

HUMAN RELATIONS –THE GREATEST ASSET

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ABSTRACT

Business involves a rich network of relationship. Relationship with customers, employees, suppliers, competitors, communities, government and environment. The relationships may be classical and contractual or may be formal or informal and enforced primarily by the need the parties have to go on doing business with each other. With the emergence of globalization the environment of business has changed and engendered complex set of relationships for the modern day business. To harmonize these complex sets of relations, modern day business must architect such relations which result in productive human capital and make business complex to simplex. It has become challenge for almost all business running corporations to transform themselves from complex set of relations to simplex and for this business must acknowledge, assure and ensure that intangibles 'human relations' are our greatest assets. Relations who result in human capital can be successful when we consider people as our greatest strength, harmonizing ethics with economics, building trust.

"The most important, and indeed the truly unique, contribution of management in the 20th Century was the fifty-fold increase in the productivity of the manual worker in manufacturing. The most important contribution management needs to make in the 21st Century is similarly to increase the productivity of knowledge work and the knowledge worker." – **Peter Drucker**

KEYWORDS: Ethics, Human Relations, Intangibles, People, Performance, Trust

INTRODUCTION

Best Performing People are Greatest Asset

.....I said I wanted GE to become "the most competitive enterprise on earth.....in the end, I believe we created the greatest people factory in the world, a learning enterprise, with a boundary less culture" - **Jack Welch**

The management's biggest challenge in 21st century is how to go about building the kind of organizations in which relations are revered and can flourish. These relations can birth best performances, best performances are holy assets. "People are our greatest assets", this phrase or valuations on it has become one of the clichés of management (Microsoft, 3M, Sony, HP etc) presentations, mission statements and annual reports through out the world and expressing a view of people being heart of the enterprise. Employees are the key to success in any organization. An organization may have the most advanced strategy, processes, technology, etc but success will come when people are right and without the right people the best is dream. In a knowledge economy where creativity is at premium, people are the most important strengths, which a firm possesses. In his work on US company's Stanford university professor Jeffrey pfeffer notes the strong correlation between proactive people management practices and the performance of firms in a variety of sectors. These pro-active practices cultivate a culture of Virtue. This will create a harmonious working together environment. Adam smith wrote about Virtue as being constituted of propriety, prudence, and benevolence. Propriety referred to the appropriate control and direction of our affections, prudence implied the judicious pursuit of our private interest and

benevolence constituted those affections that encouraged the happiness of other. However, these notions have largely been ignored by number of organizations and eventually loosing people who are enormously talented and trusted. Practices like minimizing status differentials; low tolerance for elitism casual attire etc has given Southwest airline an enviable position as the most effective airlines in the USA despite being much smaller than its rivals. Such practices will certainly and largely build quality relations and will create an environment where self-expression, good ideas and creativity will emerge and prosper. Once the CEO of S W Airlines explained, "Arrogant people will not fit in nor will some who is really proud of his or her title".

Leaders of the organizations must adopt democratic approach in running the show. This democratic approach will generate a positive culture in the organization. This positive culture strengthens employees' commitment for the company. Organizations must become asset to people working for it and it becomes asset when it is modest but not arrogant. When organization is asset to people working for them people start make company to grow consciously and they grow with the company. In my research work on 'employee engagement in IT industry 'many of the respondents [employees] revealed that their leaders are democratic in terms to building personal relations, culture of open communication, giving Independence in decision making and allowing Criticism. [See table-1].

Respondents felt that they are empowered to accomplish work towards achieving the organization's objectives and culture of their organization imbued with democratic values if not total but mostly. Employees in company consistently think, speak, and behave in ways that strengthen the work culture and customer experience. The decreased productivity at workplace is due to lack of employee recognition and over bureaucratic tendencies this will disengage employees from work. Engaging employees to heart and soul with their jobs is a challenging task, fail to withstand this challenge employees [especially the best performing employees] will become asset to some other organization. The success of companies like IBM, Microsoft and Google is tied almost directly to their employee recognition activities. Dr. Peter Drucker, globally recognized management consultant, pushed people to the top of the corporate agenda when he wrote, "The economy of the 21st century will depend on the relationship between knowledge workers and their organizations" (1999). A recent book (Reich held, 2001) offers evidence that companies that are able to build a renewed level of trust with their employees perform better financially; loyalty and trust make a difference to the bottom line.

Supporting the drive for self-determination will be a step in the right direction¹. Organizations must understand that most important element in making money is human capital and has to get into this continuously and consistently. Organization need to find ways to accurately measure it, and ensure proper and right investment with high and great protection of this human capital. Anything less, organizations will be in shambles. The unique nature of human capital requires ample consideration Organizations should give freedom and seek wisdom from their employees in the process of managing human capital. Companies that recognize the inherent, true and latent value of their employees will be miles ahead of in competition for the best and can strengthen their balance sheets.

"This disassociation of market and book value meant that companies were now able to generate excess earnings, that is, earnings higher than what would be expected for their tangible assets alone. Indeed, research has shown that the earnings on tangible assets are generally no greater than the product of a company's weighted average cost of capital and the book value of these assets. Investors and economists reasoned, therefore, that something other than tangible assets must be producing the excess earnings behind the disassociation of market and book values. In due course, the root cause was

¹ Schmidt, J. (Spring 2002), "How much is good will worth?" American Management Association, MWORLD.

discovered to be intangibles, a whole other class of assets².” these intangibles found to be human capital and must be asset to business organizations.

HARMONIZING ETHICS WITH ECONOMICS

Globalization has brought ethical matters into sharper focus and institutionalization of ethics has become a matter of policy. Ethical failures certainly play a role. Business is the highest level of human thought, activity, and social good. Some of the masters pieces of the world have ever known are a good meal, Rolls Royce, Boeing 747, a television, Computer. By any measure, the kind of behavior needed to produce these works constitutes the highest level of human thoughts, activity and social good. For this require an environment where ethics do have energy at par with economics. Ethics in business is all about the application of moral standards to business decisions. Business is chemistry of profits and ethics, both must harmonize each other. Garrett defines business ethics as “it is primarily concerned with the relationship of business goals and techniques to specific human needs”.

Understanding this, companies must educate their employees and managers about ethics and its relation to economics. Few companies such as 3M, Levi Strauss, IBM, etc has instituted such programmes. Levi Strauss has been a leader among US based corporations in recognizing the importance of business ethics and community relationships. Its strong history of employee goodwill has worked for numerous years to insure that its employee policies demonstrate respect for workers and lives. It has consistently paid workers and granted benefits uncommon among its competitors. In a survey conducted by American management associations in USA found that the two values regarded most highly by employees of different business running corporations are being responsible and being honest.

In India a survey on corporate social responsibility, which was together carried out by UNDP the British council, CII and price water horse listed that a manager should be honest, ethical and sensitive to society and business linkages. To be ethical, first it is not to be unethical. HBR in their study on ethics revealed the most unethical issues threatening and damaging the reputation of American business running corporations have been bribery, theft, deception, coercion and unfair discrimination.

Late American president Woodrow Wilson laid down four principles of ethics that should exist in business making. They are

- **Rule of Publicity:** It is about transparence in the business activities, which will bring out fishy and false conjecture, misguiding, misunderstandings.
- **Rule of Price Equivalency:** Where business must sell the goods and service, which is equal to the value of the goods to the customers.
- **Rule of Business:** With, where the business must be of higher order sustained by moral decrees.
- **Rule of Service:** With spirit, in order to do business primarily with the motive of service and profit

Ethics seems right in theory but does it work in practice. Making ethics to work in practice is an answer to this million-dollar question. Business-running corporations, which ensure ethics with economics at workplace, will ennoble the business. Cadbury Schweppes aim to help *all* cocoa farmers improve their standard of living by helping them develop sustainable crops of quality beans. In Ghana, for example, where Cadbury Schweppes buys most of its cocoa, the company supports farming communities through programmes on sustainable tree crop management and building wells for drinking

²People-most-important-asset [2011] www.epmag.com/EP-Magazine/archi/.

water. In the case of cocoa farmers for example, Cadbury Schweppes is a member of a global coalition, which is comprised of industry, governments, non-government organizations and special interest groups created to improve working practices on cocoa farms.

The coalition has funded independent surveys into cocoa farming in West Africa that have contributed to the development of programmes to help local communities. In 2003, the coalition also established a foundation, the International Cocoa Initiative - Working towards Responsible Standards for Cocoa Growing, which aims to support field projects and will act as a clearinghouse for best practices to ensure that cocoa is grown responsibly. Unethical behavior or a lack of corporate social responsibility may damage a firm's reputation and make it less appealing to stakeholders.

Cadbury Schweppes deals with tens of thousands of suppliers around the world and aims to work closely with them to ensure they receive fair treatment. Creating a code of ethics makes decision-making easier at all levels of an organization by reducing ambiguity and considerations of individual perspectives in ethical standards³. Organizations must ensure training programs on ethics and ethical standards to their new hires and existing employees which ensures great optimism. Tying compensation incentives to ethical behavior will further increase the standards of quality. Ethical standards differ from country to country and region to region. International business must have an understanding of each culture's ethical standards to be most effective, and the company's code of ethics either be written keeping in Mind foreign ethical standards and local ethical standards.

“The more one knows ethics, the more it is used and the more useful it becomes”-Plato, The quote by Plato is a reminder on just how important ethics is and how important it is to educate oneself on proper ethical practices. In my research work on employee engagement many of the respondents revealed that their employers are fair in ethical practices and employees are happily working for them, this shows the importance of being fair to employees. [See table -2]. The table reveals that 84% of the respondents get fair treatment where as 16% of the respondents said no.

TRUST INSPIRES

Trust is now a function of ethical behavior not stated intention. To be believable is now matter of substance, not image. Trust cannot be built in a day; it requires lot of Credibility, rigor, independence, accuracy and commitment. The matter is all the more perplexing considering that there is substantial research on organizational trust; including what trust is, how trust affects the functioning of organizations and how trust can be built, lost and repaired⁴.

When trust recedes everything recedes and for this Leaders are required to be whole persons and create wholesome companies. As Warren Bennis put it, "Leadership without mutual trust is a contradiction in terms." Incomplete human beings become defective managers. Peter Drucker asserts organizations are no longer built on force, but on trust. The success of any business depends ultimately on the quality of relationships it builds and maintains with its people and a significant measure of quality in each relationship is trust. When business plants the seeds of “Right, Good, Best,” the tree of trust will grow. When the levels of trust are high the confidence of marshalling the market will zoom. Trust generates loyalty, loyal employees will cultivate loyal customers and loyal customers will become loyal market. In the words of Jack Welch “Trust is enormously powerful in a corporate to run business.

³ cadbury-schweppes/ethical-business-practices/ethics-at-work, [2009] businesscasestudies.co.uk

⁴ R. Katila and E. Chen, “Effects of Search Timing on Product Innovation: The Value of Not Being in Sync,” *Administrative Science Quarterly* 53, no. 4 (December 2008): 593-625.

People want to do their best unless they believe they will be treated fairly, and that there is no cronyism and everybody has a real shot. The only way I know to create the trust is by laying out your values and then walking the talk. You here got to do what you say consistently over time”. Business must primarily accommodate and associate itself with competencies like Honesty, Credibility, Humility, Hard work, Truth, Integrity, etc which will create trust in the organization.

These are harder elements and ensuring these from theory to practice is an uphill task. But these elements will create and accelerate win-win atmosphere in which every mind, minds to be loyal. In 1980 the then CEO of British airways Colin Marshall encountered the problem of theory to practice. When values had to change through out the British airways, he identified essential adaptive challenge “Creating trust” with top priority and made it to exist with respect and the next is history. John Castro (1994), CEO and President for Merrill Corporation likens trust and teamwork to getting on a train: once on board, everyone who wants a seat should get one.

Management is responsible for building trust and finding associates who want to participate as a successful team (Castro, 1994).Market sail on certain rules and regulations and these rules and regulations in turn bank on Truth and trust. Hide truth and hijack trust the game will become so tenuous and unreliable that no one will play. Consider the example of Warren Buffett -- CEO of Berkshire Hathaway (and generally considered one of the most trusted leaders in the world) -- who completed a major acquisition of McLane Distribution (a \$23 billion company) from Wal-Mart. As public companies, both Berkshire Hathaway and Wal-Mart are subject to all kinds of market and regulatory scrutiny.

Typically, a merger of this size would take several months to complete and cost several million dollars to pay for accountants, auditors, and attorneys to verify and validate all kinds of information. But in this instance, because both parties operated with high trust, the deal was made with one two-hour meeting and a handshake. In less than a month, it was completed. High trust, high speed, low cost. Corporations most run business on the lines of good family, where every one will get their due share and play fair game. The attitude of corporate governor must be like governor of family and business-running corporations must transform themselves from the so-called culture of corporate governance to culture of family governance.

The culture of family governance will not transgress the decency of truth and trust. It will institutionalize character of wise but not vice. British statesman Benjamin Disraeli once said, “All power is trust; that we are accountable for its exercise; that from the people, for the people, all springs and all must exist”. A recent Watson Wyatt study showed that high trust companies outperform low trust companies by nearly 300%.Trust is a primary factor in how people work together, listen to one another, and build effective relationships. Yet many people are not aware of the actions that influence trust. Trust is a critical and also a warm link to all good relationships; both personal and professional.

To survive for best in the global market where competition is like cutting the throats of competitors, creating trust is vital and need. Frederick F. Reich held in his article by name “Lead for loyalty” in HBR mentioned about loyalty of employees and customers of Harley - Davidson, USA. Customers of Harley-Davidson are too loyal that thousands of them tattoo the Harley logo on various parts of their bodies. Such loyalty is the result of creating the trust which ultimately resulted into a series of relationships between Harley – Davidson and its partners beginning with employees.

The founder of Matsushita electrical corporation kanosika Matsushita was by any standards one of the greatest industrialist, Humanist and corporate icon of twentieth century and was greatly know for his values and particularly his value for employees. When this man announced adoption of five-day week, so that workers will be entitled to have more time to enjoy the prosperity, most of the corporate people taugt that it will lose a vital element of competitive advantage;

but it proved wrong and to every ones surprise except to this great man, Matsushita electrical corporation emerged with significant rise of productivity. And it is all about giving trust and taking back trust. Some many of the research supports the idea that high-trust organizations also tend to be high-performing, with lower employee and customer turnover, lower monitoring costs and even better financial returns.

Blanchard's research with more than 1,000 leaders reinforces this point. Fifty-nine percent of respondents indicated they had left an organization due to trust issues, citing lack of communication and dishonesty as key contributing factors⁵. "Trust men and they will be true to you; treat them greatly, and they will show themselves great."⁶ Ralph Waldo Emerson wrote this about the courage it takes to develop business relationships in his 1944 essay, *Prudence*.

Trust is most crucial and beneficial if it pervades and start prevailing in the organization and it must found at all levels from top leadership to supervisors and frontline employees. As trust is a reciprocal process, leadership is cause for creating a trust-based organization.

CONCLUSIONS

With the arrival of global economy human relations has become a major concern for management. To conquer this concern and emerge impeccable business must stand on principle 'able competence, right attitude, best bargains'. Since corporations are collection of people results are tied directly to the quality of relations the business-running corporations maintain. Practicing or ensuring solely to be either 'able competence', 'attitude right' 'best bargains' will not give the cheese, but together will give the cheese. Organizations must switch-on to pro-active considerations rather than to re-active considerations. As peter silos CEO of Philips petroleum said, "We can no longer wait for the storm to pass; we must learn to work in the rain".

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APPENDICES

LEADERSHIP IN ORGANIZATION IS DEMOCRATIC

Table 1: Leadership in Organization is Democratic

| | Yes | | No | |
|---|-----------|-------------|-----------|-------------|
| | Count | Percent | Count | Percent |
| Personal relationships are built. | 23 | 29% | - | - |
| Communication is open. | 28 | 35% | 12 | 52% |
| Independence is given in decision making. | 27 | 34% | 8 | 35% |
| Criticism is allowed. | 2 | 3% | 3 | 13% |
| Total | 80 | 100% | 23 | 100% |

ORGANIZATION TREATS EMPLOYEES FAIRLY

Table 2: Organization Treats Employees Fairly

| Does your Organization Treat Employees Fairly? | Yes | | No | |
|---|------|------|------|-------|
| | Freq | Perc | Freq | Perc. |
| Discourage unethical behavior. | 19 | 19% | | |
| Organizational justice is fair. | 4 | 4% | | |
| Creates feeling of belonging and being cared about. | 12 | 12% | | |
| Encourages employees to learn new skills and take on new and innovative projects. | 49 | 49% | | |
| Biased behavior. | | | 3 | 3% |
| Organizational justice is unfair. | | | 7 | 7% |
| Not being cared properly. | | | 2 | 2% |
| No professional encouragement. | | | 4 | 4% |

