

Wholesale and retail distributors, another example drawn from Figure 5.2, are also outside the formal boundaries and hierarchical controls of the central firm, yet here they can influence the price of the product, the level of service, and the degree of satisfaction received by the final customers. Many distributors are now relied upon not only for the prompt transmission of information about current sales trends, but also for the accurate anticipation of future customer needs. Both are obviously essential for the long-term success of the producing company.

Commercial banks, investment companies, research laboratories, and educational institutions are further examples of organizations that are outside the command and control hierarchy of a producing firm, yet they can influence the long-term success of that company. They provide personnel, technology, equity, and debt. Their cooperation is essential, given the changed conditions of corporate management. Companies that lack trained employees, modern methods, and adequate funds cannot possibly compete in our rapidly changing global environment.

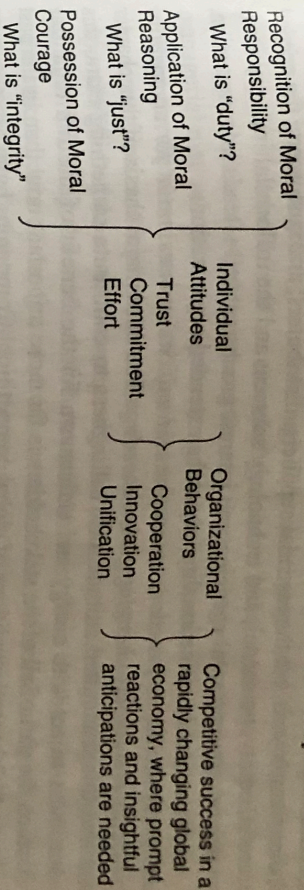
Lastly, industry trade associations, public interest groups, and domestic and foreign political agencies are further examples of organizations that are outside the formal command and control hierarchy of the firm yet can affect the performance of companies. These associations, groups, and agencies help in determining (1) the national financial policies that set tax rules and interest rates; (2) the national regulatory policies that influence product/process designs and environmental requirements; (3) the national social policies that help to set educational achievement levels and health care costs; and (4) the national infrastructure systems, which include the communication networks and the transportation methods.

If you doubt that companies are now dependent upon the governmental policies and national systems just listed, think for a minute about the domestic automobile manufacturers who must meet mileage, safety, and emission standards in their cars, and provide educational training and health care benefits for their workers. It was recently claimed that health care benefits added \$2,700 to the cost of each American car, a charge not included in the cost of automobiles produced in Europe or Japan, where the health care systems are financed by public, not private, revenues. Companies are starting to compete based upon their country's educational and health care systems, in addition to their own product designs, manufacturing costs, marketing methods, and quality reputations.

Cooperation, Innovation, and Unification

Let us say that you accept for now that companies have become much larger, more extended, and less susceptible to the hierarchical "command and control" of the formal management structure. What does that mean for managers, and particularly, what does that mean for the need to be moral, to recognize and resolve the mixtures of benefits and harms, and the balances of rights and wrongs, that occur in the decisions and actions of the firm? The argument of this chapter is that moral management is necessary to achieve the cooperation, innovation, and unification that are so essential for success in a competitive global economy. There are three basic steps in this progression

FIGURE 5.3 Relationship of Moral Management to Individual Attitudes, Organizational Behaviors and Competitive Success in a Rapidly Changing Global Economy



between moral management and competitive success. Each may be termed a "thesis" of this chapter. They are depicted in Figure 5.3, and described directly here:

1. *Moral management builds individual attitudes of trust, commitment and effort.* The first major thesis is the one that has been emphasized throughout this chapter: that treating individuals in the very diverse stakeholder groups in ways that those individuals can consider to be equitable and fair-to-all creates trust, that trust builds commitment, and that commitment ensures effort. Certainly there will be disagreements among those diverse groups of people—the stakeholders—on exactly what distribution of benefits and allocation of harms, and on precisely what recognition of rights and assignment of wrongs, can be considered to be equitable and fair to everyone in any given situation. Certainly some stakeholder groups will prefer one decision or action, while other stakeholder groups will prefer another. But the first thesis of this chapter is that as long as all of the groups together can agree that the decision process itself has been logically oriented toward an equitable balance—that is, that the decision process has considered the interests and rights of each of the groups according to known, consistent, and *communicated* principles—then there should be an increase in trust and commitment among all of the stakeholder groups, and that increase in trust and commitment should, in turn, lead to an increase in effort.
2. *Individual attitudes of trust, commitment, and effort lead to organizational behaviors of cooperation, innovation, and unification.* The second major thesis of this chapter is that the effort that results from stakeholder trust and commitment goes far beyond that which is based only upon financial incentives or commercial contracts. extra," a readiness to act with both energy and enthusiasm for the benefit of the firm. A story by Edward Carlson, then president of United Airlines, illustrates very succinctly this willingness to contribute something extra. Mr. Carlson is quoted as saying, "The president of a company has a constituency much like that of a politician. The employees may not actually go to the polls, but each one of them does elect to do his or her job in a better or worse fashion every day" (Peters and Water-

York, Harper & Row 1982, p. 289). Employees at all levels electing to their jobs in