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CAIIB

Module-E

Human Resources Management

HRM Module E – Emerging Scenario In HRM

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CAIIB HRM Module E Unit 1- Contemporary Practices in Employee Engagement

Employee Engagement

- **'Employee Engagement'** is a workplace approach where an organization creates the conditions and situations in which the employees give their best each day and work more than their capability and potential which is really very difficult task.
- 'Employee Engagement' is the extent to which employees are motivated to contribute to organizational success, and are willing to apply discretionary effort (extra time, brainpower and effort) to accomplishing tasks that are important to the achievement of organizational goals.

The three components of engagement, namely:

- **Cognitive –** It is the belief that an employee has about his company and its values.
- **Emotional –** It is the feeling an employee has about his/her colleagues, supervisors.
- **Behavioural –** Is what the employees exhibits at work commitment.

Various Features And Characteristics Of 'Employee Engagement'

There are five basic characteristics of 'Employee Engagement':

- Engagement depends on physical, mental, and psychological state, level of support to company innovation policy and implementation of change on specific work area.
- Engagement is in direct proposition to efficiency and effectiveness of labour activity.
- Degree of engagement in work among each employee greatly varies even when a homogeneous group of employees are on the same job/functions.
- Employee engagement may have both quantitative and qualitative expressions.
- Engagement is employee desire and skill actively (for the benefit of the organization) within their professional duties.

Drivers of 'Émployee Engagement'

- People-centric Culture of the Organisation
- Collaborative and Inspiring Leadership
- Workplace Culture and being an 'Employer of Choice'
- Culture of Meaningfulness
- Level of Trust and Respect
- Exciting 'Work-Life Balance'
- Employees' emotional commitment towards Job
- Extent to which the employee derives enjoyment
- Feeling of Pride and Inspiration
- Well-entrenched Communication
- Timely Recognition and Rewards
- Effective and Assertive Intra and Inter Personal Relationships
- Commitment to Corporate Social Responsibility (CSR) activities
- Organisation's Values and Goals
- Organisation's Reputation

Strategies to Engage Gen 'Y' Employees

- **Encourage employees to speak up:** Keeping an "open-door" policy is essential. The more you foster an open, safe space for communication, the more likely it is that your staff will bring great ideas to the table.
- **Help employees to get socialize**
- **Inclusive mentoring:** mentoring involves a mutual liaison between the supervisors and the juniors; junior employees procure knowledge and skills, understanding of roles and guidance from the mentor; in return supervisor benefits through productive use of knowledge, recognition and sense of satisfaction.
- **Stimulating Career Development:** Career development is a process of development rendered by organizations in improving skills and knowledge, individual growth; enriching the present job and preparing for the future.

- **New and Innovative Learning Interventions:** Gen-Y prefer multimedia training and e-learning enhancing them laterally and vertically to acquire skills with in a multi-directional career system.
- **Fascinating Work Environment:** Gen Y employees have greater preferences for workplace with flexible and unconventional work environment; common space to collaborate; relaxation activities; technological connections and social media; friendly co-workers and fun atmosphere.
- **Techno-savvy Communication Channels:** Technology paves way for information dissemination in a faster pace in today's workplace.
- **Evolve a Creative Knowledge Sharing System:** organizations should evolve a creative platform for knowledge sharing by this generation employees. If Gen Y employees feel that they are being heard and their knowledge is regarded and respected it makes them to be more loyal and committed to their jobs.

'Work From Home'

Benefits

- Flexibility and agility
- Improved employee retention
- Attract new talent
- Increased productivity
- Enhanced employee motivation
- Improved staff health and wellbeing:
- Financial benefits

Demerits

- Lack of physical exercise
- Difficulty in implementing disaster/business continuity strategy and high monitoring cost of the manager
- Professional isolation and organisational identification
- Impaired Superior-subordinate relationship
- Plenty of distractions affecting productivity adversely
- Strained Inter-personal Relationships: Strained family Relationships

Strategies To Keep Employees Engaged When They Are Working-from-home (WFH)

Community building: It is useful for an organization to adopt these strategies:

- Create a virtual office for employees.
- Invest in the best video conferencing and collaboration tools.
- Create a forum for employees to share personal as well as professional updates.
- Assign collaborative tasks weekly, encouraging team members to work together and stay connected.
- Create virtual team activities like online multiplayer games, quizzes to keep up their morale and boost their moods.

- Adopted a virtual coffee break.

- **Robust Communication:** Frequent corporate leadership communication (creating an information hub) - daily, weekly, or as available is the need of the hour.
- **Meaningful Goal Setting:** Set clear deliverables and specific metrics that will enable you to track outcomes and measure results.
- **Timely recognition:** Recognition in the workplace is quite essential for the overall success of the organization. It fuels their zeal to do better and earn appreciation from their managers and peers.
- **Fun-filled engagement:** Conducting periodic culture/attitude surveys to check with employees about what employees are thinking, feeling and doing etc. is also a very effective engagement tools for WFH employees. Add elements of fun through gamification to make work more enjoyable.
- **Harnessing learning habits:** Many companies have invested in e-learning platforms and employees will be able to learn new skills and upskill their existing skills in the extra hours
- **Provide Support for Equipment and other Business continuity disruption**
- **Engage employees in CSR Activities:** it instills pride in employees to be associated with a brand that is helping the community.

'Hybrid Model' of Working

- **'Hybrid Model'**, is a model in which employees can work at the office or from home, or can mix it up during the working week. While some workdays may require the physical presence of all employees, other working time can be a mix of physical and virtual presence.
- There is no single "best fit" model that can be replicated by all organizations, but a "fit for purpose" model that needs to be evolved by every organization basis its own unique business models. In order to ensure a seamless and smooth transition from entirely remote work process to Hybrid arrangement, organisations need to plan and execute the change meticulously.
- Organisations need to figure out innovative strategies to keep employees engaged and suitably equip with the right policies for rewards and recognition for high performance and good work.

'U-WORK' & 'ÓPEN2U': New And Novel Employment Models

- **Hindustan Unilever (HUL)** is reported to have invented two new employment models that challenge traditional employer-employee dynamics **U-Work and Open2U.**
- **Under 'U-Work',** HUL employees can choose to be engaged with the company in a flexible way while getting financial security, retirement, and medical benefits. India is among the key markets where Unilever has rolled out U-Work. Under this, an employee is required to put in six weeks of work in a year.

- **The 'Open2U'model,** introduced specifically for India, allows gig workers, who are not employed with the company, to work on different assignments/projects and get a financial safety net and medical benefits.

CAIIB HRM Module E Unit 2- Organisational Culture & Creativity-New Imperatives

'Individual Culture' And 'Organizational Culture'

- **'Culture' is the set** of important understandings that members of a community share in common. It consists of a basic set of values, ideas, perceptions, preferences, concept of morality, code of conduct etc. which create a distinctiveness among human groups.

The four basic features of 'Culture' are:

- Every culture is unique.
- Cultures are triggers for spotting potential employees who will be a good fit for a particular job/role.
- Cultures are dynamic. They need to be grown and nurtured like any relationship. With the change in the organisations goal and mission, the culture might need to adjust and adopt.
- Some organizations can raise their internal cultures to become part of their external identity and set themselves apart.

These four features of 'Cultures' can provide required insight to define the term the 'organizational culture' more comprehensively. It reflects the employee experience, and it often determines whether companies win or lose.

'Organizational Culture' is the collective effect of the common beliefs, behaviours, and values of the people within a company. Organisational culture can also be defined as the philosophies, ideologies, values, assumptions, beliefs, expectations, attitudes and norms that knit an organisation together and are shared by its employees.

Organizational culture/corporate culture includes-

- The ways the organization conducts its business, treats its employees, customers, and the wider community.
- The extent to which freedom is allowed in decision making, developing new ideas, and personal expression.
- How power and information flow through its hierarchy
- How committed employees are towards collective objectives.

Features of Organisational Culture

- **Innovation (Risk Orientation):** Organisations with cultures that place a high value on innovation and encourage their employees to take risks and innovate in the performance of their jobs.
- **Attention to Detail (Precision Orientation):** This characteristic of organizational culture dictates the degree to which employees are expected to be accurate in their work. A culture that places a high value on attention to detail expects its employees to perform their work with precision.
- **Emphasis on Outcome (Achievement Orientation):** Organisations that focus on results but not on how the results are achieved emphasize this value of organizational culture.
- **Emphasis on People (Fairness Orientation):** Organisations that place a high value on this characteristic of organizational culture place great importance on how their decisions will affect the people in their organizations.
- **Teamwork (Collaboration Orientation):** Organisations that organize work activities around teams instead of individuals place a high value on this characteristic of the organizational culture. People who work for these types of companies tend to have a positive relationship with their coworkers and managers.
- **Individual Autonomy (Responsibility Orientation):** Another chief characteristic of Orgnisational Culture is to allow the employees enough freedom at work and provide enough opportunities to exercise initiative which instils high degree of responsibility, accountability and ownership to what they do.
- **People Centric (People Orientation):** The degree to which, management decisions take into consideration the impact of outcomes on people within the organisation.
- **Aggressiveness (Competitive Orientation):** This characteristic of organizational culture dictates whether group members are expected to be assertive or easygoing when dealing with companies they compete with within

the marketplace. Organisations with an aggressive culture place a high value on competitiveness and outperform the competition at all costs.

- **Stability (Rule Orientation):** Organisations whose culture place a high value on stability is rule-oriented, predictable, and bureaucratic in nature. These types of companies typically provide consistent and predictable levels of output and operate best in non-changing market conditions.

'Individual Creativity' And 'Organisational Creativity'

- **'Creativity' is defined** as the tendency to generate or recognize ideas, alternatives, or possibilities that may be useful in solving problems, communicating with others, and entertaining ourselves and others.
- **'Creativity' in the workplace** is increasingly viewed as an valuable organizational asset. The value of a creative workforce will only increase if and when the organizations resort to business expansion, continued and rapid changes in technology, increased competition for products and/or services, and regular changes to organizational structures, business strategies and work processes.
- **'Organizational Creativity'** has been defined as, the creation of a valuable, useful new product, service, idea, procedure, or process by individuals working together in a complex social system. It inspires employees to work with each other and encourages collaboration across the organisation.

There are six cultural characteristics that define an innovative Organisation:

- **Trust:** Among co-workers and also between the employer and the employee.
- **Integrity:** Employees know that their co-workers say what they mean and they mean what they say.
- **Respect:** Respect among the employees towards each other and also employer respects the employee and vice-versa.
- **Humility:** Employees accept each other feelings with all humbleness.
- **Faith:** Employees believe in their own abilities and have confidence to move forward.
- **Hope:** Employees are open to the possibilities that exist beyond their own experiences.

Factors Influencing 'Organisational Creativity'

- Organizational Climate
- Leadership Style
- Organisational Culture
- Resources And Skills
- Structure And Systems

'Individual Creativity' Vis-À-Vis 'Organisational Creativity'

- While all organizational creativity is a result of individual creativity but reverse is not true, i.e., all Individual Creativity is not of Organisation's. An organization must be efficient, productive and predictable whereas individuals may behave as they like according to situation or time and as such the individual behaviours are generally unpredictable.

Organisations should focus on three areas –

- **People,**
- **Environment and**
- **Processes.**

- **People:** Creative people are the sources of organizational creativity in as much as, organization is a congregation of people who work towards a common goal. Organizations need creative talents to foster innovation and creativity. People, being engine of innovation, organizational creativity can be maximized through increased individual creativity with the help of motivation.
- **Environment:** If the organization seeks to foster creativity it need to create certain physiological and physical comforts for its workforce, lest a new idea might be rejected and the status quo remains unchanged. Therefore, individual creativity has a huge advantage on organizational creativity in regards to the environment. Since, individuals working across the territories will have creative ideas such ideas/suggestions can be called through online platform.
- **Processes:** The process by which the organization manages the idea generation, congregation and analysis decides the quality and quantity of individual and organizational creativity. A good idea management process can help increase individual and organizational creativity. The biggest problem with individual creativity is their very nature of not scribbling their ideas when it struck to them and in their pursuit of recollecting at a later date, they will completely forget or decide not to do it at all. Hence, a robust and simple idea management platform, like Ideanote, can be used to solve this problem.

Distinction Between Creativity And Innovation

- Innovation and creativity go hand in hand; greater creativity is a clue to more innovations. Creativity is generating innovative and appropriate ideas, especially at individual level. Innovation is the procedure through which these concepts are taken, established, refined, settled, explained and finally executed and/or applied. Creativity makes innovation into a pipeline.
- **'Creativity'** is considered as a seed for innovation; motivate employees to generate generous ideas influence the psychological awareness of innovation in the organization.

The three extensive organizational factors in the creativity and innovation componential model that are related to creativity:

- Organizational motivation and support for innovation and creativity,
- Resources- everything the organization should have available to aid targeted work for innovation,
- Management practices, acknowledged the extent of job environment which linked to organization creative activities.

Essential Qualities Of A 'Creative Leader/Manager'

- **Urge to acquire new knowledge:** Habit of constant questioning as to 'how' and 'why' of things, Strong passion and interest to think out-of-box, Ability to think creatively, An inherent urge to gauge and evaluate people in terms of their motives and attitudes etc.
- **Compassion:** Passion to meet different people with vivid knowledge and sensitivity, empathy and compassion for those in distress, responsiveness to delicate aspects/things.
- **Involvedness:** Potent with maturity and forward-looking, Being a visionary, Having capability to evolve appropriate solutions.
- **Boldness:** Calculated risk taking, passion for starting own ventures/projects, aiming big, having confidence on his/her own abilities/capabilities.
- **Autonomy/Freedom:** Questioning the status quo, open to others' views but keeping decision with self, emphatic putting forth of viewpoint, forceful assertion and venting of feelings.
- **Flexible:** Confidence in managing conflicts and crisis, faster adoption to the change and new challenges.
- **Self-reliance:** Confidence in operating in unfamiliar situations, tendency to take on challenging tasks, determination in reaching the set goals and accomplishing the projects/tasks.

Strategies To Create An 'Ethical Organisational Culture'

The following are some of the strategies to create an 'ethical culture' in organizations:

- **Management's visible Role-Modeling:** Role-Modeling is critical for an ethical culture to take a start in organizations. Employees look to the behavior of top management as a model of what's acceptable behaviour in the workplace. Thus, organizational leaders must practice what they preach and be sure that they model for others the desired behaviors that they wish to nurture within their organizations.
- **Communicate clearly the do's and don'ts on ethical expectations:** Ethical ambiguities can be reduced by creating and disseminating the code of ethics across the organization. It is important for employees to know what constitutes ethical behaviour and what does not. Therefore, it is important to evolve, formulate and disseminate a code of ethics among all employees.
- **Offer ethical education/training:** Organizations should set up seminars, workshops, town hall meetings and such other ethical training programmes. Innovative digital and online social media educational platforms like Intranet, Whatsapp, Facebook, postersetc may be used so as to create more awareness among Gen Y employees. Use these training sessions to reinforce the organization's standards of conduct, to clarify what practices are and are not permissible, and to address possible ethical dilemmas.
- **Focus on Ethical Skill Building and Problem Solving abilities:** organizations should focus their attention on developing ethical skills and problem-solving

techniques. If an organization wants to create a culture of ethics they must be sure that members have the tools that they need to do so. These include adequate and appropriate training, consultation, modeling, and supervision. These tools also include being able to bring internal and external to the organization experts in to engage staff at all levels of training and problem solving as well.

- **Rewards and Punisment: T**here should be proper and fairly drawn policies and procedures for rewards for high compliance of code of ethics and punishments for non-compliance. If violating the code does not attract serious consequences to all levels of workforce regardless of their position and status, it will not be visible as important.
- **Foster an open culture:** Fostering a culture of openness potent with emphasis on bringing out truth irrespective of position and status, is very critical to the creation of an effective ethical culture. Top Management should do everything in their power to encourage a open culture and investigate all allegations that come to them. Whistle-blowers help bring vision to the wilfully blind; the messages they send should never be ignored or suppressed.
- **Provide safe and protective mechanisms:** The organization needs to provide formal mechanisms so that employees can discuss ethical dilemmas and report unethical behavior without fear of reprimand. This might include creation of ethical counselors, ombudsmen, or ethical officers.
- **Provide Corrective feedback:** Another basic and important principles of fostering ethical cultures is to provide immediate corrective feedback. Unless organizations offer timely and thoughtful corrective feedback regarding ethical behaviour of individuals, they cannot create a robust culture of ethics. Reinforcement for high ethical behaviour and timely corrective feedback for undesirable behaviour is vital to help create and sustain a culture of ethical behaviours and cultures in organisations.

CAIIB HRM Module E Unit 3- 'Corporate Sustainability & 'Green HRM'

Corporate Sustainability

- **'Corporate Sustainability'** is an approach aiming to create long-term stakeholder value through the implementation of a business strategy that focuses on the **ethical, social, environmental, cultural, and economic dimensions of doing business.**
- It is the strategy whereby a business delivers its goods and services in a manner that is both environmentally sustainable and supports its economic growth. It can be considered as the process of organizational change, i.e., sustainability driven change. The purpose of this change is to move the organization to the state in which equally distributed attention to economic, social, and environmental concerns is incorporated into its strategy.
- Corporate sustainability helps mitigate risks, build brand reputation, increase revenue, reduce costs and attract investment.

Three Pillars of 'Corporate Sustainability'

Difference Between 'Corporate Sustainability' and 'Corporate Social Responsibility'

S.No.	Key factor	Difference between	
		Corporate Social Responsibility	Corporate Sustainability
1.	Concept	It is more about ***compliance*** than business.	It is all about ***business*** but not on rudiments.
2.	Applicability	It focuses more on the ***present.***	It focuses more on ***future*** and remain viable for years to come.
3.	Scale	It is a much ***broader concept***.	It is ***an integral part*** of CSR.
4.	Vision	It often ***looks backward*** and reflects on what a company has done to contribute to society.	It ***looks forward*** and develops a sustainable strategy for the future.
5.	Target/Focus	Its target is ***opinion formation*** (e.g., media, politicians, and pressure groups).	It looks at the ***whole value cha***in (i.e., everyone from end-consumers to stakeholders).
6.	Motivation/ Driving Force	Is to ***protect a company's reputation***.	More to do with ***creating new opportunities for emerging markets***.
7.	Management	It is managed by ***communications team.***	It is managed by ***Operations & Marketing vertical.***

Strategic HRM

- **'Strategic HRM'** is defined as the practice of aligning HR practices with organizations' business strategy to achieve its set goals. When business goals or objectives are concerned, it aims to ensure that HR strategy is not a means but an end in itself i.e., HR should effectively deliver the business.

- **Strategic HRM** is the alignment of human resource practices throughout the organizational structure, organizational culture, work performance, and the internal and external environments. It is the integration of HRM with organization's strategy by pay for performance management, the employees' competences in terms of knowledge, skills, abilities, that is also known as human capital. It includes training and skill development, hire and select the right person for job fit.

Sustainable HRM

- **'Sustainable HRM' (STHRM)** is the adaption of HRM strategies and practices that enables the achievement of financial, social and ecological goals, with an impact inside and outside of the organization and over a long-term while controlling for unintended side effects and negative feedback.

Features of 'Sustainable HRM'

- It is an inclusive approach to action recognising decisions in organizations that affect the lives of all persons concerned.
- It commits to refraining from pursuing short-term cost-driven HRM practices that are unfavourable for employees and their families or communities and promotes proactive steps to develop mutually beneficial and regenerative relationships between employees and different resource providers.
- It is a collaborative HR development facilitating employee participation, open communication, work roles, and performance evaluation focused on building employee strengths and facilitating performance.
- It also promotes trust between employees and managers in a given situation.
- It supports the environmentally-friendly organizational practices and organization's sustainable development strategy.
- It emphasizes fair treatment, development, and the well-being of employees.
- It contributes to building the skills, value, and trust of employees and increases their engagement in sustainable development.
- It focuses on the well-being of the internal customers (employees) and external customers
- It seeks to achieve positive human or social outcomes by the implementation of sustainable work systems, and thus facilitates employees' work-life balance without compromising performance.

Various Forms of Sustainable HRM

Socially Responsible HRM

- In its early stages of its evolution, Sustainable HRM was termed as 'Socially Responsible HRM'. In fact, most-earlier stage of Sustainable HRM was in the form of **'Soft HRM'** which focussed on the primary role of conserving Human Capital. This form of sustainable HRM in the stage of '**Soft HRM' is defined by Thom and**

Zaugg (2004) as - those long-term oriented conceptual approaches and activities aimed at socially responsible and economically appropriate recruitment and selection, development, deployment, and release of employees.

- In a later stage of evolution of 'Sustainable HRM' is the '**Socially Responsible HRM'** as observed by Shen and Benson (2016) which he understood 'Socially Responsible HRM' as not only an important part of a company's sustainability or CSR strategy but also as an implementation tool.
- The purpose of implementing **Socially Responsible HRM** is to minimize negative impacts on business and to reduce business risks. The purpose is not to improve the life of employees in supply chains, instead to manage the economic risks associated with people management practices in the supply chain. Thus, indirectly, the social purpose serves the economic purpose.

Green HRM

- **'Green HRM' is primarily concerned with environmental sustainability** in business organizations. Green HRM conceptually seeks to align the resolve of the countries across the world to save the environmental wealth and to overcome the increased negative impact of global warming etc.
- Green HRM practices such as green hiring (e.g., hiring the individuals qualified in courses that impart environmental knowledge), and green compensation (e.g., linking bonuses and perks with the achievement of environmental goals) etc., have been shown to have a significant impact on sustainable success of Green HRM.

Triple Bottom-Line HRM

- **Triple Bottom Line HRM can be defined as HRM function** characterized by the **maximization and balancing of economic, environmental, and social organizational goals.**
- This approach advocates that a broader understanding of Sustainable HRM is possible when HRM is regarded as a generic approach to people management that focuses on both employee-oriented practices (such as employee well-being or involvement) while also considering the impact of HRM on its social and ecological environments (such as resource regeneration) and/or ecological goals.
- In comparison with earlier two forms, Triple Bottom-line HRM redefines performance in win-win-win terms of "people, profits, and planet" shared-values, and multidimensional outcomes.

Common Good HRM

- Common Good model assumes that it is the primary responsibility of business to make an effective contribution to resolving the sustainability challenges that are being faced by the society.
- Common Good HRM has the impact on the purpose, concerns, and output of HR.
- It necessitates that organizations review not only their operational procedures and practices with regard to regulatory compliance, but also to radically review their traditional profit oriented viewpoint.

- It focuses more on environmental and societal impact, thus reversing the business perspective from inside-out to outside-in.
- Instead of focusing on an economic purpose, the primary purpose of Common Good HRM is to support business leaders and employees in contributing to ecological and social progress in the world.

'Green HRM' Practices In Banking Industry

- Green management in Banks is a process whereby the concerned Bank handles the environment by developing a robust environmental management policy under which banking has to attain an equilibrium between its mandatory banking role and conserving nature and environment for future generations.

HR areas in which the Green movement can be envisaged, thought of and can be implemented in Indian Banks are as follows:-

Green Recruitment & Selection:

- '**Green recruitment' means** pap-free recruitment process with minimal environment impact i.e., online telephonic or may be video calling – using Skype or such other technological means.
- It includes a process of hiring prospective employees who are skilled and qualified in corporate sustainability process, environmental issues and also familiar with the knowledge and issues on preservation and sustainable environmental policies.
- Green HRM that enabled the Banks to attract a pool of environmentally responsible candidates by focusing on environmental knowledge and motivation. In addition, it led to the creation of a green workforce that successfully and effectively contributed to the ecological practices of the Banks.

Green Training and Development

- **Green Training & Development'** focuses on developing of employee's skills, knowledge and attitudes towards environment management. It makes the change in working methods that decrease wastage, proper utilization of resource, conservation of resources and reduce the use of less available resources.
- Many Banks are providing training related to green policies to their employees to help them to reduce carbon footprints. The green training and development aims to educate employees about the values of environmental management, reduce waste, environmental problem solving techniques and strategies and diffuse environmental awareness in the banking organization.

Green Performance Management

- The basic objective of the Performance management (PM) system in green management in Banks is to measure ecological performance standards through different departments of the organization and achieve useful information on the green performance of employees and officers.

- Green Performance Appraisal is employee performance appraisal of how well they are making progress towards a green environment. It is important to communicate green schemes to all levels of staff and officers/ employees can set green targets and responsibilities.

Green Compensation and Reward Management

- As a part of the Bank-specific incentive systems, monetary, non-monetary and recognition based environmental reward systems and monthly/ quarterly bonuses can be provided based on performance outcomes in green goals and environmental balance. Use of e-vehicles, carbon emission standards and regeneration sources of energy are the key consideration for executive incentive payment as an appreciation of green efforts.

Green Employee Relations

- Employee participation in Green initiatives increases the chances of better green management as it aligns employees' goals, capabilities and perceptions with green management practices and systems. Involving employees in Environmental Management activities will have advantages such as efficient resource usage, reducing and recycling waste and decreased pollution from workplaces etc
- Adaption of Green HRM will help in creating awareness and generating new ideas on the eco-friendly practices in Banks. This gives scope to encourage employees and their families to get connected in environmental tasks. The awareness of Green HRM in Banking Industry is steadily being uncovered as some of the reputed organizations have been instituting '**Green Awards'** to those Banks and Financial Institutions who have excelled in rolling out environmental-friendly activities in their organizations.

Other Initiatives Towards 'Environmental Management' as a Part of 'Green Endeavours'

- **Adapting paperless Banking even in HR functions –** Extensive use of HRMS encompassing almost all employee benefit schemes like - online leave applications, applying and approving of medical and hospital claims, online performance appraisals, online applications for promotions, placements and transfers, soft copies of Board Memoranda and other conference materials, extensive use of Corporate e-mails, Mobile conversations etc in place of paper correspondence, displacing paper files etc.
- **Virtual meetings** and Video conferences, Teleconference, Zoom Meetings, virtual interviews for promotion and recruitments (wherever feasible) thereby avoiding physical travels.
- **Encouraging Car pooling/sharing facilities** especially to those executives who have been provided with Bank's cars, Purchasing electrical vehicles/cars and providing them to eligible officers/executives.
- **Green Auditing -** Introducing online auditing of bank books, conducting internal energy audit in the organization.

- **Green Energy –** Recycled solar energy to light bulbs and heat water and efficient electrical appliance such as 5 star rated air conditioners, water and energy products etc., Improved insulation, installing timers to automatically turn off the lights, Installing solar energy plants, Replacing energy-intensive bulbs/tube-lights with LED bulbs and tubes, Reducing the brightness of the computer screens.

Advantages of Green HRM

- It builds a strong socially responsible brand image and recognition, increased workforce productivity, efficiency, motivation and employee retention.
- It creates environmental friendly organizational culture and work climate, the increased efficiency of various resources.
- It aims to increase workers' engagement in a work environment that allows the company to function in an environmentally friendly manner.
- It helps for formation of positive corporate image and increased economic and eco-performance.
- It can support organizations to minimize expenses without losing talent.
- It gives competitive advantage to the business by increasing customer confidence in the business. It develops a culture of concern for the holistic wellbeing of fellow employees.
- It can be used to create good public relations if an organization adds a green initiative to its workplace.
- It will be useful to reduce the organisation's carbon footprint by means of less printing of paper, video conferencing and interviews, etc.
- It enhances business opportunities as some government companies and non-profit organizations will purchase products and services from those companies that meet the green standards.
- Company reputation increases in the Public as the organisations that adopt green standards will gain more publicity.

CAIIB HRM Module E Unit 4-HR Analytics', 'HR Entrepreneurship' & 'AI-based HR Solutions': New HR Trends For Future

HR Analytics

- **'HR Analytics'** is the process of collecting, processing, transforming and managing HR related data which is the further put to analytical data models and the process of analytics focuses on connecting human resources practices to strategic business plans and to achieve desired goals.
- Human Resource Analytics (HR Analytics) is defined as the area in the field of analytics that deals with people analysis and applying analytical process to the human capital within the organization to improve employee performance and improving employee retention.

It is a methodology for creating insights on how investments in human capital assets contribute to the success of four principal outcomes:

- Generating revenue,
- Minimizing expenses,
- Mitigating risks, and
- Executing strategic plans.

Difference between 'HR Analytics', 'People Analytics' and 'Workforce Analytics'

- **'HR Analytics'** basically deals with the metrics of the HR function like – Key Performance Indicator (KPI), employee turnover, time to recruit, training expense per employee, and promotion cycles etc. All these metrics are administered and managed exclusively by HR function for the people ie., Human Resource. **'Human Analytics'** is a most powerful tool which helps to determine and validate decisions that illustrate the driving forces behind individuals‟ and group behaviours and performance."

- **'People Analytics'** instill the approach of measuring and analyzing all the information and data relating to employees, shareholders, customers, suppliers etc. and inter-twine it together to aid and improve the quality of decisions and business excellence and performance.
- **'Workforce Analytics'** although refers to 'employees' but it encompasses all types of employees i.e., regular employees, on-sight employees, remote employees, freelancers, consultants or any other individuals working in any capacity in the organization and also make scope for future inclusion of AI and robots that will potentially replace current jobs within an organization. Data on employee productivity and performance informs both HR and workforce analytics, and the goal is to improve retention rate and enhance the employee experience.

HR Metrics vs HR Analytics

Aspect	HR Metrics	HR Analytics
Concept	HR Metrics are typically associated with operational measures and numbers the organizations to track. They are generally used to analyze performance, efficiency and the impact of certain practices or changes.	HR Analytics imply analyses and decision making and mainly focus on comparing variables to guide future decisions. Often, the focus is on developing business measures that can predict future outcomes, allowing the organizations to anticipate the impact of individual decisions in advance.
Objective	HR Metrics are what the organization measures to gauge performance or progress within a company or organization. They are key figures that help firms to analyse their human capital and measure how to find ways to utilize their human resources. They also used to determine the effectiveness and efficiency of HR policies.	HR Analytics use HR metrics to help the organization make decisions about how to move forward also to help to track effectiveness of metrics on HR and business outcomes.
Scope	HR Metrics restrict its scope only to reveal as to what is happening, or has recently happened, based on hard data. HR Metrics are measurements.	HR Analytics, like HR Metrics, are also based on hard data. But they look beyond the numbers and to try to find out as why something is happening and what the impact of what's happening, its reasons and links that may otherwise be difficult to identify or spot.
Illustration	Examining the number of turnovers in a particular vertical/section and calculate it as a percentage to total workforce in the particular vertical/ section.	Finding common reasons for employees who leave the organization and to create a plan to remedy the reasons that may prompt other workers to adapt the same path.

Broad Areas of Application of 'HR Analytics'

Types of 'HR Analytics'

- HR Analytics used by businesses are **Descriptive Analytics**, which focuses on what has happened in a business**; Predictive Analytics**, which focuses on what could happen; and **Prescriptive Analytics**, which focuses on what should happen.

Descriptive Analytics:

- It is a used form of data analysis whereby historical data is collected, organized and then presented in a way that is easily understood.
- It is focused only on what has already happened in a business and, unlike other methods of analysis it is not used to draw inferences or predictions from its findings. It is, rather, a starting point used to inform or prepare data for further analysis down the line.
- Descriptive Analytics uses two key methods, **Data Aggregation and Data Mining,** to discover historical data. Data Aggregation is the process of collecting and organising data to create manageable data sets. These data sets are then used in the data mining phase where patterns, trends and meaning are identified and then presented in an understandable way.

Advantages and Disadvantages of Descriptive Analytics

- ➢ Since Descriptive Analytics relies only on historical data and simple calculations, this methodology can easily be applied in day-to-day operations, and its application doesn't necessarily require an extensive knowledge of analytics. This means that businesses can relatively quickly and easily report on performance and gain insights that can be used to make improvements.
- ➢ Descriptive Analytics has the obvious limitation that it doesn't look beyond the surface of the data – this is where predictive and prescriptive analytics come into play.

Predictive Analytics:

- Predictive Analytics focuses on predicting and understanding what could happen in the future. Analysing past data patterns and trends by looking at historical data and customer insights can predict what might happen going forward and, in doing so, inform many aspects of a business & HR, including setting realistic goals, effective planning, managing performance expectations and avoiding risks.
- Predictive Analytics is based on probabilities. Using a variety of techniques – such as data mining, statistical modelling and machine learning algorithms – it attempts to forecast possible future outcomes and the likelihood of those events.

Advantages and Disadvantages of Predictive Analytics

- ➢ Predictive Analytics can help talent acquisition teams determine if someone will be a good cultural fit for the organization before they're hired. It could even provide estimations on how long the person will stay with the company.
- ➢ Predictive Analytics can also improve many areas of a business, including – Efficiency (including inventory forecasting), Customer Service, Fraud detection and prevention, Identifying possible security breaches in HR that require further investigation and Risk reduction which might mean improved candidate screening. With the help of Predictive Analytics, HR specialists can augment

background checks, Forecasting employee turnover, Workforce planning etc. This method of analysis relies on the existence of historical data, usually large amounts of it.

Prescriptive Analytics:

- Prescriptive Analytics provides recommendations on what to do based on predictions and what has occurred in the past. If descriptive analytics tells you what has happened and predictive analytics tells you what could happen, then prescriptive analytics tells you what should be done.
- It calls businesses to action, helping executives, managers and operational employees make the best possible decisions based on the data available to them.
- Prescriptive Analytics could even help determine how to properly onboard new hiring, based on their skills and strengths, and across the employee life cycle.

Advantages and Disadvantages of Prescriptive Analytics

- ➢ Prescriptive analytics, when used effectively, provides invaluable insights in order to make the best possible, data-based decisions to optimise business performance.
- ➢ This methodology requires large amounts of data to produce useful results, which isn't always available. Also, machine learning algorithms, on which this analysis often relies, cannot always account for all external variables. On the flip side, the use of machine learning dramatically reduces the possibility of human error.

Steps Involved in 'HR Analytics' Strategy Implementation

- **Framing questionnaire on Business/HR:** This one is the initial step to explain as to what is the business reason to undertake this analysis. A clearly framed and well-defined business questionnaire ensures the exact purpose of undertaking the analytics work.
- **Building Hypothesis:** Building and clarifying a hypothesis or assumptions is important for "testing" beliefs about the causes of business issues.
- **Gathering data:** The data gathering step requires identifying the most relevant data for testing the hypotheses and determining whether data quality is sufficient to proceed. Decisions need to be taken as to whether to gather existing data, collect new data, or do both.
- **Conducting Analysis:** This is the step where the methodology and statistics are applied to data to test the hypotheses and provide the basis for insights. Without performing analysis, patterns in data will never be discovered.
- **Revealing Insights:** HR Analysts must uncover insights because if analysts present only data and analysis without insights, organization and executives might draw their own conclusions to best fit their preconceptions which may defeat the very purpose of the exercise.
- **Providing Recommendations:** A well-articulated recommendations on what the business / HR leaders need makes a great impetus for change. Some Analytics

projects fail at this stage simply because recommendations are not expressed clearly.

- **Putting Your Point Across:** Experienced practitioners and leaders use storytelling and carefully consider their visualizations to create the desired impact of their recommendations and/or the pointed message.
- **Implementation And Evaluation: I**t ensures that decisions are made as a result of your project. It formulates actions for implementation based on those decisions. It facilitates evaluating the project against whether it returned value to the organization.

Advantages of 'HR Analytics'

- **To make better HR decisions:** An important role of HR analytics is to provide access to critical data and insights about the workforce which can be then analyzed for making better decisions.
- **To ensure better Quality of Hire:** Running machine learning algorithms on jobseeker's data allows organizations to identify the best matching talent for a vacant position, thus improving the quality of hire.
- **Employee Retention:** HR analytics helps identify the departments /sections suffering from the maximum attrition and the reasons for it.
- **Transforming HR as a strategic business partner:** HR professionals can provide business leaders with verifiable data to back their talent hiring, retention and engagement policies.
- **Help to predict the hiring needs:** Using HR analytics, one can predict the skills and positions which are needed to improve business performance.

Disadvantages of 'HR Analytics'

- **Security issues:** Since HR deal with huge amount of sensitive and confidential data, security and privacy are two main concerns. Any HR analytics system which handles this data must be designed to prevent any unauthorized access. There have to be multiple levels of access and the system must be constantly monitored for any data theft.
- **Costly:** Maintaining such a system will obviously lead to greater costs and that's the second main disadvantage to implementing HR analytics. High acquisition and maintenance costs mostly act as a deterrent, especially for smaller companies to implement such a system.
- **Require special expertise:** Also, operating a sophisticated HR analytics tool requires special expertise and that results in additional training costs, or the costs of hiring an IT expert to handle this system.

HR Entrepreneurship

- HR Entrepreneur is HR professional who have a blend of creative thinking and a constant urge to innovate better and viable products and services in HR functioning which can sub-serve the needs of people in the organization and also in meeting the corporate business goals.

Some of qualities of HR Entrepreneur are as under:

- Efficiently manage the basic HR operations.
- Do not confine himself/herself to the role of people management but lean in on to business holistically
- Have innovative ability to evolve creative HR policies concerning people which drive them to deliver business.
- Propensity to take high risks and greater challenges.
- Reward employees possessing entrepreneurial abilities.
- Embrace constraints and have ability to face them resolutely and boldly.
- Possessing holistic understanding and perspective of organizational goals and strategies.
- Do not wait for change instead lead it from front.
- Have the thorough knowledge and understanding of the market dynamics in which the business of the organization operates.
- Well-aligned to the operational and technical aspects of the business, just as the line managers.
- Proactively look for opportunities to drive better business results.
- Facilitate and imbibe a futuristic approach all the time among people across the organization.

HR Consultancy / Outsourcing

- **'Human Resource Outsourcing'** is a practice in which an organization hires a third-party organisation to handle its human resources activities. It is a contractual agreement between an employer and an external third-party provider whereby the employer transfers the management and responsibility for certain HR functions to the external provider.
- Many organisations including Banks, have been outsourcing many of heir non-strategic HR functions to HR professional Agencies. This is being resort to with various objectives.

Some of such objectives are:

- Delivering cost savings – whether direct or indirect.
- Liberate internal HR resources to be redeployed to man developmental HR roles which are augmenting to business.
- To focusing more on the strategies to achieve business rather than on internal processes.
- To ensure compliance with legal, regulatory and best practice requirements.
- Sharing risk and liability for people issues with the outsourcing firm.
- Saving time and efforts through improved efficiency.
- Helping to create a stable, cost-effective operating HR platform
- Turning the HR function as more professional and transformational
- Building the organization as a great place to work with

Broad Areas of HR outsourcing

- Organizations have been resorting to outsourcing very many functions (except those which are critical and confidential) of HR as, either there being short of talents to man and handle some new and upcoming contemporary areas and/or to free the manpower of HR function to deploy in productive business functions.

Some of such functions/areas of HR which can be outsourced are:

- Human Resource Management System, including Pay Roll
- Recruitment & Selection (including background checks)
- Employee Induction Programs
- Training & Skill Development
- Leadership Development for Top Management
- Analyzing organizational structure
- Assessing staffing needs
- Productivity Improvement Services
- Attitudinal and cultural surveys
- Employee Engagement Surveys
- Benefits Administration
- Medical & Health services (including Health Insurance)
- Building HR Brand image
- HR Audit

Barriers & Disadvantages of 'HR Outsourcing'

Barriers of HR outsourcing

- Questionable cost/benefit justification
- Inadequate readiness of people and systems
- Organizational resistance from within HR and from Trade Union/s
- Inability to manage relationships with outsourcers
- Losing considerable amount of authority to outsourcer
- Lack of complete control over the outsourced activity
- Likelyhood of cost escalation by the time of completion of the project
- Chances of spoiling the company's image especially when outsourcing is associated with downsizing
- Demotivation among the existing employees on the fear of losing their job or loss of control

Disadvantages of HR outsourcing

- Employees with key talents may feel disposable or threatened and may quit their jobs
- Some staff members might become redundant or excess
- Possible communication issues, due to language or time zones between outsourcing partners.
- HR Policies and procedures will be difficult to control
- Data insecurity due to confidentiality and privacy concerns

Artificial Intelligence

- **'Artificial Intelligence (AI)'is** a wide-ranging branch of computer science concerned with building smart machines capable of performing tasks that typically require human intelligence. It is the ability of a digital computer or computer-controlled robot to perform tasks commonly associated with intelligent beings.

Types of Artificial Intelligence

- **Artificial Narrow Intelligence:** This is also called **'Weak Intelligence'.** This kind of artificial intelligence operates within a limited context and is a simulation of human intelligence. Narrow AI is often focused on performing a single task extremely well but they are operating under far more constraints and limitations than even the most basic human intelligence. **Examples** - Apple's Siri, Amazon's Alexa, Google search, Image recognition software, Self-driving cars.
- **Artificial Strong Intelligence:** This is also called 'Artificial General Intelligence' or 'Artificial Super Intelligence'(ASI) and it is a machine with general intelligence and, much like a human being and it can apply that intelligence to solve any problem. It would have a self-aware consciousness that has the ability to solve problems, learn, and plan for the future.

'Machine Learning & Deep Learning': Two Sub-Sets of 'Artificial Intelligence'

- Machine Learning is a subset of artificial intelligence focusing on a specific goal: setting computers up to be able to perform tasks without the need for explicit programming
- It feeds a computer data and uses statistical techniques to help it "learn" how to get progressively better at a task, without having been specifically programmed for that task, eliminating the need for millions of lines of written code.
- **'Deep Learning'** is a type of machine learning which is a subset of Artificial Intelligence. It runs inputs through a biologically-inspired neural network architecture. The neural networks contain a number of hidden layers through which the data is processed, allowing the machine to go "deep" in its learning, making connections and weighting input for the best results.

Major differences between 'Machine Learning' and 'Deep Learning'

S.No.	Factor	Machine Learning	Deep Learning
1.	**Human Intervention**	Machine learning is about computers being able to think and act with less human intervention to get results.	Deep learning is more complex to set up but requires minimal intervention thereafter. Deep learning is about computers learning to think using structures modelled on the human brain.
2.	**Hardware**	Machine learning programs tend to be less complex than deep learning algorithms and can often run on conventional computers.	Deep learning systems require far more powerful hardware and resources.
3.	**Time**	Machine learning systems can be set up and operate quickly but may be limited in the power of their results.	Deep learning systems take more time to set up but can generate results instantaneously.
4.	**Approach**	Machine learning tends to require structured data and uses traditional algorithms like linear regression.	Deep learning employs neural networks and is built to accommodate large volumes of unstructured data.
5.	**Applications**	Machine learning is already in use in our email inbox, bank, and doctor's office.	Deep learning technology enables more complex and autonomous programs like self-driving cars or robots that perform advanced surgery.
6.	**Others**	• Machine learning requires less computing power • Machine learning can-not analyze images, videos, and unstructured data easily like deep learning does.	• Deep learning typically needs less ongoing human intervention. • Deep learning can analyze images, videos, and unstructured data easily than machine learning.

Digital Assistant

- A digital assistant / virtual assistant is voice-activated software that can understand and carry out electronic tasks for the people. These are built with ML algorithms to understand natural language and the intent of a user's question, and to provide intelligent guidance to complete required steps. **Examples- Siri, Google Assistant, Cortana, Alexa.**

Role of 'Artificial Intelligence' in HR Functions

- **Recruitment and Selection:** Using AI to improve sourcing can greatly enhance an organization's ability to find the right talent at just the right time. From screening applicants to maintaining databases, arranging interviews, and addressing and resolving contestant queries, AI reduces the time and effort required to complete these activities.
- **On-boarding/Orientation of New Recruits:** There are a lot of questions that might be asked by the recruits, and the AI for HR answers all of them so that the employees do not have to do that manually. New workers will get all necessary information, such as job profile data, business regulations, job role assignments, departmental information etc, via a mobile application or structured information on their laptop.
- **Learning and Development:** AI is a very useful technology in training of employees which will aid the organizations to ensure a seamless learning

experience to their workforce. Employees will be able to study and teach themselves about appropriate roles and needs using AI development services. It will also assist them in staying current by providing information on current technologies and software advancements in the industry.

- **Compensation Management:** Organizations require a wider range of data to create a strategy that works for their people and matches differences in expectations, roles, and skill sets. In this context, Artificial Intelligence solutions will help the organizations to have effective compensation management. It helps in efficacy matching a specific offer with individual job and employee histories to calculate the odds of whether a candidate will accept.
- **Talent Management & Employee Retention**: AI can create an environment that meets employee needs and improves retention. Such technology can personalize career development, optimize succession planning, fill skills gaps, and steer compensation strategy, supporting managers, leaders, and managers in developing and deploying talent, which in turn creates strategic advantages for the business.
- **Career Development:** Employees expect to be offered learning and career opportunities that help them grow their career and realize their goals. Artificial Intelligence (AI) can offer best solutions in developing excellent careers to employees.
- **Succession Planning**: AI can help to identify flight risk. Flight risk prediction draws on different attributes and behaviours in order to formulate its conclusions. It will uncover most capable successors. Leveraging data models to analyze employee behavior and determine which employees are ready to step up based on cultural fit, leadership capability, and the accomplishments of past successors.

CAIIB HRM Module E Unit 5- Leading in a 'VUCA' & 'BANI' Scenarios: New Approaches In 'Crisis Management'

Crisis

- A **sudden and unexpected event leading to major unrest amongst** the individuals at the workplace is called as organization crisis. In other words, crisis is defined as any emergency situation which disturbs the employees as well as leads to instability in the organization.
- **A crisis is typically**- High impact, Low probability, Unexpected and Unique. Three elements are common to a crisis: a threat, a surprise and a short decision time.
- Sudden crisis are characterized by their immediate onset. They tend to be unanticipated and escalate very quickly, often as a result of a severe triggering event or incident that may be out of the organization's control. Whereas, Smoldering Crisis are those for which the common feature is that impact on the organization and its stakeholders grows, sometimes undetected, over a period of

time, while indicators of potential crisis are possibly missed, denied, ignored or misunderstood.

Some of the common sources of crisis are:

- Natural disasters
- Cyber attack
- Failure of Technology
- Organisational mis-deeds
- Embezzlement or Financial crimes
- Failure in Supply chain Mechanism
- Safety scare
- Staff issues
- Issues of disclosure.

Crisis Management

- **'Crisis Management'** is defined as an organization's pre-established activities and guidelines for preparing and responding to significant catastrophic events or incidents in a safe and effective manner. It is a set of strategies and processes for dealing with unexpected negative situations.

Essential Features of 'Crisis Management'

Effective crisis management requires four basic elements. They are:

- Clearly identified team roles and responsibilities,
- A formal incident assessment team and process,
- Effective Incident Action Planning (IAP) skills and Effective crisis management
- Team communication.

The other critical characteristics of 'Crisis Management' are:

- Crisis Management includes activities and processes which help the managers as well as employees to analyze and understand events which might lead to crisis and uncertainty in the organization.
- Crisis Management enables the managers and employees to respond effectively to changes in the organization culture.
- It consists of effective coordination amongst the departments to overcome emergency situations.
- HR plays a crucial role in evolving, leading, executing and monitoring all Crisis Management strategies and plans in organizations.
- Employees at the time of crisis must communicate effectively with each other and try their level best to overcome tough times.

Four-levels of 'Uncertainty': Strategies To Manage

Level 1: A Clear-Enough Future

- At level 1, managers can develop a single forecast of the future that is precise enough for strategy development. Although it will be inexact to the degree that all business environments are inherently uncertain, the forecast will be sufficiently narrow to point to a single strategic direction.

Strategy to manage Level 1 Uncertainty

- To help generate level 1's usefully precise prediction of the future, managers can use the standard strategy tool kit—market research, analyses of competitors' cost and capacity, value chain analysis, Porter's five-forces framework, and so on. A discounted-cash-flow model that incorporates those predictions can then be used to determine the value of various alternative strategies.

Level 2: Alternate Futures

- At level 2, the future can be described as one of a few alternate outcomes, or discrete scenarios. Analysis cannot identify which outcome will occur, although it may help establish probabilities. The possible outcomes are discrete and clear. It is difficult to predict which one will occur. And the best strategy depends on which one does occur.

Strategy to manage Level 2 Uncertainty

- Level 2 situations are a bit more complex. First, managers must develop a set of discrete scenarios based on their understanding of how the key residual uncertainties might play out. Getting information that helps establish the relative probabilities of the alternative outcomes should be a high priority.
- After establishing an appropriate valuation model for each possible outcome and determining how probable each is likely to be, a classic decision-analysis framework can be used to evaluate the risks and returns inherent in alternative strategies.

Level 3: Range of futures

- At level 3, a range of potential futures can be identified. That range is defined by a limited number of key variables, but the actual outcome may lie anywhere along a continuum bounded by that range. Companies in emerging industries or entering new geographic markets often face level 3 uncertainty.

Strategy to manage Level 3 Uncertainty

- A set of scenarios needs to be identified that describes alternative future outcomes, and analysis should focus on the trigger events signaling that the market is moving toward one or another scenario.
- Since it is impossible in level 3 to define a complete list of scenarios and related probabilities, it is impossible to calculate the expected value of different strategies. However, establishing the range of scenarios should allow managers to determine how robust their strategy is, identify likely winners and losers, and determine roughly the risk of following status quo strategies.

Level 4: True Ambiguity

- At level 4, multiple dimensions of uncertainty interact to create an environment that is virtually impossible to predict. Unlike in level 3 situations, the range of potential outcomes cannot be identified, let alone scenarios within that range. It might not even be possible to identify, much less predict, all the relevant variables that will define the future.

Strategy to manage Level 4 Uncertainty

- Managers can identify patterns indicating possible ways the market may evolve by studying how analogous markets developed in other level 4 situations. Although it will be impossible to quantify the risks and returns of different strategies, managers should be able to identify what information they would have to believe about the future to justify the investments they are considering. Early market indicators and analogies from similar markets will help sort out whether such beliefs are realistic or not.

VUCA - Gravity- driven Approach To 'Uncertainty' And 'Crisis Management'

- **VUCA refers to - 'Volatile, Uncertain, Complex and Ambiguous.** VUCA represents a set of challenges that individuals, teams, managers, and organizations in affected industries all have to face.

Characteristics & Approach of a 'VUCA' Scenario

Acronym	Characteristics	Examples
V = Volatility	This refers to the speed of change in an industry, market, or the world in general. It is associated with fluctuations in demand or turmoil. The more volatile the world is, the faster the things get changed. The challenge is unexpected or unstable and may be of unknown durations, but it is not necessarily hard to understand.	Commodity pricing is often quite volatile. Illustration is jet fuel costs have been quite volatile in 21st century.
U = Uncertainty	This uncertainty is associated with people's inability to understand. Uncertain environments are those that do not allow for any predictions to be made. The more uncertain the world is, the harder it is to predict the future. Lack of knowledge as to whether an event will have meaningful ramifications. Cause and effect are understood, but it is unknown s to whether an event will create significant changes.	Anti-terrorism initiatives are generally plagued with uncertainty; we understand many causes of terrorism, but not exactly when and how they could spur attacks.
C = Complexity	This refers to the number of factors we need to consider to make more efficient decisions, their veracity and the relationships between them. More the factors, the greater their variety, and the more interconnected they are, the more complex the environment.	Doing the business in many geographies -all with unique regulatory environments, tariffs and cultural values.

Acronym	Characteristics	Examples
A = Ambiguity	This relates to the lack of clarity about how to interpret something. It's not about analyzing a large amount of data; it's about doing advanced analytics for the right KPIs. Casual relationships are completely unclear and no precedents available. A situation is ambiguous, for example, when information is incomplete, contradictory, or too imprecise to draw clear conclusions.	Deciding to shift to an unknown or emerging markets/ business and/or to launch the products in which no core competencies available. The transition from print to digital media has been very ambiguous; companies are still learning how customers will access and experience data and entertainment given new technologies.

Enormity of 'VUCA' Environment

Some of the negative effects of a VUCA environment are:

- It can destabilize people and make them anxious about the future which in turn affects the organizational culture adversely.
- It can undermine the employee motivation and frustrate their career movements thereby devastates individuals and the organizations at large.
- It necessitates constant training on acquiring new skills, knowledge and attitudes.
- Managing VUCA scenario requires good amount of precious time and effort thereby endanger long-term projects and innovations.
- It involves occasional chances of making inappropriate decisions thereby adversely affects the decision making processes and patterns.
- It can destabilize the organization and affects its business as the people may tend to passively leave the organization for greener postures outside.

Leadership Strategies to Manage 'VUCA' Scenario

Counter 'Volatility' with Vision

- Organizations should accept and embrace change as a constant, unpredictable feature of its working environment without resistance.
- Leaders should encourage and motivate the teams with the spirit of achieving it together and inclusively.
- Leaders should ensure that resources are aggressively directed towards building slack and creating the potential in terms of acquiring more talents etc. for future flexibility.
- Leaders should ensure that where volatility is relatively high, the team spirit and inter-personal relationships between individuals should be at the peak levels.

- Leaders and managers should concentrate on evolving and establishing robust communication channels by and between all stakeholders so as to ensure seamless flow of communication and consultations.

Address Uncertainty with Understanding

- Leaders and manager should ensure a robust mentoring programmes which should solely focus new approaches and prospects that are likely to attract new, young and creative talents.
- Leaders should lay more emphasis and priority to new and contemporary learning endeavours which can harness the skills and new insights of the people.
- Leadership should also focus on planning new business ways and strategies to help minimize possible uncertainties.
- Leadership should ensure periodical environmental screening in order to eliminate uncertainty.
- Information is critical to reducing uncertainty. As such, leaders should steer their organisations to move beyond existing information sources to both gather new data and consider it from new perspectives.

Respond to 'Complexity' with Clarity

- Leaders and managers should ensure simplification of each work processes as a most important step to address the complexity issues.
- Leaders need to be aware of social networks within the organization that are often stronger than the hierarchical order. As such, the organisations should evolve and institutionalise a transparent and effective social network policy with required checks and balances.
- Effective communication channels, well-designed decision making policies, empowerment schemes, efficient organisational structures which fosters faster communications across the organisations etc are essential prerequisites to counter the interlocked complexities.
- Leaders need to have the flexibility and tolerance to think in contrast and 'out-of-box' and to encourage such inverse thinking abilities among the people
- Restructuring internal company operations to match the external complexity is the most effective and efficient way to address complexity.

Overcome 'Ambiguity' with Agility

- Leadership should promote flexibility, transparency, adaptability and agility in all their activities.
- Leaders should hire, develop and promote key talents who have blend of interest and are able to thrive in VUCA environments and have critical and innovative thinking skills.
- Leaders should encourage the people to be versatile in all areas of working by providing them the right and timely opportunities to work in all other areas of business through periodical but meaningful job rotation and cross training.

- Leaders and managers should encourage the every member to widely debate, dissent and generate new and innovative ideas
- Experimentation is necessary for reducing ambiguity.
- Leaders should suitably reward team members who demonstrate vision, understanding, clarity, and agility.

'BANI' Approach In Crisis Management

- **'BANI'** has been coined by **Jamais Cascio** to explain and deal with the new normal created by challenges like Global Warming, COVID-19 pandemic and also such unforeseen crises in future. BANI stands for **Brittle Anxious Linear Incomprehensible.**

BANI = Brittle:

- In a scenario of brittle or frail, we cannot predict or predetermine beyond a particular point. The idea is that we are susceptible to catastrophe at any time, and all businesses that are built on fragile foundations can fall apart overnight. In a BANI world, a brittle system may work well on the surface while being on the verge of breaking down for good.
- In a world in which everything is interconnected, a disastrous failure occurring in one country may cause a ripple effect all over the planet which made the normal life more difficult and severely affected the global businesses and trade. Our critical systems are essentially interwoven, and they do not have automatic solutions to address such disaster situations.

A = Anxious:

- Anxiety caused by continuous changes in our personal and professional life as well. This anxiety can lead to passivity when you feel that changes are an avalanche and that there is no way to influence them.
- In an anxious world, people - Watch for the next disaster to happen, Tend to become passive to avoid potentially wrong decisions altogether, feel desperate about missed opportunities and face the terrible gut feeling of depending on someone who may very well make decisions with negative consequences for them. We deal with what we call 'fake news' on a daily basis. Incorrect depictions enhance the pent-up emotions listed above, and they add to the ubiquitous anxiety in all spheres of life.

N = Non-Linear:

- In turbulence, we live in a world whose events seem disconnected and disproportionate. Without a well-defined and standardized structure, it is not possible to make structured organizations. The disconnection and disproportion between cause and effect leads to non-linear situation.
- There is a great difference between the scale at which things occur and the scale at which we perceive them. Therefore, detailed, long-term planning may no longer make sense as cause and effect is no longer assessable in advance.

- For instance, the current pandemic has introduced an unprecedented crisis in terms of scale, scope, infection, and mortality rates – and this fight will go on for another couple of months, probably years. The same patterns of non-linearity apply to the climate crisis.

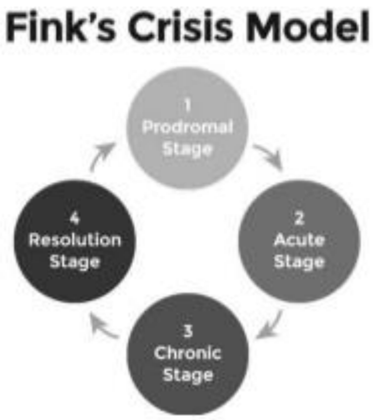
I = Incomprehensible

- Non-linear results of any given cause, events, and decisions often seem to lack any kind of logic or purpose – they are incomprehensible. We cannot grasp the cause because it may have been long gone or it may appear too appalling.
- Misunderstanding is generated when we find answers, but the answers don't make sense. So we need to understand that we don't have control over everything. It is important to note that we may not predict or understand numerous aspects as of now. However, future technologies and synergy effects (human brain + technology) will most likely render many things comprehensible.

Strategies to Deal with 'BANI' Scenario

- As the BANI creates a feeling of fragility, the best way to adapt and grow is by strengthening the teams with enough resources – in terms of human, finance and skills etc.
- Brittleness can be addressed with resilience, flexibility and alternative plans and systems.
- Anxiety can be addressed with awareness, empathy and mindfulness. Dealing with anxiety requires more empathy. Hence, training employees in soft skills, which will become increasingly essential in times to come
- In a non-linear world, rigid plans tend to be a burden on business and hence, constant innovation and creativity in product and services and ways of doing business are very crucial.
- Incomprehensibility can be addressed with transparency and intuition.

Fink's Model of 'Crisis Management'



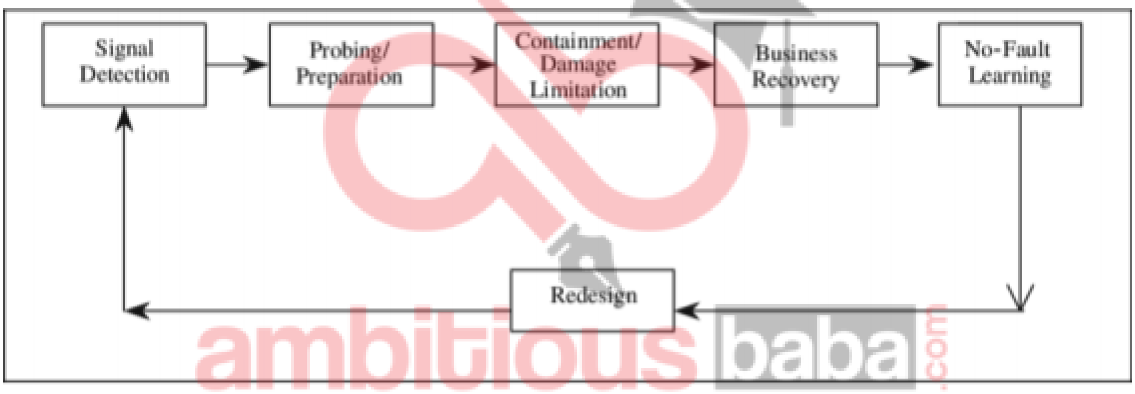
- In his famous book Crisis Management: Planning for the Inevitable (1987), Steven Fink, who is one of the leading experts in crisis management and crisis communications, and a true pioneer in the field, laid out a four-stage crisis model consisting of the **prodromal, acute, chronic, and resolution stages.**

- **Prodromal stage:** here, the role of a crisis management professional is not reactive, but a proactive approach. In this stage, crisis managers attempt to identify an impending crisis. This stage covers the period between first signs and crisis eruption. Crisis managers should be proactively monitoring, seeking to identify signs of a brewing crisis, and trying to prevent it or limit its scope without getting the crisis enlarged. Actions taken during the prodromal stage can easily be placed into the pre-crisis stage of the three-stage model as they address an organization's crisis prevention.
- **Acute stage:** Fink advocates that the actual crisis event begins with a trigger, during what he refers to as 'the acute stage' which is the second stage of this Model. This phase entails activation of crisis managers and their plans. This stage is characterized by the crisis event and resulting damage. The severity of the crisis and damage are influenced by the success of the prodromal stage.
- **Chronic stage:** The third stage of Fink's model is the 'chronic stage'. This stage refers to the lasting effects of the crisis such as - after a flood or a hurricane when teams address damage to buildings and roads. Although individual crises may have occur anytime, but the lasting effects of the incident can extend the lifecycle of the crisis.
- **Resolution stage:** This stage identifies a clear end to the crisis and it is a time for introspection as to what went wrong through a root-cause analysis and implementing changes to ensure there is no repetition.

Burnett's Model of 'Crisis Management'

- Burnett identifies both tasks and factors that compromise the ability of an organization to practice crisis management. The author cited four factors that inhibit crisis management viz., **time pressure, control issues, threat level concerns, and response option constraints**. Burnett claims these factors, found on the outer-ring of the model, disrupt an organization's ability to focus on and strategically manage a crisis situation.
- Burnett divides the model's six step inner-circle into three categories: **identification, confrontation, and reconfiguration. The 'identification' step is composed of goal formation and environmental analysis** – the preparation for the crisis. '**Confrontation' encompasses strategy formulation and strategy evaluation** – the point when an organization is involved in the crisis. Lastly, **'reconfiguration' includes strategy implementation and strategic control** – how the organization adapts to crisis intervention.
- This model also follows a progression like the other lifecycle models. The steps in Burnett's model are - **goal formation, environmental analysis, strategy formulation, strategy evaluation, strategy implementation, and strategic control.**

Mitroff's Five-Stage Model of 'Crisis Management'



- Mitroff was one of the first researchers to recognize that, due to resource limits, preparing for every conceivable kind of crisis is impossible. He noted that crises tend to fall into certain categories, which Mitroff called clusters, such as breaks or defects in equipment, external actions, and threats (product recalls).
- Mitroff developed a model that divides crisis management into five stages: **signal detection, probing (ie., looking for risk factors) and prevention, damage containment, recovery, and learning.**
- **The first two stages – 'signal detection' and 'probing and prevention'** – encompass the proactive steps an organization can take before a crisis event. 'Signal detection' identifies the signs of possible crises within an organization.
- **The last three stages of Mitroff's (1994) model – 'damage containment', 'recovery', and 'learning'** – feature slight variations from Fink's (1986) acute, chronic, and resolution stages. Like Fink, Mitroff's stages discuss the trigger and containment of the crisis event, the arduous task of returning to the pre-crisis norm, and the resolution of the crisis event.

- **'Damage containment'**, focuses on the steps taken following the crisis event. A relationship can be made between damage containment and the crisis stage of the three-stage model as they both involve actions taken in response to the event.

Role of HR in 'Crisis Management' Process

- HR has moved beyond the common roles viz., Hiring, Welfare, Industrial Relations etc. to more complex roles that directly influence the performance of the organization. Crisis management is among the areas of management in which the HR is expected to participate in, with a view of ensuring that employees needs, during and after a crisis, are given consideration during the development of crisis management plans.
- The HR has an impacting role in crisis management through planning and training to ensure employees are capable of navigating through turbulent times. The role of HR in crisis management is to enhance preparedness among personnel and thus ensure effective disaster planning. At another level, as a custodian of employee-wellness, the HR has an important role to play in ensuring that human capital within the organization is protected and that employees can continue to provide value for the organization beyond the crisis.

Crisis Management Planning

- This is the stage through which an organization makes plans on how to deal with crises, including crisis prevention, impact reduction, and crisis recovery. Crisis management planning enhances organisation's ability to deal with crises and ensures faster recovery when an organization is faced by a crisis.
- Crisis management planning is an imperative process in crisis management because it provides guidelines on preventing or averting crises, dealing with crises and the recovery process.

Crisis Communication & Employee Relations

- The HR has key responsibility to ensure that employees are aware of vulnerabilities and potential threats. This involves identifying and communicating all possible threats within and outside the organization to the employees.
- Effective communication ensures that employees are physically, emotionally, and intellectually prepared, such that it becomes easier to handle the crisis.

Crisis Management Process & Policy

- HR is typically responsible for conceiving, evolving and implementing and periodically updating policies and procedures governing employee conduct and organizational procedures pre, during and post crisis period. This would include acting as the repository for the crisis management plans and procedures.

Training and Talent Development

- Training and talent development provide employees with knowledge and skills necessary to enhance the recovery process. Crisis management training for management and key personnel is a critical component of effective crisis management.

Promoting Employee Involvement and Motivation

- HR has the responsible role to garner and promote greater employee involvement in the entire process of crisis management so that the crisis management plans and procedures

Influencing organizational culture

- The HR can influence culture within the organization, with aspects such as – robust and transparent communication and information channels, employee empowerment, transparent decision making and responsibility patterns, effective leadership capabilities and flexibility in approaches etc being emphasized as effective tools to overcome the crisis timely.

Employee Assistance and Benefits Programmes

- HR departments of the organizations organize employee assistance programs to support them psychologically and to enhance motivation. When required, outplacement procedures like rotational transfers and skill-based placements etc, may also be implemented.
- Coaching and mentoring programs may be some other options to be promoted in order to recover and maintain employee morale and motivation properly. This is not only necessary for the business and employees but also for the families of those workers.

Leadership Role in 'Crisis Management'

- Leaders should lead from the front and willing to take high risks, complete charge of the situation and responsibility.
- Leaders should counsel the employees not to get panic at the time of crisis. Leaders should interact with the employees.
- Leader should be able to feel the early signs of crisis and warn the employees against the negative consequences of the same.
- Leaders must strive best to prevent crisis. They should encourage effective communication at the workplace.
- Leaders should identify the important processes and systems which should keep functioning for the smooth running of the organization. They should develop alternate plans with accurate information.
- Once the organization is out of crisis, it is the leader's duty to communicate and discuss the key take-aways and the lessons learnt so as to enable the employees to avoid committing same mistakes again.

Employees' Role in 'Crisis Management'

- They should be proactive to review their performance periodically on their own and to strive hard to achieve the targets set by the organization.
- Employees must be able to sense the early signs of crisis and warn their fellow workers against the same and communicate to seniors.
- Employees should encourage and ensure effective communication during crisis situations. They should try to generate innovative ideas.
- They should not spread and/or encourage baseless rumours, grapevine or unfounded information about their organization
- It is essential for the employees to respect and be loyal to their organization. They should not enter into unnecessarily fight or find fault in their co-workers.
- Employees should maintain their cool and calm and should avoid to get hyper as, stress and anxiety lead to more mistakes one might not otherwise commit.

CAIIB HRM Module E Unit 6- Business Ethics, Corporate Governance & Corporate Social Responsibility

Business Ethics

- **'Ethics'** are set of principles or standards of human conduct that govern the behaviour of individuals or organizations. It deals with morals and obligations and what is right and wrong.
- **"Business ethics is the study of business situations, activities, and decisions where issues of right and wrong are addressed."** Business ethics are those principles, policies or philosophies that are concerned with moral judgment & good conduct as they are applicable to business situation.
- These are rules that business must accept and follow in its day to day operations for the welfare of society and all its stakeholders. These ethics helps the business in deciding what is right and what is wrong for the business taking into account its circumstances.

Characteristics of Business Ethics

- **Defines Code of Conduct:** Business ethics is the code of conduct which businessmen should follow while conducting their normal business activities. Ethics defines social, cultural, economic, legal and other limits of business and they should operate within these limits.
- **Protects Social Group:** Business follow and practices ethics therefore gives protection to all social groups. Therefore, business ethics provide protection to different social groups associated with business.
- **Instills Healthy Competition:** Every business should adopt fair market practices for healthy competition in the market. They should maintain healthy co-ordination and co-operation with their business partners and other business organisation existing in the market.
- **Reduces Risk And Cost:** Ethics in business helps in improving the productivity and overall efficiency of the organisation. These ethics bring self-discipline within the organisation and aims at reducing the risk and expenses.

- **Monitor Business Malpractices:** Business ethics monitors and keeps a check on any malpractices in business. It avoids adoption of unfair trade activities like adulteration, black marketing, frauds and cheating in product, improper weights and measures etc. Controlling of all these malpractices by ethics helps in maintaining the legality of business.
- **Based on Moral and Social Values:** Business ethics is based on well-accepted moral/principal values. They include self-control, service to society and fair treatment to social groups and not to harm/exploit others.
- **Needs Willing Acceptance for Enforcement:** Ethics are voluntary in nature and are not enforceable by any law or statute or by force. These ethics must be adopted like self-discipline by businessmen at their own will and choice.
- **Ensures Healthy Employer-Employee Relations**. All employees should be provided better and timely wages and salaries, proper working conditions and various other amenities.
- **Long Term Growth:** Ethics in business focuses on the survival of business organisations for long term. Business cannot exist for long term if any of its operations leads to exploitation of its stakeholders.
- **Not against profit making:** Business Ethics is not against fair profit making. However, it is against profiteering by cheating and exploiting consumers, employees or investors.
- **Creates Good Image:** Business ethics has an important role in improving the goodwill of the business. Providing quality products at fair prices helps in serving and satisfying customers in a better way.
- **Needs Education and Guidance for its Implementation:** Businessman should be given proper education, guidance and training in order to motivate them to follow ethical business practices.

Difference between The Concepts of – 'Ethics', 'Morals' and 'Values'

Ethics vs Morals

S. No	Ethics	Morals
1.	Ethics is a Moral Philosophy as such, it is the combination of morals and reasoning. Hence it has a wider connotation.	Morals are mostly guided by Culture and has limited scope than the Ethics.
2.	Ethics lays faith in the free will of the individual, and gives enough room for the individual to deliberate upon different means to an end, while also providing a moral justification for the same.	Morality can limit the scope of human deliberation, in determining the goals and means towards the human ends.
3.	To be ethical, one should figure out what is right – by applying some principles and considering all the complexities involved.	To be moral, is all about adhering to what is described by society or religion.
4.	A person whose morality is reflected in his willingness to do the right thing – even if it is hard or dangerous – is ethical.	Whereas, a person who knows the difference between right and wrong and chooses right is moral.

5.	Ethics are moral values in action. Being ethical is an imperative because morality protects life.	Morals form part of the cultures which are to be ethical.
6.	To follow the ethical culture is a relatively harder path.	To practice morals is less difficult than imbibing ethical culture.
7.	Ethics are philosophical deliberations that come up with the moral justifications and principles that guide our moral values.	Morals is a set of beliefs and practices concerned with what is understood as good and evil.

Ethics vs Values

S. No	Ethics	Values
1.	Ethics is a generalized value system like avoiding discrimination in recruitment and adopting fair business practices.	Values are personal in nature like a brief in providing customer satisfaction and being a good paymaster.
2.	Business ethics can provide the general guidelines within which management can operate.	Values, however, offer alternatives to choose them. To illustrate, philanthropy as a business policy is optional.
3.	Ethics determine what is right or wrong.	Values judge as to what is desirable or undesirable.
4.	Ethics is all about reasoning as to how to do the right action.	Values are mostly guided by the belief system of the individual or organization.
5.	Ethics constrain and hold back the individuals.	Values motivate the individual to judge between good and bad.

Areas of Business Ethics

- **Personal Responsibility:** Each person who works for a business, whether on the executive level or the entry-level, will be expected to act with personal responsibility- honesty, diligence, punctuality, and willingness to perform excepted duties.
- **Corporate Responsibility:** Organisations have certain moral and ethical responsibilities and obligations towards all their stakeholders - for example, to conduct business fairly and to treat people with dignity and respect.
- **Social And Environmental Responsibility:** Organisations are the part of the society at large and as such they have a constructive role towards community, society and environmental safety. They will also adopt measures to reduce waste and promote a safe and healthy environment. Therefore, Corporate Social Responsibilities (CSR) is a common practice where businesses work towards environmental protection, social causes, and spreading awareness.
- **Technology Ethics:** With information technological explosion makes the organizations to widely using social media channels they need to evolve a fair and transparent social media policy and also to ensure strict enforcement of such policy. Technology ethics also include customer-privacy, personal information, and intellectual property fair practices.
- **Inter-personal and Organisational Loyalty:** Employees should be loyal to their co-workers, managers, and the company. These include mutual loyalties of a subordinate and superior and if the superior is just, fair and honest, the subordinates shall emulate them and make the organization as an ethical entity

- **Mutual Respect:** Respect is an important business ethic, both in the way the business treats its clients, customers and employees, and also in the way its employees treat one another.
- **Transparency & Trustworthiness:** Business organizations should nurture trustworthiness with its clients, customers and employees through honesty, transparency and reliability. Businesses should maintain transparency in business practices and financial reports.

Theories of Business Ethics

John Stuart Mill's Utilitarian Theory

- John Stuart Mill defines utilitarianism as a theory based on the principle that **"actions are right in proportion as they tend to promote happiness, wrong as they tend to produce the reverse of happiness."**
- Mill defines happiness as pleasure and the absence of pain. Utilitarianism theory argues that the right action for a particular occasion is the one that produces more utility than any other possible action. But it does not mean that the right action is the one that produces the most utility for the person who performs the action. On the contrary, John Mill advocated that an action is right if it produces the most utility for all the persons affected by the action.
- John Stuart Mill's utilitarian theory focuses on the quality of actions as propagated by the 'Deontological Theory' ie., duty-based and non-consequentialist.
- The thought process of **Deontological theory** is that ethical decisions are made based on the consequences of the action, which is why it is also sometimes called **consequentialism**. Due to the fact that this theory propagates greatest good and welfare of the people, this theory can also be called as **'Ethics of Welfare'.**

Merits:

- ➢ While assessing the usefulness of utilitarianism in the organizational context it should be understood that it provide standards for a policy action viz., if it promotes the welfare of all, more than any other alternative, then it is good.
- ➢ The theory provides an objective means of resolving conflicts of self interest with the action for common good.
- ➢ The theory provides a flexible, result-oriented approach to ethical or moral decision making.

De-merits:

- ➢ Measurement of utility is a difficult task as presently there are no means to measure it as, utility is a psychological concept and is highly subjective. It differs from person to person and time to time.
- ➢ Intractability to measurement that arises while dealing with certain benefits and costs is not possible. To illustrate, measurement of value of life or health is impossible.

- Lack of predictability of benefits and costs. If they cannot be predicted, then they cannot be measured properly.
- Lack of clarity in defining what constitutes 'benefit' and what constitute 'cost'. This lack of clarity creates problems especially with respect to social issues that are given different interpretations by different social or cultural groups.

Immanuel Kant's Deontological Theory

- The basic principle of this theory is that human beings should be treated with dignity and respect because they too have rights. In deontological ethics – people have a duty to respect other people's rights and treat them accordingly. When faced with an ethical situation, then, the process is simply one of identifying one's duty and making the appropriate decision.
- When we act only out of feeling, inclination or self-interest, our actions –although they may be otherwise identical with ones that spring from the sense of duty – have no true moral worth. Hence, this theory is also called as **'Ethics of Duty'.** He advocates that an action has moral worth only when it is done from a sense of duty.
- The core idea is that an action is right if and only when we will do it to become a universal law of conduct. This means that we must never perform an action unless we can consistently do that and it can be followed by everyone.

Merits

- Kantian theory of ethics has adequate relevance to a business organization and benefits in its decision making. This theory provides us firm rules to follow in moral decision making for certain issues, because the result of such actions does not depend on the circumstances or the performer.
- Kant gives more importance to the individuals. In other words, when developing a code of conduct, an individual should not use others to serve the own purpose or advantage.

Limitations

- There are no solutions provided in the theory on how to resolve conflicts that arise when there is no agreement about the principles involved in the decision
- It is not correct to assume that the implications of making a "right" choice will always have good consequences but at times it may yield bad consequences as well
- The theory is not clear as to what decisions should be made when duties conflict.

Aristotle's Virtue Theory

- Aristotle's virtue theory says that what matters in ethical behaviour is the integrity of an individual's character. This theory is based on the premise that different goals can only be achieved only if people possess self-love. It is argued that self-love is a precondition for reaching one's full human potential of having a sense of well-being and joy.

- This character based approach to morality assumes that we acquire virtue through practice. By practicing being honest, brave, just, generous, and so on, a person develops an honorable and moral character. He advocated that in order for one to be virtuous they must display **prudence, temperance, courage, and justice**; moreover, they have to display all four of them and not just one or two to be virtuous.
- The virtue theory also faces the same challenges as Kant's Deontological Ethics Theory when having conflicting virtues. If there is a virtue of loyalty to a client and honesty to the public, what happens when they conflict? To which one should a professional defer? These are some of the challenges even this theory faces.

Corporate Governance

- **'Corporate Governance'** refers to the way a corporation is governed. It is the technique by which companies are directed and managed. It means carrying the business as per the stakeholders' desires. It is actually conducted by the Board of Directors and the concerned committees for the company's stakeholder's benefit. It is all about balancing individual and societal goals, as well as, economic and social goals.
- **Corporate Governance** is essential to develop added value to the stakeholders. Corporate Governance **ensures transparency** which ensures **strong and balanced economic development**. This also ensures that the interests of all shareholders (irrespective of their stakes) are safeguarded. It ensures that all shareholders fully exercise their rights and that the organization fully recognizes their rights. Corporate Governance encourages a **trustworthy, moral, as well as ethical environment.**

Strategies to Nurture 'Good' Corporate Governance

Organizations achieve 'good' Corporate Governance by ensuring the Board of Directors:

Follow the 4 Ps of Corporate Governance:

- **People** – People determine the purpose to work towards, develop the process to achieve it, and evaluate the performance outcomes.
- **Purpose –** Every piece of governance exists for a purpose, bringing the company closer to achieving its mission statement.
- **Process –** People achieve the company's purpose through its processes.
- **Performance –** performance is – we are going in the right direction or not, is there any gap between desired objectives and achieved objectives.

- **Adhere to the Basic Principles of 'Corporate Governance':** Accountability of Leadership, Participation by all who matters in Governance, Consensus-oriented, Transparency of Governance Policies, Responsive to all stakeholders etc.

- **Implement the Company's governance strategically and fairly.**

- **Balance the interests of the company's stakeholders**, which can include shareholders, senior management executives, the board of directors, customers, suppliers, and the community.

Best Practices For Improving Corporate Governance

- Recognizing that good governance is not just about compliance of laid down rules, regulations and code of conduct etc. but also to improve the performance of the organization through formatting strong strategies and business and operational policies.
- Building a robust Board of Directors. Board should encompass Directors with right qualification, expertise, competence, knowledge relevant to the field of business and have strong ethics and integrity with diverse backgrounds and skill sets.
- Organization should evolve and put in place transparent, fair, clear and unambiguous patterns of role, responsibility and accountability or - the Board, Chairperson, CEO, Executive Officers and management personnel.
- Providing qualitative and factual information is the cornerstone for taking better decisions. Regular board agendas contain all the information/details that the Chairperson and the Director need to take appropriate decisions.
- Emphasizing on maintaining integrity and ethical dealings. To create and cultivate this culture, the organizations should evolve and adopt a conflict of interest policy, a whistleblower policy, a code of business conduct setting out the company's requirements and process to report and deal with and also to designate someone responsible for oversight and management of these policies and procedures.
- Recognizing that the governance of risk is the responsibility of the Board of Directors. Establishing a sound system of risk oversight and management and internal control is another fundamental role of the board. Effective risk management supports better decision making because it develops a deeper insight into the risk-reward trade-offs that all organizations encounter.

Ethical Issues in 'Corporate Governance'

- The quality of corporate governance is determined by the manner in which the top management especially the Board of Directors, allocates the financial resources of the company between themselves and employees, customers, government etc. Since these as the matters of money and finance, the basic requirements invariably expected are – **Trust, Honesty, Integrity, Ethical values, Transparency and Strict compliance of laid down laws, rules, regulations etc.**
- It is quite unfortunate that business environment especially in India is replete with unethical practices like bribery, corruption, insider trading etc. Government of India and the Indian Corporate sector to lay more emphasis on imbibing ethics and values in their business polices and operations. The ethical climate in any business organization largely depends on three factors viz.,
  - **The individual's sense of value**

- **The social values accepted by the business and industry.**
- **The System.** While the first two factors are relatively easy to achieve, the third one i.e., 'the system' is the most decisive factor where the corporate faces main challenge.

'Corporate Social Responsibility' (CSR)

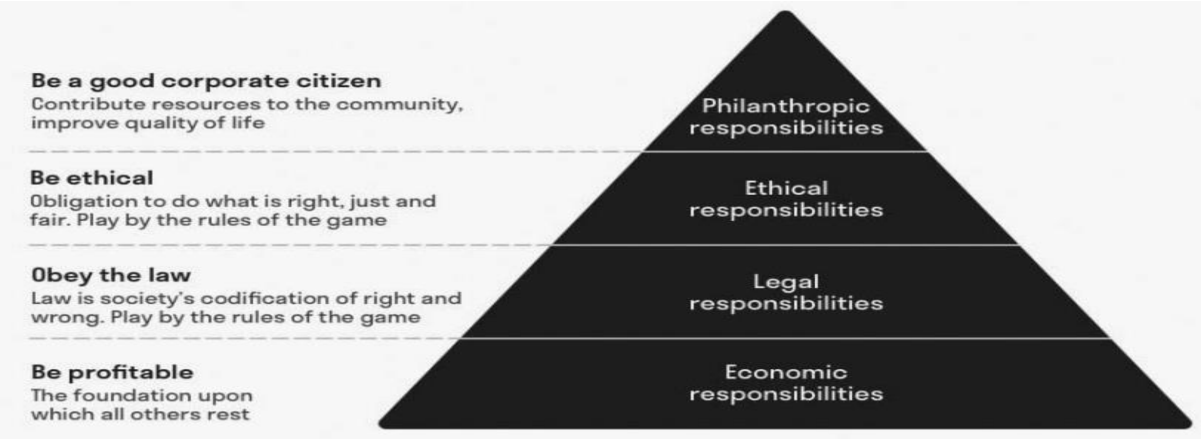
- **World Business Council for Sustainable Development** defines **'Corporate Social Responsibility'** as the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.
- Corporate Social Responsibility (CSR) is a means through which a company incorporates **environmental, social and human development concerns** into its planning and actions to ensure that its operations are ethical and beneficial for society.

Advantages of 'Corporate Social Responsibility' (CSR)

- It improves financial performance of the concerned entity.
- It enhances brand image and reputation of the company
- It increases sales volumes and customer loyalty
- It enhances the ability of the company to attract and retain key talents.
- It enables reduced regulatory oversight.
- It instill a sense of creativity, innovation and learning new horizons of knowledge.
- It makes the Risk Management endeavours more robust
- It eases out the company's effort to access capital.
- It reduces the operating expenses considerably

'Carroll's CSR Pyramid' & Four Model Framework

- Carroll's CSR pyramid is a framework that explains how and why organizations should take social responsibility. The pyramid was developed by Carroll and highlights the four most important types of responsibility of organizations. These are:
- **Economic responsibility**
- **Legal responsibility**
- **Ethical responsibility**
- **Philanthropic responsibility.**



Mandated Provisions Under Indian Laws for 'Corporate Social Responsibility' (CSR)

- CSR in India has traditionally been seen as a philanthropic activity. However, with the introduction of **Section 135 in the Companies Act 2013**, India emerged as the first country to mandate and quantify the expenditure under the head **'Corporate Social Responsibility (CSR)'** activities.
- Schedule VII of the said Act places the community at the heart of all the activities. The Act advocates integrating CSR Activities into the core operations of a company.
- The Act requires **companies with a net worth of ₹500 crore or more, or turnover of ₹1,000 crore or more, or a net profit of ₹5 crore or more during the immediately preceding financial year, to spend 2 per cent of the average net profits of the immediately preceding three years on CSR activities**. It does also enumerate the activities that can be undertaken and the manner in which the companies can undertake CSR projects / programmes.