

Work Ethics: A Futuristic Prognosis

Sharukh N Tara

Professor Of Finance

BVIMSR, Navi Mumbai

There is no gainsaying the fact that business compulsions in globally competitive markets will force the corporate leader to be ethical. Corporate Leadership arises out of and determines the nature of the work ethic. Hence, no examination of the work ethic is complete without an examination of the corporate leadership. Along with new global alignments and trade rules, a new set of modalities for business have emerged. To name a few:

- Business has per force become transnational. The boundary-less universe has emerged, and an era of concurrent collapse has been ushered in.
- The pace of change is non-linear, non-Newtonian and non-incremental. New power brokers have emerged and teamwork has gained ascendancy.
- The myth of the technological competitive edge has been exploded. Effects of all managerial decisions are seen
 - a) In terms of long term growth and stability, and,
 - b) The effect it has at the point of production or at the point of sale.

The product profile has changed whereby there is a marked preponderance of the knowledge component over the erstwhile raw material component.

Dependent economies along the periphery of the capitalist world economy found that their growth was immiserised and their infrastructures were fragile and dependent.

The effect of these modalities on organizational behavior is two fold. Organizations are going through a kind of Corporate Olympiad, a massive change of corporate focus in line with the market scenario, where only the fittest can survive. There is a felt need for creative definition of functions and structures, wherein the approach to organization must be geared towards a culture and style transformation as well as be zero based. The doing executive of the 1950s and 1960s became the learning executive of the 1970s and 1980s. The 1990s beckoned the age of the thinking executive and the knowledge worker whose only loyalty is to technology.

It was no longer enough for the corporate leader to be activity based but to combine it with being thought based. The leader's paradigms had to be flexible, proactive, pioneering, holistic and global. Re-engineering which was a fad of the 1990s no longer gave the desired results. Organizations were no longer satisfied with product leadership; they needed to have competence by competition for opportunity share.

Both Michael Porter's Diamond and the B.C.G. Matrix were more descriptive than predictive and consequently

had become old hat. It was not enough allocate and utilize to resources optimally but to accumulate them for strategic leverage. Hence, policies had to be designed to stretch along with changes in the environment rather than fit into a particular construct. In addition, all this was expected of the corporate leader who will take the organization into a better tomorrow with a new work ethic.

To begin with, let us see what the organization expects of the leader in the future. Some of the key characteristics, which emerged when the question was posed to managers by another XLRI - NITIE research conducted in Western India (1993 - 1995), were:

- i. The leader is to help perpetuate history and yet bring about change.
- ii. Adapt the character of the corporate management to the needs placed upon the organization by the environment.
- iii. Keep faith and uphold key commitments so that at no point is his credibility questioned.
- iv. Maintain a healthy tension between tradition and change.
- v. Make a lasting impact on the organization, and in turn the market.

When one were to examine this list a mite more closely, one would find there is a kind of causal link from point (i) to point (v). In order to predicate the views of this paper in the proper context it is felt that certain key terms need to be properly defined so that the precise position adopted by this paper is clarified. Hence, this paper must take issue with the nature of corporate leadership itself.

Clearly, the first task of the leader must first of all work towards gaining acceptance. Once that has been achieved, the rest can follow. However, this may not be easy. Vested interests will be keen to scuttle progress for the sake of individual security. The structure of the organization is most often the first thing a leader examines. By structure is meant the distribution along various lines, of people among social positions which influence role relations between the incumbents. One of the biggest hurdles to overcome is that while organizational structures are constructed along concentric lines (for greater effectiveness), the incumbents (managers and workers) still think and act as if the organizational structure is built along hierarchical/ pyramidal lines. To achieve long lasting results the leader must change this attitude.

To bring about a change in attitude, the organization's mission and purpose must be clearly defined. If one does not know where one is going, one cannot be lost. Unfortunately this fits the description of most traditional organizations in India beautifully, which can help an organization to link its activities to the needs of society and legitimize its existence. By purpose is meant statement of intent; of what an organization strives for and sets the objectives, goals, policies and plans accordingly.

An objective is a close-ended attribute, which is precise and can be expressed, in specific terms of quantity, quality cost and time. If not, progress would become hard to measure. The objective in turn springs from a goal, which is an open-ended attribute denoting a future state or outcome than organization strives for. To actualize an objective the leader needs to clearly define the policy, the procedure, the rules and the plans.

The organization's policy is a guideline to action. Procedures are a series of tasks or steps expressed in a chronological order. Rules are prescribed courses of action which explicitly state what is to be done under a given set of circumstances. The rules could, of course, be either substantive or procedural. And these rules, procedures and policies are to be geared towards achieving the objective of the organization.

It is the task of the leader to define the goal and role of each aspect/function within the organization so that both clarity and non-ambiguity exist. This would facilitate the appreciation and understanding that will help fulfill the mission born out of the vision of the organization. To summarize, the organization leader is one who articulates the vision and mission of the organization, brings about goal and role clarity and facilitates the achievement of the objectives through teamwork. The leader builds the team, nurtures it and proactively leads it in order to achieve the organization's objectives. He can do so only if he walks his talk and can carry the team along with him. The key is not so much in liberalization but in conscientious management which brings with it corporate governance.

Human Resource Management

This view was echoed when Sir Adrian Cadbury in an interview in late 1996 stated:

In India I think one has to focus on opening up the system. I would not try, for example, to control transactions a company is entering into. I would rather try and establish a scenario where more information on that transaction is available to shareholders and the press. The need is for all deals that companies make with others and within themselves to be transparent.

In the same interview, he went on to say that:

What is important is that there should be clarity of responsibility between the board and the management. Often there is confusion about precise responsibilities. There has to be a clear line between the tasks of the board and management as to who plans and manages and who executes the plans.

What will be the nature of this leadership? In 1997 a study conducted by the Sloan School of Management (USA) confirmed a commonly held belief. It was fact that only those companies will remain as effective players in the global market during the next century which have placed a great importance on Ethics and which practice Value Based Management. Such a powerful statement needs to be examined in detail to understand what it implies and what ramifications it may have for Indian industry and business. But first, let us see what do these terms in the corporate context mean mean?

- Values are a set of beliefs held by a person or a group of persons or an organization and which the person or group or organization stands for, is known by, and form the basis of its subsequent actions. (It is a thought-based concept).
- Ethics are a pattern of moral behavior, of a person, a group of persons or an organization, which are in consonance with some assumed, explicit, stated or unstated beliefs. (It is an activity-based concept).

It should be noted that values and Ethics are dialectically connected to one another and the distinction drawn above is purely epistemological. The question then pops up: So, why should managers study ethics?

Ethics has long been the subject of study but Managerial Ethics has gained importance only after the Stock Market crash of 1987 when one stock market after another crashed : Tokyo, Zurich, London, Sydney, New York, Singapore, and Hong Kong.

A study conducted by the China Economic Research Center, Macau, in 1986-88, (of which this author was a part), came to the conclusion that the three main reasons for this stock market crash, which threatened the fabric of several free market economies were :

1. Ham handed economic policies on the technical side.
2. Poor communication between the banks (lenders) and the the industries (borrowers) both of whom were speculating without adequate gold reserves.
3. Low level of Business Ethics in the financial sector which created disharmony and lack of trust between the various markets: Sydney, London, New York, Hong Kong etc., Hence, to an economist like the present author, a serious study of ethics is crucial for business and industry. What does this imply especially for the HRM specialist? It implies five things mainly viz :

- **DEPENDABILITY**
- **TRUST RELATIONSHIPS**
- **QUALITY ASSURANCE**
- **CONSISTENCY**
- **MARKETABILITY**

The question is posed : at what levels do these five traits imply? The answer is that it must be studies at the level of the PERSON, the PROCESS and the PRODUCT. Naturally, one need to know how does the business or

industry benefit from this? The answer lies in the fact that it enables the company to gain a competitive edge in the market place by converting the customer into a client.

When a person comes to buy a product he is a customer. When he comes again for the product, since he is convinced that he gets good value for his money, he is a client. Managerial Work Ethics makes this possible based on the five traits given above.

The research conducted from XLRI and NITIE between 1993 and 1995 had showed that about 82 % of the senior / top level managers in Indian industry (from a sample size of 3000 received and valid questionnaire responses) operated in the acceptance mode when confronted with an ethical dilemma. The finding was based on a country wide cross sectional survey of 3000 top-level managers whose responses were cross-referenced and statistically analyzed. This finding meant that the top-level manager was not always a leader who stood for values and blazed a trail for others to follow. Rather, he was someone who wanted to play safe, hurt nobody in power, ruffle no feathers and thereby continue to enjoy his position of authority.

If this is true, and evidence suggests that it is, then industry must shake off its lethargy otherwise stability will lapse into inertia and we would have achieved development-less-growth. The all important question is begged: why do senior level managers who are financially secure, act unethically? Five possible reasons are thrown up by further research conducted in U.K. between 1994 and 1997.

1. The individual and internalized values of the manager are either unclear or weak: e.g. he does not have the guts to stand up for his beliefs.
2. The individual is concerned with the bottom line only: e.g. he wants to get profits at any cost.
3. The individual believes that anything is right so long as others believe it to be right: e.g. a public relations guided mentality where the person is eager to be popular.
4. The individual is inherently exploitative for meeting personal goals and ambitions: e.g. riding piggyback on colleagues' efforts and taking the credit.
5. The individual is insecure and is afraid of change so he promotes stereotypes and undermines empathy as well as compassion: e.g. the boss who promotes "yes men" and thereby empowers mediocrity.

A similar research in the USA showed organizations tend to reward behavior that violate ethical norms. Most societies value ethics and imbibe morality in its citizens. The study concluded that managers faced an ethical dilemma because of the conflict between societal norms and organizational counter norms e.g.

SOCIETAL NORMS		ORGANISATIONAL COUNTER-NORMS
Be open and honest	Vs	Be secretive and deceitful
Follow the rules at all costs	Vs	Get the job done any how
Be cost effective	Vs	Use it or lose it (as in a high priced computer)
Take the responsibility	Vs	Pass the buck (save your butt)
Be a team player	Vs	Take credit and move up

Given the capitalist nature of most developing economies today could the above prognosis not be universalized? If so, what sort of HRM intervention is needed to address this anomaly? Moreover, herein lies the key to improving the work ethic: to convert competition into cooperation for sustained development.

In Denmark, Switzerland, Holland, Germany, France and Sweden, as well, Managerial Ethics is given a very high priority. Ethical Codes and Audits are consequently introduced in every major company/business. Cadbury speaking on Governance alludes to this all the time. However, what does this mean?

Human Resource Management

A Code of Ethics is a set of documents describing what an organization stands for and the general rules of conduct expected from all employees irrespective of rank.

An Ethics Audit is a practice of regular assessment of employee behavior so as to identify incidents of dubious (questionable) behavior. Here two systems can operate. Anyone can complain about anyone to an Ethics Manager. Where everyone is his brothers' keeper and is duty bound to complain, correct, and guide anyone who may be seen as falling out of line with corporate norms of conduct.

The final question to this learned readership can then be posed thus:

Is it just good business sense for management to be Ethical ?

or

It is good for management to be ethical and also be seen to be acting ethically anyway?

The precise answer given by top management will determine the work ethic. However, before we conclude there are some finer points to mull over:

History demonstrates and research supports the fact that:

- Managers operating in the Consequential Mode are usually opportunists and carpetbaggers. Very often they do well in life.
- Managers operating in the Acceptance Mode are usually insecure, seek peer approval and promote mediocrity. Very often they live behind a facade.
- Managers operating in the Non Consequential Mode are the trailblazers, history makers and true leaders. Most often they are the ones who make the difference.

HRM is not window dressing or even a soft option. It is an integral part of Management Strategy formulation. It is capable of being benchmarked and must be held accountable for deliverables. HRM is the initiator, instigator, catalyst and manager of organizational change. Moreover, it is here that the HRM facilitator must take his cue in formulating the intervention needed so that a work culture emanates and enables the organization to thrive on the cutting edge of global competition.

There is little doubt that next to God if man should fear anything then it is History. For, when history passes judgement it is most unforgiving. Every person like every country makes his own history but does so under definite conditions over which he has little control. What kind of history would you like to be a part of? Each of us has to make his own decision, walk his talk and stand up to be counted. What will your decision be? What kind of a work ethic will your HRM intervention produce? After all unless the work ethic promotes quality, teamwork, transparency and accountability, it may not be of much use after all. That is the important question we must, as professionals, address to ourselves if we are to help India move into the new millennium from a position of strength.