of identifying social trends, evaluating the organisational importance of those trends and integrating these assessments in the organisation's forecasting programme. One approach to social forecasting is the use of *futurists*, individuals who track significant trends in the environment and attempt to predict their impact on the organisation, usually 10 or more years hence. Some organisations use consultants and research institutes that specialise in social forecasting.

Opinion Surveys Associations and major business publications often conduct surveys of public opinion on various issues of social concern. These surveys often provide feedback to companies regarding the perceptions of social responsibility among various groups.

Issues Management This is the process of identifying a relatively small number of emerging social issues of particular relevance to the organisation, analysing their potential impact and preparing an effective response. Typically, 10 to 15 issues are identified, but the number can vary depending on organisational circumstances. Issues management attempts to minimise 'surprises' resulting from environmental forces and to facilitate a proactive stance towards environmental change. Issues management helps identity a definable social need, a potential source of serious stakeholder concern, or the likelihood of government action. Once identified, firms will try to resolve the issue before it reaches a critical stage.

Social Scanning Social scanning is the general surveillance of various elements in the environment to detect the evidence of impending changes that will affect the organisation's social responsibilities. Unlike issues management, social scanning is usually done on an informal and unsystematic basis. Executives frequently draw upon their own experiences of factors that are likely to have important organisational implications. They may also rely on data from more systematic assessments.

Social Audits This is a systematic study and evaluation of social actions of an organisation. It includes an assessment of the social impact of a firm's activities, an evaluation of programmes specifically aimed at achieving social goals, and a determination of areas in need of organisational action. Social audits are difficult to carry out because disagreements can arise regarding what should be included, results can be difficult to measure, and interpretations of what is adequate or good social performance are likely to vary. Nevertheless, companies are increasingly implementing social audits to assess their social action programmers. (For more details, read Chapter 35 in this book).

Internal Social Response Mechanisms

The most common internal response mechanisms used by firms include executives, temporary task forces, departments or combinations of these.

In relatively small firms, *individual executives* are required to handle social issues, as and when they occur. In some companies, *temporary task forces* are constituted to deal with a critical social issue. When the issue is resolved, the taskforce is disbanded. Many companies will have *permanent departments* that coordinate various ongoing social responsibilities, identify and recommend policies for new social issues. Popularly called the *Public Affairs Department*, such a department may be responsible for coordinating government agencies, community relations and other external activities. In practice, organisations may use a *combination of mechanisms* to enhance social performance.

Corporate Accountability

Coming to the facets of social responsibility, business's responsibility is towards (i) employees, (ii) consumers, (iii) government and (iv) owners (see Fig.33.5).

Business is primarily responsible for employees, consumers, government and owners.

(A) Towards Employees Responsibility towards employees is in the form of just selection, training, promotion, fair wages, levelling out variations in employment, comfortable working conditions, safety and health, social measures, scope for initiation and advancement, participative management, workers' education and the like.

Figure 33.5

Corporate Accountability
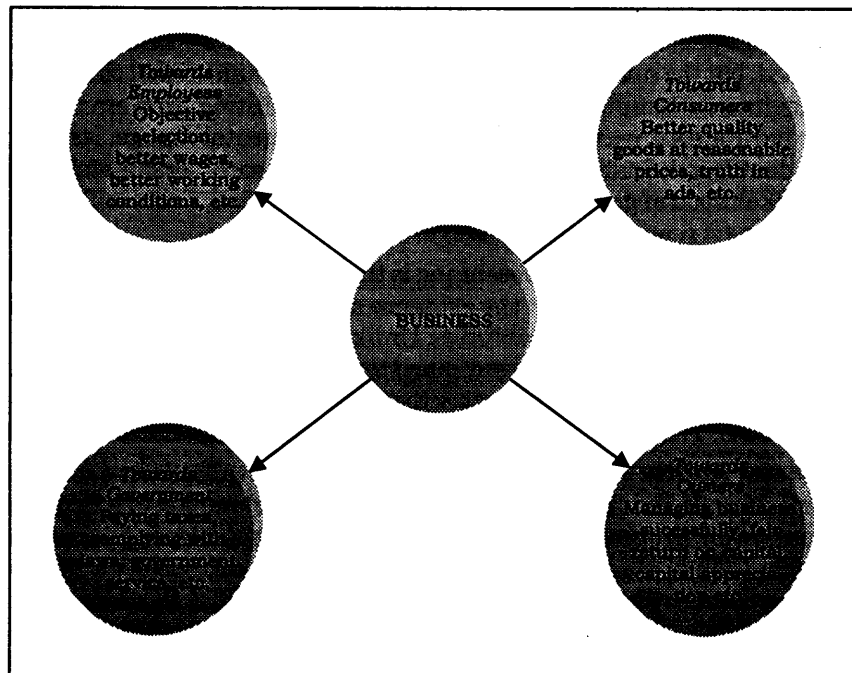
It is heartening to note that most business establishments are fully aware of their responsibility towards their employees and are doing a lot for their improvement. The first name to be mentioned is the Tatas who have no peers in the pursuit of labour welfare. It was the Tatas who first introduced many welfare measures for the benefit of their employees and several years later, the government made them compulsory for other business houses to follow. Table 33.2 gives the firsts to the credit of Tatas.

	Introduced	Enforced by Law		Table 33.2
Five-Hour Working Day		1948		
Free Medical Aid		1948		
Welfare Dept.		1948		
Works Committees		1947		
Leave with Pay		1948		
Provident Fund		1952		
Accident Compensation		1924		
Training of Apprentices		1961		
Maternity Benefit		1961		
Profit-Sharing Bonus		1965		
Gratuity		1972		

Firsts of Tatas Towards Employees

(Source: R.M.Lala, *Creation of Wealth*, p.203).

No wonder an individual takes it as a pride and deems it a privilege to join the 150,000 members of the Tata family employed in more than 32 companies, dotting all over the country. Similarly, Godrej & Boyce, Shriram Industries and TVS group are good employers.

(B) Towards Consumers Responsibility towards consumers includes such aspects as producing and supplying quality goods at reasonable prices, avoiding creation of artificial scarcities, revealing truth in advertising and labels, keeping up the delivery schedules, providing prompt after-sales services, preventing formation of monopolies with the intention of exploiting customers and guaranteeing the buyers about the lifetime performance of the products.

In respect of responsibility towards consumers, the performance of our businessmen is far from satisfactory, honourable exceptions not withstanding. The consumer is not the king in our country but a vehicle conveniently used by businessmen for driving towards the goal of profit maximisation. Government is interfering in a big way to protect the interests of consumers and consumers themselves are forming into a movement, popularly called *consumerism* to protect their interests against business malpractices (consumerism is discussed in detail in the next chapter).

(C) Towards Government Business responsibility towards the government covers such areas as complying with all legal requirements, paying taxes honestly, executing government contracts, making services of executives available for the government, deducting income-tax and amounts to be invested in national savings

certificates from wages and salaries of employees and acting as a willing partner with the government in pursuit of public welfare.

In respect of responsibility to the government, our businessmen have come under dark clouds. The series of raids conducted on business houses and the reasons made known for the raids demonstrate clearly that businessmen have failed to discharge their responsibility towards the government.

(D) Towards Owners Corporate accountability towards owners covers such areas as managing the business profitably, ensuring fair and regular return on capital employed, guaranteeing capital appreciation and consolidating the financial position of the business so that it can withstand fluctuating fortunes so common in business.

LIMITS OF SOCIAL RESPONSIBILITY

> Social responsibility actions are constrained by cost, efficiency, relevance and scope.

The social responsibility actions of businesses are limited by cost, efficiency, relevance and scope. As a result of these constraints, actions fall short of public expectations.

Cost: Social responsibility costs money. Whether a company desires to adopt a village, donate to a college or school, build a hospital, maintain parks or undertake relief operations in times of calamity, it costs money.

Efficiency: Social responsibility affects efficiency adversely. Being obliged to the employees, say a company runs its plant, even if it is incurring losses every year. Its efficiency goes down and its ability to compete is lost.

Relevance: According to several critics, business has no obligation to society. The only obligation is to run the business successfully. Social responsibility is irrelevant. According to Friedman, for example, *"There is one and only one social responsibility of business: to use its resources and energy in activities designed to increase its profits so long as it stays within the rules of the game...(and) engages in open and free competition, without deception and trend...".* Friedman contends that corporate officials are in no position to determine the relative urgency of social problems or the amount of organisational resources that should be committed to a given problem. He also insists that managers who devote corporate resources to pursue personal, and perhaps misguided notions of the social good, unfairly tax their own shareholders, employees and customers. In short, business should produce goods and services efficiently and leave the solution of social problems to the concerned individuals and government agencies.[13]

Often, social responsibility action is undertaken for wrong reasons rendering the exercise to irrelevance and ineffectiveness. Consider what has happened to Brij Mohan Khaitan, the tea giant. In the beginning of 1990s, Khaitan was under tremendous pressure from the Bodo Security Force (BSF). One of his executives was kidnapped and another was gunned down by the militants. BSF demanded hefty sums as a pre-condition for peace. It was at this time that Khaitan reflected and set up a school at a cost of Rs.22 crore. The school could not help Khaitan buy peace from the BSF[14].