Unlocking human potential with **ethics**

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Organisations of the 1980s and 1990s relied to a large extent on their ability to attract and spend capital wisely. The current league of successful organisations is by and large dominated by those companies with superior technology.

In real terms, however, technology is becoming cheaper. What then will distinguish successful organisations from less successful ones in the future scenario? In the words of Walt Disney, "You can create, design and build the most wonderful place in the world ... but it requires people to make that dream a reality."

Over time, it is human capital that creates financial capital, not the reverse. It is increasingly recognised that it is the people, or human resources, of the organisation that are most likely to supply the core competencies which will be the primary source of sustained competitive advantage and successful long term financial performance.

According to Jack Welch, former CEO of General Electric, "The only thing that will uphold a company's competitive advantage tomorrow is the calibre of people in the organisation."

Although many organisations describe people as their most important asset, a large proportion of them do not practise this credo. The fact that people are regarded as assets, but not treated as such remains a mystery.

Unfortunately, many senior managers fail to appreciate the impact that the thinking, attitudes and actions of people at all levels can have on profits, growth, efficiency and relationships. The mystery deepens when research results continue to show that successful companies invest heavily in their people.

In his 1988 study, Kravetz made some profound findings. He analysed the 75 best performing New York Stock Exchange companies (based on criteria such as EPS and dividend growth) for the preceding five years and compared them to the 75 worst performing companies. The results are contained in Table 1.

Although we can perhaps argue that many interpretations may be different as-

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cribed to these statistics, the golden thread is clear: companies that invest in their human capital, develop it and reward people for performance, make more money than those who place less emphasis on human capital.

The Peters and Waterman study which is described in their book, *In Search of Excellence,* remains a landmark in studies seeking to establish what exactly it is that make superior organisations tick.

Having analysed several high performing companies over time, they identified the effective utilisation of people as a central criterion for excellence (financial and otherwise) in all the companies they investigated. Thus: people, if managed properly, can be an organisation's greatest competitive edge.

If, therefore, people are perceived to be assets and to be an organisation's competitive edge, the business case for investing in, nurturing and developing human talent is clear. Companies not doing this may survive and could even achieve success in the short run. However, their long term sustainability may well be at risk.

The way that companies think about their people and what they choose to do (or not to do) in unlocking their human potential determines their future sustainability. In the remainder of this article the role that ethics can play in unlocking human potential will be analysed.

Ethical neglect

If one analyses the Modes of Managing Morality Model, it is evident that organisations that are either unethical (Mode 1) or merely reactively ethical (Mode 2), may show 'ethical neglect.' The management of ethics in organisations in these modes is virtually non-existent.

This would mean a lack of ethical awareness and an underdeveloped sense of understanding of what value ethical behaviour holds for an organisation. The mentality that often prevails in such organisations is described by Lantos as a 'business is war' mentality.

He states that: "This philosophy is held

Table 1: Survey results of best and worst performing companies on the NYSE.

	Best performing companies	Worst performing companies
Using participative management practices	70%	4%
Encouraging and rewarding creativity	62%	10%
Employees have clear goals	80%	26%
Training and development a premium	67%	27%
Using performanced based rewards	86%	30%

by basically 'good guys' who are moral in their personal lives, but are convinced that business is a game, a sport or even war, governed by its own rules of fairness and therefore must be played outside the realm of individual morality and societal mores (all's fair in love and war!)"

If people are not utilised and managed properly in organisations, it is unlikely that organisations will reach their full potential. This may lead to a phenomenon that is not uncommon in corporate life namely widespread job dissatisfaction. Job dissatisfaction can be described as an affective attitude of dislike towards one or more job related dimensions.

Since attitudes, and negative attitudes in this case, are reasonably good predictors of behaviour, a wide variety of consequences, from mild to destructive, may follow. Dissatisfied people may engage in psychological and physical withdrawal or even overt acts of aggression and retaliation according to Newstrom and Davis.

Besides the direct negative effect of job dissatisfaction on performance, it also has a number of other detrimental consequences. These include high employee turnover, absenteeism, tardiness, theft, violence, apathy, sabotage, fraud and corruption.

Dissatisfaction may of course also severely inhibit creativity which is a vital ingredient of innovation. The productivity and cost implications of an inability to deal with all these manifestations are obvious. If ethical neglect prevails in an organisation, job dissatisfaction is bound to ensue making the optimal utilisation of human potential virtually impossible.

People and their potential

In an endeavour to explain human behaviour, the discipline of psychology has left a rich legacy of theories that help us to understand people better. Many of these theories have attempted to identify particular factors that contribute towards the optimal fulfilment of human potential.

Two of these schools of thought whose concepts are in fact very closely related, have been selected to provide readers with a perspective on how people can fulfil their potential and, more specifically, their potential in the work context. They are the search for meaning and the quest for self-actualisation. The relationship between these two aspects and ethics in the work place will next be demonstrated.

In search of meaning
Viktor Frankl contended that human beings are constantly looking for meaning in their lives. Humans, he said, possess a will-to-meaning. A central aspect of finding meaning is finding meaning in one's work. The search for meaning is reflected in the following questions related to work: why am I doing this work? What is the meaning of the work I am doing? Where does this lead me to? Is there a reason for my existence and the organisation's?

Fairholm suggests that work is the place where most of us find our fullest sense of meaning: "The organisation in which we work becomes our most significant community. For some, work is replacing family, friendship circles, church and social groups."

The opposite is equally true. Naylor states that a lack of meaning in work can lead to 'existential sickness' and even 'separation/alienation from oneself.'

The following incident illustrates the point.

Upon visiting a construction site, a reporter asked three brick masons what they were doing. The first answered gruffly, "I'm laying bricks." The second replied, "I'm earning my week's pay." But the third mason said enthusiastically and with obvious pride, "I'm building a cathedral."

Work thus plays an important role in people's search for meaning. It is pretty hard to find meaning in work situations where there is ethical neglect and a lack of respect for people is obvious. The opposite is equally true. Ethical organisations can provide a fertile context for the cultivation of meaning.

Self-actualisation

Abraham Maslow is generally regarded as the father (or single parent) of the concept of self-actualisation. Maslow views self-actualisation as a higher order human need that requires fulfilment. He describes it as "The desire to become more and more what one is, to become everything that one is capable of becoming."

Self-actualisation is a state where people are truly psychologically healthy and where they have reached their own fullest true potential. It is seen as the highest state of human development.

Because work is a central part of one's existence, work can make a crucial contribution to an individual's sense of self-actualisation. In many cases it may even be the major factor in the achievement of self-actualisation.

When self-actualisation, and therefore the fulfilment of potential, is sought in the work place, the work environment must provide a context where certain psychological states are present. Hackman and Oldham identified three psychological states that are prerequisites for optimal human self-actualisation:

❖ the experienced meaningfulness of the work,
❖ the experienced responsibility for outcomes of the work and
❖ knowledge of the actual results of the work activities.

In a benign work environment that allows one to become everything that one is capable of becoming, self-actualisation can emerge. Such environments are characterised by predictability, security, creativity and opportunities to make a difference, both to the organisation and its stakeholders.

Human misery and pathology, on the other hand, are fostered by environments where people's natural tendencies towards self-actualisation are frustrated. Once more it is clear that organisations characterised by ethical neglect will frustrate self-actualisation while ethical organisations will foster it.

Ethical organisations

An ethical organisation is one that has a strong ethical value orientation, lives these values and practises them when engaging with all internal and external stakeholders. The totally aligned organisation (TAO) mode can be regarded as the ultimate ethical organisation. It is characterised by a seamless integration of ethics into the purpose, mission and goals of the organisation – ethics is integral to how the organisation defines itself and how things are done.

Ethics is no longer viewed as just another aspect of the organisation that needs to be managed. On the contrary, it is regarded as an integral part of the company without which it would be unable to fulfil its purpose, mission and goals.

This presupposes that a company in the TAO mode will have a well developed sense of identity and purpose premised upon non-negotiable morally responsible interaction with its internal and external stakeholders as well as its environment.

Consequently, ethical behaviour is regarded as strategically important and unethical behaviour as jeopardising not only the business success of the organisation, but also as undermining the very identity of the organisation.

Litz describes the strategic value of ethics as follows: "To the extent that the firm is able to recognise its interdependence, reflect on the ethical standards appropriate to the situation and react in a timely and responsive manner, it possesses valuable, rare, inimitable and non-substitutable assets, i.e., it possesses strategic resources."

In the TAO mode ethical culture is an integral and natural part of organisational culture. Evidence of the existence of such a culture includes high levels of trust, the presence of spontaneous ethics talk, the continuous consideration of ethical implications of decisions at all levels, the presence of several ethical role models in key positions and ethical HR management practices. Ethics is thus recognised as part of business as usual and is entrenched in corporate discourse and decision making.

Ethical organisations are characterised by the respect that they show to all their stakeholders. In the Peters and Waterman study the researchers isolated the notion of respect for the individual as the most pervasive theme in the excellent companies scrutinised.

Respect for the individual is, in turn, a fundamental ethical value as Immanuel Kant emphasised centuries ago. An organisation's commitment to its people arises out of the respect for the worth and dignity of individuals who devote their energies to the business and depend on the business for their economic wellbeing. Even in crisis situations organisations have an ethical duty to minimise whatever hardships have to be imposed in the form of work force reductions, relocations and the loss of income.

Organisations that embrace a sense of respect for the individual as a core value in everything they do have cultures of ethical excellence. This provides the foundation for values based leadership which creates a context in which people can find a sense of coherence, predictability in decision making and meaning in their work – this context is of course the antithesis of a context marked by job dissatisfaction.
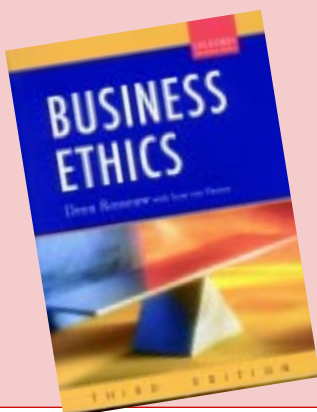
It contributes simultaneously towards fulfilling people's need for self-actualisation. Respect for the individual is then a key to unlocking human potential. This, in turn, builds a context in which the business imperatives of profit, market share, growth and competitive advantage will fall into place as they did in the companies Peters and Waterman analysed.

If organisations succeed in unlocking human potential based on respect for the individual, they not only build ethical organisations, but also create a competitive advantage.

Unlocking human potential with ethics

From examining the role that ethical organisations can play in unlocking human potential the focus will now shift towards the management of ethics for the purposes

of facilitating this unlocking.

Ethical value management
An organisation with a dream (vision), purpose (mission) and core values that are explicitly stated and accepted by all, has clarity on how it goes about its business and what it stands for.

It also provides parameters for actions and behaviours required by members of the organisation. The core values reflect the essence of the organisation. It defines what the organisation is all about and what it wishes to become.

In a longitudinal research survey on 18 'visionary' companies which have been leaders in their industries for over 50 years, Collins and Porras found that each company's success was due to a focus on core values rather than solely a focus on the bottomline.

Although the core values of these organisations were based on non-economic beliefs and an empowering culture, in economic terms they outperformed their comparison companies by as much as 16:1.

Scholars and business leaders are in agreement that organisational values have to be lived and not remain words on paper. For this to happen they have to be determined through participation with employees in particular. This will ensure that they are at least compatible with the individual values of employees.

Determining values then is about clos-ing the gaps that exist between personal and organisational values. Value management implies that everyone in the organisation understands the values, embraces them and applies them continually.

Values therefore have to be made real for every person in the organisation. The alignment of organisational and employee values seems to provide a connection with oneself and also a connection with others, fostering a sense of order and balance in the organisation.

In particular, ethical values such as integrity, independence, justice and respect have to be prioritised by organisations that wish to bring the best out of their people.

It is through the continuous dialogue on ethics that people start to reflect on what is important for them and how they can apply this to their personal and work lives and add value to the organisation thereby also achieving a sense of accomplishment.

This sense of accomplishment may contribute to individuals' perceptions of the meaning of their lives and their self-actualisation.

Value based management also implies that leaders have to be authentic when dealing with their followers. In the process leaders become guides to help employees find meaning. Leaders thus create shared meaning with others thereby engaging the hearts of people.

According to Lantos: "The bottomline, so to speak, is that business leaders must impart the value of values, converting the moral agnostics and unbelievers to a conviction of the worth of virtue in the market place.

"This requires more than just the head knowledge; it also necessitates the heart knowledge. Aristotle said that virtue consists not merely in knowing what is right, but in having the will to do what is right, i.e. the power to carry out the mind's judgement into action."

Organisational citizenship
There is an increasing realisation that business has a strong ethical interface with society. A fundamental truth is that business cannot exist without society and that society cannot go forward without business. Thus business must acknowledge society's existence and the growing demand for more ethically responsible business practice.

Collins and Porras contend that people want something to believe in, they want to have meaningful work and to feel that they contribute towards an organisational mission that makes a difference to others. The sense of community that comes about when organisations recognise their role as corporate citizens and live this role promotes the feeling of partnership within.

Should employees also understand their individual sense of responsibility and contribution to something beyond merely the creation of wealth for shareowners, it

may enhance their chances of creating meaning in their lives through their contributions at work.

By having shared core values and looking beyond the fences of the organisation and endowing their employees with this same world view, organisations will have a better chance of optimising human potential.

Redefining the psychological contract

The psychological contract that exists between organisations and their employees is described as the match between the expectations organisations have of their people, the expectations people have of their organisations and what the organisations are prepared to offer in return.

Prior to the 1980s organisations and their employees had fairly conservative psychological contracts. Being associated with a company during that time "was an effective way to affirm one's world," according to Kets de Vries.

Employees had commitments of loyalty and affiliation with an organisation that provided them with a sense of stability and security. The 1980s, however, saw the advent of excessive preoccupation with shareholder value, business re-engineering, downsizing and largescale retrenchments. These phenomena severely dented the traditional notion of the psychological contract which was rooted in stability.

The demise of the psychological contract caused a loss to the psychological wellbeing of employees. Fairholm suggests that the "abandonment of the psychological contract connecting workers to a lifelong career with the company has effectively destroyed the security and tranquillity of the work place. People need something to repair the damage."

A possible solution to this problem is a redefinition of the psychological contract. This, however, calls for corporate leadership to take a long and hard look at their ability to align personal and organisational values. If organisations are serious about placing a sense of ownership on their employees they have to pay serious attention to the personal growth and development of their people.

In addition to this the establishment of 'holding environments' (rather than prescriptive bureaucracies) in organisations where employees can feel trusted, valued and secure, seems to be imperative. Thus ethics needs to be ingrained in the new psychological contract.

Retrenchment gone wrong

Some years ago a parastatal instituted a major downsizing project. On offer were voluntary retrenchment and early retirement packages for all employees. This resulted in the company losing virtually all of its engineering and IT talent (employees with marketable skills).

Realising the consequences of this brain drain too late in the process, they had to rehire many of those employees on a contract basis – for a long time this cost the company more than the salaries of the engineers and IT people prior to their exit from the organisation.

The effects this may have had on the commitment and morale of the employees that remained in the organisation is clear. The questions that arise are:
❖ Can employees align their personal values with those of the organisation in such turbulent conditions?
❖ Can human potential be unlocked in these conditions?

Empowerment and enablement

Jack Welch contends that empowering employees to reach their full potential and own sense of values is not merely benevolence; it is a competitive necessity. Empowerment is about giving employees the keys to drive the vehicle that you have entrusted them with.

If organisations believe that employees can really make a difference, be sources of creativity, behave in self-managing ways and accept the values and culture of the organisation, they will allow the employees relative freedom of participation, contribution, innovation and opinion.

This may involve a paradigmatic change within the organisational leadership to create a climate of trust that allows employees to take responsibility, make decisions and accept accountability for them.

Merely giving someone a driver's licence does not guarantee that the person can or will drive properly. This means that giving a person a job and empowering him or her to be accountable for the expected job outcomes, is meaningless unless he or she is also enabled to achieve job outcomes, experience a sense of achievement and add real value to the company.

Enablement is facilitated through training and development opportunities. Manfred Kets de Vries and Peter Senge call for the fostering of a sense of competence in employees. Enabled people flourish in an environment of interactive trust, shared vision and common values.

Treating employees with ethical sensitivity is essential to empowerment and enablement. It is premised on respect for the dignity and autonomy of the people that work in an organisation.

Ethical leaders are instrumental in enabling their people. In facilitating full enablement in their people, they have to continuously train, educate and coach followers, provide motivation, involve them in approved networks and then free them from situational constraints that hamper growth towards full effectiveness.

Ethical HR practices

Some three years ago a well known South African CEO was quoted in the press as saying about his company: "HR has no role to play."

At that stage the company had access to virtually unlimited capital and possessed state of the art technology. It has subsequently emerged that since that time the company's human capital fibre has mollified to the extent that the company is no longer an employer of choice. It is also no surprise that its share price is currently 96% less than it was three years ago.

Organisations, through those responsible for the practice of HR management, have an ethical obligation to both the organisation and its people. This implies that HR practitioners have to be in partnership with the operating managers in the organisation in order to optimise financial success on the one hand whilst being advocates for the people cause on the other.

HR management, being the corporate function that is concerned with acquiring, nurturing, protecting, retaining and developing people, has as its main responsibility the alignment of people management strategies with the organisation's vision, mission and objectives.

In doing this they have to develop strategies and systems for human resource planning, recruitment and selection, performance management, human resource development and compensation. Additional tasks are to provide a context for fair treatment of employees and employee health and wellness.

It is not only important for the company to accumulate human capital in order to forge a competitive edge. The company's people are also major stakeholders – as such they have a vested interest in the company's sustainability. In short, employees deem it important that the company still exists 10 or 15 years down the line.

Hence, managing HR with a view to design strategies and systems that enhance the possibility of unlocking human potential will also make sense to employees. HR's contribution in unlocking human potential is based on its understanding of human behaviour.

HR has to join forces with the organisation in being sensitive to practices that may endanger value alignment, inhibit opportunities for people to forge meaning through their work and to promote practices that are conducive to these desirable outcomes.

Unlocking human talent is vital for the success and sustainability of any organisation. This can hardly be achieved without attending to the ethics of the organisation. A neglect of ethics can undermine and lock up human potential.

The ethical treatment of people can have the opposite effect. It can unlock human potential and create meaning and self-actualisation at work which, in turn, can give the organisation a competitive edge.∎