



Building Ethical and Values Based Culture in Organizations in Microfinance Sector

How some best organizations/workplaces do it,
and sustain it in the midst of
environmental challenges and rapid growth?

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Vexing Questions for Centuries



Kaalo va Kaarano Radnya?

कालो वा कारणों रादन्या?

Radnyo va Kaal Kaaranam?

रादन्यो वा काल कारणं?

Raja Kaalasya Kaaranam!!

राजा कालस्य कारणं!!





What is the connection?



- Though this verdict only more than partially true
- It is a proactive and responsible option
 - The task of the leaders of an organization is to create and sustain an ethical culture
 - It is the most frequent and successful route in the best/most ethical companies



What is being “Ethical?”



- Operate much above the “minimum requirements of law”
 - Consistently do what is right, fair and values based – not just promote self interest
 - Embody actions/behaviours that can be experienced in day to day interactions by all regular stakeholders

What is “Culture?”



- It encompasses
- What we (members of the organization) believe in and value here and why (core beliefs/values)
- What we do here (organizational purpose/mission)
- How we do it here (“Our Way”)



Culture – Values & Beliefs



- Organization must have strong Values & Beliefs which
 - Guide actions in normal times, dilemmas and conflicts of interest,
 - Organization and its members treat these as non-negotiable,
 - Organization and its members are willing to make sacrifices for them, stand up for them

Purpose/Mission and Culture Building



- Values and Beliefs have to dovetail with the Purpose and Mission
 - Purpose & Mission - a Context or Setting for living the Values
 - Convergence, and not conflict, between Values & Beliefs and Purpose & Mission



Actions/Behaviours of Leaders and Managers



- Strongest creators/influencers in building a robust ethical culture:
 - Actual actions and behaviours of the leaders in their daily interactions with all their stakeholders
 - Exemplify & inspire on how to practice and live the Values in day to day work

People Practices and Work Practices/Processes



- Strongest sustainers and disseminators of a robust ethical culture
 - In midst of rapid growth and challenging environment
 - People related and business related practices and processes – establish, institutionalize what to do, how to do for employees to follow
 - People related practices give employees actual “experience” of what is expected

Consequences of Dissonance



- Values & Beliefs, Purpose & Mission, Actions & Behaviours and Practices & Processes must be consistent or
 - Dichotomy between the “espoused” ethical culture and “real” culture
- Inconsistency through “real culture” will breed cynicism and opportunism
- Real culture would prevail, with all the negative unintended consequences

Objectives of Microfinance Industry



- Microfinance Industry's manifold interlinked objectives - economic, social and political
 - Drive inclusive, sustainable development and growth
 - Increase income levels and standard of living of disadvantaged poor
 - Help improve the status of “socially disadvantaged” sections, particularly women
 - Strengthen the stake and interest of the large masses of disadvantaged poor in the Indian State/Indian Democracy
- So MFIs must grow and be financially successful **and** effectively support/drive economic and social goals of the target population

Ethical Challenges in Microfinance



- Likely ethical/values violations:
 - Approving/disbursing or rejecting loans for personal financial benefit
 - Approving/disbursing or rejecting loans for “other” personal gains
 - Fraud in record-keeping/paperwork and misappropriation in disbursement or collection of cash
 - Treating women colleagues or customers as social inferiors, objects of oppression and exploitation

Why these Examples .. 1



Why these examples?

- In response to our Trust Index©
- 95% or more employees state “their managements/leadership teams follow honest and ethical business practices”
- 85% or more employees state “actions of their leaders match their words” and “they deliver on their promises”

These are very strong endorsements



Why these Examples .. 2



Why these examples?

- People practices, policies & processes strongly influence employee perceptions about organization being ethical
 - Practices also tell us what & how to do!!
- Indian & MNC Organizations, existed for considerable period; small/medium & large, geographically spread and local
- Various industries, some financial services; thus a cross-section

Building Ethical Culture that supports success - 1



- Common patterns/themes/practices
 1. Creating strong core values with employee participation
 2. Identifying and articulating specific actions and behaviours of living the values and violations
 3. Exemplifying living the values by leaders in day to day work/interactions
 4. Attracting and hiring employees naturally aligned to the core values and purpose/mission of the organization



Building Ethical Culture that supports success - 2



- Common patterns/themes/practices
 5. Inspiring and aligning employees to the core values and purpose/mission from selection
 6. Demonstrating with data how ethical behaviours and actions support success
 7. Building/sharing a repertoire of stories and role models/values champions with employees
 8. Communicating the values and appropriate behaviours very regularly through different avenues – check comprehension



Building Ethical Culture that supports success - 3



- Common patterns/themes/practices
 9. Creating people practices, policies and processes aligned with core values, representing non-discrimination and justice
 10. Creating equitable and impartial performance management and reward/recognition system/practices to reward/applaud ethically achieved performance
 11. Publicizing and punishing violations regardless of hierarchical level or performance level or criticality





Thank you

Questions, Comments,
Ideas, Inputs