Business Ethics

"The role of employees in wealth creation"

Introduction

This chapter focuses on business ethics. Specifically, it deals with the role and importance of employees in wealth creation. Moreover, this paper talks about the impact of employees on the growth of companies in proving to the employers' claim that their employees are their greatest asset.

There is also been a discussion about perspectives on corporate social responsibility. Additionally, this paper analyzes the impact of national cultural values on the ethical practices of companies towards employees.

As a closing and finale statement is the analysis of the role of employees in wealth creation and of course how do companies respond to the welfare of employees as their most important asset. This paper also assesses the responsibility of companies for the wellbeing and interests of employees.

The difficulty that we have today in finding and keeping the skilled employees who make us successful is the result of a revolution. The revolution is the new understanding of the role of employees in organizations. We now realize that those skilled employees make the difference between winning and losing. And, like other revolutions, its impact will be with us for a long time. If you think it is hard to retain employees now, be aware that in the future it will be worse. The revolution in our thinking—that employees have a critical role in our success—led to the rise of the twenty-first century employment relationship.

Scarcity of skilled employees.

As more and more organizations understand that the right workforce gives them a competitive advantage, the demand for employees with the right skills increases. This is happening at all levels of the workforce, from frontline customer service representatives to professional engineering experts to top management.

Retention is about keeping the skilled employees who make a difference. Most employers find that people with technical skills as well as analytic, communication, and other so-called soft skills who work creatively and deal effectively with customers are in short supply.

Revolution of the Employment Contract

There has been a paradigm shift in the employee-employer relationship. The old contract was one of mutual obligation but an unequal power balance: It paired an employee's “doing a good job” with the employer's “I'll take care of you.” The new contract is an exchange relationship in which each side has a degree of freedom. The employee says: “I'll do my best as long as I can get what I need from you.” In response, the employer says: “You'll have a job if you can contribute what I need as we go along.”

Impact of the Employment Revolution

The shift is not a temporary phenomenon. It is a result of long-term economic, political, and technological processes that have shifted power in the direction of the employee. Employees, especially the most capable ones, have an increased confidence in their ability to work under conditions that fill their own needs. They can negotiate the terms of employment that suit them and change jobs and careers to secure better conditions. The movement of power to the employee will continue over a long time, despite fluctuations associated with the economic cycle and specific labor markets. That is why retention is so important today and why we will continue to find it difficult to retain the employees we want to keep.

The Role of Human Resource

It is erroneous to assume that technological advances have abolished scarcity and there are plenty of resources to satisfy our affluent society. We are neither as rich nor as technologically advanced as we think, but our economic growth has come about primarily through over-absorption of unemployed resources. The ultimate price of this extravagance will probably be the need to recycle all materials as there will no longer be abundant resources. Conservation, rather than consumption, will become virtuous (1966).

The other basic assumptions are generally accepted as being valid under prescribed circumstances. First, the productive abilities of a nation or firm are based upon the integration of the abilities of its members with the physical resources and technology available to it. The human abilities consist of the capabilities of all the individuals, as modified by environmental factors. Second, the quality, as well as the quantity, of the human resource can only be improved through finding the individuals with the required productive capacities and increasing those capabilities through education, training, and development. Third, the most effective utilization of this resource can be obtained only through motivating individuals to apply those abilities to the productive effort in the greatest degree feasible.

Although there is no clearly stated and adequate definition of the term, *human resources*, it can be thought of as the *total knowledge, skills, creative abilities, talents, and aptitudes of a nation's production population*, *as well as the values, attitudes, and beliefs of the individuals involved*. From the point of view of an individual firm, it is the sum of the inherent abilities, acquired knowledge, and skills represented by the sum of the talents and aptitudes of its employees.

Human Resource Philosophy

The human resources philosophy views the productivity of employees as being an economic resource of a firm or a nation. The employee himself, in his relationships to the other members of the organization, is viewed according to the concept of human dignity. This approach provides for the economic aspect of personnel administration, which is judged in terms of the economic analysis of employee productivity, efficiency, effectiveness, costs, and profitability. On the other hand, the philosophical aspect of personnel administration is given credence, that is, the importance of recognizing and respecting the personal dignity of each human entity.

Although the human resources philosophy is made up of the better elements of both the previous philosophies and may at first appear quite similar to the human relations philosophy, there are subtle but significant differences in its assumptions, the emphasis being placed upon the assumptions, and in the cause and effect relationships drawn from the assumptions (1969).

Managing Human Resources

"The highest and best form of efficiency is the spontaneous cooperation of a free people. (1987).

It is believed that the most significant aspect of personnel management is to be found through the direction and control of the human resources of an organization in its daily operations. Reliance cannot be placed upon organized personnel programs and procedures; instead, success is predicated upon a living, practical managerial philosophy. Such an ethical value provides the manager with his basic assumptions and his sense of values, and permits him to make equitable decisions that are "fair" to all members of the organization, not to just a relatively few. As the success of any enterprise is almost entirely dependent upon the manner in which managers supervise and direct the employees in the course of their working activities, it is advantageous to managers to develop such a philosophy.

Of necessity, as well as by choice, an effective executive must give much time and attention to the effective and efficient utilization of the human resources at his disposal. Also, the successful performance of the personnel function necessitates that each manager orient himself within his total business environment in order to help achieve the various organizational programs and objectives (1972).

The achievement of this goal requires an intensive search for managerial theories and a study of their application to organizational growth and behavior. This goal can only be achieved through research and the development of management theory. As this occurs, the discipline we know as "Personnel management" will be better understood and this, in turn, will lead to a greater perception, understanding, and predictability of human behavior.

A preliminary step toward achieving this type of understanding is to study the role of the human resources in an organizational setting, how they are organized into viable work groups, and how they are managed.

A major premise of this study is that the human factor is the most important element in business enterprises, as well as in other organizations. When analyzing the components that constitute the wealth of a country or organization, the irreplaceable value of the human resource must be considered in addition to that of the material and financial resources. As this important element involves the intangible and aesthetic factors of human life, however, the same criteria of value cannot be applied to it as to material or economic goods.

Implications for Employers

The problem for many managers is what direction to take in positive treatment of employees. Many managers are well schooled in the finance and economics of management. But few are equally trained in human resource management. For most who have received some training in management, it has proven to be mostly a history lesson. That is, we were taught that if we "did something" to employees, like changing a light bulb, they would respond positively. The emphasis did not even have to be positive and productivity would increase. We learned of the *"Hawthorne Effect"* and, unfortunately, paternalization of the employee was the lesson we took away with us from the training (1987).

Financial Rewards as Stimulants to Productivity

Employee remuneration serves as a reward for past performance and as a stimulus to increase future performance. These are called financial stimulants such as incentive wages, profit sharing, bonuses, merit wage increases, and measured day-work.

Employee Benefits

These items are increasing in importance as part of the compensation package because bigger and costlier benefits continue to be major goals of labor unions. These benefits are often emphasized by individual employees in choosing or remaining with an employer. Other factors leading to increased emphasis upon these items are: increased leisure time available to all workers; higher levels of affluence; and further social legislation by governments (1970).

Business management has long been concerned with welfare programs designed to protect the employee, or the employee and his dependents, against the basic hazards of life such as the problems of old age, disability, illness and accidents, unemployment, and health. Some of the programs that have been established to provide a measure of economic protection against these contingencies include private pension plans, private death and disability benefits plans, workmen’s compensation, unemployment compensation, and Old-Age, Survivors, and Disability Insurance.

Many of these programs, such as private pension plans, were established directly by management. In other instances the programs were initiated by the government, at either the state or the federal level, even though they are largely financed by industry. Old-Age, Survivors, and Disability Insurance, for example, while established by the federal government is financed equally by industry and its employees, and workmen's compensation was created by government at the state level but is also financed entirely by industry.

To the average worker, employee benefits are a concrete and visible evidence of the good life which is his goal. He tends to perceive them as a means of security and a means of tax saving--which is a pleasure to everyone.

Conclusion

This paper provided awareness of how important are the employees and workforce to organizations, firms, and nation as well. Smart managers are becoming increasingly responsive of the nature of their investments in people. Chosen carefully, maintained thoughtfully, and fueled with adequate wages, fair hours, and a committed concern to nurture their emotional and career-oriented growth needs, the people that make up the labor force will respond better than a well-maintained machine. As a result, labor will produce efficiently, effectively, enthusiastically and will respond with dedication, loyalty, and a commitment to the company and the product.