

---

## **WORK ETHICS AND VALUE SYSTEMS : ADOPTING AND ADAPTING**

**- N. Vittal**

---

(Paper presented at the Institute of Management Consultants' National Convention on the Indian Companies going global (Challenges and opportunities) on 11<sup>th</sup> March 2006 at Chennai)

The stock market collapse of the New York Stock Exchange in 2000 when Fortune 500 companies like Enron, Worldcom and Arthur Andreson collapsed and earlier the collapse of the South East Asian tiger economies in mid 1997 has underlined one important fact. In the post cold war world, the competition and market have become supreme in all issues economic.

The customer is supreme. A company can survive only if it is able to meet global competition. The scams and market collapses also have brought into sharp focus the need for the basic value of integrity in business. In the competitive environment which prevails in global business today, work ethics and value systems are the basic engines springs for deciding success. As the Economist which reviewed the experience of the late 90s pointed out three lessons are being learnt by the global business once again. (i) Be honest, (ii) Be fugal and (iii) Be prepared.

The points highlighted by the Economist indirectly also highlight some of the major values which will help any business enterprise to survive in the global environment. The issue of honesty and integrity is directly linked with the current concepts about corporate governance. Corporate governance represents the value framework, the ethical framework and the moral framework under which a company functions. In the past, when investments took place across national borders, investors were mainly focused on good corporate management. This represents competence in handling of the resources available to a management like, physical resources, financial resources, human resources and time, to get the best possible results in terms of productivity, profitability and market capitalisation and so on. After the experience of 1997 and 2000, increasing emphasis is not only on good corporate management, but also good corporate governance.

Corporate governance in turn has come to focus on three principles. The first principle is the principle of transparency in the whole operations including transparency in decision-making. Transparency is vital because without transparency, one cannot fix accountability. Accountability means responsibility. Accountability is also increasingly being interpreted to mean protecting the

interest of the investors and other stake holders covering the customers, employees and the society in which the enterprise operates.

The second value highlighted by the Economist was 'Be fugal'. The fundamental principles of observing the norms of financial propriety arise from this.

The third lesson highlighted by the Economist was 'Be prepared'. Being prepared includes the need for eternal alertness about the changes in the environment. If the managements are not sensitive to changing customer demands and market realities, they are likely to go the way of dinosaurs or suffer what is called the boiled frog syndrome. It is said that if a frog is put in a bowl of hot water it will jump and save itself. But if it is put in a bowl of cold water which is gradually heated, it can be boiled to death, because the frog is not aware of the changes taking place. The above analysis itself has highlighted the values which are required to be observed by any enterprise which is competing globally today.

We may now examine this specific theme of this seminar which relates to the Indian Companies going global. Till the permit licence raj prevailed upto 1991, the Indian companies could afford to follow the practice of what our ancient rishis and munis are supposed to have done, namely, sit on our bottoms and contemplate the infinite. The focus of Indian business was mostly on domestic market. As the government was acting as the gatekeeper and a nanny, the attitude of the business was what can be described as the attitude of the passenger in the unreserved second class railway compartment. When the passenger tries to get in to the compartment, other passengers try to prevent him coming in. And some how if he gets in, he also joins others and prevents other passenger from getting in. The business community practiced the principle of grabbing limited licences that were available and used their clout and powers of liaison officers to prevent other competitors coming in.

All these underwent a dramatic change after 1991 when the economic liberalisation process started. In fact, the importance of the customers was being rediscovered by the Indian companies. Otherwise, the cynical observation in the licence raj was 'who is the customer? "Kasht se jo marjatha hai who customer hai". The man who dies of difficulty is the customer.

One impact of the Indian companies going global after the liberalisation process is that even family managed companies have started engaging international consultants to seek advice about the strategy to be adopted and start the process of professionalisation of the management. In this period of transition and thanks to developments like the collapse of the South East Asian economies and the New York Stock Exchange scandal of the 2000, as well as frequent stock market scandals in our own capital market, starting with Harshad Mehta scam, through Khetan Pareikh scam, the Vanishing Companies scam and

so on, the supreme importance of good corporate governance is very much recognized today. The latest edition of this quest for corporate governance is the initiative taken by the SEBI under clause 49.

From what has been said about, one thing would be obvious. Indian companies in the new environment of going global, have to look at the issue of developing the right work ethics and the value systems. This involves two processes. One is the process of adopting without any modification good universal practices both in work ethics and value system and the second is adapting them to suit our condition.

Work ethics would cover management practices as well as the standards and qualities which are very vital as well as productivity. These values are easily explained. As the customer is supreme, unless an enterprise is able to give quality services and products, it cannot survive. Secondly, as the customers have wide choice, not only for sourcing their requirement within the country but across national borders, time becomes supremely important. In fact, observations have been made that the competition is no longer between the big and the small, but between the fast and the slow. Time is the decisive factor. When one has to operate on the basis of time, the practices like 'just in time' management become important. In his interesting book, "The world is flat", Thomas Friedman has listed a series of factors, which he calls as flatteners which have made the world become flat. The just in time culture is one of the factors which has made the world flat and has broadened the horizon for competition. In work ethics, therefore, the supreme value of time, apart from quality is important. In addition, while reaching the objective of producing quality goods and also producing them with minimum time, no management can afford to lose the focus on productivity. Because, without productivity, the business can not develop surpluses and can not survive in the business at all. Hence, the work ethics involving excellent management practices and business practices of providing quality goods and services and above all, maintaining the trust of the customer by being honest with him have become significant.

One of the important aspects of work ethics is the attitude to work of the people. We have had in this country, the trade union movement, which starting with the objective of protecting the rights of the worker has degenerated in to a system of vested interests of what has been called a labour aristocracy. Organised labour in our country is hardly 8%, but they are able to dictate terms to the management. The recent confrontation we saw from the labour movement in the context of the government initiatives to modernise the airports only underline the fact that the labour leadership in the country and particularly in the trade union have still not realised the tectonic changes that have taken place in the global scene. If Indian companies have to go global, they cannot be carrying the albatross of labour aristocracy around their neck dictating the terms. Hence in the context of the second phase of the liberalization, emphasis is being given on

flexible labour laws and opportunities for the managements to move towards the regime of 'hire and fire'.

The one major significant fact in the post 1991 situation is the declining role of government in matters economic and the significance of market as a deciding factor in deciding economic issues. An environment is therefore is being created through which Indian companies can grow. It is a happy augury that many of the Indian companies particularly in the IT sector as well as in other areas like pharmaceutical sector and areas like steel are thinking of becoming global.

At this stage, therefore, we can have a quick look at the elements of work ethics and value systems, which have to be adopted without any change or modification. These will have to be internalized even they are not Indian and the issue of adaptation or modification comes in different context. One cliché in the globalised world today is these companies will have to 'think global and act local'. This means that while the business strategy will be to have a global vision, as the companies operate in different markets, they have to adjust to local condition and adopt the work ethics and value systems and adapt the work ethics of value system. As I see it, there are certain facts in work ethics and value system which will remain common irrespective of the location or the countries concerned and some will change with the location. Adoption is required so far as the non changing standard practices are concerned, adaptation is required where modification are called for. Talking in the jargon of information technology where everything is classified into hardware and software, we can look at the hardware aspects of work ethics and value systems which will remain common all over the world and which require to be adopted and the software aspects of work ethics and value system which may be area and our country of culture specific have to be adapted. In the former category of adoption will be the following elements:

- (i) Standards of performance of quality for each product and services as recognized globally. For example, in the area of software there are standards like the software engineering maturity levels going up to five. For products like steel or aluminum and others quality standards are laid down and when it comes to services, also there are standards. The standards like the ISO 9000 and so on are well known and they are being increasingly adopted.
- (ii) Equally important standards, which are becoming significant are the standards relating to pollution and environmental control. European countries, particularly Germany had been insisting on green spot or standards about using non-polluting levels.
- (iii) Another equally important issue in the global context is the need to not use sweat labour or child labour. Hence the labour practices and the practices for pollution control becomes significant part of the work ethics, hard ware and value systems which all Indian companies will have to adopt when they compete globally.

- (iv) The next significant hardware aspect are the productivity standards.
- (v) The fifth such aspect, especially relating to management and accounting are standard accounting procedures. The collapse of Enron and others show how the accounting standards can vary and while some actions can be not illegal, they can be unethical.
- (vi) This in turn brings us to the common principles that have to be adopted for ensuring that all actions taken by a company are ethical. I would suggest the adoption of the three point test recommended by Norman Vincent Peale and Kenneth Blanchard in their book, "The power of ethical management". The three test we apply for any action by an enterprise to decide whether it is ethical or not is this: (i) Is it legal? If it is not legal, it is not ethical. (ii) is it fair? If any practice or contract entered in to by a company is not evenly balanced and fair to all parties of the contract, it is not ethical. (iii) the third is what can be called the 11<sup>th</sup> Commandment principle. It is said by cynics that while there are 10 Commandments in the Bible, there is an unwritten 11<sup>th</sup> Commandment. The 11<sup>th</sup> Commandment is 'you can violate all the 10 Commandments but thou shall not be found out'. If any company adopts any policy, if it gets publicity in the media is likely to cause embarrassment, then that it not ethical. Adopting the three point test may be one method of ensuring that the basic principles of ethics are observed.

Increasingly also we find that there is a whole legal framework evolving to ensure that unethical practices are not encouraged. In the United States, the Sarbanes Oxley Act is one such measure.

Corruption is another important element relating to global business. There is increasing realization about the need to ensure that the business practices do not indulge in corruption. The United Nations has adopted the Anti corruption Convention and increasingly the World Bank and other multi national aiding agencies are also emphasizing on good governance and check on corruption on the part of their financing policy. Hence, these ethical practices have to be adopted.

In fact, when it comes to the issue of corrupt practices, it is good to bear in mind one simple fact. The level of corruption depends on three factors. One is the individual sense of value. Second is the social values or the organizational values and the third is the system. So by appropriately fine tuning this three aspects, it is possible for Indian enterprise to compete globally without compromising on its principle and at the same time ensure that its work ethics and value systems act as a booster of business prospect and profitability rather than a drag on competitiveness.

We may now look at the software aspects of work ethics and value systems which are culture and country specific and which will involve the excise

of adapting. One example of how adaptation may relate to simple thing in working hours. India is doing extremely well in the area of information technology particularly in IT enabled services and Business Processing Outsourcing. This has become virtually a business which has become what is been called 24 x 7 business operation 24 hours a day and 7 days a week. One critical aspect of this business is the 12 hours time difference between United States and India. A lot of young people therefore have to work during the night shift. This in turn is also having an effect on the health and the family life of the people working in this sector. The fact remains that operating successfully a BPO or a Call Centre calls for adaptation of the hours of working and this in turn raises the issue of amendment to the labour laws and ban on women working in the night shifts. Management practices also have to focus on ensuring that while there is no gender disparity and sexual exploitation in the work place, in the needs of the people working in such industries are fully taken care of.

Related to such industries working against global competition is the enormous stress under which the employees have to work. India fortunately has developed its own technique for meeting with stress like TM/Yoga/Art of living etc. Managements will have to take in to account, particularly in human resources division how the talent can be attracted, nurtured and retained. The problem of burn out is another occupational hazard. This also has to be tackled. These are some of the aspects where adaptation is called for.

In fact, one value which is very vital for survival in global environment is the value for innovation. Innovation is possible only when there is freedom and an environment that nurtures, cultivates a questioning attitude. Dr. Amartya Sen in his recent book, "The Argumentative Indian" has traced the Indian tradition of questioning. Organizations will have to make a conscious attempt to instill the values of innovation and questioning and a culture of healthy criticism if companies have to ultimately get the best out of the human resources they have and compete globally. These will call for not only adopting successful models of the rest of the world like 3M and also adapting from local experience. Managements must consciously nurture resident rebels and maverick so that alternative off the wall ideas are given a chance to be expressed.

Ultimately, in the entire business of going global and succeeding, the advice of the Chandokya Upanishad has to be borne in mind. We have to apply our knowledge with faith and conviction when it becomes a doubly strong and leads us to success.

***Yadeva vidhyaya karothi shradhaya upanishadaha  
Tadeva veeryavatharam bhavati.***

Dear Mr. Muthuvelu,

Please refer to your letter dated 8<sup>th</sup> February 2006 regarding the National Convention on Indian Companies going global (Challenges and Opportunities) to be held on 10-11<sup>th</sup> March 2006 at Chennai.

I shall be delighted to participate in the programme. As desired I am enclosing herewith my paper on "Work Ethics and Value Systems : Adopting and adapting", to be presented on 11<sup>th</sup> March 2006. This may be circulated to the participants.

Regards

N. Vittal