

Teaching the Business of Values to Enhance the Value of Business.

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Abstract

The recent focus on business practices under neo-liberal economic policies has raised issues about the place and importance of ethics and values. This paper explores this issue in relation choice and decision making with particular reference to its implications for workers. Moreover, it proposes a broad structure for teaching ethical judgement in business courses.

Introduction

In 1983 Australia floated the dollar and commenced a broad microeconomic reform agenda of 'financial deregulation, privatisation, free trade and reductions in public expenditure and taxation' (Quiggin 2005; 25–7). This microeconomic reform agenda was, in effect, economic liberalism or neo-liberalism. It was the dominant economic theory on which developed nations were basing their political and social policies (Murray 1984; Marsland 1996; Jamrozik 2006; 7).

The fundamental position of neo-liberalism was that government control over the economy is inefficient, potentially corrupt and consequently undesirable. It was committed to small government and market solutions. Its main features were:

- deregulated markets and workforces that would allow free enterprise to flourish increasing economic growth which ultimately would benefit all
- reduced public expenditure on social services such as health, education and welfare
- privatisation of state-owned enterprises and utilities, which in the hands of the 'market' would to be efficiently and effectively operated free from the potential corruption and divisive influences political pressure groups
- the reframing of concepts such as 'the public good' and 'community' to concepts of 'individualism', 'individual responsibility' and 'mutual obligation' (Martinez and Garcia 2000).

Since the first policies were foreshadowed there has been fierce debate about the consequences of neo-liberalism. Essentially, proponents believed that the market was 'the only legitimate allocator of goods and services in society at large' (Batten 1991; 296) and should be 'the major coordinating mechanism in the Australian economy' (Norton 1995; 228). They favoured the neo-liberalist ways, means and ends because they were quantitative rather than qualitative and as such could be represented as values free (Battin 1991; 303). Critics of neo-liberalism believed that it was very much a value system. (Battin 1991; 302). Their central concern was its effects on wealth distribution and the consequent social fallout. The common observation was that 'the rich grew richer and the poor grew poorer'. Joseph Stiglitz, former World Bank Chief Economist (1997–2000) and Nobel Laureate in Economics expressed the concern that the neo-liberal form of economic globalisation not only risked exacerbating poverty but also increasing violence because it is impossible to separate the economic from the social and political in society (Pierri 2004). The intertwining and inseparable nature of economics, social wellbeing and politics proved to be true with the emergence of the Global Financial Crises in 2008.

The Global Financial Crisis (GFC) brought the failings of neo-liberalism into sharp focus with evidence of bad corporate decision making not the least of which was the disproportionately excessive executive salaries and bonuses in the finance industry (Stiglitz 2008). However, rather than calls for greater regulation, the analysis of the GFC has called for a refocus on ethics in business (Longstaff 2008). This is because ethics is central to decision making and choice. It is 'making conscious choices in line with an explicit framework of values and principles' (Longstaff 2008; 1).

This paper explores the issues involved in enacting ethics and organisational values; the relative importance of ethics and organisational values to employees and the importance of teaching ethics and organisational values in our business courses.

Organisational Values and Ethics

In general, values are over-arching guiding principles that are at the core of attitudes and behaviour (Ajzen and Fishbein 1980). They inform and influence decisions and actions. Values operate at both an individual and a social group level. What is more, organisations can and do have values.

Nietzsche, the philosopher, maintained that all interpretation is necessarily mediated by perspective. This makes analysis unavoidably laden with a level of subjectivity such as biases, presuppositions and values (Hoenisch 2002; 5). It follows that, within an organisation, structures, process and decisions, however objectively reached, are still mediated by an organisational perspective, whether explicitly stated or implied through precedents and behaviour. This perspective represents the organisation's values. Organisational values communicate what is considered to be important (Hitt 1988). What is more, fundamental in the process of communicating and maintaining the values of the organisation are powerful and significant individuals such as its founders, leaders and heroes (Trice and Beyer 1993). Therefore it is critically important for managers and leaders to be cognisant of their role in shaping and transmitting the organisation's values.

The human capital of an organisation is central to enacting values and ethics at every operational level. Weber, one of the founders of organisational theory, like Nietzsche, believed that objective judgements were nearly impossible to make because everyone has a moral code or perspective that can never be completely discounted or ignored. He identified the damage inherent in failing to examine and openly acknowledge one's values. In summing up his position Weber said: 'We in particular, succumb readily to a special kind of illusion, namely that we are able to refrain entirely from making conscious value judgements of our own' (Lassman and Speirs 1994; 19). Clearly, the inference is that when individuals are making work based decisions that draw on values, it is particularly important to have explicit organisational values as a guiding blueprint for continuity, consistency and organisational integrity.

Given the layers of values that operate within an organisation from the espoused organisational values to the personal values of the individuals, competing values are inevitable. Rather than problematic, Weber saw enormous benefit in competing values. He believed that 'the tensions between competing values are essential in order to prevent cultural stagnation' (Lassman and Speirs 1994; xviii). Nevertheless, a system or framework for navigating and managing competing values is critical, as is an awareness of the values, personal and organisational, that are at play in work based decisions.

Berlin, a political philosopher, focussed his work on the recognition and management of multiple values or value pluralism. He identified that there are numerous and conflicting ideas of good that require complex political and ethical responses. There is no single, superior value that embodies total rightness and thus can take precedence over any other competing values. It is not possible to place competing values into a common scale to determine which is superior. Instead, value pluralism recognises that different values can be of equal merit and importance and can be mutually exclusive resulting in irresolvable conflict, referred to as values incommensurability (Grey 1996, 2000). For example, at a political level, Keynes' social democracy and Hayek's economic liberalism are two valuable and legitimate approaches to governing. History shows that they both have achieved results. Nonetheless, they are fundamentally opposing in nature and application.

Much of life is full of complex and difficult choices, and value pluralism reflects this reality accurately (Crowder 2004). An organisational example of value pluralism is evident in operational decision of the following typical non-profit community service. All non-profit community service organisations operate in a value plural context with the values of the social justice purpose and the values of economic sustainability. Both appear to cohabit with equal

merit. However, when an operation of that service, that meets the needs of the service users in the only way possible, is deemed to be economically unviable, a choice is required. Continuing that particular operation meets the organisation's social justice values, closing the operation meets the service's economic values; both equally central and equally critical to the organisation. Clearly a service needs to be economically sustainable. Moreover and ostensibly, the greater a service's economic success the greater the service's range of options in terms of programs. At the same time, the fundamental purpose of a community service is its social justice mission. That is why it exists in the first place. Whilst for the most part the economic and social justice values coexist in a continuous balancing act, inevitably there are decisions that require one value to take precedence over the other and at that point they become incommensurable.

The essence of values incommensurability is that there is not a clear or easy choice to be made. The choice requires ethical judgement and practical wisdom. Moreover, it will always contain some regret, because, by definition, another choice with other benefits and advantages was available. Learning a process by which these choices are made requires education and practice which is where university business courses have a role.

Importance of Values and Ethical Judgement to Human Resource Management

Values and ethical judgement are central to human resource management because the enacting of organisational values and ethical judgements is done by the people in an organisation at all levels in small and large ways all the time. Moreover, one of the signs of an organisation's health is the degree of congruence or alignment between the organisation's values and the behaviours of its members (Seevers 2000; 71). However, when the espoused and enacted values are different, then employees are likely to interpret the espoused value statements as empty, which in turn undermines the credibility of management which leads to employees becoming cynical and dispirited (Lenocioni 2002).

Studies on values alignment between an organisation and its employee have found that the benefits of alignment are immense. It contributes to employee commitment and identification with the organisation, job satisfaction, retention and employee cohesion to name a few (Sullivan, Sullivan and Buffton 2002; Dearlove and Coomber 1999; LeMon 2000; Kouzes 2003).

As previously stated communicating, enacting and maintaining organisational values is a leadership role (Trice and Beyer 1993). It needs to be explicit in the expectations of management as does ethical judgement. Employee and employment relations are two areas that are particularly sensitive to congruence between espoused and enacted organisational values. It is an area in which employees experience decisions as personal. There is a critical focus on management in this area that is sharp and unforgiving. It is where competing and conflicting values are often incommensurable. Ethical judgement is essential and decision making needs to be transparent and understandable or the balance between employee satisfaction and dissatisfaction can be easily tipped.

Teaching Ethical Judgement and Practical Wisdom

Ethical judgement can be aligned to the Aristotelian concept of practical wisdom. It is not just a collation of the facts. It is a depth of understanding and insight that sees the relativity and relationships among things with an acute sense of the whole. It takes into account that no two real-life situations are ever identical. Consequently, whilst it is important to consider applicable rules, principles, conventions, precedents and the interests of people affected; it is equally important to judge a situation on its individual merits, features and circumstances. Ethical judgement and practical wisdom is the ability and capacity to decide what it means to do the right thing in the right place at the right time (Hooks 2009; Sellman 2009).

1. Recognising values, biases and assumptions

Teaching ethical judgement begins with revealing and recognising ones own values, biases and assumptions that filter the interpretation of facts and events and influence attitudes and

predispositions (Brookfield 1995). Hypothetical situations can be used to tease these out. With the understanding of the role of values, biases and assumptions in attitudes and behaviour, it is possible to analyse the values, biases and assumptions in decisions and events in the public arena that have raised questions of ethical practice. Some well known examples of such decisions and events that could be used are the environmental disaster caused by the Exxon Valdez oil spill in 1989, the bankruptcy of Enron in 2001, the exploitation and abuse of workers in Indonesia by Nike in 2001 and closer to home James Hardy and the collapse of ABC Learning child care centres.

2. Understanding espoused and enacted organisational values

Understanding organisational values requires analysis of both the espoused or publicly stated values and the enacted values which are evident in the actions and decisions of an organisation. These may be the same or they may be quite different (Keyton 2005). Again this is possible through the use of case study examples. There are different types of values expressed by organisations that offer useful learning material.

There are organisations that espouse values that are directly and exclusively related to the quality of its particular product/service. An example of this is Virgin Blue Airlines. Virgin Blue makes the statement that their name: '... represents our goal to prove to Australia how true blue we are about delivering low fares. We'll never compromise on what's essential: experienced pilots, qualified ground personnel and maintenance that's nothing short of top-notch' (Virgin Blue 2003). Its focus is being the best at what it does. Interestingly, recently Virgin Blue settled a case before the Human Rights and Equal Opportunity commission to allow passengers that use a wheel chair to travel unaccompanied. Prior to this Virgin Blue insisted that all wheel chair passengers purchase an additional seat and bring a carer with them on all flights.

There is the group of organisations that are increasingly keen to demonstrate their corporate values through 'triple-bottom line reporting'. This includes memberships of environmental business networks and corporate social responsibility programs. Triple-bottom line reporting enables the organisation to market its values and programs to increasingly well-informed staff, customers and community (Weston 2002). The banks are typical members of this group. They publicise their philanthropic endeavours that include employee community contribution programs and philanthropic foundations. This is designed to offset the impression of greed that their profits, executive salaries and bonuses can give.

Another group of organisations are part of the 'Fourth Wave' and see their role as one of stewardship for the whole, leaders in addressing global issues and focussing on what's best for all (Maynard and Mehrtens 1993). The term is an extension of Alvin Toffler's descriptions of economic evolution. The First Wave was the agricultural revolution, the Second Wave was the industrial revolution, the Third Wave was the informational revolution and economy and the Fourth Wave is spiritual intelligence.

One of the primary activities of Fourth Wave corporations is identifying global and local community needs such as poverty, climate change and human rights abuses. Then, as citizens of the world, Fourth Wave corporations address these as part of their operational strategy. Their focus is on the customer and the community (Maynard and Mehrtens 1993). The Body Shop is a global example of one of these organisations. It is a cosmetics and toiletries manufacturer and retailer. However it describes itself far more broadly: 'The Body Shop is an activist organisation committed to social and environmental justice on a local and global level. This goes way beyond "corporate social responsibility". For us, our success in contributing to the common good is just as important as making a buck. We aren't perfect but we strive to continually improve and live out our values every day' (The Body Shop 2008).

The core business of non-profit organisations is socially responsible values. Their values are one of the central reasons why people choose to work and volunteer for them (Onyx 1998). They are the reason donors give, benefactors leave bequests and philanthropic foundations fund them (Bryce 1992; 82; Fremont-Smith 1965; Oster 1995; 139-43). However, they also need to be economically sustainable in a resource restricted operating environment which leads to difficult and conflicted priorities.

3. Values clarification

Organisations need to revisit and clarify their values at different times throughout their operational life time. It is important as part of restructuring, during major growth periods, when there is an influx of new staff, a change of CEO or Chair of the Board or simply as a regular refocusing exercise to ensure that all workers are operating from the same values base. The values clarification process establishes and espouses the organisations values (Sampath 2006; Roberts 1996). This is achieved through the participation of key personnel. The organisation's purpose, core business, stakeholders, customers, mission and goals are examined and agreed upon. Recent key decisions are examined in terms of values and assumptions. From the analysis a set of values is identified which can reflect current practice or a new and desired direction. Finally examples of decisions and behaviour are described that illustrate the organisation's values in action. This exercise can be developed through detailed fictitious case studies.

4. Ethical judgement

As previously described ethical judgement is a framework for analysis and decision making. It requires not just the facts but an appreciation of context and time in addition to an understanding of the organisation as an entity in itself with its own values, purpose and constraints. It also needs to take account of the effects of different decisions and their opportunity cost (Hooks, 2009; Sellman, 2009). Building on the fictitious case studies used for values clarification, scenarios that involve incommensurable values can be worked through in detail that require the assumptions, explanations and reasons given for decisions to be identified and articulated. More is gained from this learning experience when it is repeated regularly and completed both individually and in groups. The examination of the decisions in an open forum also adds to the experience through the views and questions of others.

Conclusion

Multiple sets of values operate in organisations. These range from the values of individual workers to the triple bottom line values that incorporate financial success alongside social responsibility. Values, assumptions and biases are evident in organisational choices and decisions whether formally espoused or simply enacted. They place an organisation within its broader social context, influence external opinion and contribute to employee satisfaction and wellbeing. Espousing, enacting and ensuring congruence in values is central to organisational health, effectiveness and social responsibility. Moreover, at the hard edge where decisions are made with competing, incommensurable values, ethical judgement is required.

Teaching ethical judgement in business courses emphasises its importance and centrality in effective, sound, responsible organisational management. Moreover, it recognises that each individual organisation is unique at one level and a part of a greater community whole at another. It elevates and prioritises the skills and judgement required in ethical decisions and places them firmly on the job descriptions of organisational leadership positions. The introduction of teaching values and ethics in our university business courses is an opportunity to embed socially responsible practice in the current and future leaders and managers in the non-profit, government and business sectors.

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