THE ROLE OF VALUES AND CORPORATE CULTURE IN PEOPLE MANAGEMENT

Marcelle Mentor

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Supervisor: Professor Willie Esterhuyse, Department of Philosophy.

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DECLARATION

I, Marcelle Mentor, the undersigned, hereby declare that the work contained in this assignment is my own original work and that I have not previously in its entirety or in part submitted it at any university for a degree.

Signature:

MARCELLE MENTOR

ABSTRACT

The business world has seemingly become hit by, or perhaps it has been more exposed of its unethical and morally bad decisions and procedures. One just has to follow the business-related issues and one becomes aware of events of corruption, greed, fraud, embezzlement, theft, nepotism and so forth.

This is not just an occurrence in South Africa, but a global phenomenon. However, as South Africa approaches its tenth year of democracy, and the move towards the realization of our President's vision of an African Renaissance, there is an increasing awareness that a commitment to management by acceptable values is needed to remove negativity around management processes and practices in South Africa. We have to move to a culture of management where people are the central aspect around which good management revolves.

As the forerunners of *The African Renaissance*, we need to engage with the concept of "Ubuntu", and truly realize that value-management is really that – being people through other people. We need to accept that we should be people driven, inclusive of every single person to be able to achieve the goals we set out for our companies.

Emotional intelligence is vital if one bases a style of management on a people directed goals and orientations. When we look at each other through empathetic eyes this allows for consideration of others and ultimately allows for positive change and growth in an organization.

To be able to move effectively towards such a management style is not as easy as discarding a predominantly Eurocentric style and embracing an African one. There is the element of human beings that plays a vital role. The values of an individual, the norms and beliefs that that individual holds dear, is pivotal to the structure of organizational culture. It is the stance of this thesis that each individual is responsible, in one way or another, for the structure and make up of the organizational culture of which it is a part.

This thesis looks at research in this regard and how the findings could be applied in the South African corporate world to help facilitate effective transformation.

OPSOMMING

Die besigheidswêreld word oënskynlik gebombardeer – of moontlik word dit net meer blootgestel aan die onetiese en moreel verkeerde besluite en prosedures.

Dit is slegs nodig om te let op besigheidsaangeleenthede om gevalle van korrupsie, bedrog, hebsug, diefstal, nepotisme, en so voorts te bespeur.

Bogenoemde gevalle kom nie slegs voor in Suid Afrika nie, maar is 'n universele verskynsel.

Soos Suid Afrika sy tiende jaar van Demokrasie nader en daar 'n beweging is in die rigting van ons President se visie vir 'n Afrika Renaissance, is daar 'n toenemende bewuswording van die feit dat toewyding aan bestuur deur (aanneemlike) waardes noodsaaklik is om negatiwiteit rondom bestuurprosesse en – praktyke in Suid Afrika te verwyder.

Ons moet ons beywer om te beweeg na 'n kultuur van bestuur waar individue die fokuspunt is te midde van voortreflike bestuurstyle. As die voorlopers van die Afrika Rennaissance moet ons meer verbind wees tot die konsep van "Ubuntu" en werklik besef dat waarde-bestuur inderwaarheid mens-gesentreerd behoort te wees.

Ons moet die uitdagings aanvaar om gedissiplineerd op te tree en sorg te dra dat alle mylpale, wat deur die maatskappy daargestel word bereik word deur die optimale benutting van elke individu binne die maatskappy.

Emosienele intelligensie is van die uiterste belang as die besigstyl gefundeer is op die beginsel van mens-gerigte doelwitte en ingesteldhede. Daar moet 'n kultuur gekweek word van empatie en konsiderasie vir ons medemens, wat uiteindelik positiewe veranderinge en groei binne die maatskappy sal bevorder.

Om effektief in die rigting van so 'n bestuurstyl te beweeg, is nie bloot 'n geval van wegdoen met 'n oorwegend Eurosentriese styl en die aagryp van 'n Afrika – styl nie. Die menslike faktor speel 'n beslissende rol. Die waardes van 'n individu, die norme en oortuigings wat vir hom of haar belangrik is, is van deurslaggewende belang vir die struktuur van organisatoriese kultuur.

Hierdie tesis ondersoek narvorsing in hierdie verband en kyk hoe die bevindinge toegepas kan word in die Suid Afrikaanse korporatiewe wêreld om effektiewe transformasie te help fasiliteer.

DEDICATION

For:

Dominic, Timothy and Joel…my Mentors.

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CHAPTER 1: INTRODUCTION AND PROBLEM STATEMENT

1.1 Introduction and context

As South Africa celebrates its 10th year of Democracy, one has to ask the question: Are we succeeding? Does democracy work for the South African populace? There are a couple of answers to the question, "Yes! It works!" "No! It doesn't" and "Perhaps, I'm not sure..."

Everything depends on whom we are asking the question to. We have transformed on many levels, and although we are a long way off still to see our plans completed, the structures are mostly in place to see that transformation does occur.

No longer are children turned away from school because of their race or culture, our residential areas are becoming more 'grey'...So much has changed; housing the poor, anti-retrovirals for AIDS patients, electrification in many rural areas, this and so much more.

However the road to democracy and transparency has brought with it other, very demanding needs. The need for absolute transparency, openness, honesty and integrity. The lack of these qualities are exposed where all other dirty laundry is exposed – the newspapers and tabloids.

Issues of corruption, scandal, fraud and embezzlement have been plastered over the newspapers' front pages in recent years. The problem at hand is of course; that these issues were also happening during the Apartheid era – just that now it is so widely publicized. Business matters did not receive the attention of being a public domain, as it is today. Also business relations matters did not (seemingly) reflect in the eye of the public so heavily on the economy and Trade relations.

1.2 Purpose of this study

Of course a glitch in the system of truth and honesty is by no means an exclusively South African phenomenon. Countries in the "developed" or "first world" also struggle with these very issues.

It is for this reason that I have chosen as my frame of reference books and authors mostly from an American perspective. Much has been written there about good management and the excellent running of companies to the benefit of all stakeholders. It is my belief that South Africa can learn much from their experiences.

In South Africa our president, Thabo Mbeki, has a vision of our country being at the forefront of his concept of an *African Renaissance*. He has been quoted many times in various speeches saying: “Africa, your time has come”. I believe for South Africa to be truly able to answer the call of this challenge, it first has to become the leader on the continent in terms of economic and business excellence.

It is the purpose of this thesis to highlight that South Africa should look at its corporate world and assess whether it is operating at its optimal potential. The thesis explores the process of stressing the importance of a system of management based on a shared values system. For this system of management to work properly in South Africa we have to take our critical gaze to the role managers and management plays in the transformation of business to a truly ethical and moral one. It is the point of view expressed in this thesis that management is responsible for the insurance that there are values at the company and that it comes from a system where all stakeholders, especially the employees, have had an absolute share in the choice of what the company’s shared values are, and not only what management perceives it to be.

There is a famous Indian treatise thought to have been written during the 4th Century B.C. It is entitled *Arthashastra* and was written by Kautilya (Kumar and Rao, 1996: 415). In many circles this treatise is still considered relevant today as it points out many issues with regards to ethical, moral and value-based guidelines for good leadership.

> *Kautilya’s guidelines for value-based management are not mere quick fix solutions. They are based on a total framework. In Kautilya’s value based management model, the philosophy of the organisation should be in consonance with and based on the organizational philosophy. Based on the organizational philosophy and leadership a corporate culture is developed which defines the values that are supposed to guide behaviour of its members of the organization and check instances of unethical behaviour. All of the above components viz. organizational philosophy, leadership and corporate culture are supplemented with general guidelines. Finally the organization as a whole achieves its purpose as defined in its philosophy, and the leader tries to get feedback on the performance from various stakeholders affected by the organization.*

There some very interesting ideas on leadership from Kautilya:

1. A leader should be virtuous.
2. A leader should be truthful.
3. A leader should be reliable.
4. A leader should be free from vices.
5. A leader should have long-term vision.
6. A leader should avoid doing harm to others.
7. A leader be spiritually well and meditate on the well being of the organization.
8. The leader should not make big profit to the detriment of other subjects.

According to Kautilya there are very distinct benefits of a righteous / virtuous leader:

1. A leader who is good finds personal joy in his life.
2. There are the social benefits, namely, spiritual wellbeing and stability for all stakeholders.
3. A good leader manages by example. When the king is active the servants are active too; if a king is remiss the servants will become remiss too.
4. The righteous leader gains the loyalty of those who follow him.
5. The morally good leader attracts the right talent and support.

In a nutshell, this is the system my thesis explores. Even though in Kautilya's framework the king of that time was the leader he referred to, everything of his writing is applicable to the value based approach that is becoming popular in business circles again today.

In chapter one of this thesis the research topic is introduced and the problem statement which highlights the dilemma facing South African corporate life with regards to transformation in the workplace, and how the importance of a peoples-first attitude will not only be beneficial, but imperative to corporate South Africa, is highlighted.

Chapter two of this study takes an in depth look at what values are and the role they play in corporate life. It explores some of the different aspects of what "value" is, and it is established that for all intents and purposes of this thesis, a value is a moral and correct point around which a company's culture may revolve. This chapter also emphasizes that South Africa has a unique situation because it has to free itself from the shackles of our Apartheid legacy and that we have the added load of having a very diverse culture where each culture deserves equal consideration and respect of the values it brings to the workplace.

In Chapter three we look at how Values and Organizational Culture are intertwined. There is an intense look at definitions of organizational culture, and how this is linked to business culture.

Chapter four looks specifically at the definition of 'stakeholder', and theory around the concept of stakeholder is investigated, and explored. The role and importance of organizational culture is also looked at.

Chapter five is dedicated to the issue of management. In this chapter many varied styles of management are explored, and how these varied approaches influence the complete culture, outlook and output of a company. The issues of integrity, ethical leadership and the importance of a rock- solid reputation are explored. Much of this chapter is dominated by the views expressed by Peters and Waterman in their book entitled *In Search of Excellence*. The Japanese corporate culture and work ethic has had much influence on the western view of the values western corporations would like reflected in their business culture.

In Chapter Six the importance of internalizing and institutionalizing values is emphasized in the transformation of the corporate world. This chapter looks at the culture of "Ubuntu" – that we are people through other people – and whether South Africa should follow an Afro-or-Eurocentric approach of management. As part of the conclusion, the issue of emotional intelligence is raised, and how this is crucial to a management process where transformation is taking place, so that people and the human factor, are always at the centre of all cognitive and well- thought through developments.

This thesis is not only a theoretical and investigative study on value based management, but that it offers positive and practical ideas for companies to be able to build on a South African business culture that will be to the benefit not only to its stakeholders, but to the greater South Africa and the continent of Africa. Our time has come…it is time to rise to the occasion.

CHAPTER 2: THE ROLE OF VALUES

The rise of, or perhaps just the accurate reporting of cases of corruption, greed, fraud, embezzlement, theft, nepotism and so forth, has made the corporate world, and greater society aware that all is not what it is, or could be hoped for on the business front. It is a phenomenon that has presented itself around the globe, in businesses both big and small. The concentration of ideas to try and fix this wave of unethical behaviour is becoming more and more pronounced. For this reason one of the new buzz words in business circles is "Values". Most businesses are concerned with value; giving the most value to stakeholders and being valued as a good / excellent company. But what are values and to which types of values do we ascribe and aspire to?

Tony Manning in his book: *Competing through value management*, (2003) goes on a "quest for 'value". He raises the question of what exactly the definition of "value" is. He says that in today's business world most people on the look-out for new jobs boast that they can bring "added value" to the company, most companies promise service and products that "add value" and that "value management" has become the new trend in management circles. The question remains, though, whose definition of "value" are we to follow? Manning (2003: 35) points out that to different people, value means different things.

- To customers, value is a perceived level of quality or performance at an acceptable price.
- To shareholders, value is a real financial return.
- To employees, value is a secure job, income, training and development, respect, social contact, and the prospect of doing something worthwhile.
- To suppliers, value is regular orders, satisfied buyers, ideas for improvement, few hassles, and payment without delay.
- To society, value is a clean environment, jobs, and support for healthcare, welfare, education, the arts and sport.
- To government, value is taxes, job creation, training, and social services and support.

Thus it can be seen that different interest groups focus in different ways on the concept of value, highlighting what they regard as important from their perspective. Manning uses the old adage: "*Beauty is in the eye of the beholder*" to make his point, which is: Management should not regard their opinion too highly but that it should put itself on the receiving end of all situations. He emphasizes that the better management understands their stakeholders' expectations, values, beliefs, goals and intentions, the better chance management (and the company) has of moving ahead in a solid partnership.

In 1991 Tony Manning published a book (aimed at managers / managerial staff) entitled *The race to learn* in which he highlights four factors which he feels, shape the future of any company or organization. He calls them the "drivers of strategy" (1991: 44). He lists 'values' as one of these four and he has this to say: "One of the most underrated factors in any strategy is the values of key players. What do you and your top team really want out of life? What do you stand for? What drives you? What shapes your behaviour? Corporate values get a lot of attention today; executives' values are seldom discussed. But they underpin corporate performance, and can make all the difference between success and failure." (1991: 45-46)
In this book he also has a chapter entitled *The 7 C's: values with real value*. He has this to say about values: "Values are propaganda. They're handed down within a group as guidelines to the members' behaviour. A growing number of managers believe they should involve all their people in developing their firm's 'shared values', as this will ensure team ownership of them. The downside is that it can take forever for people to agree on 'what counts around here', and can result in some real mush. A company is not a social club. It has a business purpose." (1991: 56)

At this point in time Manning (1991: 56 – 57) seems almost scathing of a 'shared values' approach. The advice he gives to managers is quite attention grabbing, though. He calls them the seven factors that shape the mind-set of world-class leaders.

1. They are **customer** –driven.
2. They are intensely **competitive** – driven by the need to be no.1.
3. They give their people big **challenges**.
4. They encourage **cooperation** –win-win relationships – with all stakeholders.
5. They are incredibly **creative** –they continually reinvent themselves.
6. They drive down their **costs**.
7. They **communicate** like crazy.

What is of note is that in 1991 he does not promote that management discuss these factors with employees, rather that they be handed over as the value factors that will help that particular company beat all others.
Although very relevant advice, it is very interesting to note that in just over a decade Manning's approach has become focused on a system of 'shared values', and that he

moves his emphasis from executive values to a broader, all-encompassing system where all role-players have their voices heard, or should have all their voices heard.

In his book, *Managing Values and Beliefs in Organizations,* Tom McEwan (2001) said in that different stakeholders have different opinions as to what value is. His understanding of value is "*the principles or standards that people use, individually or collectively, to make judgements about what is important or valuable in their lives*". (2001: 46) McEwan also draws attention to the fact that people's values are influenced by their beliefs and ideologies. He defines a belief as *"a statement or proposition that is held to be true".* He also includes in this religious beliefs where peoples' beliefs are based on what cannot be physically observed, or where it is based on other people's testimonies. He also believes that people's values are influenced by the ideologies they subscribe to, albeit political, economic or religious. For this reason he feels that management has an added duty to be able to meld together all these aspects of the workplace so that people from different backgrounds, values, beliefs and ideologies should be managed to the optimum benefit of the corporation.

In their book, *Corporate Cultures*, Deal and Kennedy (1982) have devoted a chapter to values, which is suitably named *Values: The core of the culture.* In this chapter they start off by saying that values are the "bedrock of any corporate culture" (1982: 21). As the foundation in a company they feel that values provide employees the guidelines to their day-to-day task / work –related activities, or 'work ethic'. They go as far to say: "we think that often companies succeed because their employees can identify, embrace, and act on the values of the organization" (1982: 21) According to them values may be "grand in scope, or narrowly focused. They can capture the imagination. They can tell people how to work together. Or they can simply drive." (1982: 21) Deal and Kennedy feel that strong values will grab and hold everyone's attention, but that weak ones will simply be ignored to the detriment of the company's success. They feel that often managers do not pay much attention to the value system of the company because they are not considered "hard and fast" as with other *important* issues like budgets, strategies, procedures, and so forth, of the daily running of the business. They also feel that when these values are put down on black and white they frequently look like something written in Biblical times on a stone tablet – pure and righteous, but very difficult to make applicable to the workplace. Often the value statements are decided by the management and handed down to employees as gospel truth. The employees often have no input in the value statements and are only promised punishment if they do not comply with them.

Deal and Kennedy comprehend that society struggles with the relativism around the issue of values, because who *really* does know right from wrong? Their research has shown that companies have gained strength and prosperity when their employees have upheld "shared values" (1982: 22). It is thus important for employees to know what their company stands for, so that they will know which standards to adhere to and encourage, and their decision making will support these very decisions.

From their research, Deal and Kennedy notes the shaping and enhancing of values as one of the most important jobs for a manager. They have found that successful companies have placed much emphasis on values and that the most successful companies shared three common qualities:

- *They stand for something – they have a clear and explicit philosophy about how they aim to conduct business.*
- *Management pays a great deal of attention to shaping and fine-tuning these values to conform to the economic and business environment of the company and to communicate them to the organization.*
- *These values are known and shared by all the people who work for the company – from the lowliest production worker right through to the senior ranks of senior management* (1982: 22)

It is the contention of Deal and Kennedy that shared values define the basic character of a company and that it creates a sense of identity for the employees. It is this sense of identity which makes the concept of "shared values" so effective. This is brought across by slogan-like phrases called "core values" (1982: 24). These core-values seem to become the very heart of the company's philosophy. Here are some examples of these core-value phrases:

- *Sears, Roebuck:* "<u>Quality at a good price</u>" – the mass merchandiser for middle America
- *Continental Bank:* "<u>We'll find a way</u>" – (to meet customer needs)
- *Dana Corporation:* "<u>Productivity through people</u>" – enlisting the ideas and commitment of employers at every level in support of Dana's strategy of competing largely on cost and dependability rather than product differentiation.

(1982: 23)

South Africa has its own examples too:

- *Old Mutual*: Every need. Every day. Every step of the way. – continual support for all needs.
- *University of the Western Cape:* A place of quality, a place to grow. – Quality education, yet more than just an education, a growth experience
- *Standard Bank:* Simpler, Better, Faster. – Uncomplicated, quicker and better banking.
- *University of Stellenbosch* – Your knowledge partner. – The institution is more than an institution, it is your partner.

All of the above-mentioned espouses the company's values in a nutshell. The question now is: How does one go about creating this value system? Deal and Kennedy states that it is mainly through experience...from a trial and error basis, what works and does not work from an economic environment. Individuals in a company also have a very strong influence in molding the standards and beliefs of the company. Deal and Kennedy cites Procter and Gamble (P & G) as a typically good example of a company that has consistently had a strong culture based on values. They believe that the success of this company can be traced to the most basic value, namely, "do what is right." When the last Procter handed over the management to the first non- family member to manage, he said: " 'Always try to do what is right. If you do that, nobody can really find fault.' This rule has lived to this day, being passed on to every head of P & G ...and every new employee as well." (1982: 27). P & G did not just happen to come upon these values, they were developed through years of business. Deal and Kennedy show, by giving some very real examples, how some of these values have evolved for Procter and Gamble. These are some of the main values that have remained throughout the evolution process are:

- *The consumer is important.*
- *Things don't just happen; you have to make them happen.*
- *We want to make employee interests our own.*

Each of these values have been tried and tested and experienced through the decades since 1837 to date. Procter and Gamble realized through these experiences that the company's interests and those of the employees were inseparable. It is the finding of Deal and Kennedy that the stronger the corporate culture, the richer and more complex the value system, and there will be evidence through time to prove that these values truly produce the results required.

Deal and Kennedy feel that "a corporation's values will affect all aspects of the company – from what products get manufactured to how workers are treated." (1982: 31) A corporation's value system truly has the ability to be the driving force behind its success. According to them values also play a role in determining how far an individual can rise in the company, in terms of their upward mobility – workers who 'own' the company's values will feel a greater affinity for it, thus their dedication to the company will be greater, and the need to create growth for the company will also increase the possibility of growth for the individual. Values also play the role of communicating to the outside world what to expect from a company. For example, if a company promises the consumers their money's worth for their purchase of the product or service on offer, that's what consumers begin to truly expect from the company. By creating these values, management is somewhat forced to live up to the promises made to ensure the success of the company. Deal and Kennedy highlight three main ways how a company's performance is affected:

- *Managers and others throughout the organization give extraordinary attention to whatever matters are stressed in the corporate value system – and this in turn tends to produce extraordinary results.*
- *Down-the-line managers make marginally better decisions, on average, because they are guided by their perception of the shared values.*
- *People simply work a little harder because they are dedicated to the cause.* (1982: 33)

As with all things, there are risks and pitfalls associated with strong values. Deal and Kennedy emphasize three main areas of concern.

- *The risk of obsolescence* – If the environment of a company changes - for example, new ownership or management - the value(s) may no longer be relevant, and sometimes the company has difficulty in adjusting to a new milieu. Sometimes it even takes years for a company to adjust itself fully to the new circumstances, thus causing considerable damage to the said company.
- *The risk of resistance to change* – When the company forges ahead on a new road, loyal employers and employees are unaware of how to change their approach so that it adapts to this new road taken. They just don't know how to adapt their set of values and approaches that have previously worked for them to work for them on this new road.

- *The risk of inconsistency* – This problem arises when the behaviour of the managers do not reflect the professed values. To be able to build a strong corporate culture, the managerial corps must be fully convinced that it can truly and visibly hold on to the values it intends for its company to promote. If there is any contradiction here the company's said values will begin to be undermined and negated.

Deal and Kennedy maintain that values become "shared values" when they are reinforced by all aspects of the company, but especially by the leaders / managers of the company.

Peters and Waterman in 1982 published a book entitled *In search of excellence.* From their research they have learnt that organizations or companies that wished to succeed need to treat as inter-reliant these seven variables:

- Structure
- Strategy
- Systems (and procedures)
- Skills (Present and hoped- for)
- Staff (as people)
- Style (management)
- Shared values (i.e. the culture of that organization)

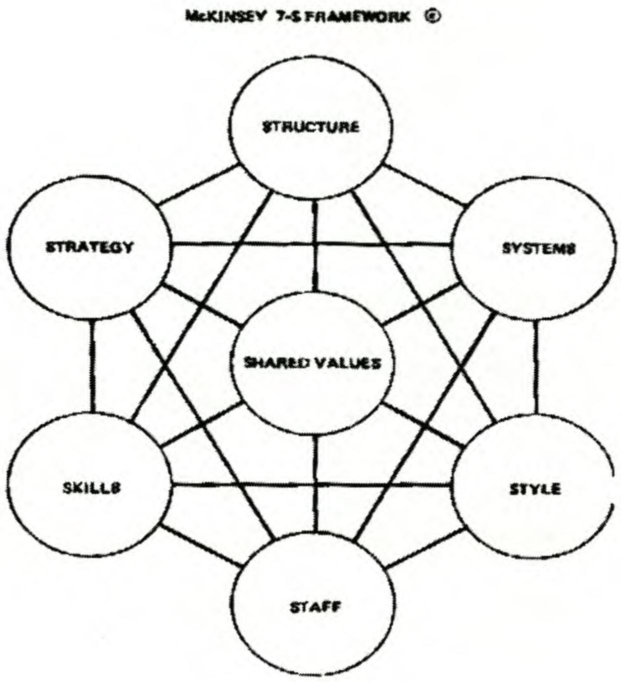


Figure 1

From this schematic representation in figure 1, of the seven inter related variables one can quickly ascertain that around these seven interrelated and interdependent points is what the successful business revolves around. The purpose of this McKinsey 7 – S framework, as it is known, is to be a tool for managing effectively. The framework has been designed with the idea in mind that it would show up the hardware (*strategy and structure*) against the software (*style, systems, staff, skills, and shared values*) of the organization. The motivation behind this is that the software could not only be managed, but could be managed well by means of a process that promotes a 'shared vales' process.

Peters and Waterman did intensive research in 1979 -1980 with seventy-five of America's most esteemed companies in their search for what constituted an excellent company. They went about this with structured interviews, following newspaper reports and annual reports of the last twenty-five years. They were extremely impressed with their findings and from it identified eight common traits of almost each of these companies:

1. *A bias for action* – Getting on with business even if the environment changes. If there is a problem, fix it.
2. *Close to the customer* - They listen to the people who buy their products and they provide great, reliable service.

3. *Autonomy and Entrepreneurship* - Excellent companies encourage their workers to take risks and support them when something new and innovative is tried.
4. *Productivity through people* – Respect for the individual employee.
5. *Hands–on, value driven* – Management are involved at worker level on a regular basis, meet and talk to them, experience with them.
6. *Simple form, lean staff* - Keeping it simple on the top structure. The fewer management positions, the less the chance of cumbersome management. Everything is kept direct and uncomplicated.
7. *Simultaneous loose-tight properties*- Excellent companies are both centralized and decentralized. In other words, although they like to allow autonomy and freethinking on grass roots level, they also keep procedures in place to ensure that the core values of their company is instilled and practiced.

(1982: 15 & 16)

A negative point that Peters and Waterman encountered in this research was that in nearly all of these excellent companies there had been an excellent leader who had a major role in making that company excellent in the first instance. This raises the issue then that many of these companies developed their culture based on the management of the original "guru" (1982: 26), and that they continue this same culture even long after the passing of his person. What then about new shared values? What then, of the chances of remaining static, and a resistance to change?

In 1985 Tom Peters teamed up with Nancy Austin and they co-wrote a book entitled *A passion for excellence* in which they research what a different approach in the style of leadership could do for a company. The philosophy of *The Golden Rule* is something they found very interesting. Basically it entails:

> *"John McConnell, a chairman of Worthington Industries, runs a steel company with no corporate procedure books. Instead, there's a one –paragraphed statement of philosophy, a Golden Rule: take care of your customers and take care of your people, and the market will take care of you. Hard to believe, isn't it? But it turns out he is not alone. Bob Swiggett of Kollmorgen: ' It's all about trust and the Golden Rule.' Tom Monaghan, of Domino's Pizza says, 'Pay attention to the Golden Rule and the world is yours.' Mo Siegel of celestial Seasonings and Tom Watson of IBM also hold to the Golden Rule. Steel. Electro-optics. Pizza. Computers. And all of them say it's 'just' the Golden Rule"*
>
> *(Peters and Austin, 1985: 204).*

Peters and Austin interviewed many managers on what they believed was the backbone of the success of their companies. Here are some responses:

- Max DePree of Herman Miller: "A person's Rights. – the right to be needed. The right to understand, the right to affect one's own destiny, the right to be accountable, and the right to appeal. The common wisdom is that American managers have to learn to motivate people. Nonsense. Employees bring their own motivation. What people need from work is to be liberated, to be involved, to be accountable, and to reach their potential." (1985: 205)

- Bill and Vieve Gore of W. L. Gore & Associates do not refer to their employees as workers, but as 'associates'. "They assume that all people are capable of caring and contributing *if* management cares and believes in them. (1985:205)

- Jimmy Treybig of Tandem Computer: " All people are good. People, workers, management and company are all the same thing. Every single person in the company must understand the essence of the business. Every employee must benefit from the company's success. You must create an environment where all of the above can happen"(1985: 206)

- Bim Black of Teleflex had a strong people philosophy:
  - People are people…not personnel.
  - People don't dislike work…help them to understand mutual objectives and they'll drive themselves to excellence.
  - The best way to really train people is with an experienced mentor…and on the job.

- People have ego and development needs…and they'll commit themselves only to the extent that they can see ways of satisfying these needs.
- People cannot be truly motivated by anyone else…that door is locked from the inside; they should work in an atmosphere that fosters self-motivation…self-assessment…and self-confidence.
- People should work in a climate that is challenging, invigorating, and fun…and the rewards should be related as directly as possible to performance.
- When people are in an atmosphere of trust, they'll put themselves at risk; only through risk is growth …reward…self-confidence…leadership. (1985: 206)

As Renn Zaphiropoulos said in 1983 "There is basically one killer of successful and productive symbiosis, and it is contempt. Contempt tarnishes someone's self-image. It is also a deadly blow to a person's ego. Criticism should not include contempt. The most practiced crime in industry today is a fundamental insensitivity toward personal dignity. (1983: 207)

Peters and Austin feel that it is the amassing of little, supposedly insignificant details like preferential treatment for some of the work corps, which kills the spirit of the other employees. And by killing of this spirit, there is also the very real possibility that excellent performance can be adversely affected. Marcus Sieff who was chairman of Marks and Spencer in 1982 had a habit of visiting the cloakrooms for staff in the company's stores. He was quoted saying that "if the washroom isn't good enough for the people in charge, then it's not good enough for the people in the store" (1983: 207). The message here, of course, is that all people have right to the same treatment in all situations.

The point that Peters and Austin make with this chapter entitled 'Bone- Deep Beliefs' is that management and the general workforce should be afforded the same privileges and rights so that people will feel that they have dignity and integrity, that they are worth something, that they have something valuable to contribute, and in this way their performance will improve as will the excellent performance of the company as a whole.

This brings about the question: What role do values play in today's corporate world? And, what should that role be? To be able to answer these questions it is necessary to unpack the term *corporate culture* and its relationship with values.

CHAPTER 3. ORGANIZATIONAL CULTURE AND VALUES.

3.1 Definitions

"In the fourth century BC, Aristotle proclaimed that one could not discuss the nature of a morally good person without discussing the social conditions necessary for developing and sustaining such people. In other words, personal morality required certain institutional or organizational arrangements or contexts. According to Aristotle, the just city-state provided the conditions necessary for citizens to become morally good, and these good citizens would in turn create and perpetuate a good society" (Ostwald, *The Nichomachean Ethics,* 1975) .

"Like Aristotle's city-state, the corporation should, for the sake of itself and its stakeholders, be a place that fosters and sustains morally good people. This involves two responsibilities: making sure that neither the formulation nor the implementation of a policy undermines the ethical beliefs of employees, and communicating in word and more importantly in deed, the ethical standards of the corporation. Both of these require that the corporation respect the dignity and moral autonomy of each employee." (Goodpaster and Ciulla, 1991: 95) They see morality as a set of values and principles that are practiced with regularity. What is difficult for someone to do is to act against something he or she considers immoral or wrong...like whistle-blowing, for instance, where an individual can be pressurized to do the morally right thing, or be the cause of some-one losing their job. The point being made here is that the organizational culture should be of such a nature that it protects the employee from such situations where they may be tempted to do things that are illegal or immoral.

There are many definitions of what Organizational Culture is. Here are some definitions:

1. "An integrated system of learned behaviour patterns characteristics of the members of any given society" (Czinkota et al, 1999 in McEwan 2001: 324) They also stress that individuals learn elements of culture by doing the 'right thing' by means of acculturation, or by the norms and standards a certain group or community aspire to.
2. "The degree of consensus within consensus spheres on general values, organizational goals, means, policy, and tactics; commitment to participate in the organization; performance obligations." (Etzioni, *Modern Organizations*, 1964)

3. "the set of habitual and traditional ways of thinking, feeling, and reacting that are characteristic of the ways of that particular society meets its problems at a particular point in time. " (Kluckohn in Serpa, 1985: 426)
4. "The social glue holding a company together." (Baker, E, 1980)
5. "[a] collective programming of the mind" (Hofstede, 1980)

Czinkota et al in McEwan, *Managing Values and Beliefs in Organizations*, (2001: 324) also call the elements of culture, *cultural universals,* and these refer to every single aspect of the total life of society or groups of people. The *universals* are:

- verbal language
- non-verbal language
- manners and customs
- aesthetics and artifacts
- education

* religion
* values and beliefs
* political, economic and social infrastructure
* technology
* community reference groups

From this it can be seen that everything we do is permeated by our background and values, and everything we do is influenced by the values we bring with us in every aspect and interaction of our lives. A finite definition of organizational culture is difficult to achieve, as there are many interpretations of the term. From the above definitions, however, I think it is fair to say that organizational culture is the *meaning* or *character* of an institution. This *character* is determined by beliefs and values held by the role players in a specific organization. These beliefs and values may be on an unconscious level as well as conscious level, as what is visibly and openly portrayed may have elements of underlying beliefs.

3.2 Dimensions of Organizational Culture

Lockwood (1966) and Hall (1976) were two analysts who can be accredited with being pioneers of those to research the relationship between culture and business success. From Lockwood's comparisons of Japanese and United States political economic structure, and Hall's ensuing study led to the recognition of international *high* and *low context cultures.* High context cultures (eg. Japan, Saudi Arabia) are cultures where there are uniform ideas around the concepts of nationality, religion, values and beliefs, and often much was conveyed by means of the unspoken – body language and gestures; whereas in low context cultures (eg. USA, UK, and Germany – more western, more 'liberal'), the opposite is true. The important business details were conveyed in words, written contracts and the unspoken was of little consequence. However, as Hall predicted, international business contracts would eventually also change local cultures over time. The example they use is the advent of McDonalds chain into Taiwan, a formerly high context culture, where a culture has changed greatly in the space of a single generation.

Within the circles of research around organizational culture Hofstede (1980, 1984) studied the relationship between business activity and culture. He defines culture as a multi-dimensional concept that he divides into four sets of opposite, interdependent dimensions:

- *low vs high power distance* – which measures the degree of inequity in organizations
- *low vs high uncertainty avoidance* – which measures the extent that employees are disturbed by and seek to withdraw from unpredicted events.
- *Low vs high individualism* – which measures the prevalence of an individualistic or collective culture in an organization.
- *Low vs high masculinity* – which measures the degree of masculine (assertive, ' me first', competitive behaviour) and feminine (caring, group-oriented concern for others, the environment and the quality of life) behaviour of employees.

(McEwan, 2001: 327)

If one wants to investigate international standards of management one would have to look to developed or 'first world' countries. Trompenaars (1993) was one such researcher who did a study of managers in developed countries. The aim was to investigate the management values that mainly influence behaviour in an international context. Both the studies of Hofstede (1980, 1984) and Trompenaars (1993) are based on the responses of different cultures to seven sets of dilemmas or conflicts at work that can be solved. The dilemmas were:

- *Universalism vs particularism* – the use / non-use of codes, rules or laws, however imperfect, in dealing with exceptional cases.)
- *Analyzing vs integrating* – is more effective management achieved by analyzing phenomena as parts or integrating them into patterns or relationships?

- *Individualism vs communitarianism* – whether each individual's right, etc, should prevail over serving the community.
- *Inner-directed vs outer-directed orientation* – reliance on our inner-directed judgements or adjustments to demands and trends in the world.
- *Time as sequence vs time as synchronization* – doing things fast in the shortest time as opposed to completing a task by synchronized coordination
- *Achieved status vs ascribed status* – status dependent on performance and achievement as opposed to status based on age or seniority
- *Equality vs hierarchy* – treatment of employees as equals or as occupying roles dependent on the authority / judgement of senior members of the hierarchy.

(McEwan, 2001: 327-8)

Very clear from these two researchers alone is that those cultural universals have a very definite and absolute effect on business activity in the international arena.

"False or deceptive communications can undermine the trust of customers, employees and shareholders. Such communications weaken the confidence of the general public in the free enterprise system. To strengthen trust and to instill confidence, management must create candid corporate cultures – cultures that are characterized by open and honest communication" (Serpa, 1985: 425). He goes on to say that values are the bases of all people oriented activity and because values are people oriented, and companies are also people oriented, values should be the purpose and the objectives on which the corporation should be built – Values are the core of the organization culture. Serpa puts forth that corporate culture is shaped by internal and external issues, like the industrial culture, specific industry, competition, technology, markets, the way the company was managed before and how it is aimed to be managed in the future. Serpa raises a very interesting question in his article. "If honesty is a prevalent value, then why is honesty in communication one of the greatest ethical challenges to contemporary managers? Why would businessmen rather outwardly agree with their peers, even if they actually disagree?" (Serpa, 1985: 427) He gives the answer to these questions as fear – fear of losing their jobs, fear of demotion, and fear of loss of prestige. There would be the constant and nagging fear of falling out of favour with the top notch in a company. The attributes of goodness and honesty may be suppressed if people believe that they could suffer economically, and perhaps emotionally, if they told the truth. Serpa lists points he feels attributes to the lack of honesty in corporate culture:

- "Subordinates seeks clues to what management thinks and wants before expressing themselves in support and agreement only;
- There is a recurrent agreement on various issues among managers with a lack of any dissenting views,
- There is a reluctance to provide negative information or 'bad news';
- The same information is provided over a period of time to justify an action or an investment;
- Many informal one-on-one meetings follow group management meetings. "

(Serpa, 1985: 427)

The point that Serpa makes with his article is that the only way one can ensure and continue honesty in the corporate culture is to move away from the idea of a threatening or fear-filled culture, but to move on to one where sincerity and forthright communication will be encouraged and even rewarded. He believes that management has a pivotal role to play in promoting this kind of ethos in the corporate culture.

Raiborn and Payne (1990) wrote an article entitled 'Corporate Codes of Conduct: A Collective Conscience and Continuum'. In the article they look at the corporation as a microcosm of society…a miniature world, if you like. Just like society, it has leaders and citizens (employees), who follow those who lead. They make the point that very often citizens follow the behaviour they observe in their leaders. The citizens presume that the leaders set the tone for the legality and morality of the society. Often, there are citizens who do not follow the lead set by the leaders, and these citizens are often branded and ostracized. In corporate culture, there is also often a punishment for those who do not follow the leaders – like being fired or being passed over for promotion. Sometimes, when the leaders exhibit actions that are illegal or immoral, the citizens will copy these actions so that the leaders will not punish them. Thus, the point they make is that the managers of company's are often the ones who breed an unethical environment to work in. They conclude their article with the following:

> "Ethics is indigenous to a society. Thus, while any code of ethics should stress the same basic values, each code will reflect the corporate from which it stems… In any form, a corporate code reflects the ethical behavioural standards to which the company has committed itself and its employees. In order to be functional, the code must be clear, comprehensive, and enforceable. It must be built on a foundation composed of the principles of integrity, justice, competence, and utility.

A code which meets these requirements will be a workable tool with which to shape the corporate culture." (Raiborn and Paine, 1990: 888)

To me the only way this can be a workable tool is if it is something that is set up by everybody, so that each person can take ownership and acceptance of this code of ethics.

John Dobson (1990: 481), in his abstract to his article entitled *The role of Ethics in Global Corporate Culture* says: "The dynamics of corporate culture centres on the intricate web of contractual relations between stakeholders." With this article he highlights that the global business environment is really a set of complicated and intricate relations between various stakeholders – a bit like the McKinsey 7-S framework. What he emphasizes his study on is that these relations should somehow be enforced. He suggests three different 'enforcement systems":

- The legal system – However, the issue of cost and enforcibility still remains remains a question of concern.
- A generally accepted moral code – This seems the ideal solution, but Dobson says that there is much difficulty in instilling and maintaining such a code because of differences in the individuals
- The stakeholders' desire to build and maintain a good reputation – Dobson says that many stakeholders may exhibit the behaviour of having a good reputation, but that often it is for the wrong reason – financial gain, rather than for the reason to act morally. He also states that if this be the case, many stakeholders will be opportunistic and act immorally when they believe that they will be able to get away with a certain deed without their reputation being sullied.

He ends his article by saying that if a business ethic can be seen as 'the glue that holds together the corporate world", he has tried to highlight other "glues" that could possibly hold it together, but that he has found it a rather weak surrogate for a true, viable business ethic. Other theorists are also in search of that "glue", or rather, what to do to make sure that a viable and practical business ethic can be created, but more importantly, sustained.

In his article, *What is necessary for corporate moral excellence*, W. Michael Hoffman (1986) states that we have to look at a corporation as a group of autonomous individuals. He believes that there are two criteria foe corporate moral excellence. One, the moral corporate culture, and two, the moral autonomy of the individual within that corporate culture. He believes that corporate culture "people act on behalf the collective purpose and according to collective directives. It is the collective relations that channel the actions of the individuals giving the collective itself a kind of causal efficacy. This is why it makes sense to hold a corporation not only legally but also morally responsible" (Hoffman, 1986: 233).

By implication, if one holds only rotten fruits (bad employees) responsible for a moral disaster, this means that there is not a corporate systematic failure. Hoffman finds this bothersome, because he contends that individuals cannot be singled out as scapegoats for corporate failure. He also says that if a corporation is seen as moral organism, one runs the risk of individual interest and autonomy being very easily drowned under what could be seen as the corporate good. "Corporations should not be used to subordinate individual moral responsibility or individual autonomy." (Ibid: 234) Hoffman refers to Velasquez's reference to this as 'organizational totalitarianism' and Hoffman warns those who think of the corporation as a moral agent that then is morally responsible are inadvertently supporting this form of totalitarianism. Hoffman does say that certain goals and strategies of an organization can lead to actions that are subjected to moral judgement, but that often these judgements cannot be attributed to individuals within the collective corporation. He maintains that the individual is important, because it is the individual who creates the corporation, the individual who groups to form its membership, and thus carry out the function of that corporation. Even though a corporation is more than just the accumulation of its members, it would be nothing if it did not have individuals to perform the necessary roles.

Hoffman also admits that it is possible for individuals to become immersed in the environment of the company, and thus lose its autonomy. He states that the relation between individual and corporate responsibility could happen in three distinct ways:

- "A corporation might be held morally responsible when no specific individual of the corporation is morally responsible.
- A corporation can be morally responsible when certain individuals of the corporation are also morally responsible.
- And a corporation might be morally responsible when each individual of the corporation is also morally responsible." (ibid: 235)

He says that he believes that the "character or culture of the corporation is formed by its goals and policies, its structure and strategies, which ultimately reflect its attitudes and values. It is the set of formalized relations among the individuals who make it up, and it may well outlast those individuals who originally created it. This culture defines the corporation's way of doing business, and it is out of this culture that the actions and attitudes of corporate individuals are shepherded and shaped." (ibid: 235)

He feels that the corporation is made up of both its culture and by it individual members. The culture supplies the relation framework of shared beliefs and values about which the individuals can be identified as a company. "The morally excellent corporation is one that discovers and makes operational the healthy reciprocity between its culture and the autonomy of its individuals." (ibid: 235)

Hoffman believes that for a company to be morally excellent it should develop and operate out of the framework of moral corporate culture. He quotes from Peters and Waterman's *In Search of Excellence:* "Every excellent company we studied is clear on what it stands for, and takes the process of value shaping seriously. In fact, we wonder whether it is possible to be an excellent company without clarity on values and without having the right sorts of values." (1982: 280)

Thus, he reiterates that companies should shape their cultures from a moral point of view. Hoffman uses the model set out by Goodpaster, who isolates two basic components of the moral point of view, namely rationality and respect. If we use rationality and respect as our moral guides, three steps can be identified in the moral decision-making process:

1. *One must be able to perceive or recognize an ethical issue as ethical and thereby deserving of moral attention*. Hoffman says that we should wear 'moral glasses', so to speak, so that we do not blind ourselves to issues that are sensitive or susceptible to moral investigation. He says that on their way to building a moral company the said company should be aware and on the lookout for ethical situations. Such a moral awareness takes a rigorous effort and compulsion. The company must pay attention to this aspect of its day to day running, in other words, it must become habitual. A company cannot afford to be morally blind.

"Corporations, like individuals, have the responsibility to pay attention to and seek out ethical facts." (Hoffman, W. 1986: 237)

2. *Moral perception must be synthesized through thinking.* There should be very clear principles and procedures in place that guide when dealing with issues of a morally questionable nature. A company which wishes to be considered moral should have very clear strategies and structures in place which could include things such as training programmes for management and workers, internal ethical audits, a solid communication system on all levels, continual development of ethical policies, and the know-how and determination to see these policies carried out. Such type of activities in the company will allow for a reflection of where the company is headed ethically. Hoffman warns that this moral reflection need to be coordinated with the other demands, interests and constraints of the company otherwise it will open itself to a situation where there is not a combined and directed goal for the company and it runs the risk of being foolish. There has to be the perception of an integrated approach, or else as Hoffman points out: "without thoughtful coordination of its goals, corporations, like individuals, will lack in coherent functioning and character, resulting in failure of moral excellence." (ibid.)

3. *Through moral awareness and moral thinking moral decisions must be put into action.*

Hoffman says that having good intentions and good public relation statements is not sufficient, because for companies to be morally excellent they have to be able to demonstrate this excellence. They can also demonstrate this by being morally responsible to and with the communities and environments they operate in. Not only should they act morally within the confines of their company, but also outside its borders and boundaries.

Hoffman (1986) feels that if the steps are followed as set out above, a moral corporate culture will begin to emerge. Ethical goals, structures and strategies will be officially established. A moral framework will be created within the company so that individuals of the company will also be to adopt these beliefs and attitudes and thus develop a shared sense of ethical integrity. Hoffman also emphasizes that corporate moral culture is not affixed thing, so that once established it is complete, but that it is something that needs to be nurtured and re-evaluated so that it can always be applicable to where the company and the individuals find themselves at a particular given time.

In his article, Hoffman again quotes from Peters and Waterman's *In Search of Excellence*:

> Virtually all of the excellent companies are driven by just a few key values, and then gives lots of space to employees to take initiatives in support of those values – finding their own paths, and so making the task and the outcome their own. There was hardly a more pervasive theme in the excellent companies than *respect for the individual*. That basic belief and assumption were omnipresent.
>
> (1982: 72-73 and 238)

This is a point that Hoffman wholeheartedly agrees with, that a company is made up of individuals and the company thinks and acts through their actions, and that if the company does not allow these individuals the opportunity to determine their own moral integrity is equated with turning them into mere functionaries for the company's purpose – thus robbing them their individuality, which in turn will rob the company of its moral integrity. Hoffman (1986: 239) points that in all of Peters and Waterman's research, all the excellent companies provide a very distinctive identity and shared meaning for the group. Hoffman states: "Having a strong corporate culture does not necessarily eliminate individual autonomy. Depending on the nature of the culture, it can even enhance and encourage autonomy."

He believes that one essential feature of an excellent corporate culture is the respect and space given for personal growth, expression and initiative. Rather than a company being an instrument that tries to snuff out individual autonomy, the company is in fact enhanced and built on and around such autonomy. He believes, along with Peters and Waterman, that "the moral excellent corporation must pursue the moral excellence of each of its individual members which demands a culture conducive to the pursuit of individual moral autonomy." (Ibid: 239) It is his belief that a moral corporation must make its values clear to individual members and that there must also be clarity that no deviation would be tolerated from this established moral view, but that this moral view should also value and encourage the individual member of the corporation. He ends his article with emphasizing the necessity for a reciprocal relationship; where moral culture provides the form and the individual moral autonomy provides the content for the morally excellent company. He believes that for a company to truly be morally excellent the company should remember that it is made up of individual human beings, and that these individuals should be nurtured and encouraged within the role of the company.

Deal and Kennedy (1982: 13) also looks at the elements of culture. The question they ask is: "What is it that determines the kind of culture a company will have? And how will that culture work in the day to day life of a company?"

They've come up with five main elements:

1. Business Environment – They maintain that for accompany to succeed the company must carry out certain activities exceptionally well. They feel that the business environment in the single greatest influence for molding and shaping a corporate culture. A company whose main aim is to make a profit has a so-called 'work hard / play hard' culture, whereas a company who spends the majority of its time researching and developing despite the fact that they may not know if the product will be a success or not – such a company has a so-called 'better-your company' culture.

2. Values – they determine the framework of standards by which all employees operate. A strong organization is marked by its rich and complex system of values.

3. Heroes – These are the people who embody the organizations values and thus they could be very real role models for employees. Strong cultures have many heroes. They are known by most of the employees and they exhibit a confidence in the organization and its value system and live it in their work for the company.

4. The Rite and rituals – this is the very definite and systematic day-to-day routines of the company. They provide not only definite examples of what needs to be done, but also give sense of stability and security. Strong companies often spell out exactly what is expected by the employee.

5. The cultural network – "As primary (but informal) means of communication within an organization, the cultural network is the 'carrier' of the corporate values and heroic mythology. Storytellers, spies, priests, cabals, and whisperers form a hidden hierarchy of power within the company. Working the network effectively is the only way to get things done or to understand what's really going on." (ibid: 15)

Deal and Kennedy stress the importance that strong companies have cultivated a strong organizational culture through shaping values, making heroes, spelling out and implementing rites and rituals, and acknowledging that the cultural network has an edge. "These corporations have values and beliefs to pass along – not just products. They have stories to tell – not just profits to make. They have heroes whom managers and workers can emulate – not just faceless bureaucrats. In short, they are human institutions that provide practical meaning for people, both on and off the job." (ibid: 15)

They reiterate that a strong corporate culture helps the employees do their jobs better, specifically in two ways:

1. A strong culture is a system of informal rules that spells out how people are to behave most of the time - *If people know exactly what is expected of them they will know how to act appropriately in any given situation. When the corporate culture is weak, employees are unsure and this impacts negatively on productivity.*
2. A strong culture enables people to feel better about what they do, so they are more likely to work harder - *Because people have strong guidance and structure, there is little or no uncertainty about what to do, thus they work more effectively.*

Deal and Kennedy (1982: 18) feel that all people at all stages of their career need to understand exactly how a culture works because it will have a huge effect on their lives, and that often when people apply for a job at a certain company, they choose a certain way of life. Also, if people want to move ahead on the corporate ladder of the company they work for, they have to know what it is that is behind the company's culture and what drives that company. They believe that every company has the ability to be a 'strong – culture' company and they believe that this is how managers are either successful or not. "The ultimate success of a chief executive officer depends to a large degree on an accurate reading of the corporate culture and the ability to hone it and shape it to fit the shifting needs of the marketplace"

This begs the question: Who is responsible for this setting up and maintenance of the organizational culture? In many situations the perception is that it is management's job to state the character of the organization, and for the rest to follow it to the letter. The following chapter looks at answering this question.

CHAPTER 4: STAKEHOLDER THEORY AND ORGANIZATIONAL CULTURE

Who, then, has a part to play in the corporate culture? Who are the stakeholders, and more specifically, what is the definition of a stakeholder?

A stakeholder is defined by Freeman (1984) in McEwan, (2001: 328) as "Any individual or group who can affect, or who is affected by, the achievement of the firm's objectives." With this in mind, Freeman distinguishes between narrow definition and wide definition stakeholders. Narrow definition includes all groups or individuals who are fundamental to the company's survival. Wide definition stakeholders are only those who can affect or are affected by the company. Freeman believes that the narrow definition stakeholders are most definitely more needed for the company's success than the wide definition stakeholders. He argues that to be able to ensure that narrow definition stakeholders are treated fairly is to embrace a 'veil of ignorance' agreement. This contract states in short: "if ignorant of the stakes involved, each party would be prepared to accept what is on the other side of the table if the seats were reversed." (McEwan, 2001: 330) Freeman suggests the following six ground rules:

- *The principle of entry and exit* – proposes that any contract between each of the stakeholder and the organization must have clear points of entry, exit and renegotiation, so that all the parties are aware of when an agreement exists which is capable of being fulfilled.

- *The principle of governance* – proposes that the procedure for changing the rules of the game must be agreed upon unanimously, to ensure that no stakeholder is excluded by others, but retains right to participate in the governance of the organization.

- *The principle of externalities* – proposes that when contracts between stakeholders A and B are agreed, costs cannot be imposed on C without the latter agreeing to become a party to the contract. The principle is designed to ensure that no stakeholder is placed in the unacceptable situation as C.

- *The principle of contracting costs* – proposes that all parties to a contract involving the organization must share the cost of contracting to avoid any single stakeholder gaining / losing at the expense / advantage of another.

- *The agency principle* – proposes that any agent of the organization must serve the interests of all the stakeholders, without preference or prejudice.

- *The principle of limited mortality* – proposes that the organization must be managed as if it can continue to serve the interests of all stakeholders over time who, subject to exit conditions above, must accept that the continued existence of an effective organization is in their interests.

(McEwan, 2001: 331)

Freeman (1984) also adds another three principles which he believes should reform the legal operations of the organization. They are:

- *The stakeholder enabling principle* – which proposes that organizations shall be managed in the interests of their stakeholders.
- *The principle of the director responsibility* – proposes that the duty care of directors shall be to use reasonable judgement in defining and directing the organization's affairs according to the above stakeholder enabling principle.
- *The principle of stakeholder recourse* – proposes that stakeholders may bring action against the directors failing to perform the required duty of care.

(McEwan, 2001: 331)

Freeman (1984) attempts to address the legal, economic and ethical issues surrounding stakeholder theory. He follows a very Kantian approach, based on the Kantian moral imperative: 'Treat persons as an end in themselves'. He promotes the equal treatment of all stakeholders whether they be; shareholder, customer, employee, supplier or even the broader community. He views this as the basis for good management practice. Freeman's view of the stakeholder theory is very open and can be heavily criticized because there seems to be no logical connection between how managers ought to behave, and how they actually do in their different situations. Sternberg (1994: 89) is one theorist who disagrees with Freeman's approach. She says of stakeholder theory: "If stakeholder theory is taken seriously, it makes business impossible. And that is because the definitive stakeholder aim – balanced benefits for all stakeholders – precludes all benefits that favour particular groups. Business...as the activity of maximizing the long-term owner value is automatically ruled out. So are the quite different aims of maximizing value-added for customers and improving benefits for employees."

McEwan (2001: 338) points out that although there are many (relevant) criticisms to the stakeholder theory, there has been a major shift the hierarchies of traditional businesses in the USA and UK during the 1990s. These changes have led many companies to restructure their job structure, management and communication systems. What is interesting to note is that issues such as 'empowerment, self-managed / flexible work groups, quality circles, the McKinsey 7-S framework, the learning organization, top quality management (TQM), and business process re-engineering', have all succeeded in breaking down the traditional hierarchies in organizations…all resulting in improved communications and an increase in the involvement from employees, *without* a loss in productivity or a loss in profitability. "Stakeholder theory has already been successfully assimilated into corporate strategy, organizational behaviour and other business activities to establish more effective decision- making and communications procedures with different internal or external stakeholders."

In view of the emphasis on stakeholders, let us return to Deal and Kennedy's concept of Organizational Culture, how it set up, and how it operates. They believe that the one single thing that influences a company's culture is the broader social and business environment in which the company operates. Their research has led them to define four categories or cultures in which most companies fall into:

1. **The tough-guy macho culture. –** This is the scenario where individualists often take high risks and get a quick response as to whether their actions were correct or not. Deal and Kennedy list some organizations that would fall into this category; construction, cosmetics, management consulting, venture capital, advertising, television, publishing, sport, and the whole entertainment industry. The financial stakes are high; big advertising campaigns, and so forth, feedback is quick, take a Broadway production for example. If you take construction as a setting, if they blow the wrong wall, they will know soon enough that they have made an error. A characteristic of this culture is that the players tend to be young (or emotionally young), and often driven with a focus on speed and not endurance. However, the intense pressure and frantic pace of this culture will often leave people burnt out by the time they're middle –aged.
2. To be able to live in this environment, you have to be aware that you really need to be tough, because the error of a decision you made may soon show itself. Every meeting may become a war-zone. People may be pitted against each other. Survivors will also need to be tough in order to continue the game. The people who survive in this type of culture are the ones who have the need to

gamble, the ones with the risk all-or-nothing attitude, because they need instant feedback. It is a world of individualists. Chance plays a huge role in this culture. Often the people in this culture are superstitious in their approach to their duties they have to perform. This culture permits the companies to do what needs to be done in a high-risk, quick-return environment. These companies try to offer their star players some sort of buffer from pain when they make a strategic move, and they reward these very same players handsomely when the deal comes through. Deal and Kennedy feel that the strength of this culture is also the very source of its weakness. Although it allows for extreme risk takers, these very risk-takers are often shortsighted, or superstitious and are prepared to tramp on others to make their mark with the company. The possibility of building a strong, solid culture in this type of environment is very slim.

3. **The work hard / play hard culture** – This is a scenario where fun and games rule. Employees take few risks, all with quick feedback of success. The set culture promotes a relatively low-risk activity. This is the culture typically found in sales: real estate, retail stores, door-to-door sales, and mass consumer sales. The people of this culture take very minimum risks, and much time is spent in checking and re-checking the process of work. The main value of this culture is that it is customer centered. This culture seems to say" find a need and fill it" (1982: 113). The managers of these companies emphasize that the race is quick and they demand a high level of activity from staff. The main heroes of this culture are the super salespeople, the ones who could sell heaters in the Sahara desert. They are friendly, and play by the team rules. There are lots of aspects of fun in this culture. They play really hard. They have lots of meetings, gatherings and conventions. Work / play culture get lots done. One drawback of this culture is that in the rush to be 'moving', to get the mass-produced products out to the waiting public. Mass production can take the place of quality. Often when in trouble, these companies cannot turn to a solid solution, because there is none. The people who work in these companies are often young, those who feel that they need to prove their worth. Also these companies lose its older staff, and by doing so they lose some important lessons they could have learnt from.

4. **The bet-your-company culture** – These people take big-stake decisions. Often years pass without any feedback on an initiative. A high risk, slow feedback situation. Unfortunately the 'slow' does not indicate less pressure, but the pressure has the effect of a dripping tap, slow, yet persistent. An example of this

is when a company invests a substantial amount of money over a long period of time – very high stakes – and feedback will only come through years down the line. Examples of these types of companies would be capital-goods companies, large systems businesses, oil companies, investment banks and even the army or navy. A hallmark of this type of company is that management often puts the future of the company on the line. The processes in such accompany often moves very slowly. The agendas and he meetings thereof are long and drawn out. The ritual of this culture *is* the business meeting and the hierarchy runs from the top down. The focus is on the future and how they can invest in it. The people who make it in this environment are strong enough to run a risk without the gratification of immediate feedback. Immaturity is not tolerated in this culture. The ones who take a risk, bide their time and get positive feedback are the heroes in this culture. These cultures give much to the economy of a country. They often lead to high-quality inventions and often-big scientific breakthroughs. Their downside is that they move with extreme slowness, yet they have much to contribute. They are not fickle and when their development has reached its full potential, they last a very long time.

5. **The process culture -** A scene of little or no feedback. Employers find it hard to measure what they do, instead a measurement of *how* things are done. Deal and Kennedy mockingly say that they have another word for this type of culture…bureaucracy! The companies with epitomize this culture are banks, financial services, insurance companies, financial-service organizations, large chunks of the government, utilities, and heavy regulated industries. The financial stakes are low, but the employees get almost no feedback. They are not aware of how effective, or ineffective they are until they are picked on for something that went wrong. They seem to exist and operate in some kind of void. It is this lack of feedback that makes that the employers concentrate on *the manner* in which something is done, not really on the contents of what is being done. For this reason, small events often take on major importance. Everything is filed and stored. The centre of this culture revolves around technical perfection. Deal and Kennedy emphasizes that what they may describe may seem like unnecessary red tape, but that such a process is important for the type of organizations that fall into this culture. In the absence of feedback protectiveness of the process is valued above all else. There is an air of caution and the people who stand out in such a culture those who guard the integrity of the system above their own. The ones who survive are those who are orderly and punctual, those who give explicit

attention to detail. Deal and Kennedy believe that although this culture seems extremely ceremonial and bureaucratic, it is indeed this culture that keeps the other three cultures able to run.

They acknowledge that this is a very simplistic way of looking at organizational culture groupings and admit that no company they know of would fit exactly into any of these groupings. They do believe that it is a useful framework for managers so that they can identify the culture of their own companies. They also give us some distinctions observed among the four cultures. The four cultures are very different with regards to the following:

- Their dress sense.
- The housing they choose for themselves.
- Sports they participate in.
- The style and language usage. The use of metaphors, acronyms, and so forth.
- Greeting rituals.
- Co-worker rituals.

As stated previously, no one company fits into a given culture, but most companies will have tendencies towards one type of culture because of the needs of the marketplace they work in and the consumers they serve.

Some companies can have two strong and sometimes, competing cultures. Sometimes this can produce terrible results for the company. In some cases companies switch cultures purposefully to forge a way in a new market; it is a dangerous stunt because it can backfire, but if done correctly and it succeeds it makes a big difference for the company.

The next thing Deal and Kennedy looks at is what they call 'diagnosing' the culture. The metaphor of a physician works well, the implied meaning is, of course, that there is something "unwell" or "unhealthy" about a given company and that after its "sickness" is diagnosed, work can be made of the recovery process.
They believe that one can tell what a company's performance will look like when one diagnoses the character of a company's heroes, values, and so forth. According to them CEO's and senior managers can read their company's culture for early signs that

employees are not in synch with the aims for their business? Here is the route they suggest to analysts for diagnosing and analyzing a certain culture:

- **Study the physical setting –** The exterior building says something about the culture because it invariably says something about appearance. A proud company will reflect well on the exterior. Also, the location of the business is important, if the business is located in a shady area of town, in the upstairs section of a warehouse...should this be cause for concern? Another perspective that should be taken into account is how things differ from department to department. Are all employees treated in the same fashion? Strong companies see to it that all employees have the same facilities and amenities.

- **Read what the company says about its culture –** Written reports, annual and quarterly, press statements, and so forth are enlightening. Strong companies flaunt their successes, often in the most simple of tabulated forms. This keeps morale high and ensures a continuation of the behaviour that got them that far.

- **Test how the company greets strangers –** The reception into a company tells much about it. For instance, in a company that is service-oriented you may have coffee offered while you wait, or in a bureaucratic one, you may have to fill in form after form. Talking to the receptionist will also be able to allow you to discern if the answers are rehearsed, or if there is genuine warmth.

- **Interview company people –** There are four basic questions they will ask:
  Tell me about the history of the company.
  Why is the company a success? Explain its growth.
  What kind of people works here? Who really gets ahead here?
  What kind of place is this to work in? What is the average day like?
  From these questions one can gauge what the employees perceive the company to be like. Often one gets the practiced response and then one can easily discern whether the company allows for freethinking or if it is regimented about what it allows out of the circle of the company.

- **Observe how people spend their time -** "What people do is determined by what they value. Comparisons between what people say and do are a good measure of cultural cohesion." (1982: 133)

After gathering such information, one can determine in which direction the company is headed. If all beliefs, heroes and rituals are related to internal matters, the culture is focused inward, and thus it may be slow to respond when there are external changes in the market. This will give rise the question of whether the company's growth is real or if it merely a front.

Then there is the diagnosing form inside the corporation. An insider diagnosis can be much deeper and be more accurate. However, the danger with this is that there is always the question of whether the diagnosis is truly unbiased. The person making the diagnosis will have to put aside his or her own opinions about the culture of the company. Deal and Kennedy put forth the following tools an insider may use to assist with the diagnosis:

- **Understand career path progression of employees. -** Does the culture reward people who are competent by means of promotions? What employees believe are the reasons to getting promoted is a very clear indication of the type of culture at work in the organization.
- **How long do people stay in jobs – particularly middle management? –** The length of time people occupy a certain position is important. In short-term stays (and quick promotions) means that the company is dominated by a short-term focus, as opposed to a longer termed, slower payback situation.
- **Look at the content of what is being discussed or written about. –** Pay particular attention to memos, minutes of meetings…who talks and to whom. Tabulate your findings. You'll discover what the culture spends most of its time on.
- **Pay particular attention to the anecdotes and stories that pass through the cultural network**. - It is very interesting when many people tell the same anecdotes or stories. When compared and studied one would be able to determine issues relating to customers, what the perceptions are with regards to rewards or punishment. Deal and Kennedy feel that this is an extremely accurate indicator as to what the culture thinks is important.

Deal and Kennedy underline aspects that weaker cultures exhibit:

- "Weak cultures have no clear values or beliefs about how to succeed in their business, or
- They have many such beliefs but cannot agree among themselves on which are most important, or

- Different parts of the company have fundamentally different beliefs
- The heroes of the culture are destructive or disruptive and don't build upon any common understanding about what is important.
- The rituals of day-to-day life are either disorganized – with everybody doing their own thing –or downright contradictory - with the left hand and the right hand working at cross purposes" (1982: 135 - 136)

From this investigative approach there are issues around the organizational culture that Deal and Kennedy believe to be breeding ground for trouble within that culture. They are:

- **Inward focus** – When companies stop paying attention to what is happening around them, especially when they do things only to please management, or to make themselves look good next to other employees. These are danger signs and it's only a matter of time before the economic structure of the company starts to crumble.
- **Short-term focus** – If too much time is spent on short-term focus, there will be nothing to keep the company together in the long run.
- **Morale problems** – When people are constantly unhappy it is a sign of danger. This can happy in a specific department or run through the whole company. Performance will be affected for the negative.
- **Fragmentation / Inconsistency** – When the perception that different rules apply to different sub-sections in the company, you are inviting trouble. People all bring their own cultures with them, and if there is no true way of unifying perceptions trouble will be of the nature where there is much frustration, and no work will be done.
- **Emotional Outbursts** – Deal and Kennedy see this as the most serious indicator of trouble. A corporate culture serves as a type of security for employees. It frightens people when this culture is weak, and this could lead to outbursts of distress or even anger.

Other pitfalls to watch out for: (as they have the ability to totally disintegrate an existing organizational culture).

- **When subcultures become ingrown.** – Sometimes they become ingrown and can begin to 'take on' the worth of the true culture of the company.

- **When subculture clashes surface. -** When subcultures try to undermine each other in public. A healthy tension is what is wanted. Be aware of the possibility of it getting out of hand.
- **When subcultures become exclusive. -** When members of certain subculture take on a 'members only' attitude, the company is not getting the full, collective strength of the workforce, because some place themselves and their interests over others.
- **When subculture values preempt shared company values. -** In strong cultures most employers will be able to tell you what the company stands for, the danger lies in subcultures starting to lay their beliefs to bigger and greater than that of the company's.

This diagnosis will give management a fair idea of the state of the corporate culture of their company. Once they know this it will give them an edge on how to manage their companies effectively.

With the conclusion of this point, it is undisputable that the establishment of a solid and ethical organizational culture is imperative. The reason for this is 'simple': to set up structures and strategies that will enable ethical and morally correct management, to glue together individuals to be able to contribute to a moral and ethical corporation. Dynamic organizational cultures enhance:

a. Productivity, Performance and Efficiency (PPE)
b. Loyalty, Legitimacy and Commitment (LLC)

CHAPTER 5. MANAGING AN EXCELLENT (MORALLY, ETHICALLY AND FINANCIALLY) CORPORATION

In his paper entitled "*Ethical Challenges for Business in the new millennium: Corporate Social Responsibility and Models of Management Morality*", Archie B. Carroll (2000) states that in 1987 he went on a search for the 'moral manager', and highlighted significant questions such as "Are there any?" "Where are they?" and "why are they so hard to find?" In 1987 he concluded that they existed, but were hard to find because the business world was "cluttered" with immoral and amoral managers. He distinguishes between these three types of managers. He defines these three into the following categories:

1. *Immoral management (or managers):* Basically these are the bad guys. Their style of management is devoid of ethical principles. The style is selfish and is driven by self-interest, either only their own or the organization's. Decisions made are not ethical or moral, the aim is to be financially profitable – at any price – sometimes also legal barriers are crossed. Although Carroll believes that this type of management will always be with us, it is his belief that the number will lessen considerably as the new millennium is /was entered, because much emphasis is put on being ethical and that it is now effectively taught in business schools, and also in-house by consultants

2. *Moral management (or managers):* Business decisions, attitudes, actions, policies, strategies conform to a high, set standard of ethical and professional standards. Their motives and actions also take place *within* the confines of the law. In short, they are the good guys. They have integrity, a moral sense, and they understand and manage all stakeholders to the total benefit of the company.

3. *Amoral management (or managers):* Carroll defines two types in this category:

3.1 Intentional Amoral management (or managers) – Characterized by a belief that moral considerations have no place in the business world. These managers believe that the business and moral worlds are two different areas of interest, and that the two will never breed. They simply believe that that business and ethics do not mix – their intention is not to be malicious, just that business is just that ...business. As we enter into the new millennium, it is Carroll's opinion that this is a disappearing group. That in today's business world, one almost never finds a manager or management system that will admit to following this school of thought.

3.2 Unintentional Amoral management (or managers) – These managers do not factor in ethical considerations into their decision-making because they are self-centered, in that they do not have ethical perception, they are ethically unaware, insensitive and ignorant. They operate (with their purpose being profitability) within the letter of the law, but they do not perceive who could be hurt by their actions. They are not hostile towards morality; they simply just do not understand it. They have the potential to become moral managers. It is Carroll's contention that this group of mangers are the majority in the business world and that the business worlds challenge is to rise to the occasion and transform all the managers and management styles that are not moral, into moral managers. Carroll says that unfortunate greed and human nature will ensure that immoral management will always be with us. However, the moral awakening of the business world will ensure at least, that there is an attempt at being more morally aware.

Blanchard, Carlos and Randolph (1996) set up an *Empowerment Game Plan*. The aim of this plan to give the manager / management the ability to empower all people in an organization.

Here is the table found on page 114:

THE EMPOWERMENT GAME PLAN
Start with:-

- Sharing Information with Everyone
- Share performance information about the company; help people understand the business
- Build trust through sharing
- Set up self-monitoring possibilities
- View mistakes as learning opportunities
- Break down hierarchical thinking; help people behave as owners

Then	*And*
Create Autonomy through Boundaries	**Replace the Old Hierarchy with Self-Directed Teams**
• Clarify the big and little pictures. • Clarify goals and roles. • Define values and rules that underlie actions. • Create rules and procedures that support empowerment. • Provide needed training. • Hold people accountable for results.	• Provide direction and skills training for empowerment teams. • Provide support and encouragement for change • Gradually give control to the teams. • Use diversity as a team asset. • Recognize there will be some tough times.

The arrows in this game plan indicate a continuous and reflective state one needs to have a plan that questions procedures, especially to check if the process is working.

Tom McEwan (2001) also looks at Ethical Leadership. He stresses Kanungo and Mendonca's (1996) view that ethical leadership is all-important in providing direction that will help an organization achieve its declared aims and objectives. According to them, ethical management is more than just the routine job of managers – it is truly and earnestly assessing needs and expectations, and influencing the workforce to work towards the realization of a shared vision. The leader should communicate this shared vision for the benefit of all stakeholders. The leader's vision should inspire and communicate the mission of the company – which includes its goals and objectives. "It is also the task of the ethical leader to communicate the values and beliefs that influence and shape the organization's culture and behavioural norms. From these are generated strategies, policies, and procedures, supported by the moral principles and integrity that give legitimacy and credibility to the vision and sustain the organization's culture and reputation." (2001: 358)

Kanungo and Mendonca observe that the leader's moral integrity is in doubt, then his or vision, regardless of how noble it is, or how well it is set out and communicated, will be viewed with skepticism by followers. It will lose its vibrancy and it will prevent the company from working towards its set goals of realizing an ethical working environment.

5.1 Integrity

Before we go further, what then, is integrity, especially in terms of a leader's moral integrity?

Selznick (1992. pg 323) says that the concept of integrity really is the essence of what make a person, or personhood. This in sense a person with integrity is someone who is responsible and accountable for the situation he/she is in, as well as for his or her actions in this situation. He says that "integrity has to do with principles, and therefore with principled conduct." He emphasizes that when we strive for integrity we have to know what our direction is, what our unifying principles are, and if these all add up to claims of morality.

Forrest (1995) in McEwan (2001: 113) defines integrity as "a consistent adherence to moral, intellectual, professional, or artistic principles despite temptations to abandon them." The origin of the word is found in the Latin word *integritas* which means a 'sound, healthy unimpaired condition'. It is also related to the word integral, which means, 'necessary for completeness' and 'made up of parts forming a whole.' "Personal integrity refers to a willingness to adhere to and defend one's principles, which may be intellectual, artistic or professional, and which are regarded as such deeply held beliefs and moral commitments that they prevent an individual from behaving in a contrary manner even under extreme circumstances".

Forrest states that integrity is a characteristic that one carries as an individual responsibility. He refers to Alexander Solzhenitsyn's Nobel Prize acceptance speech where he characterizes integrity as: "the simple step of a simple courageous man…not to take part in the lie, not to support deceit. Let the lie come to the world, even dominate the world, but not through me." (Quoted in Forest, 1995: 442)

Kanungo and Mendonca feel that the moral environment of an organization depends on the moral quality and actions of its members, which should really be determined and reflected by those in managerial positions. The manner in which managers perform morally and ethically, because they have positions of influence, has a direct impact on whether a company will strengthen or weaken morally, this reaches both to the individuals of the company, and how the company is viewed as a whole, with the inclusion of all its stakeholders. They also state that the motive for ethical leadership is in effect the altruism displayed in the leadership, as opposed to an egotistic motive. Ethical leaders are guided by the idea that they should have benefit to others; even it has some cost to the leader her /himself. In their research Hogan et al (1994) have come to the conclusion that it is not sufficient for leaders to be intelligent, hardworking and diligent, because if they are self-serving, it could be to the detriment to the company, because the lack of ethics could be perceived as "arrogant, vindictive, untrustworthy, selfish, emotional, compulsive, over-controlling, insensitive, (and / or) abrasive" when they deal with other personnel members.
Thus it is clear that for managers to be effective facilitators of value-system they have to be selfless, and motivated to serve the greater good, and not him or herself.

5.2 The five Ps of Ethical Leadership:

Blanchard and Peale (1988) set out five principles of Ethical Principals. They look at these principles from two perspectives; the individual and the organization. The following two tables are taken from their book entitled *The power of Ethical Management,* on pages 80 and 125 respectively:

The Five Principles of Ethical Power for Individuals
Purpose: I see myself as being an ethically sound person. I let my conscience be my guide. No what matter what happens, I am always able to face the mirror, look myself straight in the eye, and feel good about myself.
Pride: I feel good about myself. I don't need the acceptance of other people to feel important. A balanced self-esteem keeps my ego and my desire to be accepted from influencing my decisions.
Patience: I believe that things will eventually work out well. I don't need everything to happen right now. I am at peace with what comes my way!
Persistence: I stick to my purpose, especially when it seems inconvenient to do so! My behaviour is consistent with my intentions. As Churchill said' "Never! Never! Never! Never! Give up!"
Perspective: I take time to enter each day quietly in a mood of reflection. This helps me to get myself focused and allows me to listen to my inner self and to see things more clearly.

The Five Principles of Ethical Power for Organizations
Purpose: The mission of our organization is communicated from the top. Our organization is guided by the values, hopes, and visions that helps us to determine what is acceptable and unacceptable behaviour.
Pride: We feel proud of ourselves and of our organization. We know that when we feel this way, we can resist temptations to behave ethically.
Patience: We believe that holding to our ethical values will lead us to success in the long term his involves maintaining a balance between obtaining results and caring how we achieve these results.
Persistence: We have a commitment to live by ethical principles. We are committed to our commitment. We make sure our actions are consistent with our purpose.
Perspective: Our managers and employees take time to pause and reflect, take stock of where we are, evaluate where we are going and determine how we are going to get there.

McEwan (2001) highlights the five characteristics of ethical leadership as identified by Blanchard and Peale in 1988. They combine the two tables and set it out in laymen's terms:

1. *Pride* – Without high self-esteem, the ethical leader could battle to receive the regard of other stakeholders in the organization. Gaining the acceptance of followers is not sufficient if, in formulating strategies, the leader allows the need for acceptance to compromise his/ her vision of how goals and objectives of the

organization should be achieved. They emphasize that ethical leaders exhibit healthy pride, not vanity. They note that the line dividing the two is a thin one because of humanity's strong tendency to be egotistic, but that ethical leaders should recognize that excessive self-love is a vice and not a virtue.

2. *Patience* – Patience is crucial because as the leader works towards the fruition of the corporation's strategy, obstacles and upheavals are sure to come. It takes time and perseverance to overcome hurdles on the way to the ultimate goal.

3. *Prudence* – This characteristic allows the leader to evaluate the facts and circumstances surrounding decisions thoroughly, and to have the strength to act appropriately when difficulties come. Also, not to be tempted to opt for unethical practices in the face of difficult times.

4. *Persistence* – Ethical leaders have to have the ability to 'stay the course'. To be able to continue the necessary and correct steps to ensure the achievement of the set goals. Blanchard and Peale feel that persistence is the resolve to overcome difficulties because of the leader's true sense of duty and obligation to others in the company.

5. *Perspective* – The capacity to see what is truly important in a given situation. They believe that ethical leaders should devote time for reflection and inner questioning of decisions made, and meditate on whether they did or did not betray other stakeholders.

The essence around these principles is action put to words, and constantly reflecting on the practices that are set out. Reflection is very important, because it is then when one can truly see where there are areas of concern, and then there can be constructive ideas put forth to rectify practices which are not running correctly in terms the company's goal, and values.

5.3 The importance of Reputation:

According to Fombrun (1998) in McEwan (2001: 359), a company's reputation, which is really the perceptions of its employees, customers, investors and other stakeholders, is its most subtle asset. Research has proved that it could be among the most focal forecasters of future successes, and this is the reason why senior management would be pleased to have this perception with both the people who work there, and by people looking in from the outside. Of course this is because a perception of a good reputation implies that there are good values and beliefs, and that these are promoted and upheld by good management. The result of this reputation results in an increase of employees showing trust, pride and dedication. Fombrun points out two common perspectives of reputation; the first being that it is an expression of "enlightened self-interest', and the other view that a reputation is the result of 'principled' conduct.

When one looks at the reason for a company's reputation as being a result of enlightened self-interest, there are four basic instruments to consider:

1. **The marketing view** – This is when stakeholders think of the terms 'reputation' and 'brand' as being equally interchangeable. That when one sees a particular brand, one believes that that is a product of quality. Customer-oriented programmes that heighten loyalty, increase name awareness, and broaden the field of product association usually achieve this. When the company name is linked to concepts such as quality, value, dependability, and so forth, a solid relationship is forged with the targeted audience, which in turn will motivate these people to promote the company name in their places of living and working.
2. **The accounting view** – The bigger the 'name' of the company, the higher the financial implications around the cost of maintaining the said view from the target audience. Also when mergers occur, the implication that the company with the bigger reputation will hold more clout.
3. **The stakeholder view** – Basically this is the view held by all stakeholders – both internal and external – about whether or not the company can meet their expectations.
4. **The strategic view** – A company's reputation can also be seen as a source of competitive advantage because it can develop a cosseted market position – it can sometimes act as a guard against rivals and act like a shield in times of downturns and crises.

Fomburn recognizes the development of a reliable reputation as a safeguard against the increase of the vulnerability many companies tend to be going through when attacked on their reputation. He cites the added vulnerability big companies suffer at the hands of increased media coverage, and how easy – in today's technological advancements – it is to inform, or misinform the public about a situation.

When one looks at the reason for a company's reputation as being an outcome of principled behaviour, the premise is that companies and their managers are expected to act responsibly (in legal terms) simply because it is the correct thing to do. A principled approach adheres closely to a code of conduct that is morally sound, protecting the basic human rights of all it stakeholders. This approach expects managers (or management) to set an ethical business standard that others can easily follow. This can have its roots in an idealistic Kantian approach, or the virtue ethics where virtues such as honesty, integrity, respect, trust, responsibility, and so forth are adopted and practiced in a company.

5.4 How do managers of excellent companies behave…how do they operate to be excellent?

Peters and Waterman (1982: 29) state: "Professionalism in management is very regularly equated with hard-headed rationality." In the research of these two gentlemen, they have discovered that this seems to be an accepted statement, in the profession; as well that it is the norm of what is taught in business schools. They feel that it "seeks detached, analytical justification for all decisions. It is right enough to be dangerously wrong, and it has arguably led us seriously astray." (ibid: 29) The reason they believe it has led us astray is that it does not teach managers a high regard of customers, it does not instruct managers the importance of making heroes of its employees, it does not teach that all employees should have a say in the way in which the company is run so that they may feel a genuine part and responsibility towards the company. They believe that this model of rationality does not teach the utmost import of valuing all stakeholders, being a hands-on manager, to make a reliable, product of quality…all the things that Peters and Waterman believe which drives an excellent company. They admit that this approach had been necessary in the past because it has been the reason for the success of some of the companies that based their managerial style on rationality and analysis. However, they say that a change was immanent. This they cite as the way the workforce is treated. They believe that productivity should not be the only focus of companies, as it was in the past, that companies should take a people-oriented approach. The issue that bothers them is that there is a lack of concern on the part of management to show care towards the workers who would be able to contribute so much to the company if they were given half a chance. They look to the Japanese companies for a source of inspiration. The Japanese have long been known for the excellent quality in their manufactured items. They quote Professor William Abernathy's (who researched the reasons behind the success of Japanese manufacture) surprise of his discovery:

"The Japanese seem to have a tremendous cost advantage… The big surprise to me was to find out that it's not automation...They have developed a 'people' approach to the manufacturing of cars...They have a work force that's turned on, willing to work, and is excited about making cars..." (1982: 38)

The then chairman of Sony, Akio Morita, is quoted as saying: "American managers are too little concerned about their workers." (1982: 38). A senior Japanese executive interviewed by Peters and Waterman says:"We are very different from the rest of the world. Our only natural resource is the hard work of our people." (1982: 39)

Another quote, this time from Kenichi Ohmae, head of McKinsey's Tokyo office explains:

Japanese management keeps telling the workers that those at the frontier know the business best...A well – run company relies heavily on individual or group initiatives for innovation and creative energy. The individual employee is utilized to the fullest extent of his creative and productive capacity...The full organization – the proposal boxes, quality circles, and the like – looks "organic" and "entrepreneurial" as opposed to "mechanical" and "bureaucratic". (1982: 38)

The founder of Ogilvy and Mather, David Ogilvy states it very straightforwardly: "The majority of business are incapable of original thought because they are unable to escape from the tyranny of reason." (1982: 40)

The position of managers who operate from this "rational" model have similar beliefs which include the following cited by Peters and Waterman:

1. *Big is better because you can always get economies of the scale*. Consolidate things, eliminate overlap, duplication and waste. Carefully and formally coordinate everything you do.
2. Low cost producers are the only sure-fire winners.
3. *Analyze everything*. Budget for long – range planning. Make forecasts. Produce planning volumes that are basically number orientated.
4. *Get rid of the disturbers of the peace* – i.e. people who go against the grand managerial plan.
5. *The manager's job is decision making.* Their job is to make the right the calls to make the tough calls. Replace the whole management team if they go against what you want to implement.
6. *Control everything*. Keep everything under control and tidy. Make black and white decisions. Treat people as factors of production.

7. *Get the incentives right and productivity will follow.* If people are paid enough, the problems around productivity will go away. Over – reward the top achievers. Get rid of the dead wood.
8. *Inspect to control.* Quality, like everything else can be ordered done. Show the workers that you mean business.
9. *A business is a business is a business.* People, products and services are only resources to achieve good financial results.
10. Top executives are smarter than the market.
11. *It is all over if we stop growing.* Even if you do not understand a bigger industry – buy into it so that you can continue to expand.

It is from all of these that Peters and Waterman conclude: "Treating people – not money, machines, or minds – as the natural resource may be the key to it all" (1982: 390). They suggest a shift in thought, yet they also acknowledge that when a change of this nature is suggested that people are reluctant, even angry and emotional about the possibility of such change.

Peters and Waterman point out the shortcoming of a "rational" model:

1. *For one, the numerative, analytical component has an in-built conservative bias.* Cost reduction becomes priority number one and revenue enhancement takes a back seat. – This leads to an obsession with cost and finance, not with quality and value.

2. *The exclusively analytic approach run wild leads to an abstract, heartless philosophy.* – The obsession with analysis very often lets managers miscalculate resources – material, moral, and most importantly, human.

3. *To narrowly rational is often to be negative.* – Peter Drucker (1968) points out that often managers see their role as judge of new ideas, and that often these ideas will be vetoed, and labeled as impractical. Sometimes it seems inherently easier to develop a negative argument than a positive, constructive one.

4. *Today's version of rationality does not value experimentation and abhors mistakes.* – Companies who are 'rational' continue to analyze and analyze, yet there is no forward movement, yet companies that are 'irrational', take chances and thrive. Also, punishment like demotion and being fired is the popular when

mistakes have been made. Also, the fear of being punished prohibits freethinking and ingenuity – thus, to the detriment of the company.

5. *Anti – experimentation leads us inevitably to over – complexity and inflexibility.* - When companies fail to experiment they are over cautious and this leads to paralysis in terms of growth. If the system is too rigid, it will lead to closed-mindedness and will not tolerate actions outside of the set norm.

6. *The rationalist approach does not celebrate informality.* - Peters and Waterman say that verbs such as 'analyze, plan, tell, specify, and check up' are words used in the rational model, whereas the words used in an *irrational* model are 'interact, test, try, fail, stay in touch, learn, shift direction, adapt, modify…'. These suggest a more informal and relaxed atmosphere, a less automated approach to management.

7. *The rational model causes us to denigrate the importance of values.* – From their research, Peters and Waterman can attest that the excellent companies are the ones which are value driven, the ones that are shaped and formed by their values. There is a shared culture, a coherent framework from which strategies and policies come from.

8. *There is little place in the rational world for internal competition.* – In excellent companies there is a good amount of positive competition between peers. The fact that this type of competitiveness encourages comparison…and thus…improvements can only be beneficial to the company as a whole.

The main problem with this rational model is that it only addresses the issue of decision-making, and the implementation thereof. However, the implementation thereof is often idiosyncratic. For just as people will prefer their own baby over others, so too managers will prefer to have their view of a certain issue implemented over the view of others. When managers start looking as 'the baby' as the baby of the company, the management attitude will also change. It was the contention of Peters and Waterman (in 1982) that a drastic change to management was necessary for the perseverance of excellent companies.
According to Peters and Waterman, the reason why the rational model does not work well with the organization of people is that people are not very rational beings. They say that one should take into account how people deal with some of the following issues:

1. As people we are self-centered, we enjoy receiving praise, and we like to think of ourselves as winners. Unfortunately, not all of us are as wonderful as we like to think we are, and people do not like to have their short-comings pointed out to them.
2. Our right brain, which guides our imagination, is often as strong as the left side which guides our rationality. Thus most of us reason in terms of stories, so questions like: "does it feel right?" counts for more than does it add up?" or "can I prove it?"
3. The fact that human beings are information processors means that we are both wonderful and prone to error. Because we can accumulate and remember, much of our experience should be plus, but most business seem to ignore that the people who work for them have that ability.
4. People are creatures of habit. We like the comfort of a known environment, and we are acutely aware and responsive to external rewards and punishments. Also, most people are incredibly driven and self-motivated.
5. People cannot be fooled all of the time. Because they watch patterns of behaviour, they will eventually realize when they have been led astray, especially when words do not match deeds.
6. Most people need meaning in their lives and will often give much of themselves in the hope that the institution will provide that meaning to their lives.

Peters and Waterman feel that companies can deal with this conflict in the following, simple way. Because people think of themselves as winners, the way for companies should go is to design systems that constantly reinforce that idea with the people who work there.

"Label a man a loser and he'll start acting like one...The systems in the excellent companies are not only designed to produce lots of winners; they are constructed to celebrate the winning once it occurs. Their systems make extraordinary use of non-monetary incentives. They are full of hoopla." (1982: 57 - 58).

It is the contention of Peters and Waterman that there are many opportunities for companies or positive reinforcement and the way they believe to do this is to keep things simple. They have a rather humorous acronym: ***KISS*** – *Keep It Simple, Stupid*!

Their motivation for this approach they attribute to Herman Simon, Nobel laureate. Simon has been involved with research into artificial intelligence. A finding from this research is that we, as humans have the ability to hold only up to six or seven pieces of data, without forgetting it. Thus, the idea of simplicity is perfect for people. What Peters and Waterman believe for simplicity in the corporate world is very straightforward: "The focus on a few key values lets everyone know what is important, so there is simply less need for daily instruction (i.e. daily short-term memory overload)." (1982: 65)
In their findings they have discovered that excellent companies eliminate stuffy policies and paperwork in favour for a few key values…thus everyone who works for that company knows exactly where they are heading and what they are aiming for, without the clutter and the bother of unnecessary red tape.

Another very interesting discovery that Peters and Waterman discusses is that in continued research artificial intelligence, Herman Simon investigated the way in which chess masters remembered strategies and moves on a chessboard. What he came up was very interesting.
Although as humans we do not have the ability to store much in our long-term memory, we in fact do have the ability to subconsciously remember patterns, just as the chess masters of the world do. What then is the implication for the business world? Peters and Waterman state that for them this is truly what points to the great importance experience has in the business world. To them it helps them to explain the importance they stress of a manager actively walking about his company. Not only do the employees feel as if they are being taking note of and that they are important, the manager begins to *experience* his company and learns to read the patterns of what works and what does not work. Also, the experienced manager develops good instincts and this can only be beneficial to a company.

This leads to another issue touched on previously. The fact that people are really '*suckers',* as Peters and Waterman puts it, for a bit of praise. How does management go about positively reinforcing the work force? Peters and Waterman borrow from Behaviour theorist, B.F.Skinner's idea of positive reinforcement – rewards for jobs well done. When people are reinforced negatively they will move in unpredictable ways, whereas positive reinforcement will generally propel people to act in an intended way. Peters and Waterman believe that much of management revolves the superior / subordinate relationship, and especially the dynamics around it. When the superior can threaten and mete out punishment at will, the subordinate will merely learn how to avoid this punishment. Peters and Waterman highlight some properties of positive reinforcement:

"It nudges good things onto the agenda instead of ripping things off the agenda... According to Peters and Waterman, excellent companies seem not only to know the value of positive reinforcement, but how to manage it as well" (1982: 69 – 70).
What Skinner notes is that what is important is not only that positive reinforcement occurs, but how it is measured out is also of the utmost importance. He highlights four ways that are important about how to implement positive reinforcement.

1. It should be specific.
2. It should be immediate.
3. Feedback mechanisms should reward achievability. Big achievements as well as the little ones.
4. Skinner says that in some cases reinforcement can become predictable, thus there should be some sort of unpredictability and intermittent reinforcements should also take place.

How then do we go about transforming the leadership? According to Peters and Waterman we need to change the change the focus of leadership so that it becomes a process of building on the human nature of wanting to feel needed and important, as if they are worth something. The search is to become "irrational" as opposed to "rational" (as described earlier). They use the definition of transforming leadership quoted from Gregor Burns (Peters and Waterman, 1982: 83)

> *[Transforming leadership] occurs when one or more persons engage with others in such away that leaders and followers raise one another to higher levels of motivation and morality. Their purposes, which might have started out separate but related, become fused. Power bases are linked not as counterweights but as mutual support for common purpose. Various names are used for such leadership: elevating, mobilizing, inspiring, exalting, uplifting, exhorting, evangelizing. The relationship can be moralistic, of course. But transforming leadership ultimately becomes moral in that it raises the level of human conduct and ethical aspiration of both the leader and the led, and thus has a transforming effect on both...Transforming leadership is dynamic leadership in the sense that the leaders throw themselves into a relationship with followers who will feel 'elevated' by it and often become more active themselves, thereby creating new cadres of leaders.*

Peters and Waterman come to the conclusion that our traditional perception of what a leader is, is somewhat warped. They perceive a true leader, as by their research of what makes excellent companies, to be the following:
"He does not force [the workforce] to submit and follow him by the sheer overwhelming magic of his personality and persuasive powers…in fact he is influential by strengthening and inspiriting his audience…the leader arouses confidence in his followers. The followers feel better able to accomplish whatever goals he and they share." (1982: 84)

Peters and Waterman agree with Burns on the point that there is a symbiosis between leaders and followers, and that two qualities that are significant to them are believability and excitement. It is their finding that the value-infused top companies are those that grew up with the core of the business close to their hearts. On the issue of excitement, Peters and Waterman have discovered that the managers who can instill excitement in their workers are often those in excellent companies because it is this excitement that promotes a sense of passion and healthy competition. A good reward system is in place, where people are treated as having an utmost important role to play in the success of a company.

In their chapter entitled *Productivity through people,* Peters and Waterman touch on one resolute truth - that for a company to be excellent it needed to:
"Treat people as adults. Treat them as partners; treat them with dignity; treat them with respect. Treat *them* – not capital spending and automation – as the primary source of productivity gains." (1982: 238)

They believe that the workers of a company should be seen and treated as its most significant asset. They also warn against empty gimmicks and lip service, where managers profess to be people orientated; yet they do not put the action to the words they speak. According to them, people respond to the concept of the company as one huge family and they even actively participate in family days and games oriented to make people feel like they all belong to the same whole, and that they have a valuable contribution to make. Peters and Waterman believe that management should be a hands-on activity and be value driven. It is their belief that management is not a single person's responsibility, but that there should be a management team who, together puts this plan in motion and see that it runs smoothly.

Deal and Kennedy state that what a successful company needs are heroes. They state that the company heroes "personify [those] values and epitomize the strength of the organization." (Deal and Kennedy, 1982: 37) They believe that modern management seems to have forgotten this element of management, because it is pivotal in a good management process. When people who work for an organization are rewarded and award the status of 'hero' this can only lead to a positive outcome for the company. One just has to look at companies like the local McDonalds, which has the picture up of the 'employer of the month'.

A 'symbolic manager", as defined by Deal and Kennedy is a manager who spends much contemplative time about issues around the values, heroes and rituals around their corporate culture. These managers are courageous and manage from the strength of their convictions. Put this concept of the symbolic manager directly in contrast to what Peters and Waterman termed the manager of the "Rational Model" (rational manager). They call attention to characteristics of these symbolic managers:

1. "They are sensitive to culture and its importance for long-term success.
2. They place a much higher level of trust in their fellow employees and rely on cultural fellow travelers to ensure – a type of 'us against the world' frame of mind.
3. They see themselves as players – scriptwriters, directors, and actors – in the daily drama of company affairs. " (1982: 141 -142)

These symbolic managers, according to Deal and Kennedy, differ from rational managers in the following ways:

1. *Managing people* – They are more people oriented, and they do what is culturally correct in that particular company because of the basis of it being a shared value system.
2. *Hiring or firing people* – Actively involved in the hiring and even firing of personnel. They do not leave it specifically to the personnel / H R department. Also, if the correct people are hired, those who fit into the culture of the company, chances are that fewer, if at all, terminations of service should occur.
3. *Making strategic decisions* – The symbolic managers would never single-handedly or without consultation make major decisions.
4. *Controlling Costs* – They deal with issue by actively doing rounds in the factory / company, and would actively participate and show by example how costs could be cut in certain areas.

Something that Deal and Kennedy point out is that one of the main purposes of these symbolic managers is to deal with resolving and reconciling differences among subgroups in a particular culture. In South Africa, this is extremely important because of our historic set-up. South African business culture is still in a state of transformation, with new cultures and values pooled and accepted by all groups, especially across the racial divide. [In South Africa our subcultures are influenced by our very diverse culture, also based on racial and language and even tribal differences.] Deal and Kennedy mention three ways in which they manage differences between subcultures:

1. They encourage and motivate each subculture to enrich its own cultural life.
2. They try to focus subcultures on understanding the problems faced by other subcultures.
3. They point out how much stronger the entire culture is enriched by the value brought by that particular subculture.

"Companies with strong cultures are strong because they tolerate and encompass differences." (1982: 153)

Blanchard and O'Connor(1997) in their book entitled *Managing by Value* identify what they call "*The Three Acts of Life*".

Act I : **Achieve** – "Achieving is a natural act for human beings. We may be the only species able to set goals beyond day-to-day survival, so it is very natural for us to want to achieve – want to *be* something. Act one is about being-by doing." (1997: 18)

Act II: **Connect** – "Act two is about relationships, or by being by being with. Act two involves experiencing life's menu of daily offerings, investing in your own and others' lives and sharing your time and talents through your involvement with friends, family and others." (1997: 19)

Act III: **Integrate** – "Integrate, or being –by-becoming, means bring the first two acts together. It means defining or redefining your own purpose and values and then putting them into daily action in ways that are truly meaningful to you and those people, principles and commitments you most cherish." (1997: 19)

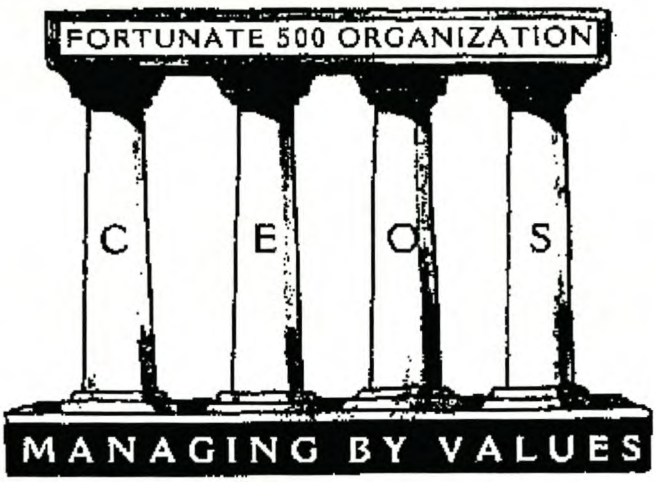
The purpose of being aware of these acts is to be able to apply them to corporate life. The questions each individual could ask himself or herself are:

- What is my purpose?
- In the greater scheme of things, what am I doing here?

- Whose dream am I following? Mine or someone else's?
- Am I truly living my potential and doing what I am meant to?

To be able to fulfill these three acts in corporate life Blanchard and O'Connor come up with a system where by a company aspiring to become a Fortunate 500 company (very similar to Peters and Waterman's concept of an excellent company), is built on four pillars – the four pillars form the acronym: CEO'S. The base of these pillars is the process of managing a company by values. See figure 2 for a diagrammatic representation.

Figure 2. (Blanchard and O'Connor, 1997: 25)



The letters of the acronym stand for the following:

- **C** – Customers. The quality of service you deliver to your customers is of the essence.
  Customers become your marketing and sales force.
- **E** – Employees. The quality of life offered to your employees should be top notch. A good environment needs to be created where employees are treated as a precious part of the company for the company to benefit .
- **O**– Owners – (Or stockholders). A company cannot be seen as good unless it is profitable. There should be integrity of profit making.
- **S** – Significant Others – Groups like the community, suppliers, vendors, competitors, and so forth.

"In a company that truly manages by its values, there is only one boss – the company's values" (Blanchard and O'Connor, 1997: 55). This is the point of departure for Blanchard and O'Connor. They believe that any company can become a value – based company, one that is managed by values. They set out a three point Management by Values (MBV) process that companies can use to start off on their new journey of value management. The phases of the process are:

Phase 1 – *Clarifying* mission /purpose and values

1. Get owner's approval of MBV process.
2. CEO (Chief Executive Officer) provides own input about the values.
3. Management team provides input without CEO.
4. CEO and top management team share and compare.
5. Employee focus groups provide input.
6. Check with customers and significant others.
7. Sythesize all inputs and present recommended mission / values to board of directors / owners for final approval. (1997: 60)

The idea here is that the CEO and other top management walk the values based talk. In other words it is they who have to set the pace to act according to, especially when the ideas and strategies are new. Every stakeholder should feel comfortable that management is 100% convinced that the company will benefit from the new management style. The concept will also only work if the CEO has changed his / her perceptions – if s/he is convinced that this is the right thing to do, and act if s/he is doing the correct thing. "Genuine success does not come from proclaiming our values, but from consistently putting them into daily action." (1997: 73)

Phase 2 - *Communicating* mission and values.

1. Communication is organized.
2. There is very clear and visible support from management.
3. Communications material is distributed one on one, and also put up in places where it can be seen clearly.
4. There are formal and informal mechanics and practices of communications.

Bulletins and newsletters are published; people are praised and made to feel important when they've done something good.

Phase 3 - *Aligning* daily practices with the mission and values

"Alignment is the heart and soul of the Managing by Values journey. Once you have clarified your mission and values and communicated them to all your key stakeholders, then it's time to focus on organizational practices and behaviour to ensure they're consistent with your stated intentions priorities and related performance goals."(1997: 80) Really this is truly as simple as putting two and two together – getting together the company's mission / vision and managing them so that they work to the benefit of all concerned.

Blanchard and O'Connor suggest that the need for aligning is much like the tyres on a car. When the wheels are not aligned; the ride is rough and bumpy, yet when the alignment is correct, and the ride is smooth. They suggest a process of "Gap Reduction", that is, narrowing the gap between the values and the implementation and managing thereof. There are three ways of assessing that the alignment of vision and practice is out:

Customer satisfaction interviews and focus groups
Management assessment and feedback tools
Employee surveys of company practices (1997: 82)

An outside company can be hired to do these assessments, especially if one wants to ensure an unbiased account of the true situation. This assessment also applies to *everyone* who works for the company, including top management. From this process it can easily be seen where shortcomings are.

A way in which problems with alignment can be dealt with in-house, specifically with employees is by using the POPS process. The acronym POPS stands for *People Oriented Problem Solving*. The process consists of a set of questions or steps that are intended to lead to a plan of action that will guarantee that a particular 'gap' situation once solved, will not happen again. See the POPS table below (1997: 93)

POPS PROCESS PHASE I: DEFINITION
1. CLARIFY CONCERNS
What are our key concerns?
2. ESTABLISH GOAL STATEMENT
What has to be established?
3. IDENTIFY KEY REQUIREMENTS

Who are the key stakeholders affected?
What are your/ their/ the organization's expectations?
PHASE II :
SEARCH FOR SOLUTIONS
4. DETERMINE SOLUTION(S)
What win-win solutions can we think of?
5. EVALUATE SOLUTIONS(S)
What is/are the best solution(s) to achieve our goal?
6. OBTAIN AGREEMENT
What are we willing to try?
PHASE III
IMPLEMENTATION / FOLLOW UP
7. DEVELOP ACTION PLAN
What has to be done to make this solution work?
8. ESTABLISH MEASUREMENT PLAN
How will we know if the plan is working?
9. FOLLOW-UP RESULTS
How well did this solution work?
What could we have done differently to get better results?

The POPS process helps employees with interpersonal conflict. It can guide them on a path to finding an amicable, and agreeable (for both) solutions to their problem. When the problem does not involve personal or interpersonal issues, Blanchard and O'Connor suggest using the *Gap Alignment Action Plan* or GAAP. See below:

Gap Alignment Action Plan	
Step 1:	The value / Standard Principle = Ethical (Or whatever the company has chosen as main value) [Doing right by all key stakeholders]
Step 2:	The Gap *Current State:* What the situation is *Desired State*: What the *desired* situation is.
Step 3:	"Desired State" Performance Indicators Note: The degree of achieved results can be measured at differing levels of progress. Three basic levels are used here: (a) minimally acceptable (b) satisfactory results (c) outstanding results.
Step 4:	Gap Reduction Actions

Discuss what the problems are Explain all sides of all involved Enlist support (If necessary)
Step 5: Derived Benefit (or consequences for non-attainment) Personal: Acceptance and Support & Collaboration Organizational: Company is provided with benefited, cost saving, and enhancement of working relations and values of company.

"These tools, POPS and GAAP, encourage people to be accountable. They force us to step up to the plate and live our values. We cannot just sweep our feelings under the rug..." (1997: 98)

Just like Peters and Waterman, and Deal and Kennedy, one thing Blanchard and O'Connor also emphasize is that people are the axis around which good management revolves. To have good management, one should treat people as a very important and integral part thereof.

Alignment also consists of people, including management, aligning their personal goals with that of the company's goals, visions and values. Blanchard and O'Connor give an example of a questionnaire that would help with such an alignment process. If the company's core values have been identified as being ethical, being successful and being excellent, the format of the questionnaire would look something like this:

ALIGNING PERSONAL GOALS WITH COMPANY VALUES
What is a personal goal of mine that will fulfill the organizational goal of BEING ETHICAL? GOAL: To____
What is a personal goal of mine that will fulfill the organizational goal of BEING SUCCESSFUL? GOAL: To____
What is a personal goal of mine that will fulfill the organizational goal of BEING EXCELLENT? GOAL: To____

From these tools we can see that the alignment phase of the MBV process is the one which will take most of the hard work, mainly because it is an on-going process.

Blanchard and O'Connor also highlight that with all new processes, the MBV process creates almost typical reactions. There are those people, who will be enthusiastic, then there are those who try to block the change and then finally the fence sitters –these are the people who will first wait to see how the process works before throwing their weight behind it. The good thing about this process is that the whole corporation does not necessarily have to start it at the same time, but a single department could start it first, especially one where management knows there is a good couple of enthusiastic people. In this way, when the process takes off, the fence-sitters, who in all likelihood will be in the majority, will be more likely to become enthusiastic when they see the process succeeding in the pioneering department.

In their observations of the MBV process Blanchard and O'Connor (on page 128) give us a sequence of reactions when people are confronted with the implementation of the MBV process:

Stage One

1. There is a common view of MBV as a good thing to do.
2. There is the assumption by enthusiasts that MBV will be easy to apply; and resisters that MBV will be difficult because of the changes required. Fence sitters are uncommitted.
3. There is a common feeling that MBV is more for others than for "me".

Stage Two

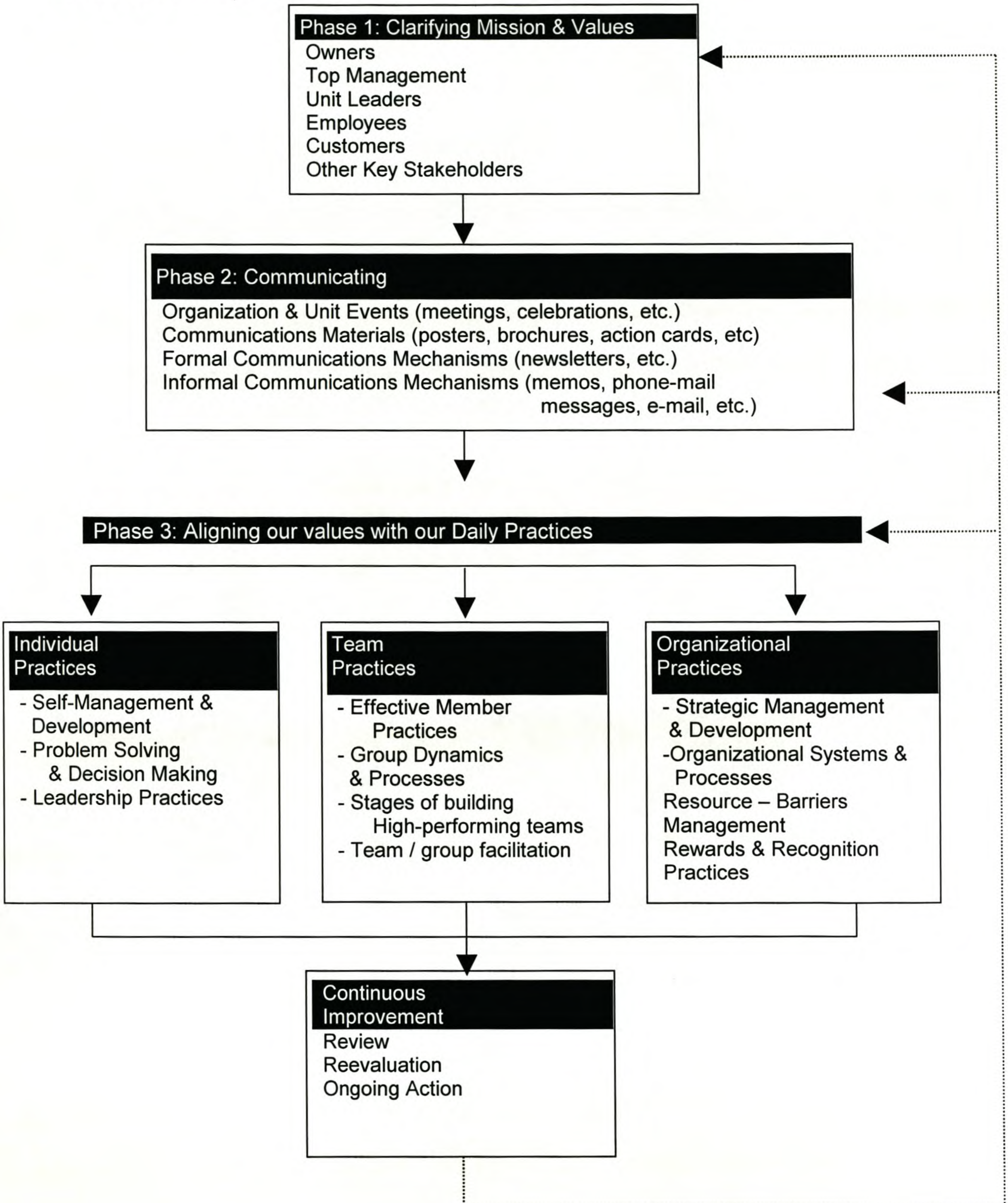
4. The realization that MBV will be a long and ongoing process.
5. The recognition that each person, including "me" will have to play his or her part in the process.

Stage Three

6. The realization that MBV will require an ongoing collective effort, at all areas and at all levels.
7. There needs to be a collective resolve to implement MBV continually throughout the organization for the long-term haul.

On reflection on the MBV process, Blanchard and O'Connor put together the *Management by Values Game Plan.* See the diagram in figure 3 below.

Managing by Values® Game Plan



The MBV process is obviously not an easy route, yet it is a very necessary one, with continual hard work. Yet, the process can optimally benefit companies. It is a transformative process, one that often turns our ideas about what is correct on their heads. Because South Africa is still in the process of transformation, it is of utmost import that we look at the role South African businesses play in the process of corporate transformation.

CHAPTER 6: CONCLUSION – INSTITUTIONALIZING AND INTERNALIZING VALUES IN A TRANSFORMING CORPORATE WORLD.

6.1 Why the need for transformation

The transformation process in South Africa is a volatile one for many reasons. Some shout for joy because they feel that they now have a voice, others dread it because they believe they will lose everything they owned in the previous dispensation, and worse, the process disillusions others because they have fallen prey to the mechanics thereof. Because it is a country of so many different groupings, the response to transformation should be expected to be as diverse as the population and cultural groups in South Africa. South Africa's Apartheid history and the battle of transformation make our business sector particularly susceptible to continuation and new emergence of immoral and unethical practices. Thus, it important that we present a business culture that is ethical and value-based. Our president, Thabo Mbeki in *Africa Define Yourself* (2002: 188)) states "Time has come that Africa must take her rightful place in global affairs."

The research of Peters and Waterman, Deal and Kennedy, and Blanchard and O'Connor has much to offer the corporate world. Research and practical experience of the corporate world nationally and internationally, highlights the allegations and proven incidents of fraud, corruption, bribery and theft, which demand that the corporate world take a very serious look at its ethical stance.

The BESA 2002 (Addendum A) survey states that South Africa in particular should build an ethical culture for the following reasons:

- It is the right thing to do
- Regulations require it
- Society demands it
- Our stakeholders deserve it
- Our strategic partners expect it
- Special interests and the media are watching us. (BESA 2002: 40)

Taking our president's concept of 'The African Renaissance' seriously we have to be aware that the international eye is watching us – given our Apartheid history and the process of transformation in progress – we have to do everything in our power to be morally and ethically correct in all aspects of the image of corporate life in South Africa, or international companies will not invest here, and the economy of the country will be adversely affected.

Everything that has been highlighted and discussed in this thesis is of utmost importance for the emergence and continuation of a value-based management process.
In Blanchard and O'Connor, a *Values Negotiation and Consensus* activity (Addendum B), is set out. The purpose of this activity is that it could help companies, big or small, – in many varied situations – to be able to gain alignment around a set of shared values. The exercise can be done with groups ranging in size from six to thirty people. The idea is that one could do it in different departments or divisions; and then when these different groups have defined their shared values, the company can then have another go at the activity so that the company's shared values can be lifted from the masses.

This course of action can be of extreme significance to any company in South Africa, especially those that are beginning a process of management by values. For companies that have a system in place, this is a very good mechanism to evaluate if employees and management are still orientated towards the same goal. I believe that
Tony Manning is correct when he says: "Value management is first and foremost about people. Its purpose is to focus their energies, enable them to achieve extraordinary things, and inspire them to stretch towards their potential." (2003: 124) I believe that this is the way forward for the South African corporate world if it truly wants to be a force to be reckoned with.

6.2 Transformation and the organization

As previously pointed out in this thesis, organizational culture can be seen as a product of the organization's history, its experiences, and the lessons it learns in the quest for it to survive. Hassard and Sharifi (1989) quoted in Gray (1998) state that the only way to attain explicit transformation is to transform the implicit. (Explicit culture is the distinctive behavioural patterns and distinctive artifacts people produce, while the implicit culture is the total set of beliefs, values, norms and assumptions that underlie and determine the observed regularities in behaviour). Deal and Kennedy state (1982:2) that cultural values [and assumptions] guide people's behaviour and become their "decision making framework, valuing system, belief structure and organizing principles – their total mindset of how it should be." Esterhuyse (2003: 7) quoted in Wessels (2003: 49) agrees with this line of reasoning: "We act in terms of frames of reference or paradigms, illustrated by the very commonly used justification: this is the way I have always done it. Mindsets, frames of reference or paradigms reflect our prejudices, our values, our beliefs and social conditioning." Esterhuyse continues by saying that transformation goes hand in hand with a mindset change or a paradigm shift.

Schein (1985) in Gray (1998) argues that the core elements of culture are embedded deeply in people's consciousness and that they cannot be easily or quickly changed. It is my point of view that this is a central issue around the transformation process in South African culture as a general rule, and more specifically, in the business sector. Most South Africans are still grappling with a deep-seated perception about their fellow man, or how things used to be, and the problem for South Africans lies in the fact that they are not yet ready to make that paradigm shift because they are not convinced in their deepest belief that it is the right thing to do.

Hassard and Sharifi (1989) state, "corporate cultures are constructed socially and are re-constructed socially (Gray, 1998: 42). Assumptions and values are not only learned, they are also re-learned." Thus for the process of transformation to be successful in the business world, and the broader populace, one must be aware that it will not be a quick, miracle process. The thought to bear in mind is as Wessels (2003: 50) states that the transformation process is about "human relationships". People and their feelings, emotions and the integration of the values and beliefs in the process are critical. The challenge for South Africa's business sector is to change and transform the mindsets and paradigms on both sides of the racial divide so that through positive experience the breakdown of old beliefs and value systems can breakdown and make way for a new, more inclusive one.

6.3 Ubuntu: Afrocentric vs Eurocentric

Wessels (2003: 59) states "There are two different leadership / management approaches in the country that represent a dilemma that South African managers face in this time of transformation." He raises the issue of an Afrocentric (communalistic) and Eurocentric (individualistic) approach to management.

According to Koopman (1991) most of the private industry is still controlled by a handful of super conglomerates with an exclusively "white male Eurocentric" management board. (Prime, 1999: 2) The difference between a Eurocentric approach is that in an Afrocentric approach there is "a collectivism or communalism, where the community looks after the individual and the individual looks after the community." (Prime, 1999: 2 -3)

"*Africans have this thing called UBUNTU: It is about the essence of being human; it is part of the gift that Africa will give the world. It embraces hospitality, caring about others, being willing to go the extra mile for the sake of others. We believe a person is a person through another person, that my humanity is caught up, bound up and inextricable in yours. When I dehumanize you, I inexorably dehumanize myself. The solidarity human is a contradiction in terms, and therefore, you seek to work to the common good because your humanity comes into community in belonging."* Archbishop Emirates Desmond Tutu. (www.uwm.edu/Dept/Peace/pdf/pecnews1998aug.pdf).

Lovemore Mbigi (1995) believes that the spirit of Ubuntu, a spirit of working together and respecting human dignity, may help define a new critical path towards the new South Africa. (Mitchell, 2000: 3) It is based on the feelings and values of people; the importance of human relationships is highlighted.

The negative side of the concept of Ubuntu is that an individual sometimes has to give up personal needs for the good of the group to fit the role that is expected of that single person. The other point Wessels (2003) raises is that it could create a negative 'vibe' in white-owned businesses specifically because people are unfamiliar, and thus afraid of it. However, he points out that the spirit of Ubuntu is not exclusively African, but that the root of it is *Humanism,* a concept seen in many cultures across the globe.

A possible solution for South Africa is perhaps as Van Der Colff (Sunday Times: Business Survey, 2002: 2) believes that "to enhance South Africa's global competitive economic advantage, it is imperative that there is acknowledgement and utilization of the African value system alongside Western and Eastern practices." The idea behind his and many other theorists is that South Africa needs to draw on its dual heritage, and find a common ground, a balance between the two approaches. This means that South Africa willfully and consciously integrate traditional (South) African management practices with, values and philosophies with Western management techniques. This implies a move to building trust and respect for different cultures and values, building common values and learning from each other. It is system whereby *human relationships* are honoured.

This leads us to another vital component of transformation, namely emotional intelligence.

6.4 Emotional Intelligence

Emotional Intelligence refers to the capacity for recognizing or to be fully aware of, firstly, your own feelings and, secondly, the feelings of others. "Emotional intelligence is emerging as a major contributor to self-regulation and an essential requirement for outstanding leadership and increased personal effectiveness, enabling individuals to achieve high levels of motivation and success." (Hodgson, 2002: 1)

With the importance of human relationships in the business sector, together with the need for transformation, it cannot be denied that emotional intelligence is pivotal in helping to bridge the gap between ignorance and awareness. Both management and workforce can only gain from being emotionally intelligent. "To be able to transform corporate culture and indeed people's mindsets is about making the impossible possible and the only way is to transform oneself first, to become emotionally intelligent." (Wessels, 2003: 74)

"Emotional intelligence is no magic bullet, no guarantee of more market share or a healthier bottom line. The ecology of a corporation is extraordinarily fluid and complex, and no single intervention or change can fix every problem. However, if the human ingredient is ignored, then nothing else will work as well as it might. In the years to come, companies in which people collaborate best will have a competitive edge, and to that extent emotional intelligence will be more vital." (Cherniss and Goleman, 2003: 315 in: www.ff.org/resource/rev_0013).

There is a snowball effect lying and waiting in each organization: If management is emotionally intelligent, and encourages and trains the workforce to be emotionally intelligent, the organizational culture will improve and run smoothly due to the smooth interpersonal human relationships. Due to the increased positivism in the people of the organization, the organization will go from strength to strength, thus improving gains and benefits for all stakeholders.

This last quote emphasizes the role of people in the transformation process. It is exactly the importance of people, their values and beliefs, and how they are treated in the corporate world, which will determine the rate of success for a specific company.

6.5 Concluding Comments

This study offers terms of theory on value-based management. South Africa has to free itself from the shackles of the legacy of Apartheid in the sense that it brings to the workplace pronounced and sometimes-volatile differences in its cultural diversity. There needs to be a solid move to eradicating unethical and immoral practices. As the forerunners of *The African Renaissance*, we need to engage with the concept of "Ubuntu", and truly realize that value-management is really that – being people through other people. We need to accept that we should be people driven, inclusive of every single person to be able to achieve the goals we set out for our companies. The starting point is for all people to be a part of the setting up of the core values, that each and every single person may own and show responsibility towards these values. Apart from the intense look at what values are, the role they play in management, and the latest statistics in South African corporate ethics, this study is food for thought on how to address the issue of transformation in South Africa in general, and more specifically, on the business front. Our president, Thabo Mbeki (1998) states: "Africa's time has come." It is time to rise to the occasion.

ADDENDUM 1: THE BESA SURVEY 2002

The Ethics Institute of South Africa (EthicSA) is an independent, non-profit company which decided to do survey with regards to Ethics in the South African corporate world. The impetus for the Business Ethics South Africa (BESA) 2002 survey was first, the result of corporate collapses on stakeholders, specifically shareholders and employees, and second, the result of the *King Report on Corporate Governance for South Africa - 2002 (King II).* The heart of the King II report is *ethics;* it has recommendations and conditions for building ethical organizations.

The focus of the BESA 2002 survey was find out how to institutionalize ethics in organizations, or on crucial prerequisites for managing and building an ethical organizational culture. The survey was done on fifty-three JSE –listed companies from all sectors (except the media), of the South African economy. A total of 810000 employees, which range from senior management to different employee level, were represented.

Research Findings:

The Code of Ethics

JSE listing and the King II report requires that companies have a Code of Ethics as the first base of their ethics management programme. What is disquieting about the result about the existence of a code of ethics, is that one out of every four senior managers said that their company did not have Code of Ethics, and that one out of three employees believed that their company either did not have a code of ethics or they had no knowledge of such a code.

- 76.8% of senior managers said that their companies had a code of ethics
- 66.7% of employees said that their companies had a code of ethics
- 24.7% of employees said they did not know
- 8.6% of employees denied that their companies had a code of ethics

Developing Codes of Ethics

Confusion seems to exist around this issue.

- 78.6% of CEO's believed that senior management is solely responsible for the development of the code

- 62.5% of senior management entrusted with this job actually believed they were exclusively responsible

Distribution of Codes of Ethics

Roughly 75% employees indicated that the code had been made available to them. But of that 75%:

- 8.9% said that the code had been made available to job applicants
- 61.7% said they thought the document was a public document to be made available to anyone who requested it.
- 46.7% said that the code had been given to new employees when they started.
- 17.8% indicated that the code was available on a public forum like a website.

Very interesting to note is that there is 17.4% more CEO's than employees that said they had received a code of conduct.

Contents of Codes of Ethics

There seems to be a great deal of confusion as to whether a code of ethics is predominantly values-based (a values statement) or predominantly compliance / rules-based (a code of conduct), or if it is a balanced mix of the two. Unfortunately this points to the fact that there is a very minimal amount of knowledge that employees have of the ethics at the companies for which they work.

- 47.2% thought the code of ethics to be a balance of values and behavioural compliance guidelines.
- 10.6% said the main aim of their code of ethics was rules and regulations
- 28.1% said the main aim of their code of ethics was general principles and values.
- 14.1% indicated that they were uncertain about the content of their company's code of ethics.

Enforcement of Codes of Ethics

- 89% of all the people questioned indicated that their Codes of Ethics were enforced by *disciplinary* measures.

This is very revealing. Even though a great number of people did not know the contents of their company's code of ethics, or even if their company had one…89% knew that disciplinary measures were implemented. What then are these disciplinary measures based on if people are not aware of them? Where is the 'people's approach' in management style?

Another worrying outcome of the survey is the question of who gets ethical education and training.

- Only 40.5% of all the respondents said that they received education and training around the code of ethics.
- 54% of CEO's believed that their employees had received a basic familiarization with the code of ethics, but in contrast only 33% of employees themselves indicated this. This shows a difference of 21%!
- Only 17.3% of chief executives said that they had received any type of training in this regard.

Surely this shows that management and employees definitely are not on the same page. From its findings the researchers of BESA 2002 have the following to say:
"Developing an organizational Code of Ethics is not a superficial or minimal task of simply adopting a generic document and then informing standard – setting and regulatory bodies that the organization is in compliance. A truly responsible commitment to developing a Code of Ethics, one that testifies to integrity, credibility and trust, is an on-going process that permeates all organizational functions and activities. Such a process involves a delicate balancing act between creating an ethical organizational culture, and complying with formal requirements." (BESA Survey 2002: 39)

They also believe that "an ethical organizational culture is value-driven. It is a living commitment by internal and external stakeholders to core organizational and ethical values.
It recognizes the central importance of continuing and consistent communication on the meaning and importance of those values in all organizational functions and activities." (ibid: 39)

What could be of comfort to South Africans is that international standards of ethical standards are recommended, even though not applied in all companies yet. The BESA survey also mentions the concept of *formal compliance* with policies, procedures and rules, especially in the wake of disasters like Enron. This is particularly important because it emphasizes the importance of accountability.

A point the BESA survey makes is that one cannot have only compliance to rules and regulations without building an ethical culture. The business world is full of case studies where companies have complied with regulations but have bungled terribly on the issues of integrity and doing the ethically correct thing. The BESA survey suggest that South African businesses take on a process of institutionalizing ethics into their organizations by adopting what they call a 'Total Ethics Management' programme – the aim of such a programme would be to balance between commitment to core values and compliance, and with these values informing and driving compliance. They set out this process of institutionalizing ethics into the organization into five steps:

1. Securing senior management leadership
2. Performing an ethical diagnosis or risk assessment
3. Codifying values, policies, procedures and rules
4. Doing ethics education and training
5. Setting up sustainability structures for ethics management (communication, enforcement, monitoring, reporting, guidance and external auditing)

(BESA Survey 2002: 39 - 40)

This is in line with what has been referred to in this dissertation. South Africa's Apartheid history and the battle of transformation make our business sector particularly susceptible to continuation and new emergence of immoral and unethical practices. Thus, it important that we present a business culture that is ethical and value-based. The research of Peters and Waterman, Deal and Kennedy, and Blanchard and O'Connor has much to offer the corporate world. Research and practical experience of the corporate world nationally and internationally, highlights the allegations and proven incidents of fraud, corruption, bribery and theft, which demand that the corporate world take a very serious look at its ethical stance.

The BESA 2002 survey states that South Africa in particular should build an ethical culture for the following reasons:

- It is the right thing to do
- Regulations require it
- Society demands it
- Our stakeholders deserve it
- Our strategic partners expect it
- Special interests and the media are watching us. (BESA 2002: 40)

ADDENDUM 2: A VALUES NEGOTIATION AND CONSENSUS ACTIVITY

Blanchard and O'Connor, 1997:

Each person attending the workshop gets a sheet of paper that basically looks like the following:

OUR VALUES

The most important thing in life is to decide what is most important

What should our organization, department, unit or team stand for? What should be values by which we operate? Look over the list of values below. Circle any values that "jump out" because of their importance to you. Then write your *top three* values, in order of importance, below the list. Feel free to add values if needed.

truth	persistence	resources
efficiency	sincerity	dependability
initiative	fun	trust
environmentalism	relationships	excellence
power	wisdom	teamwork
control	flexibility	service
courage	perspective	profitability
competition	commitment	freedom
excitement	recognition	friendship
creativity	learning	influence
happiness	honesty	justice
honour	originality	quality
innovation	candor	hard work
obedience	prosperity	responsiveness
financial growth	respect	fulfillment
community support	fairness	purposefulness
integrity	order	strength
peace	spirituality	self-control
loyalty	adventure	cleverness
clarity	cooperation	success
security	humour	stewardship
love	collaboration	support

1.____

2.____

3.____

Once each person has chose three values the process continues in this way:

1. People pair up.
2. They sit facing each other with six values between them.

3. They are reminded that many of the values listed are synonyms so they have to think carefully about the next step.
4. They have ten minutes to agree on *three* values between them and list them in order of importance.
5. Then pairs pair up with pairs, and repeat the process.
6. Each time the group grows the time for the exercise doubles.
7. As the group size doubles from two to four to eight to sixteen, spokespersons are appointed from each group to facilitate the process.
8. At the end of this phase of the activity, the entire group has come up with three shared values. It is three that all participants can take a share in.

Depending of the length of time used for the first phase the second phase takes place on the afternoon of the same day, or on another day altogether. The second phase of this activity is set out like this:

1. The same groups of people come back and divide into three equal-sized groups.
2. Each group takes a value and defines what the value would look in practice, in all the possible ways they can think of.
3. Each group then presents their list to the other groups.

At the end of the workshop they have come up with a set of shared operating values and they have actively thought about the practicality thereof in their day to day operation of their company. The idea behind this process is that everybody will now be able to agree that those three agreed upon shared values are what guides them and they will be aligned into all aspects of the company.

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