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## UNIT 14 BEHAVIOURAL DIMENSIONS

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### Objectives

The objectives of this unit are to:

- 1 explain the role of leadership in strategic management;
- 1 discuss the concept of leadership;
- 1 acquaint you with various functions of leaders;
- 1 understand different leadership styles; and
- 1 understand the importance of ethics and values.

### Structure

- 14.1 Introduction
- 14.2 Role of Leadership
- 14.3 Concept of Leadership
- 14.4 Functions of Leadership
- 14.5 Leadership Styles
- 14.6 Corporate Culture
- 14.7 Ethics and Values
- 14.8 Functional Strategies
- 14.9 Summary
- 14.10 Key Words
- 14.11 Self-Assessment Questions
- 14.12 References and Further Readings

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### 14.1 INTRODUCTION

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Leadership means – to guide or to influence into an action. In today’s highly competitive world, it becomes important for organizations to have a good leader. The well-known book “In Search of Excellence” concludes that every company that has maintained its excellence over the years has done so because it had ‘a leader or two’ who gave it its structure. This conclusion has since been reinforced in a recent study by the Stanford Research Institute. It concluded that “12 per cent of effective management strategy is knowledge and 88 per cent is dealing appropriately with people”. Indeed, dealing appropriately with people is **Leadership**.

We know instinctively that in every human activity involving a group of people, there is a need for the guiding hand of a leader. The head of a family is the most ubiquitous leader since the dawn of human history. It is well accepted that on the quality and effectiveness of this leader, be it father or the mother, depends the progress and fortunes of the family.

In the modern complex society thousands of individuals are appointed or elected to shoulder roles and responsibilities of leadership in junior, middle and senior levels in factories and farms, schools and colleges, business and financial institutions, dispensaries and hospitals, in civil and military organs of the State’s scientific and

research institutions and so on. On their quality and effectiveness depends the strength, prosperity and happiness of society. In history an effective leader has always been a ‘force multiplier’.

Here in this unit we present to you a holistic and practical approach to leadership as the behavioural dimension and how it helps in the successful implementation of the strategy.

It is important to remember that leadership cannot be taught. However, a man does have the capability to perform himself/herself—to reprogramme his/her personality. And, it is here, that the most exciting part of human endeavour lies.

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## 14.2 ROLE OF LEADERSHIP

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Some researchers have shown that if the executives have good leadership qualities, the productivity of the nation can increase to a large extent without additional finance or new technology. It is important to note that the theoretical approach of leadership taught in classrooms is less effective than the practical approach.

In the prevailing environment in India, it is often argued, that things can improve only if the top leadership in the country sets the right example. Alternatively, the educational system should be reformed so that slowly perhaps in 50 years, things may improve. Both the views do have some theoretical merit: but do not appear to be practical.

Consequently the only way is to find a method of improving the leadership potential of those already shouldering responsibilities and of those who are getting ready to enter the field of leadership in any walk of life. This is the basic philosophy of the practical and holistic approach to leadership—‘**it is perfectly possible to improve myself; I can hope to improve others only by personal example**’ is its message.

Consequently the key to effective Strategic Management is to ensure that leadership runs like a uniform thread through all functions of management to integrate them into a culture of excellence. One of the primary needs for effective strategic management is to understand, in practical terms, the meaning of leadership, its functions; and, finally to ensure that effective leaders are groomed and developed at every level in an organization. Only then will strategic managers be able to conceive strategic plans and translate these plans into reality.

### Activity 1

Has there been any change in the top leadership of the organization with which you are associated? If the answer is affirmative, explain in what ways it has affected the quality of strategic decisions and overall productivity.

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## 14.3 CONCEPT OF LEADERSHIP

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However, when it comes to evolving a definition or a theory of leadership we run into difficulties. “If we know all too much about our leaders, we know far too little about leadership—is it essentially inspiration? Is the leader a definer of values? Satisfier of

needs? If leaders require followers, who leads whom, from where to where, and why? How do leaders lead followers without being wholly led by followers?" Leadership is one of the most observed and least understood phenomenon on earth.

However, despite Maslow's very perceptive diagnosis, almost a quarter of a century ago, an integrated view on this vital and age-old function in human society has not yet crystallised. Commenting on group dynamics laboratories Maslow observed:

"What I smell here is again some of the democratic dogma and pity in which all people are equal and in which the conception of a factually strong person or natural leader or dominant person or superior intellect or superior decisiveness or whatever is bypassed, because it makes everybody uncomfortable, and because it seems to contradict the democratic philosophy (of course, it does not really contradict it)" (Maslow, 1965).

Maslow made the above remarks as he was fully aware that there were serious reservations among intellectuals and scholars to the very concept of leadership. Ever since French revolution the academic community had assiduously tried to devalue leadership as it had got associated with aristocracy and feudalism and was thus regarded to be out of tune with the democratic ethos of equality. Equality of opportunity, which is the real sense of democracy, somehow got extrapolated to equality of capability. It was overlooked that even two brothers with common heritage are not equal in their capabilities. Potential for leadership has no relation to parental stations in society. Many of the outstanding leaders in history had a non-affluent background.

Ralph Stogdill, Fiedler, Hersey and Blanchard, have made useful contributions to understand various facets of this complex phenomena. A view that emerged in the late eighties is relevant to the study: "McClelland, Hall, Peters and Waterman, Jaques, Bennis—have been working on their parts of the puzzle. I believe that we are, however, ready to start assembling the parts" (Sashkin, 1989). It is time that we took a practical and holistic view of this ancient human capability on which depends the success or failure of strategic plans in any human activity.

The fact that the literature on leadership has more than 350 definitions of the word, indicates that it is a complex process. However, its essential nature is the ability to get the best out of people. The definition which has the touch of practical common sense is the one evolved by a medical doctor—Lord Moran. He was the medical officer of a British Infantry Battalion during World War I. For two long years he served the Battalion in France and saw how young officers inspired their fellow citizens to fight the Germans with enthusiasm and courage, knowing fully well that many among them would get killed or maimed. He wondered how one individual could exercise such a decisive influence over others. It was not just the military law or discipline, because despite these there were examples of demeaning cowardice and inability to lead. About two decades later he rose to become the Chairman of the British Medical Council and later, during World War II, he was the personal physician to Sir Winston Churchill, the war time Prime Minister of Great Britain. In that unique capacity he had a ring-side seat to observe the top leaders of the world in every human activity—politics, industry, military, labour and so on. Given below is a definition which is based on what he evolved:

**"Leadership is the capacity to frame plans which will succeed and the faculty to persuade others to carry them out in the face of all difficulties."** (Moran, 1984).

The definition has two parts. The first deals with the capacity to frame plans (programmes, projects or whatever) that have a high probability of success. This implies that a plan should reflect a leader's grasp and feel of the quality of his

resources and the environments in which the plan has to be implemented. The second part of the definition deals with the implementation of the plan by persuading others to do what is really expected of them, despite difficulties, discouragement and obstacles. Indeed, it is this capacity which, as per the Stanford Research Institute, counts for 88 per cent of strategic management.

In common parlance the above definition can be explained in very simple terms. In any situation, no matter at what level or how complex it amounts to :

knowing what to do + GETTING THINGS DONE

The difference in the size of letters in the two parts indicates the relative importance of the two components of the leadership process. The faculty to get a plan implemented is by far the more important, and indeed the more demanding component. In management terminology leadership can also be expressed as :

capability + EFFECTIVENESS

The best and most realistic explanation is that management is a tool of leadership. The national bestseller during 1989-90 in the USA. “The 7 Habits of Highly Effective People” which is regarded as the handbook of leadership in the USA, has this to say about this correlation—Management is a bottom line focus. How can I best accomplish certain things? Leadership deals with the top line. What things I want to accomplish? In the words of both Peter Drucker and Warren Dennis ‘Management is doing things right; leadership is doing the right things’. Management is efficiency in climbing the ladder of success; leadership determines whether the ladder is leaning against the right wall”.

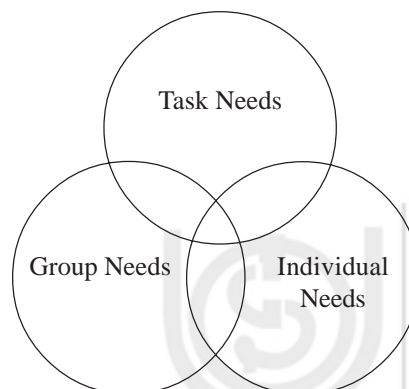
Let us now look at the functions of leadership.

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## 14.4 FUNCTIONS OF LEADERSHIP

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In practical terms a leader has to achieve the task (mission, objective or goal). For doing so, s/he has to build his team as a cohesive group and develop every individual in the team to give his very best. Consequently, s/he has to harmonise and integrate the needs related to the accomplishment of the task with those of the group he leads and individuals in the group. This is best explained diagrammatically by depicting these needs in three linked circles, as shown in Figure 14.1.



**Figure 14.1: Functions of Leadership**

**Source:** Adair, John (1973). Action Centred Leadership.

### 1) **Functions for Task Needs**

- 1 Defining the task
- 1 Making the plan

- 1 Allocating work and resources
- 1 Controlling quality and tempo of work
- 1 Checking performance against plan

2) **Functions of Group Needs**

- 1 Setting standards—example
- 1 Maintaining discipline
- 1 Building team spirit
- 1 Encouraging, motivating, giving a sense of purpose
- 1 Appointing sub-leaders
- 1 Ensuring communication within the group
- 1 Training the group

3) **Functions for Individual Needs**

- 1 Attending to personal problems
- 1 Praising of individuals
- 1 Knowing individuals personally
- 1 Recognising and using individual abilities
- 1 Training individuals

The functions related to the needs of the three areas have been listed separately for easy understanding. In actual practice, however, most of these are integrated in the following steps :

- 1 Planning to achieve the task by using the available resources and people
- 1 Initiating work by allocating tasks and resources
- 1 Controlling by monitoring the work; modifying plan
- 1 Supporting by encouragement and by motivating and training
- 1 Evaluating

**Activity 2**

What functions you think are the most important for a leader from strategic management point of view and why?

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**14.5 LEADERSHIP STYLES**

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The statement that a ‘good leader varies his/her style between authoritarian to participative (autocratic to democratic, if you like) depending on the task, the changing situation s/he encounters and changing group that s/he has to lead’ sums up rather briefly, the way an effective leader has to function. However, no effective leader ever consciously adopts a style—it comes, and indeed it must come, naturally from within. Style invariably is the reflection of the substance. It is the expression of the man and the strength and balance of his “Universal Inner Structure of Effective Leaders”. Rusi Modi while discussing leadership repeatedly emphasises “above all be yourself”.

Conceptually the changes in style which spread between the two extremes is well depicted in the model evolved by R. Tannenbaum and W. Smidt shown in Figure 14.2. It should be seen only as an illustration depicting the range of options available.

Use of Authority by the Manager				Area of Freedom for Subordinates		
1. Manager makes decision and announces it	2. Manager sells decision	3. Manager presents ideas and invites questions	4. Manager presents tentative decision subject to change	5. Manager presents problem, gets suggestions, make decision	6. Manager defines limits, asks group to make decision	7. Manager presents subordinate to function within limits defined by superior

Figure 14.2 : Leadership Styles

In practical terms any change in style is merely an intuitive variation in the mix of personal example, persuasion and compulsion.

Personal example is the most potent factor in the technique to inspire people to do what they are expected to do. If a leader can work 12 to 14 hours a day then the message gets across. Personal example in punctuality, integrity, honesty, frugality, courage, persistence, initiative unselfish love of people, or whatever is infectious with the Indian people. They try and live up to the standards of a leader. TO DO yourself what you expect your people to do is the secret of leading people.

There are people and there are times when persuasion is necessary to motivate people to do what has to be done. When they understand the circumstances, people do rise to the occasion and go through the most irksome tasks. The long-term persuasion lies in the organizational culture (*esprit de corps*) in which people take pride in doing anything to uphold the honour and good name of the organization.

Compulsion by the way of punishing the few indolent, lazy or resentful individuals who do not perform their share of work is also necessary to maintain discipline. Also, to let people know unambiguously that the leader is fair and just, but not tolerant of the incompetent, the crooked and mischievous. There is an innate tendency among Indians to kill or retard an organization with kindness. Inability to take appropriate action is rationalised by arguments like pressures from the top, fear of litigation, trade union agitation and so on. To a degree it is also due to a lack of moral courage.

### Leadership in Indian Context

More and more organizations in the country are reflecting the diversity of Indian people. Executives and workers in organizations often hail from different parts of the country, speak different languages, have different customs and traditions, profess different religions and have different ethnic origin. For a leader to be able to handle such groups of people, s/he must be able to rise above his/her own narrow regional, religious, linguistic and ethnic origin, and project, by convictions and actions, a true all-India personality to be able to command, respect and loyalty of his team. There are two essential requirements for succeeding in this goal.

First, a leader should have a good grasp and pride in the long history and cultural ethos of India. Second, a leader should have rudimentary knowledge of all religions of India and s/he should genuinely respect all faiths.

**Attributes of successful leader** – Table 14.1 shows some attributes of successful leaders.

**Table 14.1: Attributes of Successful Leaders**

**Behavioural Dimensions**

Ambition	:	Ability to administer efficiently
Willingness to work hard	:	Enthusiasm
Enterprise	:	Capacity to speak lucidly
Astuteness	:	Singlemindedness
Ability to 'stick to it'	:	Willing to take risks
Capacity for lucid writing	:	Leadership
Imagination	:	Ability to take decisions
Ability to spot opportunities	:	Analytical ability
Willingness to work long hours	:	Ability to meet unpleasant situations
Curiosity	:	Openmindedness
Understanding of others	:	Ability to adopt quickly to change
Skill with numbers	:	
Capacity for abstract thought	:	
Integrity	:	

**Activity 3**

Ponder over the leadership style of your immediate supervisor in the organization you are working and answer the following:

a) How do you describe his/her leadership style?

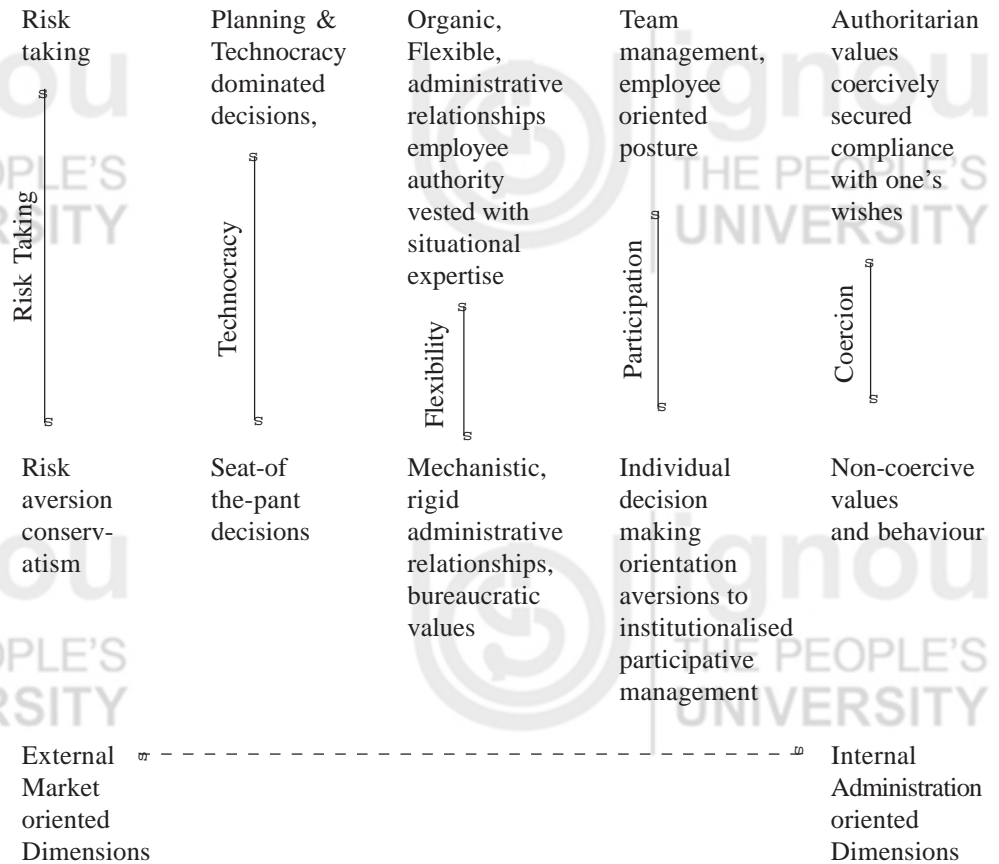
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b) Is his/her leadership style consistent (or does it vary frequently)?

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Developing appropriate leadership is one of the most important elements in the implementation of a strategy. This is important because leaders are key organic elements who help an organization cope with changes. Appropriate leadership is necessary, though not a sufficient condition, for mobilising people, and for developing effective structure and systems for the success of strategy. Failure of leadership may lead to difficulties in achieving goal congruence, communication breakdown, ambiguity with regard to roles of sub-units, and difficulty in obtaining commitment to a plan, e.g., staff conflicts and lack of strategic thinking. Leadership is the key factor for developing and maintaining the right culture and climate.

**Implementation and Control**



**Figure 14.3 : Dimensions of Leadership Styles**

**Source:** Khandwalla, N.N. (1977) p. 399.

There are several aspects of leadership styles and skills, some of them are more appropriate to the context/content of a strategy, while others are desirable attributes in general for the success of an organization.

Leadership styles are manifested through the orientations, Khandwalla has identified five orientations (dimensions of style) namely, the *risk taking* (willingness to make high risk, high return decisions), *optimisation* (degree of commitment to the use of planning, and management science techniques in decision making by technically qualified people vis-a-vis seat-or-the pant decisions), *flexibility* (degree of looseness and flexibility in organization structuring), *participation* (of those other than the ones holding key positions) and *coercion* (use of fear and domination) (see Figure 15.3). For superior performance on key organization goals he proposes that if

- 1 the orientation of top management is risk taking, then it should be at least moderately organic and coercive in proportion to internal resistance to change.
- 1 the orientation is risk aversive, then it should be moderately mechanistic and non-coercive.
- 1 the orientation is of highly optimisation type, then it should be strongly participative.
- 1 the orientation is highly seat-or-the-pant and non-technocratic, then it should be at least moderately risk taking and non-participative.

Different leadership styles have “good fit” with different environments. Since the strategy determines the product/market scope, and also the environment in which the organization is going to operate in future, it has a bearing on leadership style. Khandwalla has further categorised leadership styles into seven types to relate them to environment, each reflecting different mix of the five orientations, as shown in the table 14.2.



Table 14.2: Seven Styles of Top Management

<i>Leadership Style</i>	<i>Risk Taking</i>	<i>Technocracy (Optimisation)</i>	<i>Flexibility Organicity</i>	<i>Participation</i>	<i>Coercion</i>
1. Entrepreneurial	High	Moderate to low	Moderate to high	Moderate to low	Variable
2. Neoscientific	Variable	High	Moderate to low	High	Moderate to low
3. Quasi-scientific	Variable	High	Moderate to low	Moderate to low	Moderate to high
4. Muddling through	Moderate to low	Low	Moderate to high	Moderate to low	Moderate to high
5. Conservative	Low	Moderate to low	Moderate to low	Moderate to low	Variable
6. Democratic	Moderate to low	Moderate to low	Moderate to high	High	Variable
7. Middle of the Road	Moderate	Moderate	Moderate	Moderate to low	Moderate to low

**Source:** Khandwalla, P.N., "Some Top Management Styles : Their Context and Performance", *Organisation and Administrative Sciences*. Vol. 7 , No. 4, Winter 1976. p. 27.

Like leadership, there are several dimensions of environment also, namely, the degree of turbulence/volatility (high degree of changeability/unpredictability), hostility (hostile environment are highly risky and overwhelming), heterogeneity (diversity of markets/consumers), restrictiveness (economic, social, legal and political constraints) and the degree of technological sophistication. The leadership styles which are more appropriate to different types of environment are shown in Table 14.3.

Table 14.3: Environment-Style Fit

<i>Environment</i>		<i>Styles</i>
Turbulence	High	Entrepreneurial, neo scientific
	Medium	Neo scientific, middle of the road
	Low	Conservative
Hostility	High	Entrepreneurial
	Medium	Neo scientific
	Low	Neo scientific, Conservative
Diversity	High	Entrepreneurial, Neo scientific
	Medium	Muddling through, middle of the road
	Low	Neo scientific, conservative, entrepreneurial, quasi-scientific
Restrictiveness	High	Neo scientific, entrepreneurial
	Medium	Entrepreneurial, conservative
	Low	
Technological Complexity	High	Entrepreneurial, Neo scientific
	Medium	Quasi-scientific
	Low	Democratic

**Source:** Khandwalla, P.N., "Some Top Management Styles : Their Context and Performance", *Organisation and Administrative Sciences*. Vol. 7 , No. 4, Winter 1976. p. 27.

It should be noted that while the above discussion gives a good idea of orientations and the styles of leadership to respond effectively to the environmental demands, it does not cover the leadership skills required for "revitalisation" or "transformation" of

the “organization”. The above discussion gives the attributes of a manager who is a “transactional” leader, and not a “transformational” leader. The task of a “transformation” or “revitalisation” leader is to take the organization to a dominant position. This involves managing change or transition. It has three distinctive phases.

- 1 Recognising the need for revitalisation
- 1 Creating a new vision
- 1 Institutionlising change.

The leadership task in the first phase requires the ability to sense the need for change (often there is a low threshold to catch trigger events in the environment). The second phase requires communication skills to create a vision for future that excites people to move, and also the interpersonal skills and creativity to mobilise commitment of at least at critical mass in the organization. To perform the task in the third phase of the transformation process the leader should have the ability to understand and manage powerful conflicting forces in people. The negative emotions and threats to power and authority have to be transformed into positive emotions and reconciliation. New ways of working, new styles, new culture, and new norms have to be developed. The shock of change has to be reduced.

The challenges of leadership in implementation are grave as leadership is the most scarce resource. Organizations cope with it in several ways, by changing the current leadership and by developing appropriate leadership styles. The change of current leadership may not be easy to achieve even though it might be inevitable for effecting “transformation” in the situation. The existing leadership might have been cast in a particular mold which may be inappropriate to the demands of the organization. The “casting” effect can be overcome if changes are introduced gradually in the leadership styles and skills, to avoid accumulated lags or mismatches between existing leadership styles/skills and company’s changed requirements. This would require a blueprint to indicate the kinds of styles and skills, and the number of persons of different styles and skills required in future, current talent available and a plan of recruitment and grooming. The task of human resources development is thus very closely related and determined by strategy of the organization.

**Activity 4**

Describe basic features of the top management styles in your organization. Compare them with the styles necessary to match the demands of your organization.

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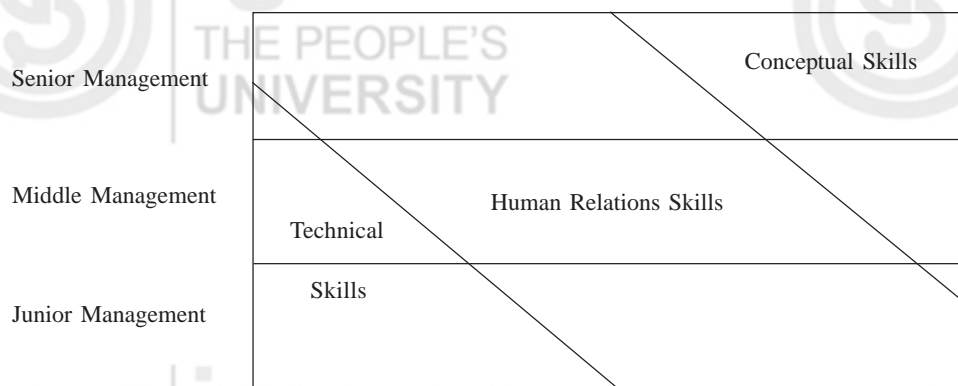
**14.6 CORPORATE CULTURE**

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Each organization has its own way of dealing with corporate problems and do have their own organizational structure. The culture of the organization very much depends on the behaviour of the employees. If the employees have a strong commitment towards their organizations, the organization is said to have a strong culture and *vice*

*versa*. For example, Infosys—one of top companies in the area of IT in India—can be said to have a strong organizational culture. This is reflected in its annual results. It is not easy to have a strong culture in the organization. Lot of it depends on how the leaders of the organization handle their employees. Looking at this discussion, we can infer that ‘corporate culture’ is the values and beliefs accepted and practiced by all the employees of the company. To have an appropriate corporate culture, the strategy of the organization should match with it. In this section we would stress more on the role of leaders in shaping the culture of the organization and will discuss the role of leaders in handling the employees.

When it comes to handling people, the total personality of a leader comes into play. Managerial effectiveness is the management terminology for leadership. It is well to remember that this truth is applicable at all the levels of management—Junior, Middle and Senior. The ‘Katz Model’, shown in Figure 14.4 shows the relevant value of management skills at various levels. Although there have been some minor changes in the original design, it clearly shows that Human Relation Skill is consistently the biggest component at all the levels of management.



**Figure 14.4: Katz Model—Skills of an Effective Manager**

A leader in any organization has to handle people in the following three directions:

- The first—is downwards—his/her own team which he has to build as an effective and cohesive group motivated to achieve the goals of the organization.
- The second—is lateral, which involves winning the support and cooperation of colleagues over whom the leader has no control, but who have an important functional relationship with the group/organization headed by the leader.
- The third—is a purposeful, constructive and harmonious relation with the higher authority under whom a leader functions—the boss.

**Human nature:** In order to handle people effectively it is useful for a leader to understand human nature. There are a large number of theories about it. For developing leadership potential it is useful to focus our attention on two concepts which have a lasting and practical value for learners.

Once people are convinced that s/he is a person who knows them well and s/he truly cares about them then they would do anything for the leader. However, it requires a very major effort to know people and know them better than even their own mothers—effort in terms of time, attention and genuine interest in people.

The difference between ‘indulgence’ and ‘caring’ should be clearly understood. Indulgence means excessive gratification—giving material things—money, conveniences and so on. Indulgence, by and large, spoils the recipients. Caring, on the other hand, is a matter of attitude—it is a quality based on unselfish love. Consequently, caring is a matter of heart and not related to material resources. A skill

that often helps a leader to know and care for his/her people is the skill of communication.

**Communication : To know people:** The ability to know people is the starting point to handle them and communication skill plays an important role in this ability. These help a leader TO TELL what s/he wants done. However, some essential features of this skill relevant to knowing and handling people need discussion.

Most of the strained and fractured relations can be traced to the mutual breakdown of communications between individuals in a family, group, community, countries and even among the community of nations. One starts seeing only the uglier side of others and it leads to alienation. The ability to communicate, on the other hand, puts human relations on an even keel by removing misperceptions and misunderstandings. The ability has two sides:

- 1 The skill of expression; and
- 1 The skill of listening.

### **The Skill of Expression**

The skill of expression does not merely mean gift of the gab or cleverness with words. For a leader the skill of expression is a vehicle to generate trust. Verbal expression counts for only 30 per cent in this skill, the balance 70 per cent is the body language—expression in the eyes, conviction in the tone, the sincerity in the posture, and generally, the vibrations that a person conveys. Body language communicates the total personality of a leader, and its effectiveness depends, entirely on the strength and balance of the “Universal Inner Structure of Effective Leaders”. In genuine expression there can be no pretension. Spontaneity, straightforwardness and sincerity are far more effective than sheer command over the language.

### **The Skill of Listening**

The skill of listening means understanding and knowing the other person. It has been found that this part of communication skill is even more important, but, unfortunately less prevalent. Listen with ears and observe body language with eyes. Even nature has a design in the listen talk ratio. It gives two ears to a person, but only one mouth.

Listening has three ingredients. The first, of course, is the physical process of hearing what the other person is saying; this involves attention. Comprehending what the person is saying is the second ingredient, and demands undivided attention. Looking out of the window, or attending to routine papers while listening are signs of inattentiveness. Remembering what you listen is the third ingredient of this skill and, naturally, comes about only if a leader hears and comprehends what is said. The ability to listen attentively and with sympathy in which a leader shows signs of warmth, makes the other person feel that s/he is an individual and not merely a faceless part of the machine. It helps generate trust in the team. Above all, ‘listening to the body language with eyes’ gives a leader an opportunity to really know his people and their characteristics.

Experience shows that effective communication means:

- 50 per cent listening;
- 25 per cent speaking;
- 15 per cent reading;
- 10 per cent writing.

The operative part of Leadership capability lies in the ability to handle people in a manner that they give their best for a cause, organization and the task in hand. This capability depends on the strength and balance of TO BE in a leader—his/her

Universal Inner Structure of Effective Leadership. Reinforcing this structure is within the reach of anyone who applies himself to this exciting endeavour with SINCERITY and WILL POWER till transformation takes place. Even while one is making an effort to improve the source of leadership a few practical hints to handle people will be of value to anyone who desires to be more effective.

### Handling people working for a leader

**Self-control :** No team captain can hope to control and inspire his/her team unless s/he learns to control and discipline himself. This is a difficult task, but without it there is little chance for a man to become a successful leader. It requires a certain amount of philosophical outlook and frugality which is often associated with aristocrats and saints. Self-control does not only add to the leadership potential, it also is a source of great happiness.

**Success and Failure :** It is a basic trait of human nature that an individual ascribes successes of an organization to the part played by him/her, and blames failures on the system. On the other hand, a good leader gives credit to his/her men for successes and takes responsibility for failures. This approach binds men together in a collective effort to work for the organization.

**Setting Targets :** It is useful to let individuals themselves set targets for work. In this event not only are they likely to meet these targets, but even surpass them.

**Correcting Mistakes :** A leader has often to correct the people who falter, show traces of weakness or fail. It is better to say “This is not what is expected of a person of your calibre and ability” rather than words to the effect “what else one could expect from a clot like you”. The first approach enhances a man’s self-respect even in failure. The second approach makes him your enemy.

**We and not you :** A good leader always projects himself/herself as a part of the team and invariably talks in terms of “We” and not “You”.

**Accessibility :** It is a leader’s responsibility to ensure that s/he is accessible. S/he should institutionalise the time and place for meeting the members of his team. Tragedies and illnesses are a frequent occurrence in human life. A good leader makes it a point to find time for seeing men who are afflicted to who have difficult problems to tackle. Visiting them, in case they are hospitalised, should also be a matter of priority time allocation. You win lasting commitment from people thus handled.

**Anger :** A good leader does not lose his/her temper. However, righteous anger is very different from uncontrolled rage and should not be suppressed. However, special care should be taken to uphold the honour and dignity of an individual in the presence of his colleagues and family members.

**Recognition :** Good and effective leaders have used the human urge for recognition with telling effect to foster interpersonal bonds with their people and to motivate them. They have scrupulously used the principle of ‘praise in public and reprimand in private’ to create an organizational culture in which people work ‘much beyond call of duty’ to maintain excellence in their organization. The real basis of making individuals feel like heroes is, of course, genuine care and unselfish love by the leader for his people.

In the ultimate analysis, handling people is a matter of attitude. It is expecting the utmost from them while caring for them completely. It is possible only if a leader can create an atmosphere in which there is free communication. Tolerating shirkers and parasites in the name of “being human” does a great deal of damage. Fortunately, such people are few and far between, and must be dealt with strictly.

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## 14.7 ETHICS AND VALUES

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It is not easy to build a strong corporate culture in any organization. A strong culture is based on strong ethics and values. This is very important for the success of the organization in the long-run. It is very easy to adopt short-cut methods to reach the top but the downfall also comes at the same rate. Ethics and values ensure that the organization does not adopt short-cut methods to achieve success; instead it stresses on the concept of sustained success. Every organization has its own code of ethics and standards in a written form.

The code of ethics normally contain the following points:

- 1 Honesty
- 1 Fairness in practices of the company—Disclosing the inside information;
- 1 Acquiring and using outside information—Disclosure of outside activities by the employer to the employee;
- 1 Using company assets; etc.

**The value statements normally include**

- 1 Value of customers
- 1 Commitment towards the business practices like quality etc.
- 1 duty towards shareholders, suppliers etc.
- 1 following the environmental protection norms etc.

These were the few areas which were covered. There can be more such points, which can be discussed under the head value statements and code of ethics. Each organization has its own set of value statements and code of ethics.

### Activity 5

Take the case of the organization of your choice and write the code of ethics and value statements of that organization.

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For the strategy to be implemented effectively, it is important to have a set of formal value statements and code of ethics. These should not be merely in a written form but must be followed by each employee of the organization so as to create a strong corporate culture, which in turn would result in the success of the organization.

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## 14.8 FUNCTIONAL STRATEGIES

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The strategies have to be ultimately translated into business operations. The operating decisions are taken by middle and junior level managers. Functional policies provide guidelines to operating managers so that (a) the strategies are implemented, (b) executive time in decision making is reduced, (c) similar situations are handled consistently, and (d) coordination across functional units takes place. Once the strategy of the company is decided, modification in functional policies may become necessary to meet the demands of new business or new business philosophy, particularly if a major deviation in product/market scope is contemplated. This

becomes all the more necessary in the Indian context where unrelated diversification is not uncommon and where large-scale sickness of business exists. Depending upon the changes in the present business and the method of its management, the magnitude of modifications may range from a few minor ones to total revamping of functional policies. For instance, a company might plan an expansion in sales by introducing instalment schemes. This may need some alteration in the financial policies. On the other hand, if a company growing only at a 5% rate wants to be the leader in the industry and has the ambition of appearing on world scene, major changes may be imperative not only in financial but also in technology production, marketing, personnel and R & D policies. The functional policies should be comprehensive; they should not leave so much choice to operating managers that they work suboptimally or at cross purposes. At the same time, the policies should be flexible enough to leave room to managers for responding quickly to situations and make exceptions for good reasons. The firm should have policies in every major aspect of business, at least in key functional areas.

In the financial management area, the major policies relate to the arrangement and deployment of funds. Major issues involved are the sources from where the funds will come, from owners (equity) or by borrowing. How much of the borrowing will be short-term and how much long-term? In terms of usage of funds, the policy decisions would relate to whether and to what extent funds have to be deployed in long-term (fixed) and short-term (current) assets. The long-term or capital investment decisions relate to buying or leasing the fixed assets. A retrenchment strategy or paucity of funds may compel the organization to lease rather than buy. In case of an organization where capital investment decisions are decentralised, a “hurdle rate” may be fixed so as to avoid investment in weaker projects by one division and non-investment by another division.

Apart from capital budgeting, another consideration in financial management which influences other functional areas is the cashflow. A company may frame bonus and dividend policies based on availability of cash. In case a company proposes expansion through internally generated funds, it may reduce bonus and dividend. This is particularly so when it has formulated ambitious growth policies which require huge cash. Similarly, if the firm has high risk business, it should have a conservative debt/equity ratio to guard against falling in red due to heavy interest burden.

The funds position and optimisation orientation of top management also determine the accounts receivable and payable policies. Financial policies may even determine the account keeping (e.g. LIFO or FIFO) as these affect the profitability, balance sheet and hence cashflow through tax, dividend, bonus, etc.

Functional policies in marketing area are required for marketing-mix decisions, namely, the four Ps (Product design, Product distribution, Pricing and Promotion) of marketing. In terms of specifics, the product decisions relate to such issues as the variety of product/service (shape, size, models, etc.), completeness of the line, quality requirements, introduction/withdrawal of products, nature of customers, etc. Specific policies are also necessary regarding distribution channels, i.e., through retailers or direct selling? What will be the spread of distribution network? Whether new dealers will be established or old ones developed? What will be the terms of contract with dealers and the nature/extent of after-sale service (wherever necessary)? The promotion policies will relate to mode of promotion, coverage and nature (corporate/product or brand promotion). Very clear and specific policies are to be made about pricing, e.g., full cost or standard cost based pricing. In the case of latter, at what sales levels? Offensive vs. defensive postures also influence pricing policies.

The functions relating to production will need policies relating to quality assurance, machine utilisation, location of facilities, balancing the line, scheduling of production, and materials management. The strategy for entering into export market will dictate a

different policy regarding quality of products and maintenance. In case of common facilities policies of prioritisation will have to be made for scheduling production. Location of facilities may be determined by closeness to market or input supply points. Policies must be made to determine whether and how much to make or buy, on the basis of cost differential, certainty regarding availability, criticality of the item, ability to follow up procurement action for production, capacity utilisation of the existing plant and facility and alternative uses of expanded capacity if expansion becomes necessary. In case of bought out items, policies regarding the number of suppliers and the criteria for selecting them are necessary.

In the area of research and development, functional policies regarding nature of research are necessary. In case of expansion through new product development, heavy emphasis has to be laid on basic and applied research. On the other hand, for expansion in the same line, research emphasis has to be on product/process improvement to cut cost and on added value. It may be noted that in case of basic research the firm should be prepared to commit resources and wait for outcome for several years. It cannot have basic research unless it is prepared to commit resources on long-term basis.

Lastly, functional policies will be necessary in the area of personnel management: what will be the compensation/incentive system to get the best out of the people and to make them fit for desired positions in the organization? What compensation/incentive system will be able to attract people of the desired type to join the organization so as to meet the task requirements demanded by the strategy? What policies will be necessary for grooming internal people for new positions? The problem becomes acute in the context of turnaround strategies. On the one hand, the most competent people leave and the firm finds it difficult to attract suitable replacements. On the other hand, it faces problem of surplus staff. Retrenchment policies, though painful, are quite necessary but difficult to develop.

The functional policies have a lot of interlinkages between themselves and, therefore, cannot be developed independent of each other. Attempts to do so, for whatever reason, may lead to chaos and serious mismatches, resulting in failure of the strategy.

**Activity 5**

List the main functional policies in your organization. What mismatch, if any, do you notice among them?

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**14.9 SUMMARY**

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In this unit we have discussed different aspects of behavioural issues, which are important for the implementation of a strategy in an organization. In this unit, the stress is more on the concept of leadership and the role of leaders in handling the people. The key to effective strategic management lies in ensuring the integration of the functions of management into a culture of excellence. This in itself is a great challenge for leadership.



Whether a leader should change his/her style in according with the demands of the situation is rather controversial. It is considered better for a leader 'to be himself/herself'. The role of leader is important for maintaining the corporate culture of the organization. S/he should set examples to guide his employees to follow a path of sound values and ethical principles so as to build a strong corporate culture.

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## 14.10 KEY WORDS

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**Corporate Culture** is the values and beliefs accepted and practiced by all the employees of a company.

**Ethics** is the moral philosophy of the organization.

**Leadership** is the capacity to frame plans which will succeed and the faculty to persuade others carry them out in the face of all difficulties.

**Values** are the moral principles of the organization.

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## 14.11 SELF-ASSESSMENT QUESTIONS

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- 1) "12 per cent of effective management strategy is knowledge and 88 per cent is dealing appropriately with people". Do you agree with the statement? Discuss.
- 2) Discuss the role of leadership in
  - a) Strategic Management
  - b) Improving Productivity
- 3) Discuss the different functions of leadership.
- 4) Should a leader change his/her style or continue with his/her style, which is in consonance with his/her basic personality? Discuss.
- 5) What do you understand by corporate culture? Should the organization have a corporate culture of its own? Discuss.
- 6) Briefly explain the importance of values and ethics in an organization.

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## 14.12 REFERENCES AND FURTHER READINGS

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