BBA III yr VI Semester – BUSINESS POLICY AND STRATEGIC MANAGEMENT

UNIT - V

STRATEGIC EVALUATION:

An organization has to formulate innovative strategies to combat this ongoing competition battle, but formulating and implementing a well-thought strategy doesn't guarantee success in the real world. An effective strategy is one that is formulated and implemented in such a way that it takes full advantage of the environment of the organization and help shine and utilize the strengths of the organization, while making its weaknesses obsolete. The environment changes very fast, a strategy could become ineffective in a new environment. Therefore, a strategy must be evaluated times and again to see whether the strategy still proves to be best from the perspective of the changed environment.

Managers must consistently review, evaluate and control the strategies of the organisation to render those effective in the changing business environment.

Strategic Evaluation is vital to an organization wellbeing. Timely evaluations can alert the management to problems and potential problems before the situation becomes critical. Strategic evaluation includes three basic activities:
(1) Examining the underlying bases of a firm's strategy,
(2) Comparing expected results with actual results,
(3) Taking corrective actions to ensure that performance conforms to plans (though this is done in control process, but many authors club control process with evaluation process).

Timely and adequate feedback is the cornerstone of effective strategic evaluation. A manager must keep it into mind that the strategic evaluation is no better than the information it is based upon. Preconceived notions of the managers that are not based upon solid research may lead to ineffective strategy evaluation.
Strategy evaluation either ensures that the stated goals are achieved or signifies the deviation between stated objectives and actual status. Both the results help in increasing the productivity of an organisation by setting in the requisite controlling process to take care of the deviations. Managers use performance indicators of the organisation using different parameters. They look for the increase in variables like revenues, profits, return on investment, earnings per share ratio, etc. Results of such analysis help organisations align their efforts for desired goals. However, managers must not take such analysis as the ultimate criterion because strategies are implemented to strike a balance between short-term profits and long-term growth and the aforementioned parameters might not gauge the success of

the strategy in practical terms, or might give misleading results even, resulting in prompting inappropriate actions.

Nature of Strategic Evaluation

Strategic evaluation should initiate managerial questioning of expectations and assumptions, should trigger a review of objectives and values, and should stimulate creativity in generating alternatives and formulating criteria of evaluation. Regardless of the size of the organization, a certain amount of *management by wandering around(MBWA)* at all levels is essential to effective strategic evaluation. Strategic evaluation activities should be performed on a continuing basis, rather than at the end of specified periods of time or just after problems occur. A proactive approach must be adopted to nip the problems in the bud.

Evaluating strategies on a continuous basis allows an organisation to establish benchmarks of progress and to monitor more effectively. Some strategies take a long time i.e. years to implement; consequently, results thereof may not become visible for years. Successful strategies combine patience with a willingness to promptly take corrective actions when necessary.
Managers of the firm should be continually aware of progress made toward achieving the firm's objectives. As critical success factors for the organisation change, managers should involve themselves in determining appropriate corrective actions. If assumptions and expectations deviate significantly from forecasts, then the organisation should renew strategy-formulation activities. In strategy evaluation,like strategy formulation and implementation, people make a real difference. Through the active involvement in the process of evaluating strategies, managers and employees become committed to keep the organisation achieve its defined objectives.

Benefits of Strategic Evaluation

Following are the major benefits of Strategic Evaluation Process:

1. Evaluation provides strategic direction and ensures management that the organisation is heading in the right direction and that the corrective action will be taken where needed.

2. Evaluation provides guidance to the management and employees to enable them learn how they are performing against the benchmark and what needs to be done to improve performance.

3. Information about the performance as per the standards inspires confidence in the management and employees. Those within the organisation are likely to be more motivated to achieve better performance in order to improve their track record. Those external to the organisation- customers, suppliers, government, shareholders, etc. are likely put more credence to the performance and potential success of the organisation.

Strategic Evaluation Process

Evaluation plays a cardinal role in strategic management. Its role is to critically assess how well or bad things are going at every phase of the strategic management process; so that the necessary actions may be taken to improve the performance of the organisation.

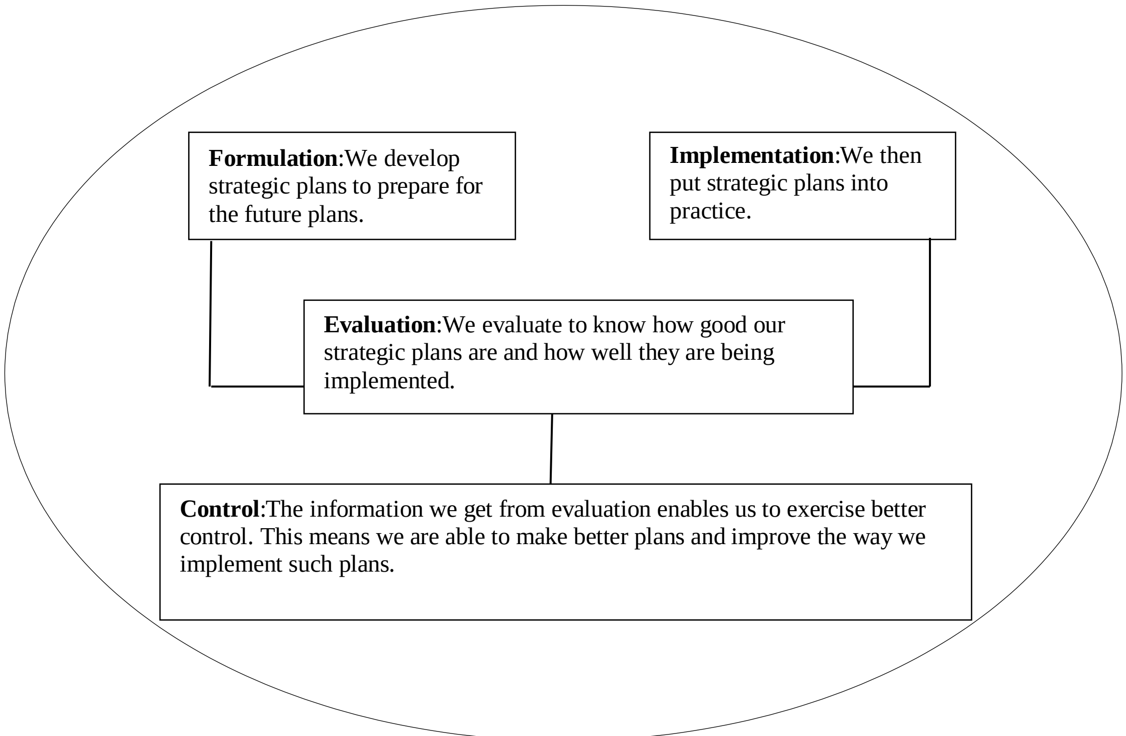


Figure 8(Source: HRC Group, Strategic management briefing papers (1989)

The terms 'evaluation' and 'control', although almost always used together, are not necessarily the same thing. Figure above shows the related and yet different roles played by Evaluation and Control in the strategic management process.

From the figure above, it is clearly evident that the Strategy evaluation means to find out what is going on. It encompasses collecting and analysing information about how well the formulated strategies have been implemented. After getting the evaluation results, we must decide for the appropriate action (s) to be taken. If, everything is as per the planning, then we have no problem; all we need to do is to continue doing what we are currently doing (or try to do even better on the same lines). However, if results show that some things aren't going well or as per the plan, then we have to eliminate these trouble spots.

If our formulated goals and/or implemented plans are so ambitious that they cannot be achieved, then we should be more realistic and should make them feasible and viable. If our human resources are not competent or prepared to follow the implementation process, then we should impart training. Evaluation is an inseparable part of overall Evaluation and Control Process. An organisation might end up taking a wrong decision, if the Evaluation Process is not conducted well.

Choosing the right evaluation approach

Ultimately the types of questions you ask, and the criteria you set will depend on the evaluation approach you follow.

Approach 1-Approach 1 is shown in Figure below.

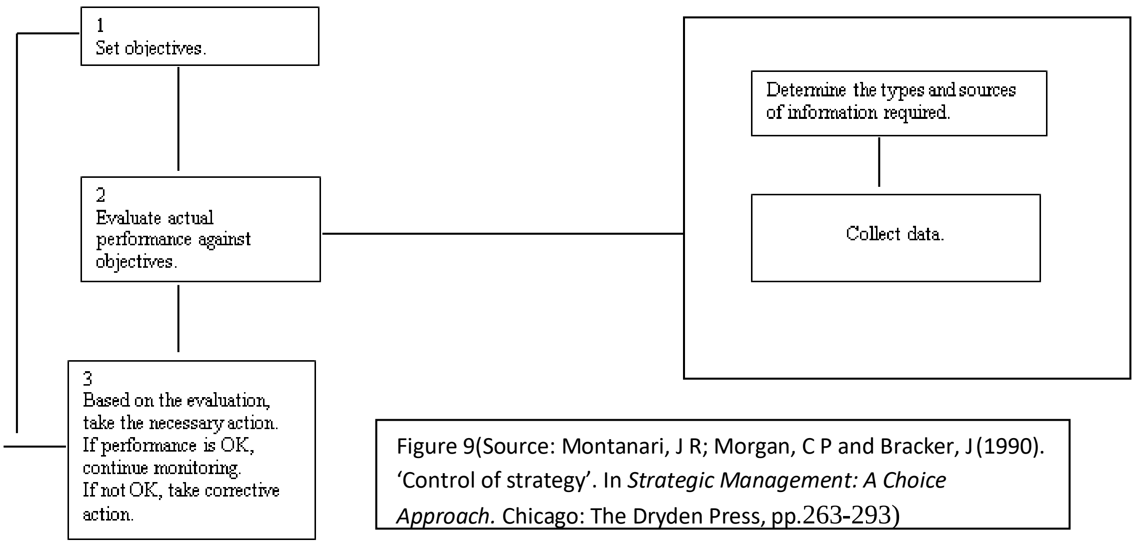


Figure 9(Source: Montanari, J R; Morgan, C P and Bracker, J (1990). ‘Control of strategy’. In *Strategic Management: A Choice Approach.* Chicago: The Dryden Press, pp.263-293)

This approach zeroes in right away on the targets (usually the goals or objectives as stated in the strategic plan) and assesses everything from that basis. It focuses on questions such as: Are the objectives appropriate under current circumstances? If not, what has changed the internal or external environment? Should the objectives be changed in view of any identified environmental changes? As these questions indicate, approach 1 does a lot of backtraking, constantly checking to see if targets remain in consonance with present or anticipated conditions.

Approach 2- Shown in Figure below, this approach casts a wider net right from the word go. Instead of going directly to the targets, it starts off with a review of the basis of the whole strategic plan. This means seeking to validate every major aspect of both, the strategic plan and the way it is implemented.
The difference between the two approaches is that the first assumes the strategic plan is valid and focuses on areas that require attention: the second first examines whether the plan is valid and then proceeds from there. This second approach is more comprehensive, but is time consuming and therefore, more expensive).

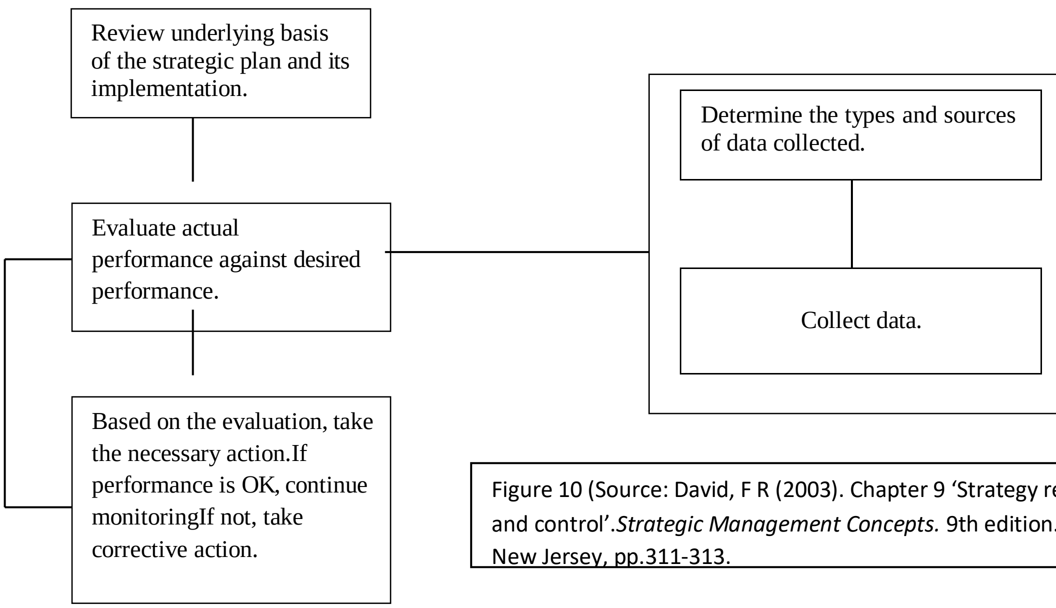


Figure 10 (Source: David, F R (2003). Chapter 9 'Strategy review, evaluation and control'.*Strategic Management Concepts.* 9th edition. Prentice Hall: New Jersey, pp.311-313.

The choice of approach will depend on the evaluation requirements of the organisation and on the resources you have for conducting evaluation and control. Both the approaches, however, raise the question of how in-depth a review should be.
Experience shows that many organisations get bogged down in details. The type of review you choose depends on two factors: the relative importance of the issue/problem and the strategic health of the area being evaluated:
-Large-scale reviews are clearly for those areas facing a major problem, or where a potential opportunity may make a significant impact.
-Medium-scale reviews are for areas that may be meeting their targets but have a few important issues ahead that may require a slightly modified change.
-Small-scale reviews are for areas where there are no real problems or dangers lurking on the horizon, and all that is needed is to monitor the situation.
Assessing the type of review or evaluation you require before you actually start is indeed a good way of making efficient use of time and money and of focusing on the most essential issues. Remember the 80/20 rule: concentrate on those areas that will produce the majority of results.

Strategic evaluation framework:

The evaluation process is followed by the control process and corrective actions are almost always needed except in the following two situations:

1). Internal and external factors have not significantly been changed.

(2) The firm is moving satisfactorily and steadily toward the achievement of stated objectives. Therefore, the arguably one of the most important task of the evaluation process is to measure the performance of the organisation in terms of the parameters that could portray whether the organisation is moving in the desired direction. Let's focus on this aspect below.

This activity includes comparing actual results to expected results, investigating deviations from what was planned, evaluating individual performance, and examining progress being made toward predefined objectives. Both long-term and annual objectives are commonly used. Criteria for evaluating strategies should be quantitatively measurable and verifiable. Effective control requires accurate forecasting. Failure to make desired progress toward accomplishing long-term and annual objectives signals a need for corrective actions. Many factors, such as unreasonable policies, unexpected turns in the economy, unreliable suppliers or distributors, or ineffective strategies, can result in unsatisfactory progress toward meeting objectives.

Many variables can and should be included in measuring organizational performance. A favourable or unfavourable variance is recorded at short intervals, and resultant actions needed are then determined. Determining the most important objectives in the evaluation of strategies can be quite difficult. Strategy evaluation should be based both on quantitative and qualitative criteria. However, selecting the set of criteria for evaluating strategies depends on a particular organization's size, industry, strategies, and management philosophy.

Financial ratios are the most commonly used quantitative criteria to make three critical comparisons: (1) Comparing the organisation's performance over different time durations,

(2) Comparing the organisation's performance to that of competitors', and

(3) comparing the organisation's performance to industry benchmarks and averages.

Some key financial ratios useful as in strategy evaluation are as follows:

1. Return on investment (ROI)
2. Return on equity (ROE)
3. Profit margin
4. Market share
5. Debt to equity
6. Earnings per share
7. Sales growth
8. Asset growth

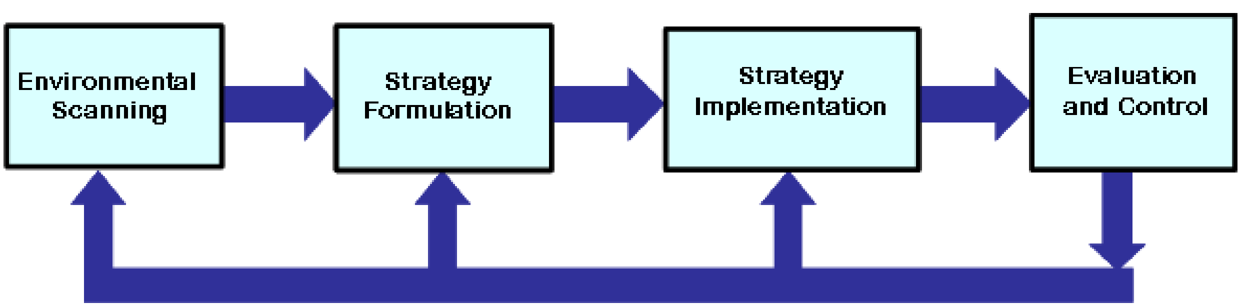
However, some potential problems are associated with aforementioned financial ratios as quantitative criteria for evaluating strategies. First, most quantitative criteria serve for annual objectives rather than long-term objectives. Also, different accounting norms and thus methods provide different results on many quantitative criteria. For these and such other reasons, qualitative criteria are also considered in evaluating strategies. Human factors such as high absenteeism and attrition rates, poor productivity quality and quantity, or low employee satisfaction and commitment can be major causes of declining performance. Marketing, finance/accounting, R&D, or management information systems factors too can contribute to financial problems.

Some additional key questions that reveal the need for qualitative criteria in strategy evaluation are as follows:

1. How good is the firm's balance of investments between high-risk and low-risk projects?
2. How good is the firm's balance of investments between long-term and short-term projects?
3. How good is the firm's balance of investments between slow-growing markets and fast-growing markets?
4. How good is the firm's balance of investments among different divisions?
5. To what extent are the firm's alternative strategies socially responsible?
6. What are the relationships among the firm's key internal and external strategic factors?
7. How are major competitors likely to respond to particular strategies?

STRATEGIC CONTROL

Strategic control is the terminal part of the strategic management process. The control function holds its own importance in the process of strategic management. It is necessary, however, to introduce the process of strategy evaluation and control at the early stages of its implementation so as to take timely corrective measures if required, for achieving the desired goals and objectives of the corporation. The process of control is crucial as the internal and external factors of business environment may not follow the trends as anticipated at time of planning the strategy.



Strategic Control Process

Strategic Control Process is the course of action for determining what is being accomplished and enabling the manager to take a corrective measure in case of any failure or deviations so that performance remains on the path of progress. Thus, strategic control engulfs the evaluation and is perpetual rather than periodical in nature. According to P. Drucker, ‘Strategic control maintains equilibrium between ends and means, output and efforts’.

The strategic control process consists of three phases: Evaluation criteria; Performance evaluation and Feedback. The first phase i.e. the evaluation criteria can be done both quantitative as well as qualitative. The quantitative criteria of evaluation lay stress on the data which is a post facto analysis for the performance evaluation where the actual results are compared with the expected results. If there happen to be significant variations in the performance, the corrective measures are taken to meet the set objectives. While, the qualitative evaluation and control of strategy is a real time process where the performance is monitored and mid way corrective actions are taken.

It is worth noting that if undesired performance results from the inappropriate use of the strategic management process, operational managers must know about it so that they can correct the employee activities. While, if the undesired performance results are the outcome of the processes themselves than both the top management and the operational managers, must know about it so that mid way corrections are taken or they could develop new implementation programs.

Types of Strategic Controls

There are four types of strategic controls that are discussed as follows:

Premise Control: Business strategy is based on the assumptions that how things will occur in the future. Premise control allows the top management of the corporation to examine whether these assumptions will continue to hold true with the implementation of the strategy or not. Therefore, premise control helps the management to take corrective actions at the appropriate time and discontinue the original strategy that was based on invalid assumptions. These presumptions may relate to the changing government policies, environmental factors such as inflation, interest rates and social changes or by industry factors such as competitors, suppliers and barriers to entry. For example: Titan Company Limited (TCL) formerly known as Titan industries Limited had a successful jewelry purchase schemes named as Tanishq, Golden Harvest Scheme (GHS). This scheme helped the company to boost its sales in times when the price of gold was on rise.

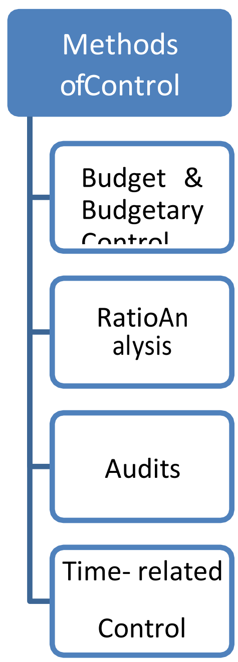
Strategic Surveillance Control: Premise control and implementation control are looked upon as more specific by nature whereas surveillance control is more generalized and overarching control. A company has to protect its business from the external threats that may hinder the success of the strategy implemented. Strategic surveillance controls allow the management to monitor multiple sources for these threats. The managers may safeguard the strategy by continually updating themselves about the industry specific information through trade journals & magazines, attending trade conference etc.

Special Alert Control: This control is based on the trigger mechanism designed to enable rapid response to any unexpected or sudden events that may pose threat to the strategy implemented. Such a control is based on the immediate reassessment of the strategy formulated in a given contingency. For example: The country's largest commercial vehicle manufacturer Tata Motors had to shut production of its truck for the fourth time in 2013 as it struggled because of falling retail demand. The company had done it to avoid piling up of inventory with its dealers. The three- day block closure was planned to ensure alignment of production with demand so as to bring the costs under control that could have been elevated because of piling of inventory and to maintain the health of the ecosystem

Implementation Control: Once a strategy is formulated, it has to be implemented. As the managers take the necessary steps to put the strategy in action, implementation control is used to review whether the original plan, programs, and projects are being well implemented and the corporation is glided through its pre-determined objectives or not. Milestone reviews is another tool used in for implementation control. The milestone reviews allow the managers to determine the critical points in strategy implementation in terms of events, resources or even time.

Methods of Control

There are various methods/tools/techniques used in strategic control system. These methods are adopted by the organizations based on types of control required. No doubt, most of these methods are related to financial control and neglect the non-financial parameters. The financial reporting system provides the information of how a company has performed in the past but offers little information about how it might performance in the future. Some of these methods are discussed briefly in the following sections of the module so as to develop a basic understanding of various control methods.



Budgets and Budgetary Controls: Budgeting has been accepted as one of the efficient method of short-term planning and control. Though, it is employed in large business organizations but the small businesses are also using it at least in some informal manner. Budget is defined as " A financial and/or quantitative statement, prepared and approved prior to define period of time, of the policy to be persued during that period for the purpose of attaining a given objective" by the Chartered Institute of Management Accountants, England. Therefore, a budget is taken as a document that usually deals the allocation of resources to different units with the organization and is classified under the three different modes:

Time: Annual budgets, quarterly budgets, monthly budgets, zero base budgets, etc.

Functional: Human resources, materials, marketing & sales, research & development, administration, etc.

Flexibility: To evaluate the performance at different volume levels or capacity utilization, sensitivity to key parameters, etc.

Further, budgetary control is the process of establishment of budgets relating to various activities and comparing the actual performance with the budgeted figures for calculating the deviations if any. It is to be noted that budgetary control is not possible without budgets.

Ratio Analysis: Ratio analysis is a form of financial statement analysis, used to obtain a quick snapshot of a firm's performance in various key areas. It is used to measure the company's operating and financial performances such as efficiency, liquidity, solvency and profitability. The trend of various ratios is studied over a period of time to check whether the strategy pursued so far is proceeding in the right direction or not.

Quantifying the 5Cs; Character, Capacity, Capital, Collateral and Conditions is a step forward in the process of strategic evaluation and control. These five parameters are discussed in brief as follows:

Character: It represents the firm's moral and ethical approach towards it stakeholder especially creditors. Firm's repayment performance on past and current debts is considered as a measure to check this parameter.

Capacity: It refers to company's capability to maintain both profitability and solvency. Measures such as historic and present adequacy of working capital, income statements showcasing a history of good profit margins, analyze of income and expenses and realistic evaluation of current income generating capacity are important in evaluating this factor.

Capital: Capital is the long-term borrowings, shareholders' funds, and working capital borrowings and collectively represents the wealth of the business. The relevant ratios that determine the health of the company are: Liquidity ratios; Current ratio, Solvency ratios; Debt-to-Equity ratio, Debt-to- Asset ratio.

Collateral: Growth strategy is the most popular strategy. The companies that do business in growing industries must expand to survive for which monetary resources are absolutely necessary. For raising the required capital the companies negotiate for long and short-term borrowings from the current & prospective shareholders. In such situations the collaterals becomes the essential requisite and the extent of collateral therefore reflects the firm's capacity for borrowing. Net Realizable Value (NRV) is an important measure to check the collateral parameter.

Conditions: Every industry undergoes a business cycle which includes recession, depression, recovery and boom. These cycles affect the financial standing of the company. The performance of the corporation during these periods calls for the appropriateness of the strategy being implemented and taking any mid-course correction for the strategy employed.

Audits: Audit is another method of control. An audit is the process by which the financial statements of a organization are evaluated so as to ensure that these are accurate representation of the transactions the organization claims for. The audits can be done both internally and externally. Internal audits are done by employees of the organization while external audits are conducted by independent agencies outside the firm.

Time-related Control Methods: Critical Path Method (CPM) and Programme Evaluation and Review Technique (PERT) are the most popular graphical and analytical methods used in the strategic control process. These tools help the management to take remedial action and get the project back on course. The techniques take recognition of three factors that influence successful achievement of program objectives i.e. time, resource and technical performance specifications.

SMART GOVERNANCE

The influence of modern technology can be felt in every aspect of our lives, even in the way our governments function. With smart governance, Democracies around the globe are set to improve their education, security, transport, resource management and economic infrastructure.

We have built our democracies on the principle of good governance, which is a great starting point to ensure public welfare and development of the state. But, people are losing their trust in the system due to the limitations of good governance like corruption, non-cooperation with the citizens, and unfair policies.

Therefore, smart governance can improve the situation by creating a cooperative environment for citizens and businesses. Additionally, Information and Communication Technology (ICT) has given rise to an information-based atmosphere that can be exploited by smart governance to communicate and collaborate with businesses and citizens. And, the principles of good governance can be applied more effectively with the help of smart governance.

CONCEPT:

Smart governance is the process of utilizing modern technologies and ICT to create a collaborative, communication-based, transparent, and sustainable environment for the citizens and government. Smart governments can be based on four different models:

- **Government to Citizen (G2C) model**- In this approach, the government interacts with citizens using communication mediums such as newspaper, radio, television, and the internet. And, the government provides a platform for citizens to voice their opinions about government policies and schemes.
- **Government to Business (G2B) model**- Government communicates with businesses to facilitate the growth of the economy. Companies can directly acquire knowledge about new policies,

taxes, regulations, and credit facilities. Moreover, governments promote online business practices to save time and costs, and businesses can collect real-time data from the government.

- **Government to government (G2G) model**- This model creates a landscape for communication between government and government organizations, agencies and departments. The aim is to integrate all channels of governance with the help of ICT tools for a paperless, corruption-free, and sustainable system.
- **Government to Employee (G2E) model**- With this model, the government can communicate with employees and companies. Furthermore, personal information of employees such as social security number, bank details, and personal details are stored in a government database. And, organizations can carry out employee-related tasks such as payroll, bank loans, medical plans, and pension plans online.

Requirements For Smart Governance

1. **Funds**

To adopt modern technologies for smart governance, governments must know how much funds they have in their treasury and calculate the budget that needs to be allocated for the project. Various countries are allotting a huge budget for smart governance projects such as smart cities. For example, the Indian government has recently allotted over $13 billion for their smart cities project. And, it is essential that governments hire skilled professionals who can help in strategizing the approach to reduce the wastage of money. If the governments are falling short on funds, they can introduce a new tax or find private investors for their project. Additionally, developing countries may require cost-effective strategies to manage their development projects, international loans, and trade deficits.

2. **Infrastructure**

Governments should create an appropriate infrastructure to facilitate the smooth functioning of smart governance. For developing an institutional infrastructure, an eGovernance application can be used. eGovernance enables citizens and organizations to communicate with the government and exchange vital information using the internet. And, governments can keep records of citizens' personal information via a paperless medium. But, data storage is a major issue with eGovernance. Hardware storage has memory limitations, while the data stored on the cloud can be hacked. Hence, a blockchain-based decentralized cloud can prove useful to overcome storage limitations and avoid data breaches.

To build physical infrastructure, initiatives such as smart energy management, smart water management, smart mobility, and many more should be undertaken. For smart energy management, finding renewable energy sources, using advanced meters, and leveraging modern technologies to automate and monitor the distribution of electricity are necessary. Smart energy management aims to reduce energy prices and the impact of global warming. Whereas, smart water management will address the issues of water shortage and water purification. Using innovative technologies for improved water management can help in providing clean water for areas prone to water shortage. Meanwhile, smart mobility aims to create faster, eco-friendly, and cheaper transport alternatives. Additionally, CCTV cameras and AI can be used together for better traffic management and finding empty parking spots.

Smart education and smart healthcare are essential for developing the social infrastructure. Smart education utilizes modern technologies such as artificial intelligence and Internet of things (IoT) to offer better educational facilities. Artificial intelligence can automate tasks such as grading tests and developing customized learning interfaces with digital textbooks. Moreover, IoT can be used for creating an interactive learning environment and attendance tracking. Smart healthcare deals with collecting patient data for remote diagnoses, remote treatment, online health records, and patient monitoring systems.

Skill development centers and business parks are key parts of the economic infrastructure. Skill development centers train students and employees to make them more competent and reliable enough to contribute to the growth of industries and workplaces.

3. Technology

Smart governance is leveraging modern technologies for various applications. For example, Artificial Intelligence (AI) can be used for facial recognition in smart surveillance, where local authorities can identify criminals and suspects in the crowd. Furthermore, CCTV cameras can help in traffic management by coordinating traffic lights and directing the flow of vehicles over roads accordingly.

Similarly, IoT can be used for the benefit of the government sector. IoT sensors can be installed on various outdoor objects to collect important data for analytics. For example, the tech giant Nvidia has introduced Metropolis for public safety, traffic management, and resource optimization using IoT devices and deep learning for video analytics. Currently, there are 17.3 million units of IoT devices in the smart cities of the European Union that help in city planning by analyzing various factors such as transportation patterns, zoning, mapping, population increase, and food and water consumption.

Block chain-based financial services can help in transferring and receiving payments for various organizations. Moreover, block chain is used to execute smart contracts, where payments can be autonomously executed after pre-set conditions are met. And, the chances of fraud will be reduced due to the transparent, distributed, and encrypted network.

BENEFITS OF SMART GOVERNANCE

1.Enhanced participation of citizens

Smart governance has created a medium for interaction between the government and citizens. With the help of ICT tools, governments can communicate with citizens. Additionally, citizens can give feedback and suggestions for the latest government programs, policies, and schemes. The feedback would directly reach their respective leaders, counselors, and city managers.

2.Access to crucial information

With smart governance, citizens can have easy access to government data related to funds, expenditure, and investment. All data except critical information that can threaten the security and safety of citizens will be transparent to the public. Hence, the transparency will ensure better accountability from the government.

3.Better democracy

eGovernment can implement identification and authentication measures to prevent electoral fraud and abstention. Moreover, eID cards will offer voter registration and authentication digitally to create a convenient and secure voting system. And, secure online ballots can enable privacy and anonymity of voters.

4.Financial and social inclusion

A large chunk of the world population is underprivileged and illiterate. Such a population finds it increasingly difficult to use financial services. Thus, smart governance can help by offering banking and financial solutions for the underprivileged population. And, eIDs can be used to make payments for various products and services.

5.Sustainable future

Smart governance will promote a culture of conscious decision-making. The analytics obtained with the help of modern technologies will help plan better policies that target the conservation of resources and environment, development of the community, security of citizens, better education and employment, and public welfare.

6.Involvement of the private sector

Private organizations are exponentially advanced in research and development of modern technologies. And, organizations already know the strengths and limitations of existing technologies. Therefore, private organizations can help the governments in planning for successful deployment of technologies. Moreover, private companies can be potential investors for government projects.

Implementation of smart governance

After understanding the benefits and the potential of smart governance, governments need a roadmap for successful adoption of smart governance. For this purpose, governments can follow the steps given below:

- Educate the citizens about smart governance and train the local authorities.
- Hire skilled professionals who can help with the deployment process.
- Set up goals that can be accomplished with smart governance.
- Create strategies to achieve your goals.
- Collect funds and look for potential investors for the project.
- Introduce schemes and programs to promote public and private collaboration.
- Update legislation and policies that would help the growth of smart governance.

With the rise of modern technology, smart governance can build on the foundation laid by the principles of good governance. Therefore, governments need to decide between smart governance that will develop their nation and economy with advanced tools, or the same old good governance principles that have been lacking in several areas.

ETHICAL BEHAVIOUR IN ORGANISATIONS

How can a manager ensure that her decisions count ethical? Following are some ways of prescriptive nature to ascertain it.

- **Employee acquisition:** It's already been established that personal ethics of a person impacts her decisions in business settings. Therefore, organisations strive to on- board people with higher ethical standards. But how could an organisation discern such people during hiring process?

One of the possible ways is to administer psychological tests to judge the personal value system of the applicants. Scales like Person-Organisation Fit and Person-Job-Fit fetch good results.
Reference check of the potential employees, through their previous organisations and people of repute is also appropriate.
Employee Referral Programs are very effectual in seeking appropriate employees, because the current employees happen to know the organisation they work at and the person they refer as well.
It is utmost important to on-board ethical people to maintain ethical standards. On the other hand, employees perpetrating unethical deeds must be punished suitably, to promote conducive culture.

- **Promotions:** Value System must be given due importance in promotion decisions and only those people must become the top brass of the organisation, who qualify on the adherence of essential ethical values.
- Code of Conduct: Every organisation must have a code of conduct to guide the employees on how to decide to be ethical. Standing Orders provided for the workmen based upon Industrial Employment (Standing Order) Act, 1946 provides an example in this regard.