CHAPTER - VI

CASE STUDIES OF SELECT ORGANIZATIONS

In this chapter, it is proposed to describe the concerns and practices of widely known company WIPRO and less known ones like Micromatic Grinding Technologies (MGT) and Mind Tree in India, which have considered ethics as an important dimension of their business.

Best Practices framework for ethics

To provide an immediate reference of what best practices model is, the points highlighted in Chapter-II are reproduced here. Andersen UK study (1999) showed that business ethics programmes had increased significantly over the previous three years. Their components in order of popularity are as follows.

- Values/mission statements.
- Codes of conduct.
- Consideration of stakeholders’ needs.
- Periodic declarations/acknowledgements of compliance.
- Reporting/advice channels (e.g. hotlines, compliance officer).
- Feedback mechanisms (e.g. surveys, focus groups).
- Employees/departments with ethics responsibility.
- Business ethics training.
- Inclusion of ethical criteria in performance reviews of divisions/functions.
- Inclusion of ethical criteria in employee appraisal/reward systems.
- Assessment of business ethics activities by external bodies.

US study of Anderson (1999) concluded that the most important factors contributing to the success of an ethics and compliance programme are when the general perception of employees is as follows.
- **Leadership**: that executives and supervisors care about ethics and values as much as they do about the bottom line.

- **Consistency between words and actions**: that management "practices what it preaches". This is more important than formal mechanisms such as hotlines for people to report wrongdoing.

- **Fairness**: that it operates fairly. To most employees, the most important ethical issue is how the organization treats them and their co-workers.

- **Openness**: that people talk openly about ethics and values and that ethics and values are integrated into business decision-making.

- **Just rewards**: that ethical behaviour is rewarded. This has greater influence on the effectiveness of an ethics programme than the perception that unethical behaviour is punished.

- **Value-driven**: that an ethics and compliance programme is value-driven. This had the most positive effect on all seven areas where an ethics and compliance programme can have an effect and resulted in:
  - lower observed unethical conduct;
  - stronger employee commitment;
  - a stronger belief that it is acceptable to deliver bad news to management.

The findings of the UK and US surveys were used to devise a best-practice framework and model. The framework is based on seven pillars of an ethical programme: values, codes, feedback, responsibility, training, reward and external assessment (see Exhibit VII.1).
Exhibit VI.1 Best Practice Framework for Ethical Organization

<table>
<thead>
<tr>
<th>Identify: Articulation of what the company stands for</th>
<th>Communicate: Codes of conduct</th>
<th>Build/maintain a responsible decision-making culture: Feedback gathering and analysis</th>
<th>Functional responsibility: In-house expertise</th>
<th>Education and training: All employees</th>
<th>Performance reviews/standards: Setting decision making as well as financial performance measures</th>
<th>External assessment: Best practice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Values/mission statements</td>
<td>Top management consultant</td>
<td>Management consistency between values and actions</td>
<td>Common framework to guide behaviour</td>
<td>Leadership</td>
<td>Objectivity and independence</td>
<td>Public confidence</td>
</tr>
<tr>
<td>Code should emphasize principles over procedures</td>
<td>Stakeholder views</td>
<td>Surveys/focus groups/interviews</td>
<td>Corporate Governance needs</td>
<td>Realistic examples</td>
<td>KPIs</td>
<td>Verification</td>
</tr>
<tr>
<td>Developed and supported by both management and staff</td>
<td>Diagnostics</td>
<td>Accessible to employees/management</td>
<td>Ownership</td>
<td>Sensitivity to diverse employee groups</td>
<td>Rewarding responsible behaviour/penalizing inappropriate behaviour</td>
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The model appears to be a proper guide for present day organizations to establish ethical climate and behaviour.
WIPRO—Adopts ultra strict ethics to build sterling brand

"At Wipro, there are no exceptions," says Premji. "And there is no price you're not willing to pay for doing the right thing".

Azim Premji tells a cautionary tale to illustrate the company's stand on business ethics. The story goes like this.

Once, a Wipro employee traveled from Chennai to Bombay by train. Because of his rank, he was entitled to travel in the first-class compartment. But instead, he traveled in second class. Yet when it came time to make an expense claim with the company, he improperly asked for compensation for a first-class ticket, so he could pocket a few rupees. The company found out and fired him. The man was a union member, and the union called a three-month strike in protest. Premji didn't back out.

Source of inspiration

Where did this righteousness come from? Premji's mother is one source. Gulbanoo Premji was one of the first Muslim women to get a medical degree in India, and though she didn't practice medicine professionally, she was a person of stature in society. She set up a charitable hospital for children with polio and was involved with its governance from the age of 30 to 75. When Premji returned from California to run the company in 1966, she gave him a stern advice. He recalls her saying: "If you believe in something, stay with it. Don't waver. Honor your commitments. If you owe money to people, pay them. If you don't have enough money to pay them now, set up a schedule and pay over time." This advice turned out to be crucial during the first difficult months that Premji ran the company.

No exceptions and shortcuts

As business increasingly goes global and everybody trades with everybody else, values are going to become an essential element of every successful company's portfolio of assets. In many emerging global markets, commercial and governmental corruption is rampant. Yet these markets are where a lot of the growth opportunities lie, so the
temptation is to play by local rules. Premji and Wipro show that it's possible to thrive even while refusing to play along. In fact, by setting and heeding a higher standard, a company can create an aura of righteousness around its brand and righteousness is an extremely valuable brand attribute.

**Employee behaviour**

"Early on, Premji saw that by insisting on ethical behaviour from everyone in his organization, he could differentiate his company from the competition. And in those early, difficult days, his company needed all the help it could get. In the first two or three years, Premji fired several managers and labourers over ethical violations. Finally people got the idea.

Still, maintaining ethical standards requires constant vigilance.

As recently as April 2005, a senior project manager was fired for violating the company's ethics guidelines. He claimed, incorrectly, that he had worked for a high-profile consulting firm before joining Wipro. The company’s human resources department doesn't leave much to chance. It engages outside research firms to verify the information on job applications. In this case, the man's claim was found out, and after confessing, he was fired. There was no delay, even though the man played a crucial role in a project Wipro was working on for a customer. Wipro notified the client, explained the situation, got his assent, and moved ahead.

**Facing unethical practices in vogue**

There's potential financial downside to behaving ethically, of course. You risk losing some business opportunities. In the medical equipment market in India, for instance, some suppliers maintained hidden accounts for paying kickbacks to purchasers and winning their business, says Premji. The gimmick was to place bribes for doctors in offshore accounts. In spite of those practices by some competitors, Wipro GE Medical systems, a joint venture of Wipro and General Electric, has achieved a 40 percent share of the medical equipment market in India.
There are some financial benefits to following strict ethics too. Think of corruption as a tax. If you don’t pay bribes, you don’t pay the tax. “Particularly in government, officials know how to prioritize their time,” says Premji. “If they know a certain company is particular about this issue, they know it’s not worth their time to fight this company. They’ll get nowhere. Then you don’t even get asked for bribes.” Sometimes corrupt officials and businesspeople even make a point of handing some business to Wipro - just to give themselves, a protective cover.

Values

Since those early days, Premji has made values an essential part of Wipro’s corporate culture. It’s a broad set of beliefs about how the company and its employees should behave.

Communicating values

Over the years, Premji and his executives have developed, refined, and codified the company’s values. They have also produced simple statements of values that they want to be foremost in employees’ minds when they’re on the job.

The company publishes its values and its detailed rules of conduct, it teaches them to employees, and it frequently issues reminders. And when people violate the rules, there are consequences. They’re printed on the back of their business cards—a constant reminder to them and also something they show to clients, suppliers, and prospective employees. Here’s the current one:

<table>
<thead>
<tr>
<th>The Wipro Spirit</th>
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<tbody>
<tr>
<td>• Intensity to win</td>
</tr>
<tr>
<td>• Act with sensitivity</td>
</tr>
<tr>
<td>• Unyielding integrity</td>
</tr>
</tbody>
</table>

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Significance

At Wipro, values aren’t just empty platitudes that are framed on the wall, or once a year code of conduct statements that must be signed to collect a paycheck. They’re living, breathing things. Premji sees values as a thread that weaves through and binds the organization—no matter how fast it grows or how far-flung are its operations.

Premji says:

It builds muscle tone in an organization. It builds pride. It gets better customers and suppliers.

First exercise

In the mid-1970s, Premji decided to formalize the company’s belief system. Wipro was still a tiny company, with 450 labourers and 75 white-collar staff at the factory, and a skeleton crew of 12 people, including Premji, at the headquarters in Bombay (now Mumbai). But Premji had begun hiring formally trained managers out of the Indian Institute of Management, and as he began to diversify into new markets, he was hiring people from other companies. He recalls.

“We said we must be sure we stand for something as a company. We must be sure we know what we’re looking for when we hire.”

The company examined the ethics and values statements of high-profile companies worldwide and talked to business ethicists in academia. Group discussions were held within the company, drawing in not just managers but rank-and-file employees. Premji says:

“We asked, ‘what do you think is true to us? What is the quest we should build the company around?’”
Ultimately, they came up with a list of six Wipro beliefs:

1. Respect the individual.
2. Be a business leader.
3. Accomplish all tasks in a superior manner
4. Maintain the highest ethical standards
5. Serve customers well
6. Measure performance based on long-term profitability

Review of beliefs

Every few years, Premji would reexamine the company’s beliefs. It was a way of engaging the management team and employees in an exercise, which would put them in touch with one another on a fundamental level and force the entire organization to take stock.

Second exercise

By the late 1990s, the company Premji had taken over in 1966 had undergone a complete transformation and was suffering a bit of an identity crisis. Vegetable oil constituted less than half of the business. Technology was dominant. But Wipro was also selling everything from light bulbs to facial soap. Meanwhile, it was hiring like mad—thousands of fresh college graduate engineers with only the foggiest idea of what they were getting into.

What was Wipro? What should it mean to employees? And what should it mean to customers and partners?

Survey to get views

Premji had hired a marketing consultancy, Shining Strategic Design (SSD), to improve one of his soap brands, but he later decided on a complete brand makeover. SSD is run by Shombit Sengupta, a Bengali who had gone to Paris as a young painter in search of the bohemian life and who isn’t afraid to shake up his clients.
One of his first moves was to have a survey-interview Indian customers about their opinions of Wipro. The news was not good. While people had positive views of Wipro's products, they saw the company itself as low-profile, cold, and hard to do business with. There was a lot to fix. Ultimately, a project that had begun as a brand touch-up had evolved into a major revamp of the company's brand and beliefs—a process that lasted for two years. It was a massive effort. Externally, SSD performed a series of in-depth focus groups with people in each of India's regions. Then it held a series of discussions with the company's executives and came up with a proposal for a new brand identity.

The idea was to develop new value statements tied in with the new brand identity. Rather than being inwardly focused, as the earlier beliefs had been, it would encompass employees, customers, and business partners.

**New logo**

Much care was given to each element of the makeover. SSD proposed replacing the company's old logo, a large black W, with a multicoloured flower, which the company calls a "rainbow flower." Each colour in the new logo had a symbolic meaning—thoroughly vetted with customers. Yellow meant prosperity; blue, openness; and red, integrity. Sengupta even modified the petals of the flower when people in focus groups said they were too sharp. He wanted Wipro to seem soft and approachable. The tag line went through much iteration before they settled on "Applying thought." As part of its effort to be seen as a global company, Wipro vetted its logo with western customers including Microsoft, Cisco systems, and Allied Signal. The same level of scrutiny was used when it came to reworking the company's value statements.

The new code, renamed Wipro values, had four pieces, as they were stated on Wipro's web site:

1. **Human values** - We respect the unique needs of customers and employees. We are sensitive to their differing needs in our interactions with them.
2. **Integrity** - We deliver what we commit, with honesty, fairness, reliability, and uprightness in whatever we do.

3. **Innovative solutions** - We consistently offer novel and superior solutions to satisfy the needs of the customer.

4. **Value for money** - Delivering higher values to the customer through continuous improvement in quality, cost, and speed.

The values were later boiled down into the Wipro promise, a short and simple phrase that could be memorized easily and printed on the back of business cards. It said:

"With utmost respect to human values, we promise to serve our customer with integrity, through innovativeness, value for money solutions, by applying thought, day after day."

At the same time, Wipro launched a massive marketing campaign to make the world aware of its new identity and values.

**Third-latest exercise**

At Wipro, nothing stays the same for long. In late 2005 and early 2006, the company embarked on yet a third values exercise.

"We're asking ourselves, are we practicing it, are we true to it, have the circumstances changed?" says Premji.

Indeed, a lot had changed. In 1998, the company had just 6,000 employees. At the beginning of 2006 there were 60,000. In 1998 it had just $444 million in revenues. For the fiscal year end in March 2006, revenues topped $2.4 billion. The company is much more global than it was in 1998, and as a result of the entire boom in hiring and the addition of call centers, the average age is dramatically lower, 25 compared to 35 back then. "It's an accelerated life cycle. We do a shift in five to seven years that most societies go through in 50 years," says Anurag Behar, who heads Wipro's values and community initiatives programmes.
The latest values quest started off with a broad survey of employees. There were two lines of questioning.

- The first set was about the then-current values. Were they being practiced? Are they still relevant?
- The second set was about the future. If employees had a blank slate to write on, what should the company’s values be for the years ahead?

More than 28,000 employees responded to the survey, so Behar felt he got a good sense of the pulse of the organization. An outside research outfit then conducted 80 focus groups drawing on about 1,100 employees pulled from across the organization. It also did a series of one-on-one interviews with a smaller number of people. This resulted in a report to the executive team in November 2005. They discussed the matter in a series of meetings and finally came up with a proposal. But it wasn’t until the end of January, after a thorough review by employees, that Wipro formally adopted its new values statement. Here it is:

<table>
<thead>
<tr>
<th>Intensity to win</th>
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<tbody>
<tr>
<td>• make customers successful</td>
</tr>
<tr>
<td>• excel through innovation and teamwork</td>
</tr>
</tbody>
</table>

Act with sensitivity

| • respect the individual             |
| • be thoughtful and responsible.    |

Unyielding integrity

| • deliver on commitments            |
| • be honest and fair in action      |
| • conduct unwavering search for truth |

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The leaders wanted to keep the new statement rooted in the values of the past. The statement hits hard on respect for employees and customers, and sensitivity to society and the natural environment. Yet they also wanted to signal Wipro's aspiration to play an ever larger role on the global stage, hence the "intensity to win" line.

The context of the company has changed. Customers and stakeholders expect new things from us. We have become significantly westernized. We had to address those changes," says Premji.

All of this attention to values may seem a bit over the top to some western readers. The tendency in the United States is to stick to the basics: make the product, advertise the product, sell the product, and when your brand needs some sprucing up - hire an outside expert to handle it. Yet for Wipro, this focus on establishing a group identity, group values, and a common aspiration for the future is as essential as giving new employees' desks, PCs, and telephones. These truly are values to live by. They also lead very concretely to goal and strategy setting.

Each time Wipro has undertaken a values exercise, it has followed up with a visioning exercise. These visioning exercises meld the company's aspirations with detailed analyses of market opportunities and competitive dynamics to yield a set of ambitious growth goals for the following five years. In turn, each of those exercises funnels into the company's rolling three-year strategic planning process. So at Wipro, values aren't empty slogans dreamed up by the CEO and top executives at their annual gold-and-Chardonnay retreat. They're the lifeblood of the company.

Creating an ethical organization

(i) Values training

When new employees start their jobs at Wipro, the first order of business is values training. The half-day session starts off with a series of videos: one on business ethics in general, a second showing Premji explaining the company's values, and the third laying out the process of reporting violations to the ethics ombudsman. To make sure recruits get the message, each one is required to read and sign a code of conduct, including rules on conflicts of interest, handling of intellectual property, privacy, and insider trading.
(ii) Interactive computer games

Many of Wipro’s new hires are in their early twenties, so the company engages them with an interactive computer game that tests their knowledge of the values and rules. They have to answer 15 questions, for each correct answer a piece is placed into a jigsaw puzzle on the screen. They must answer at least 10 of the questions correctly to show they have absorbed the lesson.

(iii) Refresher courses

The company slips refresher courses into many of its career training programmes. When John Hackmann, an Anglo-American who works in the United Kingdom, participated in a management training programme shortly after he joined Wipro in 2005, he was surprised to see the importance placed on ethics. It was the first session in a five-day programme. He had previously worked at several tech companies, including American stalwarts Hewlett-Packard and NCR, both known for their attention to values and social responsibility. “It was an eye-opener,” he says. “at another company you start off by talking about sales or financial performance.”

(iv) Web messages

The company posts ethics messages on the employee web portals and sends out e-mail reminders. These cover not only matters which employees encounter in the normal course of doing their jobs, such as cheating on promotional tests, but also their behaviour in the off work hours. One example: don’t travel without a valid bus pass. In addition the company posts extensive descriptions of do’s and don’ts on the values page of the employee web site. This is very detailed stuff. It includes warnings against keeping people waiting for appointments, and it cautions managers to refrain from criticizing subordinates in public.

(v) Whistle blower boxes

In most Wipro offices, there are “whistleblower” boxes. This is the most visible manifestation of the company’s ethics ombudsman programme. Employees are
encouraged to drop notes in the boxes or send e-mails to the ombudsman when they see any of the many ethical rules and regulations being violated.

For example, let's say that a team leader in the BPO operation circumvents steps in a regulatory compliance process to make the group's performance figures look better. That's a violation for the ombudsman to check out.

Does all this values stuff really get through to employees? Apparently so. Rudra Pratap, a 24-year-old support analyst in one of Wipro's software programming shops, calls the values programme indispensable. "The values involve each of us," he says. "They come into play day in and day out in what we're doing. They make us try to do better."

Dealers and Ethics

Wipro doesn't stop at policing its own employees' behaviour. It asks dealers in the domestic Indian tech market to sign a code of conduct as a condition of doing business. If a dealer does something improper and Wipro finds out, it can result in divorce.

"We'll terminate them, no matter what the losses," says Suresh Vaswani, president of Wipro InfoTech. If Wipro learns of ethical problems in a partner, customer, or even a government agency, it reports them to higher-ups. Vaswani, or even Premji, will pay a visit to the top people and ask them to take corrective action. As a result, Wipro's policies don't just keep its corner clean; they have impact throughout the world of business.

Social responsibility

Wipro cares for the corporations' social responsibility initiative, combines company money with employee volunteerism. It focuses on improving public education, safeguarding the environment, and responding to natural disasters.
The Azim Premji foundation is an attempt to help transform Indian society through improving public education. Premji established the foundation in 2000 and it became operational in 2001. To date, he has contributed $125 million in Wipro stock—and has pledged to keep replenishing as money is spent. The main focus is on convincing educators that they need to retool their approach to education and on giving them the tools to do it. So far, one Indian state has agreed to switch to analytical learning. In a second programme, the foundation has distributed curriculum-enriching computer CDs to 14,000 schools and trained 25,000 teachers how to integrate the material into courses.

“What we’re focused on is quality education,” says Dileep Ranjekar, a former head of HR who is now CEO of the Azim Premji foundation, Premji’s charity. “Unless India fundamentally addresses the quality issue and shifts from rote learning to analytical learning, it can’t realize its dream of becoming one of the world economic superpowers”.

There’s obviously a crucial side benefit for Wipro. Unless the Indian public education system improves dramatically, Wipro won’t be able to fulfill what it sees as its destiny - becoming one of the world’s great companies by offering India’s brainpower to the world.

The education programme provides training for teachers, administrators, and parents—with the goal of fostering more creative and analytical curriculum in public schools, rather than rote learning. In an effort, that targets underprivileged children, Wipro volunteers spend two hours every Saturday tutoring and encouraging these kids.

Volunteers have contributed many thousands of hours to disaster relief. In October 2005, for instance, they were among a small army of people who planted 17422 saplings along the shore of the Bay of Bengal to commemorate the loss of life in the South Asian tsunami and also to help restore the coastline.

When it comes to the environment, the company, once again, doesn’t just mouth platitudes. Through conservation efforts on its campuses, it has reduced water consumption by 60 percent, food waste by 38 percent and energy consumption by 10 percent.
Micromatic Grinding Technologies (MGT)

Beginning as a modest tool room for the engineering industry in Ghaziabad, MGT have achieved a dominant position in the Indian machine tool industry. Their entrepreneurial drive coupled with vision set ambitious targets for growth and they pursued bold strategies, but at all times they were conscious of the fact that growth is the end result of actions taken, of ‘processes’ and ‘systems’ based on principles or ‘core values’. There were many occasions when the easy way out seemed rationally justified but as a business organization they have chosen to be guided strictly by the core values and the principles of ethics in business, walking the talk, when the very survival was dependent on conformance to convenient action.

Following are the guiding principles of Micromatic Grinding Technologies (MGT) with respect to ethics in business, which amount to a movement involving over 200 people within the organization and 1000 peoples in the associate companies. The views of the founder on the importance of ethics in their organization are:

About Ethics

Generally we understand ethics with respect to something ‘external’, or how we deal with outside agencies such as the income tax/sales tax/customs departments. However, these ‘external ethics’ cannot be very sound unless we have sound ‘internal ethics’ to start with i.e. how we deal with our own employees. If we do not have right ethical policies established within the organization, ethical behaviour outside will not follow.

Ethics at MGT

At the foundation of the core values of MGT is the commitment to ethical business practices with a people focus. Typically in today’s world there is a tendency to get caught up with the superstructures, ignoring the foundations on which the superstructures are built. The basic ethical principles on which we have tried to build the culture of the organization are honesty, integrity, trust, equity, fairness and justice.
In the formative years we had to face many moral and ethical predicaments which haunt us even today - whether to give a few hundred rupees to get our application for power connection processed, or some money to the Inspector to get the goods cleared for dispatch. A non-bailable warrant was issued against us on one occasion for a small mistake, such as not displaying the 'holiday list' or 'timings of shifts', probably at the behest of a factory inspector whom we had not 'obliged'. We persisted patiently till good sense prevailed. There was a delay of over 18 months in getting Rs 0.2 million from the JCCIE (Joint chief Controller of Imports & Exports) office for the CCS (Cash compensatory Support) due to us for the Rs 10 million export we made to the UK and the US in 1990. We made numerous representations, many times personally, to let all officials concerned know of our stand on principles. Many people told us that we were impractical and foolish to let such a large amount be delayed while paying 24% interest on the overdraft to the banks. But we persevered. However our strong belief in our values and practices has seen us through.

Honesty in the financial working of the company, our insistence on scrupulously maintaining only one set of accounts and our accountability in all financial matters has enabled us to win the trust of our employees as well as that of the all the professional middle men like auditors, income tax/sale tax consultants, import/export forwarding and clearing agents, and so on. Such an atmosphere of trust will help an organization through financial difficulties without the concomitant production-related anxieties brought on by employee unrest.

Integrity in Communication

We have always maintained a policy of free communication from top-down with the employees. Our practice of conveying information informally when every-one was gathered on the shop floor, was institutionalized in 1990 in the form of a 'general meeting' on the first Monday of every month. All the department heads and the MDs share the important news/developments, both inside and outside the company. Whether it is news about a prestigious order, or about the postponement of payment of bonus due to cash flow problems, it is important that communication is direct as this avoids much of the distortion which happens when information is passed down the line. It also provides the vital personal touch. Of course it puts a direct responsibility on the top management to 'tell it as it is'. Honesty in all our
operations and integrity in communication has helped us to develop the mutual trust between
the employees and the top management, which has been the key to establishing basic internal
ethics.

Equity

The most important factor in our working has been to treat every person in the company
as an individual who must be respected, irrespective of the nature of work he does in the
company. The ‘respect’ factor is not in direct proportion to the individual’s position in the
hierarchy. Also, every one has the right to express himself, and it is the duty of all seniors to
listen. The person at the lowest level, if not satisfied with his in-charge, can go to the highest level
and enjoys the right to be heard. In doing so, a lot of problems get sorted out which otherwise
would become serious grievances.

Fair Sharing of Success

Entrepreneurs often tend to forget the hard work put in by other colleagues and
employees. Success must be shared fairly with one’s employees. Our company has maintained
an average level of 25% of net profits to be distributed among the employees as incentive and
other benefits, besides the regular 20% bonus, in recognition of the fact that profits are generated
through team work.

Clean and Balanced Working Environment

From the very beginning we have tried to maintain a balance between the working
environment for factory workers and office staff, including top management, to try and avoid
creating an unhealthy disparity within the organization.

We do not believe there should be glaring differences between the different work areas in the
office and have done away with the ‘carpeted and upholstered’ office even for the CMD. The
now fashionable ‘Japanese’ style of open working office was adopted by us more than 20 years
ago. The ‘Micromatic way’ of ensuring that the gap between the workers and the management
does not widen includes steps such as air-conditioning the assembly plant along with the offices
soon after we were established in 1973, we installed air coolers inside the factory shed first,
before we put the same in our offices), and having a common lunch room where all employees sit
on similar benches.
**Professionalism vs Family Hierarchy**

A potential area of friction in family held companies, both small and large scale, is when the next generation takes over at the helm, wherein the professionals who have helped build and grow the enterprise might perceive a glass ceiling. We have clearly announced that this will not be our policy (the present Technical Director, who joined the company in 1983, is the No 2 man in the organization and the top candidate to succeed the MD), and this has helped keep high professional standards in the company. Merit, performance, integrity and honesty are the key recognition parameters for career advancement.

**Social Justice**

(i) Employee welfare

The industrial workers in North India, who are mostly first generation rural migrants from a poor/lower class/caste background, find it difficult to cope with the problems of an urban environment, such as proper and timely medical aid, ration cards, school admissions and housing, which the staff and management are better equipped to cope with. The resulting frustrations add to the general unrest and the worker-management divide. While it is not possible for an organization to solve all its workers' problems it can show genuine interest in these problems, guide them towards possible solutions and help them financially, whenever possible, by well thought-out schemes.

Some of the welfare schemes that we initiated (it must be mentioned that they did not come as 'demands' by the employees) include a Medicare scheme for all employees, even for those covered under the Employees State Insurance (ESI), since the ESI facilities are extremely poor in Ghaziabad; providing vehicle and marriage loans; low interest housing loans to all employees on a seniority basis; including workmen and technicians in the teams that visit the International Machine Tool Exhibitions; and opportunities for the upward mobility of all employees. We have always believed that higher levels of skills and achievement are possible, if employees within the organization are given the chance. This not only gives job satisfaction to the individuals, but also helps the company grow. Thus a turner moves on to become a skilled grinding machine operator and possibly an inspector or a service engineer. Such mobility was also a necessity for us, as skilled manpower in machine-tool building is just not available in our region.
Training is imperative for continual reinforcement of the message of the organization. As a part of our induction programme all new employees are familiarized with the Total Ethical Management (TEM) process of the company. It is explained to all new recruits that business ethics are pro-profit because the mutual confidence induced by it reduces costs. What constitutes ethics in business would be a five-way test. The questions that one has to answer: Is it the truth? Is it fair to all concerned? Will it build goodwill and better friendship? Will it be beneficial to all concerned? Does it visualize a win-win situation for all?

(ii) Social welfare

To pay back to society what we felt we owed, the M G Lok Kalyan Trust was formed in 1990, and certain percentage of the profit is allocated to the Trust each year. The Trust is dedicated to the educational, health and medicare needs of the less privileged. A permanent annual grant of Rs. 0.1 million has been pledged to a well-known voluntary social work organization in Ghaziabad, 'Gram Niyojan Kendra', which is working for women and children in the slums and villages in and around Ghaziabad. The company also participates in local sporting activities by providing facilities and stipends to local cricketers.

(iii) Profitability

In the ultimate analysis, all that we have practiced cannot be appreciated unless our enterprise is successful and profitable. On that yardstick we have consistently maintained better than average industry specific profitability and growth. With a personal investment of only Rs 25,000 in 1973, the company now has a share capital and reserve base of over Rs 60 million and a gross block (fixed assets) of Rs 120 million as per the 2002 balance sheet.

Mind Tree

Ethical philosophy and practices by Mind Tree are given under.

It is the responsibility of every Mind Tree employee to build an ethical environment around a strong edifice of deeply envisioned values and convictions. It has been committed to reinforce ethics through word and deed. The mission statement - 'deliver business-enabling solutions and technologies by creating partnerships with our customers in a joyous environment for our people' - is one unifying force that binds the organization with the customers. In essence, it aims at helping our customers achieve success in their businesses due to our value proposition.
Coincidentally, value addition does not happen unless we enable their business better. Delivering value, necessitates that we develop a 'win-win' relationship with our customers in a joyous environment. Joy, for us, emanates from mutual trust, knowledge sharing and a job well done despite the extra mile that we might have to go. Consequently, our DNA - Imagination, Action and Joy - derived from the mission statement provides the basic underpinning that nurtures and aligns people and builds the emotional and psychological ecology of the organization. Mind Tree's ethos necessitates that line managers at all levels must give serious and continuous attention to the task of explaining how the mission statement works and why it is given so much importance in our everyday work life.

**Value System as Common Bond**

Companies establish values and ethical standards in numerous ways. Similarly Mind Tree's value statement - 'we are a Caring, Learning, Achieving, Sharing and socially responsible organization (CLASS)' - connotes integrity, 'doing the right thing', and a genuine concern for our stakeholders. CLASS has helped us lay the stakes in our various business realms and define our unique positioning in the corporate world. In today's world, interest in principle-centered or value-based leadership is growing. In our organization we have taken care to see that this interest does not confine itself to individual development but encapsulates a broader emphasis on matters of corporate governance.

During the journey of value-based governance, a synergistic interaction takes place between the individual and the organization. It is interesting to see managers carefully attending to their own moral formation as they apply the organization's values to their numerous business decisions or client interactions. Such decisions slowly and steadily create a congenial work environment. Putting one and one together they help clearly demarcate the difference between ethical and unethical practices. Therefore, business ethics evolve continuously.

**Moral Principles for Excellence**

Ethics directs individuals to maintain a high degree of transparency and clarity in everyday transactions. To ensure that this happens, our corporate values and ethical standards are visibly integrated into our policies, managerial practices and actions. Invisibly, this has contributed to our treating investors, clientele, employees, vendors and even the competition ethically.
We strive hard to make high ethical standards a reality, through our various communications that stress on our commitment to the standard code of ethics, in our speech, in our policies, on consequences of unethical behaviour, and deeds of senior executives. Our employees are repeatedly told that it is not only their duty to observe ethical codes but also report ethical violations. There are instances where we were forced to discipline violators with strong and visible action. We do not believe in pussyfooting if there is a clear integrity violation. Once we conclude a clear case of violation, the individual is terminated immediately.

Certain circumstances can put organizations into a tight spot. For example, an individual who is playing an important role in a client project may be under the magnifying glass. The thought of losing the individual, thereby losing vital business and facing the wrath of the angry customer could cloud the decision making process. Sometimes, when a senior person involved in an integrity issue, one wonders whether to take the route of convenience or conviction. Conviction has to stand out; the core values of the organization must be upheld. The acid test in such situations is to take a non-partisan approach and arrive at an unbiased decision irrespective of the individual’s position or the criticality of the situation. This attitude of ‘walking our talk’ from the very first day an employee steps in through the revolving door is one concrete measure that has enforced a strong ethical leadership in Mind Tree.

Dealing with unethical behaviour is a real challenge. While trying individuals who display such behaviour, the emphasis is on understanding the intentions rather than the action. All cases are not similar. Since there is a context and an environment associated with every situation, we cannot become judgmental about an individual’s actions. An individual is brought to the book only if there is a clear case of willful violation and we verify every case thoroughly before we act. Eventually our actions must not adversely affect a career or a person that the organization has so carefully nurtured. In all cases, decision-making against a person is a painful process. Bringing clarity to this approach ensures that we do not leave any stone unturned in recognizing an individual’s integrity. After establishing the requisite evidence, action is taken.

Further, it is important for the organization to see that such behaviour does not recur, even unknowingly. Thus, a postmortem analysis is done. This session answers questions like – what went wrong. Why did it go wrong? What could be done to avoid such occurrences? What corrective action is needed? This exercise helps us become decisive in our action towards individuals and at the same time, correct the system for further lapses.
Intellectual property (IP) rights and their protection is the key challenge in an intangible digital economy. An organization like Mind Tree helps clients develop technology intensive products and solutions, services that involve heavy payments. Consequently, the IP that we develop is specific to the product and the technology. This, in fact, differentiates our client from their competitors. At all points these are exclusive to our client and do not belong to us. So, the question of ensuring that there are no IP violations or contaminations looms large.

People, knowingly or unknowingly, can use a similar algorithm or a technology in another project. This might result in our earlier client losing competitive edge in the market. Hence we have a clearly articulated IP policy. Our employees are trained on IP principles, patents, copyrights, and all other related aspects. Derivatively, this means that we can carry generic knowledge into another project, but not the specific knowledge about a product developed for a specific customer. Also, requisite systems, audit and measurements are in place that ensure complete IP protection. Regular tests are conducted and we also open our books to our customers as a confidence building activity. This helps them ascertain that their project files are safe, there are virtual private networks properly protecting their various project elements and no contaminations are happening. Key aspects like allowing a designated cooling period for project team members before they are moved between client projects and installing access control devices that disallow entry into 'proof-of-concept' laboratories created for a specific client also ensure client confidence. IP rights lapses are taken seriously and offenders are not spared.

Our Paradigm of Governance

At the core of our knowledge-centric organization is a willingness to constantly test current operating models. This approach has helped us seek more accurate and better-nuanced models that enable seamless sharing of organizational findings. To quote an example, while individual brilliance is very important to the organization, it is not more so than team work. We strongly believe that transformational leadership is not about possessing answers to all the questions. It lies in espousing, practicing and sharing higher human values. More often than not, our line managers find appropriate answers to their issues within this contextual frame of reference. This, in fact, has strongly reinforced sharing as an important ingredient of our value system.
Improving our operating models also helps us maintain competitive edge in the marketplace. An important dimension in this relentless pursuit of bettering concepts is the aspect of learning. The capacity to insightfully analyze and refine existing models results in agility, quality and improved performance. Our employees know that lack of willingness or skill to examine or develop enduring operating models will result in organizational rigidity, and are cautioned against developing narrow, compartmentalized thinking that invariably leads to fragmented behaviour. Fragmentation, in our perspective, has the ability to shake the basic tenets that integrate the system and makes room for unethical behaviour.

Dispersing power grows self-discipline in the organization. Individuals are empowered to ask themselves questions like, 'Am I taking the right decision?' 'How will this benefit the organization, and our client?' All decisions centre on answering these questions right from the first time. This increases self-reliance, frees up the line manager's time on dealing with larger issues of strategy and nurturing a productive culture. The most compelling reason to weave our culture around widely dispersed power and high personal responsibility is to create a new generation of knowledge workers who will mature into more complete individuals. This has a ripple effect, creating socially responsible corporate citizens, spouses and parents, and thus social responsibility automatically gets included into our value system.

Care is fundamental in creating a performance-oriented culture. It creates a company with a personality that allows every individual to evolve harmoniously. There are several instances where key people responsible for customer deliverables have to rush home to attend to personal contingencies. One way of looking at such a crisis would be to say, 'postpone it by 24 hours'. Another way is to ask, 'how can I execute it without that person, but still met the deadline, taking care of the customer's requirement while addressing the individual employee needs?' A typical – 'we care for the customer and employees' situation. Our process depth and methodologies allowed us, in one case, to easily rope in another individual with similar competencies (of course without contaminating IP rights).

Such an environment creates a spirit of high performance where extraordinary results are achieved by ordinary individuals. Our philosophy and practice is to treat employees with dignity and respect, train each employee thoroughly, encourage employees to use their own initiative and creativity while at work, set reasonable and clear performance expectations, use a full range
of rewards and feedback mechanisms to enforce high-performance standards, hold managers at all levels responsible for developing the people who report to them, and grant employees enough autonomy to stand out and excel.

**Business Ethics and its Implications**

Since we live in a typical consulting environment our business ethics often comes under severe test. We are often confronted with dilemma situations. For instance, while executing a project for a customer with whom we have had a long and fruitful engagement, we may be requested to audit another aspect of the customer's work. We are expected to give them a health report about where they stand with respect to following requisite processes. How do we act in such cases? Do we take a soft approach or audit the customer's work thoroughly and give results upfront? The first approach will definitely win us brownie points from the customer and ensure a continuous stream of projects. This means increasing our bottom lines at the expense of the client. By taking short cuts, we may succeed in the short run, but will surely lose long term.

We believe that values drive behaviour, and behaviour drives results. In an organization that has people from different geographies and different cultures, it is our value system that binds us all together. So what we are trying to build is a value system in the organization, not a culture. Hence it is imperative that we develop a generic definition for ethics. This must cut across various cultures displaying a demonstrated ability to fit into different geographies and people. We must ensure that those values ultimately drive business ethics.

Another challenge that confronts us is about following the laws of the land we operate in. Presently, we are in Belgium, Canada, Japan, Singapore, Sweden, the US and the UK. Each of these countries has different systems, whether it is visa regulations, account reporting, tax regulations, or people practices. We also hire people across globe. Compliance with the local systems is critical if we have to build a long-lived, successful organization.

**Benefits**

What are the benefits of being an ethical organization? It inculcates uniformity, consistency and predictable behaviour across the organization. People come up to me and say, 'After meeting your sales person, I could clearly distinguish the company's credentials.' Thus, the
character of the company gets deeply imprinted into an individual's psyche. Progressively, with passage of time, the individual becomes the organization.

At Mind Tree Consulting, we believe our value system of CLASS builds ethics and only this will ensure a company that can outlive its founders. It is like oxygen that you have to breathe day in and day out, to survive long-term.

Evaluation of Practices

An evaluation of the practices of the three companies is made in Exhibit VI.2

Exhibit VI.2  Evaluation of Measures for Ethical Organization

<table>
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<tr>
<th>S. No</th>
<th>Pillars</th>
<th>Wipro</th>
<th>Micromatic</th>
<th>Mind Tree</th>
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<tbody>
<tr>
<td>1</td>
<td>Values/mission statements</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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<tr>
<td>2</td>
<td>Codes of conduct</td>
<td>Yes</td>
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<td>3</td>
<td>Feedback gathering and analysis</td>
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<tr>
<td>4</td>
<td>Functional responsibility</td>
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<td>Yes</td>
</tr>
<tr>
<td>5</td>
<td>Education and training</td>
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<td>Yes</td>
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<tr>
<td>6</td>
<td>Performance review and standards</td>
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<td>Yes</td>
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<td>7</td>
<td>External assessment</td>
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</table>

From the analysis, it is observed that the three companies are having initiatives in all the key seven areas.