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Developing ethical corporate cultures

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Developing Corporate Cultures To Comply With Organizational Strategies

Abstract

The purpose of this study is to investigate the possibility of implementing different ethical corporate cultures to produce improved performance and maximize results in organizational strategies. Globalization, carrying with it various institutional changes, has created tremendous diversification in the organization cultures throughout the world. Through this empirical study, it is perceived that corporate cultures can be analysed and moulded according to the strategic plans of such organizations. The idiosyncratic traces of a region or of a country involving ethics may still be observed and apply in the organizational culture and also affect the strategic plans as a whole. This essay makes some elementary proposals on how to avoid the repetition of the recent catastrophes and financial scandals in world-wide major conglomerates.

I. INTRODUCTION

The Research Report nº 12/1995, focusing "Ethics in Propaganda", issued by the Escola de Administração de Empresas de São Paulo – Fundação Getúlio Vargas – NPP – Núcleo de Pesquisas e Publicações, written by Maria Cecília Coutinho de Arruda, studied ethical patterns that guide managers and owners of advertising agencies in Brazil and in forty-two other countries. This study is an excellent example of the positive effects of what may happen with other business segments and departments of different organizations throughout the world.

Steinberg *et al* (2003) prefaces his book entitled Corporative Governance, citing the case of the Baring Bank in Singapore, where a finance operator carried out speculative investments in Futures Markets resulting in losses of almost one billion English pounds. Based on this, and others like Enron, the following question is posed:

> Is it possible to blame a failure in the strategic plans of the organization where a gap in the company's culture allowed an anti-ethic attitude?

According to results of this study, the response is yes and indeed gaps in the company's culture may lead opportunists to anti-ethical attitudes.

Could the lack of personnel integration in mergers, like the DaimlerChrysler, among others, be attributed to a lack of communicatin within the organization caused by a failure in the organizational strategy of the involved companies??

This question is not the core of this paper, however, it is highly recommended to further enrich the study.

This study reveals that some measures taken by certain companies in the social responsibility field may change dramatically the social environment to which the employees belong, which, in turn, gives the organization an ultra-positive image generated from such a fact.

In order to give the paper some order, the following structure has been established:

second subtitle: - corporate cultures, where a suggested definition is given;

third subtitle: - point one - some figures about investments in social responsibility;

third subtitle: - point two - social projects in Brazil as corporate cultures;

fourth subtitle: the aesthetic of imperfection in orchestras and organizations, another corporate culture orientation;

fifth subtitle: the corporate community leads to the comparison of the corporation with a large family;

sixth subtitle: the impact of narcissistic manager in the organization, which alerts the organizations to the special care which needs to be addressed to certain behaviours in organizations as part of the corporate culture;

seventh and last subtitle: final considerations.

Before considering the figures in the third subtitle, it must be pointed out that Brazil is still a developing country with a considerable number of social problems but with huge potential for growth in various economic and social areas. The development of social responsibility programs as corporate cultures, to comply with organizational strategies, is one of the ways in which to improve performance and maximize results.

It should be noted that it is not the intention of this paper to cover Brazil's corporate cultures alone. The paper is offered as a contribution to the academic world and organizational societies that may influence studies on economics and enterprises throughout the world.

II. Ethical Corporate Cultures

It is not the principal goal of this paper to define precisely what "ethical corporate culture" means but rather to try and discuss concepts and ideas which, in turn, may contribute to other exploratory interpretations and studies that lead to better results in the future. It is believed to be important that organizations must focus operations on ethical themes. The concept of ethics itself is not easy to define but, based on Arruda's (1995), the following are worthy of consideration:

- social responsibility and ethical performance in the professional activity;
- norms and standards in the performance of each profession;
- parameters to be used in the development of any idea within or outside the company;
- organizations that make public the imperative use of ethics;
- effective and intensive participation in campaigns related to moral and social themes.

Brian P. Hall (2003) quoted Peters and Waterman (1982), as follows: "Every excellent company we studied is clear on what it stands for, and takes the process of values 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".

Kirk O. Hanson, executive director of the Markkula Center for Applied Ethics at Santa Clara University, says that ethics is really two things. "First, ethics refers to well-based standards of right and wrong that prescribe what humans ought to do, usally in terms of rights, obligations, benefits to society, fairness, or specific virtues...Ethics also means.....the continuous effort of studying our own moral beliefs and our moral conduct, and striving to ensure that we, and the institutions we help to shape, live up to standards that are reasonable and solidly based" (Markkula Center for Applied Ethics website, 2003).

Peter Drucker suggests that, instead of power and command, the terms must be changed to responsibility and contribution; the task of the manager in the organization based on knowledge is not to make every one a boss - it is to make every one a contributor.

Livia Barbosa (2000) states that the theme "corporate cultures" originated under the sponsorship of the organizational development during the 1960 decade. The idealizers and defenders of the practices of the organizational development intended to "build up" organizations or to promote changes in the restructuring of internal relations of those universes, the implantation of "humanistics" values as personal opening to new experiences, subjectivity assessment, self-development, avoidance of negative evaluation, cooperation instead of competition, confidence instead of political and power games, authentic behavior, emphasis on the human being seen as a process and not as a finished and fix entity, acceptance of differences, assessment of challenges to innovation and changes imposed to human beings, etc.

According to Barbosa, the views expressed in specialized literature, do not consider the organization development programs as having been successful.

However, Barbosa questions these views: If the first organizational culture theory was not successful, how is it possible to explain the distinction it gained from 1980 onwards?. Barbosa states the response is outside the internal framework of the organization – it is in the external environment. According to findings in this empirical study, it is the combination of the two factors, internal and external frames of the organization, that affects the corporate culture, and is a major contribution in the creation of the organizational strategies. However, this combination is not always perceived by all the employees of organizations.

The vision of culture as strongly integrated and all-inclusive has given way to one which stresses its pluralist, controversial, disconnected and fragmented nature. The social distinctions among groups – previously based in the class, gender, race, and nationality, which gave us a safe, social and defined location, are replaced by differentiations made through cultural symbols. The identities are changed and reconstructed in more fluid and plural forms.

The organizational development, as an area of knowledge in the administration studies has, indeed, been object of notability in the last 25 years, especially in the economic, scientific, political, and even social fields, which have been reinforced by some very important historical events that affected all of us directly or indirectly, as follows:

- the fall of the Berlin Wall;
- the South Korean economical boom;
- the genoma studies;
- the spread of aids virus;
- the worldwide expansion of telecommunications;
- the proliferation of internet and mobile phone;
- the Rise of Japanese Economy;
- and Globalization, which reached the whole world.

Undoubtedly, Globalization has been the most prominent factor that has affected organizations throughout the world, no matter what the level of growth or debt of the countries, political or economic system, language or faith. This fact has brought many countries together, thinking along similar lines, creating a sort of global culture, inspiring wishes for the same things in many countries in the world at the very same time. Neverthless, the idiosyncratic differences still need to be analysed and adjusted to the organizational strategies.

The new business practices are generated by Globalization by other means of contact and diffusion of new ideas, values, logical and technologies, such as the purchase and research of products and raw-material (global buying and global sourcing) and the regional integration of projects between units of the same transnational company (for example, Latin America, Southeast Asia, etc), that demand permanent and continuous intercultural negotiation.

According to Barbosa, these new operation modalities have stimulated the publication of literature that teaches executives, entrepreneurs, and administrators to

communicate among themselves across national frontiers and cultural barriers, state Barbosa (op. cit).

This way, the cultural and symbolic dimension enters the organizations under the label not only of the corporate culture, but also of *difference*, created by the Globalization. This *difference* reflect itself basically in the notion of creativity, not only based on the new but also on the different, which offers a competitive advantage in the market. In this connection, we may go back in the time and consider what happened to Japan in the 1950's by establishing a revolutionary corporate culture at the Toyota production line by determining the "lean manufacturing", which changed a worldwide concept of corporate planning and working, personnel training, production timing, and better use of human resources.

According to Barbosa (op. cit), two classic books of administration: *In search of excellence* (Peters & Waterman, 1982), and *Corporate cultures* (Deal & Kennedy, 1982), argue convincingly, that the most successful north-american enterprises and organizations had a concern, similar to that of the Japanese, with the dissemination of managerial values. That was enough for north-americans and european administrators, executive and managers to be convinced of the relevance of the cultural dimension in the organizations, pushing the beginning of an era of studies with the objective of transforming the anthropological knowledge into managerial technology.

The following text written by Wilkins (1989:25), apud Barbosa, expresses how well this concept has been considered and used on north-american soil since then:

"Thus culture may not be something we look at only when we think about changing the organization; it may also be something we should invest in using a positive way in organization".

Brian P. Hall (2003) produces some clarifications on Values, Ethics, and Organizational Culture. Hall states that Corporate Culture is human and flows from a set of relationships, and it is these relationships that form the environment from which all decisions flow, including ethical and moral choices. Values are the priorities that underpin our behaviour - our emotions, beliefs, ideas, and decision making. These external expressions all flow from values each of us has. This value system is critical because it gives meaning to our lives - it is what energizes us and empowers us through the stories we tell, puts Hall (op. cit.)

Kirk O. Hanson, director of the Markkula Center for Applied Ethics gives a short description of corporate corruption possibly originated by the lack of ethical principles in the corporate culture: "The collapse of Enron is probably one of the most significant events in the history of American business...Enron executives really did believe this is a winner-take-all society - that there was a culture behind them saying, 'You're worth nothing if you're not a centi-millionaire.'...They wined and dined the prospects. They promised them huge bonuses and fed those young egos as much as they would take. Once people were hired, it was an up-or-out cullture, according to Hall (2003).

Now, combining ethical and corporate cultures as seen above, organization strategists must ensure that, provided the company plans to last in the market, every

"contributor" at the firm should participate in the orchestra as a whole. However, every "contributor" must also be prepared, and qualified, to act as a soloist jazz player as in the comparison made by Weick (2002), see the fourth subtitle.

III. Some figures about investments on social responsibility in Brazil

3.1 Stock Exchange and social responsibility

According to Siqueira and Spers (2003), there is already a picture that projects the stock market valued in accordance with the performance of social responsibility. This market is so clear nowadays that some pension funds are acquiring expertise in recognising and handling stock of a social responsibilty nature.

Siqueira and Spers still declare that the main justification for growth in this sort of market are related to a long-term view from shareholders who associate the notion of social responsibility to the reduction of expenses mainly toward labor and environmental lawsuits. In addition, companies with positive institutional image, potentially, get more loyalty from its customers and involvement from its workers, in spite of the fact that the prices in the market are higher. Below the transcription of an article published at Gazeta Mercantil – São Paulo – Brazil on August 6th, 2001, regarding the theme:

> Pension funds point the trend of investment in companies socially responsible. Henrique Pizzolato, Director of Security for Social Welfare of Employees of Banco do Brasil, indicates that companies that comply with the social and environmental criteria are more trusted in the long term. There are 346 brazilian pension funds with assets of R$ 148 billions (aproximate US$ 49 billions), being 60% of the value invested in the stock market in the year 2000, 6,49% of real state investments were applied in hotels and game preserves. However, Previ, the biggest private insurance company in Brazil, with assets of R$ 38 billions (approximate US$ 13 billions), consider the social responsibility a differential. Previ receive more than 5 thousand phone calls per month asking about its investment policies. The ABP investments calculates that there are in operation, in Europe, 188 pension funds, the total of resources invested by those investment funds in social responsibility reach the approximate figure of 11 billion Euros, and in the United States US$ 8 billions, being US$ 1 billion invested in the stock market following this concept.(GAZETA MERCANTIL 06/08/01).

Siqueira and Spers (op. cit) have developed a special study on social responsibility as the potential transformer of organizations within certain limits and intentions, especially in Brazil. Their conclusion could be read something like: Social responsibility, as a potential transformer, creates the opportunity in change of value of the self-image of individuals within organizations.

From the above figures, Social Responsibility may be seen as a way of developing corporate cultures that will combine with the organizational strategies in the long run, bringing to the organization a possible air of individual commitment, capturing minds and hearts of employess and customers as well. According to the empirical

study, Social Responsibility is assuming an important role in the organizational culture, from the employee point of view, and in the organizational strategies from the shareholders' view.

3.2 Social projects 2003 in Brazil

The brazilian magazine "EXAME", special edition, December 2003, published the 4th edition of "The guide to good corporative citizenship", which is a good example of what the corporate world may contribute towards social responsibility. 245 companies participated in the research, development, support or finance of about 1200 social projects. According to the magazine editor, there are 749 subscribed projects, which required the investments of R$ 528.000 (US$ 176.000) in the year 2003, are described.

Out of those projects, 59% involve the creation of partnerships among corporations, government and non-governmental organizations and 30% count on the support of employees – volunteers. A jury, formed by specialists in social responsibility and private social investments, gave particular mention to eleven social projects developed by Banco do Brasil, BankBoston, Belgo, Cia. Suzano, Comgás, DaimlerChrysler do Brasil, Itaú, McDonalds, Motorola, Telemar, and TIM.

IV. The aesthetic of imperfection in orchestras and organizations

Weick (2002), suggests that jazz is a valuable tool for organizational theorists who want to understand innovation, the variation process in natural selection, idea generation and creativity. The author states that the key idea about how jazz is produced include the use of songs as a temporal logic, and the use of retrospective manual works as a means of creating order in chaos. Despite the fact that some respondents, to the questionnaire, did not perceive the relationship between organizational culture and jazz, most respondents agree that it might be possible to relate jazz and innovation. This result might offer a sort of improvement in the organizational culture, but this would not imply it becoming part of the organizational strategy.

Songs seem to offer an interesting source of possibilities. They represent a sort of structure of mutual equivalence (Wallace, 1961) apud Weick, 2002, that allows people to be diverse in equivalent ways, allowing their actions to interlace. The song produces cohesion in diversity, promotes the coordination that allows people to focus on other things – the song is the interdependence. The structures of a melody impose order continuously, not just at the beginning which may be the main and crucial property of innovation. Innovation within organizations seems to absorb more attention at the beginning at the moment of ideas generation. However, while people

develop their ideas in different ways, with different elaborations, different premises and transitions, nobody knows where the other is. This does not occur when the improvisation happens jointly, at a certain moment. In jazz, both the soloist and the accompanist do know where they are - they have a continuous sense of localization.

It is something like a person working in project team in order to generate new ideas is simultaneously trying to find where everybody is and, at the same time, is trying to innovate, as if he had encountered the core of the problem to which everybody's attention is focused.

Weicke (op. cit) observes that the jazz is an imperfect art, but the beauty of this art is found in these imperfections. Jazz is made of false beginnings, failures and imperfect peformances such as are frequently encountered in the organizational life. The idea is not to apologize for failure, nor even to encourage a reduction in excellence and quality. Instead, the intention is to work with the idea that appreciates errors may happen when people produce genuine, deep, and laborious innovations. It does not refer to negligence or mistake – it refers to out of reach. The objective is to create something similar to what Gioia (1988, p. 55) apud Weicke, calls "aesthetic of imperfection".

It is believed that much may be learnt about improvisatin in organization, assuming that the recognition of the images of risks and fears inherent in jazz, during performance, may be found.

V. The corporate community

According to Freitas (2000), the modern organizations/corporations also claim to be a community or a big family. The identification required by individuals linked to those corporations is no longer concerned with professional competence alone but includes behavioral and relational aspects.

Several mechanisms have been created to expand the areas of influence of companies in relation to individuals. A creation of "soft spaces", of leisure, of recreation, and of social integration as clubs, vacation colonies, gymnastic academies, etc. These aspects of organizations are no longer headline news anymore. The working place is also the place for hobby, of the ludicrous, of the poetic, of the harmonious living together among hierarchic rankings democratically jumbled together, whose proximity dissolve the differences and conflicts, puts Freitas (op.cit).

In the same way, the home or the private universe of each one also tends to be integrated with the corporation through a computer connected to the net. The definitons of vacation have become part of the corporation strategy with the provision of prize holidays for outstanding performance. An alliance is made with the relatives of the members of the company in order to motivate the members to produce the maximum to justify holidays spent in Greek and Caribean paradises. There is still space for the expression of religious feelings, i.e., the psychospiritual is also being

watched by means of lectures, speeches, seminars, concentration increase and stress control. The comporation becomes a place where the work is transformed into living together in a fraternal, enthusiastic, and enjoyable way.

In view of the respondents to this study, the current social context, in permanent transformation, does not yet allow a clear vision of every implication for the organizational culture universe. However, it demonstrates substantial differences and new way of living, not only in the working world, but also in the one of social relationship, which must contemplate an ethical and balanced profile in order to guarantee the changes are honest and following market demands as an intergrated portion of the organization strategies.

While organizations may welcome and encourage the corporate culture to act like a large family in a community, others may pay a high price for hiring undesired or unacceptable characters as they may represent any sort of risk to the group as a whole. Those characters could be eventually the destructive narcissistic managers...

VI. **The impact of narcissistic managers in the organizations**

Lubit (2002) indicates that destructive narcissism is both a common and significant problem in organizations. The outward self-confidence, drive for power, and ruthlessness of destructively narcissistic managers facilitate their rise to positions of power. Most large organizations have enough destructive narcissistic managers to present a significant and costly problem in medium and long terms.

According to Lubit, the destructive narcissistic may seem an extreme degree of the wholesome narcissistic but this is not true. Although both the wholesome and destructive narcissistic create an apparent self-confidence, they are distinctive phenomena.

The interpersonal relationships are seriously compromissed by the destructive narcissistic. Destructive narcissistic individuals do not have either empathy with other persons or capacity to understand them deeply. Always ambitious and envious, the destructive narcissistic aspire for those things which do not belong to them, simply in order to possess them and not for the intrinsic value.

Concerned with giving power to their self-esteem, they endeavor to extract the admiration of others. By disdaining help from their fellows, to avoid being envied, they start feeling themselves empty. They do not consider their behavior wrong as they judge themselves special and deserving of better treatment than treatment given to others. (Lubit, op. cit).

Many companies do not have the so-called “360 degrees *feedback”* or do not use it to make decisions with regard to promotions. Instead, they reward the “targeted figures achievement” and the political capacity to gain credit by the profitability in the short term or just by the increase of sales. It is to be borne in mind that a destructive

narcissistic CEO, joined by his team, could reach the point leading the organization into brankruptcy. (Lubit (op. cit). In conformity with the empirical study results, the typical destructive narcissistic manager is to be avoided by most of companies under normal conditions of market. However, in a very conflictive situation where competitors use anti-ethical procedures, then, the employment of a destructive narcissistic manager may become part of the organizational strategies, at least for a given moment.

VII. **Final Considerations**

The development of corporate cultures is a social study started in the 1960s that gained power, as an area of knowledge, from the 1980s onward. However, such a process, according to the empirical study, should receive deeper attention with regard to what happened in those times when Keynes and Marx expressed their thoughts and concerns about economic and social questions. It would appear that the cultures of that time have been modified through each era right up to the present day. Ethical corporate culture is the current challenge.

The performance based upon the unemployment curve in the United States, during the period of 1900-1965, was examined in order to illustrate this paper. This is an excellent example of economic and social non-conformities that affected the corporate cultures throughout that time and it is still producing different shapes to all sectors of humanity, not just some of them.

It goes without saying that Peter Drucker has left a great legacy to humanity in these last 30 years. He taught his contemporaries, and those who followed, to think of human aspects in conjunction with economic and political measures, procedures and phenomena, looking for balance between the intolerance and tolerance in the various sectors of studies, persuading his readers to analyse social improvements, especially the ethical corporate cultures.

The statement made by Yoram Barzel: " *the firm is simply an organization whose purpose is to select the optimal points on the production function, acquire the necessary inputs, and tranform them into output, which it sells; its objective is profit maximization"* is nothing more than the reality found in the majority of private corporations in the world, except those with profitless ideals. Nevertheless**,** it is to be observed that the complexity of the human being as part of the organizational culture is a very important factor to be taken into consideration as it may modify, i.e., increase or reduce the final organizational output that may definitely sell...or not.

The results of this empirical study, show that most consumers today, no matter what is their country of origin, demand products produced by ethical corporations. This begins with the goodwill and openness of mind shown by the top leaders of organizations, by motivating the innovation in the planning and production of ethical products and services. The employess should be rewarded accordingly, as a normal

procedure, within the organizational strategies, and through this achieve the desired excellent performance and maximum organizational results.

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