Ethics, Identity and Organizational Learning – Challenges for South African Managers

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Abstract—As a result of the ever-changing environment and the demands of organisations' customers, it is important to recognise the importance of some important managerial challenges. It is the sincere belief that failure to meet these challenges, will ultimately contribute to inevitable problems for organisations. This recognition requires from managers and by implication organisations to be engaged in ethical behaviour, identity awareness and learning organisational behaviour. All these aspects actually reflect on the importance of intellectual capital as the competitive weapons for organisations in the future.

Keywords—Ethical behaviour, identity awareness, learning behaviour.

I. INTRODUCTION

The business environment today is all about change. Never in history has the pace of technology been so fast, with technology life cycles getting shorter, and technology advances leapfrogging one another. It is a well-known fact to every manager and employee that the world is experiencing profound changes and it can thus be said that the rate of change in the business environment is exponential. Competitors appear more quickly, coming from unexpected directions, and redefine and take over entire industries overnight. While external resources are always scarce and unknown, the marketplace demands ever-increasing choice, quality, and efficiency. Customers themselves are harder to classify because of changing societal environment, and, of course, government is continually raising regulatory and legal standards [1]. This globalising economy is creating both more hazards and more opportunities for everyone, forcing organizations to make dramatic improvements, not just to compete and prosper, but merely to survive [2].

When looking at global political, economic and social events, and the restructuring of business structures in South Africa, it is clear that stability is a scarce "article" and it promises to become more so in the future. The economic environment is less predictable, can change directions more quickly, and is influenced by variables that were insignificant some thirty years ago. These changes obviously place tremendous pressure on managers and organizations to cope with and to maintain a competitive position, because conditions for perfect competition are actually experienced.

This condition for perfect competition is truer than ever before. Past competitive advantage aspects like branding (differentiation), focusing and pricing (low-cost) actually become inefficient. Organizations can thus no longer afford to seek comfort and sanctuary in what they know or in what has gone before.

It is however true that most organizations are often guilty of being reluctant to change. The more structured an organization is, the more rigid it remains entrenched in established practices. Big organizations, by their very nature, find it also hard to adapt and to deal with change. They also do not recognize the immense opportunities that lie in change. In most organizations change is primarily reactionary because it was forced on organizations by external pressures. The only solution is thus the efficiency of change.

It is important to understand that organizations in the future will be larger and more complex than before. The demands for future organizations will be that they have to serve global markets, their employees profile will look differently and employees’ knowledge and skills will directly relate to organizations’ major sources of competitive advantage [3].

Within this extended environment of fierce competition and changing markets, three important characteristics emerge for organizations in South Africa [4] to meet the expectations and the needs of customers:

- It must be rapidly adaptable and extremely flexible.
- It must have knowledgeable workers.
- They have to have shared principles and trust.

The goal for organizations must not be to speculate on what might happen, but to imagine what they actually can make happen. That implies inherently change to develop these characteristics. To make something happens, means that creative and innovative strategic thinking must be applied. It also means that employees must be involved to ensure their buy-in into the strategic intent of the organization. Hamel [5] suggests that employees with innovative behaviour and who make non-linear changes in organizations contribute to economic rewards for the organization. What are needed to deal with in this changing environment boils down to adaptability, flexibility, speed, aggressiveness and innovativeness. It is thus paramount to accept that new management principles can no longer been avoided. It assists the managers with the coping of the continuous changes affecting organizations.

The goal of this paper is to debate theoretically and especially in a philosophical way some of the challenges facing South African managers in an ever-changing
environment. No empirical research has been done. It is merely a practical and perhaps philosophical arguing about some important aspects.

II. CHALLENGES FOR SA MANAGERS

The world of the managerial leader is an ever-changing dynamic world. As being said, managerial leaders and organisations are often guilty of being reluctant to accept the challenges of change. The problem with the future of organisations is however that it is unknown. It is also true that the future will also always be different. If the managerial leaders of the organisation are unable to think differently, the future will always arrive as a surprise [6].

Regardless the potential advantages and disadvantages of change, the overall message is clear – the environment in which organisations operate will continue to change and managers have to find ways of ensuring that their organisations and its environment will be kept aligned.

In the light of the previously mentioned important characteristics that emerge for organisations in South Africa [7] to meet the expectations and the needs of customers, the challenges facing managers in these changing circumstances are amongst others the basic aspects that are presented in figure 1. These challenges actually make an appeal on the organisational culture because the culture of an organisation is a system of norms, policies, practices, incentives and expectations within which each individual and thus also the collective competencies may flourish. The mindset for those responsible for these conditions is of vital importance if organisational excellence is to be achieved. It is of paramount importance then to set one’s mindset on the challenges portrayed in Fig. 1.

![Fig. 1 Challenges for SA organisations](image)

These three aspects can actually also be seen as specific competencies and perhaps also as a set of values or beliefs that should be developed and internalised by everyone in organisations in order to comply with future managerial challenges. The focus of these elements is primarily on a management and organisational paradigm with respect to an ability to satisfy the needs and expectations of customers. As Herbst [8] stated: “There will be a total focus on the customer, practically to the exclusion of all else.”

A. Ethical Behaviour

It is not the intention to give a definition of ethical behaviour, because it is familiar to everybody in organisations that it is about principles of conduct that distinguish between the wrong and right behaviour and thus guiding organisational behaviour. It is however important to support the rising tide of consciousness about the importance of business ethics and the importance thereof as a managerial challenge in order to satisfy not only customers' needs, but also the needs and expectations of all stakeholders. Despite the acknowledgement of all organisations that ethical behaviour is important, unethical behaviour is still flourishing. Newspapers and business magazines daily report on murders, hijackings, rapes, widespread corruption, legal and moral breaches of ethical conduct by both private and public organisations. Africa is perceived globally as corrupt. The 2002 Transparency International corruption perception index listed Africa as the most corrupt continent [9].

After the democratic elections in 1994, much was coming its way to South Africa, both good and bad. On the economic front South Africa experienced the arrival of free markets, the relaxing of trade barriers, a renewed wake of the entrepreneurial spirit and in general a more open economy has developed. All these changes were welcomed with open arms.

It is however a pity that with all these things also come corruption, dishonesty and unethical behaviour, to name just a few. The Daily News [10] reported: “Even worse is the reducing level of ethics, which is being witnessed by members.” It can thus be said that economic crime has become a way of living in the business world in South Africa. More and more South African businesses are breaking the laws. This ranged from tax to labour legislation. A fraud survey done by KPMG [11] found that 76% of the respondents find fraud to be a major problem in their businesses today. This has increased from 62% in 1996. The most cited reason for this expected increase in fraud is economic pressure. It also appears that the future outlook for business appears bleak, because 86% of the respondents believed that fraud would increase. If one thinks that a vast majority of economic crime is not reported, then it makes the staggering values attached to reported crime even more alarming. Even before 1994, King [12] pointed out the increase in the number of reported cases of corruption and commercial crimes in South Africa. He also pointed out that thousands of new cases per annum are being investigated and that the Office for Serious Economic Offences is examining numerous cases that involve tens of billions of rand.

Statistics show that employees commit the largest number of fraud, but management commits the frauds and corruption with the largest amounts of money involved [13]. This is however a world wide pattern, because a study done, revealed that"... young managers received explicit instructions from middle manager bosses or felt strong organisational pressure to do things that they believed were sleazy, unethical or sometimes illegal" [14]. When it comes to management, the largest number of frauds concern their expense accounts, conflicts of interest, kickbacks, false financial statements, bid
rigging, substitute purchasing, the diversion of sales and phantom vendors [15].

The Business Day [16] reported about a recent study under 53 of South African listed companies that employ more than 250 people, describes the atmosphere of corporate ethics. The study was made up of two indexes, the compliance index and the perceived conduct index. It was found that only 57% of the companies have an effective code of ethics despite of the exchange’s requirements. 25% of senior management respondents said that their company did not have an ethics management code. Moreover, a third of the employees had no knowledge of a code, or claimed it did not exist. The highest differential recorded in the perceived conduct index, which indicated the greatest risk area for South African organisations, were the poor communication of senior management on ethics and compliance and the issue of theft, which also correlated to what is reported that employees do not belief in their company’s stated values [17].

Business is one of the most powerful social institutions in existence today. Together with this power comes the responsibility for ethical behaviour. It is however a pity that it was found in a study that although cheating was observed, there was a reluctance to report it [18]. This leads to comprehensive organisational control systems to ensure that employees' behaviour is in accordance to the organisation's needs and expectations. Obviously this has a reflection on self-management and the urge for flexibility in organisations. The response of organisations that they do have a code of ethics is not enough. As David [19] put it: "Merely having a code of ethics, however is not sufficient to ensure ethical business behaviour. A code of ethics can be viewed as a public relations gimmick, a set of platitude, or window dressing."

Another alarming tendency in businesses is that in the absence of ethical behaviour requirements, managerial opportunism allows managers to take actions and make decisions that are in their best interests and not in the organisation's best interests [20].

The way sanctioned (ideally by all stakeholders) objectives are achieved falls within the scope of ethics. The real problem of ethics is concerned with the behaviour of individuals, and that is why Sisk [21] said that concepts like "business ethics", "corporate ethics" and "corporate morality" become vague and meaningless. In the organisation ethical behaviour is concerned with the rights and wrongs of the actions and practices of employees. This is what should be addressed. The abovementioned studies and arguments suggest that something must be done. There is not only a need, but also a challenge to employ a new strategic ethical culture in organisations. There is a need for ethical strategic leaders - leaders who are willing and capable of including ethical practices as part of their long-term vision for the organisation. These strategic leaders should have the desire to do the right thing and they must cherish honesty, trust and integrity [22]. It is thus essential that an "ethics culture" must permeate organisations to meet the demanding challenges of the business environment. This makes an appeal on the ethical values of employees that must become an integral element in corporate strategy.

More so than ever before, it will be the organisations that are able and successful in training their employees to engage in ethical behaviour that will provide excellence in service rendering and become successful. For organisations to be competent and successful, it must be soundly positioned and structured by having ethical processes in place. In a country where public officials doing private business while holding a public post, where contracts are awarded to a single contractor without fair competition, where absenteeism is backed up by fake medical certificates, etc. [23], it is obvious that the management of ethical behaviour will remain a challenge.

B. Identity Awareness

The second significant factor that is an important managerial challenge in the new millennium is what can be called identity awareness. It is important for organisations to be aware of their identity - to be aware about "who are we?" It is not only important to satisfy the needs of the customers, but it is of paramount importance for organisations to develop a unique corporate character (identity awareness) to deliver the intentions (purpose) of the organisation [24]. Bouchikhi and Kimberley [25] added that for each organization, its particular combination of identity anchors imbues it with a set of distinctive attributes that key stakeholders view as core, enduring and distinctive. They also emphasized the importance that identity sets boundaries on how much an organization can change and still remain the same in the eyes of its key constituencies. This identity shapes and alters how the organization members view the world and frame issues. It also provides a political framework where it influences the distribution of power and resources amongst internal and external stakeholders.

Identity awareness or the understanding of corporate character is something different (more?) than merely the strategic vision or mission. Sometimes organisations play with words when formulating their missions and visions, without really being committed to the true meaning and implications of their formulations. "Some companies develop mission statements simply because they feel it is fashionable, rather than out of any real commitment" [26]. Sometimes too much effort goes into crafting fine and beautiful words, and too little effort in the real hard thinking that strategy demands. That is why core questions like "why do we exist" (purpose) and "who are we" (identity awareness) are perhaps more useful in strategy formulation. From Bouchikhi and Kimberley’s [27] perspective, identity is a more profound concept in the organization. In order to be successful, change at any level in the organisation must be synchronised with the identity central layer. If an organisation’s identity is in conflict with its operations or strategy, change will be hindered.

It is not the intention of this section to say that strategic vision and mission do not have a role to play in the strategic success of an organisation because a lot of studies have indicated that there is a relationship between these elements.
What is actually stressed in this section is that one of the managerial challenges in organisations is to think anew about the basis on how choices are made in the organisation. The factors that define the identity awareness of organisations are presented in Fig. 2.

![Fig. 2 Factors defining identity awareness. Adapted [28]](image)

When knowing what motivates the organisation ("what turns us on?") what rules are not negotiable, what the current assumptions of the organisation are and what specific actions (fast, slow, cautious or conservative) describe the behaviour of the organisation, it is possible to understand the true identity of the organisation. In answering these questions, one actually lays the foundations for the corporate culture that is extremely important to competitive advantage [29]. If it is understood that corporate culture will influence every aspect of the organisation and its performance [30], it is understandable why it is said that identity awareness can become the filter and shaper through which managers and employees develop and implement their strategies. It is not only a managerial or organisational challenge to find answers on these questions, but to think about the corporate character or identity, will help determining the organisational attitude that leads to organisational behaviour and performance.

C. Learning Organisational Behaviour

Although the concept of learning organisations is not a new concept, it has gained momentum in importance. The modern business environment is characterised by uncertainty, rapid change and the continuous pursuit of competitiveness and excellence. In this environment organisations that are institutionalising what they are learning from the environment are the ones that will survive and prosper [31]. According to Senge [32] the learning organisation is one that encourages continuous learning at all levels of the organisation and where the employees continually expand their capacity to create the results they truly desire. A learning organisation is also one in which the employees are encouraged to engage in expansive patterns of thinking and create synergy by sharing knowledge and ideas and generating actions that contribute to the interest of the whole organisation. Daft [33] defined a learning organisation as one in which everyone is engaged in identifying and solving problems that will enable the organisation to experiment, change and improve its capacity to achieve its purpose. Botha and Meyer [34] further explain that the learning organisation not only learns from the environment, but actively encourages learning within the work environment and encompasses the culture of the organisation.

The essence of an organisation is its people and not its systems and procedures [35]. If organisations make mistakes, it is the result of the behaviour of people. The question however is what can be learned from these mistakes and this depends on the attitudes of the people who work there. If the employees have a learning attitude, then the organisation actually becomes a learning organisation.

It is clear that the importance of a continuous inclination towards learning receives much attention in management literature. In the turbulent business environment that is experienced today, organisational strategy must include mechanisms that transfer learning from the individual to the organisation. The advantages for the whole organisation will then be that there will be a commitment to knowledge because fresh ideas and insights into the organisation’s performance will be provided, adaptation through renewal will be promoted and it will promote an openness to the outside world so that it can respond to events [36].

Learning is regarded as the key determinant to the transformation (ability to adapt to changing conditions) and renewal of the organisation. It is important that organisations internalise this learning inclination in order to identify, gather and apply new knowledge that will enable the organisation and its employees to achieve its objectives. The moment employees internalised a learning behaviour, they will also be able to conceptually understand their synergistic contribution to the organisation. It is important that organisations internalised the learning transformation between individuals and the organisation as it is presented in Fig. 3.

![Fig. 3 The different levels of learning transformation [37]](image)

Individual learning plans are needed to ensure that each individual is skilled and will contribute to developing the learning organisation. Team learning plans ensure that teams epitomise the characteristics of the learning organisation. Teams learn to optimise the contributions of individuals, and by learning together as a team and implementing organisational improvements, they accelerate organisational learning. Organisational learning plans are needed to ensure that the whole organisation learns to improve performance at all levels. This includes the establishment of benchmarking...
networks to promote external learning and all the other aspects of a learning culture [38]. Learning organisations are competent in getting, processing and the application of new and relevant knowledge that enables decision-makers to make informed decisions. The past is no longer a guarantee for success. Learning organisation also implies innovative intrapreneurial risk taking to initiate change [39]. One of the important requirements (amongst others) for a learning organisation is to develop the ability of a shared vision in the organisation. Without a shared vision, it will be difficult for employees to work as a group or team towards the single purpose. A shared vision provides the focus and driving force for learning. It actually provides the energy for continuous involvement in learning activities to enhance the abilities and competencies of employees and thus the development into a learning organisation. The other important characteristics of a learning organisation include strategic leadership, a learning attitude of employees, the team-based organisation structure and an adaptive organisational culture. Fig. 4 is an illustration of these important elements of a learning organisation.

![Fig. 4 The elements of a learning organisation [40]](image-url)

It is of course true that it will be difficult to find an organisation that will represent a perfect example of a learning organisation. Organisations that are willing to implement these mentioned elements and that are willing to learn from mistakes are actually on their way to internalise a learning behaviour and culture, because the essence of learning implies adaptation. An adaptive emergent strategic orientation is thus at the heart of the learning organisation. According to Swieringa and Wierdsma [41] the dilemma of management to solve is to find a balance between continuity and change. The primary process that earns the organisation’s daily bread should be continued at all costs. However if the support for current processes (strategy, structure, systems and culture) supports continuity, it is not illogical to use the same instruments to initiate and guide change.

III. MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS

An important aspect that this study has highlighted is the importance of the intangible character that an organisation possesses. Managers often seek short-term, quick fix solutions that alter the structures and resources in the organisation in order to adapt to change. This temporal advantage created from the change is often short-lived due to the conflicting nature between the structures and the intrinsic nature of the organisation. It is only when the core character of the organisation, ethics and integrity, culture and identity are aligned with the trends in the environment, that the organisation can achieve sustainable, long-term competitive advantage. The organisation is comprised of individuals, thus any realignment as a result of environmental effects, will have to commence bottom-up i.e. start with the individuals of the organisation. In this world filled with uncertainty and chaos, it is important for managers to not only grasp the tangible, but also the intangible intricacies of an organisation. Only then can managers ensure the long-term prosperity of the organisation.

In terms of ethics leadership, it is important that managers remember that a corporate code of ethics by itself is not sufficient to make the organisation a good corporate citizen. The adoption of a corporate social responsibility as a core value will help organisations to conduct business in an ethical way. To understand the true identity of the organisation, it is imperative that managers and employees must understand what turns them on, what rules are not negotiable, what the current assumptions of the organisation are and what specific actions (fast, slow, cautious or conservative) describe the corporate behaviour of the organisation. It is only with an understanding of this that the foundations for the corporate culture are laid which is extremely important for strategy implementation. If it is understood that corporate culture will influence every aspect of the organisation and its performance, it is understandable why it is said that identity awareness can become the filter and shaper through which managers and employees develop and implement their strategies.

One of the important requirements for a learning organisation is to develop the ability of a shared vision in the organisation. A shared vision provides the focal point and the driving force for learning. It actually provides the organisational energy for continuous involvement of employees and managers in learning activities to enhance their abilities and competencies and thus contributing to the development of the organisation. Without a shared vision, it will be difficult for employees to work as a group or team towards the single purpose. To share the vision in the organisation is thus an important prerequisite for organisations to develop and prosper in an ever-changing environment.

IV. CONCLUSION

The issues presented as managerial challenges not only require a paradigm shift for a lot of South African managers
sued to what was in his past, but also a firm desire to implement it because the past can no longer be seen as a guarantee for success. These proposed challenges actually involve a fundamental courage to challenge the status quo. It is clear that organisations and managers can no longer afford to be ignorant about the challenges created by the changing demands. It is important that organisations will develop a sense of urgency to change and to adopt these challenges as inherently part of their organisational culture. South Africa is no longer the new kid in the neighbourhood. It is time that South African managers realise that they are playing in the international arena and that to stay on (or get to) the top requires special managerial competencies and the willpower to adapt to these challenges.

When reading and thinking about these challenges one becomes excited about what the future will hold for organisations following these innovative intrapreneurial risk taking challenges, because that is what these challenges actually imply. Opportunities do not wait for anyone and it will be the managers and organisations that are willing to accept these challenges that will lead the “revolution”.

REFERENCES