

# Empowering TIMES



August 2011

## Editor's DESK

Dear Reader,

Like us human beings, business entities too 'live' in a 'society' and there are certain 'social norms' which it has to follow to ensure a hassle-free existence. These norms, written or unwritten, are created by the various entities which operate in the external environment of the business entity. It is essential for businesses to accord importance to these external entities and their rules as much as prioritizing other business functions. Failing to manage the external environment efficiently can prove to be a costly mistake for an organisation of any size. In this month's ET we discuss External Environment Management in depth and hope this issue helps you unravel the intricacies involved.

In **Thinking Aloud** this month, Arvind Kumar delves deeper into the concept of External Environment Management which assumes a strategic role in the well-being of an organisation. He acknowledges the fact that every external entity has its own peculiarities and needs a customized approach so as to be able to derive maximum benefit for the organisation. Many managers feel External Environment Management to be a drain on resources, but considering its strategic importance, it is one of the fundamental functions to be successful in General Management roles.

On the **Podium** this month, we have Mr. PM Sinha, Independent Director on the Boards of Wipro Ltd, Lafarge India Pvt Ltd, Azim Premji Foundation and Rieter India Ltd. Mr. Sinha gives us some guidelines for effective External Environment

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Management and shares with us some critical experiences during his professional career. He goes on to say that some level of approach customization is necessary for entities based in different countries or depending on the size of the organisation, but values and ethics play a crucial role while dealing with the external environment.

In ***Between the Lines*** this month, we review the book 'Blind Spots: Why we fail to do what's right & what to do about it', a book authored by eminent business ethicists – Max H. Bazerman and Ann E. Tenbrunsel. When faced with a particular situation every person reacts in a typical manner based on his/her thinking process. The book takes an in depth view on the thinking process, the role of ethics in that process and what are the 'blind spots' between an individual's thinking and the actual execution.

This month's ***Standing Ovation*** features 'Aashray', a NGO which fights the practice of dedicating young girls to Gods and Goddesses. It aims at raising awareness and to challenge the superstitions, traditions and customs of these practices and to provide a dignified life to the oppressed women.

In ***Figures of Speech***, Vikram simplifies External Environment Management for us!

As always, we value your opinion, so do let us know how you liked this issue. To visit our previous issues you can visit the Resources section on the website or simply [Click Here](#). You can also follow us on [Facebook](#) and [Twitter](#).



## External Environment Management (EEM) - Arvind Kumar

I have often seen Indian managers, including CEOs, lamenting that disproportionate time goes into managing the external environment.

Well friends, the home truth is that it is and should be a part of your job description and should find a mention in your key result areas! It is simply too important for the company, just like any other management function is. I recently went through a brilliant expose by Mr AG Lafley, former CEO of Proctor and Gamble (Harvard Business Review, May 2009) who lucidly describes the role of the CEO in four parts and starts with a pithy comment that "The CEO has a unique external perspective to bring to his or her real work, which is to link the outside to the inside".

He goes on to identify the four tasks for the CEO:

- Defining the Meaningful Outside
- Deciding What Business You Are In
- Balancing Present and Future

- Shaping Values and Standards

So what is 'External Environment Management'?

To define, it is the *"interaction / influencing / impacting external constituencies in the ecosystem that materially impact financial and social wellbeing of the Company"*.

In a nutshell, it is managing a series of external constituencies who depend on you for their wellbeing, have stakes in your business, look to your support and are also powerful to make your life comfortable or uncomfortable. These are the government, media, legislature, consumer groups, local communities, trade associations, trade unions and investors.

The payback for the company with effective EEM can be tremendous - besides protecting and enhancing the reputation of the company, it also allows you to get your legitimate dues from the external environment. In the least it releases you from time-diverting intrusions which will inevitably chase you as one or the other constituencies tries to reach you. A crisis can hit you when a number of constituencies act in unison against you and threaten the company's short or long term wellbeing. The cases of 'cola pesticides', 'Cadbury worms', 'dropsy oil' and more recently the 'BP oil spill' are vivid illustrations of the criticality EEM assumes for your company.

What is the task of getting proficiency in EEM? Each of the constituencies mentioned above have their own peculiarities with respect to mindsets, approach to corporates, organisation and compulsions. These drive their behavior and it is the task of effective EEM to understand and effectively deal with them. Conceptually, and by definition, it is no different from how a company tries to understand its other customers like the consumer, trade, employees or trade unions. However, obviously each will behave differently and needs a separate treatment.

The demand for inclusive growth and accountability for 'Corporate Citizenship' will only rise in our country. The nation seeks accountability from all in power. The non-reversible forces of media, social groups, judicial intervention and an increasingly demanding and educated public will seek 'profits with honor' from corporates. A proper and dignified handling of the external environment is becoming increasingly important in the face of such demands. The task has become more demanding against the backdrop of international and national scams which have eroded the sheen off corporate respectability.

Somehow, many managers including CEOs find investment in these a drain. Look at what the marketing department of an FMCG company does with a consumer - the entire group from the CEO down goes into extreme depth, using ever increasing sophisticated techniques to understand and then reach the consumer in her home, out of home and shopping environments. The entire company is pushed towards consumer centricity and 'consumer is the king' is inoculated in the lexicon. However, once it comes to EEM it is left to the public relations department and inevitably the CEO.

EEM is not public relations – it is well beyond that! It is part of the company's ecosystem: it substantially feeds and is fed by the company's vision, mission and values and gets intricately linked with Corporate Governance, Corporate Social Responsibility and the foundation of business ethics.

For the individual manager who is progressing up his functional hierarchy, getting proficiency in EEM works towards making of the 'complete manager'. It becomes the 'sufficient condition' for reaching and delivering on General Management positions. So it is in their professional interest to include this in their job description, even if it is not in the organisation's template.

## Podium

### Mr. PM Sinha - Independent Director on the Boards of Wipro Ltd, Lafarge India Pvt Ltd, Azim Premji Foundation and Rieter India Ltd (Advisory Board)



Mr. PM Sinha is an Independent Director on the Boards of Wipro Ltd., Lafarge India Pvt Ltd., Azim Premji Foundation and Rieter India Ltd. (Advisory Board). He started as a Management Trainee in Esso Standard Eastern in Sales and Marketing. In 1969 he joined Hindustan Lever and became a member of the Executive Board in 1981 and was also the Chairman of Stepan Chemicals. He was also on the Boards of Brooke Bond India Ltd., Lipton India Ltd., Lintas India and Nepal Lever. In 1992 he took over as President of Pepsi Foods Ltd. and as the Chairman of PepsiCo India Holdings and Vice President Pepsi Cola International Asia. In 1994, in addition to his earlier two responsibilities he became President of PepsiCola International for South Asia. He opted for

an early retirement effective 01 August 2002 from Pepsi, after ten years as CEO for Pepsi Beverage International for South Asia.

He was Chairman of Reckitt & Colman for two years from 2000 and an Independent Director of Lafarge. In 2002 he joined as an Independent Director for Bharti Airtel, ICICI Bank and Wipro India Ltd. He was also the Chairman of Bata India Ltd. Mr Sinha is an alumnus of the Sloan School of Management, MIT (USA).

He was nominated by the Government as an Independent Director of IOC in 2003 and worked as Chairman of their Marketing and Human Resource Committee for five and a half years.

ET: What are the 3 or 4 touch stones for effective EEM for a company?

PMS:

- A knowledge of the external environment, particularly, economic and political and the processes followed by the government in evaluating issues.
- Total integrity and transparency in all interactions.
- Ability to get along on friendly terms with all those you deal with, and the need to develop friendship without asking for a favor. Favors should not be sought, proposals should be submitted on merit, and should help the government, people and the economy; e.g., in employment generation, tax generation, etc.
- Unwavering respect and compliance for law of the land both in letter and spirit. This provides the legitimacy for EEM and can be called the 'necessary condition'.

- Focus on pre-emptive planning – of knowledge gain, of relationship building and of crisis management. Otherwise you will run from crisis to crisis.

ET: What are the most challenging EEM assignments that you would like to share with us?

PMS:

1. Hindustan Unilever believed that the FERA rules allowed HLL to retain 51% foreign equity. The issue was argued with different ministries of the Central Government for seven years before a special committee (inter-ministerial) approved our request.
2. Airlifting all managers and their families from Doom Dooma Tea Gardens and managers and families of Lipton and Brooke Bond from Gauhati, within 24 hours, after getting notice from ULFA that unless we paid a certain amount, all our managers and their families would be killed. This was a time when many tea garden managers had been kidnapped or killed. We shut down the operations, but did not pay.

ET: What is the role of values and ethics in successful EEM?

PMS: Values and Ethics are totally critical and essential in EEM. Everyone from politicians, ministers and all levels of bureaucracy both at the Centre and State must understand and consciously accept it. This also applies to dealing with the press. In UP, when Pepsi set up a plant in a backward area, I got a letter from the Chief Secretary that if we are troubled by anyone for money or harassed, a Secretary would be assigned as a single point to sort out our problem.

ET: Does the approach to EEM differ across borders? Is it a country specific capability?

PMS: Principles of EEM are to be applied by corporates globally. It may differ from country to country as per rules and policies, but ethics and integrity cannot be ever compromised.

Underdeveloped and developing countries often have less developed legislations, codes of behavior and implementation structures. Hence corporate behavior and compliance are guided by practical precedence. Global principles especially of transnational organisations have a special importance in these circumstances. For example, the regulations on lobbying are practically non-existent in India compared to say Canada, Australia or even USA.

Developed countries have stronger jurisprudence. As a consequence they are also more litigation prone, though dispute redressal is swifter.

ET: How should the approach differ between SMEs and large corporates?

PMS: SMEs may not have senior enough people, or corporate weight to deal with EEM so they have to use Industry Associations or Chambers of Commerce or even confidently deal with whoever they have to, on merits of their case and NOT ask for favors. They have to invest in compliances and EEM as applicable to their business situation and consider it as a foundation for business building. There are enough examples of companies who have followed this path. Because of their lower public profile, the needs of SMEs would be lower for some stake holders, e. g., press or consumer groups v/s large companies.

ET: Your advice to budding managers on this aspect of their professional development?

PMS: Organisations MUST have a culture of integrity and ethics, and every manager must know the rules and adverse disciplinary action that will be taken, if they act otherwise. Senior managers have to set the example and walk the talk.

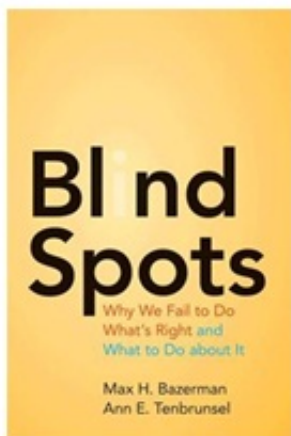
Managers should also see development and skill building in this area as important for their career building especially if they are aspiring for CEO jobs.

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Between  
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## Blind Spots: Why we fail to do what's right & what to do about it - Max H. Bazerman, Ann E. Tenbrunsel



The book, 'Blind Spots: Why we fail to do what's right and what to do about it', written by eminent business ethicists – Max H. Bazerman and Ann E. Tenbrunsel, throws light on why people behave the way they do when confronted with a particular situation and how ethics play an important role in the decision making process.

Max H. Bazerman is formally affiliated with the Department of Psychology, Kennedy School of Government apart from being the Straus Professor at the Harvard Business School. His research mainly focuses on decision making, negotiation and ethics and he has authored and co-authored nineteen books.

Ann E. Tenbrunsel is the Rex and Alice A. Martin Professor of Business Ethics and the Co-director of the Institute for Ethical Business Worldwide at the University of Notre Dame. She has co-authored many books including Codes of Conduct and researches on decision making and negotiations, with a particular emphasis on ethics.

The opening lines of the book start with a question, the answer to which most readers would have a solution that stands to one's principles and ethics. But, the authors point out that, more often than not, we are not as ethical as we think we are. The gap between what we decide ethically and what we actually execute whether ethical or not are referred to as 'blind spots'. The book analyses the different ways of how people overestimate the ability to do what is right and how we tend to make unethical decisions unknowingly.

The book takes us through a journey explaining various implications of ethical gaps through three levels – at the individual, the organisational and at the societal level. Through insightful examples, various real life situations have been put forth to assess the degree of unethical decision making and their respective consequences. Various ideas of what constitutes ethical or moral behavior coupled with a spectrum of reasons of why people may sometimes be inconsistent with their own values and behavior have also been explained.

The book tells us how to deal with our respective 'blind spots' – right from the traditional approaches (which the

authors conclude that they don't really work) to ethics, the importance of ethical self-awareness to why we act against our own values and behavior. Along with this, the book demonstrates, how over the years, there is a shift in ethical standards, how we neglect to observe people's behaviors and how we are unaware of our responses to the unethical behavior of others.

Ethical decision making today faces a challenge between the 'want self' and the 'should self'. The 'want self' is that part of us that is emotional, affective, impulsive and hot-headed. In striking contrast, the 'should self' is rational, cognitive, thoughtful and cool-headed. While the 'should self' encompasses ethical intentions and beliefs that weaves around ethical values and principles, the 'want self' exercises a relative disregard for ethical considerations. To overcome this challenge the authors opine the concept of change to bring out taking decisions closer to our ethical viewpoints.

On the whole, 'Blind Spots' views the science of behavioral ethics at a different dimension altogether and is a good read for all wanting to identify their respective blind spots in all spheres of life – individual, organisational and at the societal level and to bridge these gaps to help in better decision making.

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STANDING  
OVATION

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## Aashray, a NGO working for the emancipation of Jogins / Basvis / Mathamma in Telangana, Rayalaseema and Costal Andhra

**Aashray**

Aashray is a NGO working against the practice of dedicating young girls to Gods and Goddesses. In Devadasi / Jogin / Mathamma / Basvi system the girls are married to the goddess 'Yellamma'. The cause for dedication is the dominant caste / brahminical approach to exploit Dalit girls / women in the guise of religious rituals. The reason why the parents dedicate the girl child is acute poverty and the burden of getting the girl married with a good sum of dowry.

Aashray, founded by Grace Nirmala, began as a temporary shelter for 20 children and today is present in many districts of Andhra Pradesh. There are around 50,000 Jogins / Basvis / Mathamma in Telangana, Rayalaseema and Costal Andhra. 85-90% of the Jogins are Dalits. During surveys, members of Aashray observed that this practice is not only a socio-economic problem but also a case of caste based violence. It is a systemic violation of human rights of women and children.

Aashray's main objectives are:


- To stop further dedication of young girls and young ladies as Jogins / Basvis / Mathammas.
- To bring Jogins / Basvis / Mathammas into the main steam Dalit women empowerment process.
- To ensure that all Dalit girl children are put into schools / hostels and ensure retention.
- To impart education to the girl children of Jogins at par with the privileged, so that they will have a decent and dignified life in future.
- To help and promote peaceful non-violent and constructive activities for social change.

For its cause and its efforts, Aashray deserves a Standing Ovation!

If you want to get more information and support Aashray you can look up their website <http://aashrayindia.org/> or write to [graceneela@yahoo.com](mailto:graceneela@yahoo.com) or [info@aashrayindia.org](mailto:info@aashrayindia.org).

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