BUSINESS LEADERSHIP

Intregrated Master of
BusinessAdministration (iMBA) Degree

ARDEN UNIVERSITY

EDUVISA GRADUATE

EDUVISA
GRADUATE SCHOOL
OF MANAGEMENT
AND UNIVERSITY GATEWAY

TABLE OF CONTENTS

Business Leadership and Skills

Leadership is the most significant element that makes everything works flawlessly; without leadership all the other business resources become ineffective. Effective leaders are aware of the concerns of their employees and are pioneering developments in leadership. They work hard to create more effective work environments.

Introduction to Business Leadership

There are many definitions to Leadership, below are a few popular definitions:

Leaders are people who do the right thing; managers are people who do things right.– *Professor Warren G. Bennis*

Leadership is the art of getting someone else to do something you want done because he wants to do it.– *Dwight D. Eisenhower*

"Leadership and management are two distinctive and complementary systems of action. Each has its own function and characteristic activities. Both are necessary for success in an increasingly complex and volatile business environment…strong leadership with weak management is no better, and is sometimes actually worse, than the reverse. The real challenge is to combine strong leadership and strong management and use each to balance the other." *John Kotter*

Defining Business Leadership

An **Effective Leader** is a person who has the capability to:

1. Create an inspiring vision of the future
2. Motivate and inspire people to engage with the vision
3. Monitor delivery of the vision
4. Provides guidance and builds a team so they are more effective at achieving the vision

Leadership: Modern Perspective

The more modern view of leadership states that it has a much wider role which includes the characteristics below:

- Inspiration
- Creating vision
- Building effective teams

There are 2 main reasons for leadership to become significant in the modern business arena:

1. **Changing Organisational Structures**
   Flatter structures require greater delegation, greater use of teamwork + focus on quality assurance, coaching, support & empowerment
2. **Rapid Environmental Change**
   Change is a constant feature of business life, the soft skills of leadership & management are increasingly important

Management Vs Leadership

- Management is a JOB while Leadership is a SKILL
- This could be considered as the main difference between the two concepts of Leadership and Managers
- Not all Managers are Leaders BUT all Leaders are Managers

Following is a list of characteristics that gives a better idea of the differences between leadership and Management:

Management Produces Order and Consistency	Leadership Produces Change & Movement
• Planning and budgeting	• Establishing direction
• Establishing agendas	• Creating a vision
• Setting timetables	• Clarifying the 'big picture'
• Allocating resources	• Setting strategies
• Organising and staffing	• Aligning people
• Provide structure	• Communicating goals
• Making job placements	• Seeking commitment
• Establishing rules and procedures	• Building teams and coalitions
• Controlling and problem solving	• Motivating and inspiring
• Developing incentives	• Inspiring and energising
• Generating creative solutions	• Empowering subordinates
• Taking corrective action	• Satisfying unmet needs

Leadership & Management according to Kotter

Leadership & Management
Kotter (1990)

MANAGEMENT
Produces Order & Consistency

Planning and Budgeting
- Establish agendas
- Set timetables
- Allocate resources

Organizing and Staffing
- Provide structure
- Make job placements
- Establish rules and procedures

Controlling and Problem Solving
- Develop incentives
- Generate creative solutions
- Take corrective action

LEADERSHIP
Produces Change & Movement

Establishing Direction
- Create a vision
- Clarify big picture
- Set strategies

Aligning People
- Communicate goals
- Seek commitment
- Build teams and coalitions

Motivating and Inspiring
- Inspire and energize
- Empower subordinates
- Satisfy unmet needs

Major activities of management and leadership are played out differently; BUT, both are essential for an organization to prosper.

Activity

Q	What is the modern perspective on Leadership and Management?
A	**Managers have Subordinates** By definition, managers have subordinates - unless their title is honorary and given as a mark of seniority, in which case the title is a misnomer and their power over others is other than formal authority. ***Authoritarian, transactional style*** Managers have a position of authority vested in them by the company, and their subordinates work for them and largely do as they are told. Management

style is transactional, in that the manager tells the subordinate what to do, and the subordinate does this not because they are a blind robot, but because they have been promised a reward (at minimum their salary) for doing so

Work Focus

Managers are paid to get things done (they are subordinates too), often within tight constraints of time and money. They thus naturally pass on this work focus to their subordinates.

Seek Comfort

An interesting research finding about managers is that they tend to come from stable home backgrounds and lead relatively normal and comfortable lives. This leads them to be relatively risk-averse and they will seek to avoid conflict where possible. In terms of people, they generally like to run a 'happy ship'.

Leaders have Followers

Leaders do not have subordinates - at least not when they are leading. Many organisational leaders do have subordinates, but only because they are also managers. But when they want to lead, they have to give up formal authoritarian control, because to lead is to have followers, and following is always a voluntary activity.

Charismatic, transformational style

Telling people what to do does not inspire them to follow you. You have to appeal to them, showing how following you will lead them to their hearts' desire. They must want to follow you enough to stop what they are doing and perhaps walk into danger and situations that they would not normally consider risking.

Leaders with a stronger charisma find it easier to attract people to their cause. As a part of their persuasion they typically promise transformational benefits, such that their followers will not just receive extrinsic rewards but will somehow become better people.

People Focus

Although many leaders have a charismatic style to some extent, this does not require a loud personality. They are always good with people, and quiet styles that give credit to others (and takes blame on themselves) are very effective at creating the loyalty that great leaders engender.

Although leaders are good with people, this does not mean they are friendly with them. In order to keep the mystique of leadership, they often retain a degree of separation and aloofness.

This does not mean that leaders do not pay attention to tasks - in fact they are often very achievement-focused. What they do realise, however, is the importance of enthusing others to work towards their vision.

Seek risk

Leaders appeared as risk-seeking, although they are not blind thrill-seekers. When pursuing their vision, they consider it natural to encounter problems and hurdles that must be overcome along the way. They are thus comfortable with risk and will see routes that others avoid as potential opportunities for advantage and will happily break rules in order to get things done.

A surprising number of these leaders had some form of handicap in their lives which they had to overcome. Some had traumatic childhoods, some had problems such as dyslexia, others were shorter than average. This perhaps taught them the independence of mind that is needed to go out on a limb and not worry about what others are thinking about you.

Leadership Styles

Conceptions of Leadership

Exercising Power

- This is asserting power over someone which is an end result and displays one's position as a leader.

Gaining and exercising the privileges of high status

- This is all about getting to the top and getting recognised at the highest status.

Being the Boss

- Leadership is providing guidance and overseeing the work of the organisation and also rewarding or punishing as appropriate.

Task Orientation

- Leadership is getting the job done - that's all that matters.

Taking care of people

- Leadership is looking after the followers and ensuring their needs are met.

Empowerment

- Leadership is assisting the followers to gain power and help them to become leaders

Providing Moral Leadership

- A leader who portrays him/herself as a moral leader creates expectations, becomes an inspiration to others and pulls them up to their level.

Providing and working towards a vision

- Leadership is the ability to envision a goal, and to motivate others to work with you toward that goal.

Example

Tim Cook - Apple

Steve Jobs is a hard act to follow, but thus far, Tim Cook is doing a tremendous job. Rather than attempt to match the consumer-facing innovations Steve Jobs had been known for, Tim Cook is forging into the future with his own new advances, such as Apple's newest innovative inventory management techniques.

Activity	
Q	What are the leadership theories introduced by Kurt Lewin?
A	Autocratic Leaders Democratic Leaders Lasissez-faire **Autocratic Leadership** In an autocratic leadership style, the person in charge has total authority and control over decision making. By virtue of their position and job responsibilities, they not only control the efforts of the team, but monitor them for completion –often under close scrutiny.

Democratic Leadership

The democratic leadership style is a very open and collegial style of running a team. Ideas move freely amongst the group and are discussed openly. Everyone is given a seat at the table, and discussion is relatively free-flowing. The democratic leadership style means facilitating the conversation, encouraging people to share their ideas, and then synthesising all the available information into the best possible decision. The democratic leader must also be able to communicate that decision back to the group to bring unity before the plan is chosen.

Laissez-Faire

Laissez-faire leadership, also known as **delegative leadership**, is a type of leadership style in which leaders are hands-off and allow group members to make the decisions. Researchers have found that this is generally the leadership style that leads to the lowest productivity among group members.

Other Leadership Styles

Managerial Leadership

- Managerial leaders view themselves as managers and are focused more on running the organisation
- Depending on the nature and stability of the organisation, the main focus would be on funding.

Collaborative Leader

- A collaborative leader tries to involve everyone in the organisation in leadership. This leader is truly first among equals, and may initiate discussion, pinpoint problems or issues that need to be addressed, and keep track of the organisation as a whole, rather than of one particular job.
- Decisions are made through a collaborative process of discussion, and some form of either majority or consensus agreement.
- Toward that end, a collaborative leader tries to foster trust and teamwork among the staff as a whole.

The Four Core Theory Groups of Leadership

Trait Theories

- The trait leadership theory believes that people are either born or are made with certain qualities that will make them excel in leadership roles. That is, certain qualities such as intelligence, sense of responsibility, creativity and other values puts anyone in the shoes of a good leader.
- Trait theory was based on the **Great Man Theory** which assumes that leaders are born and not made.
- Trait theory is based on the assumption that leader's personality traits are the basis for leadership success.
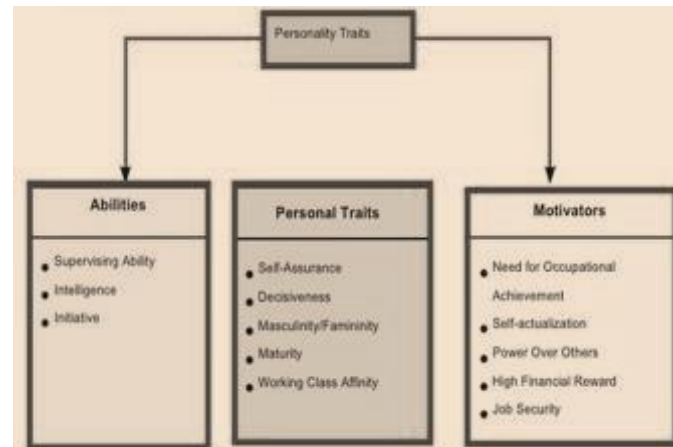
Behavioural Theories

- Focus on how leaders behave. Eg: whether the leader dictates what needs to be done or whether he is collaborative.
- Behavioural theories divide leaders into two sections:
  1. Task Oriented
  2. People Oriented
- The behavioural theories under this type are:
    - The Managerial Grid Model

Role Theory

The Managerial Grid Model

The managerial grid is based on two behavioural dimensions:

- Concern for People– This is the degree to which a leader considers the needs of team members, their interests, and areas of personal development when deciding how best to accomplish a task.
- Concern for Results– This is the degree to which a leader emphasises concrete objectives, organisational efficiency and high productivity when deciding how best to accomplish a task.

The Leadership Grid® figure from Leadership Dilemmas – Grid Solutions by Robert R. Blake and Anne Adams McCanse (Formerly the Managerial Grid by Robert R. Blake and Jane S. Mouton). Houston: Gulf Publishing Company, Copyright 1991 by Grid International, Inc.

Leadership Styles Associated with the Managerial Grid

The Indifferent or Impoverished

These leaders have minimal concern for people and production. Their priority is to fly under the radar while they are content to seek solutions that won't bring any negative focus to themselves or their department. Preserving their employment, position as well as their seniority, is what drives their elusive and evading behaviours. In short, indifferent leaders are ineffective and are sorely lacking in any of the traits that can be attributed to successful and effective leaders.

Impact on employees:

- Employees have a high degree of dissatisfaction
- No harmony within the group
- High turnover
- Impact on organisation:
- Inefficient operation

The Country Club or Accommodating

These leaders will go above and beyond to ensure that the needs and desires of his employees are met. These leaders are making the assumption that their staff will yield maximum results as they are likely to be self-motivated when they are lead in such an environment. These leaders will have behaviours that will yield and comply with the needs of their staff. The productivity of the group however, can suffer from lack of attention to tasks.

- Impact on employees:
- Employees are happy
- Good team harmony
- Impact on organisation:
- Low productivity

The Status Quo or Middle-of-the-Road

These leaders balance out the needs of their staff with those of the organisation, while not adequately achieving either. These leaders will balance and compromise their decisions, often endorsing the most popular one. They dedicate minimal efforts towards facilitating the achievements of their staff or the production results in average or below average levels.

Impact on employees:

- Employees are not really discontent nor are they happy
- Good harmony within the group
- Impact on organisation:
- Average performance

The Dictatorial or Produce, Perish or Control Similar to autocratic leader

These leaders focus all of their attention on production-related matters and very little towards the needs of their employees. These leaders will direct and dominate while holding the belief that efficiency gains can only be achieved through rigid disciplines especially those that don't require human interaction. Employees are considered expendable resources. Productivity is usually short lived as high employee attrition is unavoidable. The dictatorial style is inspired by the McGregor X theory.

Impact on employees:

- Employees experience a high level of dissatisfaction
- High level of conflict within the group
- Impact on organisation:
- High employee turnover
- Peak performance is short lived

The Sound or Team

According to Dr. Robert R. Blake and Dr. Jane Srygley Mouton, the sound leader is the most effective leadership style. These leaders will contribute and are committed, can motivate and are motivated while holding the belief that trust, respect, commitment and employee empowerment are essential for fostering a team environment where team members are motivated, thus resulting in maximum employee satisfaction as well as the most efficient productivity. This sound leadership style is also inspired by the McGregor Y theory.

- Impact on employees:
- Employees are forming a highly cohesive team
- Employees are satisfied
- Employees are motivated and work as a team
- Impact on organisation:
- Low employee turnover
- Attracts highly skills employees
- Efficient organisation

Later additions:
The Opportunistic Style or OPP (Any of the 5 Positions)

These leaders, as the name suggests will seek any situation that will be of benefit to themselves. They will adopt any style that will increase the likelihood of reaching their objective. They will exploit and manipulate in order to persuade others. Any means is acceptable for securing personal benefits; gaining support is only a secondary concern. These leaders are a prime example of "The end justifies the means."

The Paternalistic Style or PAT: Migrates from (1, 9) to (9, 1)

These leaders will guide their employees and define initiatives for others and themselves. They will praise and reward employees for good performance. They will, however, discourage any thinking that is contrary to their own.

The Role Theory

Assumptions:

- People define roles for themselves and others based on social learning and reading.
- People form expectations about the roles that they and others will play.
- People subtly encourage others to act within the role expectations they have for them
- People will act within the roles they adopt

Role theory is structural functionalist in that it seeks to explain human behaviour by looking at what social function is fulfilled by holding a given role.

Role theory suggests that a substantial proportion of observable, day-to-day behaviour is simply people carrying out roles and negotiating which role to prioritise. Once you understand someone's role and which of their many roles they are prioritising, you can predict how they are going to behave.

Contingency theories

- Contingency theories are a class of behavioural theory that contends that there is no one best way of leading and that a leadership style that is effective in some situations may not be successful in others.
- An effect of this is that leaders who are very effective at one place and time may become unsuccessful either when transplanted to another situation or when the factors around them change.
- This helps to explain how some leaders who seem for a while to have the 'Midas touch' suddenly appear to go off the boil and make very unsuccessful decisions.

Situational Theories

- Situational Leadership Theory is the short form for "Hersey-Blanchard Situational Leadership Theory" and draws major views from contingency thinking. As the name implies, leadership depends upon each individual situation, and no single leadership style can be considered the best.
- For Hershey and Blanchard, tasks are different, and each type of task requires a different leadership style.
- A good leader will be able to adapt her or his leadership to the goals or objectives to be accomplished. Goal setting, capacity to assume responsibility, education, and experience are main factors that make a leader successful.
- Not only is the leadership style important for a successful leader-led situation but the ability or maturity of those being led is a critical factor, as well.
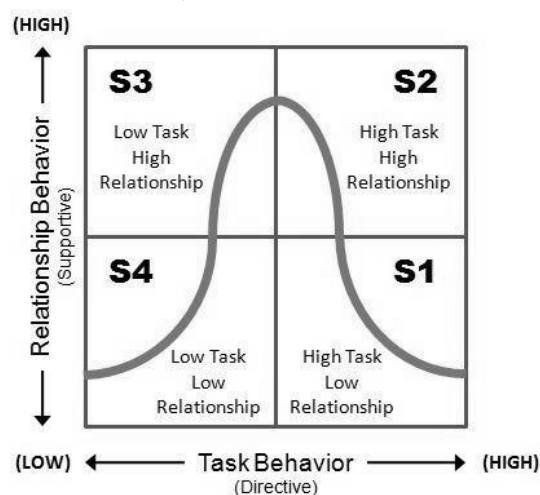
- The Hersey-Blanchard Situational Leadership Theory has two pillars: leadership style and the maturity level of those being led. To Hersey and Blanchard, their leadership styles stem from four basic behaviours, designated with a letter-number combination:
- Telling

o   Selling S-3 Participating

- S-4 Delegating.

Four maturity levels of the group are posited by Hersey and Blanchard with letter designations:

M-1: basic incompetence or unwillingness in doing the task

M-2: inability to do the task but willing to do so M-3:

competent to do the task but do not think they can

M-4: the group is ready, willing, and able to do the task.

Each type of task may involve a different maturity level, so a person with an overall maturity level of M3 might be only an M-1 with respect to specific work.

According to Hersey, ability level and willingness to do work can be cultivated by a good leader by raising the level of expectations. Blanchard overlays four permutations of competency-commitment, again, with a letter designation:

- D1 - Low competence and low commitment
- D2 - Low competence and high commitment
- D3 - High competence and low/variable commitment
- D4 - High competence and high commitment

Example

Famous Situational Leader

General George Patton, one of the high-ranked leaders of the American military utilised the situational leadership style. He wrote several papers on war strategy and tactics as a guide for his army. As a famous situational leader, his philosophy to win the war was focused on analysing the situation. The result of the situational analysis became the foundation in planning the course of action. He believed that it was necessary to change plans to fit the unexpected situation.

Observing the situational leadership style is an expected role of Presidents. One specific example is former President George Bush's response and decisions following the suicide bombing attacks at the World Trade Center, Pentagon, and the unsuccessful target in Washington D.C. on September 11, 2001 marked by 9-11 Tragedy.

Situational leadership is also practiced by surgeons in the operating room especially during emergency and critical operations. A surgeon leading the operating room team is an expert in surgeries, but when an emergency situation calls or in between the operation complications arise, a surgeon has to decide instantly according to the patient's condition.

The best value of a situational leader is his ability to adjust according to what is happening.

Activity

Q	Briefly explain the 4 quadrants in the situational leadership theory providing examples

A	**Telling and Directing** There are four leadership behaviours needed from a leader under the situational leadership method. Examples of situational leadership can be based on these leadership behaviours. One is telling and directing, wherein the leader defines the tasks of his subordinates and closely supervises them. This is particularly true for inexperienced or first-time employees who need to be closely supervised by an experienced leader. This leadership style is particularly effective for subordinates who lack the competence but are committed to achieving his or her roles. First-time employees in particular need to be told and directed by their supervisors for them to learn the rules of their trade. **Selling and Coaching** In this leadership behaviour, a leader still defines and assigns roles and tasks but he or she is more receptive in getting ideas and suggestions from subordinates. The leader still has the prerogative in making decisions, but in this set-up the communication process is no longer one-sided. This type of leadership style is more suited for less experienced subordinates who still need guidance and supervision by their supervisors. This leadership style also helps in developing subordinates who may have the experience yet are still lacking self-esteem in the performance of their work. Under this set-up, leaders may also follow closely the output of their subordinates and give them encouraging remarks in order for them to develop their selfconfidence. **Participating and Supporting** The third in the list of examples of situational leadership is participating and supporting. Under this set-up, the supervisor gives much control and minimal supervision to subordinates. The supervisor gives out day-to-day tasks and instructions on the processes required to achieve a certain task, but the subordinate has enough control or freedom on how to accomplish the said task. The set-up is best used when dealing with experienced subordinates who, for one reason or another, lack self-esteem and motivation. An example would be a junior account executive that needs support and counsel after being assigned to a new account. **Delegating** The final example of a situational leadership method is delegation. In this set-up the supervisor still is involved in the decision making process but the delegation of tasks and processes is fully given to the subordinate. This style is most suited to experienced subordinates who have the competence to set their own processes required in accomplishing certain goals. For instance, a 10-year creative writer can be depended upon to formulate his own script based on the general directions or ideas formulated by his or her supervisor. While the writer can decide on how to go about the script he is still bound by creative directions set by his supervisor.

Theories of Contingency and Examples

Contingency theory of leadership

In the contingency theory of leadership, the success of the leader is a function of various contingencies in the form of subordinate, task, and/or group variables. The effectiveness of a given pattern of leader behaviour is contingent upon the demands imposed by the situation. These theories stress using different styles of leadership appropriate to the needs created by different organisational situations. No single contingency theory has been postulated. Some of the theories are:

·Fiedler's contingency theory:
Fiedler's theory is the earliest and most extensively researched. Fiedler's approach departs from trait and behavioural models by asserting that group performance is contingent on the leader's psychological orientation and on three contextual variables: group atmosphere, task structure, and leader's power position.

Contingency theory of decision making
·Vroom and Yetton's decision participation contingency theory or the Normative decision theory.

According to this model, the effectiveness of a decision procedure depends upon a number of aspects of the situation: the importance of the decision quality and acceptance; the amount of relevant information possessed by the leader and subordinates; the likelihood that subordinates will accept an autocratic decision or cooperate in trying to make a good decision if allowed to participate; the amount of disagreement among subordinates with respect to their preferred alternatives.

Contingency rules theory
Smith's contingency rules theory is an example of a rules approach to persuasion. Smith utilises the idea of cognitive schemas, expectations about the attributes that a given person or policy will have or expectancies about the consequences of behaving in a particular manner. These schemata function as contingency rules that both shape the way something is viewed and structure behaviour. Smith suggests that rules and schemata explain persuasion better than the traditional concept of attitude. According to Smith's contingency rules theory, rules are used to create responses to persuasive messages. Self-evaluative rules are associated with our self-concept and our image. Adaptive rules are those that will apply effectively in a particular situation – the rules most likely to generate a positive outcome. Behavioural contingency rules are contextual. In some situations, certain consequences are considered and certain rules are activated which guide behaviour. In other situations, other rules are activated. External threats and rewards are meaningful only if they apply to one's personal goals.

Example: In the event that there was a blackout during your shift at work, there would be no room for situational leadership being that everyone would be responding the same, displaying feelings of panic. This issue would seek the direct leadership style that is administered from the Contingency Theory.

Activity	
Q	**Explain The Transactional Theory of Leadership**
A	This style starts with the idea that team members agree to obey their leader when they accept a job. The "transaction" usually involves the organisation paying team members in return for their effort and compliance on a short-term task. The leader has a right to "punish" team members if their work doesn't meet an appropriate standard. Transactional leadership is present in many business leadership situations, and it does offer some benefits. For example, it clarifies everyone's roles and responsibilities. And, because transactional leadership judges team members on performance, people who are ambitious or who are motivated by external rewards – including compensation – often thrive. The downside of this style is that, on its own, it can be chilling and amoral, and it can lead to high staff turnover. It also has serious limitations for knowledge-based or creative work. As a result, team members can often do little to improve their job satisfaction.

Approaches to Leadership

These are basically the most common approaches to Leadership:

- Transformational
- Charismatic
- Authentic
- ervant
- Dynamical
- Adaptive
- Strategic

Transformational Leadership

Leadership expert James McGregor Burns introduced the concept of transformational leadership in his 1978 book, "**Leadership**." He defined transformational leadership as a process where "leaders and their followers raise one another to higher levels of morality and motivation."

Bernard M. Bass later developed the concept of transformational leadership further. According to his 1985 book, "**Leadership and Performance beyond Expectations**," this kind of leader:

- Is a model of integrity and fairness.

- Sets clear goals.
- Has high expectations.
- Encourages others.
- Provides support and recognition.
- Stirs the emotions of people.
- Gets people to look beyond their self-interest.
- Inspires people to reach for the improbable.

Charismatic Leadership

Charismatic leadership resembles transformational leadership: both types of leaders inspire and motivate their team members.

The difference lies in their intent. Transformational leaders want to transform their teams and organisations, while leaders who rely on charisma often focus on themselves and their own ambitions and they may not want to change anything.

Charismatic leaders might believe that they can do no wrong, even when others warn them about the path that they're on. This feeling of invincibility can severely damage a team or an organisation, as was shown in the 2008 financial crisis.

Authentic Leadership

Authentic leadership brings together the concept of authenticity with positive psychology. Luthans and Avolio (2003) defined authentic leadership as "a process that draws from both positive psychological capacities and a highly developed organisational context, which results in both greater self-awareness and self-regulated positive behaviours on the part of leaders and associates, fostering positive self-development" (p. 243). This definition and the theory of authentic leadership were developed to define four components (Walumbwa et al., 2008).

The Four Components of Authentic Leadership:

- **Self-awareness**: an understanding of one's strengths and weaknesses and the multi-faceted nature of the self; this includes developing an insight into the self, through exposure to others and being aware of one's impact on others;

- **Internalised moral perspective:** self-regulation that is based on internalised moral values (as opposed to those imposed by the group, organisation or society); this is expressed in ethical decision making and ethical behaviour;

- **Balanced processing:** objective evaluation of information before making a decision, including encouraging others to question or challenge one's values;

- **Relational transparency**: being true to one's values and expressing this to others; this involves the open sharing of information about one's thoughts and feelings.

Servant Leadership

Servant leadership is not a leadership style or technique as such. Rather it's a way of behaving that you adopt over the longer term. It complements democratic leadership styles, and it has similarities with **Transformational Leadership** – which is often the most effective style to use in business situations – and **Level 5 Leadership** – which is where leaders demonstrate humility in the way they work. However, servant leadership is problematic in hierarchical, autocratic cultures where managers and leaders are expected to make all the decisions. Here, servant leaders may struggle to earn respect.

Dynamical Leadership

A Dynamic Leader is someone who has outgrown all forms of victimhood and tyranny including manipulation and coercive power tactics in favour of magnetic influence based on reciprocal engagement and confluent communication.

Adaptive Leadership

Heifetz et al believe that leadership is, at its essence, about influencing change that builds and enables the capacity of individuals and organisations to thrive. Specifically, that leadership is the practice of mobilising groups of people to tackle tough challenges and thrive. The bottom line is that leaders need to understand the importance of adaptation and be able to employ the relevant processes and tools to build the adaptive capacity of organisations.

Strategic Leadership

The process of using well considered tactics to communicate a vision for an organisation or one of its parts. Strategic leadership typically manages, motivates and persuades staff to share that same vision, and can be an important tool for implementing change or creating organisational structure within a business.

Example

Larry Page of Google as a Strategic Leader

Larry Page is another example of a business person who can preserve any challenge. Larry and his company have faced much criticism and received ample praise over the years for his company's actions. But in the midst of the storm, he has never let what others think sway him from pursuing the course for his company that he considers the best.

Activity	
Q	**Briefly explain the characteristics of Strategic Leaders**
A	**Create Focus –** By developing an inspiring, energising strategy together with the team. **Communicate the Strategy** in a way that inspires and motivates the team to support the goals. **Implement their strategies through projects.** These leaders create short term projects which would make the team engage in achieving their long-term strategy. Also employees have the freedom to select the projects they want to work on according to their wish. **Developing Project Plans.** The leader has to maintain steady communication with the team and develop and follow up with the project plans and milestones. This is ensuring that the team is on track to achieve their objectives. **Plan for Success.** Always inquire of the team that they want to successfully implement the project and provide the necessary requirements. Together with the team, the leader should identify the barriers and take measures to overcome them.

Leadership Skills

1. Inspires and motivates others

Great leaders create a vision of the future that is vivid and compelling, and that motivates employees to want to achieve it. Everyone wants to work for a company that makes a difference in the world. As a leader, you are best able to help the members of your team connect what they do to the impact it has on customers and communities.

2. Displays high integrity and honesty

Great leaders are honest and transparent, and have high integrity--they do what they say they are going to do, and they walk their talk. As Umpqua Bank CEO Ray Davis said in his book *leading through uncertainty*, "I always tell our people that they're entitled to get answers to every question they have... that doesn't mean they're going to like the answers. But it's going to be truthful, and I know they can deal with the truth. This might create additional questions, but we'll get through them. And we do."

3. Solves problems and analyses issues

Ultimately, leaders are recruited, trained, and chosen to solve organisational problems, and to take advantage of opportunities in the marketplace. This requires not only excellent analytical abilities, but also above-average people skills.

4. Drives for results

Some people are happy to sit back and watch the world go by, while others aren't unless they are making things happen in their organisations. Great leaders have a higher level of perseverance, stick-to-itiveness, and drive than almost anyone else, and they can be counted on to get things done.

5. Communicates powerfully and prolifically

Great leaders communicate with their people often, and in a variety of different ways. Whether it's by means of one-on-one conversations, team meetings, blog posts, email messages, phone or Skype calls, or any other such medium, leaders don't talk about communicating - they just do it.

6. Builds relationships

Business is built on a solid foundation of relationships and trust. Without these two things, you can't have a business, or at least not a *successful* business. Take time every day to build relationships with the members of your team, your customers and vendors, your boss and your boss's boss, others in your industry, and your community. The stronger your relationships, the better a leader you will be.

7. Displays technical or professional expertise

Business is built on a solid foundation of relationships and trust. Without these two things, you can't have a business, or at least not a *successful* business. Take time every day to build relationships with the members of your team, your customers and vendors, your boss and your boss's boss, others in your industry, and your community. The stronger your relationships, the better a leader you will be.

8. Displays a strategic perspective

9. Develops others

Just as they work to continuously develop and build their own technical and professional expertise, the best leaders set aside time (and money in their budgets) to develop their work force. They look for the most promising employees, and provide them with the training they need to become their company's next generation of great leaders.

.

9. Develops others

Just as they work to continuously develop and build their own technical and professional expertise, the best leaders set aside time (and money in their budgets) to develop their work force. They look for the most promising employees, and provide them with the training they need to become their company's next generation of great leaders.

10. Innovates

According to General Electric's 2012 Global Innovation Barometer, which polled 2,800 senior executives on the state of innovation around the world, 92 percent of respondents agreed with the statement that "innovation is the main lever to create a more competitive economy." The ability to innovate is a key skill for *every* great leader.

<div>

Example

Robert K. Greenleaf: The Servant as Leader

While servant leadership is a timeless concept, the phrase "servant leadership" was coined by Robert K. Greenleaf in The Servant as Leader, an essay that he first published in 1970. In that essay, Greenleaf said:

"The servant-leader is servant first… It begins with the natural feeling that one wants to serve, to serve first. Then conscious choice brings one to aspire to lead. That person is sharply different from one who is leader first; perhaps because of the need to assuage an unusual power drive or to acquire material possessions…The leader-first and the servant-first are two extreme types. Between them there are shadings and blends that are part of the infinite variety of human nature. "The difference manifests itself in the care taken by the servant-first to make sure that other people's highest priority needs are being served. The best test, and difficult to administer, is: Do those served grow as persons? Do they, while being served, become healthier, wiser, freer, more autonomous, more likely themselves to become servants? And what is the effect on the least privileged in society? Will they benefit or at least not be further deprived? "

A servant-leader focuses primarily on the growth and well-being of people and the communities to which they belong. While traditional leadership generally involves the accumulation and exercise of power by one at the "top of the pyramid," servant leadership is different. The servant-leader shares power puts the needs of others first and helps people develop and perform as highly as possible.
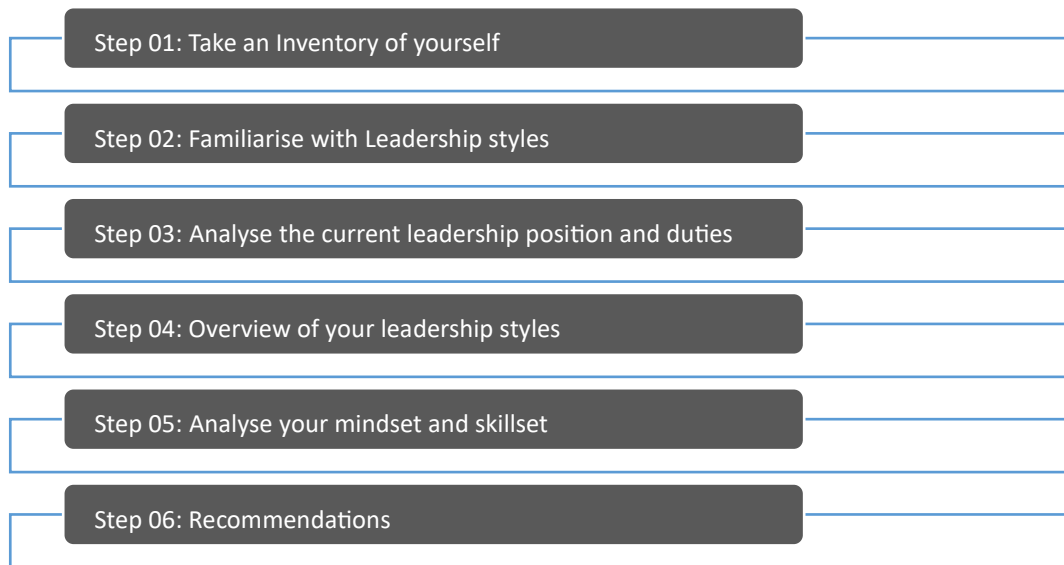
</div>

Activity

Q	**Briefly explain the characteristics of a Servant Leader**

A	**Listening**: The servant leader must listen to verbal and non-verbal signals and interpret what others are saying. In addition, the servant leader must listen to their inner thoughts and feelings and interpret them. **Empathy**: "The most successful servant-leaders are those who have become skilled empathetic listeners." "One assumes the good intentions of co-workers and colleagues and does not reject them as people, even when one may be forced to refuse to accept certain behaviours or performance. **Healing**: "servant-leaders recognise that they have an opportunity to help make whole those with whom they come in contact". **Awareness**: Servant leaders should "view most situations from a more integrated, holistic position." Robert Greenleaf said awareness "is a disturber and an awakener. Able leaders are usually sharply awake and reasonably disturbed". **Persuasion**: The servant leader should rely "on persuasion, rather than on one's positional authority, in making decisions within an organisation." The technique of convincing rather than coercion should be used. This is in contrast to the "authoritarian model" of leadership. "The servant-leader is effective at building consensus within groups".
	Conceptualisation: "The ability to look at a problem or an organisation from a conceptualising perspective means that one must think beyond day-to-day realities". **Foresight**: "a characteristic that enables the servant-leader to understand the lessons from the past, the realities of the present, and the likely consequence of a decision for the future". **Stewardship**: "a commitment to serving the needs of others. It also emphasises the use of openness and persuasion, rather than control". **Commitment to the growth of people**: "deeply committed to the growth of each and every individual within his or her organisation." An example is "taking personal interest in the ideas and suggestions from everyone, encouraging worker involvement in decision making". **Building community**: A servant-leader should "seek to identify some means for building community among those who work within a given institution".

Leadership: Self Analysis

- To be successful in your career or even run your own business, an individual should first analyse his/herself on the perspective of leadership.

- While feedback systems such as employee feedback and performance appraisals can provide guidance to some extent, it is somehow important to analyse yourself and understand your weaknesses and work on how to improve them.

- By critical reflection and conducting an analysis of yourself, you will not only be able to identify what are your leadership skills but also where you could improve.

- To conduct a thorough analysis, the following steps could be taken into consideration.

Step 01: Take an Inventory of yourself

Step 02: Familiarise with Leadership styles

Step 03: Analyse the current leadership position and duties

Step 04: Overview of your leadership styles

Step 05: Analyse your mindset and skillset

Step 06: Recommendations

Step 1

Take inventory of your leadership practices, philosophy and feelings. Keep a journal in which you record the actions you take in your leadership position, your motivation for taking those actions over others and your feelings about the decisions. Do not be detailed in your journal but write enough so that you will understand your actions, thoughts and feelings when you sit down to write your analysis.

Step 2

Familiarise yourself with leadership styles. According to Richard Jewell of Inver Hills College, to write an analysis, you must adopt a "particular system or point of view." Choose the leadership style(s) that best fit you, which is a good system to adopt for the purposes of a leadership analysis. Books and seminars on leadership have devised many leadership styles that often differ from author to author; therefore, it is not necessary to become familiar with each. Research, instead, to learn what goes into creating a leadership style, how leaders can identify their leadership styles and what types of leadership styles are productive and unproductive.

Step 3

Begin your leadership analysis with a description of your current leadership position and its duties. Understand what leadership skills are expected of you, which, according to "Inc.," is the first step in analysing and assessing your leadership. Use others' feedback. Ask superiors, those you manage and colleagues what they expect a person with your job title to do.

Step 4

Give an overview of your leadership style in the next paragraph. This may be a style identified by a leadership author, or it could be one you created. List the characteristics that define you as a leader. Argue, as author Daniel Goleman does -- as pointed out on Inside Indiana Business and "The Wall Street Journal" -- whether you take on different leadership styles during different situations, and explain what circumstances bring out what styles. Stay brief in this section -- you will get into detail later.

Step 5

Divide the rest of your analysis into mind-set, heart-set and skill set, as recommended on Inside Indiana Business by Chuck Williams, Dean of Butler University's College of Business. Expand on how your leadership style influences your leadership philosophy in the mind-set section. Discuss specific leadership models and leaders who have influenced you. Explain what you think a good leader is and if you are one by your own definition. Explain whether your leadership philosophy allows you to be successful at your job's current duties.

Discuss your feelings on leadership in the heart-set section. Explain what role feelings have in leadership, based on the leadership style. Discuss your personality and values and how these have impacted your leadership. Discuss how your actions, philosophy and feelings reflect your leadership style in the skill-set section. Account for any differences you see. Explain how your leadership actions have or have not been helping you fulfil your job's duties.

Step 6

Create a recommendations section. Explain any insufficiencies you have noticed from the analysis you did in the first five steps. Discuss why you think you have these weaknesses and explain how you can correct them. Create a specific action plan with achievable goals that explains how you will work to correct your weaknesses.

SWOT Analysis for Self-Assessment

Strengths

- What benefits do you have which others do not have? This could include skills, education, or connections.
- What are you better at than anyone else?
- What personal resources do you have access to?
- What do other people see as your strengths?
- Which achievements are you most proud of?
- What values do you believe in that others fail to show?
- Are you part of a network no one else is involved in? What connections do you have with powerful people?

Weaknesses

- What work do you usually avoid because of lack of confidence?
- What do people think your weaknesses are?
- Are you happy with your education and skills training?
- Do you have any negative work habits?
- Which of your personality traits hold you back?

Opportunities

- What new technology can assist you?
- Can you take advantage of the market in its present state?
- Do you have a network of strategic contacts to offer good advice or help you?

- Are any of your competitors failing to do something important? Can you take advantage of it?
- Is there a need in your company which no one is filling?
- Could you create an opportunity by offering solutions to problems?

Threats

- What hindrances do you currently face at work?
- Are any of your co-workers competing with you for projects or roles?
- Is your job changing?
- Can technological changes threaten your position?
- Could any of your weaknesses lead to threats?

Other Self-Assessment Tools

Myers Briggs Type Indicator
This form of assessment is based on a psychometric questionnaire designed to measure the psychological preferences and identify personality types. It can help individuals understand both the way they perceive the world and the way they make decisions.

Thomas International (PPA)
The Personal Profile Analysis (PPA) is a work based behavioural assessment to help organisations recruit, retain and develop people particularly in tough times. It helps to identify people's preferred behavioural style at work and raise self-awareness around that style of working.

Belbin's Team Roles
This behavioural tool looks at the way people behave and interact within a team environment. By identifying nine different roles within a team, each with an important contribution to make, Belbin's team roles help people to work together with greater self-knowledge and understanding.

Activity

Q	Briefly explain the 360 Degree Feedback Method
A	The 360 Degree feedback method is another important self-assessment tool widely used in organisations. Most people get their feedback only from their line managers in a work environment, 360-degree feedback surveys are an invaluable tool providing real insight from a wider source than a traditional reporting line. The feedback method provides a round view of people from the sources that really matter such as peers, customers, managers and team members. The 360-degree feedback method is a very useful tool in the early stages of coaching and management development. By repeating the process 6 months later, the individual can recognise significant progress, and the organisation can see the tangible benefits of their development.

Pervasive Issues in Business Leadership

Given Below are 5 Critical Issues in Business Leadership:

1. **Invest in Leadership Development**

Educating, training and promoting your own employees to higher levels of leadership can be a lot less expensive than hiring someone from outside. When recruiting, the management considers advertising costs, head-hunter fees, sorting through resumes, paying for transfers or relocations, paying out signing bonuses, in-house training, and many other hidden costs. Some studies suggest that 50% of new recruits at executive level don't last more than nine months. Invest in your current staff to help them grow.

2. **Create a culture of Collaboration**

Understand what's most important to Customers. The best companies are customer-centric; they build their strategies around what matters most to customers and design their processes to give *delighting customers priority over pleasing bosses.*

Build Shared Understanding by Bringing Everyone Together in Open Conversations. Companies that successfully manage at the pace of accelerating change have innovative processes that enable them to effectively integrate diverse points of view and r*each agreements on their disagreements.*
Aggregate and Leverage Collective Knowledge. In a knowledge economy, organisations are fundamentally intelligence systems. Today's most intelligent organisations no longer leverage individual intelligence by constructing bureaucratic hierarchies; they build collaborative networks to leverage their collective intelligence because they understand that *nobody is smarter and faster than everybody.*

Focus on the Critical Few Performance Drivers. The most effective leaders know that management is about creating the future. And when they are good at creating the future, they never have to explain the past. That's why smart leaders don't focus on outcome measures; *they focus on the leading indicators that drive the outcomes.*

Hold People Accountable to Their Peers. The secret to mastering the unprecedented combination of accelerating change and escalating complexity is to make sure that no one in the organisation has the authority to kill a good idea or keep a bad idea alive. In the best businesses, *leaders aren't bosses; they're catalysts and facilitators* orchestrating collaborative networks. These networks are far smarter and faster than hierarchies because holding people accountable to their peers is the great enabler of the collaboration necessary for speed and innovation.

3. **Develop Communication skills**

Following are a few ways to develop communication skills:

- **Listening** is not the same as hearing; learn to listen not only to the words being spoken but how they are being spoken and the non-verbal messages sent with them. Use the techniques

  of clarification and reflection to confirm what the other person has said and avoid any confusion.

- **Empathise.** Empathy is trying to see things from the point-of-view of others. When communicating with others, try not to be judgmental or biased by preconceived ideas or beliefs - instead view situations and responses from the other person's perspective. Stay in tune with your own emotions to help enable you to understand the emotions of others.

- **Attempt to resolve conflict.**
  Learn to troubleshoot and resolve problems and conflicts as they arise. Learn how to be an effective mediator and negotiator. Use your listening skills to hear and understand both sides of any argument - encourage and facilitate people to talk to each other. Try not to be biased or judgmental but instead ease the way for conflict resolution.

4. Drive and Sustain accountability

Accountability holds leaders to the task of clearly defining goals for the company and its people, as well as establishing measurements to assess those goals and define success. And it's this accountability that provides an opportunity to assign ownership to company and personal performance objectives, measure results and follow through with objective evaluations.

When people own a piece in the goal-setting puzzle and achieve what they set out to do, this is highly rewarding for everyone involved. Even more so, however, is when the leader follows through with positive recognition, acknowledging the team players for their achievement. The result of this is people become impassioned about their role in the company's welfare and their own professional development – something that is quite personal and close to the heart. This newfound passion is the driver for productivity. It incites people to work harder, dream bigger and excel beyond their wildest imaginations.

Accountability can be a highly positive experience for a leader, its team players and the company at large, which is contrary to the notion that accountability connotes something "negative." Often associated with the term "feedback" and viewed as derogatory if results have not been accomplished, accountability can provide opportunities to coach someone, counsel that person and enable growth. It also provides leaders with the chance to develop their own skills, such as learning how to have difficult conversations about poor performance. Accountability provides the chance for all to improve upon their weaknesses and position and propel a business toward a place of prosperity. It's this uplifting, highly positive and evolutionary experience that creates passion in the workplace. It's simply become an invigorating place to be.

5. Be human and reward emotional intelligence

EI is the ability to recognise your emotions, understand what they're telling you, and realise how your emotions affect people around you. It also involves your perception of others: when you understand how they feel, this allows you to manage relationships more effectively.

Example

Emotionally Intelligent Fortune 500 CEOs

Warren Buffett (Berkshire Hathaway): "Success in investing doesn't correlate with IQ once you're above the level of 25. Once you have ordinary intelligence, what you need is the temperament to control the urges that get other people into trouble investing." Intensely loyal and relationship driven, he asks his CEOs to run their companies as if they were to own them 100 years from now.

Jeff Bezos (Amazon.com): With his quirky laugh and self-deprecating style, Bezos doesn't sound like a Fortune 500 CEO and that's probably to his benefit. His obsession with the hearts and minds of his customers and his long-term perspective on relationships (and business strategy) are legendary, as was his YouTube announcement of Amazon's Zappos acquisition in 2009.

John Donahoe (eBay): Donahoe inherited a difficult situation from Meg Whitman with the need to truly alter the company's business strategy. As a role model for Jim Collins' Level 5 (humility & ambition) and Bill George's "True North" leaders, Donahoe's disciplined self-awareness and his listening ability have created a deeply loyal team and a healthy, evolving culture.

Activity

Q	Briefly explain the Characteristics of Emotional Intelligence important to a Leader
A	**Self-Awareness** – People with high EI are usually very self-aware . They understand their emotions, and because of this, they don't let their feelings rule them. They're confident – because they trust their intuition and don't let their emotions get out of control. **Self-Regulation** – This is the ability to control emotions and impulses. People who self regulate typically don't allow themselves to become too angry or jealous, and they don't make impulsive, careless decisions. They think before they act. Characteristics of self regulation are thoughtfulness, comfort with change, integrity , and the ability to say no. **Motivation** – People with a high degree of EI are usually motivated . They're willing to defer immediate results for long-term success. They're highly productive, love a challenge, and are very effective in whatever they do. **Empathy** – This is perhaps the second-most important element of EI. Empathy is the ability to identify with and understand the wants, needs, and viewpoints of those around you. People with empathy are good at recognising the feelings of others, even when those feelings may not be obvious. **Social Skills** – It's usually easy to talk to and like people with good social skills, another sign of high EI. Those with strong social skills are typically team players. Rather than focus on their

own success first, they help others develop and shine. They can manage disputes, are excellent communicators, and are masters at building and maintaining relationships.

Leadership: Integration and Analysis

Integrative Leadership Theory and Practice Teaching Model
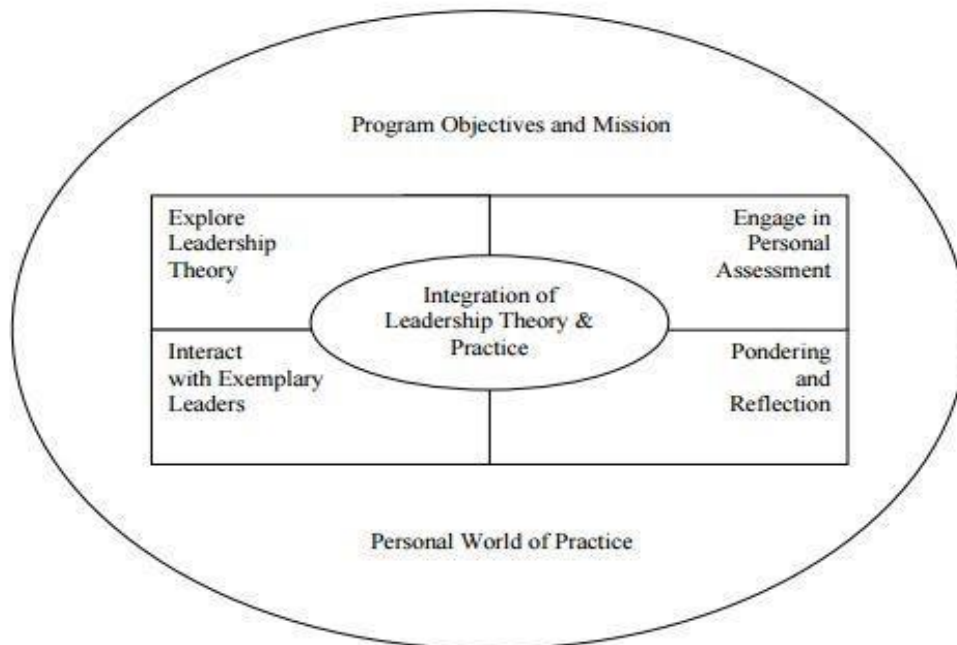
Explore Leadership Theory

This section states to explore all core theories of leadership and models that are present under each section. Once the core meaning of these theories are understood and can be analysed and integrated to resolving real life leadership issues.

Engage in personal Assessment

As mentioned earlier, self-analysis is crucial to identify your strengths and weaknesses in the leadership perspective. Once these elements are identified, it is easier for an individual to incorporate lessons learnt from the leadership theories into the practical situations. Furthermore, the self-analysis will enable the person to identify the strengths and weaknesses in a leadership perspective and take the necessary measures to overcome the weaknesses.

Interact with Exemplary leaders

Interacting with leader-exemplars in the business community create live case opportunities. As these individuals tell stories and reflect on their past lessons and give personal voice to challenges and opportunities, you will gain the ability to organise and integrate their own learning into your real life.

Pondering and Reflection

Engaging in personal assessment such as 360 assessments verifies strengths and identifies weaknesses. There are leadership assessment tools targeted at individuals that adapt questions while maintaining the integrity of the assessment. Reflection is to step back, ponder and consider.

Examples of integrating leadership in organisations

Use senior leadership to set clear expectations. The expectation was set very early within the process that all leaders were required to actively participate and engage in the culture change process. This message was communicated from the CEO and reiterated by subsequent levels of management. Executive Committee support was leveraged throughout the process and used to engage the rest of the leadership in the organisation.

Create a well-thought-out communication plan. To manage 180 individuals through a multi-source feedback system requires considerable time and attention to detail. Detailed communication plans were created that articulated the purpose of the surveys; the timeline for the process; and key deadlines to remember.

Closely monitor everything throughout the process. As the number of people participating in the leadership development effort increases so does the complexity and the possibility for errors. Closely monitoring the process from start to finish ensured successful implementation so that any obstacles could be met head-on.

Activity

Question -   What are the additional methods that can be used to integrate leadership in an organisation?

A   Mobilise an internal HR team trained to help with coaching. Key HR personnel worked closely with a senior consultant from Denison Consulting to learn the model and surveys and be prepared to deliver feedback and provide coaching to leaders. This helped crystallise the role of HR as a strategic business partner within the firm and also ensured that enough qualified individuals were present internally to support the leaders while creating their development plans or at any later point in time.

Provide leadership coaching and support. Previous research and experience has revealed that most leadership development programs fail, not because of the survey, but because of a lack of support once leaders receive their results. Providing one-to-one feedback and coaching to each leader allowed the leaders to understand their results and create an action plan to further their personal development.

Sustainability & Ethics

Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. Sustainable development has continued to evolve as that of protecting the world's resources while its true agenda is to control the world's resources.

Environmentally, sustainable economic growth refers to economic development that meets the needs of all without leaving future generations with fewer natural resources than those we enjoy today.

The essence of this form of development is a stable relationship between human activities and the natural world, which does not diminish the prospects for future generations to enjoy a quality of life at least as good as our own.

Introduction to Sustainability in Business

Business sustainability is defined as managing the triple bottom line - a process by which companies manage their financial, social and environmental risks, obligations and opportunities. These three impacts are sometimes referred to as profits, people and planet.

Triple Bottom Line
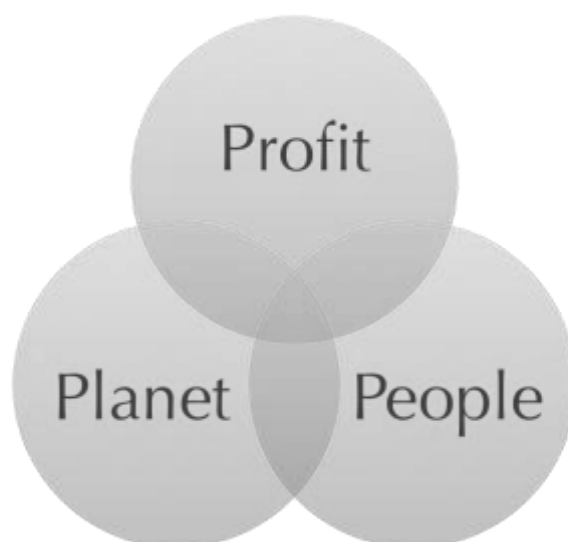
The TBL is an accounting framework that incorporates three dimensions of performance: social, environmental and financial. This differs from traditional reporting frameworks as it includes ecological (or environmental) and social measures that can be difficult to assign appropriate means of measurement. The TBL dimensions are also commonly called the three Ps: people, planet and profits. We will refer to these as the 3Ps.

Well before Elkington introduced the sustainability concept as "triple bottom line," environmentalists wrestled with measures of, and frameworks for, sustainability. Academic disciplines organized around sustainability have multiplied over the last 30 years. People inside and outside academia who have studied and practiced sustainability would agree with the general definition of Andrew Savitz for TBL. TBL "captures the essence of sustainability by measuring the impact of an organisation's activities on the world ... including both its profitability and shareholder values and its social, human and environmental capital.

Example

How Cascade Engineering in the USA Practices the Triple Bottom Line

At Cascade Engineering, we define sustainability as the Triple Bottom Line – Social Capital, Environmental Capital and Financial Capital.

We think of the concept of sustainability, as the three interconnected gears in motion. Each category is an interdependent, innovation-enabling mechanism. The three gears (Social, Environmental and Financial) cannot exist independently; each in turn, provides momentum and innovative thought to the next. To drive one forward is to drive all three forward; the result is a sustainable system where innovation begets innovation.

Our annual TBL Report serves as a documenting mechanism for all sustainability efforts throughout our organisation, and illustrates our achievements in this arena with examples of new products, business units and operational improvements. We welcome you to explore our progress toward the implementation of a sustainable strategy.

PeopleAt Cascade Engineering we believe that simply taking care of our own business is no longer sufficient, but rather we must address the component of taking care of the greater good. From the beginning, our purpose has always been to demonstrate how sustainability can be a powerful vehicle for societal change and have a clear business purpose as well.

Cascade has pioneered various programs over the years that positively impact society and benefit our company at the same time. Programs such as Welfare to Career, Anti-Racism Awareness, and the ReEntry Employment Resource Center have been a tremendous asset in helping the greater community, and in allowing our internal culture to embrace diversity and support people with respect and dignity.

Planet

Cascade Engineering has made great strides toward developing and launching products that reduce the impact on our environment. Today, we have a global energy market in which energy is a limited resource, and as oil consumption goes up, so does demand for all other fuel sources. The result is that increased demand for energy impacts feedstock and subsequently the cost of materials we use. The innovation lies in finding ways to reduce our energy impact which not only gives us bottom-line results but also contributes to reducing overall demand, thereby minimizing our environmental footprint.

Cascade strives to build a sustainable organisation and is committed to protecting the environment by continuously reducing waste emissions into the air, land and water. We manage environmental

progress and initiatives through our Environmental Management System (EMS) which is accredited to ISO 14001 Standards.

Profit

Economic Capital is the final gear in the Triple Bottom Line, and the beneficiary of the other two gears, social and environmental. The economic gear allows our company to thrive and gives us the ability to reinvest in the other two capitals so we can continue the cycle.

Activity	
Q	Briefly explain the three elements included in the Triple Bottom Line concept
A	**Environmental Measures** The environmental measures include the steps taken by organisations to be more eco friendly. This could be anything from transforming to a paperless office or implementing waste management systems. **Social Measures** A few examples of social measures that could be done by a company are given below: Unemployment rate Female Labour Relative poverty Average commute time Violent crimes per capita Health-adjusted life expectancy **Economic Measures** A few examples of the economic measures that could be taken by a company are: Personal income Cost of underemployment Establishment churn Establishment sizes Job growth

Stakeholder Engagement

Companies need to remain relevant to survive in a challenging business environment and to be relevant requires regular interaction with important stakeholder groups. A robust stakeholder engagement model is vital for companies to be able to understand and respond to legitimate stakeholder concerns.

Important stakeholder groups are inherently known to companies and most companies are interacting with these stakeholder groups in some form or another as a matter of course. Such engagement happens in different formats and at various levels in any organisation, and the process has been embedded in sound business practices for some time. However, this process is often ad-hoc at many companies without a formal structure and process in place. Business leaders and managers will normally be able to list their key stakeholders and concerns, but not furnish the structure and process of engagement as easily.

The value of the stakeholder engagement process can be greatly enhanced while the risk of missing important perspectives – which may negatively affect reputation and cause embarrassment or worse – be reduced by formalising the implementation of a formal stakeholder engagement policy. The key components of a typical policy are:

- Define the scope of the policy. The scope and boundary of the stakeholder engagement policy should be clearly defined, articulated and communicated. The background, logic and impact of the policy should be included to set the scene for the policy.

- Define the ownership and decision-making process. The executive ownership of the policy and process should be clearly defined, with the owner mandated to ensure accountability. This should be communicated to the organisation and incorporated in the performance measurements of the owner.

- Define the governance process Companies are increasingly focusing on enhancing the credibility of their reported information and so-doing, supporting business processes. The introduction of a sensible assurance regime with regard to stakeholder engagement, using a Combined Assurance model, should form part of the governance process. It is already common practice in certain European countries to obtain external assurance on the stakeholder engagement process. AA1000 Stakeholder Engagement Standard 2011, Accountability 2008.

- Identifying the key stakeholders and stakeholder groups. There are numerous models and methods for identifying stakeholders. Our standard recommended approach focuses on two dimensions;

 1) the stakeholder's influence on the organisation, and 2) the stakeholder's dependence on the organisation.

Stakeholder Engagement at Xerox

Listening, Learning, Responding

The following examples of stakeholder engagement help Xerox understand how well they are fulfilling their responsibility as a valuable partner for customers and suppliers, as a good employer for people, as a sound investment for shareholders, as a good corporate citizen for the communities where we live and work, and much more.

Focus	How We Engage	Examples
Our Customers	Sentinel Customer Satisfaction® Measurement System: real-time customer feedback in a closed-loop process. Annual Customer Satisfaction Measurement Survey. Competitive Benchmark Surveys. Customer Care Officer of the Day.	In 2007, we launched our Sustainability Forum to create awareness of the importance of sustainability, share best practices and encourage customers to reduce their environmental footprint by finding "Smarter Ways to Green." Learn more at www.xerox.com/thoughtleadership. Every day, a company officer is assigned to respond to all customer concerns coming into headquarters that day by following through to resolution. Exchange is an online interactive site to engage in dialogue with our customers on issues that affect their business. To join the conversation, visit www.xerox-exchange.com.
Our People	Employee Engagement Survey conducted regularly. Sentinel employee feedback tool on Intranet. Ethics hotline. Open-door policy. Global Webcasts. Town hall meetings. Employee roundtables.	Senior executives participate in bimonthly interactive Web Chats broadcast live over the company's Intranet to employees around the world. CEO Anne Mulcahy hosted 40 employee roundtables or town hall meetings, and President Ursula Burns hosted 17 employee roundtables with employees from around the world. The Sentinel Customer Satisfaction Assurance System™, a Xerox proprietary Web-based polling/routing/reporting system, links employee inquiries or comments through the Intranet with appropriate Xerox contacts to identify and track any comment, suggestion or unresolved problem for action.
Our Shareholders	Annual meeting of shareholders. Quarterly teleconferences. One-on-one investor briefings. Annual investor conference.	We hosted 23 small group meetings with potential investors in major markets including Boston, Chicago, New York, San Francisco, Los Angeles, Dallas and Kansas City. Xerox executives spoke with investors/analysts through more than 150 one-on-one meetings and phone calls.
Our Suppliers	Quarterly business reviews with key suppliers. Review key suppliers' compliance with the EICC code of conduct.	Fifty percent of compliance reviews were completed with key suppliers in high-risk regions – the remaining reviews are planned for completion by year-end.

Our Communities	Employees contributed their time and talents in hundreds of community-related projects worldwide.	More than 70,000 students have participated in the U.S.based Xerox Science Consultants Program since its start 40 years ago. In Poland, through the "Xerox – Better Start!" program, students team up with Xerox employees to learn first-hand about working at a large global company. The students, who are orphans and/or physically handicapped, gain on-the-job experience from their Xerox mentors and leave the program with the skills necessary to begin their careers.
Our World: Public Policy Makers and Influencers	Through active memberships with business and trade associations and frequent engagement with public policy makers, Xerox helps to educate on key issues related to its business, industry and stakeholders.	Xerox is partnering with the Rochester Institute of Technology's Golisano Institute for Sustainability to provide programs that embrace the principles of sustainability in product development. Xerox joins Microsoft, Intel, IBM and other high-tech leaders as a founding corporate member of the Information Overload Research Group. IORG is dedicated to boosting workplace productivity by fighting information overload through the development of solutions to sort and categorize the flood of electronic information from cell phones, e-mail, instant messages and billions of printed pages worldwide.

Activity

Q	What are the best practices of Sustainability?
A	There are various best practices that assist in organisational sustainability. These practices include: **Stakeholder engagement** **Environmental management systems** **Reporting and disclosure** **Lifecycle analysis**

Stakeholder Relations Management

Effective management of relationships with stakeholders is crucial to resolving issues facing organisations. By using their influence, stakeholders hold the key to the environment in which the organisation operates and the subsequent financial and operating performance of the organisation. Thus the effective management of stakeholder relations is growing as a key focus of PR and organisational activity.

A stakeholder is any person, group or organisation who can place a claim on an organisation's attention, resources or output, or is affected by that output. They have a stake in the organisation, something at risk, and therefore something to gain or lose as a result of corporate activity.

The aim of stakeholder relations management is to influence stakeholder attitudes, decisions, and actions for mutual benefit. The stakeholders need to gain from the relationship or they may not be sufficiently motivated to cooperate.

The first main steps in stakeholder relations management are to identify and prioritize stakeholders. The benefits of using a stakeholder-based approach are:

- Gaining support from powerful stakeholders can help in winning more resources. This makes it more likely that the projects will be successful.
- By communicating with stakeholders early and often, it can be ensured that they know what is done and fully understand the benefits of the project. This means they can support the project actively when necessary.
- Can anticipate what people's reaction to the project may be, and build into the plan the actions that will win people's support.

Stakeholder Participation

It is not enough to give stakeholders the opportunity to be heard, because many will not have the capacity to participate effectively. Building the capacity of stakeholders to participate is one of the most important challenges for effective stakeholder engagement has been learned from company experiences to date. The companies learning processes and support systems should be designed specifically to address this issue.

Stakeholder Engagement Process Model

Stakeholders should be represented by specific roles in the organisational design through which they could participate in the company's business and learning processes. It is not enough to give stakeholders the opportunity to be heard because many will not have the capacity to participate effectively. Building the capacity of the stakeholders to participate is one of the most important challenges which could be accomplished by utilising the stakeholder engagement process model below:

Stakeholder engagement processes
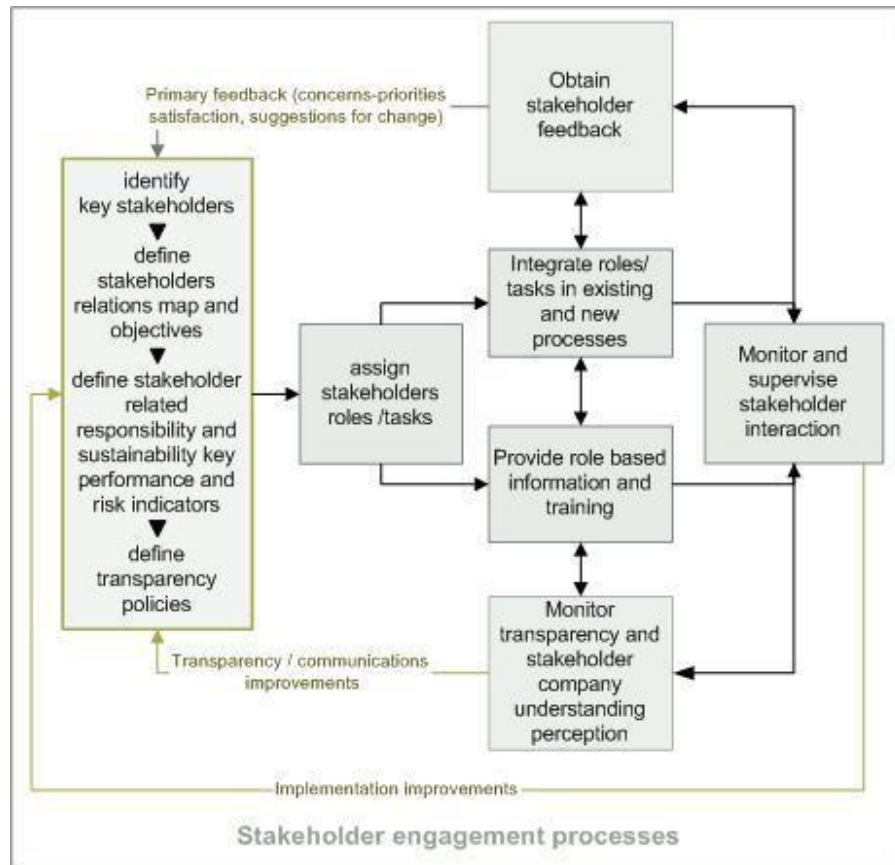
The stakeholder engagement process model displayed in the diagram includes the following activities:

- Classification of key stakeholders
- Definition of stakeholder relations map and objectives
- Definition of stakeholder related responsibility and sustainability
- Definition of transparency policies and strategies
- Definition of stakeholder participating roles and tasks
- Integration of stakeholder roles/tasks in existing and new processes
- Provision of role-based information and training
- Supervision of stakeholder interaction and implementation feedback
- Monitoring of transparency and stakeholder company understanding perception
- Obtaining stakeholder feedback on responsibility and sustainability and monitoring stakeholder satisfaction
- Updating the relations map and indicators

Environmental Management Systems

An Environmental Management System (EMS) is a set of processes and practices that enable an organisation to reduce its environmental impacts and increase its operating efficiency.

An Environmental Management System (EMS) is a structured framework for managing an organisation's significant environmental impacts;

Practical tool - To help organisations understand and manage their impacts on the Environment

Framework - To continually improve environmental performance (managing negative impacts and helping to increase resource efficiency)

Process – Through which organisations can engage with employees, customers, clients and other stakeholders (enhancing reputation ...helping demonstrate conformity with supply chain requirements)
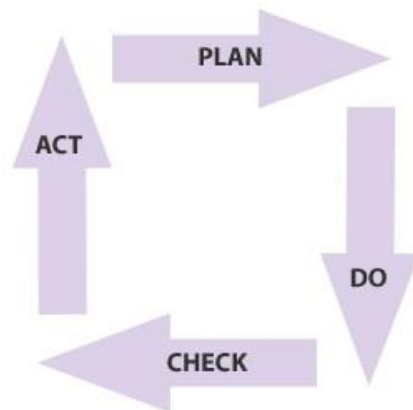
Many organisations have adopted or commenced the approach specified in national or international standards which set requirements and a framework for systems to be externally assessed and certified. Whatever scheme is adopted, the elements of the EMS will largely be the same, following the Denning Cycle of:

- plan what you're going to do,
- do what you planned to do,
- check to ensure that you did what you planned
- and act to make improvements.

Through this cycle, all Environmental Management Systems set a framework through which the organisation can build on-going 'continuous improvement'

Example

Nikon: Environmental Management Systems

The Nikon Group conducts environmental management activities based on ISO14001*. They are currently working to obtain integrated ISO14001 certification for more Group companies inside and outside Japan with the goal of boosting the efficiency of business operations and disseminating the Environmental Action Plan through the entire Group, which is their medium-term goal for environmental activities. With these activities they are reducing GHG* emissions, generation of waste, and use of hazardous substances. In the year ended March 31, 2015, X-Tek Systems Ltd. (UK) obtained integrated ISO14001 certification. Nikon is also promoting the introduction of the Nikon Eco Program, which consists of the key elements from ISO14001, to their non-manufacturing facilities in and outside Japan that have low environmental impacts. The Nikon Eco Program is applied to each facility at the level of either "standard" or "basic", depending on the situation of the facility. The Nikon Eco Program has already been introduced in all of the target facilities in Japan, and in the year ended March 31, 2015, it began to be introduced into the non-manufacturing facilities outside Japan. They are currently working in the visualisation of their environmental performance data. At the facilities covered by the Nikon Eco Program they are setting the goal for the reduction of environmental burdens, working towards its achievement, and enhancing activities while repeating the PDCA cycle.

Activity

Q	Briefly explain the components of an EMS
A	The components to be considered when developing an EMS are as follows: **Environmental Policy** This is a brief statement of the organisation's aim or intention in terms of its environment conservation policies. This statement should make sure that the environmental objectives of the organisation are in par with the organisational objectives. **Environmental Impact and Identification** The process of identifying and recording the possible and actual impacts of an organisation's operations is crucial when developing an EMS. This can be done by conducting an environmental audit. **Objectives and Targets** Conducting an environmental audit will assist the organisation to identify its environmental objectives and targets. **Consultation** The employees and community should be consulted before implementing an EMS system. **Operational and Emergency Procedures** All the processes and systems should be in line with the organisations Environmental objectives and also the organisational objectives

	Environmental Management Plan
	This plan will include the procedures and steps taken to meet the environmental objectives of the organisation in detail.
	Documentation
	The organisational objectives, environmental objectives and all targets and policies should be documented along with information on the procedures to follow them.
	Responsibilities and Reporting Structure
	The staff and top management should be allocated responsibilities to ensure the smooth functioning of the EMS
	Training
	Proper training programmes should be conducted to create awareness about the EMS between employees
	Review Audits and Monitoring Compliance
	These audits should be conducted regularly to make certain that the EMS is achieving the expected results.
	Continual Improvement
	The steps in place to ensure whether the EMS is functioning as expected and if not improvements should be done.

Benefits of an Environmental Management System

An EMS can assist a company in the following ways:

- minimise environmental liabilities;
- maximise the efficient use of resources;
- reduce waste;
- demonstrate a good corporate image;
- build awareness of environmental concern among employees;
- gain a better understanding of the environmental impacts of business activities; and
- Increase profit, improving environmental performance, through more efficient operations.

Reporting and Disclosure

Introduction to Reporting and Disclosure

Measurement and control are at the heart of instituting sustainable practices. Not only can organisations collect and assemble the information, they can also be entirely clear with outsiders. The Global Reporting Initiative is one of the most recognised reporting standards worldwide.

The Global Reporting initiative (GRI)

The Global Reporting Initiative (GRI) is a leading organisation in the sustainability field. GRI mainly focuses on implementing global reporting standards in terms of organisational sustainability so that organisations can adopt these strategies

- GRI is considered as the pioneers of developing a comprehensive sustainability reporting framework worldwide.
- The sustainability report also includes an organisation's values and governance framework and displays the link between its strategy and commitment to be sustainable.
- GRI's intention is to make sustainability reporting a standard practice for organisations globally.
- The framework proposed by GRI includes reporting guidelines, sector guidance and other resources which enable transparency and accountability in terms of sustainability reporting.

Life Cycle Analysis

Life Cycle Assessment (LCA) is a technique for assessing the <u>potential</u> environmental aspects and potential aspects associated with a product (or service), by:

- compiling an **inventory** of relevant inputs and outputs,
- **evaluating** the potential environmental impacts associated with those inputs and outputs,
- **Interpreting** the results of the inventory and impact phases in relation to the objectives of the study.
- Life-cycle assessment has emerged as a valuable decision-support tool for both policy makers and industry in assessing the cradle-to-grave impacts of a product or process. Three forces are driving this evolution. First, government regulations are moving in the direction of "life-cycle accountability;" the notion that a manufacturer is responsible not only for direct production impacts, but also for impacts associated with product inputs, use, transport, and disposal. Second, business is participating in voluntary initiatives which contain LCA and product stewardship components. These include, for example, ISO 14000 and the Chemical Manufacturer Association's Responsible Care Program, both of which seek to foster continuous improvement through better environmental management systems. Third, environmental "preferability" has emerged as a criterion in both consumer markets and government procurement guidelines. Together these developments have placed LCA in a central role as a tool for identifying cradle-to-grave impacts both of products and the materials from which they are made.

- The "life-cycle" or "cradle-to-grave" impacts include the extraction of raw materials; the processing, manufacturing, and fabrication of the product; the transportation or distribution of the product to the consumer; the use of the product by the consumer; and the disposal or recovery of the product after its useful life.

There are four linked components of LCA:

- Goal definition and scoping: identifying the LCA's purpose and the expected products of the study, and determining the boundaries (what is and is not included in the study) and assumptions based upon the goal definition;
- Life-cycle inventory: quantifying the energy and raw material inputs and environmental releases associated with each stage of production;
- Impact analysis: assessing the impacts on human health and the environment associated with energy and raw material inputs and environmental releases quantified by the inventory;
- Improvement analysis: evaluating opportunities to reduce energy, material inputs, or environmental impacts at each stage of the product life-cycle.

Packaging as an example at Akzo Nobel
A Life Cycle Assessment (LCA) of steel and plastic packaging used at Akzo Nobel, Stenungsund, was carried out in order to evaluate the potential environmental effects of these materials over the entire life cycle, with emphasis on reuse and recycling.
The aim of the study was to compare different types of packaging and answer the following questions:

- Which packaging has less environmental impact?
- What happens to the packaging after delivery to the end user?
- What are the differences between recycling of packaging in Sweden and the rest of the world?
- Is recycling worth the effort?

Recycling gain. In order to reduce energy input, resource consumption and emissions, the reuse and recycling options should be adopted and the recycling process should be made more efficient. Presently, the use of steel drums is a better option. This is mainly due to the relatively high steel recycling rate worldwide. Based on interviews with recyclers and customers it could be concluded that steel drums are usually collected and sent for recycling even if there are no regulations on recycling of packaging in the country. Use of IBC is a good option, since the containers are equipped with a so-called "recycling ticket", and recollected on this basis by the supplier and recycled. The "recycling ticket" is valid within Europe and the US. Due to this option, reuse and recycling rates of IBCs are high and the use of this type of packaging is good from the environmental point of view. With higher recycling rates the environmental effect of steel and plastic drums, and IBCs are almost the same. In the countries where the collection and recycling system is well-developed, for example
Nordic countries, Germany, Switzerland, etc., all three types of packaging can be used

Activity

Q	**Explain briefly the importance of LCA**

A	By integrating the life cycle perspective in overall management, and bringing product and process development in a more sustainable direction, the organisation can harvest the benefits of environmental, occupational health and safety, risk and quality management, as well as developing and applying cleaner process and product options. Incorporating life cycle and sustainability management will improve image and brand value for both world market players as well as smaller suppliers and producers.

Organisational Ethics

The way an organisation should respond to the external environment refers to organisation ethics. Organisation ethics includes various guidelines and principles which decide the way individuals should behave at the workplace.

It also refers to the code of conduct of the individuals working in a particular organisation.

Every organisation runs to earn profits but how it makes money is more important. **No organisation should depend on unfair means to earn money**. One must understand that money is not the only important thing; pride and honour are more important. An individual's first priority can be to make money but he should not stoop too low just to be able to do that.

Children below fourteen years of age must not be employed to work in any organisation. **Childhood is the best phase of one's life and no child should be deprived of their childhood**.

Employees should not indulge in destruction or manipulation of information to get results. Data tampering is considered strictly unethical and unprofessional in the corporate world. Remember if one is honest, things will always be in favour.

Employees should not pass on company information to any external parties. Do not share any of your organisation's policies and guidelines with others. It is better not to discuss official matters with friends and relatives. Confidential data or information must not be leaked under any circumstances.

Managing Ethics in the workplace

The scope of business ethics lies in two dimensions:

- 1. **Workplace behaviour ethics**, or the illegal and questionable practices of individual managers, such as wrongful use of resources, mismanagement of contracts and agreements for personal gain, conflict of interests, and the like.
- 2. **Business ethics issues**, such as ethical dilemmas when making decisions, dealing with stakeholders, and the like.

Developing Ethics in the workplace
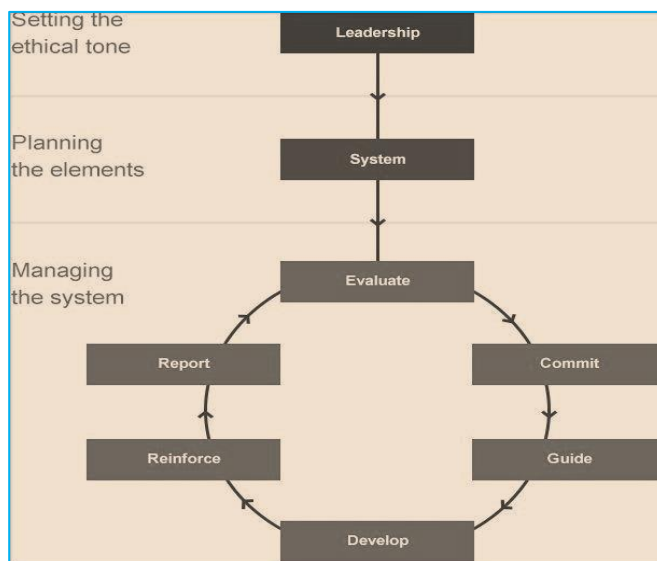
Setting the Ethical Tone

Senior accountability for the ethics system reassures your employees that ethical issues are taken seriously within the organisation. An organisation should have:

- governance arrangements •   a style of supervision
- role models.

Planning the Elements of an Ethics System

Assign an ethics committee to plan and implement the ethics systems and also the proper codes of conduct.

The tasks of the committee will include:

- conducting an ethics audit to identify ethical risks that must be addressed by the ethics system
- Setting up and advising you and the executive team on the design and operation of the ethics system.

Managing the Ethics System Day to Day

Top management has the responsibility to ensure that the code of conduct is being adhered to and that proper ethical practices are being conducted in the workplace.

Their tasks include:

- monitoring information from surveys, turnover data and other sources
- informing and involving employees in discussions about the values and principles
- developing policies and procedures in consultation with employees

- incorporating the values and principles in induction and other staff development programs • rewarding, recognising and promoting employees who exemplify the values and principles
- enabling employees to raise concerns about application of the values and principles.

Developing Ethical Skills

The values and employment principles guide our relationship with the Government, community and each other but what do these mean in practice?

Ethical behaviour means always taking the high road when making decisions. For managers it also means leading when managing yourself and your staff.

Steps for Developing a Code of Conduct

Step 1: Gathering Information

Step 2: Creating the Draft

Step 3: Reviewing the Draft

Step 4: Formally Adopting the Code

Step 5: Introducing the Code

Step 6: Enforcing the Code
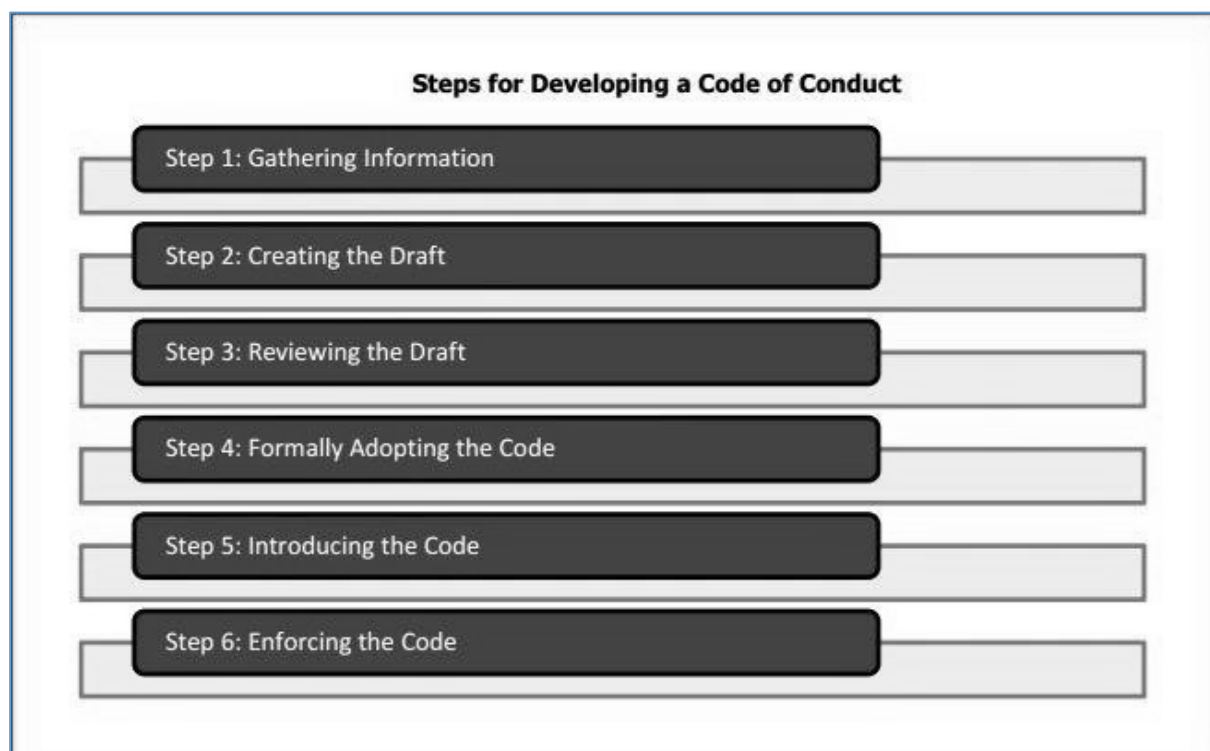
Gathering Information

Collect data about the current code of conduct and the issues faced by employees at all levels.

Creating the draft

A draft of the new code of conduct that is to be implemented, addressing all the issues that have come to light when gathering information (Step 01)

Reviewing the Draft

The draft created should be reviewed by the ethics committee of the organisation and the top level management to see whether the code addresses all the said issues and whether it has a utilitarian approach to all employee issues.

Formally adopting the code

The employees should be made aware of the new code of conduct which will be implemented and their views and feedback should be taken with regard to it as some employees may be quite resistant to changes.

Introducing the code

Once all the necessary changes have been done and the feedback from the employees are considered then the organisation can officially introduce the code of conduct.

Enforcing the Code

This is the stage of implementation of the code of conduct and the employees will adopt the code.

Example

Sample Policies on Common HR Topics: Code of Conduct

A code of conduct lays out an organisation's expectations and guiding principles for appropriate workplace behaviour. As illustrated by the samples, some policies also provide legal and ethical guidelines for relationships between employees, service users and clients.
A code of conduct policy should:

- Be designed with consideration for your organisation's values, the clients you work with and the service you provide
- Be driven by the fact that your organisation's reputation and work environment are based on the actions and behaviours of your employees
- Provide guidelines for acceptable behaviour
- Emphasize use of good judgment
- Require compliance with all applicable legislation
- Provide examples of prohibited actions or behaviour that are regarded as misconduct (and it may specify the consequences of violations), but state that these are examples only and not allinclusive
- Refer to other related policies (for example: handling of confidential information, harassment, and conflict of interest)

Activity

What are the characteristics of a good code of conduct?

1. It's written to help all employees behave in a way that is consistent with the authentic values of the organisation and in line with national and international laws and regulations.
2. It's written from an employee's point of view and not just the organisation's. The Code is about more than maintaining the organisation's reputation. It's about employee pride in their organisation, their team and their own work.
3. It's "virtually universal in … application". There's no guessing about who the code applies to [all executives, managers, non-managers, business partners]. No guessing about when the code applies or doesn't. No grey zone. No exceptions.
4. It clearly defines acceptable actionable behaviours and operating practices. It is written simply and is easy to understand. Plain English. No management speak or legalese.
5. The numbers of behaviours are relatively few, easy to remember and act on. The consequences – both positive and negative – for the institution and the individual are clear.
6. It includes relevant scenarios and mini-cases that bring the values and the behaviours to life for employees and can be used as the basis for discussion.
7. It is supported by a process that ensures employees are introduced to the code of conduct on day one as part of their orientation to the organisation and their work. There are regular opportunities to discuss the implications of the code in their day-to-day decisions and actions with their immediate supervisor and to ask questions, provide feedback. There are ways to report suspected violations without fear.

Risk and Security in Organisations

Risk can be defined as: A possibility or threat of damage, injury, liability, or any negative impact that is caused by external or internal vulnerabilities, which could be avoided through precautions.

Risk Management in Organisations

Organisational risk management is risk management at the strategic level. An organisational risk management process relies on the existence of such project-level risk management and provides mechanisms for surfacing and managing risks that transcend, or are shared across, projects.

Types of Risks in Organisations

Given below are the categories of Risks:

- **Strategic Risks** •
- **Operational Risks** •
- **Compliance Risks** •
- **Reputational Risks** •
- **Financial Risks** •
- **Technological Risk**

Strategic Risk

- Strategic risks result directly from operating within a specific industry at a specific time.

- Examples of strategic risks include:

- Shifts in consumer preferences

- New technologies

Compliance Risk

- Risks associated with compliance are those subject to legislative or bureaucratic rule and regulations, or those associated with best practices for investment purposes. Eg: Employee protection legislations

Financial Risk

- Financial risks are risks that are related to the handling of money within the organisation. Some of the risks can be considered as lending on credit and the period of credit you extend to the lenders.

Operational Risks

- Operational risks result from internal failures. That is, your business's internal processes, people or systems fail unexpectedly. Unlike the other risks, operational risks do not give you any returns once implemented to the previous condition.

Reputational Risk

- This is the loss of image for a company resulting from lawsuits negative word of mouth from customers and etc.

Technological Risks

- Technological risks include the risks that can be derived from the use of technology or even shifts in the modern technology.

Steps to Risk Assessment

- Identify hazards
- Decide who may be harmed
- Assess the risks and take action
- Make a record of the findings
- Review the Risk Assessment
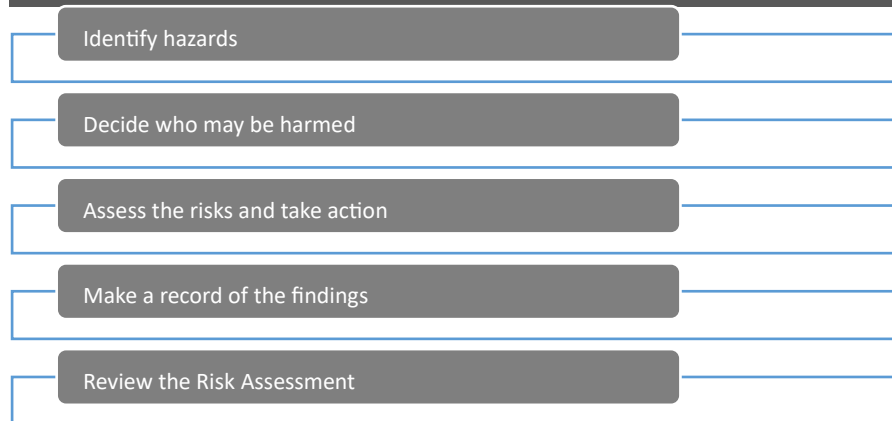
Step 1: Identify hazards

Employers should analyse and identify any hazardous equipment or even whether the environment is safe for employees to carry out their day-to-day activities.

Step 2: Decide who may be harmed, and how.

This is the step where the employer should identify who will be most affected by the risks if ever occurred and take precautions to minimise the damage and safeguard the employees.

Step 3: Assess the risks and take action.

This means employers must consider how likely it is that each hazard could cause harm. This will determine whether or not your employer should reduce the level of risk. Even after all precautions have been taken, some risk usually remains. Employers must decide for each remaining hazard whether the risk remains high, medium or low.

Step 4: Make a record of the findings.

Record the impacts and reports of the analysis conducted within the workplace environment.

Step 5: Review the risk assessment.

Review the risk assessment and have proper precautions in place to prevent risks

Example	
Q	**Given below are a few Risk Categories and measures to overcome them**

A	The risks associated with the activities of AN ORGANISATION and the assessment of those risks are as follows: a. **Fundraising:** **Risks** Investing in a fundraising scheme that produces no return, or too low a return, on the investment. Participating in a fundraising scheme that contravenes legislation. Lack of information about fundraising activity. **Assessment** The fundraising strategy including financial budgets is reviewed by the Board on an annual basis. The Chief Executive reports at the meetings of the Board on progress against budgets and targets. The Board will review fundraising activity on a regular basis. The level of risk is low. b. **Grant making:** **Risks** Directing grants to inappropriate projects or not in accordance with the wishes of the donor **Assessment** There is a clear audit trail of earmarked donations and their destination. The level of risk is very low.

c. Students

Risks: A student sponsored by AN ORGANISATION, breaches the terms of her/his entry permit.

Assessment AN ORGANISATION can only give a statement of support and not any advice on immigration related matters. The Immigration Service has powers to deport anyone who breaches the terms of their entry visa. The risk is low.

d. Financial management

Risks AN ORGANISATION's employees defraud the charity.

Assessment All post containing or likely to contain donations is opened in the presence of two people. There is an audit trail to match cash donations received with cash banked.

All expenditure payments are made with two signatures at levels agreed by the Board. The risk is low.

e. Software licences

Risks AN ORGANISATION exceeds the number of users it has licensed for using software.

Assessment The Board has instructed the Chief Executive to carry out an annual audit of software licenses to ensure that no unauthorised copies of software are used by any employees and to report the results of the audit to the Board. Level of risk is low.

f. Employment

Risks AN ORGANISATION breaches employment and employment-related legislation.

Assessment The Board has instructed the Chief Executive to review on a regular basis contracts of employment and to provide all employees with access to AN ORGANISATION's policies on key issues such as personal use of computers, equal opportunities. The level of risk is low.

g. Health and Safety

Risks AN ORGANISATION breaches health and safety regulations

Assessment The Board has instructed the Chief Executive to review health and safety policies on a regular basis and to ensure that all employees are aware of their obligations. The level of risk is low.

The trustees annually review the risks faced by AN ORGANISATION, assess them and agree policies to mitigate those risks.

Activity	
Q	**Briefly explain the critical risks to business**

A	**Uncertainty** Uncertainty is the ambiguity that is present in the business environment. Some of them include: uncertainty in the global economy, uncertainty in the credit markets, uncertainty in how new regulations will affect business, uncertainty about what competitors are doing, and uncertainty about how new technology will affect the business. The foundation is that uncertainty leads organisations to opt for short term planning rather than long-term.

Globalisation
Globalisation has given rise to new international markets and the other 100s of emerging markets globally which have different trends in marketing, and also changes in customer preferences.

Innovation
Companies increasingly find it difficult to survive without innovation but the dilemma they are facing is how to maintain organisational objectives and also serve the community while being innovative.

Government Policy and Regulations
Along with globalisation and free flow of capital, emerging markets came into existence and various government policies and regulations. Adherence to these policies and regulations is crucial to be sustainable in the competitive environment and also to handle an ethical business.

Technology
Advancements in technology together with globalisation has created new opportunities for organisations as well as posed threats. However it is the duty of the organisation to conduct proper analysis regarding the technology used and undertake business practices that elevate organisational sustainability.

Diversity
Diversity in organisational culture will enhance and foster various viewpoints of organisations and provide new perspectives which is an added advantage when marching towards sustainability.

Complexity
As the pace of advancements in new technology and business practices is quickening, the systems and procedures in place in organisations becomes more complex and hence awareness should be given to all employees at all levels to become sustainable.

Information Overload
Information is considered as the fastest growing component in today's world and therefore organisations should have proper systems in place to deal with this excessive amount of information and transform them into valuable knowledge. |

Supply chains

Due to the uncertainty in demand the companies are carrying very lean inventories presently. However the best process is to identify the customer demands and invest in supply chains that cater to this demand only.

Strategic Thinking and Problem Solving

The lack of proper approaches to gathering information and analysis and development have lead many organisations in the lack of long-term strategic planning.

Entrepreneurship

Entrepreneurs are frequently thought of as national assets to be cultivated, motivated and remunerated to the greatest possible extent.

Entrepreneurs can change the way we live and work. If successful, their innovations may improve our standard of living. In short, in addition to creating wealth from their entrepreneurial ventures, they also create jobs and the conditions for a prosperous society.

Introduction to Entrepreneurship

Entrepreneurship can be defined as the capacity and willingness to develop, organize and manage a business venture along with any of its risks in order to make a profit. The most obvious example of entrepreneurship is the starting of new businesses.

Traits of an Entrepreneur

- Ability to plan: This is the entrepreneur's talent, to plan and execute procedures.
- Communication skills: Entrepreneurs should be able to explain, discuss, sell and market their goods or services.
- Marketing skills: Good marketing skills, which result in people wanting to buy goods or services, are critical to entrepreneurial success.
- Interpersonal skills: The ability to establish and maintain positive relationships with customers and clients, employees, financial lenders, investors, lawyers and accountants, among others, is crucial to the success of the entrepreneur's business venture.
- Basic management skills: Even if entrepreneurs hire others to deal with the day-to-day tasks of the business, entrepreneurs need to know whether their company has the correct resources.

- Leadership skills: The ability to develop a vision for the company, and to inspire employees to pursue it, is imperative for success

Functions of an Entrepreneur

- Risk and uncertainty bearing
- Organisation building ○ Perception of market opportunities ○ Gaining command over scarce resources ○ Purchasing inputs ○ Marketing the products ○ Dealing with bureaucrats ○ Managing human relations within the firm
- Managing customer and supplier relations
- Managing finance
- Managing production
- Acquiring and overseeing assembly of the factory
- Upgrading process and product
- Introducing new production techniques and products

Example

Evan Spiegel : An Entrepreneur

This 23-year-old co-founder of Snapchat made big news this year by reportedly turning down a $3 billion purchase by Facebook. Over the course of 2013, the company received funding from a variety of sources, ending the year with a $50 million investment at an almost $2 billion valuation. The company's popularity with younger users makes it appealing to advertisers and marketers, as well as entrepreneurs like Mark Zuckerberg, who is struggling to capture the younger demographic. Perhaps Spiegel's business savvy comes from his background. The entrepreneur, who is the son of two wealthy lawyers, left Stanford University with only three classes remaining until he had his degree.
Spiegel is proof that real success comes from taking big risks.

Activity

Q	What are the classifications of entrepreneurship**?**

A	Entrepreneurs can be classified into categories based on the below factors:
	  • Classification according to type of business
	  • Classification according to use of technology
	  • Classification according to motivation of entrepreneur
	  • Classification according to growth
	  • Classification according to stages of development

Classification according to type of Business

Business Entrepreneurs

Business entrepreneurs are those entrepreneurs who conceive the idea of a new product or service and then translate their ideas into reality. An entrepreneur examines the various possibilities of sources of finance, supply of labour, raw-materials or finished product as the case may be. Business entrepreneurs may be undertaking the trading business or manufacturing business but initially the size of the business is very small. As the entrepreneur flourishes, he tends to expand his business.

Trading Entrepreneurs

As the very name indicates a trading entrepreneur is concerned with trading activities and not manufacturing. Trading means buying the finished product from the producer and selling off to the customer directly or through a retailer.

A trading entrepreneur has to be creative enough as he has to identify the market. He has to identify potential market, create demand through extensive advertisement of his product and thus inspire people to buy his product. For this it is inevitable for him to find out the desires, tastes and choices of his customer in the domestic as well as international market.

Corporate Entrepreneurs

The corporate entrepreneur is the one who plans, develops and manages a corporate body. He is a promoter, an essential part of the board of directors, an owner as well as an entrepreneur. He gets his corporate body registered under the requisite Act which gives his company the status of a separate legal entity.

Agricultural Entrepreneurs

An agricultural entrepreneur is the one who is engaged in agricultural activities. He uses the latest technology to increase the productivity of agriculture and also adopts mechanisation.

Classification according to the Use of Technology

Technical Entrepreneur

The strength of a technical entrepreneur is in his skill in production techniques. He concentrates more on production than on marketing. He possesses craftsman skill in himself which he applies to develop and to improve the technical aspect of the product.

Professional Entrepreneur

Professional entrepreneur means an entrepreneur who is interested in floating a business but does not want to manage or operate it. Once the business is established, he sells it out and moves on to float a new business.

Non-Technical Entrepreneur

Unlike the technical entrepreneur, a non-technical entrepreneur is not concerned with the technical aspect of the product rather he spends more time in developing alternative strategies of the marketing and distribution to promote his business. His target is not to change the production technique but how to increase the demand of the product in which he is dealing.

High-tech Entrepreneur

A High-tech means an entrepreneur who is interested in floating a business but does not want to manage or operate it. Once the business is established, he sells it out and moves on to float a new business.

Classification according to Motivation

Pure Entrepreneur

A pure entrepreneur is one who may or may not possess an aptitude for entrepreneurship but is tempted by the monetary rewards or profits to be earned from the business venture. He is statusconscious and wants recognition.

Induced Entrepreneur

Induced entrepreneurs are attracted by the various incentives, subsidies and facilities offered by the government. 'An entrepreneur is not born' —this is no doubt true as every person can be trained to become a good entrepreneur. Most of the entrepreneurs who enter into business are induced

entrepreneur as various kinds of financial, technical and managerial facilities are provided by the government to promote entrepreneurship. An entrepreneur can develop himself much more by attending EDPs and they can make a stand in the market. Import restrictions, allocation of production quotas to SSIs, reservation of products for small industry etc. have forced many young people to set up a small industry.

Motivated Entrepreneur

Entrepreneurs who are motivated by their desire to utilise their technical and professional expertise are considered as the motivated entrepreneurs.

Spontaneous Entrepreneur

These kinds of entrepreneurs are motivated through their desire for self fulfilment and to achieve or prove their excellence in job performance.

Classification according to Growth

Growth Entrepreneur

These are the entrepreneurs who always take up high growth industries which have substantial growth prospects in the future.

Super Growth Entrepreneurs

Entrepreneurs who have shown tremendous growth performance in their enterprise

Classification according to stages of development

First Generation Entrepreneur

First generation entrepreneurs are those entrepreneurs who do not possess any entrepreneurial background. They start an industrial unit by means of their own innovative skills.

Modern Entrepreneur

These types of entrepreneurs undertake business ventures which run smoothly along with the changing trends for products and service in the market.

Classical Entrepreneur

A classical entrepreneur is a stereotype entrepreneur whose aim is to maximize his economic returns at a level consistent with the survival of the unit but with or without an element of growth.

Example

Jeff Bezos : A Modern Entrepreneur

Jeff Bezos—While Amazon still struggles to make a profit on its retail end, the company made big waves in 2013 because of the success of Amazon Web Services (AWS). As computing switches from devices and local servers to the cloud, AWS is emerging as a true leader in the space, impressing investors and accelerating cloud adaptation across the globe. Bezos is credited with the growth of ecommerce by taking the site from being primarily a bookseller to its status today as the top retailer on the web.

Activity

Q	Explain the stages of the Entrepreneurial process?
A	**Conducting an Opportunity Analysis** The evaluation will result in identifying whether the opportunity is worth investing in to start up the new business. **Developing the Plan and setting up the company** The planning process involves the strategic planning and the operational planning. Identifying the target customers, Business model and also the positioning of the products or services is important together with a clear set of objectives. **Acquiring financial partners and setting up funding** This includes identifying the capital needs of the company and the timing of those needs. Acquiring partners for the venture or even applying for loan facilities from the banks can come under this.

Determining the resources required an implementing the plan
This is the stage in which the entrepreneur operates the business and utilises the resources to achieve its goals and objectives.

Scaling and harvesting the venture
At this stage which is the final stage of the entrepreneurial process the entrepreneur decides whether to develop or whether it will be the demise of the organisation in which case the process begins again to re-launch a new venture.

Introduction to Enterprise

An Enterprise can be defined as an entrepreneurial activity accompanied by initiative and resourcefulness.

Social Enterprise

Social enterprises are revenue-generating businesses with a twist. Whether operated by a non-profit organisation or by a for-profit company, a social enterprise has two goals: to achieve social, cultural, community economic and/or environmental outcomes; and, to earn revenue.

On the surface, many social enterprises look, feel, and even operate like traditional businesses. But looking more deeply, one discovers the defining characteristics of the social enterprise: mission is at the centre of business, with income generation playing an important supporting role.

Example

Social Enterprises

Social Enterprises span a diverse range of industries and also types of business models (for profit, hybrids and non-profits). The list of 10 social enterprises below is a sample to help illustrate the variety of successful social enterprises.

Recyclebank - rewards people for taking everyday green actions with discounts and deals from local and national businesses.

Sarvajal - for-profit social enterprise which creates franchises that providing clean drinking water to individuals living on less than $1 / day.

VerTerra Dinnerware – manufactures stylish, sustainable and compostable disposable dinnerware made from banana leaves.

PhilanTech – an online grants management system: an online grant proposal, reporting and management system that enhances accountability, transparency, and efficiency.

Climatesmart - trains businesses and provides them with software tools to track and reduce their greenhouse gas emissions.

X-runner Venture - provides waterless toilets and waste management services to families that do not have standard toilets.

Emerge financial wellness – a workplace-based financial wellness program that partners with employers to help their workers plan their financial futures.

Project Repat - upcycles t-shirts into more fun and fashionable clothing accessories while creating jobs for disadvantaged populations.

Social Good Network – uses software to create and measure the success of digital cause marketing campaigns for brands.

Yellow Leaf Hammocks - a mission-driven, market-based social enterprise dedicated to supporting high-wage weaving jobs for artisans in the hill tribe communities of rural northern Thailand.

Activity	
Q	Briefly explain the types of Social enterprises

A	**Community Enterprises:** enterprises which serve a particular geographical community or community of interest and have representatives from the community on their board of directors. **Social Firms:** which aim to integrate people who might otherwise find it difficult in the mainstream job market, such as people with learning disabilities or mental health problems. **Co-operatives:** organisations owned, controlled, and run for the benefit of their members. **Credit Unions:** community based financial institutions providing savings and loan facilities for their members. **Community Development Finance Institutions:** providers of loans and other types of investment primarily for social enterprises and other small businesses. **Development Trusts:** community enterprises which aim to develop a community, usually through the ownership and management of property. **Public sector spin-outs:** independent social enterprises set up to deliver services that were previously provided by public sector organisations. Also known as 'externalised' services. **Trading arms of charities:** set up to undertake a trading activity in order to raise money for their charity parent company e.g. charity shops, catalogues, training and consultancy. **Fair Trade organisations:** committed to ensuring that producers are paid a fair price for what they produce. **Other types of social enterprise:** businesses with social objectives as central as their economic objectives.

The Social Enterprise Business Model

A business model includes two key elements:

- an operating strategy that includes internal organisational structure and external partnerships that are crucial for creating the organisation's intended impact; and,
- a resource strategy that defines where and on what terms the organisation will acquire the resources (financial and human) it needs to do its work.

The business model for a social enterprise is the channel that the social entrepreneur converts inputs into outcomes; the generation of both social value (measurable impact) and economic value (revenue).

A social enterprise can be integrated with the non-profit organisation in one of several ways:

Embedded:

The enterprise and the social program are one and the same The

business is created to serve clients (central to the mission)

Integrated:

The business activities overlap with the social programs

The business is created as a funding mechanism and to expand/enhance the mission of the organisation

External:

Social and business activities are separate and may or may not be related to the mission of the organisation

The business is created mainly as a funding mechanism to support social activities

Example	
Q	**Given below are a few examples of Companies that practice the Social Enterprise Business Model**
A	**Good Eggs**. This online grocery brings the farmers market to your front door—giving people access to local, fresh, sustainable foods. Their belief is that better food leads to a better world, and their mission to support local food systems is both socially responsible and environmentally optimal.

Indiegogo. Their mission statement says it all: empower everyone to change the world, one idea at a time. By helping artists, entrepreneurs, and dreamers of every kind bring their visions to life, they create connection and community for both funders and makers.

Sanergy. Based in Kenya, they are working tirelessly to solve the sanitation crisis that plagues the country's urban slums. The social entrepreneurial component stems from the |

	way they are tackling the issue—by creating a dense network of small-scale sanitation centers and converting this waste into useful by products, such as organic fertilizer and renewable energy.

Activity

Q	**What are the key characteristics of Social Enterprise Business Model?**
A	There are 5 key characteristics of Social Enterprise Business Model: • Have a clear social and/or environmental mission set out in their governing documents • Generate the majority of their income through trade • Reinvest the majority of their profits • Be autonomous of state • Be majority controlled in the interests of the social mission • Be accountable and transparent

The Fundamental Models of Social Enterprise

Entrepreneur Support Model

Control Environment The entrepreneur support model of social enterprise sells business support and financial services to its target population of 'clients', self-employed individuals or firms. Social enterprise clients then sell their products and services in the open market.

The entrepreneur support model is usually embedded: the social program is the business, its mission centers on facilitating the financial security of its clients by supporting their entrepreneurial activities. The social enterprise achieves financial self sufficiency through the sales of its services to clients, and uses this income to cover costs associated with delivering entrepreneur support services as well as the business' operating expenses.

Economic development organisations, including microfinance institutions, small and medium enterprise (SME) and business development service (BDS) programs use the entrepreneur support model. Common types of businesses that apply this model are: financial institutions, management consulting, professional services (accounting, legal, and market information), technology and products that support entrepreneurs.

Market Intermediary Model

The market intermediary model of social enterprise provides services to its target population or 'clients', small producers (individuals, firm or cooperatives), to help them access markets. Social enterprise services add value to client-made products, typically these services include: product development; production and marketing assistance; and credit. The market intermediary either purchases the client-made products outright or takes them on consignment, and then sells the products in high margin markets at a mark-up.

The market intermediary model is usually embedded: the social program is the business, its mission centers on strengthening markets and facilitating clients' financial security by helping them to develop and sell their products. The social enterprise achieves financial self-sufficiency through the sale of its client-made products. Income is used to pay the business' operating expenses and to cover program costs of rendering product development, marketing and credit services to clients.

Marketing supply cooperatives, as well as fair trade, agriculture, and handicraft organisations frequently use the market intermediary model of social enterprise. Common types of business that apply this model are: marketing organisations, consumer product firms, or those selling processed foods or agricultural products.

Employment Model

The employment model of social enterprise provides employment opportunities and job training to its target populations or 'clients', people with high barriers to employment such as disabled, homeless, atrisk youth, and ex-offenders. The organisation operates an enterprise employing its clients, and sells its products or services in the open market. The type of business is predicated on the appropriateness of jobs it creates for its clients, regarding skills development, and consistency with clients' capabilities and limitations, as well as its commercial viability.

The employment model is usually embedded: the social program is the business, its mission centers on creating employment opportunities for clients. Social support services for employees such as 'job coaches', soft skill training, physical therapy, mental health counselling, or transitional housing are built into the enterprise model and create an enabling work environment for clients. The social enterprise achieves financial self-sufficiency through the sales of its products and services. Income is used to pay standard operating expenses associated with the business and additional social costs incurred by employing its clients.

The employment model is widely used by disability and youth organisations, as well as social service organisations serving low-income women, recovering addicts, former homeless people, and welfare to work recipients. Popular types of employment businesses are janitorial and landscape companies, cafes, bookstores, thrift shops, messenger services, bakeries, woodworking, and mechanical repair.

Fee-for-Service Model

The fee-for-service model of social enterprise commercializes its social services, and then sells them directly to the target populations or 'clients', individuals, firms, communities, or to a third party payer.

The fee-for-service model is usually embedded: the social program is the business, its mission centers on rendering social services in the sector it works in, such as health or education. The social enterprise achieves financial self-sufficiency through fees charged for services. This income is used as a costrecovery mechanism for the organisation to pay the expenses to deliver the service and business expenses such as marketing associated with commercializing the social service. Surpluses (net revenue) may be used to subsidize social programs that do not have a built-in cost-recovery component.

Fee-for-service is one of the most commonly used social enterprise models among nonprofits. Membership organisations and trade associations, schools, museums, hospitals, and clinics are typical examples of fee-for-service social enterprises.

Low-income Client Model

The Low Income Client as Market model 1 of social enterprise is a variation on the Fee-for-Service model, which recognizes the target population or 'clients' a market to sell goods or services. The emphasis of this model is providing poor and low-income clients access to products and services whereby price, distribution, product features, etc. bar access for this market. Examples of products and services may include: healthcare (vaccinations, prescription drugs, eye surgery) and health and hygiene products (iodize salt, soap, spectacles, hearing aids, sanitary towels), utility services, (electricity, waste, and water), etc. for which they pay.

The Low Income Client as Market Model target population has also been described as those living at the 'base of the pyramid.' This is a socioeconomic designation of the 4 billion people who live primarily in developing countries and whose annual per capita income falls below $1,500 purchasing power parity (PPP); and earn less than $5 a day. People in this income bracket cannot realize economies of bulk purchase, and ironically may pay up to 30% more for products and services than middle income consumers.

The social program is embedded in the activity by providing access to products and services that increase clients' health, education, quality of life, and opportunities. Income is earned from product sales and is used to cover operating costs and marketing and distribution costs. However, due to the low incomes of target population in the 'low income client as market model' achieving financial viability can be challenging. The social enterprise must relies on developing creative distribution systems, lowering production and marketing costs, achieving high operating efficiencies, cross-subsidizing creative revenue markets to markets that require subsidy. Health, education, technology, utilities frequently use this.

Cooperative Model

The cooperative model of social enterprise provides direct benefit to its target population or 'clients', cooperative members, through member services: market information, technical assistance/extension services, collective bargaining power, economies of bulk purchase, access to products and services, access to external markets for member-produced products and services, etc. The cooperative membership is often comprised of small-scale producers in the same product group or a community with common needs--i.e. access to capital or healthcare. Cooperative members are the primary stakeholders in the cooperative, reaping benefits of income, employment, or services, as well as investing in the cooperative with their own resources of time, money, products, labor, etc.

The cooperative model is: the social program is the business. The cooperative's mission centers on providing members services. Financial self sufficiency is achieved through the sales of its products and services to its members (clients) as well as in commercial markets. Cooperatives use revenues to cover costs associated with rendering services to its members and surpluses may be used to subsidize member services.

Cooperatives social enterprises include agricultural marketing cooperatives, which market and sell its members' products, while agricultural supply cooperatives, provide inputs into the agricultural process. Fair trade organisations frequently work with agriculture and commodity producer-owned cooperatives--i.e. coffee, cocoa, wine, tea, as well as non-agricultural products--i.e. handicrafts.

Self-Help Groups (SHGs) comprised of low income-women, and popular in South Asia, are frequently organized into cooperatives to support a variety of their members' interests related to commerce, health and education.

Credit Unions are another example of a cooperative tied to economic development and financial service programs, popular across West Africa, Latin America, and the Balkans.

In the UK a slight variation on the cooperative, called 'mutuals' or 'societies' are commonly associated with social enterprise. Unlike a true cooperative, mutual members usually do not contribute to the capital of the social enterprise company by direct investment, instead mutuals are frequently funded by philanthropic sources or the government.

Market Linkage Model

The market linkage model of social enterprise facilitates trade relationships between the target population or 'clients', small producers, local firms and cooperatives, and the external market. The social enterprise functions as a broker connecting buyers to producers and vice versa, and charging fees for this service. Selling market information and research services is a second type of business common in the market linkage model. Unlike the market intermediary model, this type of social enterprise does not sell or market clients' products; rather it connects clients to markets.

The market linkage model can be either embedded or integrated.

If the enterprise is stand-alone; its mission revolving around linking markets, and its social programs supporting this objective, the model is embedded. In this case, the social program is the business, income generated from enterprise activities is used as a self-financing mechanism for its social programs.

Market linkage social enterprises are also created by commercializing an organisation's social services or leveraging its intangible assets, such as trade relationships, and income is used to subsidize its other client services. In this second example, social program and business activities overlap, hence follows the integrated model.

Many trade associations, cooperatives, private sector partnership and business development programs use the market linkage model of social enterprise. Types of social enterprises include import-export, market research and broker service.

Service Subsidisation Model

The service subsidisation model of social enterprise sells products or services to an external market and uses the income it generates to fund its social programs.

The service subsidisation model is usually integrated: business activities and social programs overlap, sharing costs, assets, operations, income and often program attributes. Although the service subsidisation model is employed primarily as a financing mechanism--the business mandate is separate from its social mission--the business activities may enlarge or enhance the organisation's mission.

Nonprofits that implement service subsidisation social enterprises operate many different types of businesses, however, most leverage their tangible assets (building, land, or equipment) or intangible assets (methodology, know-how, relationships, or brand) as the basis of their enterprise activities. Commercialisation of core social services leads to enterprise activities that are close in nature to the organisation's social programs and may enhance the mission; whereas leveraging physical assets to sell to the public may result in an enterprise that is very different from the organisation's social programs. In financial terms the business benefits from leveraging and cost sharing relationships, and provides a stream of unrestricted revenue to 'subsidize' or wholly fund one or more social services. Service subsidisation is one of the most common types of social enterprises because it can be applied to virtually any nonprofit. The service subsidisation model may conceivably grow into an organisational support model if it becomes profitable enough to throw off revenue to the parent organisation.

Service subsidisation model social enterprises can be any type of business. Those that leverage intangible assets such as expertise, propriety content or methodologies, or exclusive relationships tend toward service businesses that commercialize these assets: consulting, counselling, logistics, employment training or marketing. Those that leverage tangible assets such as buildings, equipment, land, employees, computers, etc. may launch any number of enterprises that utilize infrastructure and capital assets: leasing, property management, product-based retail businesses; copying, transportation or printing services, etc.

Organisational Support Model

The organisational support model of social enterprise sells products and services to an external market, businesses or general public. In some cases the target population or 'client' is the customer.

The organisational support model is usually external: Business activities are separate from social programmes, net revenues from the social enterprise provide a funding stream to cover social program costs and operating expenses of the nonprofits parent organisation. Although organisational support models may have social attributes, profit not social impact is the perquisite for this type of social enterprise. This model of social enterprise is created as a funding mechanism for the organisation and is often structured as a subsidiary business (a nonprofits or for-profit entity) owned by the nonprofits parent. Successful examples of this model cover all or a major portion of the parent organisation's budget.

Similar to the service subsidisation model, the organisational support model may implement virtually any type of business that leverages its assets. This model is commonplace among western non-profit organisations across sectors.

Example

Entrepreneur Support Model

Theoretical example: a manufacturer and distributor of low-cost irrigation pumps sell its pumps and agriculture extension services to low-income rural farmers. The capital asset enables farmers to dramatically increase the productivity and profitability of their land. Income earned by the social enterprise is used to cover operating costs, including the high costs of marketing to rural, small scale farmers, investing in new product R&D, and educational marketing campaigns.

Real Example:
Kickstarter helps artists, musicians, filmmakers, designers, and other creators find the resources and support they need to make their ideas a reality. To date, tens of thousands of creative projects — big and small — have come to life with the support of the Kickstarter community.

Activity

What are the three models of Social Enterprise?

1. **Model 1 - Profit Generator:**

   Trading activity itself is primarily seeking a financial return only. As such, it is deemed to have no direct social impact but gives some or all of its profits to charity. Financial risk of the investment is disconnected from the likelihood of achieving social impact.

2. **Model 2 - Trade Off:**

   Social impact is integral to the nature of the trading activity, but a balance has to be struck between generating financial returns and creating social impact. The firm could increase its social impact by decreasing financial returns, or vice versa. In other words, there is a trade-off. Model 2 firms may be able to attract commercial investors with an acceptable rate of financial return, while at the same time achieving a level of social return which is acceptable to its other stakeholders.

3. **Model 3 - Lock Step:**

   Trading activity has direct social impact, but that social impact increases or decreases in step with financial returns. Apparently these types of enterprise are scarce as they operate in clearly competitive markets. The level of financial returns that Model 3 businesses are able to achieve may be acceptable to a fully commercial (financial return only) investor.

Introduction to Globalisation

Globalisation can be defined as the shift towards economic, financial, trade and communications incorporation. Globalisation implies the opening of local and nationalistic perspectives to a wider view of a connected and interdependent world with free transfer of capital, goods and services across national frontiers. However, it does not include unhindered movement of labour and, as suggested by some economists, may hurt smaller or fragile economies if applied indiscriminately.

Reasons behind Globalisation

1. **Improved transport**, making global travel easier. For example, there has been a rapid growth in airtravel, enabling greater movement of people and goods across the globe.

2. **Containerisation** - From 1970, there was a rapid adoption of the steel transport container. This reduced the costs of inter-modal transport making trade cheaper and more efficient.

3. **Improved technology** - which makes it easier to communicate and share information around the world, e.g. internet. For example, to work on improvements on this website, you can go to a global online community, such as elance.com. There people from any country can bid for the right to provide a service. It means that people can be found to do a job relatively cheaply because labour costs are relatively lower in the Indian sub-continent.

4. **Growth of multinational companies** with a global presence in many different economies.

5. **Growth global trading blocs** which have reduced national barriers. (E.g. European Union, NAFTA, ASEAN)

6. **Reduced tariff barriers** encouraging global trade. Often this has occurred through the support of the WTO.

7. **Firms exploiting gains from economies of scale** to gain increased specialisation. This is an important feature of new trade theory.

8. **Growth of global media.**

9. **Global trade cycle.** Economic growth is global in nature. This means countries are increasingly interconnected. (E.g. recession in one country affects global trade and invariably causes an economic downturn in major trading partners.)

Main features of Globalisation

- Globalisation has closely intertwined economic, political, cultural and institutional dimensions whose social impact is often not easy to disentangle. Notwithstanding the breadth and complexity of the process, its principal elements are well known. Technological advancements, especially in the field of information and communication technologies, have had the effect of connecting and bringing the world closer together in time and space, making possible new ways of doing business and profoundly altering social interactions. The proportion of trade in goods and services relative to national income and consumption has expanded, and now includes trade in such services as banking, telecommunications and even education and culture. Domestic deregulation and liberalisation of external capital controls have propelled a vast increase in the volume and speed of capital flows of all types, ranging from foreign direct investment (FDI) to short-term banking flows, worldwide. Competition has catalysed a reorganisation of production networks, and a wave of mergers and acquisitions have fostered the restructuring of corporations on a global scale, giving them unprecedented size and power. At the same time, venture capital-financed 'startups' are burgeoning in 'high tech' sectors in several developed as well as some developing countries. New mass media, such as satellite television and the Internet, have contributed to globalisation and the spread of a culture of consumerism.

- Some of these processes are driven by the logic of new technologies or market forces which are difficult to control, while others may be more amenable to management. Policy decisions oriented towards liberalisation, deregulation and privatisation have been at least as important as market forces and technology in the spread of globalisation in both its positive and negative aspects.

- As a result of greater access to markets, new technologies and new ways of doing business, many aspects of globalisation have stimulated growth and prosperity and expanded possibilities for millions of people all over the world. At the same time, it has been accompanied by anxiety about its disruptive effects and a sense that the opportunities provided by the process of globalisation have not been accessible to many. It has enhanced choices for some people but diminished prospects for others and reinforced inequalities within and across nations. Perceptions of globalisation depend a great deal on the ability of people to take advantage of the opportunities offered by it. Typically, it is most positive for people with adequate education and access to financial resources.

- For various reasons, the liberalisation of trade and capital flows has been a dominating theme in the economic policies pursued by developing countries and countries with economies in

transition during the last 10 to 20 years. As a result, nearly all countries at all levels of development have taken steps to remove or weaken policy instruments that direct and control cross-border transactions. They have also given market mechanisms greater scope internally and reshaped or restructured institutional frameworks, including labour and financial markets and taxation systems, to enable the freer play of market forces.

- The actual experience of globalisation has, to a great degree, varied with the level of development at which a country has engaged with it. Some developing countries and countries with economies in transition have been well positioned to take advantage of the new opportunities for trade and investment, and building on domestic savings, foreign investment and capital inflows, technology transfers, human resource development and export orientation, have achieved rapid economic growth.

- Others, particularly the least developed countries, have not been able to achieve the same levels of foreign investment or access to world markets, primarily due to an inadequate economic and social infrastructure. Not only have they been unable to grasp the opportunities offered by globalisation but they have also had to cope with its impacts, particularly the volatility of international commodity prices, the reduction of effective preferential treatment for their exports owing to falling overall tariffs and the decline of official development assistance (ODA).

- The degree and nature of participation of different categories of countries in global markets varies substantially. For most developing countries, trade in a limited number of goods and services constitute the major form of international economic activity. For others, private capital inflows supplement their foreign exchange earnings, either through FDI or through portfolio investment. In only a few developing countries, mostly in Asia and Latin America, have domestic companies joined the integrated networks of transnational corporations and, in some cases, forged strategic alliances to exploit dynamic trade and investment inter-linkages. Most developing countries, particularly the least developed countries and most of Africa, remain outsiders to that process.

- A study conducted on behalf of the Department of Economic and Social Affairs on the experience of nine countries (Argentina, Colombia, Cuba, India, the Republic of Korea, Mexico, the Russian Federation, Turkey and Zimbabwe) as a result of liberalisation of trade and capital raised several concerns about its social impact. In general, liberalisation has led to greater inequality of primary incomes. In all but one case, household per capita income growth was negative or just above zero. While the participation rate or share of the economically active population increased, the employment situation in most countries was characterized by reduced wages, underemployment, in formalisation of labour and adverse impact on unskilled labour, particularly in the manufacturing sector. Virtually without exception, wage differentials between skilled and unskilled workers rose with liberalisation. Most countries experienced an erosion of the tax base and a fiscal squeeze, which was reflected in static or reduced social spending. In some cases, social services were privatized or there was increased recourse to user fees. Fiscal and administrative limitations made it difficult to put in place countervailing social policies. In terms of the enabling economic environment, though most countries achieved moderate growth rates, at least three fared poorly. Capital flows increased substantially, in some cases prior to

crises. While exports did tend to rise with liberalisation, the export stimulus for growth was weaker than expected partly because of an increase in imports.

- Although globalisation raises particular concern for developing countries, apprehensions regarding it abound and have been vocally expressed even in developed countries. Concerns in the industrial world revolve around employment insecurity as firms respond to competitive pressures and technological advancements, which are to some extent also reflected in the frequent restructuring
of firms and corporations. The growing power and global reach of mega-corporations has also raised questions regarding economic governance in a global economy.

- The experience of countries with economies in transition has been mixed. In general, when these countries began their transition, they faced an abrupt deterioration of their previously elabourate social support systems, as well as the handicap of competing in a more open global economy with incomplete and underdeveloped market institutions. Some countries in Central and Eastern Europe have traversed the transition more rapidly spurred by prospects of integration into the European Union. In others, social disruption, sudden poverty and vulnerability to economic change along with the dissolution of barriers to trade and capital mobility have led the development of a parallel shadow economy and a criminal underworld of transnational proportions.

Example

GATT –General Agreement on Trade and Tariffs

Globalisation results from the removal of barriers between national economies to encourage the flow of goods, services, capital, and labour. While the lowering or removal of tariffs and quotas (see General Agreement on Trade and Tariffs, or GATT) that restrict free and open trade among nations has helped globalise the world economy, transportation and communication technologies have had the strongest impact on accelerating the pace of globalisation.

Thomas L. Friedman describes the 'flattening' of the world economy through globalised trade, outsourcing, supply-chaining and political liberalisation. The use of technologies allows businesses, such as large multi-national corporations, to maintain customers, suppliers and even competitors on a world-wide basis. The breakdown of businesses into components along its value-chain creates opportunities for multiple businesses located at various spots on the globe to participate in the production of a single good or service. This global network, even for a single enterprise, is part of globalisation.

Several organisations have either been created or have evolved into key roles in the process of globalisation. The World Bank and the International Monetary Fund, for instance, deal primarily with issues of free trade in developing economies and with international monetary policy, including debt and trade balances between developing and industrialised countries. The World Trade Organisation, along with the General Agreement on Trade and Tariffs (GATT), has been involved with removing trade barriers and reducing the cost of trading.

Activity	
Q	Briefly explain the 5 types of Globalisation**?**

A	**Financial Globalisation** defined as global linkages through cross-border financial flows, has become increasingly relevant for emerging markets as they integrate financially with the rest of the world.
	Economic Globalisation refers to the increasing interdependence of world economies as a result of the growing scale of cross-border trade of commodities and services, flow of international capital, and wide and rapid spread of technologies. It reflects the continuing expansion and mutual integration of market frontiers, and is an irreversible trend for the economic development in the whole world at the turn of the millennium.
	Cultural globalisation, a phenomenon by which the experience of everyday life, as influenced by the diffusion of commodities and ideas, reflects a standardisation of cultural expressions around the world. Propelled by the efficiency or appeal of wireless communications, electronic commerce, popular culture, and international travel, globalisation has been seen as a trend toward homogeneity that will eventually make human experience everywhere essentially the same.
	Technological Globalisation can be defined as the connection between nations through technology such as television, radio, telephones, internet, etc. It was traditionally available only to the rich but is now far more available to the poor. Much less infrastructure is needed now.
	Digital technologies have opened the way towards global networks. Global networks are the networks in which all information and knowledge – also the ideology necessary for the realisation, maintenance and the reproduction of the system – basically the capitalist system. The term 'New Economy' is the clearest explanation of how all this information, knowledge and ideology are in close relation to capitalism.
	Political globalisation is when governmental action takes place on a global level, where responsibilities, such as the welfare of citizens and economic growth, are acted upon by an international political body. In the past, governments typically served the citizens of their own nations, but now, the world is much more globally connected, which means politics oftentimes take place in a globally connected setting.

Globalisation Theories

World Systems Theory

The **World Systems Theory** was developed by sociologist name Immanuel Wallerstein and defines an approach to world history and how it has evolved or rather the social change that put forward he world economic system by which some countries benefit while others are subjugated.

Example

Globalised Businesses

There is no established definition of the 'global' business, but it is helpful to look at companies that operate on a worldwide basis to try to identify characteristics that show how their outlook and operations are global. One group of researchers identified and studied how the following large companies are responding to the forces of globalisation: Banque National de Paris; Canon; CSX; Electrolux, JCB; Pirelli; Royal Trust; TNT Express Worldwide; and Waste Management, Inc. That study identified four common characteristics of global companies. First, activities such as marketing, manufacturing, logistics, and research and development are approached based on a holistic, worldwide plan. Second, the global company does not confine itself within boundaries; its headquarters are, ideally, transparent to customers. Third, global business adjusts its business to meet the needs of local customers; cultural diversity and understanding are crucial. Fourth, the company strives to balance an integrated, global system with the need to be sensitive to local needs.

The automobile industry provides excellent examples of the globalisation of business. Toyota (a Japanese firm) manufactures its Camry model in the United States. Major U.S. automobile firms have all formed alliances with Asian or European firms. GM is allied with Toyota and Saab; Ford has alliances with Mazda, Jaguar, and Volvo; and Chrysler has joined forces with a European company to become Daimler Chrysler.

Activity

Q	Briefly explain the theories of Global Capitalism?
A	The *Theory of Global Capitalism* presents an original and polemic account of economic globalisation as the reproduction of the capitalist system, in terms of production, class and state, on a transnational level. Robinson argues that the global economy has undergone a profound qualitative restructuring -- an 'epochal shift' -- since the 1970s, leading to the global integration of formerly national systems of production. The increased economic integration and liberalisation has led to the formation of a transnational capitalist class that controls global production, marketing, and finance. This new ruling class utilises the apparatus of an emergent transnational state, in the form of supranational economic and political forums, to dominate global society.

Theory of Transnationality and Transnationalism

The concept of **Transnationalism** refers to multiple ties and interactions linking people and institutions across the borders of nation-states. Transnational activities can be defined as:

'those that take place on a recurrent basis across national borders and that require a regular and significant commitment of time by participants. Such activities may be conducted by relatively powerful actors, such as representatives of national governments and multinational corporations, or may be initiated by more modest individuals, such as immigrants and their home country kin and relations. These activities are not limited to economic enterprises, but include political, cultural and religious initiatives as well.'

Globalisation and the International Agenda

Globalisation has been a major topic in the study of International Relations for the past few decades. Almost all aspects of modern day society have been influenced by it in some way. Moreover globalisation understood as 'an intensification of cross-border interactions and interdependence between countries' has brought about major change in the international system. This definition of the term globalisation allows us to comprehend the change of relationships between individual states from a more or less side by side existence towards their integration in an international system in which they are more dependent on each other than before and where events happening outside their territory are far more likely to have an effect on them than they would have had about a century ago. The different ways in which states have become more dependent on each other will be analysed as well as how globalisation has brought about this change in the international system.

A very important role in this process was played by the various Intergovernmental Organisations (IGOs) which gained increasing significance through the process of globalisation. Before the age of globalisation, states were looking to promote their national interests. They were concerned more with their own safety than global security and they were looking for ways to deal with problems at a domestic rather than international level. Nowadays, since the issues and difficulties which states have to face are becoming more global than national, states are no longer able to protect their citizens and deal with problems by their own means, unless they take collective action together with other states in IGOs. By joining these, states give up some of their sovereignty to a body governed by the collective will and decisions of its member-states. This joined sovereignty had not existed before and it sometimes implies that states have to comply with the majority decision and are thus affected by it, even though it might not have been the initial desire of the individual state. Hence, they are dependent on the other countries who participate in the decision making process in order to reach their goal. However, sometimes they have to sacrifice their national interests in order to reach international rather than national aims. This can be demonstrated by the example of the UN Security Council, where the member-states wanting the resolution to be passed are dependent on the five permanent members. As these hold veto-powers, they are sometimes able to stop an entire resolution, even if all other members voted in favour. A further implication which some IGOs have for their member-states is the obligation to act (in any form) under certain circumstances. Member-states of the NATO, for example, agreed under Article 5 of the North Atlantic Treaty.

Another development which was encouraged by globalisation again demonstrates the interconnectedness of states in the modern international system – private sector institutions. Bodies like the International Federation of Stock Exchange, founded in 1961, have by their decisions and actions taken concerning issues such as credit rates and food prices significantly influenced many countries all over the world and the global economy as a whole.

Even more directly, states have become more interdependent through the opening of national borders and the implementation of free-trade. Due to globalisation it is now easier for companies to set up branches or production sites in other countries where the conditions for the company are better. However, this also increases competition between countries as each of them wants the companies to establish themselves in their country. Thus the states are dependent on each other in so far as they each have to try to be more attractive to companies than the others. Furthermore, free-trade was supposed to create conditions under which every state could trade freely and with equal opportunities with any other state. But since this in reality does not favour all nations equally, as some nations can export cheaper than others and are thus more likely to be trade-partners, some countries had to implement tariffs and quotas in order to protect their national economies. In this way, states are adversely affected by the other country's tariffs and quotas in order to trade with them. Sometimes that even means that the particular state is not able to trade certain goods with that country, as meeting the restrictions would have detrimental effects for that particular state.

One last but not less significant factor which was especially important in augmenting the interdependence of states is the '…fusion of national capital markets'. '… [And] the emergence of an integrated global economy'. Since states now no longer have sole control over their economies, they rely and depend on the collective governance of bodies like the International Monetary Fund (IMF) or the World Bank in order to regulate the international financial market. On the one hand, this new dependence provides the member-states with some sort of protection in case their economy gets into financial difficulties, but on the other hand this interconnectedness can also have negative effects as could be observed recently in the Economic Crisis. Consequently, the emergence of a global economy also increases the risk of states being affected by a crisis which may start off in one or two countries, but since these form part of the global economy, it quickly stretches out and can thus have detrimental effects on other states whose national economy might also be significantly smaller and thus suffer even worse.

Overall, it has been demonstrated, that globalisation has changed the international system quite significantly in so far as it made states far more interdependent and interconnected. The world is not a place of many different and separate countries anymore, but these states form almost one entity on many different levels. Problems do not arise isolated anymore and thus the solutions for these now also have to be found in collective action rather than individual responses. Intergovernmental Organisations, private sector bodies and global financial institutions – the products of globalisation – have taken the leading role in trying to solve these global problems and in creating a global market and economy. And by doing so, they have simultaneously brought states closer together and thus made them more dependent on each other.

Example

Globalisation: Impact on the Service Sector

The services sector, which includes everything from hairdressers to education to accounting and software development, is also increasingly affected by globalisation. Many service sector jobs are now under threat from outsourcing and offshoring, as global companies try to save money by shifting many functions that were once done internally.

What China has become to manufacturing, India has become to the new world of business process outsourcing (BPO) - which includes everything from payroll to billing to IT support.

Activity		
Q	**What are the characteristics of Globalisation?**	
A	**1. Liberalisation:** The freedom of the industrialist/businessman to establish industry, trade or commerce either in his country or abroad; free exchange of capital, goods, service and technologies between countries; **2. Free Trade**: Free trade between countries; absence of excessive governmental control over trade; **3. Globalisation of Economic Activities**: Control of economic activities by domestic market and international market; coordination of national economy and world economy; **4. Connectivity**: Localities being connected with the world by breaking national boundaries; forging of links between one society and another, and between one country and another through international transmission of knowledge, literature, technology, culture and information. **5. Borderless Globe**: Breaking of national barriers and creation of inter- connectedness **6. A Composite Process:** Integration of nation-states across the world by common economic, commercial, political, cultural and technological ties; creation of a new world order with no national boundaries;	

7. A Multi-dimensional Process:

Economically, it means opening up of national market, free trade and commerce among nations, and integration of national economies with the world economy. Politically, it means limited powers and functions of state, more rights and freedoms granted to the individual and empowerment of private sector; culturally, it means exchange of cultural values between societies and between nations; and ideologically, it means the spread of liberalism and capitalism.

9. Global State vs Global Civil Society:

In protest against the harmful effects of globalisation on the vast multitude of people all over the world, particularly in developing countries, protest marches, demonstrations and meetings have been organized in different countries. These protests have taken militant forms in the last decade. Protest groups have tried to disturb and paralyse the meetings of WTO, World Bank and IMF.

Advantages of Globalisation

1. Global Mass Media Ties World Together

The increased flow of communication has allowed global mass media to tie the world together. Global mass media has allowed vital information to be shared between corporations and individuals around the world.

2. Globalisation Increases Free Trade

Globalisation has increased the free trade between countries. The increased capital liquidity has allowed investors in well developed nations to invest in developing countries. Huge corporations from developed nations have great flexibility to operate in other countries.

Contributes to greater speed and ease of transporting goods and people.

3. Eradicates Cultural Barriers

Countries joining together economically through politics and education have reduced and can even eradicate cultural barriers, and increase the global village effect. Globalisation has been seen to be the medium to spreading democratic ideals to well developed nations, and greater independence to developing countries in the Global South.

4. Reduction of War

Reduction of war between well developed nations is probably one of the primary benefits of globalisation.

Disadvantages of Globalisation

1. Decrease Environmental Integrity

Globalisation has the potential to decrease the environmental integrity as polluting corporations from well developed countries can take advantage of developing nations weak regulatory rules.

2. The Search for Cheap Labour

Globalisation increases non-skilled and skilled jobs from developing nations to well developed countries as huge corporations seek cheap labour. This economic trend can also increase the likelihood of economic disruption in single nations, which could affect all nations.

3. Limits Cultural Expressions

Globalisation imposes threat to mass media being controlled by huge corporations. This could limit cultural expression. This means that mass media can be used by a handful corporations to pose risks in the cultural heritage of both well developed and developing nations.

Globalisation is a global economical trend that is here to stay. It has advantages and disadvantages, and these things will not disappear. People just need to know how to reap its benefits and reduce its risks. People must understand its impact globally, and work altogether to remedy the problems that may arise in the future. All countries in the Global North and Global South must work together to spread its benefits.

Globalisation Strategies adopted by organisations

Defender

- Companies adopt this strategy when they have little pressure to globalise their competitive possessions or assets and are customised to the local market.
- This is a defensive strategy and the main intention is to leverage local assets in the market segments where multinationals are weak.

Extender

- Companies that hold competitive assets that can be transferred abroad can use this strategy when the pressure to globalise is low.
- This strategy focuses on the expansion of markets that have similarities to the homeland of the company using the competencies already developed by them to cater to the homeland market.

Dodger

- Companies that have high pressure from Globalisation or are vulnerable to global competition and do not have a transferable competitive advantage have no other choice but to dodge competition.
- These companies focus on a locally focuses link in the value chain, enter joint ventures or sell out to multinationals.

Contender

- Companies that have competitive advantage that can be leveraged abroad and also have high pressure to globalise can compete aggressively in global markets.

- They focus on developing capabilities and resources to match multinationals worldwide

Example

Google : Listed as one of the Best Globalised companies to work for

Though Google has grown tremendously since its start up days -- the company hired 31.9% more employees this year than last -- the behemoth Internet company still operates like one in many ways, says an employee. 'The amount of direct exposure we get to leadership and the fact that the wellbeing of employees is held in such high regard [are both] incredible.'

With initiatives like 20% time (engineers are encouraged to spend 20% of their time brainstorming and developing new Google-related content, even if it never materialises), Googlers retain the innovative spirit that often gets lost as small companies grow into larger ones.

The company also provides mentoring programs for its workers: In Google to Googler (g2g) classes, employees train each other on technology, business, and personal interests, and in gWhiz, any Google employee globally can register to answer questions or provide mentorship on an area of expertise.

Activity

Q	What are the categories of the Impacts of Globalisation?

A	**Industrial Globalisation** Every country in the world is moving towards specialisation. Specialisation may be referred to as the phenomenon of producing only that product in which the country has competitive <u>advantage</u> in terms of cost, for example, Singapore specialises in pharmaceuticals while the US specialises in military equipment. Therefore, the countries exchange their industrial products, which is known as trade, and fulfil the requirements of their people. Every country of the world today is involved in trade and depends upon some other country one way or the other. The US is the biggest economy in the world and even that depends on other countries for many of its needs. Hence the industries of the world today are considered to be working not for their native countries but for the world as a whole. This is known as Industrial Globalisation. (Zeepedia.com, 2016) **Financial Globalisation** It may be defined as the emergence of worldwide financial markets and better access to external financing for corporate, national and sub-national borrowers. For example, the Tarbela Dam and the Mangle Dam projects in Pakistan were sponsored by foreign investors. They may be in the form of international organisations or independent investors. The IMF and the World Bank today give funds to various countries for developmental projects. We may say, that today the financial markets of the world have untied in such a way that finances are easily available throughout the world. This is known as Financial Globalisation. (Zeepedia.com, 2016) **Political Globalisation** This may simply be defined as the development of political interests of countries in other countries. (Zeepedia.com, 2016)

Informational Globalisation

This aspect of Globalisation has perhaps had the greatest impact on the world today. Sitting at one end of the world, you can have access to the information available in any other part of the world with just the push of a button. Internet, television, telephone, fax, etc. are some of the inventions that may be considered as apart of the informational Globalisation process where the information flow has dramatically increased between geographically remote areas of the world. (Zeepedia.com, 2016)

Cultural Globalisation

In the context of Organisational Psychology, this is another important aspect of Globalisation which refers to the growth of cross-cultural contacts. The cultures of the world have become similar and have had influence from one another in many ways. This has changed the environment of mankind and it is known as Cultural Globalisation.(Zeepedia.com, 2016)

Ecological Globalisation

The ecological dimension of globalisation examines the effects of global alliances on ecological issues. There is an inexorable link between all humanity and the planet Earth. The Industrial Revolution has caused many ecological problems, including resource and food shortages, overpopulation, reduced biodiversity, pollution, and climate change. All these problems are global — the result of aggregated human action — and require a coordinated response. However, there are still debates about the seriousness of ecological issues, and, whilst progress has been made, few multilateral measures have been implemented. This phase of globalisation has been severely damaging to the environment, and action is needed now.

Social Globalisation

Social globalisation pertains to human interaction within cultural communities, encompassing topics like family, religion, work and education.

Transportation Globalisation

Transportation Globalisation pertains to the advancements of the transport facilities all around the world today. Technological advancements have assisted the development of transportation.

Organisational Culture

Every human being has certain personality traits which help them stand apart from the crowd. No two individuals behave in a similar way. In the same way organisations have certain values, policies, rules and guidelines which help them create an image of their own.

Organisation culture refers to the beliefs and principles of a particular organisation. The culture followed by the organisation has a deep impact on the employees and their relationship amongst themselves.

Every organisation has a unique culture making it different from the other and giving it a sense of direction. It is essential for employees to understand the culture of their workplace to adjust well.

Introduction to Organisational Culture

Organisational culture includes an organisation's expectations, experiences, philosophy, and values that hold it together, and is expressed in its self-image, inner workings, interactions with the outside world, and future expectations. It is based on shared attitudes, beliefs, customs, and written and unwritten rules that have been developed over time and are considered valid.

Levels of Organisational Culture

The organisational Culture can be divided into 3 levels:

Artifacts

Espoused Values

Basic Assumptions and Values
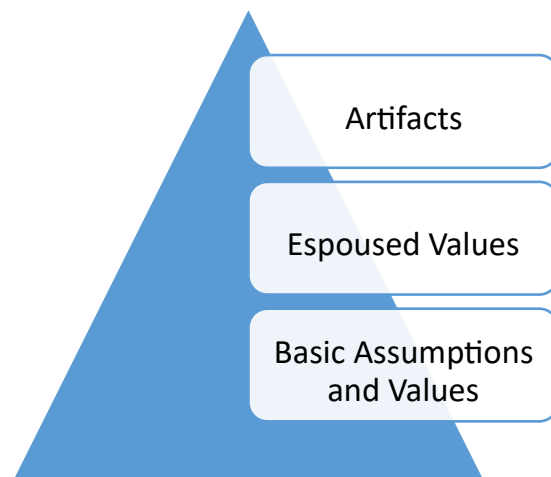
Artefacts

Artefacts are the most clear and obvious elements of the organisation. These include the things that any outsider may notice and include items such as furniture, office interior, dress code etc. Artefacts can be easily identified most of the time but can be difficult to understand.

Espoused Values

Espoused Values can be defined as the company's declared set of values and norms. Values impact on the way employees interact and represent the organisation. Most often, values are reinforced in public declarations, like the aptly named list of core values, but also in the common phrases and norms individuals repeat often.

Basic Assumptions and Values

Shared basic assumptions are the foundation of the organisational cultures as they include the beliefs and behaviours that are deeply carved which would sometimes go unnoticed. Basic assumptions are the hardest to see, but it's the basic assumptions of an organisation's culture that produce a real effect on the creativity of its members.

Example
Google: A Culture worth Emulating
Examining the cultures of other companies can help you create a list of desired attitudes and behaviours that you will seek in the people you hire. When you avoid hiring the wrong people, you can improve employee satisfaction and reduce turnover. Google is one of the companies you might consider emulating, especially if your business is involved in the technology field. The company has an informal product development process and gives staff members access to the cofounders and chief executive.

Activity	
Q	What are the characteristics of organisational culture?

A	**Innovation and Risk taking**
	Risks and returns are concepts that go together. Instances when a risk is taken, the possibility for returns is higher which is the same theory with innovation. Pioneering has its share of risks, but at times, it can also have a breakthrough outcome for the organisation. Thus, innovation and risk taking is one of the main characteristics of organisational culture defining how much room the business allows for innovation.
	Attention to Detail
	Attention to detail defines how much importance a company allots to precision and detail in the workplace. This is also a universal value as the degree of attention the employees are expected to give is crucial to the success of any business. The management defines the degree of attention to be given to details.

Outcome Orientation

Some organisations pay more attention to results rather than processes. It is really the business model of each business that defines whether the focus should be on the outcome or the processes. This defines the outcome orientation of the business.

People Orientation

This is basically emphasis on People. Companies that place a high value on this characteristic of organisational culture place a great deal of importance on how their decisions will affect the people in their organisations. For these companies, it is important to treat their employees with respect and dignity.

Team Orientation

It is a well established fact that synergistic teams help give better results as compared to individual efforts. Each organisation makes efforts to create teams that will have complementary skills and will effectively work together.

Aggressiveness

Every organisation also lays down the level of aggressiveness with which their employees work. Some businesses like Microsoft are known for their aggression and market dominating strategies.

Stability

While some organisations believe that constant change and innovation is the key to their growth, others are more focused on making themselves and their operations stable. The management of these organisations are looking at ensuring stability of the company rather than looking at indiscriminate growth.

Dimensions of Organisational Culture

Innovative Cultures

According to the OCP framework, companies that have **innovative cultures** are flexible and adaptable, and experiment with new ideas.

Aggressive Cultures

Companies with **aggressive cultures** value competitiveness and outperforming competitors.

Outcome-Oriented Cultures

The OCP framework describes **outcome-oriented cultures** as those that emphasise achievement, results, and action as important values.

Stable Cultures

Stable cultures are predictable, rule-oriented, and bureaucratic. These organisations aim to coordinate and align individual effort for greatest levels of efficiency.

People-oriented cultures

People Oriented Cultures value fairness, supportiveness, and respect for individual rights.

Team-Oriented Cultures

Companies with **team-oriented cultures** are collaborative and emphasise cooperation among employees.

Detail-Oriented Cultures

Organisations with **detail-oriented cultures** are characterised in the OCP framework as emphasizing precision and paying attention to details.

Service Culture

Service culture is not one of the dimensions of OCP, but given the importance of the retail industry in the overall economy, having a service culture can make or break an organisation.

Safety Culture

In organisations where safety-sensitive jobs are performed, creating and maintaining a **safety culture** provides a competitive advantage, because the organisation can reduce accidents, maintain high levels of morale and employee retention, and increase profitability by cutting workers' compensation insurance costs.

Activity

Q	Briefly describe the types of Organisational Cultures?

A	**Academy Culture:** Organisations following academy culture hire skilled individuals. The roles and responsibilities are delegated according to the background, educational qualification and work experience of the employees.
	Baseball team Culture: A baseball team culture considers the employees as the most treasured possession of the organisation. The employees are the true assets of the organisation who have a major role in its successful functioning.
	Club Culture: Organisations following a club culture are very particular about the employees they recruit. The individuals are hired as per their specialisation, educational qualification and interests.
	Fortress Culture: There are certain organisations where the employees are not very sure about their career and longevity. Such organisations follow fortress culture.
	Tough Guy Culture: In a tough guy culture, feedback is essential. The performance of the employees is reviewed from time to time and their work is thoroughly monitored.
	Bet Your Company Culture: Organisations which follow bet your company culture take decisions which involve a huge amount of risk and the consequences are also unforeseen.
	Process Culture: As the name suggests the employees in such a culture adhere to the processes and procedures of the organisation. Feedback and performance reviews do not matter much in such organisations.

Models of Organisational Culture

Organisational culture is a system of shared assumptions, values, and beliefs, which governs how people behave in organisations. These shared values have a strong influence on the people in the organisation and dictate how they dress, act, and perform their jobs. Every organisation develops and maintains a unique culture, which provides guidelines and boundaries for the behaviour of the members of the organisation. Let's explore what elements make up an organisation's culture.

Organisational culture is composed of seven characteristics that range in priority from high to low. Every organisation has a distinct value for each of these characteristics, which, when combined, defines the organisation's unique culture. Members of organisations make judgments on the value their organisation places on these characteristics, and then adjust their behaviour to match this perceived set of values. Let's examine each of these seven characteristics.

Power Culture

In an organisation with a power culture, power is held by just a few individuals whose influence spreads throughout the organisation.

There are few rules and regulations in a power culture. What those with power decide is what happens. Employees are generally judged by what they achieve rather than how they do things or how they act. A consequence of this can be quick decision-making, even if those decisions aren't in the best long-term interests of the organisation.

A power culture is usually a strong culture, though it can swiftly turn toxic. The collapse of Enron, Lehman Brothers and RBS is often attributed to a strong power culture.
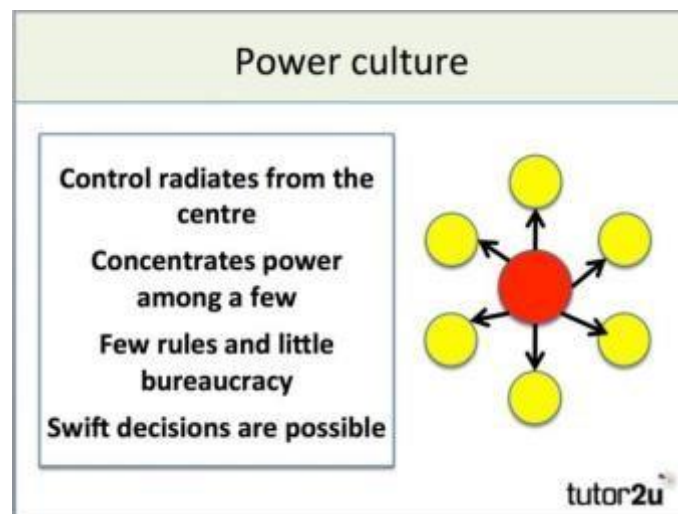
Culture

Organisations with a role culture are based on rules. They are highly controlled, with everyone in the organisation knowing what their roles and responsibilities are. Power in a role culture is determined by a person's position (role) in the organisational structure.

Role cultures are built on detailed organisational structures which are typically tall (not flat) with a long chain of command. A consequence is that decision-making in role cultures can often be painfully-slow and the organisation is less likely to take risks. In short, organisations with role cultures tend to be very bureaucratic. (Tutor2u.net, 2016)
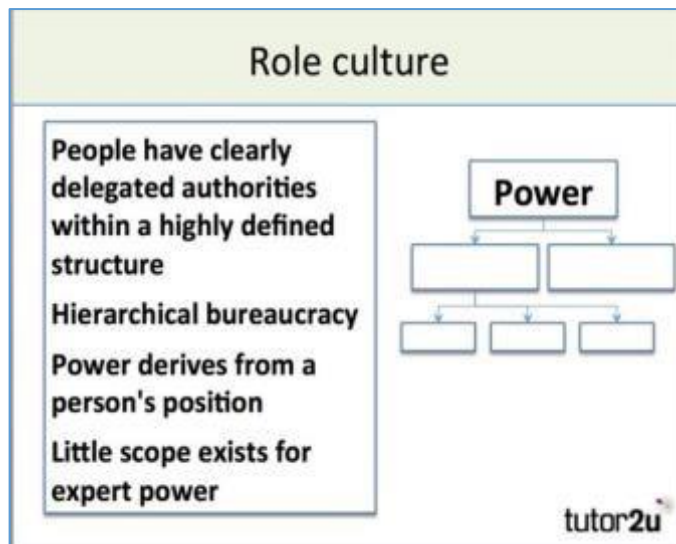
Task Culture

Task culture forms when teams in an organisation are formed to address specific problems or progress projects. The task is the important thing, so power within the team will often shift depending on the mix of the team members and the status of the problem or project.

Whether the task culture proves effective will largely be determined by the team dynamic. With the right mix of skills, personalities and leadership, working in teams can be incredibly productive and creative. (Tutor2u.net, 2016)
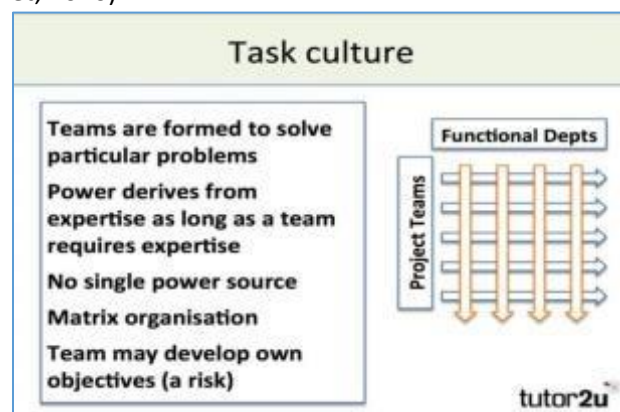
Person Culture

In organisations with person cultures, individuals very much see themselves as unique and superior to the organisation. The organisation simply exists in order for people to work. An organisation with

a person culture is really just a collection of individuals who happen to be working for the same organisation. (Tutor2u.net, 2016)
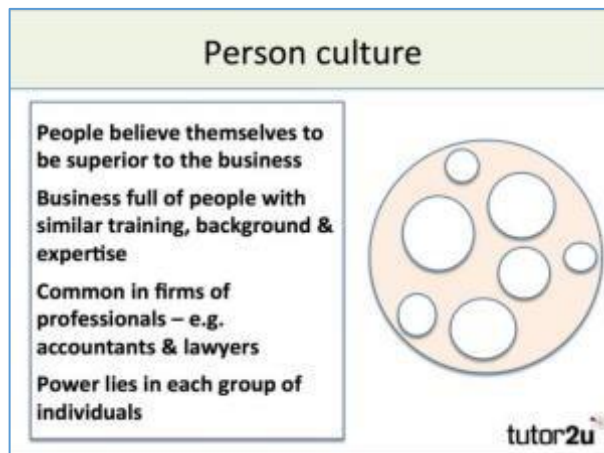
Hofstede's Dimensions of Culture

Power Distance-The degree of inequality among people which the population of a country considers as normal.

Individualism Vs Collectivism - The extent to which people feel they are supposed to take care for or to be cared for by themselves, their families or organisations they belong to. (Management.net, 2016)

Masculinity Vs Femininity - the extent to which a culture is conducive to dominance, assertiveness and acquisition of things versus a culture which is more conducive to peoples' feelings and the quality of life.
(Management.net, 2016)

Uncertainty Avoidance - The degree to which people in a country prefer structured over unstructured situations. (Management.net, 2016)

Long-term Vs Short-term Orientation - Long-term: values oriented towards the future, like saving and persistence, Short Term: values oriented towards the past and present like respect for tradition and fulfilling social obligations. (Management.net, 2016)

Hofstede's Dimensions of Culture (100 point scale)

more egalitarian	— Power Distance +	embraces hierarchy
collectivist	— Individualism +	individualistic
nurture more important	— Feminine/Masculine +	power more important
comfortable with ambiguity	— Uncertainty Avoidance +	ambiguity creates anxiety
put short-term goals first	— Long-term Orientation +	put long-term goals first
happiness can be bad	— Restraint/Indulgence +	happiness is always good

Example

Power Culture and Task Culture

Power culture is when one person has control over everything that goes on within the organisation. There is a central powerful figure, very few rules and systems, fast decisions and personal communications. An example of this would be Sir Alan Sugar's organisation where he is the central powerful figure. Most of the decisions are made by Sir Alan such as the wages, employee leave allocations and who is made redundant, and what products are sold.

Task Culture on the other hand is all about team work. When people come together to form a team in order to work on a project this means that each person in the team will have different skills to use in the project. No one has greater power or position than the other in such a culture. The task is key rather than individual roles. London 2012 Olympics adopted task culture as a lot of people worked together in order to get the project completed, and post this project there is a good chance they might not work together again.

Activity	
Q	Briefly describe Role Culture and Person Culture with examples?
A	**Role Culture** is based on structure with more rules and regulations to adhere to and bureaucracy. Work is dependent on the rules and regulations. Power is based on level hierarchy i.e. the job position. For instance a manager would have more power than a supervisor. Examples of organisations which use role culture are supermarkets like Waitrose or M & S. Each member of staff in Waitrose is assigned a specific job role such as shelf filler or till operator and this role is assigned by a person higher up in the hierarchy, eg: a manager or supervisor. **Person Culture** is the individual person and is the focus of the business. He/she has the authority to make all the decisions regarding the specific tasks or activities. The person will be using their own expertise and knowledge to complete tasks. Examples include doctors, surgeons, architects etc. who complete their work on their own.

Diversity and Organisational Culture

Workplace diversity refers to the variety of differences between people in an organisation. Diversity encompasses race, gender, ethnic group, age, personality, cognitive style, tenure, organisational function, education, background and more. Diversity not only involves how people perceive themselves, but how they perceive others. Those perceptions affect their interactions.

Cultural Diversity

For a wide assortment of employees to function effectively as an organisation, human resource professionals need to deal effectively with issues such as communication, adaptability and change. Diversity will increase significantly in the coming years. Successful organisations recognise the need for immediate action and are ready and willing to spend resources on managing diversity in the workplace now.

Gender Diversity

Gender diversity means the proportion of males to females in the workplace. It is a more even distribution or is the employee pool composed of mostly males or mostly females. This can have an effect on how people interact and behave with one another in the workplace and would impact culture and social environment.

Age Diversity

Age diversity means the proportion of aged people working in the workplace. Age diversity was also positively correlated with health disorders--but only in groups working on routine decision-making tasks. Gender composition also had a significant effect on group performance, such that groups with a high proportion of female employees performed worse and reported more health disorders than did gender-diverse teams.

Religious Diversity

Religious diversity is an important component of cultural diversity which educators are now taking seriously in their pedagogies. However, cultural diversity and religious diversity are often evaluated quite differently. In our society now, there is at least a polite and superficial consensus that cultural diversity is here to stay and may enrich life.

Language Diversity

Workplace diversity can lead to misunderstandings and miscommunications, but it also poses opportunities to improve both workers and organisations. Managers must be prepared to communicate effectively with workers of different cultural backgrounds and also generally be bilingual so that communication is effective and does not face any language barriers.

Example

Example of Religious Diversity in a workplace

The simple example might be a situation where an employer hosts an employee recognition lunch on a Friday afternoon. The menu consists of ham, roast beef or salami and cheese sandwiches, julienne meat salads, some champagne to start the celebration with a prayer, and soda. This may sound like a wonderful meal for some.

It may also be thought by the employer to be a wonderful way of showing appreciation. What is wrong with this picture? The employer is trying to say thank you to all employees? They have clearly purchased all the food. The employees should be appreciative and thankful for this, right? Wrong! The problem with this particular situation is that the Christian employees cannot participate because the event is held during Lent, and some don't eat meat. The Hindu employees cannot eat meat at all and will not enjoy the meal as much. The Jewish employees cannot participate because meat and cheese eaten together are not kosher. And the Muslims are not even present due to the event being held during a prayer time on a Friday afternoon.

Also, the Muslim employees would not be able drink the champagne since it has alcohol or to eat ham, salami or julienne meat salads. The luncheon sounded like a good idea. The best of intentions are now an arena of exclusion. Furthermore, the employer is now perplexed and cannot figure out what the problem is or why morale and performance will decline. This is a simple example of how an employer can have a good intention and manage to unintentionally discriminate against and offend a number of his or her diverse employees. Initially, employers must understand that there are millions of Muslims, Buddhists, Jews, Hindus and other non-Judeo/ Christians in the U.S. work force. Furthermore, billions of dollars have been spent in the United States since the 1960s to correct racial, ethnic and sexual discrimination in the work force. However, many employers remain extremely reluctant to address or discuss religious issues. Discrimination issues do not go away by ignoring them or through ignorance; in fact, they often grow very big, very fast, and can cause low morale and lawsuits.

Activity	
Q	**Briefly explain the importance of understanding organisational diversity**

A	**Mutual Respect –** Diversity enhances mutual respect among employees. Whether they work in teams with numerous work styles and with other members from different cultural backgrounds, a synergy is created between them. **Conflict Resolution –** Diversity enhances respect for co-workers and hence minimises conflicts in the workplace. Workplace diversity preserves the quality of employees' relationships with their co-workers and their supervisors. **Business Reputation –** Diversity assists in developing a greater reputation for the organisation leading to higher profits and opportunities for workers. **Job Promotion –** Diversity enables organisations to reach for new markets in different countries. Global markets create two opportunities for employees, that is the opportunity for promotion and for employee development. It further opens doors for employees with diverse language skills.

Inclusion & Diversity

Organisational Diversity refers to the variety of differences between people in an organisation. It encompasses race, gender, ethnic group, age, personality, cognitive style, tenure, organisational function, education, background and more. Diversity also involves how people perceive themselves, and how they perceive others. Those perceptions affect their interactions.

Benefits of Diversity in the Workplace

Increased adaptability

Organisations employing a diverse workforce can supply a greater variety of solutions to problems in service, sourcing, and allocation of resources. Employees from diverse backgrounds bring individual talents and experiences in suggesting ideas that are flexible in adapting to fluctuating markets and customer demands. (Multiculturaladvantage.com, 2016)

Broader service range

A diverse collection of skills and experiences (e.g. languages, cultural understanding) allows a company to provide service to customers on a global basis. (Multiculturaladvantage.com, 2016)

Variety of viewpoints

A diverse workforce that feels comfortable communicating varying points of view provides a larger pool of ideas and experiences. The organisation can draw from that pool to meet business strategy needs and the needs of customers more effectively. (Multiculturaladvantage.com, 2016)

More effective execution

Companies that encourage diversity in the workplace inspire all of their employees to perform to their highest ability. Company-wide strategies can then be executed; resulting in higher productivity, profit, and return on investment. (Multiculturaladvantage.com, 2016)

Challenges of Diversity in the Workplace

Communication - Perceptual, cultural and language barriers need to be overcome for diversity programs to succeed. Ineffective communication of key objectives results in confusion, lack of teamwork, and low morale.

Resistance to change - There are always employees who will refuse to accept the fact that the social and cultural makeup of their workplace is changing. The 'we've always done it this way' mentality silences new ideas and inhibits progress.

Implementation of diversity in the workplace policies - This can be the overriding challenge to all diversity advocates. Armed with the results of employee assessments and research data, they must build and implement a customised strategy to maximise the effects of diversity in the workplace for their particular organisation.

Successful management of diversity in the workplace - Diversity training alone is not sufficient for your organisation's diversity management plan. A strategy must be created and implemented to create a culture of diversity that permeates every department and function of the organisation.

Inclusion

The achievement of a work environment in which all individuals are treated fairly and respectfully, have equal access to opportunities and resources, and can contribute fully to the organisation's success.

Benefits of Inclusion in the Workplace

- **Attract new talent**
  Working teams that are diverse in their make-up are able to come up with a wider range of solutions to business problems. Inclusive workplaces that openly communicate their values and strategies on equality, human rights and inclusion are capitalising on this as they are able to attract a wider pool of applicants and talent. Candidates from minority groups may be put off applying for positions in organisations that do not make known their commitment to inclusion.

- **Retain productive and committed staff**
  Inclusive workplaces that understand the needs of their employees and make staff feel valued and respected also have greater success in retaining staff.

- **Create wider customer appeal and access to untapped markets**
  If your employees come from diverse backgrounds, and your company values are based around inclusion and fairness, your business has much greater potential to reach further into different sections of the community, appealing to a wider customer and supplier base.

- **Create culture change that spreads to communities**
  Inequalities and stereotypes spread into the workplace from the wider society outside its doors and societal barriers to equality, human rights and inclusion can be amplified in the workplace. But this process can also work in reverse, with cultural change within the workplace spreading outwards into the wider community, as colleagues learn more about each other and pass on this knowledge to others.

Disadvantages of Inclusion in the Workplace

- **Constant thought of fear in employees**
  Many employees might fear that they might fail at successfully and appropriately carrying out inclusion in their workplace.

- **Reluctance and lack of control over the work environment**
  Many employees might feel that they will not have enough control and be comfortable with the process of inclusion.

- **Lack of proper training**
  Lack of proper training and support from the perspective of the organisation on how to work effectively with other members such as employees with disabilities and what strategies they should use to meet their needs is necessary.

Example

Inclusion Cultures

The American school was located in a small city in New York State and served a student body that represented a range of economic and cultural diversity (European, African, Asian and LatinoAmericans). There were also children of new immigrants and refugees, many of whom had limited English language skills. The school in Portugal served an economically disadvantaged and culturally diverse district in Lisbon, including growing numbers of non-Portuguese speaking children who had arrived from former Portuguese colonies or as refugees from other African, Middle-Eastern and Eastern European countries. The British school was located in London and served a similar population with the majority of students being bi- or multi-lingual. Among these students were children who were immigrants and/or asylum seekers from East Asian, Middle-Eastern and African countries. In each school, children with disabilities and other special educational needs were educated in general education classrooms alongside their peers.

Activity

Q	What is exclusion and what are its disadvantages?

A	**Exclusion** can be defined as secluding an individual from the workplace or even bullying. This is also known as **Ostracism** which means exclusion from a society or group. A study has proved that over 70% of respondents said they had experienced some form of exclusion rather than harassment in the workplace. **Disadvantages of Exclusion** ◯ Reduced commitment ◯ Higher absenteeism ◯ High personnel turnover ◯ Lack of employee motivation ◯ Less creativity and vision ◯ Poor morale ◯ Adverse publicity and poor public image

Dealing with Exclusion

- **Create a policy.** Devise a policy that protects employees from bullying behaviour in the workplace.
- **Establish a code of conduct.** The code of conduct developed by the organisation should have clauses on the professional behaviour of employees.
- **Train managers.** Provide training to all managers on soft skills and workplace bullying and inform them about constructive ways to drive the behaviour they want.
- **Monitor behaviour.** Keep tabs on the behaviour of employees and address the problem directly when detected.
- **Watch controlling people.** People who are more driven towards controlling should be monitored closely.
- **Have a confidential way for employees to report a bullying problem.** Have a system in place for employees to directly report on issues with regard to bullying.
- **Educate everyone on respect.** All employees should be trained on how to respect others at the workplace.
- **Recognise employee's distress.** Be alert for any signs with regard to employee distress such as confusion, frustration etc.
- **Don't sweep complaints under the rug.** Investigate and treat complaints equally.
- **Document.** Keep note of any behaviour or incidents from employees with regard to bullying.

Power and its Consequences

Power is the measure of the degree of control you have over circumstances in your life and the actions of the people around you. It is a skill that is developed by a deep understanding of human nature, of what truly motivates people, and of the manipulations necessary for advancement and protection. Power works best when it is indirect — never coercing people; instead, getting them to voluntarily align with your interests.

Definition - Power

Power can be defined as the ability to influence or control the behaviour of others. It can also be defined as the ability of X to influence the behaviour and decision-making power of Y, despite the resistance on the part of Y. However, two conditions needs to be fulfilled in order to exercise power in an organisation.

The Conditions are:

1. That for power to be exercised there must be some actual behavioural change or decision implemented on the part of Party B.

2. If Party B is not resistant the behaviour required by Party B, there is no need for or evidence of power.

Power as Resource in Relationships

Power can be categorised into two sections based on the relationships:

- Downward Power (when a superior influences subordinates)
- Upward Power (When subordinates influence the decisions of the leader)

Bases of Power

Legitimate Power
Referent Power
Coercive Power
Expert Power
Reward Power
Informational Power

Legitimate Power

Legitimate power is power you derive from your formal position or office held in the organisation's hierarchy of authority. For example, the president of a corporation has certain powers because of the office he holds in the corporation.

Like most power, legitimate power is based upon perception and reality. It is based on the reality that a person holds a particular position in an organisation. It's also based on the perception of an employee that someone holding that position has authority to exert control over her. Legitimate power as a source of authority has one distinct advantage over many other sources of authority, which is that it is usually based upon some objective rule or law of the organisation.

Referent Power

Referent power in leadership is the ability of a leader to cultivate the respect and admiration of his followers in such ways that they wish to be like him. In other words, referent power is leading by example.

Referent power is based upon a leader modeling his behaviour to demonstrate appropriate conduct and decision-making. Employees will observe a manager's behaviour and act as they believe their managers would act in the same situation. In other words, you refer to what you believe the manager would do and do the same; the manager becomes a point of reference for your behaviour. You may not even know that you are modeling your behaviour after your manager.

As you can imagine, this type of power relies heavily upon the trust of employees in their manager and developing **employee empowerment**: allowing employees to make decisions in certain work situations. Trust and enabling employee empowerment takes some time to develop. Consequently, referent power may not work well in organisations with high rates of employee turnover.

Example

Referent Power - Example

Referent power derives from employees' respect for a manager and their desire to identify with or emulate him or her. In referent power, the manager leads by example. Referent power rests heavily on trust, it often influences employees who may not be particularly aware that they are modelling their behaviour on that of the manager and using what they presume he or she would do in such a situation as a point of reference.

The concept of empowerment in large part rests on referent power. Referent power may take considerable time to develop and thus may not prove particularly effective in a workforce with a rapid turnover of personnel.

One common error in applying referent power in cross-cultural situations, however, comes in misunderstanding the ways in which employees identify with their superiors. Since identification with one's superior in the United States is hampered by symbols of legitimate power (for example, titles or dress), those who advocate its use encourage managers to dress down to the level of their employees and use terms such as 'facilitator' and 'coach' coupled with 'associates' and 'group members' rather than 'boss' and 'subordinates.'

In societies such as Argentina or Mexico, symbols of legitimate power may not readily hamper identification, whereas American-style egalitarianism may diminish the respect employees feel for the manager. In short, U.S. employees are likely to identify with managers by personally liking them and feeling liked in return, whereas Argentine and Mexican employees are likely to identify with managers by respecting them and feeling respected in return. Thus, referent power may be more crossculturally variable than the other four bases of power laid out by French and Raven.

Activity	
Q	What are the advantages and disadvantages of Referent Power?
A	Referent power can be a big responsibility, because you don't necessarily have to do anything to earn it. So, it can be abused quite easily. Someone who is likeable, but who lacks integrity and honesty, may rise to power – and use that power to hurt and alienate people as well as to gain personal advantage. Relying on referent power alone is not a good strategy for a leader who wants longevity and respect. When it is combined with expert power, however, it can help you to be very successful.

Expert Power

Expert power is power based upon employees' perceptions that a manager or some other member of an organisation has a high level of knowledge or a specialised set of skills that other employees or members of the organisation do not possess. Expert power can actually turn power dynamics upside down because its use is not limited to the formal leaders of an organisation. Any member of an organisation who has a high level of knowledge or a set of specialised skills that others in the organisation do not posses may exert expert power.

Example

Expert Power - Example

Expert power rests on the belief of employees that an individual has a particularly high level of knowledge or highly specialised skill set. Managers may be accorded authority based on the perception of their greater knowledge of the tasks at hand than their employees.

Interestingly, in expert power, the superior may not rank higher than the other persons in a formal sense. Thus, when an equipment repair person comes to the CEO's office to fix a malfunctioning piece of machinery, no question exists that the CEO outranks the repair person; yet regarding the specific task of getting the machine operational, the CEO is likely to follow the orders of the repair person.

Expert power has within it a built-in point of weakness: as a point of power, expertise diminishes as knowledge is shared. If a manager shares knowledge or skill instruction with his or her employees, in time they will acquire a similar knowledge base or skill set. As the employees grow to equal the manager's knowledge or skills, their respect for the superiority of his expertise diminishes.

Activity

Q	What are the benefits of Expert Power**?**
A	When you have knowledge and skills that enable you to understand a situation, suggest solutions, use solid judgment, and generally outperform others, people will listen to you, trust you, and respect what you say. **As a subject matter expert** , your ideas will have value, and others will look to you for leadership in that area. What's more, you can expand your **confidence** , **decisiveness** and reputation for **rational thinking** into other subjects and issues. This is a good way to build and maintain expert power, and to improve your leadership skills.

Reward Power

Reward power is simply the power of a manager to give some type of reward to an employee as a means to influence the employee to act.

Rewards can be *tangible* or *intangible*. The key distinction between a tangible reward and an intangible reward is that tangible rewards are physical things, while intangible rewards are not. Examples of tangible rewards include monetary awards, wage or salary increases, bonuses, plaques, certificates, and gifts.

Intangible rewards can also be effective. Examples of intangible rewards include praise, positive feedback, recognition, more responsibility including a rise in status, and even a well-timed 'thank-you'. An obvious advantage to intangible rewards is that they can be as effective as tangible rewards and cost relatively nothing.

Coercive Power

Coercive power is the ability of a manager to force an employee to follow an order by threatening the employee with punishment if the employee does not comply with the order.

The most important concept to understand about coercive power is that it uses the application of force. It seeks to force or compel behaviour rather than to influence behaviour through persuasion. Examples of coercive power include threats of write-ups, demotions, pay cuts, layoffs, and terminations if employees don't follow orders. In order to be effective, the manager must be able to follow through on the threat. If failure to comply doesn't result in punishment, threat of punishment becomes meaningless and even counterproductive because employees may cease to respect the legitimacy of the manager's authority.

Example

Coercive Power- Example

Coercive power rests in the ability of a manager to force an employee to comply with an order through the threat of punishment. Coercive power typically leads to short-term compliance, but in the long-run produces dysfunctional behaviour.

Coercion reduces employees' satisfaction with their jobs, leading to lack of commitment and general employee withdrawal. In the United States, Canada, and Western Europe, coercive power has seen a decline in the last 50 years. Several reasons contribute to this, ranging from the legal erosion of employment-at-will and the awareness of employee violence or other forms of retaliatory behaviour.

Equally important as an effect on the receding popularity of coercion as a basis of power has been the influence of quality management theorists, such as Philip Crosby and W. Edwards Deming. They suggested that there is a decline in productivity and creativity when coercive power is employed. The use of coercive power results in an atmosphere of insecurity or fear. In spite of this insight,

coercion as a base of power continues to play a role even in those organisations influenced by theories of quality management.

In times of economic crisis or threats to the survival of the organisation at large, coercion may come to the forefront. Coercive power may also materialise as organisations attempt to streamline their operations for maximum efficiency. If employees must be fired, those who fail to conform to the organisational goals for survival will be the most likely candidates for termination. The threat of termination for failure to comply, in turn, is coercive power.

Q	What are the pros and cons of Coercive Power**?**
	This source of power is also problematic, and can be abused. What's more, it can cause **A** dissatisfaction or resentment among the people it's applied to. Threats and punishment are common coercive tools. You use coercive power when you imply or threaten that someone will be fired, demoted or denied privileges. While your position may allow you to do this, though, it doesn't mean that you have the will or the justification to do so. You may sometimes need to punish people as a last resort but if you use coercive power too much, people will leave. (You might also risk being accused of bullying them.)

Informational Power

Informational Power comes from a person who has access to valuable or important information. Information power is often earned within an organisation because it might not have anything to do with your title, department or position that you hold. It could just be that people confide in you, or that you have great listening skills. The interesting part of information power is not necessarily always knowing, but how we get the information. Today we have so much information on the internet, it's not about our ability to know the information off the top of our heads but to be able to sort and find what we need when we need it.

Informational Power - Example

Informational Power is where a person possesses needed or wanted information. This is a short-term power that doesn't necessarily influence or build credibility.

For example, a project manager may have all the information for a specific project, and that will give her 'informational power.' But it's hard for a person to keep this power for long, and eventually this information will be released. This should not be a long-term strategy.

Q	What are the benefits of Informational Power**?**
A	Having control over information that others need or want puts you in a powerful position. Having access to confidential financial reports, being aware of who's due to be laid off, and knowing where your team is going for its annual 'away day' are all examples of informational power. In the modern economy, information is a particularly potent form of power. The power derives not from the information itself but from having access to it, and from being in a position to share, withhold, manipulate, distort, or conceal it. With this type of power, you can use information to help others, or as a weapon or a bargaining tool against them.

Example

Legitimate Power - Example

Let us consider the case of armed forces of a country. In no other organisation is the chain of command and power structure so well-defined and strictly implemented. So this organisation is an excellent example of how legitimate power is exercised. In the army or any of the defence forces in any country, a commanding officer, literally has absolute control over the soldiers under his command. This is a consequence of legitimate power that he possesses due to his rank in the chain of command. The granting of such powers at every level in the chain of command is important if the army has to clinically achieve its goal and orders are followed to the letter. If the legitimate power of armed forces is not exercised properly, the chain of command will be in disarray. That way, compared to the army, what is called 'civilian life' is much more comfortable and the limits of power are not that welldefined or exercised.

Activity

Q	What are the other sources of Power?
A	**Formal authority** The simplest form of power is that vested in the position of 'manager'. A manager has subordinates who must do his or her bidding, only within legal and organisational rules. The basic employment transaction is 'we give you money, you do as your are told'. **Control of scarce resources** Other than directing employees, managers control budgets and the assets and other resources that the firm holds, from technology to people. **Use of organisational structure, rules and regulations** Organisations have hierarchies, departments, teams and other structures, often each with its own rules as well as the rules that govern the action within the organisation as a whole. **Control of decision processes** Work is selected and resources are allocated by decisions, many of which are decided in some form by groups of people. **Control of knowledge and information** Knowledge is power, as they say, and how you gather and distribute it is a source of power, whether it is technical or social information. **Control of boundaries** The structures and groups of the organisation are only so because they have boundaries which people cross in order to access resources and meet people. **Ability to cope with uncertainty** A quite different source of power is personal resilience, the ability to handle uncertainty and stress that might debilitate others. **Control of technology** Technology is (or should be) an enabler, providing data, analysis, information, access and other benefits. Those who control what technology is used by the organisation, or who gets the latest computers and software has significant power, and the person who used to be the 'IT Manager' may now be the 'Chief Information Officer'. **Interpersonal alliances, networks and control of 'informal organisation'** Who you know makes a lot of difference. We naturally help our friends and those who have helped us in some way in the past.

Control of counter-organisations
Not to every organisation is there an equal and opposite counter-organisation, but in the battlefield of businesses, whole ecologies spring up, include local opposition to factory expansion, trade unions seeking ever-increasing pay and benefits and so on.

Symbolism and the management of meaning
We live a lot, more than perhaps we realise, in the sway of the symbols and semiotics of the workplace. Symbols and meaning-making is a particular pattern of culture, and those who would change the underlying culture of an organisation can make use of these.

Gender and the management of gender relations
In a balanced workplace, around half the people are men and half are women. In practice, some women gravitate towards particular roles whilst men seek other work positions. There is also the power of sexual attraction, and tall and shapely people continue to make good use of their physical assets.

Structural factors that define the stage of action
The 'stage of action' in organisations is set up by the organisational purpose, vision, mission, strategy and other high-level shaping activities that lead to scenarios of activity, from driving into new markets to struggling with organisational change.

The power one already has
Last, but certainly not least, is the power of the individual. We can be charming, willing, obstinate and more. And we have feet we can use to leave the company at any time we choose.

Acquiring Power needed for Leadership

- Three dimensions of power and influence
    - Downward ○ Upward ○ Lateral
- Effective managers build and maintain position power and personal power to exercise downward, upward, and lateral influence.
- They build position power in the following ways ○ Increasing centrality and criticality in the organisation. ○ Increasing task relevance of own activities and work unit's activities.
    - Attempting to define tasks so they are difficult to evaluate.
- Managers build personal power in the following ways ○ **Building expertise -** Advanced training and education, participation in professional associations, and project involvement.
    - **Learning political savvy -** Learning ways to negotiate, persuade, and understand goals and means that others accept.

- o **Enhancing likeability -** Pleasant personality characteristics, agreeable behaviour patterns, and attractive personal appearance.

Reward Power

As a boss, the ability to provide your folks with rewards they value comes from your formal authority and position. Pay increases, bonuses, expense accounts, choice work assignments, better work schedules, status symbols (e.g. a large office) are a few examples of rewards that bosses control. Yukl (2010) gives the following six guidelines for using reward power:

1. Offer the type of rewards that people desire
2. Offer rewards that are fair and ethical
3. Don't promise more than you can deliver
4. Explain the criteria for giving rewards and keep it simple
5. Provide rewards as promised if requirements are met
6. Use rewards symbolically (not in a manipulative way)

Rewards work because people like them, but they should always be used with a clear understanding of their limitations. Rewards work well as a method to get people to comply, but they are less effective at building true commitment. Rewards are unlikely to motivate people to put forth any additional effort beyond what is required to complete the task and receive the reward.

Activity

Q	What are the positive and negative types of power?
A	**Positive Power** Positive power in an organisation involves encouraging productivity. This includes giving employees the power to make decisions, rewarding employees for strong performance and appointing employees who perform strongly to supervise other employees. Positive power builds employee confidence and motivates employees to work harder. It also results in those in higher-level positions gaining power through employee respect and communication, rather than coercive efforts. Employee retention rates are higher when employees are given the power to express concerns and work together in an organisation. **Negative Types of Power** When leaders in an organisation do not have the respect of the employees under them, they have a negative power. This type of leader motivates employees to perform by threatening them with job loss and other punishments or shows favouritism to certain employees rather than recognizing the hard work of multiple employees. Not only does the quality of work produced decrease under this type of power, but it leads to higher turnover rates in an organisation.