Three

OB – The Emerging Challenges

"Let us not be blind to our differences — but, let us also direct our attention to our common interests and the means by which those differences can be resolved."

— *John F. Kennedy*

LEARNING OBJECTIVES

After reading this chapter, you should understand —

1. Issues confronting OB specialist in the days to come.

2. Ways of managing workforce diversity.

3. Changes in demographics of workforce.

4. Employee expectations have changed and the OB expert needs to be aware of such changes.

5. Globalisation and its impact on people management.

6. Changes in technology and its impact on people management.

7. The need to promote ethical behaviour.
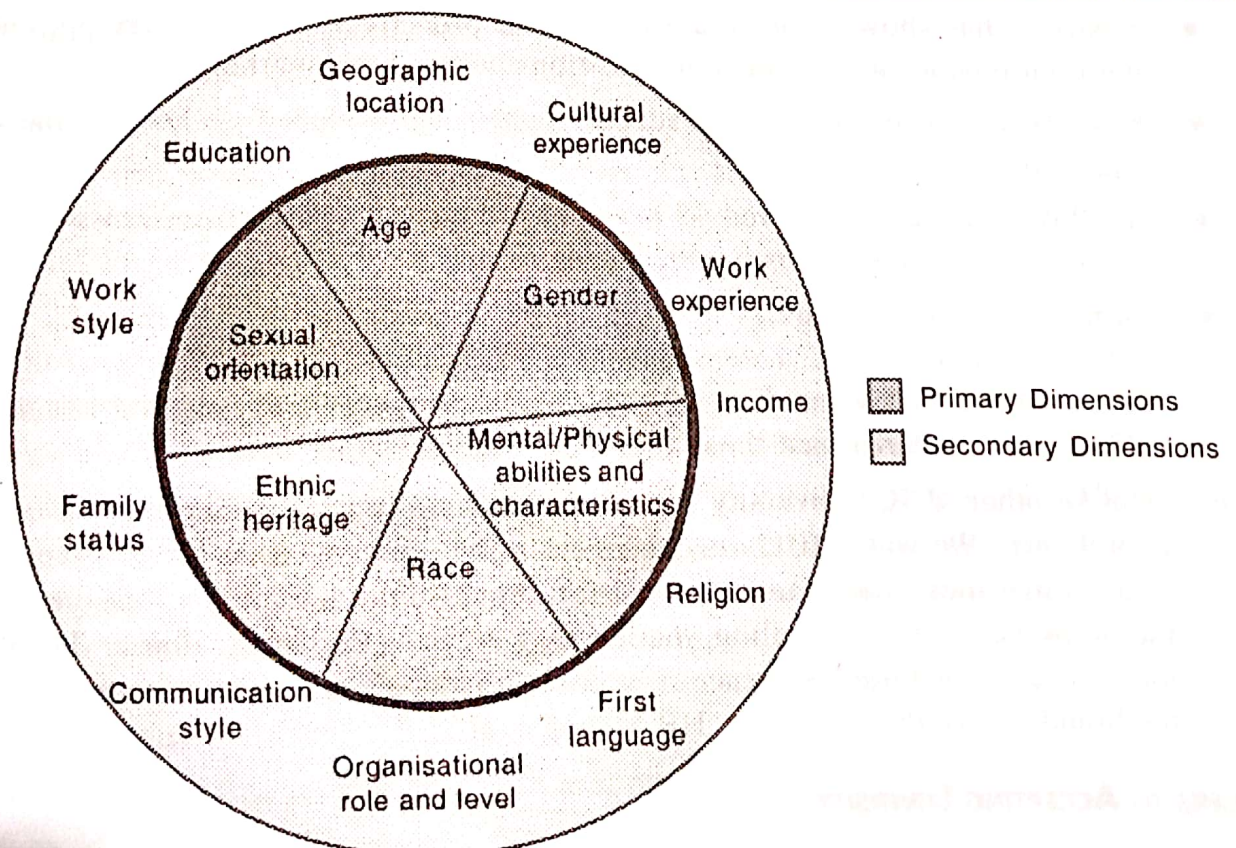
MANAGING DIVERSITY

Diversity is dealing with a collective mixture of differences and similarities in a given group. It includes age, background, education, function, and personality. It also includes lifestyles, sexual

FIGURE 3-1
OB CHALLENGES
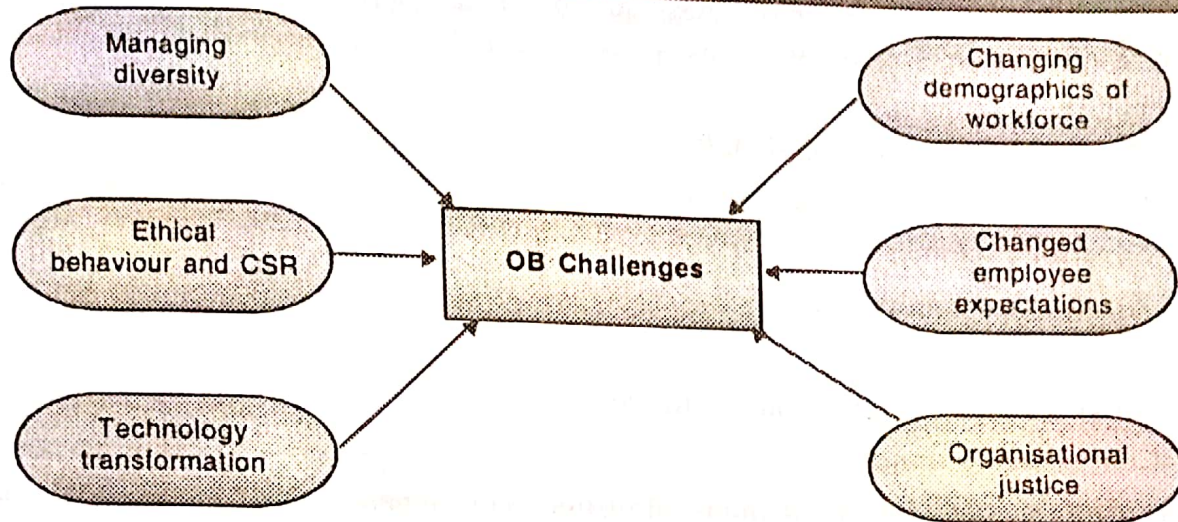
orientation, geographic origin, tenure with an organisation, management and non-management values, beliefs, and opinions[1] (See Fig. 3.2). As shown in Fig. 3.2 diversity has both primary and secondary dimensions. Diversity needs to be understood from both the dimensions.

FIGURE 3-2
PRIMARY AND SECONDARY DIMENSIONS OF DIVERSITY

Managing diversity is a philosophy about how differences among individuals are accepted and respected and how they are made to work in cohesion. Firms are realising that utilising diversity in all aspects of the workforce makes not only a strong moral sense but also business sense. By ensuring that diversity is built into various groups of members, such as project teams, business start-up teams, customer response teams, sales force and top management teams, businesses are able to achieve:[2]

- Access to a changing marketplace.
- Large-scale business transformation.
- Superior customer service.
- Workforce empowerment.
- Total quality.
- Alliances with suppliers and customers.
- Continuous learning.

There are numerous examples demonstrating the financial benefits that can accrue to companies that embrace diversity. Here are a few:

- Xerox plants using diverse work teams are now 30 per cent more productive than conventional plants.
- Procter & Gamble achieves 30-40 per cent higher productivity at its 18 diverse team-based plants than at its non-diverse plants.
- Motorola beat its competitors by producing the world's most efficient and high-quality cellular phones which are produced almost exclusively by diverse work teams.
- Research has shown that organisations that proactively recruit, develop, and leverage multinational leaders are in better positions in the global marketplace.
- KFC experienced phenomenal success, when it introduced its kosher line of chicken menus in Israel.
- GE Power Systems achieved 13 per cent productivity gains from cross-functional and multicultural teams versus homogeneous teams.
- Numerous empirical studies of work teams demonstrate that when tasks are complex and not clearly defined, heterogeneous teams outperform homogeneous teams. 'Super teams', those that were diverse in numerous respects and selected because of their differences, outperformed those that were homogeneous.[3]
- 'Unlike other MNCs, diversity for us is a business imperative and not an issue of legal compliance. We want HUL's management to be representative of our diverse customer base so that they understand the needs of the customer better. If a manager understands the brand he or she is handling, the learning curve is that much shorter. For instance, in marketing, if the target audience is women, it is an advantage if a woman is incharge of the brand'. Says Prem Kawath, HR Manager, HUL.[4]

BARRIERS TO ACCEPTING DIVERSITY

Despite a general awareness in organisations that diversity is a positive factor, individuals still experience numerous personal barriers to accepting diversity. Those who come from homogeneous

backgrounds are especially vulnerable to attitudes that prevent them from being more open to diversity — both in the workplace and in their personal lives. There are several barriers that sometimes prevent us from accepting diversity. These include:

- **Prejudice** — unjustified negative attitude towards a person based on his or her membership of a particular group.

- **Ethnocentrism** — a tendency to regard one's own group, culture, or nation as superior to others. This is what sometimes occurs in a selective club, religious sect, or political organisation. People who are ethnocentric see their group-related customs or beliefs as 'right' and evaluate other beliefs or practices against this yardstick.

- **Stereotypes** — set of beliefs about a group that is applied universally to all members of that group, such as 'all poor people are uneducated' or 'all Asians are good at maths'. Stereotyping, whether positive or negative, is not good because seldom does one statement hold true for all members of a group.

- **Discrimination** — barring an individual from membership of an organisation or from a job because of his or her membership of a particular group. An example of unfair discrimination is the company that only interviews men for a position that requires a lot of travel.

- **Harassment** — consciously shunning or verbally or physically abusing an individual, because of membership of a particular group.

- **Sexual harassment** — approaching a person in an unwanted, uninvited, intimate way, interfering with that person's productivity or advancement.

- **Backlash** — negative reaction to the gaining of power and influence by members of previously under represented groups, leading to fear, resentment, and reverse discrimination.

How to Manage Diversity Effectively?

Effectively managing diversity needs to be a top priority for managers in all organisations — large and small, public and private, for profit or not for profit. Managers need to ensure that they and their subordinates appreciate the value that diversity brings to an organisation, understand why diversity should be celebrated rather than ignored, and have the ability to interact, and work effectively with men and women who are physically challenged or are of a diverse race, age, gender, ethnicity, nationality, or sexual orientation.

Managing diversity involves promoting its awareness, increasing diversity skills, encouraging cultural and gender diversity, and committing top management to diversity.

Increasing Awareness: Awareness demands appreciation of diversity as a fact of organisational life. One needs empathy to understand other people's attitudes, behaviours, and experiences. Many diversity awareness programmes in organisations strive to increase managers' and workers' awareness of: (i) their own attitudes, biases, and stereotypes, and (ii) the differing perspectives of diverse managers, subordinates, coworkers, and customers. Diversity awareness programmes often have these goals:[5]

- Providing organisation members with accurate information on diversity.

- Uncovering personal biases and stereotypes.

- Assessing personal beliefs, attitudes, and values, and learning about other points of view.

- Overturning inaccurate stereotypes and beliefs about different groups.
- Developing an atmosphere in which people feel free to share their differing perspectives and points of view.
- Improving understanding of others who are different from oneself.

Increasing Diversity Skills: Efforts to increase diversity skills focus on improving the way managers and their subordinates interact with each other and on improving their ability to work with different kinds of people. Educating managers and their subordinates about why and how people differ in the way they think, communicate, and approach, issues and situations can help all employees develop a healthy respect for diversity and at the same time facilitate mutual understanding.

The members of an organisation may have different styles of communication, may differ in their language fluency, may use words differently, may differ in non-verbal signals they send through facial expression and body language, and also in the way they perceive and interpret information. Managers and their subordinates must learn to communicate effectively with one another if an organisation is to take advantage of the skills and abilities of its diverse workforce.

OB experts have designed techniques to increase diversity awareness and build diversity skills. Films and printed materials supplemented by experiential exercises will help unravel hidden biases and stereotypes. Simply a forum for people to learn about and discuss their differing attitudes, values, and experiences can be a powerful means for increasing awareness. Also useful are role-plays that enact problems resulting from lack of awareness and indicate the increased understanding that comes from appreciating others' viewpoints. Accurate information and training experience can debunk stereotypes. At times managers hire consultants to provide diversity training. Some firms have in-house diversity experts (See Exhibit 3.1).

Cultural Diversity: Cultural diversity in the workplace is growing because of globalisation. People of diverse national origins — Koreans, Indians, Bolivians, Pakistanis, Vietnamese, Swedish, Australians, Britishers, Americans, and others — find themselves working together in teams to perform tasks. The challenge to OB specialists is to harness the wealth of differences that cultural diversity provides. The risk is that prejudices and stereotypes may prevent managers and employees from developing synergies that can benefit the organisation. However, the following strategies will help organisations manage cultural differences effectively:[7]

For Individuals

- Live and work outside your home country. Be willing to take an overseas assignment whenever the opportunity arises.
- Travel outside your home country extensively.
- While away, adapt to the customs of the new country. Get to know the local residents, rather than spending your time with people of your own nationality.
- Develop friendship with people from nationalities other than your own. Make it a point to learn from them about their customs, about the way business is conducted, about the differences and similarities between their country and yours.
- Learn another language or languages.
- Work at developing a non-home country perspective on world events. Subscribe to newspapers and periodicals that broaden your understanding of key issues from multinational perspectives.

EXHIBIT 3-1 DIVERSITY MANAGEMENT AT MATSUSHITA

In recent years, a growing number of multinationals have began to expand their operations, realising that if they do not increase their worldwide presence now, they are likely to be left behind in the near future. In turn, this has created a number of challenges for these MNCs, including making a fit between their domestic organisational culture and those of the different countries where they operate. Matsushita provides an excellent example in how they have handled this challenge with their macro/micro approach. This huge Japanese MNC has developed a number of guidelines that it uses in setting up and operating its more than 150 industrial units. At the same time, the company compliments these macro-guidelines with on-site micro-techniques that help create the most appropriate organisational culture in the subsidiary.

At the macro-level, Matsushita employs six overall guidelines that are followed in all locations. They are:

1. Be a good corporate citizen in every country, among other things, by respecting cultures, customs, and languages;

2. Give overseas operations the best manufacturing technology the company has available;

3. Keep the expatriate head count down and groom local management to takeover;

4. Let operating plants set their own rules, fine-tuning manufacturing processes to match the skill of the workers;

5. Create local research and development to tailor products to markets; and

6. Encourage competition between overseas outposts and with plants back home.

Working within these macro-guidelines, Matsushita then allows each local unit to create its own culture. The Malaysian operations are a good example. Since 1987, Matsushita has set up 13 new subsidiaries in Malaysia, and employment there has more than quadrupled to approximately 25,000 people. Only 230 of these employees, however, are Japanese. From these Malaysian operations, Matsushita currently produces 1.3 million television sets and 1.8 million air-conditioners annually and 90 per cent of these units are shipped overseas. To produce this output, local plants reflect Malaysia's cultural mosaic of Muslim Malays, ethnic Chineses, and Indians. To accommodate this diversity, Matsushita cafeterias offer Malaysian, Chinese, and Indian food, and to accommodate Muslim customs, Matsushita provides special prayer rooms at each plant and allows two prayer sessions per shift.

How well does this Malaysian workforce perform for the Japanese MNC? In the past, the Malaysian plant's slogan was 'Let's catch up with Japan'. Today, however, these plants frequently outperform their Japanese counterparts in both quality and efficiency. The comparison with Japan is no longer used. Additionally, Matsushita has found that the Malaysian culture is very flexible, and the locals are able to work well with almost any employer. Commenting on Malaysia's multiculturalism, Matsushita's managing director notes, 'They are used to accommodating other cultures and so they think of us Japanese as just another culture. That makes it much easier for us to manage them than some other nationalities.'

Today, Matsushita faces a number of important challenges, including remaining profitable in a slow-growth, high-cost Japanese economy. Fortunately, this MNC is doing extremely well overseas, which is buying it time to get its house in order back home. A great amount of this success results from the MNC's ability to nurture and manage overseas organisational cultures (such as in Malaysia) that are both diverse and highly productive.[6]

- When travelling outside your home country on business, learn in advance about the cultural differences and customs that will affect the way in which you conduct business there.

For Companies and Organisations

- Offer language training to your employees.
- Encourage your employees to accept non-home country work assignments.
- Provide transition counselling to employees and their families both before and after a non-home country assignment.
- Provide training to help employees learn about and be sensitive to cross-culture differences.
- Examine your employment practices to ensure your company is not intentionally or unintentionally discriminating against anyone due to his or her religion or ethnicity. For example, requiring employees to work on Saturdays precludes member of certain religions from your organisation.

Gender Diversity: The feminization of the workforce has increased substantially. Though women's participation in the workforce is increasing, their share of the rewards of participation is not increasing commensurately. Women hold only 11.2 per cent of corporate officer positions in the *Fortune 500* companies. Only 3.8 per cent of the chairpersons and CEOs of the *Fortune 500* companies are women. Of GE's top 173 officers, only 13.3 per cent are women. Only 18 per cent of GE's board members are women. Indian firms are no better in this respect. In India, working women account for just 15 per cent of the total urban female population of 150 million. HUL has just 11 per cent female managers. Kodak India has done much better than any other global firm. 70 per cent of the company's marketing staff and 85 per cent of the workforce at its Bangalore-based camera manufacturing plant are women. At HSBC, half the employees worldwide are women. Salaries for women persist at a level of 77 per cent of their male counterparts earnings. Since many benefits are tied to remuneration, women also receive lower levels of benefits.

In addition to lower level of earnings, women are seen to be condemned to occupy lower levels of positions in organisations. This is surprising since there seems to be no perceptible difference in skills and abilities between men and women.

However, stereotypic beliefs about gender (See Table 3.1) often limit one's ability to work closely and effectively with the opposite sex.

TABLE 3-1
TRAITS ASSOCIATED WITH GENDER STEREOTYPES

Male	Female
Aggressive	Affectionate
Autocratic	Complaining
Capable	Co-operative
Competitive	Emotional
Coarse	Easily influenced
Decisive	Forgiving
Humorous	Indecisive
Individualistic	Illogical
Loud	Mild
Objective	Passive
Opportunistic	Sensitive
Reckless	Subjective
Tough-minded	Tactful
Unemotional.	Weak

(*Source:* Suzanne C. de Janasz. et.al.. *Interpersonal Skills in Organisations*, p. 151)

Understanding that these beliefs are generally stereotypes will allow individuals and organisations to move away from discriminating in rating or making false assumptions while managing and working with diverse groups.

There are ways of managing gender diversity. One way is to recognize that there are strengths in both the sexes. Men can learn from women's managerial style by using appropriate relationship-building in the workplace, while women can learn from men's style to be less subtle and more assertive and direct, especially while giving instructions. It is equally important to learn more about perceived differences between male and female both socially and in the workplace. Further, it is necessary to be aware that in many situations, gender might play a role in one's ability to understand others. Finally, it is necessary to be aware of the cultural gender stereotypes and avoid actions including language, and behaviour that perpetuate negative or hindering views.

COMMITTING TOP MANAGEMENT TO DIVERSITY

When there is an organisational commitment to diversity at the top, managers down the line embrace diversity through their actions and spread the message that diversity can be a source of competitive advantage, deal effectively with diverse employees, and are willing to commit organisational resources to manage diversity.

Organisations everywhere are taking various steps to manage diversity. Many *Fortune 500* companies continue to develop and experiment with new diversity initiatives to meet this ethical and business imperative.

Although most organisations have tasted success in their efforts to manage diversity, some have encountered problems. In the most serious cases, diversity management efforts have backfired, leaving race and gender divisions even greater. The most serious problems have stemmed from the practice of focusing on stereotypes, even positive ones. Thinking of people in stereotypical ways can create barriers that interfere with looking at people as individuals. Thus, instead of looking at the average difference between people (which may reinforce stereotypes), experts recommend that managing diversity demands expecting a range between people (a range that promises to become even greater in the years ahead). With this in mind, managers are advised not to treat someone as special because he or she is a member of an important group, but because of the unique skills or abilities he or she brings to the job. To the extent that managers are trained to seek, recognise, and reward talents of their employees regardless of the group to which they belong, they will help break down the barriers that made diversity training necessary in the first place.

CHANGING DEMOGRAPHICS OF WORKFORCE

TECHNOLOGY TRANSFORMATION

Technology may be understood as anything that workers of an organisation use to transform its inputs into outputs. Technology can refer to something as an abstract as a recipe or formula, or something as concrete as a new piece of a stainless steel machinery.[9] Technology, it is widely believed, offers competitive edge to a firm. In reality, technology may not be an edge at all. The competitive edge comes when managers achieve a harmonious integration of their human and technological resources.

Two dimensions of technology are automation and information technology (IT). Automation occurs when a task performed by a worker is mechanised to be performed by a machine. It works best only, when designed to compliment the skills of workers rather than replace them. Automation has its impact on job design: alienation. It also means simplification of task for the worker. In a factory, automation may change the job of a low-level worker from assembling a product to monitoring the machines that do the assembling. The task becomes much more passive and much less involving. The worker is more likely to become bored and alienated and the consequence can be poor quality and low productivity. The resulting decrease in efficiency may even encourage management to automate further, thereby further decreasing the worker's active role and further increasing boredom and alienation (See Fig. 3.3).

Automation needs to be preceded by an understanding of the effect it will have on jobs. It is not desirable, where employee involvement is sought to be minimised. Automation works well when it supplements but not supplants employee skills. Implementation of automated production technologies

FIGURE 3-3
JOB OVERSIMPLIFICATION THROUGH AUTOMATION
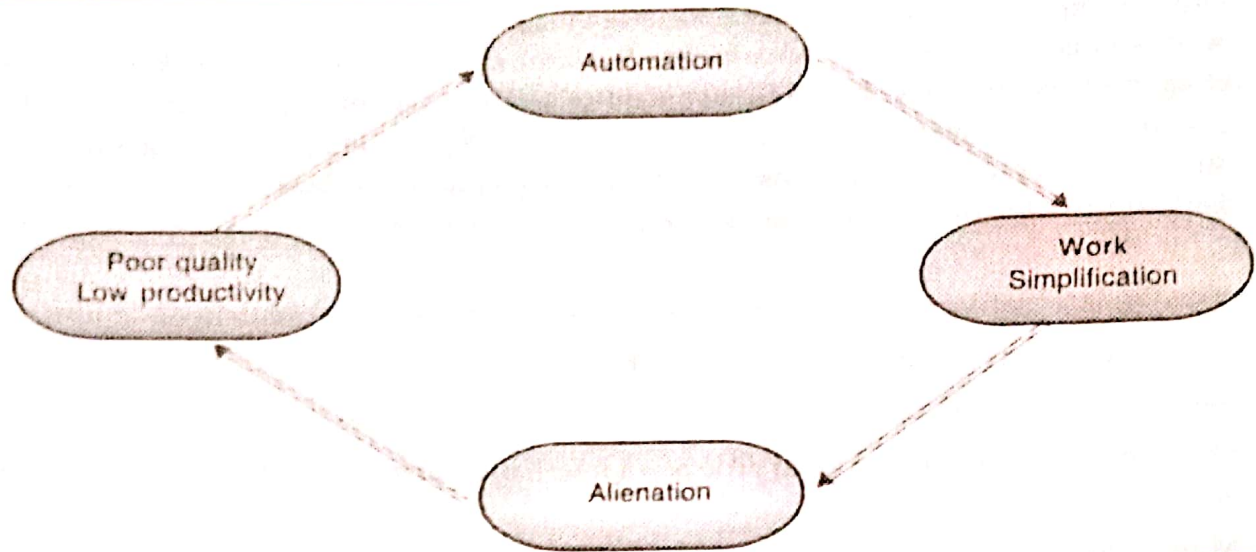
(**Source:** Gregory B. Northcraft and Margaret A.Neale. *op.cit.*, p. 643).

must entail some awareness of the potential of worker alienation. Employers must also plan for the effects of automation on their workforce, whether they include worker displacement, replacement, or retraining.

The 21st century belongs to information technology (IT). IT is shaking up organisations and forcing OB scholars to re-examine their concepts in the light of revolutionary changes brought about by it. The last decade of the 20th century and the early years of the 21st century have witnessed an information revolution that has changed, and will continue to change, the way we live and work.

IT has reshaped organisations and their interactions with other entities. We are now witnessing the emergence of the network organisation — an alliance of several firms for the purpose of creating a product or serving a client. Chapter 20 contains more details on network organisations.

These are the days of dotcoms, Internet, intranets, e-mail, mobile phones, and the like. The world belongs to the firms which produce technology-based products such as Intel, Microsoft, Dell, Wipro, and Infosys.

We will now focus on specific behavioural implications of advanced technology.

Leaner Organisations: Organisations are becoming leaner, first through automation and later by information technology. Information technology, which is changing rapidly, is delayering organisations at an unbelievable pace. Downsizing, also called rightsizing, is enabling organisations to use fewer employees to produce greater volumes.

Closely related to downsizing is outsourcing. Outsourcing is the process of hiring outside firms to perform the non-core activities of businesses (i.e., activities that are peripheral to the organisation). By outsourcing secondary activities, a firm can focus on what it does best — its core competency.

Rightsizing or outsourcing results in fewer number of employees in organisations. Fewer employees mean lost jobs for many people. Organisations now have huge beautiful buildings, there are machines and computers everywhere, but one can hardly see people. Days were when at the blaring of a siren, thousands of employees gushed out of factory gates. It was a feast to the eyes to observe so many people rubbing shoulders with one another, whether it was on the shop floor or in the canteen. It was a real challenge for the people's manager to keep thousands of employees satisfied and motivated. A manager of human resources today has no such challenge before him or her.

Wired Organisation: Organisations of today are totally wired. Telecommunication keeps people away from office. Employees can operate from their homes and need to visit their offices only when required. Web conferencing enables people to collaborate over the web without meeting. Webinars (webseminars) enable executives sitting at one corner of the globe to contact countries and people across the globe simultaneously. Internet and e-mail facilities have swamped offices and organisations.

The impact of wiring is far and wide. Privacy of employees is lost; anybody can access details which are privy to an employee. Hidden cameras and close circuit TVs keep employees under constant surveillance. Groups are inevitable in organisations, but organisations face a threat to them. Groups are dispersed worldwide, with members not knowing one another. How to form groups? How to evolve and enforce group norms? How to bring cohesiveness? These and other related questions have no easy answers, if organisations are wired.

Wired organisations pose another challenge — how to motivate employees. The issue becomes relevant because employees are not available at one place and under one roof. They are widely dispersed across the globe. No doubt managers can interact with every employee through e-mail or telephone. But can such contacts help manager motivate his or her subordinates? Can electronic media substitute a face-to-face talk?

Yet another challenge stemming from a wired organisation relates to organisational hierarchies. Traditional organisations were highly structured. Who was the boss, who reported to whom, and who sat or stood next to whom were clearly defined and identified. But, today's organisation designs present a picture of blurred hierarchies and collapsed walls. No one ever knows who bosses over whom and who is peer to whom. Organisations are mere buildings and networked computers with human beings dotting sparingly.

Time differences across the globe pose yet another problem. Take call centres, for instance. These centres need to be kept open all through the night. Hours meant for sleep in India are working hours for business houses in other countries. Infosys in Bangalore has opened Progeon to cater to outsourcing needs of business the world over and the unit keeps working all 24 hours. How to protect employee health, how to look after their convenience, and how to retain them, pose a challenge to personnel managers.

Probably the most challenging task emanating from wired organisations is that of leadership. Leadership, as will be explained in greater detail in Chapter 18, refers to the influence the leader wields on his or her followers. The leader is able to influence others because of the unique qualities he or she is endowed with. The leader's influence is made possible through face-to-face interaction with the followers. But in today's organisations, the chief executive rarely meets subordinates in

person, except making an appearance on the small screen or through e-mail. Even phone calls from subordinates are resented to by the chief executive. Phone calls, which convey voices are considered to be expensive. Instead, e-mails, are preferred. Obviously, the very nature of leadership needs to be redefined in the light of the emerging e-organisations.

Virtual Offices: Wired organisations generate virtual offices. A virtual office is one in which people work anytime, anywhere, and with anyone. The concept involves work being done from where the people are, instead of people going to a place of work. Information technology makes connectivity, collaboration and communication easy. Critical messages can be delivered to and from the central office, a client's office, the airport, the car, or home.

Typically on any given day, much of the space in a virtual office will be empty as employees will be near the customers. "Getting close to your customer" is the management philosophy that started in the 1990s. In difference to the belief, employees tend to be away from office and not spend their time behind a desk. The trend is continuing even today.

Virtual offices have generated a new term "VIHAGs" (or Virtual Human Agents). They are online telework support personnel working either in call centres or from their homes for emerging global internet businesses. VIHAGs can reside wherever there is an international call centre or home-based telephony.

Virtual approach to workplace offers several advantages. The organisation can draw on expertise worldwide. Organisations tend to become responsive and flexible. Overhead costs can be brought down considerably thanks to virtual offices.

On the negative side it may be stated that virtual offices create communication problems and give scope for misunderstanding. Organisations may not be able to exercise control over their own employees. Demands on managers may increase.

Changing Nature of Management Work: Technological innovations affect the very nature of managerial work. The work environment is vastly different now than what it was earlier. Earlier a worker was exposed to risks of physical injuries, fatal accidents, air and noise pollution and soiled clothes. Fatigued by such a work environment, the worker would escape to the toilet or canteen, and it was a tough task for the manager to monitor the workers' movements. New technology has altered the work environment significantly. Today's worker is also exposed to hazards but of different kind. Glued to the computer, day-in and day-out, today's employee is stressed physically and psychologically. Eye strain, neck and back strain, and headaches can result from sitting at a computer terminal too long. So attached to the computer and its pace and so worried about schedules and targets, the employee can hardly afford to idle his or her time. In fact, the manager often advises his or her employees to relax and even take a break from routine work. Computerised monitoring provides managers with a wealth of information about employee performance, but it also holds the potential for misuse. The telecommunication, airline, and mail-order merchandise industries make wide use of systems that secretly monitor their employee's interactions with customers. Employees also appreciate such systems, saying that they help improve customer service. However, employees have their own apprehensions. They suffer from high levels of depression, anxiety, and exhaustion from working under such secret security systems.

Increasingly, organisations are hiring temporary staff. According to HR consulting firm MaFoi, there are 5136 such temporary staff and the figure is expected to go up to 10,000 shortly. Salaries of these flexi-staff range from ₹ 5,000-25,000 a month and the duration of their stay in any organisation does not exceed two years. For women (mostly married), temporary staffing helps them earn some money and "be occupied" while their husbands are abroad. For men (mostly

beyond 45 years of age), flexi-staffing helps them spend time with families without stress and strain and "be occupied" too. Managers need new principles and practises to deal with such temporary staffers.

Managers need to upgrade their skills constantly, as many a times subordinates are ahead of managers in terms of skills. What types of skills are managers expected to acquire? It was believed that the managers of yesteryears possessed more of people skills than technical competencies. Managers today must possess technical competence as well in order to gain worker's respect.

Technological changes occur so rapidly in present times that turbulence characterise most organisations. Employees must constantly learn and adapt to changing technology so that organisations can remain competitive. Managers must efficiently deal with the challenge of helping workers adapt and make effective use of technology.

A new term gold-collar worker has emerged in the literature on OB. The term simply refers to a new generation of workers who have both business skills and technological expertise. Because of the rapid pace of technological development, such expertise requires good understanding of how to use new technologies. It also must include an awareness of how to correctly integrate the benefits of new technologies with the organisation's human resources. Gold-collar managers must understand the effects of new technologies on the nature of work, and must also work hard to encourage a sense of ownership of new technologies among their workers. For the current generation of managers, an understanding of technology is an advantage, for the next generation of managers, it will be a necessity.[10]

PROMOTING ETHICAL BEHAVIOUR AND CSR

Every decision and behaviour in organisations will have underlying foundations of ethics, principles, and rules. It is important on the part of managers to ensure that ethical concepts are understood, principles are respected, and rules are observed.

Ethics refers to a system of moral principles — a sense of right and wrong, the goodness and badness of actions, and the motives and consequences of these actions. As applied to organisations, ethics is the study of good and evil, right and wrong, and just and unjust actions of managers.[11]

Organisational ethics does not differ from generally-accepted norms of good or bad practices. If dishonesty is considered to be unethical and immoral in the society, then any businessman who is dishonest with his or her employees, customers, shareholders, or competitors is also an unethical and immoral person. If protecting others from any harm is considered to be ethical, then a company which recalls a defective or harmful product from the market is an ethical company. To be considered ethical, businessmen must draw their ideas about 'what is desirable behaviour' from the same source as anybody else would draw. Businesses should not try to evolve their own principles to justify 'what is right and what is wrong'. Employees and employers may be tempted to apply special or weaker ethical rules to business situations, but the society does not condone such exceptions. People who are in business are bound by the same ethical principles that apply to society.[12]

Why are Ethics Important? Ethics are important to business in general, and OB in particular, for the reasons stated below:

(i) *Ethics correspond to basic human needs.* It is man's basic nature that he desires to be ethical, not only in his private life but also in his workplace where, being a manager, he knows that his decisions may affect the lives of several employees. Moreover, most people want to be part of an organisation which they can respect and be proud of, because they perceive its purpose and activities to be honest and beneficial to the society. Most OB managers would like to respond to this need of their employees, and they (managers) themselves feel an equal need to be genuinely proud of the company they are directing. These basic needs compel the organisations to be ethically-oriented.

(ii) *Values create credibility with the public.* A company perceived by the public to be ethically and socially responsive will be honoured and respected even by those who have no intimate knowledge of its actual working. There will be an instinctive prejudice in favour of its products, since people believe that the company offers value for money. Its public issues will also attract an immediate response.

(iii) *Values give the management credibility with its employees.* Values are supposed to be a common language to bring the leadership and its people together. Organisational ethics, when perceived by employees as genuine, create common goals, values, and language. The OB manager can have credibility with his or her employees simply because he or she has credibility with the public. Neither a sound business strategy, nor a generous compensation policy and fringe benefits can win employee credibility; but perceived moral and social uprightness can.

(iv) *Values help in better decision making.* Another point of great importance is that an ethical attitude helps the management make better decisions, that is, decisions which are in the interest of the public, their employees, and the company's own long-term good, even though the decision making is slower. This is so because respect for ethics will force a management to take into consideration various aspects — economic, social and ethical — in making decisions.

(v) *Ethics and profit go together.* A company which is inspired by ethical conduct is also profitable. Value-driven companies are most likely to be successful in the long-run, though in the short-run, they may lose money.