CHAPTER-IV

ORGANISATIONAL PERFORMANCE

IN

TOTALITY
CHAPTER-IV : ORGANISATIONAL PERFORMANCE IN TOTALITY

4.1 Introduction

The chapter caption ‘Organisational Performance in Totality’ is similar to ‘Corporate’s Overall Performance’ which refers, in general terms, to the all round or overall performance of a corporate, a business entity or a company. Traditionally, the performance of business entities or companies have been evaluated mainly on the basis of their financial performance, thereby taking care of mainly the interests of the investors and the shareholders, and company’s value creation. Some companies would lay some emphasis on customer care and employees’ welfare depending on company’s culture, tradition and reputation. But all these have been done on an ad-hoc basis – either to attract or retain customers, motivate employees to do more, and to take care of their welfare to meet the minimum statutory requirements.

The other important stakeholders like their business associates, various service providers, suppliers, vendors, environment, ecology, community or society, the government and the policy making bodies have largely been neglected and hardly any time they were paid heed to. Some companies have been making some contributions towards local community and environment and ecology, but these have more or less been proving cosmetic ones or PR (public relations) exercises, except in a few cases, and hardly any time or resources spent as a genuine concern.

4.2 Today’s Business Organisations

Today, a business organization exists in the global business environment transcending the national boundaries and spreading its folds in the various countries and regions of the world. This analogy is more relevant in the case of
Indian IT industry, which is at the moment mainly export oriented. Around six out of seven of the total IT software and services are being exported and outsourced, and a meager, one seventh of that are provided locally. In such circumstances, the Indian IT companies have to interact and deal with larger public, such as, corporations, customers, employees, investors, shareholders, suppliers, service providers, local communities and governments throughout the world. Hence, they need to satisfy the various expectations of the different stakeholders and maintain a balanced approach towards them in order to have smooth business operations across the world.

4.3 Different Stakeholders and Conflicting Demands

These different stakeholders – the consumers, workers, suppliers, local communities, governments, society at large, shareholders, and managers have separate and different interests; which are conflicting with each other. The consumers want good quality products at lower price with timely delivery and with adequate support services. Workers are more interested with higher salary, more incentives, lesser working hours, job security and a better quality of work-life and more and more facilities. Suppliers want better price and timely payment. Local community demands its development, schools, hospitals and health services, drinking water, better roads, electricity, communication facilities and so on. Government wants adherence of law and order, fulfillment of statutory requirements and above all, timely payment of taxes in a fair way to run the government.

Further, the society at large expects social responsiveness, concerns towards environment and ecology, protection of national heritage and above all, a better living standard for all including the common-man. The shareholders and the business owners are constantly looking for better profitability, higher financial performance, shareholders value creation, good dividends and charging more and more price and giving lowest possible wages and providing minimum possible services. And, managers at every level want higher salary package, better facilities, more and more benefits, job security, better opportunities for their
career growth, training opportunities for professional advancement, more and more power and the likes. And, all these wants, desires and demands by the various stakeholders lead to clashes and various conflicts.

4.3.1 Conflicts of Interests

These conflicts exist in the society and business organizations in various forms, such as, intra-personal conflicts / inter-individual conflicts, inter-personal conflicts / intra-group conflicts, inter-group conflicts / intra-organisational conflicts, inter-organisational conflicts / societal conflicts and so on. And, in the real life situations, more often they have got intra interest conflicts. There are conflicts among different sets of interests. There are intra-interest and inter-interests conflicts and conflicts of interests within individuals and segments. Not only that, such conflicts arise within individuals, between individuals, and within groups and segments. The more the conflicts, the more difficult it becomes for the managers to manage them.

4.3.2 Shareholder Value and the Stake Holders

Deal and Kennedy (1999), while discussing the rise of shareholder value in the recent decades and companies' weakening concerns for other stakeholders, observed that ‘until the early-to mid 1980s, most managers balanced the interests of the various “stakeholders” in their business. But with the start of shareholder value revolution two decades back, which was on its peak in 1995 and still continuing, managers began to focus on stock price as a crucial measure of the value of their efforts. They started working on it religiously, and at the same time shareholders started demanding more and more. Management started looking for more ways and means to achieve the same. This revolution or the greed has brought so many distortions in the well knitted fabric of corporate culture as well as corporate governance. Companies' concerns for various other stake holders have gone down rapidly. There is an urgent need to reverse this trend in the best interest of the companies as well as the various stakeholders (p. 44).’
4.3.3 Managing the Conflicting Needs Optimally

To manage or satisfy the conflicting needs of each segment optimally, it becomes the responsibility of the management to do that judiciously, in order for the companies to realize their business goals of profitability and growth; along with discharging their duties and responsibilities towards all the stakeholders, including the long neglected ones, such as, the suppliers, environment, ecology, local communities and the larger society; and simultaneously becoming good corporate citizens; which ultimately enhance their respects and acceptability in the society and the countries where they do operate. It generates a favourable 'social multiplier effects'; as in the case of money and finance; and ultimately companies are rewarded with more business, more profits, higher growth, higher value creation, better and more satisfied employees, customers, suppliers, investors, policy makers, governments, local communities and the larger society; and gaining good corporate image and enhancing their brand values, gaining confidence and support of the various stakeholders; which ultimately help in their success in domestic as well as global operations.

Also, Drucker (1991)\(^2\) cited the views of the legendary CEO of a highly respected American corporation as: Ralph Cordiner, highly respected CEO of General Electric through the late 1950s, argued that ‘the senior executives were responsible for managing the enterprise “in the best-balanced interests of shareholders, customers, employees, suppliers, and plant community cities”.’

And, another legendary CEO of a highly respected American corporation, David Packard commented in his 1995\(^3\) book, *The HP Way*, about a business conference he attended in the late 1940s where he expressed the view that “business had responsibilities beyond making a profit for their shareholders……….. We had important responsibilities to our employees, to our customers, to our suppliers and to the welfare of society at large.” Some, like Hewlett and Packard, believed in “serving multiple constituencies so much so that they enshrined it in the credo of their companies (p. 166)”.

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4.4 Evolving a New Management Concept of ‘Total Organisational Performance’ – The ‘T.O.P.’ Concept

The above analogy of satisfying conflicting needs and demands of different stakeholders optimally and judiciously on the part of business corporations; and thereby enhancing their financial performance, growth, market value, image and brand value – gives rise to the concept of ‘Total Organizational Performance – the ‘T.O.P.’ concept.

No doubt, the businesses are being carried out mainly for profits. Profit is the life blood of business without which it cannot sustain for longer period. Profits are necessary. It must be earned. But, Shaw (1999)\(^4\), in his book “Business Ethics”, observed that the ‘corporations, as responsible corporate citizens, and to pay back to the community, society, environment and ecology amidst which the company is operating and using the natural resources and also depleting them or polluting them; they must pay back adequately to compensate for the use, consumption and the depletion of resources, and thereby, also becoming a good corporate citizen.’ Also, companies ought to follow the concept of ‘partner in progress’ in order to become a caring and a good governing company.

Further, if the companies take a balanced approach like – good management, good technology (Deal and Kennedy, 1982)\(^5\), good products and services, good quality, good marketing and support services, concern for investors, as well as customers and employees (Pareek, 1989, p. 168)\(^6\), genuine concern for environment and ecology, and local community and the society at large as well as equally taking care of the interests of various other stakeholders; and creating a good image and personality (Temporal and Alder, 1998\(^7\); Sowmya, 2003\(^8\)) and brand value (Ind, 1997\(^9\); Randall, 2001\(^10\)) of the companies by adding few additional performance criteria like this, the company will earn more goodwill in the market – domestic and international, better acceptability, better response from customers, society and the policy makers and in this way the company will perform even better in the financial terms also and it is going to be a long term gains for the companies.
Adams, Carruthers and Hamil (1991), in their book “Changing corporate Values”, have given ‘an empirically well researched parameters and standards to evaluate social, as opposed to financial, assessment of corporate performance.’ Here, the authors observed that ‘it is essentially practical to do so’, and further pointed out that ‘while various other contemporary researchers and publications have dealt with the theory of being a good corporate citizen, or the issues of morality in the market place’, and the authors have provided in their book ‘well researched hard data to which conceptual material can be applied to develop and establish new concepts’, such as, ‘organizational performance in totality’ (proposed by the researcher in this study) and the likes, ‘to evaluate corporate performance in a different and nontraditional way, and in the new light’.

Deal and Kennedy (1999), having carried out two sets of comprehensive research works related to ‘corporate cultures, corporate lives and organizational performance’ in a span of around two decades which they published in their two books, namely, “Corporate Cultures : The Rites, Rituals...Financial Performance” (1982) and “The New Corporate Cultures : Revitalizing the Workplace After Downsizing, Mergers and Reengineering” (1999), and having studied the corporations’ mad race for the restructuring, downsizing, mergers, acquisitions and so on, and their consequential ill effects on corporate lives, the authors finally advocated for ‘rebuilding the social context of work’ (p. 267-282), ‘importance of values’ (p. 202-203), ‘business ethics’ (p. 203-204), ‘morality and ethical code of conduct’ (p. 208-209) etc. in the corporate lives and conduct; and not only the financial performance as the sole motto of business. Again, their some parts of conclusions and recommendations indicate towards ‘corporate’s overall performance’.

Hence, the companies do not have to be concentrating only on financial performance. Even a better financial performance would just be a by-product of a good overall performance. Here, lies the idea and requirement of a new management concept of “TOTAL ORGANISATIONAL PERFORMANCE” - (T.O.P.), to be developed and tested for its worthiness in this research study.
4.5 References: (Chapter-IV)


