

In This Issue

Pruzan and Thyssen's 'Organizational Ethics'

Organizational ethics provide conditions for dialogue and search for harmony among all major participants and stakeholders in given business ecology: managers, employees, customers, suppliers and both local and broader community.

Professors Pruzan and Thyssen of the Copenhagen Business School have pioneered a number of new operational supports which are designed to promote consensus, reduce conflict and integrate an enterprise more closely with its environment. Among them are *Organizational and Stakeholder Profiles*, *Organization's Ethical Codex* and *Ethical Accounting Statement*, all of which are described and discussed in this paper.

For example, the *Ethical Accounting Statement* differs from the traditional balance sheet in three major ways:

1. It employs not only monetary units or measure, but a spectrum of quantitative and qualitative values;
2. It is not an abstract communication oriented towards the owners, but a statement of values directed towards the various stakeholders;
3. It is designed and produced by the stakeholders themselves.

The traditional 'bottom line' is a very strong and effective measure of performance. Yet, its language is very narrow. We not know very much about the enterprise if all we know is how much it earns and how much it owns. The *real bottom line* is the long-term of life of its employees and the community in which they operate and live. The real bottom line is what business is all about. Business are people, their knowledge, skills and lives, not just numbers. The most important things often remain unmeasured and therefore underestimated or ignored.

Socialism has totally separated people from their places of work and life and is finally collapsing all

around us. Also capitalism has separated owners from managers and employees and both from their surrounding communities. Only in recent years we can safely document the emergence of a new society where businesses become integrated with their local environments and employees, local citizens and customers become the owners and major investors in the enterprise. Modern enterprises in Europe, Japan and the US are escaping from their self-imposed isolation and actively integrate themselves in the society.

Predictably, such integrated enterprises are more competitive, more profitable, ecologically sounder, socially involved and self-conscious, and often loved and esteemed by their own employees and their community at large. The list of the most successful enterprises now coincides with the most ethical and the most integrated ones.

In other words, as Pruzan and Thyssen conclude, we have come to realize that ethics not only can co-exist with free market competition, but has become its very prerequisite. Only if the enterprise develops and lives up to an organizational ethic can private initiative and enterprise survive and flourish in the long run. Otherwise, in the long run, we are all dead.

Zeleny, Cornet and Stoner's 'The Era of Integration'

As we enter the 1990s, corporations are going to face a most fundamental change in the nature of work and the nature of organizations where work is done. Historically, corporations evolved into specialized hierarchical organizations in order to become efficient productive enterprises. But extensive specialization has led to the inefficient compartmentalization of labor and knowledge; additional layers of middle management that burden, complicate and isolate the 'thinkers' from the 'doers'; isolation of the corporation from its social and competitive environment; and eventually in-

creased costs, lower quality, damaged environment and loss of entrepreneurial spirit.

The authors propose that the age of specialization has outlived its usefulness and is no longer an efficient mode for achieving success in the global environment. Corporations are entering the era of integration (or re-integration) and should adopt *integrative approach to management*. This approach changes the way we manage and work and reinstates the corporation in its environment.

In the age of specialization, labor, knowledge and tasks were divided to minimize cost and maximize productivity. Now is the time to re-integrate these functions and create more independent holistic workers and renaissance managers. This transition is already well under way as evidenced by increased employee ownership, flattening of the corporate hierarchy, increased emphasis on quality, recognition of ecological imperatives of the enterprise, and so on.

The age of specialization has separated the organization from its external environment. External perturbations were issues to be 'handled and dealt with,' rather than natural contributors to corporate policy, structure and culture. In the era of integration, these outside forces must become integrated into the corporate development process.

We are now witnessing the emergence of *corporate ecosystems*, the interpenetration of the company and its employees with the community traditionally 'outside'. Employee-owned companies with direct community stakeholders are much less likely to pollute or destroy their immediate social, competitive and physical environment. In fact, such companies are bound to benefit economically from the enhancement of their environment. This new private rather than public organization is bringing about the promise which big government, with all its fees, penalties, regulations and bureaucracies, can never hope to achieve.

The authors have also developed a series of management metaphors and ended up with the 'amoeba' metaphor for the 1990s. This is reminiscent of the successful and highly praised 'The Amoeba System' at the Kyocera Corporation in modern Japan. This system goes well beyond the 'just-in-time' system, originated by H. Ford in the 1920s, which propelled

Japan into prominence and which is only now – and obviously too late – being experimented with by some of the huge, sclerotic and grossly inefficient hierarchies of the age long past: the age of specialization. The age of corporate 'dinosaurs' has just ended: only the 'dinosaurs', as their famous predecessors, have not noticed it yet . . .

Kim's 'Korea's Industrialization'

Professor Kim presents detailed study of Korea's export-managed industrialization and tries to draw some valuable socio-economic lessons from its success.

Many developing countries and the newly released countries of central Europe are searching for strategies towards industrialization and global competitiveness. It is obvious that in the realm of manufactured products lies the largest potential for expansion. It is necessary however to select appropriate industrial products, establish production systems based on quality, the latest technology and modern management. South Korea is a prime example that industrialization is possible and could be reasonably rapid under proper conditions.

Until 1961, Korea was based on aid, debt and foreign 'injections' economy, maintaining status quo and leading nowhere. Then a governmental export- and growth-driven strategy, dependent on authoritarian political and social order was instituted. Unlike the import-substitution policies of Latin America and the recent 'Polish' way, the Korean emphasis was squarely on exports.

In order to be able to undertake such strategy, human knowledge – as the most valuable and most productive form of capital – has been significantly upgraded. The promotion of education, skills and training of the widest possible segments of the population has been undertaken. Between 1945–1975, the enrollment in higher education institutions was increased by a factor of thirty seven.

Compare the 37 times higher enrollments in South Korea with the actual declines registered in Eastern Europe and part of the economic answer is given: education and knowledge of local population is the prerequisite, not just debts and stock buyouts by foreigners.

The necessary technology was not simply bought from developed countries, but careful local technology support nets of 'native technology' were developed at the same time. A country cannot rely on foreign technology without evolving its own research and development centers: such approach only deepens dependency, waste and helplessness. Many new governments of Central Europe are now making the same mistake and are already hurling their countries into the Latin American morass.

Finally, the Korean economy has now become so sophisticated and complex that the traditional discretionary fiscal and monetary policies are no longer effective: market forces drive the economy. New Korea eliminated subsidies, denationalized major commercial banks and established a managed float of its currency rates. After this opening of the economy the exports started to grow rapidly.

Professor Kim offers his conclusions and results for study by the stagnating nations. Strong government intervention and 'push' was initiating the Korean take-off. The general mistrust and proven unreliability and incompetence of most Latin American and East European governments could be the biggest obstacle for other countries to follow the Korean way.

Ronen, Lucas and Eden's "Personal Computers"

The price of personal computers (PC) is declining worldwide. The technology of knowledge processing is becoming cheaper while the quality or usefulness of knowledge itself is becoming dearer and harder to come by.

In this environment of declining costs of processing and the increasing costs of not having information, the questions of "when to invest?" are becoming rather easy to answer: Now.

Many of us still remember the old-fashioned textbooks cluttered with simplistic financial formulas whether to "buy now" or whether to "buy later". Many of those who followed such formulas are not with us any longer. They bought later or, in fact, they never got around to buying at all. When they finally bought, they had nobody who could use or operate the new technology: the firm's knowledge was gone and so was the firm.

Professors Eden, Ronen and Lucas are exploring the declining cost "paradox" of PCs, which turns out not to be a paradox at all. The impacts, effects and improvements of new high technologies are so large and so tangible that forsaking such new technologies now, i.e., waiting for their prices to fall in the future, is suicidal.

It is quite simple: high technologies require evolution of the requisite support net of flows and relations. This support net is a complex learning system which takes years (and sometimes even decades) to evolve. The hardware costs *do not* include the costs of software, brainware and support net. The decline in the cost of hardware must be measured against the increased costs of delayed or neglected investment in software, brainware and support net. With respect to high technologies, it is quite simple to argue that the cheapest and the most advantageous time to acquire the hardware is – *yesterday*.

It is therefore logical and totally unsurprising that the total costs of high technology increase by waiting with the purchase in order to take advantage of declining hardware costs. In fact, the definition of high technology (hardware + software + brainware + support net) makes such conclusion unavoidable and prior to any empirical research.

The authors provide analytical, empirical and quantitative reasoning which support the above conclusions. They conclude they one should not wait to invest in PCs or other "high" technologies. In terms of competition, "high" is the most expensive if you get it last – then you can have it for free; you'll never catch up.

No formulas are needed. To be the best in business, only the following poetic wisdom of Sir Fletcher Jones will suffice:

No war, no strike, no depression can so completely destroy an established business, or its usefulness, as new and better methods, equipment and materials, in the hands of an enlightened competitor.

Good technology management is not a question of formulas, but of enlightenment. The cost of hardware is irrelevant: it all depends upon who has it and who does not. Any *high* technology, because of its need for *support net*, should have been acquired yeasterday, if at all possible.