



Ethical Infrastructure

The Road to Moral Management

Jana Nadoh Bergoč
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Jana-To my family: for supporting me always.

Dana-To my wonderful sons Črt and Aljaž.

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INTRODUCTION

This book deals with the field of organisation management and builds on scientific discoveries of business ethics, introducing concepts into organisation research that traditionally did not find a place in managerial theories. These concepts include the issue of organisation ethics, ethics management, the development and implementation of ethical infrastructures within organisations, and analysis of the impact of all of these on the moral behaviour of managers and other organisational members. By studying the presence and development of ethical infrastructures in organisations, the relationship between individual elements of existing ethical infrastructures and, in particular, their effect on the moral behaviour of managers in companies, the volume strives to both help develop the scientific basis of business ethics and organisational theories as well as offer clear guidelines to support ethics and encourage the moral behaviour of organisational members. The book is based on the premise of the situational character of ethics and, having studied a wide spectrum of interdisciplinary works, we are able to confirm the view that offering a typological model of ethics and moral behaviour in organisations is in and of itself no answer to the presented dilemma.

Due to the distinct interdisciplinarity of the subject matter, much of the first chapter of this book is concerned with analysing the theoretical bases of the so-called disciplinary and organisational framework for studying ethical infrastructures and their influence on the moral behaviour of managers. The contribution deals with the business ethics field and organisational theories that help explain the basic concepts of stakeholders, the related corporate social responsibility, and organisational sustainability. The latter enable us to comprehend and evaluate the organisational context of ethics, while understanding of the concept of ethics and morality is assisted by a presentation of five crucial philosophical perspectives which define and explain ethics and morality from the standpoint of various elements (decision-making, performance, interests, etc.). In the first theoretical chapter, these findings are further reinforced by researching the concepts of organisational theories that are used to more precisely address the wider and more specific role of morality in business practices within organisations. In the following we discuss the role of a manager in an organization through the perspective of structure and action to be able to better understand how the role of a manager facilitate or encourage the

action of a manager. Presented in the following organisational framework are individual factors normally found and extensively studied in relation to business and the organisational environment. These are elements such as learning and knowledge in an organisational environment, the altered conditions of psychological contracts between superiors and subordinates in organisations, the issue of trust and emotional behaviour within organisations, etc. These elements were recognised as those that directly or indirectly add to the formation of organisational ethics.

Chapter two of the book continues to study morality and management, especially in terms of their role which can be identified in six modern approaches to the discussion on leadership and management; this provides the basis for a consideration of the book's central concept of the moral behaviour of management as materialised in the moral management concept. This concept, arising from the classic work of Treviño, Pincus Hartman and Brown (2000) on business ethics, differentiates the so-called personal and professional functional dimensions of a moral manager, while the book also explores the connotations for what constitutes a good, successful and ideal manager frequently attached to this concept. This research leads us to the next discovery that is crucial: the encouragement of the moral behaviour of managers is largely influenced by the organisational context, organisational culture and communicational processes and systems. The following chapter focuses on analysing different aspects of managing ethics, models, strategies and the tools in use and identifying the institutional encouragement for ethics management in organisations. On this basis, we continue by identifying and defining the different elements of ethical infrastructure.

The fourth and final theoretical chapter presents individual elements of ethical infrastructures seen as formal and informal levers for encouraging and developing ethics and moral behaviour in an organisation. We presuppose this constitutes an important element of ethics management which, in the long term, leads to the institutionalisation of ethics. Building on analysis of secondary sources and our own findings and experiences of working in organisations, we present our own theoretical model of ethical infrastructure, based on the definition by Tenbrunsel, Smith-Crowe and Umphress (2003) but which, at the same time, includes an important change in the dynamics of the relations between individual elements of ethical infrastructure. In the presented theoretical model of ethical infrastructure, we presume the equal position of all elements of ethical infrastructure otherwise traditionally treated in a mutually subordinate position. Thus, we highlight the assumption that individual elements of ethical infrastructure represent different types of encouragement for the

moral behaviour of managers which, however, does not necessarily mean a different intensity of the influence. This is confirmed in the following empirical part.

The book's empirical section builds on the presented theoretical bases. The study begins with three main goals: (1) to form basic perceptions on the development of ethical infrastructures in organisations and their influence on the moral behaviour of managers; (2) to contribute to understanding the concept of ethical infrastructures by exploring the relations between their elements; and (3) to help establish a typological model for encouraging the ethical behaviour of managers. An Internet survey completed by 375 people was carried out between May and August 2016. The survey was used to analyse the development of the ethical infrastructures of organisations, the relationships between individual elements of ethical infrastructures, and their influence on moral management.

It was established that the ethical infrastructures in the organisations in our sample are poorly developed, not only in the sense of developing processes and systems that constitute ethical infrastructures but also in the sense of ethical content, which influences the organisation's tendency for ethics management and its formation of ethical infrastructures. In the ethical infrastructures of the organisations included in the research, the prevalence of informal systems may be seen. This impacts both the motivational levers and the systems of social control over the moral or immoral behaviour of organisational members. At the same time, the formal systems in ethical infrastructures observed in organisations are moving closer to the emphasised formalisation of regulations, rules and structures within an organisation, explaining the increasingly large gap between the directions taken by formal and informal systems.

Next, the research examines how the individual elements of ethical infrastructures relate to each other which, apart from formal and informal systems, include an ethical work environment. The research points to the weak link between the formal and informal systems on one hand and the so-called instrumental, egoistical ethical work environment on the other, whereas the formal and informal systems in the ethical infrastructure positively correlate with other prevailing types of ethical work environments in the organisations in our sample. The instrumental ethical work environment is relatively weakly represented in the organisations in our sample. Equally poorly represented is the so-called »friendship«-type of ethical working environment that stresses a concern for ensuring a balance of interests in the organisation. Much more present are two other types of ethical work environment: the types »legislation and rules« which—in line with the previous conclusions on the power of formal

systems—emphasises formalisation, and »social responsibility« which combines the organisation's ambition to fulfil the interests of external stakeholders and the organisation's need for effectiveness. A certain level of connectedness was established between the individual ethical work environment types and other elements of ethical infrastructure because there is a relatively strong positive correlation between the formal and informal systems, while both are also positively correlated to the majority of the identified ethical work environment types (with an exception of the instrumental type). The relations we identified may be seen as encouraging but, based on the analysed theoretical and empirical material, might also be a bad sign for the development of institutionalised ethics in the studied organisations as the detected characteristics of ethical infrastructures are not optimal for achieving any higher levels of institutionalised ethics, influenced by the weakness of the existing formal and informal system. This leads to the exposure of specific types of ethical work environment which then keep the analysed organisations only in a reactive relationship with respect to ethics.

The relationship between ethical infrastructure and the moral behaviour of managers was also studied and special attention was paid to differentiating the so-called personal and professional roles held by managers; these were measured with the help of a new, quantitative measurement instrument we created ourselves and tested during the research. The results of the analysis indicate a strong link between the two roles and, at the same time, show that the elements of ethical infrastructure and moral management are connected, confirming the initial belief that ethical infrastructures are strongly connected with both the personal and professional dimensions of the moral behaviour of managers, whereby the intensity of the connection varies between the different elements of ethical infrastructure and individual dimensions of the construct.

Apart from the mentioned measurement instrument intended for measuring the concept of a moral manager, one of the more important scientific contributions to the development of business ethics and organisational theories concerns adding to the theoretical exactness of the discoveries in the ethics management field and, more specifically, the concepts of ethical infrastructure and moral management. The book highlights several theoretical models pertaining to the conceptual classification of ethics and management on the levels of the different concepts used as well as a systematic presentation of individual aspects of the subject matter at hand: presenting the role of morality in modern approaches to leadership and management, the institutionalised encouragement of the OECD's principles and guidelines, etc. Above all,

the book's original contribution lies in highlighting the theoretical model of ethical infrastructure which, unlike other models, assumes the equality of the individual elements of ethical infrastructure. By presenting contributions and systematically, comprehensively and thoroughly demonstrating the conceptual, theoretical and empirical assumptions of the subject matter, this contribution may be seen as a knowledge platform that holds substantial applied value also in practice due to being strongly underpinned by such a scientific approach.

CHAPTER ONE

CONCEPTUAL FOUNDATION FOR THE STUDY OF ETHICAL INFRASTRUCTURES AND THEIR IMPACT ON THE MORAL BEHAVIOUR OF MANAGEMENT

Interpreting ethical infrastructures and their influence on the moral behaviour of managers is extremely challenging because the concept is deeply rooted in a network of several disciplines such as sociology, psychology, organisational sciences and management theories, economics, philosophy and others. Not only is it a highly diversified and complex discipline, the fact they intertwine adds an entirely new dimension to such research efforts. In order to explain at least some of these networks, the first part of the contribution presents conceptual starting points that will in the future serve as the basis for the studying these concepts and their connections. Further, the treatment of ethical infrastructures and the moral behaviour of managers sometimes have completely different dimensions in practice, which is why this chapter covers two distinct yet equally important sets of conceptual starting points: a disciplinary framework, within which the contributions are presented by key disciplines, and the organisational framework, where the focus is on factors from business and the organisational environment that influence the development of the studied concepts with the same intensity as the disciplinary framework.

1.1 Disciplinary framework

The world as we know it is changing at lightning speed. This also affects the way modern society is being formed. Among the ideas of postmodernism, knowledge society, social reflexivity, etc., the observations made about the societal changes in modern society by Ulrich Beck (1992) are particularly popular. Beck states we are moving towards the period of the »second modern«, which refers to the globalisation of modern institutions, while at the same time there are deviations from traditional everyday life. The old industrial society is slowly withdrawing, whereas a

»society of risk«, one in which risk is an integral part, is being established. The society of risk no longer relates to the risks society faced in earlier stages of its development that included natural hazards. The risk now arises from social development and the development of science and technology (Giddens, 2001, 677-678). In ensuring a global social balance, the significance of risk management and the high degree of accountability that follows are increasingly emphasised. This inevitably also includes social actors »outside of the formal mechanisms of democratic political systems« (Giddens, 2001, 678), such as environmental protection, consumer groups and civil rights movements, particularly the organisation and management of the latter. The frequency of organisations' deviant behaviour has brought catastrophic consequences for both organisations and their stakeholders and not least for the wider social and, in many cases, natural environment. Europe is no exception.

These are important discussions at the heart of business ethics, which is why the latter has become one of the most important topics in the study of management and organisations, as well as in business, among students, academics, consumers and even political decision-making circles. Crane and Matten perceive (2004, 13-15) there is a rising number of programmes of business ethics at universities, the number of articles in magazines and newspapers is growing, and even the »industry« of business ethics is observed. Although this trend is much more intense in the USA, there is growing awareness of the importance of business ethics in Europe (particularly due to the strong philosophical roots, which vary from country to country¹), which points to an almost paradigmatic movement and indicates exposure to common interests and the creation of common values and principles of action as needed for the movement's further functioning (Donaldson, 1992, 21). In other words, business ethics as a discipline and ethics in organisations as an object of business is increasingly gaining in importance. Modern society faces several ethical dilemmas triggered by the most diverse and all-important business affairs in a wide range of business, both public and private. The consequences of these kinds of immoral activities in organisations have enormous proportions, which at the same time fuel the growing interest in business ethics and the answers it offers. Thus, business ethics as a subject or a topical area is to be found in practically all (public and private) higher education institutions that offer programmes with organisational, managerial, business or business content in addition to the many programmes of training, seminars, meetings, conferences and similar events available on the market and emphasised beyond the formal education system. This clearly confirms the assumption that business

ethics and its subjects are attracting ever more attention in society. We will try to present this issue in the framework of this book. In the following chapter, we first present the contextual framework of business ethics and some of its key contributions, assuming that such contributions provide an important starting point in dealing with ethical infrastructures and their impacts on the moral behaviour of managers.

1.1.1 Business ethics

As with most scientific disciplines, business ethics has undergone several changes over the past decades. Crane and Matten (2004, 14) highlight at least two important circumstances, the latter being shaped by: the problem of globalisation and the issue of ensuring sustainable development. With the growth and development of the global economy, business also encounters several new issues such as the attitude of organisations to their employees in less developed countries, environmental issues, the use of the economic power of multinational companies and others. Organisations are ever more faced with new and diverse ethical dilemmas whose complexity is further increasing due to significant geographical, economic, political and cultural differences. Problems such as environmental pollution, waste management, the closure of production facilities and, consequently, workforce reductions and the erosion of local cultural and natural environments not only extend the responsibility of individual social actors, but also imply a radical change in the functioning and goals of organisations and the way the impact of business is reflected on the formation and development of society. This also relates to the issue of sustainability, which is no longer limited to the conservation and restoration of natural resources. Fisher and Lovell (2006) talk about the sustainability of business, which include two types of relationships:

(1) the relationship between the organisation and the external environment; and (2) the relationship between the organisation and the inner context. While the relationship between the organisation and its external context involves the interests of stakeholders, and at the same time the way in which the organisation acts relative to politics and political processes, the relationship between the organisation and its internal context refers to the attitude to employees, where they are present, also to the supervisory authorities. Both relationship types together form the sustainable development of business that provide »a common dependence between society, the environment, politics /.../ and the undeniably competitive nature of business « (Fisher and Lovell, 2006, 512). In this way, processes are established that ensure not only the sustainability of the

natural environment, but also the preservation, restoration and development of the organisational and, above all, the social environment. With the more and more convincing affirmations of the importance of ethics and its place within organisations and business, the offer of concrete solutions that provide support in such processes is still relatively modest. At the same time, this imposes new responsibilities on organisations which are (especially) a challenge for business ethics.

Although business ethics is a relatively young discipline, it encounters a series of challenges. It is defined as a discipline that examines business situations, activities and decisions from the point of view of answering questions regarding »right« or »wrong« but, as already pointed out, in the modern world business ethics means even more: by assuming the role of a social institution, it actually supports business with moral coordination and offers a constant reminder of their role in developing the world of the future (Crane and Matten, 2004). According to Van Luijk (2002, 364), a seemingly academic discipline hides much more complex layers where the need for social coordination, partnership between theory and practice, and the diversity of national cultures, economies and political structures arise, gives business ethics a much more important status. It is almost becoming a social institution which, via the participation of the symphony of agencies and institutions, helps establish and improve social coordination. The role of business ethics is shifting from prescriptive to developmental, and the challenge for academics and business ethics practitioners in an age of uncertainty is to interpret and develop individuals, and at the same time abstain from prescribing an ethical reference framework (Barclay and Smith, 2003, 324). The point is no longer about prescribing or even choosing better and worse, true or false moral decisions; instead, it is about the interpretation of morally ambiguous business situations with which business ethics contributes to the dynamics of the »second modern society« and encourages individuals and groups to actively engage in the resolution of such situations and thus further develop their own moral reflection and express higher levels of responsibility. All discussions about the incentive factors for moral action do not fulfil the mission of business ethics as defined insofar as they do not encourage self-reflection and reflection on their own role in the co-shaping of those systems of ethical infrastructures that influence moral behaviour. This idea is an important pillar in construction of the debate on ethical infrastructures and their impact on the moral behaviour of managers, which will be taken into account in the present volume.

Further, business ethics is almost entirely interdisciplinary in its development, drawing on many and extremely diverse fields of action and

research. Although this kind of interweaving of knowledge seems to create chaos and can act as an inhibitor, it also leads to the development of a wide range of knowledge and practical experiences that enable business ethics to develop their own conceptual contributions. In the following, we deal primarily with those we believe contribute to a more in-depth understanding of the subject of study in this work.

1.1.1.1 Philosophy in business ethics

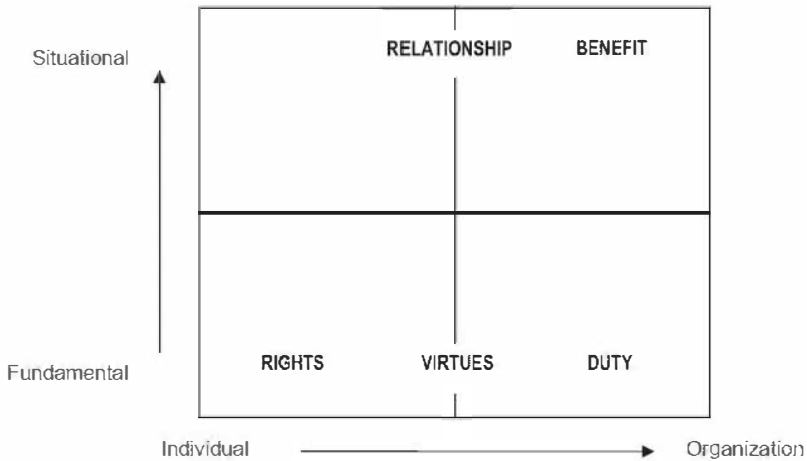
Business ethics as a discipline that examines business situations, activities and decisions from the aspect of answering questions with »right or wrong« (Crane and Matten, 2004, 8) may be considered an applicative discipline that focuses on observing business practices which, although being based on extremely different fields of knowledge, also includes the teachings of philosophy and in particular moral philosophy. At first glance, this is a »useless« basis in business, for which Kaulingfreks (2007, 41) explains: »Philosophy shows us meaning in the world and helps us grasp the said meaning without being a means of achieving an external goal. Philosophy is useless in the sense that it does not contribute anything to current practices-it is likely that they are better off without philosophy-however it creates its own practices«. In accordance with the above, the business ethics function is not to provide tangible end-results as Crane and Matten (2004) suggest that it provides »inevitably right decisions«. The value of business ethics is seen in complementing existing patterns of thinking and action: business ethics forms the basis for a critical evaluation of current business practices and behaviour from the point of view of moral reflection. In this way, it contributes to the development and advancement of modern business, supports the need for organisations to transform and adapt to a changing environment, to quickly learn, to innovate, and above all to rethink their own practices. This is particularly important in the knowledge-based society and knowledge-based economy, of which we have so often spoken, and which have taken on the role of the driver of progress in the modern world.

As the business environment develops, the pressure on organisations towards flexibility and continuous development is increasing. In doing so, traditional approaches to the management and functioning of organisations are no longer sufficient. An added value is no longer generated by standardised mass production, but by increasing organisational skills for learning and by promoting human potential in organisations. Argyris (1982) argued that organisations must change their learning patterns by activating double-loop learning so as to allow both individuals and

comprehensive organisational systems to question their own values, norms, patterns of practice and behaviour. This is certainly no easy task, which also adds to the rising need for support for the said endeavour. Business ethics in this field offers a »framework set of assumptions about the nature of reality and knowledge« (O'Doherty, 2007, 35) and ethics, which creates a new perspective on their activities by interpreting them from the pool of philosophical insights. For these reasons, it also makes sense to at least crudely study some of the most exposed traditional and modern normative ethical theories which provide management and organisations with a basis for solving the moral dilemmas they face on a daily basis. These theories usually derive from assumptions about the nature of the world and, in more detail, from assumptions about the nature of human beings. Consequently, the degree to which these theories and their results can be accepted and applied to business situations depends on the extent to which we are able to accept their basic assumptions. Nevertheless, understanding of these assumptions enables us to genuinely change our own worldview and bring about a radical change in organisations, which we have already identified as the desired goal of modern organisations (Crane and Matten, 2004, 79).

It is probably not necessary to specifically expound on the scope of philosophical contributions that deal with the issue of ethics. May (2006) offers a simplified reference framework for dealing with case studies in business from an ethics perspective. He distinguishes two dimensions, i.e. ethical conflicts². The first refers to the contradictions between fundamental and situational theories, where the distinction is being made between theories that defend the universality of ethical positions (universal ethics) and theories that defend ethics which are specific to a particular context (situational ethics). The second dimension refers to the contradictions between individualistic and communitarian theories, which emphasise the ethical responsibility of the individual on one hand (libertarian approach) and the role of the community, in the case of business practices of organisations on the other (a communitarian approach). These two dimensions form a scheme that enables different ethical perspectives to be positioned within the four mentioned conflicts: these are theories that stress the importance of duties, rights, benefits, virtues and relationships, as shown in Fig. 1-1.

Fig. 1-1: Ethical contradictions and ethical perspectives



Source: May (2006, 33).

»Simultaneous consideration of both dimensions of ethical conflicts means that studies can be used to evaluate and adapt the presented perspectives, and vice versa, the perspectives can be applied to specific situations or studies. This integration of theory and experience, often referred to as practice, offers a more thorough (and more demanding) method for assessing the activities of others and for assessing one's own activities« (May, 2006, 34-35). It is naturally difficult to establish an appropriate distance from a particular business situation, which may be contrary to an individual's personal aspect, but it is even more difficult to act in this type of situation, especially if the individual's own values are inconsistent with the organisational values. With this classification, May (2006) seeks to establish a basis for the better understanding and assessment of moral dilemmas that are common to organisations and their members, without limiting their own beliefs. In the following, using his example, we briefly present the ethical perspectives included in the scheme presented above with an aspiration that, with their help, we will build a more solid basis for understanding ethics management, the orientation of ethical infrastructures within organisations and their influence on promoting the moral behaviour of organisational members.

1.1.1.1.1 Duty

The perspective on duties relates to an individual's obligation to others (May, 2006, 26). The concept of duty is thus exposed as a contradiction to those behaviours and practices that follow the rule of the benefits they bring to the subjects involved in individual situations. The perspective of duty highlights universal, fundamental ethical standards or rules, i.e. moral laws, and these are considered indisputable reference points for all those involved in morally unclear situations. Thus, an act can be right or wrong if it is consistent with the said rules, regardless of the circumstances in which the situation occurred and that could affect the action, situation or consequences of this act.

A clear example of this kind of perspective is Kant's approach to dealing with moral issues, which is illustrated by deontological or non-antecedent approaches. Graham (2004, 102) explains: »Kant's point is as follows: no matter how talented we are /.../, benefits can be misused. Extreme wealth can be deliberately trampled by useless trivialities or used for corruption and disdain. Criminals and terrorists sometimes exhibit extraordinary talent in electronics management, money laundering or strategic planning. Kant warns that we must-unless we are ready to claim that good qualities are undeniably good-search for the basic standards of good and bad, right or wrong, elsewhere«.

Kant (1785; 1959) clearly distinguishes the purpose and outcome of an action and emphasises the importance of the purpose for which a particular act was performed prior to its success or failure. In his opinion, the act alone (and not the sense of it) determines its moral value. Thus, only good can undoubtedly be undeniably good, and the only undisputed goodwill can fulfil its duty because the duty itself is perceived as moral (Graham, 2004, 105). Kant's insistence on the rationality of deciding on a moral act, with an emphasis on freedom of decision-making and will, has attracted considerable criticism and discussion. Regardless of this, Kant is one of the most influential authors of all time, and his contribution has left an indelible mark on business ethics. In particular, the introduction of the categorical imperative enabled business ethics to experience new views on business, which at first glance do not concern them, and thus to introduce these concepts into the organisational world: it is about exposing the universal rules that apply to everyone, treating the humanity of individuals as a goal and not just as a means of action, etc.

Despite the hints that the three categorical imperatives in this book are disputed, we particularly agree with the assumptions of Kant's second formulation which dictates the treatment of the humanity of individuals as

an objective, and not merely as an asset. As Bowie (2002, 7) notes, this principle introduces some serious considerations into the organisational environment that relate to attitudes to different stakeholders. Among others, he introduces two prerequisite factors for introducing this principle in business relations. First, individuals in business relationships should in no way be exploited, forced or defrauded and, second, organisations should act in a way that would allow and not inhibit the development of human rational and moral abilities (Bowie, 2002, 8). From this perspective, organisations are taking on a new role: their duty is to respect the humanity of individuals irrespective of the stakeholder group they belong to, while also supporting the development of their humanity. It is not just about providing basic human relations at the individual level, nor should they be left to the coincidence and nature of individuals in organisational systems and at the same time is systematically encouraged and strengthened. This is simultaneously a fundamental premise in the design of appropriate ethical infrastructures in organisations.

1.1.1.1.2 Rights

Similarly to the perspective of duty, the perspective of rights focuses on the commitment between the individual and the rest but, unlike the first perspective, it is based on the duty expressed by the collective in relation to the individual. Crane and Matten (2004, 89) explain that the main difference is that rights are shown as a duty of the actors involved in the situation to respect the rights of the individual. From this point of view, rights are equivalent to duties, where as a result of the exercise of rights the duty of others to respect these rights and even protect them and encourage them arises. The perspective of rights also represents a kind of universal ethics theory: rights belong to all people and we perceive them as assigned, natural and self-evident in themselves. The biggest difference between the two approaches is that the idea of rights is based on the axiomatic claims of human nature and does not stem from the complex processes of determining duties (Crane and Matten, 2004, 89).

The perspective of rights is based on the work of political philosophers such as Thomas Hobbes (1651; 1960), the father of today's social contract theory, and John Locke (1690; 1630), the initiator of the classical liberal tradition. With the ideas of natural law, natural rights and the social contract, both authors as well as others have created an influential basis for future generations. Among the most visible is the contribution of John Rawls (1973) and his theory of justice, the problematisation of »justice as honesty«, ideas of freedom and equality, etc. As Mas (2006, 28) points

out, Rawls identifies the rights by placing an individual in a kind of »original position« where the subject is »embroiled in the veil of ignorance«, thus having a limited sense of the past, present and the future. In this way, an individual cannot foresee how his position will affect him and thus maintains only those rights that preserve the minimum level of his dignity and justice. This principle also applies in the case of organisations, and their contribution is demonstrated through the concept of corporate citizenship. It is a relatively new concept developed in business ethics around the issue of the social role of organisations, which we will deal with in the following chapters. Although the concept has not yet been finally defined, Crane and Matten (2004) speak of three levels of treatment of this concept: it is a limited, equal and broader view of corporate citizenship. In particular, the latter is regarded as referring to the expanded political role of organisations, corporations in society, with the question of the extent to which organisations are involved in promoting or protecting specific rights (social, civil and/or political). This is in principle a role for which the political communities, governments and international decision-making organisations are primarily responsible, but the new circumstances (such as globalisation and sustainable development) are changing this role. The latter is partly attributed to the fact that governments are losing power at the same time as the power of other social actors, especially organisations, is strengthening. The fact that organisations today operate across national borders and the significant, in many cases exponential, increase in their (also political) power, is leading to the power of organisations to increasingly transform modern society and all its systems. It is precisely because of the possibility of this impact that organisations' responsibility to ensure, preserve and develop a »good company« is growing, regardless of the nature of »good«. The expanded aspect of corporate citizenship emphasises the political role of organisations, especially in the sense that it increases the demand for responsibility and social response of business and organisations, which thereby contribute to understanding the challenges of global action, and above all protect the rights of weaker groups and individuals.

1.1.1.1.3 Benefits

In the first two perspectives, we mainly deal with non-quantitative normative theories where the perspective of benefits, contrary to the perspectives of duties and rights, is based on emphasising the (non)morality of the results or consequences of actions and is thus perceived as consecutive (May, 2006, 29). In other words, in assessing

»correct« or »wrong« action, teleological ethical theories advocate judgements about decisions and actions according to the outcomes caused by the stakeholders involved. An example of this type of approach is utilitarianism, a philosophical theory, a pioneer in which is Jeremy Bentham (1789; 1960) while the founder is John Stuart Mill (1871; 1998).

We distinguish several types of utilitarianism which assess the morality of an act according to the starting assumption of the involvement of different groups of stakeholders, the intensity and scope of benefits, etc. For all utilitarian perspectives, there is a common belief that an act is morally »right« if it creates the greatest amount of »good« for the largest group of people affected by that act (Crane and Matten, 2004, 84). Emphasis on the largest group of people suggests that the »good« for the collective has the advantage of being »good« for an individual. Moreover, all forms of »good« are not always considered equally worthwhile, with attention being focused on short- or long-term positive effects of an act or behaviour. Snoeyenbos and Humber (2004) outline several advantages of utilitarianism as an ethical theory in a business context. ●one of the most visible is certainly the contribution of utilitarianism to the formation of cost-benefit analysis, based on which it is relatively easy to determine the »right« in the business context or »wrong« in an act. In particular, a rationalistic approach to evaluating the situation is stressed which, instead of bare intuition concerning the »correctness« or »inaccuracy« of an act, dictates possible alternatives, an assessment of their consequences, a calculation and maximisation of the benefits.

However, even the utilitarian perspective has encountered many criticisms but, in spite of this, it is one of the most established ethical theories in the Anglo-Saxon world, especially in the business context. Part of its popularity is attributed to its pragmatism, which seems to be most applicable and useful for organisations. Following its orientations, the definition of morally acceptable decisions, activities and behaviour is based on the mechanisms, methods and tools deriving from the assumption of the maximisation of benefits, which contributes to »common sense« (Snowyebos and Humber 2004, 22), which is so desirable in the business world. At the same time, it means that organisations will have to address some serious and complex issues: what are the alternatives that produce the greatest extent of »good«, what is the role of individual actors who create general rules for finding or maximising (minimising) the maximum extent of »good«, what is the role of the individual in creating »good« for the collective, etc. Further, Graham (2004) points out another dilemma: in the light of the utilitarian evaluation of a series of consequences, the orientation of responsibility to individual actors is often not enabled,

because it does not take account of the different aims and intentions of the actors involved in a morally unclear situation. Even more, sometimes achieving the greatest amount of »good« requires actions that at first glance contradict the generally-established rule. In such cases, utilitarianism does not provide an appropriate method for evaluating morally unclear situations and of questions about moral contexts into business ethics or even into business practices, about the dynamics of adopting general norms and values in the organisation, about support in moral decision-making, etc. This is also of reflection that leads us to the discussion in the present work.

1.1.1.1.4 Virtues

The term »virtue ethics« is derived from Aristotle's work *Nikomah's Ethics* (1954) in which the author describes Athenian society and its systems of values or, as some authors stress, Aristotle's idealised idea of what the then society might be. Aristotle devoted much attention to the question of what a good human life constitutes. In his view, the good life of a human being has almost nothing to do with religion or even with the morality we perceive today, but relate to the human ability to rationally, upon one's own consideration and choosing, construct the best possible life (from here stems his assumption of people being »rational animals«). At this point, the virtues which Aristotle perceives as essential personal characteristics for achieving and preserving a good life arise (Graham, 2004, 96). Although in a somewhat truncated form, these assumptions represent the starting point for the ethics of virtue, which in its most basic form presupposes that moral actions are those whose bearers are distinguished by exceptional virtues (Crane and Matten, 2004, 96).

The defined virtue approach is a link between duties and rights: if a specific duty is assigned to an individual, then he/she should be given the right to fulfil this duty (May, 2006, 30). As underlined by the ethics of virtue, the individual's characteristics are those that enable him to lead a »good« life, with the individual's social, spiritual, intellectual and, above all, moral potential being considered a priority. »Human growth is the fundamental goal of humanity, it includes everything that can provide us with prosperity« (Dawson and Barholomew 2003, 127). This cannot be achieved only by focusing on the individual and his virtues. Namely, virtues are closely related to the »good« for society, but they cannot be developed with consistency with respect to principles, but by implementing a harmonious and balanced life. In the approach of virtue, society is the one that has the greatest influence on the development of

virtues. Through processes of socialisation, it is possible to achieve the »cultivation of good habits« (May, 2006, 30), thus creating a context for the development of individuals' potential and achievement of excellence. The development of virtues thus derives from priming and repetitive practice, the latter being the key element of the majority of virtue approaches (Aristotle, 200, 126).

This is also argued by one of the most recognisable moral philosophers, the supporter of ethics of virtue, Alasdair MacIntyre (1984), who makes the understanding of virtues conditional on understanding the relationship between the practices with which virtues are formed, the mentality to which they belong, and the social institutions within which they are formed. These elements together are necessary for the development of excellence in the life of an individual (Dawson and Bartholomew 2003, 129). Virtues are primarily (but not exclusively) practice-based. They are found in all forms in all human cultures and defined as »common human activities with the standard of excellence, from which the goods naturally belonging to these activities derive« (Baggini and Stangroom 2004, 154). Although they are universal ideals, they can be integrated and combined with other practices in a functioning community. Such virtues do not constitute primary values, but »established moral dispositions, that tend to achieve the goals that the individual should pursue, i.e. to the individual's primary values« (Whetstone, 2003, 345). Solomon (2002, 32) exemplifies the latter with rules and activities from football: the rules apply to the game, determine the mode of the game, the goal and the limits of the game, which relate both to the physical space (that is, to determine the playing field) as well as to limitations in terms of ensuring fair games. However, these rules are not those that determine the dynamics of the game. Although they explain the relationships between individuals and their actions in a game, it is only the playing of football alone, parallel to excellence and virtues, that then determines the game itself.

As for other approaches, the ethics of virtue has also attracted considerable criticism. First, the approach is often blamed for being too simplistic and, in the centre of the argument, mainly raises the issue of human nature and its variability. Second, the difference between the concepts of »excellence« and »virtue« seems insufficiently clear, on top of the relationship between moral and immoral virtues, which are also unclear. The approach's disadvantages also include creating confusion in the use of descriptive and prescriptive claims. And so on. Despite all these criticisms, the approach of virtue is extremely influential, especially in business ethics, in addition to the usual dilemmas about workers' rights, consumer protection, etc. it also introduces more fundamental questions

referring to the importance of business practices in themselves and to the role of »good« in them. From an organisational point of view, the ethics of virtue plays an important role in strengthening personal and institutional virtues in order to maximise human potential inside and outside organisations (May, 2006, 31). Among issues worth mentioning from this point of view are problems of the moral language used in modern organisations and other elements, such as organisational values and culture, and the responsibilities and strategies organisations employ to achieve the said purpose. It is also quite clear that the understanding of the ethics of virtue illuminates a new dimension in this book of the central model of a moral manager, of which another important part is a moral person with all of their virtues. Based on an understanding of the ethics of virtue, we can also consider the creation of the contextual factors that impact the enhancement of the development of the moral personality of a moral manager.

1.1.1.1.5 Relationship

The idea of »relationship ethics« or »the ethics of care« follows from the notion of care and nurturing. In this perspective, interaction, communication and dialogue are the basis for successful relationships. The basis for moral action is thus a relationship that, through established communication processes, promotes a »safe« environment in which individuals can feel comfortable to the extent they are willing to openly discuss matters related to joint activities which are either unclear from an ethical point of view or ambiguous. The ethics of care is based on the work of the psychologist Carol Gilligan (1982; 1989) who studied the development of children, not only in terms of individuals' mental development, but in the relationship to their mothers. She concluded that children's development is achieved predominantly in relation to others, and not to such an individually, by itself. Therefore, their development is affected, if they do not receive sufficient care during early childhood. These findings gave moral philosophy the basis for reflecting on the impact of care on the development of our values, expectations, intentions and behaviours in relation to others (Smyth, 2008, 637), even later, in adult life and within other environments offering a kind of socialisation. Reciprocity is emphasised at the centre of attention of the ethics of care, while interdependence also becomes crucial for further moral behaviour (May, 2006, 32), whereas business ethics often uses this paradigm in conjunction with reflections on factors that make this relationship conditional within organisations.

Relationship ethics or »the ethics of care« is often compared with utilitarian ideas based on an evaluation of the final results. The difference is that, in the case of relationship ethics, the final results of an ethical decision or action do not necessarily bring benefits to everyone involved. Moreover, in conflict situations, where it is difficult to find suitable solutions and where only one solution does not meet current needs, maintaining a relationship is an important end-result per se. According to Smyth (2008, 637), attaining a successful relationship is often based on raising commitment and attempting to identify with the moral position of stakeholders. The relationship between stakeholders needs to be nurtured to a level where they feel safe enough to be able to express their opinions and interests. Gilligan calls it »voice«. Only in such a situation can we openly talk about positions, common dilemmas and conflicts, and face them as well. Maintaining an appropriate relationship here means not only a method for achieving the described state, but also the ultimate goal of moral action.

Relationship ethics guides business ethics by encouraging a positive change in ethics within the organisation, with emphasis on the relationship between important stakeholders inside and outside it, in dialogue, and with participation and cooperation. Problems concerning the issue of empowerment and the associated distribution of power along with the availability of decision-making processes and systems within the organisation often arise when dealing with relationship ethics. This approach also highlights the role of organisational communication systems that can help create an appropriate context for ensuring the »voice« of all stakeholders (especially that of the employees) at the levels of both the organisation as a whole and promoting successful relationships on the individual level. Smyth (2008) believes it is necessary to recognise that the integration of organisational communication into the systems of organisational values and ethical systems offers many more opportunities for resolving conflicts, which may gradually turn into more important social and economic investments. It is therefore an important element of ethical infrastructure.

Table 1-1: Ethical perspectives overview

Ethical perspective	Ethical opposite	Emphasis	The role of business ethics/organisation
DUTY	Fundamental-organisation	The individual's duty to another person	Support for the development of humanity
RIGHTS	Fundamental-individual	The duty of the collective in relation to an individual	Corporate citizenship
BENEFITS	Situational-organisation	End result: benefits for the entire collective	Moral contexts of the organisation
VIRTUES	Fundamental, integrates individual and organisation	Individual characteristics that enable a »good life«	Ability to maximise human potential
RELATIONSHIP	Situational, integrates individual and organisation	Caring and nurturing in relation to others	Productive relationship networks

Source: authors' contribution.

The ethical perspectives presented above give the basis for understanding and evaluating the moral dilemmas faced in a modern organisation and a starting point for creating organisational systems that help develop organisational ethics and promote moral behaviour across the organisation. Table 1-1 provides a concise overview of all of the above perspectives.

Of course, the diversity of approaches entailed by each of the presented ethical theories has a profound effect on our understanding of business reality, and it is important to be aware of its complexity. As Kidder points out (May, 2006, 9), »the truly difficult decisions /.../ do not revolve around the problem right vs. wrong. They revolve around the problem right vs. right. These are real dilemmas that are problematic precisely because both possible choices are deeply entrenched as our core values«.

Managers therefore often face difficult decisions in day-to-day business life, which in themselves do not necessarily bring negative consequences or benefits, regardless of what they choose, but they strongly influence the way events unfold and, in this context, also the position of stakeholders indirectly affected by such decisions. It is in fact a typical dilemma in the business world. May (2006) especially stresses the

need to learn about these issues is often ignored, however it is an important part of educating managers and all those closely connected with management and organisations. This kind of education offers them the opportunity to explore their own values, beliefs, and consciously become aware of their own behaviour and practices, thereby helping to improve their performance or, even more, their social environment.

In examining ethical infrastructures and how they influence the moral behaviour of managers, we mainly build on assumptions made in the perspective of duty and relationship ethics. We will therefore evaluate the entities concerned in terms of supporting managerial and organisational practices for the development of humanity both within and outside of them, while at the same time paying attention to the design and maintenance of productive networks within organisations, with a stress on promoting the moral behaviour of management. These assumptions also underpin some theories that have been shaped within business ethics and are presented in the next chapter.

1.1.1.2 Business ethics theory

In business ethics, we often come across an idea that has left a characteristic mark in business: the idea that organisations have several stakeholders. As explained by Friedman and Miles (2006), the stakeholder concept emerged in response to increasingly loud calls to do away with the moral, normative vacuum in which ubiquitous, soulless organisations were caught. The stakeholder concept should assist in clarifying the relationship between the organisation as a separate legal entity and the organisation as a (artificially construed) person, with the clarification of this relationship being closely related to the issue of corporate social responsibility. The latter is also the subject of numerous discussions and polemics between theorists and practitioners and has greatly influenced the ways modern organisations and their systems function. Both the first and the second contribute significantly to the interpretation of the ethics of organisations and the moral behaviour of their members, and the role played by the ethical infrastructure in promoting moral behaviour, which is why a brief presentation of these two concepts follows.

1.1.1.2.1 The stakeholder concept

Stakeholder theory is likely the best known and most influential theory of business ethics. It is a unique perspective which transformed the traditional view of the organisation's role by emphasising the organisation's

attitude to other groups associated with the organisation's activities. The classical definition of a stakeholder states that it either denotes a group or an individual which affect and are affected by organisations or the process of achieving organisational goals (Freeman in Friedman and Miles, 2006, 1). In other words, »the stakeholder of an organisation is an individual or group that gains or loses in relation to the organisation and whose rights may be violated or respected by the organisations« (Crane and Matten, 2004, 50). Of course, these are just two definitions of many that attempt to define the stakeholder concept, while a growing number of classifications of groups could be included among the stakeholders of organisations by their characteristics, attitudes to the organisation, influences of organisational activities, etc. It is similar with the classifications of several theoretical approaches to studying stakeholders, among which the most well-known differentiation is between the descriptive, instrumental and normative approaches (Donaldson and Preston, 1995). These are »different aspects in terms of different uses of stakeholder theory« (Kaler, 2003, 72). This classification has, however, been the subject of numerous discussions and criticisms but, despite this, it has been the starting point for thinking about stakeholders as subjects within these three views. Descriptive stakeholder theories thus refer to describing the actual behaviour of managers and stakeholders, and in some cases also explaining the perspective on their performance and roles within and outside the organisation. Instrumental stakeholder theories explore the relationship between stakeholder management and achieving traditional organisation goals such as profitability and growth. From the point of view of these theories, taking stakeholders and their agency into account according to this principle leads to at least as successful or even better organisational results than those provided by competitive approaches (Donaldson and Preston, 1995, 71). Normative stakeholder theories offer an interpretation of organisational functions and the clear exposure of moral or philosophical guidelines for organisational and managerial activities. These theories emphasise models for the functioning of management (and sometimes also other stakeholders), and for the perception of the purpose of the organisation's work, all based on the revealed ethics of the organisation (Friedman and Miles, 2002, 2).

Stakeholder theories are usually closely linked to the concept of corporate social responsibility. They emphasise the responsibility of business entities in relation to specific stakeholder groups. This is evident, for example, in the case of reporting on organisations that consider their socially responsible activities in the context of their relation to individual stakeholders (Snider and others, 2003). A survey in the USA and Europe

(Maignan and Ralston, 2002) showed there is usually some variability in the classification of stakeholder groups among companies yet, despite this, almost always the following are included among the stakeholders: customers, employees, suppliers and the local community. This is confirmed also by a survey by Snider and others (2003) which allows the conclusion that organisations which rank employees among their groups of stakeholders are mainly focused on emphasising the importance of employee development and also focused on developing both the individual and the organisation. Management, of course, plays an important role as a facilitator of this kind of development, while the stakeholder approach presupposes an almost diametric relationship between management and various identified stakeholder groups. ● on one hand, it is therefore a question of which stakeholders are seen as an important entity by management and organisation and how to establish relationships with stakeholders. However, a slightly unusual question emerges at this point: does the stakeholder approach also apply to the development of management? As a group with the greatest influence both within and outside the organisation, managers have received considerable attention and at the same time at both strategic and operational levels define the factors, processes and systems of incentives for (including their own) desired activities and development. In doing so, the usual mechanisms of control over the management functioning, despite the rationalisation of their existence, negate the very concept of development as presupposed and often expected by modern society (see the discussion on contemporary sustainable development and the role of business ethics in Chapter 1.1). There is also the question of the (self)motivation for the development of management and the implementation of individual strategies and methods for the latter, with all of these also requiring a clear definition of management and organisation concerning the question of the responsibility of both the former and the latter. Partial answers to these questions are offered by the concept of corporate social responsibility, as presented in the next section.

1.1.1.2.2 Corporate social responsibility

The concept of corporate social responsibility (CSR) refers primarily to describing the relationship between business organisations and the natural and social environments in which they are involved. Although many attempts have been made to define CSR, it is difficult to put forward any particular one as beliefs and viewpoints on the nature of CSR change

at the same time as current problems in business (Snider and others, 2003, 175). In spite of this, in principle, a broad definition of CSR predominates that states the latter is an obligation of a company to use its resources for the benefit of society as a whole and to be a cooperating member of the said society, that will aim at improving the quality of life in society, irrespective of direct benefits for the company itself (Kok and others, 2001, 286). From this point of view, organisations adopting the concept of CSR are socially oriented, and not so much to specific stakeholders, while using principles of action that minimise negative and maximise the positive impact of organisations on the environment.

For a holistic understanding of the concept, it is also necessary to add knowledge of the narrower definition of CSR represented by the »the corporate social performance« or the »CSP«. Developed by Carroll (1979), the model is known as the »oldest and most inclusive model or definition of corporate social performance« (Pinkston and Carroll, 1996, 200), and has three dimensions: social responsibility, the assumption of social responsiveness and that social issues involved. On the basis of this model, the author defined four elements of CSP (economic, legal, ethical and philanthropic), which are still very evident today and underpin research to help develop the CSP. The economic element of the CSP concept is the social responsibility of organisations which aim to make profit and legitimately pursue the development of this function, thus providing the organisation and its stakeholders with basic living conditions. This component represents the basis for all other CSP elements. The legal element identifies the organisation's obligation to abide by legal provisions and the need to take account of policies and structures set as guidelines for organisations and ensure their continued conduct in accordance with the law. Carroll (1991) described both the economic and legal components of the CSP concept as those elements that organisations should follow. Yet, the ethical element of the CSP concept is somewhat more difficult to define and interpret. It relates to the responsibility of organisations to do what is good, right and fair, although laws do not force them to do so. These are behaviours and activities that are not just required by the law, but are expected from organisations in business circles and society (Carroll, 1979, 30). The last, philanthropic element encompasses many issues such as donations for charitable purposes, construction of recreational facilities for employees and members of their families, support for local schools, sponsorship of cultural and sporting events, etc. As Carroll (1991) states, these are merely desired activities of organisations which at the same time are neither expected nor required. The four elements defined comprise the social functioning of companies and at the

same time form a narrower definition of socially responsible enterprises, which remains relevant despite the earlier date of conceptualisation.

According to Pinkston and Carroll (1996), organisations have over the past decades mainly focused on the economic and legal elements of CSR, leaving the ethical and philanthropic elements somewhat in the background despite the acknowledged importance attached to them by the managers involved in the research. Theoretically, the CSR concept is in line with the wishes of the company and the business world in order to maintain an adequate level of responsibility and action towards sustainable development. The problem arises when the concept of CSR is checked in practice. Managers involved in the survey reported significant governance pressure on organisations, especially in terms of the coherence of their performance with legal requirements and the trends of the economy's performance. These organisations often reduce the possibility of including ethical and philanthropic elements in their work. Although the concept of CSR in Europe and the USA differs slightly, there is no greater difference between the two areas. On the other hand, EU policies exert strong pressure on promoting the social responsibility of organisations in Europe, in particular defined by the EU's requirements to encourage sustainable development, with a greater focus on promoting and maintaining a responsible attitude to the natural environment (Knopf and others, 2011).

The responsibility of organisations towards society, especially in terms of creating new jobs and better working conditions, is somewhat more explicitly addressed in the context of the new EU strategy for the financial period 2014-2020. While the EU does not offer concrete mechanisms to achieve these objectives, it remains at the level of ensuring that companies operate according to existing legislation and offers only a few opportunities to operate outside these borders (e.g. by sharing experiences, examples of good practice, etc.). In addition, a study of Slovenian managers from 2000 notes that, in the majority opinion, the state and general society do not support the ethics of companies. Thus, almost 70% of the Slovenian managers surveyed do not expect the state to act in the face of morally unacceptable decisions of companies since the respondents believe the state itself behaves unethically and therefore allows similar actions. Further, the respondents' opinion shows that company ethics represents at least to some extent a cost which cannot be covered by consumers or the state and is thus a cost for the company itself. It is interesting to note that, despite the doubts expressed in the possibility of incorporating business ethics into business activities, more than two-thirds of the respondents believe their moral behaviour brings positive changes to society as a whole. Inevitably, we find that managers are unequivocally

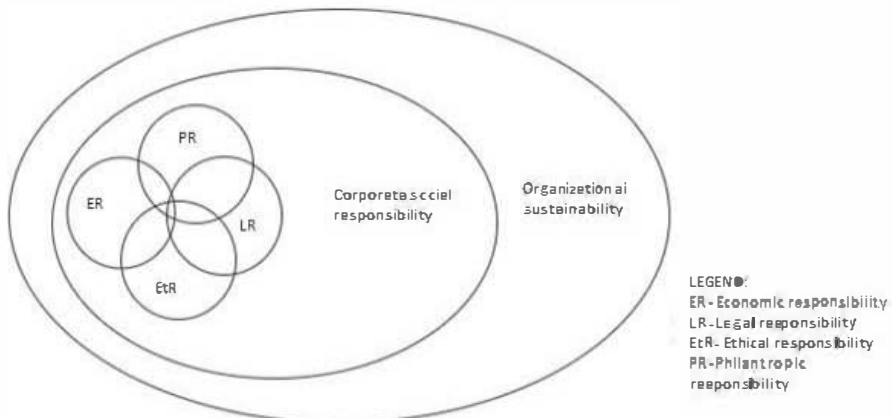
«trapped between their own values, the capabilities of companies and the requirements and expectations of the environments and stakeholders» (Berlogar, 2000, 223).

These findings remain virtually unchanged well over 15 years later and so we are focussing our attention on how to respond to these requirements, specifically to the incentive factors at the organisational level. In our opinion this is necessary due to the specific characteristics of how organisations function in relation to the requirements that organisations establish the idea of sustainable development. For that reason, we present the concept of corporate sustainability, which provides a more detailed explanation of these issues.

1.1.1.2.3 Corporate sustainability

Similarly to stakeholder theories, the theory of sustainability in organisations is firmly linked to the concept of CSR. The framework for this kind of study is presented in Figure 1-2 (see below).

Fig. 1-2: Model of organisational preservation of sustainability and corporate social responsibility with its dimensions



Source: Van Marrewijk (2003).

There are many academic and business debates that attempt to conceptualise and precisely define the concept of sustainability in organisations. They mostly refer to a more human, more ethical and more transparent way of operating organisations. The connection of the concept of sustainability in organisations with the concept of sustainable development is becoming ever more important, otherwise defined as

»development that fulfills the needs of the present without compromising the ability of future generations to meet their needs« (World Commission on Environment and Development, 1987). Starting with this definition, the concept of sustainability in organisations refers to the activities of the organisation (by definition, they are voluntary organisations) that show the integration of social and environmental requirements into commercial practices and in cooperation with stakeholders (Van Marrewijk, 2003).

From this perspective, the concept of sustainability in the organisation in some ways represents a framework for thinking about corporate social responsibility and responsible organisational behaviour. However, as Van Marrewijk and Werre (2003, 107) correctly point out, there is no standard recipe for organisational sustainability preservation. This is illustrated by the otherwise absence of specific guidelines to encourage organisations to achieve the goals set by the principles of sustainable development and represented by the World Business Council for Sustainable Development (2000) when it described sustainable development as a process aimed at integrating economic development with protection of the environment and social equity.

It is therefore a matter of establishing a wider mental framework which requires every organisation to choose its own ambitions and approaches in an attempt to achieve an appropriate level of sustainability in the organisation. The latter are supposed to be in line with organisational goals and intentions and parallel organisational strategies (Van Marrewijk and Were, 2003, 107), although the motivation for such behaviour is far from internal. Thus, the idea of sustainability in the organisation is nothing more than just that, but it is supported by the concept of a socially responsible company, which in this sense is a kind of tool for implementing both the concept of sustainability in the organisation and the concept of sustainable development. In order to discuss ethical infrastructures and their role in promoting the moral behaviour of managers, it is worth noting the following: the value of these concepts is primarily reflected in introducing (and, above all, preserving) a consideration of the responsibility and ethics of organisations and the individual groups within them. Although the business environment is characterised by an instrumental and goal orientation, it is precisely thanks to similar contributions in the organisational sciences in the last decade that there is a noticeable shift from such simplicity to the more complex approach of organisations in relation to their environments. Moreover, in principle, the agreement on the importance of such approaches receives an application dimension within organisations, whereby efforts leading towards more concrete solutions that add to the growth of organisations also in terms of

strengthening the ethical and philanthropic dimension of CSR are becoming more and more defined. Reflections and activities associated with the building of successful and effective ethical infrastructures clearly represent an important part of them.

1.1.2 Theories of organisation

This chapter starts with a somewhat unusual approach by stating the shortcomings of organisational theories. One of the most obvious is the complexity of the discipline since, from the end of the 19th century and beginning of the 20th century, we note a period of the early development of organisational theories in today's sense through to the present day when the discipline has developed into a bundle of contributions, which are only expanding as it spreads. Regardless of the efforts of many authors (Ivanko 1982; Kavčič 1991; Hatch and Cunliffe 2006; McAuley, Duberley and Johnson 2007; Tosi 2009; etc.), in order to adequately classify these contributions and systematically present them, demonstrating the development of organisational theories appears difficult and incomplete. Consequently, the placement of individual subjects and the difficulty of studying them within organisational theories is made even more difficult. In addition, although individual organisational theories within the theoretical currents and the contributions of authors appear to be quite independent and clearly outlined, the boundaries between them are not always clear. This can hardly be avoided because research from different perspectives concerns various dimensions of the same subject. Finally, the contributions of individual theories are sometimes difficult to place within specific historical periods because many theories of later periods stem from earlier theories. In spite of all this, organisational theories as an academic discipline offer a rich starting point for the study of organisations and related dilemmas. This is especially true for the study of management and associated specific issues.

As mentioned, a range of authors tries to understand the contributions of organisational theories in various ways. Most study them from the point of view of historical development while others also differ by taking an innovative approach which also brings the other characteristics of organisational theories to the forefront. Among them, there is Gareth Morgan (1997; 2004) who with his perspective exposes the implicit images of organisational and management theories, thus trying to direct the reader to discover, understand and manage organisations in a special manner. As noted in the introductory chapter, the use of metaphors contains a way of thinking and a way of seeing that shows our general

understanding of the world, while allowing us to touch the multi-dimensional reality gradually, from several one-sided aspects individually, and only on the basis of this do we form a comprehensive idea of the organisation. His approach is followed by Cludts (1999) who during the study of the ethics of participation within organisations reveals four aspects of thinking about organisational and ethical theories according to their understanding of the organisation and the individual.

Table 1-2: Organisational perspectives and their orientation to the individual and organisation

Orientation to the individual	Orientation to the organisation	Emphasis
RATIONALITY/ ECONOMY	Planning and control	Efficiency
SOCIAL	Human relations	Social coexistence
SELF-REALISATION	Human resources	Integration and self-control
RESPONSIBILITY	System perspective	Relationship and development

Source: Cludts (1999, 158)

This approach seems particularly appropriate for the purposes of the present book. Focusing on the dynamics in organisations and not so much on the contribution of individual authors researching organisation, it provides a comprehensive starting point for further understanding of organisational systems and management, the two key concepts in the book. In order to illuminate the context of study of ethical infrastructures and their impact on the moral behaviour of managers, what follows below is the background of descriptive organisational and normative ethical theories, based on the belief that such a connection between the presented contributions will help increase the dimensionality of the subjects concerned.

1.1.2.1 Rationality/economy in organisational theories

Especially those theories that emerged at the end of the 19th and beginning of the 20th century emphasise the highly rational, economical aspect of thinking about organisations. These are influential theoretical perspectives such as scientific management and the contributions of the authors of classical management, the theory of bureaucratic organisation

and many authors characterised by the fact that in the centre of their attention they place the effectiveness of the organisation's functioning or, to borrow a metaphor from Morgan (1997, 2004), the organisation is a well-oiled machine. Attention is focused on organisational rationality as the most important managerial goal, followed by managerial practices aimed at planning, organising and checking the effectiveness of organisational procedures and tasks, setting up functionally, oriented organisational systems, and recruiting, selecting and training suitable employees who could follow the emphasised aspiration towards efficiency. In such a planned system, care for the needs of the individual in the role of an employee or even in other, broadly defined roles is pushed to the side. The category of employees represents only an additional element of the organisation's effectiveness, their involvement in the organisation's activities is instrumental and limited exclusively to the performance of tasks in the operative core (Mintzberg, 1979) which are designed and developed by experts (Taylor, 1911), but not by the employees themselves. By doing so, they contribute to the organisation's integrity (Fayol, 1950), yet this is also the point where their responsibility ends. In order to achieve organisational goals, it is important to clearly define the work areas, functions and tasks, and to precisely assign responsibility according to the qualifications and professionalism of individual personnel, while the demarcation is mainly vertical and takes place through a hierarchical line in the organisation, mainly from the top down (Weber, 1947).

Regardless of the rationality of such approaches, the structure of power in the organisation is not questionable; they are oriented in favour of hierarchically higher positioned employees and remain concentrated in the hands of management. Employees at lower levels of the hierarchical structure are excluded from the decision-making processes and have no influence on the design of organisational procedures, regulations, processes, tasks, etc., although this might be sensible in terms of developing individual organisational functions (for example, the working process in the operative core). The interests of an individual to work in an organisation are thus purely economic: they are the acquisition of the basic means of survival and the preservation of one's own existence, but there is no place for self-realisation and the achievement of intellectual, experiential and personal progress within the mechanical organisation. Accordingly, prevalent here is motivational leverage that primarily has a material nature, appealing to external motivational elements. Or, put differently, in order to achieve the objectives of the organisation, which are measured in the efficiency of individual parts and of the entire organisation, it is necessary to establish a reward system based on wages

and similar (material) incentives. Of course, this also holds negative consequences for the organisation: the systems thus created do not provide employees with opportunities to identify with organisational goals and internalise organisational norms, nor can such a system be based on trust, and thus requires the establishment of an additional control system.

According to Cludts (1999, 159), organisational theories that illustrate a rational/economic perspective on organisations are usually caught in the trap of their own rationality: when conflict arises in the organisation, the latter is seen as a consequence of organisational irrationality, and the only way to resolve such situations is by rationalising organisational processes. Among the critics of the classical approaches that include claims about simplifying the organisational environment, there is a failure to take account of the openness of organisational systems and a too narrow focus on studying purely formal organisational structures (Kavčič, 1991, 63). One of the most commonly mentioned shortcomings is the complaint about the unrealistic treatment of employees, which only reduces them and does not allow them to realise their own intellectual, professional and ultimately personal development. In this way, employees are becoming more and more alienated from their work, apathetic, uninterested and passive, and developing defence mechanisms that avoid responsibility for the successful and effective realisation of their work goals. The so-called traditional management philosophy, also called theory X (McGregor, 1967), requires management to direct employees' activities by convincing, rewarding, punishing and controlling them, as they only do what is necessary for the organisation; otherwise, they would be passive and even resist the needs of the organisation (Kavčič, 1991, 82). The moral management is thus reflected in ensuring the effectiveness of the organisation and its parts and the resulting success of the entire organisational system. Part of this kind of activity is certainly equity, but it is limited and refers to equality of treatment, encouraging employees to perform their tasks with appropriate remuneration and sanctioning that »raises morale« (Morgan, 2004, 23) and does not lead to overpayment.

1.1.2.2 The »social« in organisational theories

The deficiencies of classic theories of organizations and the pressures of an increasingly dynamic organisational environment eventually led to recognition of the need to extend the existing approach to the management and management of organisations. At the heart of the new emerging theories, care and concern for people and their needs are becoming increasingly important, as well as dealing with organisations as a social

system, which is in a reciprocal relationship with other social systems. Among the most influential organisational perspectives advocating such an approach, which first appeared somewhere in the 1930s, is the human relations theory that emphasises the importance of employee satisfaction, motivation and the fulfilment of their needs, and the development of encouraging relationships within the organisation. When studying the contributions of human relations theories, we cannot overlook the highly acclaimed Hawthorne experiments and Elton Mayo (1957) with colleagues who introduced completely revolutionary findings about the behaviour and behaviour of individuals in the group and organisation in the organisational theory and practice. The most valuable findings include the exceptional influence of groups on the attitudes and behaviour of individuals, the observed patterns of adapting individuals' behaviour to group norms and, last but not least, the »invisible« informal control mechanisms that spontaneously form within the group and represent for the organisation at least the same tool of influence as formally established and advance-defined control systems.

While the classical managerial theories focus on achieving the effectiveness of the organisation, the proponents of the human relations theories (Mayo, 1957; Argyris, 1957; Barnard, 1966; McGregor, 1967) focus more on studying human relations within the organisation and on their involvement in organisational dynamics. Lying at the heart of their interest is the relationship between three elements: individual well-being, organisational success, and social well-being (O'Connor 1999, 238). As bearers of change in the organisation, managers are responsible for creating an appropriate organisational environment that provides employees with sufficient motivation for work at work and an opportunity to meet their needs within the working environment. The positive effects of this situation are reflected in organisational performance and, consequently, organisational success affects the increasing social well-being. From this point of view, the most important tasks of management become the »creation of conditions for workers to work and volunteer for organisational goals« (McGregor, 1967; Kavčič, 1991, 83). This can no longer be guaranteed by using external motivational factors, but above all by appealing to internal motivational elements such as personal and professional development, the maximum utilisation of one's own potential, autonomy, and the like. This new management philosophy, also called theory Y (McGregor, 1967), recognises the activity of employees, their ability to accept responsibility, and their inclination to learn and improve and, accordingly, imposes on management the primary task of facilitating and promoting the development of human potential. This can be done by

introducing new approaches such as decentralising responsibility and thus reducing employee control, increasing employee participation in decision-making, insight into work results, and so forth (Kavčič, 1991, 84).

Regardless of the emphasised differences in the concept of the relationship between management and employees and in the perception of the goals of organisational activity between classical and neo-classical managerial theories, the relationships between management and employees remain relatively unchanged in terms of the distribution of power. This is also one of the more emphasised criticisms of theoretical debates on human relations theories in organisations: despite the perceived need to meet the needs of employees in order to maximise their performance, management circles responded to this need only at the declarative level. Consequently, in reality, only virtual systems are revealed in organisations, based on creating the impression of satisfying the needs of employees, about their involvement in formal organisational decision-making processes, but without actually doing so in organisations. Moreover, the authors of human relations theories often oriented the organisations to thinking about the possibilities for motivating employees and their self-actualisation, while also not devoting sufficient attention to the treatment of the concept of »humanity« as such. According to Melé (2003, 80), »actually /.../ they were much more interested in how it would be possible to motivate human behaviour in order to improve results than to determine what a human being as an individual or social being really means«. Such an instrumental approach can be effective in the short term, but it is questionable from a moral point of view and, in the long term, in terms of employees' perception and their work, it can have a negative impact on the relationships inside and outside organisations, and even act as an inhibitor in the context of discussing ethics in the organisation.

Further, regardless of the findings on the dynamics of the interactions between employees in organisations, human relations theories ignored the importance of formal organisational structures and, above all, the fact that the quality of interpersonal relationships is only one of the effects of a common structure of interactions among employees generated spontaneously. The failure to take account of the latter led to the still excessive rationalisation of organisational processes by management. Similarly, the establishment of social cohesion in the organisation is one of the most important achievements of human relations theories: due to attempts to maintain balance and cooperative relations between management and employees, the perception of conflicts is mostly negative, and therefore often negated. In an organisation, this raises a whole range of problems, including the issue of introducing changes that could ruin such a balance

in the social system, and therefore organisations often try to avoid them. This is becoming increasingly problematic in a changing and dynamic environment.

1.1.2.3 Self-realisation in organisational theories

The idea of promoting employee satisfaction with the aim of improving the achievement of organisational goals was also considered in a series of discussions about the very concept of satisfaction and about its origin. Many authors (Argyris, 1957; Likert, 1961; Maslow, 1965; McGregor, 1967; Herzberg, 1987) highlighted the individual's need for self-realisation and their ability to actually achieve it. As theories on interpersonal relations have already established, the realisation of one's own potential in achieving success at work for an individual is an indispensable condition for his/her satisfaction, while at the same time providing the organisation with greater success in achieving organisational goals. This, of course, is followed by appropriate managerial responses in the form of the decentralisation of decision-making and a reduction of systemic control but, as already noted, these methods are often implemented only in virtual practice and do not significantly interfere with the existing power structures. In order to enable employees to upgrade and use their potential, the focus of management is on the level of design and adaptation of work. Moreover, ensuring a suitable context for the realisation, development and use of employees' potential does not relate solely to classical incentives to learn and to take responsibility, but also as a factor of employee satisfaction which takes the workplace and its characteristics into account. The attention of the managers is thus increasingly focused on the processes of designing individual jobs, the possibilities and methods used by employees, recruiting suitable employees for certain jobs, etc. Teams and teamwork play a great role in this by providing employees with continuous opportunities for learning, socialising, cooperating, training, etc. Thus, there is emphasis on the importance of human resources and their integration within the organisation, which implicitly requires a reorientation of the management style, which in addition to the efficient organisation and implementation of tasks (so-called task-based management) also sees employees as an important factor in achieving the organisation's performance (so-called people-oriented management).

Much of the discussion about the need for employees to achieve self-realisation relates to the relationship between the formal and informal structure in the organisation. Classical managerial approaches are largely based on clearly organised hierarchies, precisely distributed tasks and

responsibilities, a rigorous specialisation of work tasks and functional management, all of which do not allow individual employees to inspect the relationship between an individual work task and a comprehensive work process, between their own and the wider, organisational goals. If the formal organisational structure does not give the individual an opportunity to see this connection, this function is assumed by an informal structure that often opposes the formal (Argyris, 1957) and thus poses a major problem in the organisation. At this point, it is important to mention the human resource management contribution which places human potential in a key role for the organisation's success, and which emphasises the integrative principle. From the point of view of human resources management, integration refers to the involvement of employees in processes, which traditionally is in the domain of management: in deciding on the design of individual work tasks and at some levels even in deciding on the policies and strategies of organisations. This is followed by a whole series of changes in organisational structures that involve the reduction of middle-level management, the enhancement of teamwork, the emphasis on horizontal rather than vertical communication, process organisation, etc., and these changes are motivated at the level of the individual by their commitment to realising the organisational goals. Cludts (1999, 162) points out that, even in this case, involvement in decision-making is truncated and refers only to the creation of individual tasks (those in which an individual is involved in the workplace) but does not allow integration into wider, strategic decision-making. The reason for this is mainly seen in a formal organisation which, in principle, is autocratic (Argyris, 1957) and prevents the latter. This dilemma leads us to the next, final perspective which we present in the following chapter.

1.1.2.4 Responsibility in organisational theories

The organisational theories described thus far each represent a great contribution to development of the discipline and, last but not least, development of organisations, their practices and behaviour. Each of the perspectives described provided a suitable reference framework for the functioning of organisations at a given time and simultaneously an appropriate theoretical basis for explaining such courses of action. Moreover, notwithstanding the subject matter, each also has some deficiencies which make them increasingly non-compliant and insufficient for comprehensively explaining the dynamics in the organisational environment. Cludts (1999) states: (1) all of the above-mentioned perspectives highlight the primary role of management in the design and

implementation of organisational strategies, thus maintaining a highly rational, objective and autocratic principle of the functioning of organisations; (2) two of the three paradigms mentioned above do not take the social nature of their employees into account and thus continue to unilaterally maintain elements of a rational/economic view of organisations; and (3) none of these perspectives consider the diversity and complexity of organisations, their members and, ultimately, their environment.

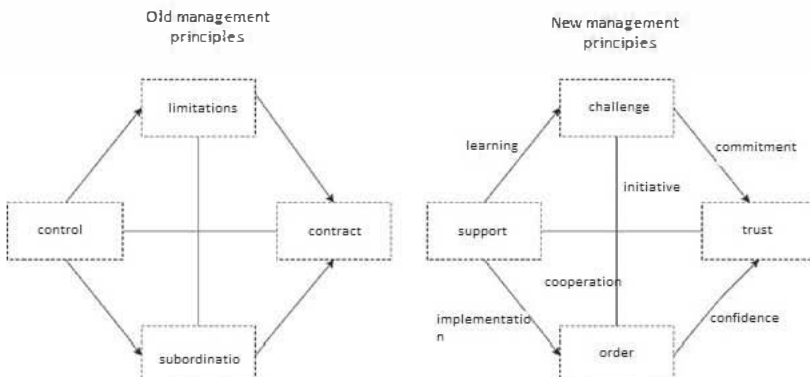
In an increasingly dynamic, extremely rapidly changing, uncontrollable, chaotic and complex organisational world, the last-mentioned feature of classical and neoclassical organisational theories is problematic. In such circumstances, organisations and their management structures cannot afford linear, egocentric and one-sided solutions. The altered environment gives organisations a new challenge, with a growing need for recognition of their ability to respond to environmental demands. This kind of thinking is introduced into organisational theory by the systemic approach, also known as the open-system theory. It emerged in the mid-20th century and significantly changed the view of organisations by outlining the concept of a system defined as an »organized, distinct whole, consisting of two or more components, parts or subsystems, relations between these subsystems, and that they clearly demarcated from the environment as a suprasystem« (Kavčič, 1991, 87). The organisation as a system thus helps ensure the successful functioning of the organisation as a whole, which is considered as more than the sum of its parts. This kind of organisation at the system level is capable of self-regulation and maintaining stability, as well as of achieving an appropriate degree of differentiation and integration in relation to the environment. The systemic approach to the organisation emphasises the principle of equivalence, which refers to the diversity of possibilities for attaining the goals of the organisation, and thereby provides management with more satisfactory alternatives for obtaining the desired results. As a social system, the organisation is no longer successful by merely providing adequate output, but only by maintaining and promoting its adaptability and, in particular, by developing the capabilities of its individual elements.

Moreover, the Industrial Revolution created a new attitude to corporations and their business. At the end of the 19th century, the influence of large corporations became more and more evident, as seen with large multinationals today, these corporations often have more power than governments and their influence has grown to an ever-greater extent and exceeded their responsibilities. As Berlogar (2000, 33) concludes: »Those who claim that even today companies have much more power than responsibility for their activities are not rare. It all depends on how and to

what extent we will manage to change this relationship in the interests of responsibility, honesty, for the benefit of managerial ethics to meet the challenges of the post-industrial, information and post-information society».

This new challenge brings fresh tasks to management: at once focusing on maximising profits and ensuring a balance between the demands of the organisation's stakeholders while also taking care for the wider social responsibility of organisations at the forefront. The new management principles include incentives to take different stakeholders into account (as already discussed in Chapter 1.1.1.2.) in addition to modern approaches that are being introduced, such as transformational leadership, which is distinguished from the transactional leadership level by the level of employee involvement in organisational decision-making, including the highest level, followed by relational employment relationships based on the long-term relationship between the company and the employees. According to Svetlik and Zupan (2009, 47-49), such relations should support the newly defined role of employees which, in return for the competitiveness achieved, require the possibility for development, independent decision-making, learning and appropriate relations that include economic elements such as salary and benefits as well as psychological support, respect for both their interests and their achievements. The role of management is also defined anew. Among the new features of the latter, the increasing ability to manage, communicate and motivate is becoming ever more important. »The combination of initiative, learning, dedication, self-confidence, effective performance and cooperation is the foundation on which we can build greater success and development of both employees and enterprises« (Svetlik and Zupan 2009, 49).

Fig. 1-3: New principles of management and individual behaviour



Source: Svetlik and Zupan (2009, 49)

In particular, the final emphasis of organisational theories in this book gives the starting point for studying ethical infrastructures and their influence on the moral behaviour of managers. Taking into consideration the exposed guidelines for organisations' functioning and the redefined roles of employees and management described so far, the following chapter focuses on basic sociological concepts that further explain the organisational dynamics and the role of morals within it.

1.1.3 Fundamental sociological concepts

In order to better understand the relationships between ethical infrastructures in the organisation and their influence on the moral behaviour of management, we need to look at some basic sociological concepts that form the basis for reflecting on these relationships and influences. These definitions include the concepts of structure, roles, power, sources of power, values and value orientations, and the like.

1.1.3.1 Structure

A structure is a »whole, consisting of several parts«. This is one of the definitions found in Webster's Comprehensive Dictionary, which also adds this about structure: »The structure is a set of parts that are interconnected and have a certain arrangement«; and »the structure is an organised body or a combination of interconnected and dependent parts or elements« (1986, 1234). These definitions also help understand some of the hints the discipline of sociology uses as a starting point for determining the idea of structure.

A structure is a whole, made up of various parts-it is therefore necessary to define the basic units or parts of the structure and how they interconnect. In sociology, the basic elements for analysing structure are typically stated as follows: (1) determined connectivity arising from positions or relationships between people. It is a connection between roles placed in certain institutional forms and regulate the relationships between people; (2) a certain relationship between groups that is inwardly connected with particular forms of interaction, membership, identity and belonging (Mesner-Andolšek, 1995).

The above definition is closely associated with the following characteristic, namely that interactions between elements are repeated over time and space. It is difficult to imagine the meaning of structure without involving repetition processes. This is the dynamic side of structure. The structure is responsible for repeated interactions between roles or members

of a group and among groups themselves. Structure and process are two expressions of the same phenomenon. Structure is a kind of generalisation, based on the observation of recurring interaction processes between the basic units of analysis. The concrete process is, however, a behavioural expression of the relationships and simultaneous proof of the structure.

The consequence of the repeated interaction processes between the structure's elements is that the relationships in the structure differ from the relations of elements outside the structure. The idea of structure includes the presumption of a qualitative difference in relation to »non-structure« and to other structures that are different precisely due to their specific types of interactions.

For our analysis, it is important to note that the implication that the structure derives from the semantic interaction prevails in sociology. This is chiefly assumed by the sociology of understanding, symbolic interactionism, ethnomethodology, the theory of social control, and the theory of the social construction of reality (Mesner-Andolšek, 1995).

The sociology of understanding can provide a commencement point for further analysis because Weber's theory establishes the basis for more modern versions of the phenomenological tradition. Weber's definition (1986) of social action is phenomenological since it links action with the subjective meaning attributed to the action/behaviour by the actor.

Symbolic interactionism stems from the category of meaning as its basis. The meaning that people shape in the interaction process when communicating with each other becomes the basis for their actions. The interpretation process involved in interaction goes through selection, correction, indication and reasoning processes. Symbolic interactionism builds on the presumption that the social structure's macro characteristics are determined by processes of interaction.

Ethnomethodology arises from a critique of role theory, which we discuss below. Ethnomethodologists' critique of the theory of roles builds on the assumption there is an independent social reality of norms, expectations and institutions that exists separately from individuals. Role theory contends that if individuals behave according to these forces, their behaviour is structured and, if they believe in them, their positions are structured. On the contrary, ethnomethodology reflects from the vision of a freer, more practical and more inventive individual who has a wide range of possible activities in social interaction. Leiter states that: »The structure is not, in any sense«, predetermined, »but is constantly constituent, reconstructed, reproduced, and invented in interaction« (1980, 68-105). In this sense, we could say the theory is anti-structural by abandoning the structure (both internal and external) and replacing it with the processes of

interaction. The emphasis is on situational action and stresses the 'indexed' nature of expression, that is, their specificity, depending on the context. Even in situations where actors apparently apply general norms, they must define their meaning in the situation.

The theory of the social construction of reality assumes structure is the result of semantic interaction. At the outset, it is microstructural, but with an ambitious attempt to transition to the macrostructural level it shows how the social structure, once formed, becomes an independent objective reality, which creates the basis of organised and orderly social life. The main argument of this theory stems from the individual's need for simplification and routinisation (Berger and Luckman, 1988, 56). The instability of the human organism requires that man himself creates a stable environment for his action. The human need for habits is an integral part of the interaction and therefore precedes institutionalisation or becomes its basis. When common routines and understandings are shaped, they become »externalised« and are an objective reality that is transferred to new generations in the socialisation process. Institutional reality is thus secured by numerous legitimations in language, knowledge and mythology. All of this gives it the appearance of regularity and correctness.

Sociological theories and concepts of structure have often underpinned the design of organisational structure concepts. This is especially true for the most important concepts of the social theories developed by Parsons, Weber, Berger and Luckman. Parsons' adaptation (1959) of Durkheim's functionalist concept of the structure highlights the achievement of goals, adaptation to the environment and the imperative of the collective. Weber's approach to the structure provided the basis for a political approach to the analysis of organisational structures. Berger-Luckman's theory is the basis for a third approach to organisational structure, by way of an anthropological approach to the research of human collectives, which at the same time enables and limits the functioning of their members (Smircich, 1983). The actors are involved in producing and reproducing social reality through the transfer of symbols, rituals, myths and the use of language. The structure is understood as a means of transmitting and forming common meanings.

1.1.3.2 Organisational structure

The structure is assumed to include various forms of activity that may be characterised as lasting over time. The key characteristic of the organisational structure is the regularity of these forms, which have the nature of a pattern and are preserved in time. Descriptions of the

organisational structure have in the past focused on different aspects of this more or less enduring pattern regularity. Some authors have tried to describe the structure only as a formal form of roles and procedures that define the framework for an organisation: Structure as a framework. Others have described it as processes of interactions, which share the characteristics of a pattern. Discussion on structure as a framework and structure as an action can be found in work of Mesner-Andolšek (1995).

Theories that understand organisational structure as a framework focus on determining positions, the forming of roles and procedures, and power rules. Interest in the formal aspects of the structure was mainly promoted by Weber's work on bureaucracy, which accurately depicted the impersonal structure of tasks, rules and power relations as centres for the rationalisation of the modern world, and hence for the organisation (Blau and Schoenherr, 1971, 5). The purpose of the formally prescribed organisational framework was and remains obvious. Its goal is to provide more reliable and predictable control and direction of organisational performance or its effectiveness. The characteristics of the organisational framework hold important implications for organisational effectiveness: the extent of functional differentiation, degree of integration, centralisation and concentration of authority, formalisation of rules and procedures. This all influences the effectiveness of control in an organisation, its flexibility and the motivation of its members (Ranson, Hinings, Greenwood, 1980, 2). However, researchers soon began to establish that an organisation's daily functioning is quite different from the formally prescribed frameworks. Therefore, they sought to better understand the workings of the organisational structure by examining the regularity of members' interactions by exploring the informal structure or 'substructure'. Many studies had shown that existing forms of interaction often did not comply with the formally prescribed structural framework. In early criticisms of Weber's bureaucracy, Merton, Selznik, Gouldner, Blau and Crozier established that members of the organisation can move goals, ignore their roles, and interpret their formal rules in their own ways (Ranson, et al., 1980, 2).

The relationship between the formal and informal structures is also a subject of our research in which we determine the relationships between the various elements and factors of the ethical structure, in terms of both formal and informal systems and mechanisms for promoting the ethical functioning of the organisational members. Ranson et al. (1980) argue the structural framework systematically includes normative expectations and operating rules. The structural framework of rules, roles and power relations seeks to ensure the prescribed objectives are met by promoting

and facilitating certain forms of action, as well as by restricting others. The framework is internally involved in the design of actual action and the rules of the authority, while maintaining a certain division of labour. Once actors form an appropriate framework of rules and norms, they become constituent. The organisational structure thus includes the prescribed framework and the realised form of interactions. At the same time, both aspects will be included in our research. In the following, we first look at the concept of the role, then begin researching the structuring process.

1.1.3.3 Organisation as a system of roles and the role of managers

Roles are the most important element of the system structure. For us, the role of managers is vital because we are especially interested in managers. Since managers are decisive for promoting moral behaviour across the organisation, it is crucial to analyse their role from multiple perspectives. How individuals behave in their role and how they decide is best seen if we understand how the role is shaped, what it is made of, and what relation it holds with other roles in the organisation. It is necessary to understand the elements of such roles so that we can discuss how the individual behaves in the role and how they act. The question is which aspects of the role are more and which less important? In the following, we look at the concept of role from a sociological perspective, highlighting the composition of the role and its relationship with other roles in the organisation.

In order for the organisation to channel the performance of its members to meet its objectives, it creates a system of roles derived from its fundamental objectives. Blau and Scott (1962) noted in this respect that »the organization does not appear spontaneously in the course of social interaction, but is consciously formed a priori in order to anticipate and direct the activities« of its members (1962, 5).

How to define the concept of role? In sociology, Parsons dealt with the notion of roles. A role is »an organizational part of an actor's orientations that shape and determine the participation of an individual in interactive processes« (Parsons, 1959, 23). Roles contain a number of complementary expectations that define the actor and the interactions of others with that actor. Expectations are thus basic components of the role. Expectations of role are, according to Parsons, a pattern of evaluation that exists in combination with specific types of situations. In the form of reciprocity, roles are organised into specific interaction systems that contain expectations on one side and responses to these expectations on the other. An individual's work is always organised in response to the expectations

of others and is not merely their focus on the goal. The response of others always means the sanctioning of actions (positive or negative). Through expectations and sanctions, they enter the system of action.

For our analysis, such an understanding is important as Parsons analytically derived roles from the dilemmas of orientations and linked them to the personality of individuals. Dilemmas of orientation assemble value-orientation systems. Although value-orientation systems are always linked to more specific problems, dilemmas of orientation are a useful tool for analysing the expectation of the role and dispositions of the needs of individuals-their motivation. By example, we show the relationship between the orientation dilemma and the orientation system. The question is: »Should an organisation's sales professional always exclusively pursue the achievement of sales goals or is it useful for the organisation even in the event that professional finds the buyer's interest might be long-term oriented and that selling the product does not benefit them«. This represents the orientation dilemma. The question is, therefore, are the roles within an organisation formed and related to the characteristics of the organisation (in this case, taking into account and respecting the benefit of stakeholders) or the ability of the role-players (in our example, achieving sales targets). From the example above, we see the dilemma of orientation is important for describing the norms that control the roles or their expectations in the organisation.

Each organisation then creates its own system of orientation, which is reflected in the design and the roles of its members. However, such a system of orientation and with it the system of roles is institutionalised to varying degrees. In our empirical research, we shall determine the degree of institutionalisation of ethical value orientations in organisations.

The degree of institutionalisation can in this sense be understood as the degree of articulation and coordination of members of the collective in a specific situation in which the actors collectively adopt a series of rules and definitions of the situation regarding the goals of the organisation, procedures, mutual relations, etc. The specific content of these rules and their adoption will vary in the same situation from individual to individual, from role to role. Yet, if they are common, the rules will lead to the coordinated action and behaviour of members of the organisation. These rules have a coordinating nature because they are derived from shared value orientations. Such value orientations are stored in interpretive schemes and contain common standards by which actors assess and classify different objects in the situation (buyers, suppliers), goals (sales, for example) and the direction of action (insisting or abstaining from a sale in a concrete situation), actions of others (buyer's refusal to purchase),

rewards and sanctions (financial success or degrading in the organisation), etc. The system of orientation the organisation develops does not presuppose a uniform system of value orientations that is equally and universally distributed among all members of the organisation. These are different subsystems and variations of common value-orientation system that vary around a basic pattern. The function of these value orientations is that they are incorporated motivationally in the behaviour of organisational members.

If we state the basic unit of organisational structure is a role, then it is imperative we look for ways to determine its content. The main starting point for defining a role are the problems the role holder must manage (Parsons, 1959). The actor has to deal with three different problem types: the problem of instrumental aspects of interaction, the problem of expressive aspects of interaction, and coordination problems. The first type of problem arises from setting the objectives of operation and implies the identification of instrumentally important activities. From here stems the division of work in the organisation. However, in addition to pursuing goals on an instrumental basis, an early condition for the organisation's successful operation is that it must ensure the satisfaction of a minimum level of its members' essential needs. The second type of problem therefore arises from the need to directly satisfy certain needs of individuals as members of the organisation (job satisfaction, recognition and respect of others, self-realisation). Such forms of satisfaction are supposed to be organised in a system of relations whereby their importance reflects the corresponding significance of the instrumental structure. The last and third type of problem (coordination problem) comes from a higher level. It arises from the need to maintain appropriate relationships between roles in terms of the system's structural integration. These three problem types determine the content of the roles in an organisation.

The instrumental orientation of the actors consists of four basic problems or conditions of a role. These four basic conditions are the four components upon which the instrumental complex of the application is composed. An individual must perform a certain task within the organisation. Other organisational members act as users of that individual's services or products in this component of his role. In order for an individual to accomplish their task, they must acquire the resources needed somewhere. Others in this component act as suppliers. He works in collaboration with others, so others in this component of the role act as collaborators. He receives payment for his work; therefore, the collaborator is a source of income.

The most important process in shaping the structure in the organisation is the differentiation of tasks and the division of labour, and thus the

process of fusing and segregating components of the role in instrumental relations. The role played by an individual as a member of the organisation can only be limited to the technical and instrumental content (such as work being on a conveyor belt), where responsibility for complying with the four essential conditions (components) of this role is assigned to someone else. Such a technical role is an example of extreme segregation of the role. Another extreme is, for instance, the role in which the carrier not only has responsibility for technical execution of the task, but also for all four basic conditions (components) of the role. An example of this role is a medieval artisan. This is an extreme example of the fusion of role.

In addition to the process of differentiating the structure in the organisation, it is necessary to carry out the process of integrating the structure. It is also important to organise the relations between the various roles, making it necessary to regulate cooperative relations. Thus, the analysis of organisational structures can begin by considering the extent or degree of fusion and segregation of roles in the instrumental complex and the nature and forms of their coordination.

According to Parsons (1959), besides the role of the actor's technical instrumental orientation the role contains an expressive orientation. In this direction, there are four basic conditions, similar to those seen in the instrumental orientation. A similar structure of direct exchange relationships is formed around these four conditions, like in the former case. This type of relationship is primarily organised and controlled by institutionalisation. It is the regulating of the conditions in which the actor can achieve a different level of satisfaction of his/her needs and interests.

The instrumental and expressive complex can be separated from each other or be combined into a single role. For technical roles in the organisation, we could say this is a segregation of specific instrumental tasks from all expressional interests as well as segregation from the other three components of the instrumental complex. The manager's role on the other hand represents the fusion of an instrumental complex without an expressional complex. In the case of highly professional roles (researchers, scientists), we have the partial fusion of an instrumental and expressional complex. This partial fusion can be seen in the distinct high commitment to the profession, adherence to ethical standards in pursuit of the profession, the desire for creativity and self-fulfilment in exercising their abilities. This role is an example of the fusion of the instrumental function and of some components of the expressional complex.

High segregation of the role (Mesner-Andolšek, 1995) (such as work on a conveyor belt) always simultaneously occurs as the high segregation of value orientations. ●on the other hand, diffusion combines one of the

components of the role with other components, which together comprise the relational complex and function of coordination. The institutionalisation of diffuse orientations in fused roles (the role of experts) and the relationships that appear in such roles can be seen as self-discipline and self-regulation or as professional ethics and is a very important mechanism of social control. Due to the self-regulation of actors with a diffused orientation in highly fused roles, external control (which is the function of coordination) is not required. Yet, in highly segregated roles, supervision is especially necessary given problems of regulating exchange relations and relations of cooperation. At the same time, motivational problems occur in highly segregated roles.

A large degree of role segregation allows such roles to be performed by individuals who have not gone through extensive educational processes. Training for such work is usually short. Every symbolic complexity and all coincidences are excluded from the work. This high level of role segregation allows a high level of standardisation and formalisation in the structure (Mintzberg, 1979). However, work organised in this manner causes several problems of a communicational and coordinational nature along with the problem of motivation.

The roles of experts and managers are completely different. The essence of professional work is a certain fusion of the instrumental complex with some components of the expressional complex. The basis of such a role is the extent of education, where the holders of such roles acquire knowledge, skills and specific forms of behaviour. The work of managers is also very complex, but at the same time not as complex as the work of experts such as engineers, lawyers, doctors, teachers, accountants, etc. The role of the manager includes all components of an instrumental complex without additional elements of the expressional complex. For their work, education is not as important as it is important for professionals. Their work is more artisan than professional. The fact is that education does not play important element in the very role itself and its realisation, as is the case with experts. For the role of manager, socialisation is important in the organisation. Managers need to internalise the organisational culture, especially its ideological component (Mesner-Andolšek, 1995), in order to be able to make a 'proper' decision in situations in which they must rely solely on their 'feelings' and 'proper definition of the situation' and not on any exact foundations an individual acquires during long-term education for professional roles (Goll and Sambhary, 1990).

Managers perform their work in the line of authority on which they have formal authority and use direct supervision to coordinate employees'

work (Mintzberg, 1979). The work of managers is defined by decision-making processes, and the decisions vary with differences between higher, middle and lower management. The work of managers is complex so it cannot be standardised or formalised. The structure that comes out of it is more organic. Due to all these characteristics, managers' work is most determined by the organisational culture and the climate that exists in the organisation. Particularly important is the ideological component of the culture and climate, which is produced by the executive level of the organisation (Smith and Peterson, 1988). Given the importance of the decisions they take, they must act according to the strategic definitions of the strategic apex of the organisation. Here, culture, climate and ideology play a decisive role since they enable coherence in management's decision-making and operations (Trice and Beyer, 1993). This highlights the importance of organisational culture and ethical climate for performing managerial roles. It is precisely because of the importance of culture (or indoctrination, as Mintzberg puts it (1979) and the ethical climate that we can determine the presence of an expressional complex in management's role, although in the formal structure, the role of management is determined only by the fusion of an instrumental complex without the expressional complex. Managers' work therefore has a highly fused instrumental complex of the role and an expressional complex strongly controlled by the organisational culture defined and shaped in the socialisation process.

Yet, it is necessary to add that the actors' activity is not only the outcome of their roles and value orientations. The action is always also dependent on the situation. This means we cannot state the actors' actions are merely realisation of their predefined roles, but that they are merely the basic framework of action which, however, depends on many other factors (goals, interests, conditions, situations and functional problems faced by actors). Potentially, roles are burdened by all possible meanings a situation may hold for an actor but, in the end, decisions in the situation are always the decisions and actions of individuals. Wacquant (2008) described all these elements and their interactions in a very picturesque manner in his analysis of sparring activities as a boxing team member. Sparring matches are duels between club members that boxers undertake before competing in a boxing match. For the most part, boxers practice punching with a punching bag. Before a fight, they must perform sparring matches, which are similar to a real fight, but between the club members—that is, the boxer's teammates. Wacquant (2008), a boxer himself who participated in such preparatory bouts, describes the expectations of trainers and partners on these occasions. He analyses the expectations of the partners (boxers)

in the preparations for the actual fights, and then the actions and reactions of boxers in the sparring matches, the coaches' interpretation of the individual boxers' feelings and then the matching pairs for sparring matches. He also analyses and describes the trainers' instructions in sparring matches regarding the degree of aggression in the ring and the boxers' behaviour in relation to these instructions. Among the analysed elements, there are emotions that can be controlled by boxers in the ring during the fight, and then the behaviour itself of the partners based on these feelings in the sparring battles, then the relationships after the sparring that have mitigated any excessive degree of (un)anticipated aggression in these activities and, of course, the strikes and aches boxers received from stronger partners and the like. Wacquant (2008) very accurately displays the boxer habitus in this situation, as discussed in the next section.

1.1.3.4 Acting and the role of habitus

Looking at the reference framework of action (Parsons, 1959; Munch, 1987), we consequently see it consists of the actor, the situation, and the actor's orientation to the situation. The actor can be either an individual or a collective, and as such is the starting point for the analysis of the processes of action. The situation is part of the outside world, made up of objects that mean something to the actor. For analysis of the action, the objects of interest, those towards which the actor is oriented, are important. The situation is therefore constituted by objects of orientation. The actor's focus in the situation is the whole of the cognitive elements, emotions, plans, motivations and important criteria that connect the actor with the situation. For our discussion, we will analyse different aspects of the actor's orientation to the situation.

The orientation of an actor to a situation consists of two types of orientation. The first is a *motivational orientation* and refers to those aspects of the actor's orientation which relate to the actual or possible satisfaction of his/her needs. According to Parsons (1959), it may take the following forms:

- cognitive (what the actor is aware of in the situation);
- interest-wise or chatectic (what the actor feels towards these objects or what is his/her interest);
- evaluative (with the help of which he/she elaborates a plan of activities in relation to weighing up the alternative); and

- meaning-constitutive (it becomes meaningful and defines the situation).

The other is a *value orientation* and refers to the actor's internal selection criteria which come into play in a situation whenever a choice is possible. The actor is forced to choose between goals, resources, needs, ways of meeting needs and achieving goals. In choosing, however, the individual is committed to certain standards, rules, criteria and selection standards that lead them to choose. Parsons stresses these orientations also have four forms:

- cognitive (valid cognitive judgements);
- evaluative (a standard with which to assess the suitability of objects-aesthetic standards);
- moral (with them, the actor assesses the consequences of their actions); and
- symbolically interpretative (standards for the design of new meanings).

Both types of orientation have different impacts on the selection and direction of action. It may be said that motivational orientation extends the scope and number of the directions of action, while its value orientation narrows them. Focusing on goals and satisfying needs enables different directions of action, while focusing on standards of acceptability narrows the scope of alternative directions. The orientation towards standards narrows the scope of the alternative due to incomplete perception, lack of information (cognitive aspect); reduces the scope of desired objects due to a separation between »appropriate« and »inappropriate« objectives (an evaluative aspect); lowers the number of alternatives due to the separation between moral and immoral working directions (a moral aspect); at the same time, it extends the scope of the alternative for possible new meanings and a different definition of the situation (a symbolic-interpretative aspect).

Value standards and criteria enter the motivational process in two ways. First, they are embedded in the personality structure through learning processes and, second, the objects are embedded in a situation and, as such, can be included in the sanction system, which is related to their roles in the structure of the organisation and society.

Ideas, expressive symbols, value standards, or constitutive symbols can become the central focus of concrete action. An action in which cognitive beliefs play the main role in relation to a particular goal is called

instrumental action. An action in which expression symbols play the main role is called expressional action. An action in which the value standards are central is described as moral action. An action in which constitutive symbols are decisive is denoted as symbolic-interpretative action. This differentiation of action types only holds analytical significance in concrete action because many different combinations are possible.

The actor faces several important dilemmas in a situation. He must make a several choices before the situation acquires its final meaning. The objects that make up the situation do not interact with the actor's orientations in such a way that they automatically determine the situation's significance. Parsons (1959, 76) produced a system of alternative orientations. The actor must choose among them before being able to define the situation towards which they are oriented. According to Parsons, the system of alternative orientation is defined by five dichotomies that each form a specific orientation of the actor. The first three alternatives of the actor's orientation derive from the decision to use his/her own standards and criteria for defining the situation. In the first place, the actor must decide whether or not to give priority to the immediate satisfaction of his own needs, interests and wishes, or to delay his satisfaction and evaluate his performance in the light of his consequences. An individual also decides whether to take into account any value or what value should be present or not. As soon as the individual introduces the consequences of action into the definition of the situation, a problem of evaluation emerges. Thus, there is an immediate demand to include a certain level of discipline in order to limit the harmful consequences of the individual and let go of the useful ones.

If the actor chooses to evaluate, he/she must decide whether or not to give priority to the moral standards of the social system (in our example, organisation or collective) or to cognitive and recognition standards. When cognitive standards have primacy over evaluative ones, the actor will try to determine the objects according to how they connect with the general reference framework. However, if an actor gives priority to evaluative standards he/she will try to determine the objects according to how they connect up with his/her own motives.

But even where an actor chooses a moral standard as his guide, he must in third place decide on how to assess the objects in the situation: whether to judge them from a cognitive or evaluative standards point of view. Should individual objects be judged according to all the categories that represent the class to which the object belongs (general reference frame) or for what the object means in a particular way for his/her motives? Cognitive standards are, in their very nature, universalistic. They

involve assessing events and objects that do not relate to the organisation's roles, values or roles. The criteria on what is a correct or false claim are not related to a specific time, place or relationship because the value standard or criterion with the most important cognitive claims is so universal that its use goes beyond any context. ●n the other hand, when an actor chooses to give priority to his/her evaluative standards, the object is assessed according to his/her wishes and motives.

●ther alterative orientations arise from the uncertainty of the situation. The objects making up the situation may be important due to their characteristics, or their abilities and possible achievements. This is the fourth decision the actor must take before the situation obtains any definite meaning.

The actor must also judge the social objects in terms of the extent of their importance for him.

A social object can hold a completely specific (segmented) meaning for the actor or a general-diffused (undefined) meaning. In the former case, its meaning is clearly defined, functional-specific, and in the latter case it is not. The fifth decision taken by the actor therefore depends on the way the actor sees objects or is culturally expected to see them. These five fundamental dilemmas of orientation derive directly from the reference framework of action, thus forming the system. According to Parsons (ibid.), this system consists of five pairings:

1. Emotion versus emotional neutrality. The alternative relates to the problem of whether the evaluation should enter the situation or not.
2. ●rientation towards himself versus orientation towards the collective. The alternative relates to the primacy of moral standards in the process of evaluation or to their non-compliance.
3. Particularism versus universalism. Alternative indicates the relative nature of interest or cognitive standards.
4. Attribution (quality) versus (possible) achievements. The choice relates to whether an actor considers judgements of social objects in terms of achievements or in terms of their properties.
5. Diffusion versus specificity. The decision refers to the extent of the importance of the object for the actor.

●ritional dilemmas (pattern variables) enter the reference framework of action at different levels. At the empirical level, five separate choices (explicit or implicit) are performed by every actor before starting to act. At the level of personality, we believe each individual has certain habits in selection, which are more regular or not, and often depend on the situation.

At the level of a collective or organisation, orientational dilemmas are a form of different aspects of role definition. They determine the rights and obligations of the members of the collective or organisation that define the functioning of roles. At the level of the cultural system, they take the form of value orientations as rules and guidelines for concrete action.

Every action according to Parsons (1959) or activity can be analysed from the point of view of this five-level scheme of orientational dilemmas (pattern variables). Yet, concrete orientations can also be random and separate from a dilemma-orientated form, but, as soon as a certain consistency of actions is involved in a series of concrete decisions we can begin to assume that value standards are entailed. A formed value orientation means that it impairs the primacy of one alternative over another in a particular type of situation.

The orientational dilemmas (pattern variables) hence define the preferences of alternatives, the dispositions of needs and expectations. There is one common element to all of these forms. It is the direction of the selection or choices in defining the situation. In the personality system, dilemmas of orientation point to important dispositions of needs and expectations in an individual. In the social system, they are fundamental components in defining the expectations of roles. At the level of the cultural system, forms of value orientations are defined by dilemmas of orientation.

When we determine the consistency of orientational dilemmas (pattern variables) at the individual level, we are talking about orientational habitus. This consistency is reflected in the system of personality as a disposition of needs, in the social system as the expectations of roles, and in the cultural system in its values. Orientation habitus means the actor will make such a choice that is culturally expected in most, but not all situations. The extent to which action moves in one direction or another depends on the relative weight of the orientational dilemmas. The greater the degree of autonomy of human activity, the higher the level of interpretation required at different levels of the operating systems.

Habitus was the most explored by Bourdieu (2006). His definition of habitus is that it is a mediation concept that helps eliminate the common-sense duality of the individual in social by capturing the »internalisation of the exterior and the externalisation of the interior«, which is the way in which society becomes filled in persons in the form of durable dispositions or acquired competences and structured inclinations for thinking, feeling and acting in certain ways as demanded of by their present environment. Bourdieu considered that practice is neither a mechanical sediment of structural dictates, nor a result of individuals pursuing goals, but a

»product of the dialectical relationship between conditions and habitus, understood as a system of permanent and portable dispositions, which by integrating all past experience, at any moment, acts as a matrix of perceptions, estimates and actions, and enables the execution of infinitely differentiated tasks with the help of the analogue transfer of schemes acquired in past practices« Bourdieu and Wacquant (2006, 128).

Habitus denotes the practical competence acquired by performing activities aimed for activity (Wacquant, 2006), which operates below the level of consciousness. It is a social capacity that changes with time, place, and power distribution. Habitus can be developed in a number of areas: music, sports, pre-election, political choices, in individuals of the same class and between them, and justifies their different lifestyles. Habitus is durable, but not fixed. Dispositions are socially set, but an individual's exposure to new circumstances threatens his/her perceptions, feelings and actions. Although habitus is an inertia, it tends to reproduce practices whose pattern imitates the social structure, but it is nevertheless exposed to changes in the resulting new experiences. As a sediment of these experiences, it emerges with a delay.

Bourdieu's concept of habitus (2006) provides the principle of socialisation and the principle of individuation. The principle of socialisation states that our judgements and actions that come from society are similar to the judgements and actions of all those who have been subjected to similar social conditions and conditionality. The principle of individuation, on the other hand, contends that every person, by having his own history and location in the world, internalises a unique combination of schemes.

Since the

»habitus is at the same time structured (by past social environments and experiences) and structuring (present state and representations and activities), it acts as »the unchanged principle of all choices« that leads the activities and takes on the systematic character of strategies even when they are not the result of an organising activity of a leader« (Bourdieu and Wacquant, 2006, 128).

Wacquant (2006) shows the performance of a habitus in a study of the boxing class of heroic professional ethics and its entry into the physical body of the boxer. Perhaps the moral habits of Hribar (1996) are very close to the concept of habitus.

Mintzberg (1979) states that decision-making is one of the main tasks held by managers. Decision-making can be more strategic, tactical or operational depending on the level of decision-making in the line. Valesques and Rostanokowski (1985) argue ethical dilemma is an

approach to decision-making when acts by individuals can harm others. For example, Rest (1986) developed a four-part model for individual decision-making and behaviour where the actor needs to recognise the moral question, conduct a moral assessment, solve the moral question by putting it in front of other questions, and then acting on the basis of this intention. Hunt and Vitell (1986) analysed the moral decision as the sequence of several stages. First, external circumstances and personal experiences influence the perception of the ethical problem, the alternatives and the consequences of the decision. This perception, coupled with universal deontological norms lead to moral judgements and result in a moral judgement. This moral judgement then influences the actor's intentions and then, together with the limitations of the situation, affects behaviour. Actions then lead to the consequences of behaviour and acquired experience.

Different moral decision-making models were subsequently also the subject of the empirical study of moral decision-making, especially after 1995. The factors studied in the decision-making process primarily concerned the awareness of moral issues and dilemmas, the assessment of individual interests, desires and situational circumstances, the intentions of the decision-makers, and the behaviour itself. Craft (2013) overviewed empirical studies conducted in the period 2004-2011. Her conclusion was that deontological ethics (universal deontological norms based on universalistic values and standards) or idealism are positively related to ethical decisions, while utilitarianism (based on particular and specific values and norms) and relativism are related to unethical decisions. The problem of empirical studies that examined moral decision-making was that they were largely not made on samples of managers, but on other actors such as, for example, students and others.

In our empirical analysis, the goal of the research is how and to what extent the ethical infrastructure in the organisation with all its elements (formal and informal) affects the morale of managers-both the manager's personality and role.

1.1.3.5 Organisation as a process of structuring and power

In addition to the rules and norms developed in the organisation's formal and informal structure, managers are especially important for promoting the morality of employees across the organisation. As a dominant actor in the organisation, due to their power in deciding and formulating rules, managers exert an important influence on how the organisation will shape the elements of its ethical infrastructure. At the

same time, today's stress is on the normative concept of moral management (as an emergent process), which emphasises the role of morality in all aspects of the organisation's functioning. We talk more about this in the next chapter.

Simultaneously, managers as leaders have a strong influence on their subordinates, both with their leadership style, and particularly as moral actors (upright personalities with a high character and virtues) and as a role model. However, being a role model (symbolic function) is not the sole source of their influence on the employees' morality. How and in what way can managers influence employees in order to promote employee awareness of moral dilemmas and moral issues? How to influence employees in order to better recognise moral dilemmas in their work and to successfully resolve them? This question is always linked to the question of the power and sources of power available to each manager.

In addition to the management style employed by managers, which we discuss in a later chapter in this work, one should look at the whole process of influence and power that is happening across the organisation.

Etzioni (1970) understood power as the circuit of the induction of influence and resistance to it.

We understand power here as actors' ability to influence the actions of others and to 'get things done' according to their interests within and outside the organisation. This ability derives from different access to material and other sources. Individuals and groups in the organisation hold power because they control and manipulate rare resources (Rus, 1986). The allocation of these sources enables them not only to co-determine the results of organisational action, but also to formulate rules, limitations and allocate resources, allowing them to maintain the existing state of affairs. The structural framework (rules and norms) is therefore not only an abstract plan but an essential means for retaining the power of individuals and groups in the organisation: groups strive to create structures that are supposed manifest as structuring processes (structure as a process of structuring). The system of power's functioning is closely linked to strategic decision-making, and also to the struggle of the interests and values that are decisive in instrumental action. Therefore, the power that is most closely related to the action is decisive. Power holders in the organisation can imprint their implicit assumptions in any structuring of organisational behaviour so that their assumptions, interpretations and relevance become the general reference framework for all organisational members.

The interpretation of power brings important implications for organisational structuring. Power is not imprinted solely in formal

structural positions, but is also embedded in routine practices that constitute the meaning and support interaction practices.

Etzioni (1970) understood power as the ability of actor A to influence the action of actor B such that B does what A demands of him. Etzioni speaks about the induction process as a cycle of implementing the influence and process of resistance or resistance against the implementation of this influence. Casio (2002) also defines organisational power as the ability of an individual and groups to influence organisational action and outcomes of action, despite resistance. He analysed many approaches to power and categorised them in three perspectives (functional, structural and institutional).

Etzioni (1970) defined the form of power with a series of sanctions the actor uses in the exercise of influence. For example, if an organisation mainly uses material rewards, the power exercised will be instrumental in nature. The organisations that use mostly instrumental sanctions are companies. If the organisation predominantly uses coercive sanctions, the power will be coercive. Organisations applying chiefly coercive sanctions are prisons, work camps, etc. If, however, the organisation mainly uses symbolic sanctions, the power will be symbolic. Organisations that primarily use symbolic power are, for example, political organisations, religious organisations, etc.

By drawing a parallel with the forms of influence available to an individual-a manager in an organisation-we can say they also have three types of sanctions available: material rewards or sanctions, enforced means or sanctions, and symbolic rewards or sanctions. These may be understood as types of power: reward power, coercive power, referent power. French and Raven (1959) added expert power and legitimate power. Expert power means that employees respect proficiency of the manager, and legitimate power means the acceptance of a manager's position by employees and the responsibilities and rights associated with that position.

Handy (1976) developed a slightly more complex definition of power which, on top of the power sources available to individuals, included the dimension of influence. Dimensions of influence are coercion (threats, bullying), rules and procedures (rules and norms), change (negotiation), persuasion (logic, power of arguments, facts), ecology or environmental contingencies (noise, size) and attractiveness (magnetism, popularity). Handy notes that not every manager is able to acquire all sources of power and, consequently, not all ways of influencing. All sources can be used positively, with the aim of gaining support, advancing or negatively in terms of obstruction, restriction. Handy also states that use of different

methods of influencing depends on the environment in which the manager works. He asserts that the combination of expert power and persuasion is the best combination of influences in modern organisations. Mintzberg (1989) developed a model of political games that includes general tactics and strategies that can be useful for maintaining the positions of managers or for dealing with uncertainties. Pfeffer (1992) developed a plan of seven steps to achieve objectives using power and influence: defining objectives; analysis of dependence and inter-dependency; identifying important individuals; determining how they see the defined objectives; defining the sources of power of individuals; identifying successful strategies and choosing appropriate action. Many authors then produced similar models and approaches, among which Voss (1992) put forward a model that includes the following resources for use by managers:

- focusing on the work with which an individual receives credit;
- development of skills of observation and listening;
- developing the ability to identify opinion leaders and »observers«;
- judging personality and interests;
- the ability to obtain unobtrusive partnerships and the use of reciprocity;
- avoiding obvious use of power;
- use of conditioning skills and awareness of when to accelerate and when to inhibit operation;
- the ability to make the superior look good;
- not refuse superiors; and
- developing abling and belonging subordinates, enabling subordinates to appear in a good light
- patience.

Voss's model includes those power sources important to managers but whose use may be problematic from the aspect of a moral (good or ideal) manager because the manipulative technique is contained in many of these sources. Power always has two effects; its use can be positive in terms of empowerment and ethical effect, or negative in terms of the use of Machiavellian elements and thus the effect of domination.

Based on an overview of several power theories, Buchanan and Badham (1999) developed their own view of how actors can use their power to achieve organisational change. Kanter (1983), in her research of power, devoted much attention to the empowerment of middle managers in their overcoming a bureaucratic organisation. Her model of empowerment and participatory leadership, which focuses on open

communication, counselling and calls for rationality, rejects negative forms of political manoeuvring. It is an approach based on participatory leadership and involves persuasion, teamwork and consensus. Power research through the gender perspective (Simpson, 1997) shows that power always has its own negative component, and that focusing on purely positive aspects of the use of power points to an unsatisfactory conceptualisation of power.

In the normative concept of moral management (as an emergent process), which emphasises the role of morality in all aspects of the organisation's functioning, we are actually talking about the process of structuring. In the structuring process in the organisation, power is present as the dimension of interaction and imprinted in rules and norms. The structuring process is a concept of Giddens (1984) which aims to overcome the duality between structure as a framework and structure as an interaction. He talks about the duality of structure. The notion of the duality of structure refers to the fact that human behaviour shapes social structures. According to him, social systems do not have a structure, they merely express structural properties. These properties are realised in interaction through the application of rules and norms, the use of sources of power, and by the semantic structures introduced into the interaction by actors. Therefore, communication, power and sanctions need to be analysed in the interaction process. Structures of meaning, norms and resources are the products created in the process of past interaction, and in the present they are the starting point for further operation. Through interpretive schemes, actors can communicate important relevancy, using appropriate sources of power, affect each other and legitimise and sanction interactions by using norms. Therefore, in order to gradually implement moral management, all these aspects of interaction and their form should be taken into account.

1.2 Organisational framework

As stressed several times, study of the organisation cannot avoid the complexity of the concept itself, together with the complexity of most organisational environments, and it is precisely understanding of the latter that is crucial for the study of any entity that relates to organisations and their functioning. Therefore, in addition to the disciplinary effects described in the previous chapters, it is also necessary to investigate the practical aspect of the contextual framework for organisations we are trying to present in this part of the book, which is intended to outline some aspects of how modern organisations function which, in both theory and

practice, prove to be important in the study of morality in organisations and systems that promote the morality of organisational members. First and foremost, it is about discussing the changed conditions and dynamics in the environment of modern organisations, which also influence the way organisations respond. At the same time, the chapter also contains some considerations that are much older and refer to treatment of the role of morality in business.

1.2.1 New values in organisations

We have already pointed out that modern society is being altered intensely and accordingly the organisational environment is increasingly dynamic. With the emergence of new and fast-changing technologies, and with the growing need to continually improve the quality of products and services, with the rising need for innovation, the modes of organising and operating organisations are changing as well and the same goes for organisational values and values in business. In the following, we wish to draw attention to some of the most visible changes in the modern organisational environment that we consider to assist with an in-depth understanding of the subject studied in this book.

1.2.1.1 *Learning, knowledge and creativity*

Whiteley and Whiteley (2007) note that, despite the marked changes and need to adapt to them, we often find ourselves with the classic, modernistic view of the changes, although the corresponding response should more closely follow the postmodernist ideas. This »wrong« approach is latent, we follow it subconsciously and it is revealed in our compliance with the existing power structures that maintain the status quo in organisations. In this way, we are increasingly talking about flattening organisational structures, empowerment, autonomous working teams and similar modern organisational practices, while at the same time-even where these practices are actually implemented-we maintain a wider understanding of the organisation's functioning in the framework of modernist ideas and uncritically accept the fact that organisational structures still exist to determine the position of individuals and groups within them and both the former and the latter will follow them in the way that an individual structure dictates (Whiteley and Whiteley, 2007, 79). In order to show the differences between the two approaches, the authors illustrate one of the organisational processes, the process of reporting on the results of work, which remains linear with the modern organisation

(the assumption of a modernist perspective), while the context within which this process takes place is completely chaotic and uncontrollable (the emphasis of the postmodernist orientation). Here, we also present this distinction. Figure 1-4 shows a linearly oriented process of reporting on the results of work deriving from a classical, hierarchically organised structure, with the information and instructions regarding work tasks being transmitted from top to bottom, from decision-makers to performers, with emphasis on checking the success of the transfer and receipt information and compliance of the execution of a task with instructions. Whiteley and Whiteley (2007, 79) consider that the process thus designed does not take account of the wider context that acts outside the hierarchical structure, thereby disregarding the possibility of multiple responses, the equivalence of their position and status in the organisation with other differences of opinion, and a constructive discourse that results in a creative response, new emerging ideas, innovation, etc. In the modern environment, this type of functioning is inadequate and uncompetitive for the organisation in the longterm.

Fig. 1-4: Process of reporting on the results of work within a modern organisational context



Source: Whiteley in Whiteley (2007, 80)

Morgan (1997, 2004) argues that the organisation is analogous to the human brain and emphasises the organisation's ability to adapt to the environment based on the enhancement and development of organisational learning abilities. It is important to address the question of whether

organisations are at all able to move beyond the classical level of one-way learning where the point is to detect and correct errors in relation to a given set of operational norms, and to gain the ability for two-way learning, which also includes a critical attitude to the latter, and doubt in existing operational norms-to learn how to learn. The knowledge society, as a logical consequence of the information age³, namely with its demands for boundaryless (knowledge travels faster than money), upward mobility (due to all formal education being accessible), and the competitiveness of individuals and organisations increasingly influences the way in which individual systems are adapted to the current needs of society as a whole (Nadoh, 2005). Thus, we encounter the emergence of learning organisations that focus on continuous learning, demonstrate the need to promote and develop their own learning, are open to the environment and, in particular, are organised in such a way as to enable the organisation to »learn to learn« (Senge, 1990). Knowledge thus becomes the fundamental source of action in all areas (Svetlik and Pavlin, 2004, 200) which for organisations means a shift from the classical, functionally focused and productivity-focused tradition to more flexible and »softer« management approaches. Among other things, the importance of knowledge management is increasingly mentioned which, however, remains conceptually incomplete. Možina (2006, 130) also believes that knowledge management refers to a ».../ part of the entire process of management that focuses on systematic analysis, planning, acquiring, creating, developing, storing and using knowledge in an organisation, and trying to transform as much of the human capital of the organisation into its structural capital as it helps to develop the competitive advantage of an organisation and enable it to rationalize its goals«.

The new management paradigm puts human resources in the centre of attention and, in principle, this is also followed by changes in organisational practices. As stated by Brečko (2001, 38), »the past decade /.../ was characterized by technological development, which also toyed with the »omnipotence« of information technology, is now followed by a decade that surely needs to do more in the field of employee development«. Fifteen years later, this assumption is valid more than ever. Thus, this becomes the key task of modern management with an emphasis on human resource management to create an organisation with the help of the best employees involved in the best-organised work processes. Knowledge management focuses on promoting business culture and organisation strategies in a way that supports learning and the sharing of knowledge among employees. It is here that human resources management and knowledge management coincide, constituting an important factor that

must be considered in organisational dynamics (Svetlik and Zupan, 2009, 53-54). In all of this, it is also interesting to see the change that can be traced to the connotation of learning. The process of »learning to learn« requires a focused orientation by the individual and attention that he devotes to his own progress and requires him to take responsibility for his own professional as well as personal development. At the same time, it also increases the responsibility the organisation takes on in relation to its learners, who need an appropriate setting for their professional and personal development, an appropriate measure of attention for their needs and desires and the incentive factors that impact them not only professionally, but also in the role of an individual. From a sociological point of view, this is a special phenomenon which also brings with it a redefinition of the organisation that is increasingly changing into an all-encompassing living space, consuming all aspects of human life and persistently blurring the boundaries between public and private in the lives of its members. An interesting example of the latter is the organisation of work and life at the online giant Google, characterised by the transfer of all life activities within the organisation. This kind of progression, however, brings a series of positive and negative consequences, which is why this kind of development requires a critical reflection.

1.2.1.2 New psychological contract

In the knowledge society and learning organisations, a new emerging labour force therefore plays a central role, i.e. knowledge workers (mental workers, etc.). Although it is generally considered that this group is difficult to describe in a definitive way, some common characteristics are found in the literature. Apart from the most obvious high level of competence, specialisation, autonomy and responsibility, it is typical for knowledge workers that they are no longer interested as much in traditional employment arrangements with high cash prizes, diverse benefits and permanent employment as was the case with the workforce of yesteryear. Of course, this does not amount to the complete eradication of classic management methods. Kinnearova and Sutherland (2000) state that, in addition to professional certification, employees with a higher level of knowledge also value financial rewarding, but this is only the starting point for the organisation to meet the needs of employees with knowledge such as via participation in decision-making, rapid career development, as well as self-actualisation, personal development, etc. Important factors stimulating and motivating knowledge workers include participation in organisational decisions (Yeuk-Mui May, Korczynski and Frenkel, 2002)

and especially the possibility of financial participation and cooperation at the individual level (in deciding on their own activities and functions, in counselling, etc.) (Kinneer and Sutherland, 2000). Moreover, employees with knowledge no longer agree to the classical relationships of subordination and superiority, but claim the need for full cooperation, expressed through both a participative leadership style and a participative style of communication and other organisational motivation systems and processes.

Modern organisations are thus confronted with even more intensively changing relationships between management and employees. We are talking about a new psychological agreement which demands a high level of flexibility and understanding from the management of organisations, and in particular the complete transformation of the functions managed by management in the organisation. The classical functions of planning, organising and monitoring are thus being replaced by more modern coordination, strategic planning and co-organised organisational policies in the strategy. In other words, we are moving from a transactional to a relational psychological contract. At the same time, the new conditions in organisational environments are introducing new elements into the process of establishing a psychological contract: new forms of work (e.g. virtual work, telework, etc.) and consequently the absence of personal, direct communication, the emergence of organisations in global markets and the need to set up common psychological contracts that include the local »psychological« characteristics of employees, etc. (Rousseau and Schalk 2000).

The psychological contract as a concept refers to a reciprocal relationship between an individual and an organisation that reflects the expectations of the two parties involved in the relationship (e.g. on the form of work, reward, expressed relation, etc.) (Rousseau, 1995). Contrary to legal contracts that determine the employment relationship of an individual, the psychological contract is based on the perception of the subject and its interpretation of terms and obligations in the contract (Kickul 2001, 290). This means that such a relationship can only be successful when both parties feel their needs are being met. It is not merely a formalised provision (a statutory minimum) of the rights and responsibilities of an individual as an employee and an organisation in the role of an employer. The psychological contract expresses inherent reciprocity in a relationship that includes interactions, values, motives and norms. Just as organisational dynamics change, this relationship is characterised by fluidity and variability. This is precisely the element in the relationship between the organisation and the employees which cannot

be regulated by the classical limitation of a subject to the role of an employee. Research for example confirms the correlation between a violation of the psychological contract and an employee's perception of the fairness of management: if a psychological contract is breached, this strongly influences the individual's assessment of the outcome of the situation, the process by which the psychological contract came to be (so-called procedural justice), the relationship of an organisation to an individual (so-called interactional justice) (Wolfe Morrison and Robinson, 1997). Employees who feel the psychological contract has been violated mainly respond in a more deviant manner in situations overall than other employees (Kickul, 2001, 299) and deepen the breach of the psychological contract between them and the organisation. Establishing and promoting an appropriate employees-organisation relationship thus requires recognition of those elements which are difficult to explicitly perceive in the business environment (humanity, morality, emotion, equity, etc.) and which the traditional workforce never expected to such an extent.

Research shows the intensity of employees' emotional and behavioural reactions following a violation of the psychological agreement can be regulated according to the degree of involvement of the employee's cognitive assessment of the organised context within which the violations occurred. Part of this kind of cognitive assessment includes an employee's interpretation of the organisation's attitude to the individual in terms of morality and justice. Feelings of anger and frustration occur especially where an individual sees unfair or immoral treatment in the process of creating the psychological contract in the relationship: that is, the mentioned procedural and interactional (un)fairness (Kickul, 2001, 290). Moreover, in the event of the psychological contract being violated, employees will attribute higher moral meaning to communicating obligations that the organisation does not fulfil in relation to the employees than to those who satisfy them (Thomson and Hart, 2006, 236). Considering the aforementioned elements, it is therefore necessary for management to ensure the transparency of processes, the equal involvement of employees in them, and above all the creation of a communication environment that allows such interactions. This is especially the case if we introduce the ethical context of the organisation into the discussion. Most morally questionable situations lead to a collision between the principles of the individual employee and the principles of the organisation. From the point of view of the study of the psychological contract, a considerable problem is to ensure the consistency of the employees' perception of how employer is fulfilling its promise,

while the responsibility for maintaining such a state still lies in the hands of management (O'Donohue and Nelson, 2009).

1.2.1.3 Trust

Of the concepts that have recently moved into the forefront, the question of building trust in and among organisations is certainly prominent. As Caldwell and Clapham (2003, 350) find, trust only comes from social relationships between individuals and groups, within individual organisations or between organisations, and the process of building trust is based on interactions and relationships among members of a community. Based on repeated reciprocal interactions, an individual creates an idea of the relationship they maintain with other entities in the community, and thus over time builds an assessment of who they can trust to some extent. From this point of view, trust is a key aspect of the adaptation process, and the sense of trust is a positive attribute an individual develops on the other subject as a result of this process.

As mentioned, trust is created at all levels, both between individuals, at the level of the organisation, and at the level of business practices. Bohnet and Zeckhauser (2004, 479) find a positive correlation between trust in business practices and economic growth. Trust also contributes to the emergence and creation of factors that promote economic growth (for example, the efficiency of judicial processes, cutting corruption at the national level, etc.). Moreover, a high level of trust within the organisation helps minimise decision-making risks and reduce operational costs, increase the sense of workplace safety, promote employee productivity and improve the quality of working life and thus also the private lives of the employees. All of these factors contribute in the long run to adding competitive advantage to organisations. By contrast, a low level of trust is reflected in the difficulty of taking advantage of the maximum potential of human capital, the deteriorating development of larger business networks and structures, and the avoidance of synergistic effects and sustainable development principles. At the organisational level, a low level of trust can be detected in a low commitment, a commitment to cooperation, deviant employee behaviour, poor quality work, and consequently an increased need for control (Pučetaite and Lämsä 2008, 325).

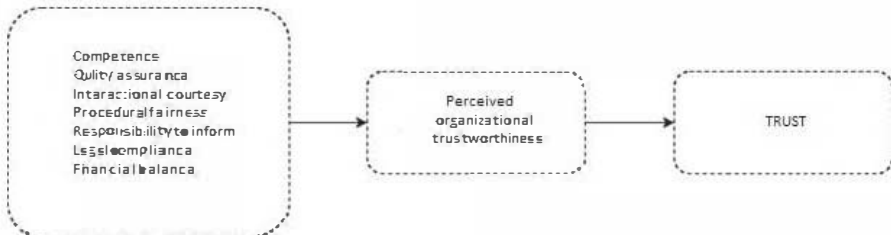
Regardless of the otherwise recognised importance of trust in organisations, the definitions of trust and trustworthiness as concepts and the distinction between them are far from clear. According to Bews and Rossouw (2002, 378), the definition of trust is often hampered by at least one of the following reasons: (1) it is a term that carries an extremely

emotional charge, thus preventing an objective view of the subject of study; studying the concept of intervention and/or originating from a number of disciplines that approach from very different aspects, which of course also affects the definition itself; (2) in the study of trust, it is often felt that the concept is self-evident, leaving the need for a definition often unexpressed, etc. Lewicki and Benedikt Bunker (1996) further conclude that the study of confidence and the definition of this concept depend on the level from which the researcher observes the concept. They thus form a classification where trust is defined on three levels: trust as: (1) the individual's property; (2) interpersonal transactions; and (3) an institutional phenomenon. Above all, at the level of the last element, trust is defined as »behaviour which reflects the degree to which the individual is personally prepared to give up control over the subject to whom he trusts« (Caldwell, Davis and Devine, 2008, 104). Trust and trustworthiness are thus directly linked. It is about the relationship between the individual who is the trustee and the subjects (individuals, group, organisation...) who are the recipient of this trust, with great emphasis on the quality of the relationship between the two. Authors dealing with the trust concept often emphasise either the position of the individual, the bearer of trust, or the position of the recipient of trust, and his attitude to the trustee.

Given the identified elements of trust, the question arises then of how can trust in the process or in the words of Lewitt and Benedict Bunker (1996) as an »institutional phenomenon« be promoted within organisations and why would they want to do this at all. Researchers' answers to this question vary. For example, some state that this is a set of duties expressed within the organisation and gives the starting point for creating good relations between employees (Pučetaite and Lämsä, 2008). Caldwell and Clapham (2003) identified seven elements they believe contribute to the establishment and enhancement of trust within the organisation when looking at the value of organisations' trust. It is about: (1) establishing an appropriate level of knowledge and ability to achieve results related to the purpose of the organisation (competence); (2) establishing and ensuring the implementation of quality standards and understanding and applying them; (3) respect for interaction, where the degree of respect shown among employees in the performance of organisational activities and tasks is involved; (4) procedural justice, which is to ensure equal opportunities for the participation of all stakeholders in formal and informal practices within an organisation; (5) responsibility for information, as demonstrated by the intensity of communication from the organisation to the stakeholders; (6) compliance

with the law and, lastly, (7) the financial balance of the organisation's functioning.

Fig. 1-5: Process of establishing trust in the organisation



Source: Caldwell and Clapham (2008, 346)

Bews and Roussow (2002) add to these elements even more specific factors which they contend influence the sense of trust in managers, and at the same time define their behaviour from the point of emitting the feeling that they can be trusted. First, it is about openness, e.g. the benevolence of the manager in relation to the employees, while the authors warn that the right measure of benevolence should be attained which positively determines relationships in the organisation, while maintaining the appropriate balance between the professional and friendly roles of the employees in the organisation. Second, trust promotes the integrity of the manager by exposing clear principles for work within the organisation and consistency in enforcing these principles relative to all stakeholders. Third, Bews and Roussow (2002), similarly to Caldwell and Clapham (2003), among the elements that act as a stimulus to building trust in the organisation, list the competence, ability and professionalism of the manager in the performance of their function. The fourth trust-building element is the history of interactions between employees and the manager: in the light of past experience, employees are subjectively assessing whether an organisation creates a climate that promotes trust or that the organisational situation is such that this is impossible. As the last element that helps establish trust in the organisation, the authors list the personal characteristics of the manager, where they emphasise his pleasantness, care, emotional stability, extraversion and ingenuity.

There are many similar classifications but, irrespective of the differences between them, one can find their common characteristic above all at the point where the role of management is emphasised in the enhancement of trust in the organisation, and where we encounter a new question: how to train management for this role, not only on the individual

but also on the organisational level? Bews and Rossouw (2002) speak of various training programmes, procedural transparency, managerial competence, ethical guidelines in the organisation, also highlighting the importance of communication, employee care, etc. Yet, regardless of the chosen method or tool, the need to establish an appropriate context within the organisation, which is particularly reflected in the ethical work climate, is connected with various human resource management practices (selection, evaluation, development, remuneration...), ethical management tools (ethical codex, ethical training, ethical advisors...), participation and influencing the formation of trust among employees both vertically and horizontally (Pučetaite and Lämsä, 2008, 331). The key to all of this is to maintain awareness of the importance of all the above-mentioned elements in building trust in the organisation and allowing the transition of these elements into organisational systems and processes. Management plays an important role here, especially seen in the exposure of morality as an important element in organisational behaviour and one of the key factors that influences the establishment, maintenance and upgrading of trust within and outside the organisation. Simultaneously with the expression of such a defined professional role, the personality characteristics of the people holding managerial roles become increasingly important. This issue is further elaborated in the second chapter of the book.

1.2.1.4 Emotions

A quick glance at the study of emotions within organisations allows the conclusion that this is an area that has not received much attention in the past. As noted by Mesner Andolšek (2002, 11): »/The research has had .../ other emphasis and because of which, the emotional side of research problems was never brought to the heart of their analyses, contrary to the current situation exhibiting feverish exploration of feelings«. According to the author, this is a one-sided assumption of feminist arguments that neglects analyses of emotions from a broader perspective of the theories of the organisation, which is present in the study of a several »organisational« concepts such as job satisfaction, commitment, workplace stress, deviation behaviour, deviation from the role, alienation. Emotions as an object of study have thus far not been so neglected, although it is a question of recognising emotion as an important factor in the organisation's functioning.

Classic management theories look at emotions extremely rationally and, in so doing, they expose reason as an instrument for achieving organisational goals. By means of a rational approach, one can reduce the

problems brought about by the uncertainty and confusion of organisations (Thompson, 1967) and at the same time this approach contributes to the development of other techniques that can provide the desired results. Despite considerable criticism, such beliefs in organisations can be observed even today. An example of this is the perceptions and expectations regarding the professional role of a manager which always requires a certain degree of objectivity and an ability to disregard one's own interests. According to Lurie (2004, 5), professional roles should not express the subject's personal characteristics which, according to the author, is also completely impossible. Further, the extensive use of managerial rationality in an attempt to manage emotions leads to failure and an even more intense collective emotional response of employees (Vince 2006, 360). We also showed this in the previous chapters.

Thus, the feeling of a lack of emphases on these topics in organisational theory as well as the expressed need within organisations themselves led to efforts to expose the role of emotions, namely, emotions at work. Dealing with emotions at work and in organisations has a descriptive and normative aspect that assists with a more comprehensive understanding of work and organisations, and also requires a redefinition of work and the formation of different organisations (Kanjua Mrčela, 2002, 37). As already noted, the new workforce (e.g. knowledge workers) requires a new approach based on the comprehensive treatment of individuals who rationally and emotionally respond to demands arising from the working environment. This reflection is also needed in new managerial approaches. Mesner Andolšek (2002, 26) stresses:

Only in this way, managers will be able to produce a working environment that will generate high levels of trust in mutual relations (which is a functional imperative of modern organisations). Thus, management gets a new role. In order to ensure the success of a modern organisation, it must take care in producing high levels and different forms of trust. The emotional component of trust is very important. Thus, the emotionality of organisational players moves from its »periphery« to the »centre« of the functioning of modern organisations.

This aspect is also important in the study of management itself. Not only is the integration or recognition of emotions in organisational dynamics important for the organisation's functioning, but the ability for »feeling emotions« in an organisational context is becoming increasingly crucial for managers as individuals, as also reflected in their own functioning and thus at the organisational level. On a more obvious level, this ability enables managers to maintain their own, personal humanity,

which contributes to improving their professional role. While recognising that the expressed ability of “feeling emotions» can also be a barrier to common-sense decision-making, it is precisely because of this characteristic that decision-making acquires another dimension that enriches this process, introduces elements that might otherwise remain unconformed, highlights moral considerations in the situation, etc. The latter is no doubt necessary also for the decision-making process in modern organisations. As Lurie (2004, 10) says: »This allows us to cope with the difference that has arisen between being human and being a manager«. This aspect also occupies an important place in this book.

At the organisational level, the recognition of emotions is closely linked to the creation of e.g. organisational well-being. Prilleltensky and Prilleltensky (2007, 60) include among the five factors that influence the sense of organisational well-being the presence of emotional support in the workplace and, on this basis, emotions of friendship, attachment between peers and colleagues. In doing so, they emphasise that the mere presence and stimulation of the feeling of e.g. personal well-being is insufficient for achieving a genuine state of well-being but that, at the same time, it is necessary to promote all four dimensions: personal, relational, organisational and collective. For modern managers, this means extending the existing view of leading and managing an organisation, not just the inclusion and focus on one of the elements, such as, for example, emotions in the organisation, but an attempt to achieve synergy between the mentioned and all other factors inside and outside organisations.

There are still many similar factors that appear to be part of the changed operating conditions in organisations and business practices, but a comprehensive study of them goes beyond the purpose and objectives of this work. Therefore, at the end of this chapter, the following focus will be enough: in the relatively short time of the last century, the organisational environment has dramatically changed and forces organisations that in addition to the strictly technical functioning of organisations’ the organisations need to acknowledge also the increasing demands for »softer« aspects of organisations’ activities to be taken into account. In other words, the principle of the functioning of sociotechnical systems is increasingly emphasised and is acquiring new dimensions which require a greater deviation from the already known principles of organisations’ activities, management structures, systems and processes. Taking the above into account, we will continue to touch on some of the basic debates which also highlight this aspect of activity from a broader, sociological point of view.

1.2.2 Morality in business

At the heart of the debate on moral management is certainly the unresolved question about the nature of business and the role of morality in organisations and, more broadly, on the relationship between the sphere of morality and the economic functions of society. Based on Durkheim's observations on the impact of the industrialised organisational world on society, Hendry (2001) notes that the way in which organisations have operated since the late 20th century has altered significantly. During the industrialisation period, organisations were mainly based on bureaucratic structures, and hence on traditional norms and clear relationships between different groups in organisations. Morality has been systematically integrated into organisational structures, despite unevenly distributed power relations in favour of groups positioned higher up in hierarchical structures. This is shown, for example, in that the principle of fairness of pay for work or equality of treatment in promotion, which in a bureaucratic structured organisation represents the key orientations of the organisation's functioning. On the contrary, modern organisations are characterised by more fluid structures, unstructured functions and processes, and blurred boundaries between the responsibility of individuals or groups, which also implies greater autonomy in deciding of the latter and thus a stronger emphasis on individual moral decisions and behaviour. According to Hendry (2001, 213), such individual decisions are based on market rules that are increasingly dominant in other elements of society. Economic growth is no longer just a means for achieving goals, it is becoming an end in itself, which simultaneously leads to a reduction of the importance of morality in business.

Not many contributions can be found on the morality of the business world and business practices; such discussions often include a consideration of the morality of the free market, capitalism and other related concepts. They include both arguments in favour of an important part of business as well as those against it. Some research the intrinsic value of the free market, others argue that commercial practices are not in themselves immoral, but need to be controlled and regulated (Fisher and Lovell, 2006, 517). Donaldson (1992, 42) recalled: »This problem is not so easy that it can be reduced to the claim that business works in accordance with the principles of greed and manipulation or that it works in accordance with the principles of fair profitable profits or products and services. Myths, excuses, technical imperatives, and hierarchical leadership processes play a major role in this. The factor that complicates this argument even more is the fact that all these processes are closely intertwined«.

In examining the connection and incorporation of morality into business, it is important to distinguish at least two dimensions of the study: (1) morality in business may relate to planning the objectives of the organisation, but may also refer to (2) the establishment and maintenance of organisational structures (Allinson, 1998, 1019). The focus on one dimension or the other offers very different answers, accordingly varying attitudes about the role of morality in business. For this reason, the exposition of unique findings on this issue is extremely difficult and requires an outline of the wider context and the integration of the relationship between organisations and society in this context.

Accordingly, let us take a few steps back: when thinking about the relationship between morality and business, we usually find ourselves between two extremes: are we more inclined to the idea that in business there is no place for morality, or do we believe that morality has to be a fundamental element of everyday organisational activities? The oversimplification of any of these positions opens up new questions that further complicate the discussion. If we assume that profit lies at the centre of the focus of business, then why do organisations devote so much attention, time and resources to the needs of employees? Is this even true? What is moral in the generation of profits when it itself is exclusively in the service of particular business interests? Who defines the latter?

The most popular works highlighting the creation of profit as the most important responsibility (and hence the moral obligation) of business include the contribution by the American economist Milton Friedman (1970): »The social responsibility of business is to increase its profit«, in which the author ensures the subordination of management to the owners' interests, but they are largely influenced by the desire to create profits. His work met with a remarkable response and was subject to wide criticism, including complaints of unilateral closure, disregarding the organisation's role as a moral agent, simplifying the dynamics of business practices, etc. In response to Friedman's work, Sikula (1996) presented the concept of maximising morality and profit. In his opinion, there is nothing immoral in the nature of profit itself and that the creation of profits is even socially, economically, politically and morally desirable. The problem resides in highlighting the different priorities in the functioning of organisations: in the past, maximising profits was preceded by the maximisation of morality, while modern organisations have been pressured by the need for transformation and changes that can be primarily achieved by focusing on maximisation in the opposite direction: from profit to morality. This relationship can be explained by the system theory that emphasises the diversity of organisational mechanisms in view of the diversification of the

organisational environment: the more diversified the environment, the more diversified the mechanisms within the organisation (so-called principle of the necessary diversity). Based on this assumption, it would be reasonable to expect that organisations respond to processes that have already occurred in the environment, in this case, in society. With society gradually changing, these developments are not immediately apparent, although it can be expected that organisations will eventually take on new values and standards of functioning, and thus a new perspective on the relationship between profit maximisation and morality. We also assume that profit does not represent the main goal of modern society, although it is undoubtedly necessary for its functioning.

This brings us to a new dilemma: if this is the case, can society expect from its subsystems (in this case, organisations) to act in line with high moral standards if a tendency toward immoral behaviour exists in society? A society with a weak moral system also determines the response of the organisations themselves. In this respect, the myth of the functioning of business does not follow its own rules since they derive from the social system and thus reflect the social norms and values. It is precisely due to this connection that in promoting the maximisation of morality over profit it is necessary to focus on the role of society itself. As Berlogar states (2000, 18):

Until the society prescribes something to businesses, which it itself is not able to implement, the state of affairs /.../ cannot be something other than it is. The new social contract, whose proposal follows the interpretation of the actual situation and the reasons for it, will have to come out precisely from this, from the need to change both parties. The exclusion of society and its institutions from these changes and the placing on the position of an arbitrator is not much more than an ideology. Demand and promise of good. Dictatorship of society over companies and managers, populism, and above all myth and self-deception.

At the same time, the author observes that in actual business there is no perceptible direction or maximisation of profit or maximisation of morality. Basically, organisations focus on ensuring their survival, are short-term oriented and do not deal with raising awareness of their own policies in any of these directions. Survival is the vital goal and also the motivation for the organisations' activities, regardless of what is desired and required by the organisational environment.

However, another reflection is called for: in principle, the business world as a subsystem of the wider social system is subject to changes that are influenced by society. In an era of globalisation, this relationship

obtains additional dimensions and the influence is ever more strongly reflected in the opposite direction: from organisations to society. We have already discussed the increasingly intense processes of globalisation, the growing power of multinational companies, and the impact of their activities on cultural, national, political, economic and natural environments. The influence of organisations on the formation of modern society is also quite obvious. In such circumstances, the need to maximise morality in business is not merely a choice but is becoming necessary from the point of view of both survival in organisations that in the new circumstances also include the constantly present need for their own development, in particular from the viewpoint of ensuring the sustainability of the company's development as a framework for the realisation of business. Although this influence cannot be detected immediately, this does not alter its relevance. Moreover, the presence of these relationships imposes huge responsibility on organisations and management: it is not just about managing business as it is about managing human lives in the process.

1.2.3 Morality in organisations

Thus far, we have frequently discussed the responsibility of organisations with regard to different stakeholders or the environment. In business ethics, such discussions mainly revolve around the question of whether organisations can be attributed with the ability for moral action and decision-making, and the ability to recognise the consequences of such acts and decisions. In the discussions that sought to answer this question, one can perceive the divided, strongly polarised opinions of authors who either strongly oppose or state the reasons in favour of the assumptions about organisations' ability for moral behaviour. The problem is definitely multifaceted and therefore complex. Thus, aspiring to reveal part of the context in observing ethical infrastructures and their effects on the moral behaviour of managers as a central research subject in this book, here are some of the concerns most frequently encountered in the aforementioned discussions.

According to Crozier Garcia (2008, 1410), an individual capable of moral action is characterised by several elements: (1) recognition of the interconnectedness of people's activities and the relative welfare of the wider community; (2) a willingness to help others in terms of the capabilities derived from an individual's own situation; (3) the ability to choose between conflicting and at the same equally important imperatives; (4) consistency with the laws and professional standards of the individual's profession; (5) disclosure of one's own limits, conflicts of

interest and other obstacles to satisfactory performance; (6) the sense of satisfaction with moral behaviour derived from the act itself and not from the possibility of external reward; (7) opposition to consensual decision-making in cases where such decisions eradicate diversity in opinions from public debates; (8) self-reflexivity; (9) the focus on preventing the suffering and death of others, opposing the maltreatment of animals and the unnecessary exploitation of natural resources; (10) rejecting moral passivity; and (11) maintaining distance from utilitarian-minded ideologies. There are many of such quotes, but the emphasis is on the moral action and rights and responsibilities of the so-called moral individual. Of course, this is about individual rights and responsibilities, but it is questionable whether they can be attributed to groups or even organisations. The answer to this question requires a more precise definition of the organisation, and in particular an answer to the question of whether organisations are merely the sum of their individuals and their rights and responsibilities, or whether organisations represent a complete set that exceeds that sum.

In Slovenian commercial law, organisations (here we limit ourselves to companies only) are defined as legal entities that may own movable and immovable property, hold property rights; acquire rights and assume obligations in legal transactions and have passive and active legitimation in a civil procedure (may be sued and can sue) (Bohinc, Bratina and Pivka, 1999). According to Ivanjko and Kocbek (2003, 99), »in/ the theory, there is a generally accepted position that the company as an organisation has its own interests that are separate from the interests of society and members«. Organisations are thus, regarding their legal status, separate from those composed and treated as artificial but integrated entities. This is also demonstrated by the treatment of the ownership of organisations, which is attributed from the legal point of view to the organisations themselves, and the ownership stake of the owners of the organisations and other stakeholders is shown only in proportion to the total ownership of the organisation. Such conceptualisation suggests that organisations, albeit not living entities, can be attributed, at least from the legal point of view, with a certain degree of responsibility, which is different from the responsibility of the individual. The moral action of individuals is based on their personality and personhood, which can be attributed only to people, and we cannot attribute such moral activity to organisations (Moore, 1999, 332). Some authors even point out that organisations have moral responsibility because, as a powerful actor, they have a strong influence on other structures in society, but cannot have moral rights as they would greatly exceed them and even endanger the moral rights of individuals. For

these reasons, organisations cannot be the carriers of moral rights, but are attributed with conventional rights (Scott, 2002, 36-37).

Therefore, if we assume that the moral behaviour of organisations is actually limited to their responsibilities, and not to their rights, we encounter at least the following conclusion in finding further arguments in favour of the above: organisations' ability for moral action and decision-making differs from the ability of individuals in that it emerges from collectivity, which is reflected in organisations in a minimum of two elements: (1) in internal decision-making structures that are structured to include more individuals and groups, and also condition the collective response to such decisions; and (2) in organisational culture. While individuals are characterized by their own value system presenting the foundation for their decision-making, activities and behaviour, organisations are also characterised by an organisational culture that entails a specific form of a collective value system, which further acts as a foundation for activities of the entire organisation and determines the decisions and behaviour of individuals within the organisation (Crane and Matten, 2004, 40-41). It is probably redundant to discuss further on the empirical evidence suggesting the existence of organisational values and not merely the values of individuals (although Scott (2002) provides a detailed description of this topic).

The moral behaviour of organisations is therefore different from the moral behaviour of individuals in the sense that it is a consequence of group dynamics and processes in which individuals with different personalities, thoughts and levels of moral development are united, follow common organisational goals and priorities, and thus formulate an organisational »personality«, consciousness, culture and, finally, moral responsibility (Rossouw and van Vuuren, 2003, 390-391). This view of organisations and the organisation's ability for moral behaviour is adopted by the autonomous model (Kaptein, 1998, 4) which observes the organisation as a whole, and not merely as the sum of individuals in contrast to the reductionist model, which assigns responsibility only to individuals within the organisation. Taking these limitations on the morality and responsibility of organisations into account, in this book we tend to work according to the autonomous model: regardless of their characteristics, organisations are an important part of the social system and are, as such, a source of radical social change. Although it is not about living beings in terms of dealing with the humanity of the entity, the responsibility for the functioning and consequences of organisations' activities is definitely their own, and it is also possible to judge organisations' functioning in a moral sense. Donaldson (1992, 45) says:

»The fact that a rule, practice or organisation cannot have moral perception and cannot be punished or even imprisoned is not a good enough reason to reject or criticize the possibility that the organisation has the characteristics of moral behaviour. The alleged »concretization« of organisations does not constitute an obstacle in describing and evaluating organisations in a moral sense. This is partly attributed to the fact that organisations are »things« and can thus be legitimately »concretized«, and partly because their status as a legal, not a natural person does not offer any logical reason why their practices, structures and rules could not be evaluated ethically. Slavery is not a natural person, merely an institution; lying is not a person but a practice. Nevertheless, it still makes sense to evaluate them morally as moral theorists have done successfully for centuries.«

Thus, a new question arises: how far does the responsibility of organisations go and how can it be managed with organisational moral responsibility? The first part of this issue was partly emphasised in the discussion of CSR and the description of the different approaches to moral philosophy within the discipline of business ethics. The question of the possibility of managing organisational moral responsibility, however, relates mainly to the question of establishing an ethical context that will favourably affect the moral behaviour of individuals within the organisation, which is inconsistent with the other perspective on the moral functioning of the organisation (the mentioned autonomous model). Kaptein (1998, 4-5) draws attention to the differentiation between techniques and methods that can be used to assess the actual and desired morality of the organisation and the question of how these methods can be applied to a collectivity. In other words, one aspect of management with organisational moral responsibility relates to providing conditions in an organisation that will offer individuals and members of the organisation an incentive and development of moral judgment and activity accordingly. Yet the second aspect of this issue highlights the development of the organisation's morality. Theorists and practitioners who try to emphasise the latter speak of an ethical organisation. For example, May (2006) lists the following characteristics of an ethical organisation: (1) equalisation of personal, professional and organisational aspirations and behaviours; (2) promoting dialogic communication; (3) promoting participation in decision-making; (4) establishing transparent structures, policies and procedures; (5) emphasising responsibility for anticipating and responding to morally critical situations; and (6) promoting continuous attempts to identify and resolve moral dilemmas. It is about organisational behaviour which is more focused on organisational processes than the individual actor within them. In a way, we can also talk about exposed specific organisational values that dictate a change in behaviour rather than

systems in the organisation, which also implies dilemmas concerning the moral functioning of an organisation as a collectivity and about which we have already written. By contrast, Carlson and Perrewe (1995) classify the morality of leaders, the support of top management, and the established policy of organisational ethics among the key elements of an ethical organisation, all of which are an orientation towards establishing an ethical context within the organisation. Both the first and second approach have their own advantages and disadvantages. The questions that are crucial to our discussion are how to formulate the organisation's actual response based on these facts, and what role does management play in this? We discuss these dilemmas in more detail in the following chapters.

1.3 At the end of the first chapter

The first chapter of the book began by assuming that the study of ethical infrastructures and their role in promoting the moral behaviour of managers is a demanding task, influenced by the complexity and incompleteness of the concepts in question, and above all by locating them in numerous and diverse disciplines, which are also extremely intertwined. In the three widespread subsections, we therefore present the first disciplinary starting points, which we believe add to understanding of this connection, and then outline the themes that touch on organisations and the dynamics of their functioning and which form part of the setting for studying the subject of the present work. In the first subsection, we present the disciplinary framework within which theoretical contributions from business ethics and organisational theory are mainly covered, followed by a brief presentation of basic sociological concepts, which are indispensable for the study of the role of the manager. We included the concept of structure and roles. How the role of the manager differs from the role of professionals. We also touched upon the concept of habitus which showed the personal inclination to exhibit a persistent pattern in decision-making and action of an individual. Both elements namely the role and the habitus represent the starting point for the analysis of a moral manager-his/her role and his personality. We also asked how manager can encourage moral behaviour of employees in an organization. What are the sources of power, which are on disposal for manager to foster and insure the moral awareness of his/her subordinates. Then we focused on an organisational framework in which individual factors are set out, usually present and extensively addressed in business and the organisational environment. It is about discussing the changed situation and the dynamics of work in the environment of organisations, especially those that increasingly affect the

way organisations respond, while at the same time there is still substantial uncertainty about what the appropriate response would actually amount to. In the second subsection, considerable attention is paid to elements such as learning and knowledge in the organisational environment, the changing conditions of psychological contracts between superiors and subordinates in organisations, the issue of trust and emotion within organisations, etc. As shown in several places, it is also about elements that directly or indirectly contribute to the creation of ethical infrastructures in organisations.

Further, when investigating these factors we also touched on some more fundamental issues related to the role of morality in organisations and business. Here, we defended the view that in organisations and business morality must become a key element of the activity of the latter: the business world as a subsystem of the wider social system is indeed subject to changes that are influenced by society, but simultaneously organisations clearly have an influence on the formation of modern society. The maximisation of morality (not necessarily parallel to the maximisation of profit) is thus a factor that allows organisations in these new circumstances to realise the ever-present need for their own development. Moreover, this ensures the sustainability of the development of society as a framework for the implementation of business practices. Although this influence cannot be detected immediately, it does not alter its relevance and imposes huge responsibility on organisations and management: it is not just about managing business, in one way or another, it is about managing our lives. Of course, lying at the heart of such discussions is the question of whether organisations can be attributed with the ability to act morally and the ability to recognise the consequences of such acts and decisions. Our response to this is moving towards ensuring that organisations are regarded as a comprehensive entity, which can be attributed with a number of aspects and is thus in possession of moral competence. However, it is true that organisations' ability for moral action and decision-making is different from the ability of individuals: it arises from the collectivity, and therefore the morality of organisations is an outcome of the group dynamics and processes in which individuals with different personalities, thoughts and levels of moral development are united. They follow the common organisational goals and priorities and thereby establish an organisational »personality«, awareness, culture, as well as a moral responsibility.

With the first chapter of the book we aspired to help elaborate the complexity of the study of ethical infrastructures in organisations and their role in promoting the moral behaviour of managers. At the same time, the

chapters included were designed to encourage readers to create their own views to present and expose their own questions about the context of the subject under study. It is only in this way that a sufficient starting point for recognising concepts can be established, as will be discussed in more detail in the following chapters.

CHAPTER TWO

STUDYING MORALS AND MANAGEMENT

Among the many wide-ranging discussions on the societal responsibility of companies, the meaning of business ethics, morals in business, the duties of organisations and so on, it is essential not to overlook the examination of the role and meaning of the management within these practices and the discussions about them. Bučar, Glas and Hisrich (2003) claim that people are very critical when considering the ideas of fairness and justice and hold clear views of what these notions mean to them. At the same time, they stand firmly against immorality, unfairness, injustice and behaviours that may be perceived as entailing such. However, in their declarations and actual behaviour there is a noticeable gap, especially where it concerns people in contact with the business world: when it comes to making business decisions it is not so unusual to buckle under the pressure of the profit-seeking motive and act unfairly with the goal of achieving better financial results (Bučar, Glas and Hisrich, 2003, 277). Where behavioural patterns seen in the entire population are involved, it is probably logical to conclude that such patterns will also at least partly exist within organisations. Berlogar (2000, 191) argues that Slovenian managers are extremely cautious when making decisions in situations that contain a moral context, they wish to consult about further actions and, if possible, pass the decision into the hands of others (such as superiors, supervisory boards, owners...) or, if they are forced to decide, the majority of such managers believes they are independent in their decisions, do not experience pressures and act according to their own beliefs. At the same time, Berlogar (1997, 455) warns that managers are most burdened by the structure of the organisation and the stakeholder power relations, making their response in every situation depend on conflicts of interest and constellations of power. He is alone in arguing that managers are »free« only when it benefits them. On the contrary, Ferjan and Brumen (2002, 158) argue that managers do not support immoral actions in the decision-making process and do not negotiate with external, situational causes; quite the opposite, they search for the reasons for accepting an immoral decision within themselves and thus take responsibility for them.

It is precisely due to the contradiction of the presented results of various research studies that in the next chapter we direct our attention to examining management and its role in implementing morality in organisations and, even wider, in business, simultaneously focusing on examining the moral actions of managers within organisations. This chapter therefore seeks to unravel the moral dimension in management and organisations from the perspective of seeing management as an organisational process as much as by observing the behaviour of managers, individuals and groups inside organisations. While doing so, we start from the situational interpretation of morality and thereby attempt to overcome the deficiencies of contemporary understandings of morality that almost always derive from the individual.

In this chapter, we first present some of the more modern approaches to examining leadership and management⁴ which we believe help extend the framework of thinking about the role of management in modern organisations and on systems that promote its development. By focusing on the procedural and systemic dimensions of organisational ethics, which we consider vital for establishing moral action in the organisation, we seek to identify among the presented approaches the idea of the place held by morality in organisations and in their management and leadership. Based on the outlined findings, we continue by discussing the moral management and moral behaviour of managers and related dilemmas, focusing on the concept of a moral manager, and try to point out the implications for the manager at the procedural and systemic levels of organisational functioning.

2.1 Morality and management in the light of contemporary approaches to leadership and management

Although conceptual clarity while studying organisational reality is a definitely desired, if not a necessary element of research, one must also consider the possibility that the very intertwining concepts involved reflect the actual situation in the studied context. The same applies to observing different approaches to understanding leadership, management and organisations. Interested in various views on the organisation, Morgan (1997, 2004) highlights the complexity of the organisation and its processes and the importance of examining such complexity in its entirety. He explores the latter using the metaphor of an organisation, whereby

»every /metaphor/ provides a comprehensive view of organisations and management from a perspective that is generated with the help of the

metaphor. Each creates important lessons that can, in the extreme cases, encounter severe constraints. Each of them can be incredibly convincing, but it can also blind us and hinder our ability to get an overview of the whole« (Morgan, 2004, 307).

It is therefore also important to highlight the limits of one-sided views on the subject of research. When discussing the instrumental and interest aspects of management, Tavčar (2009, 100) writes:

»There are but a few organisations that would be successful in the long-term with »managers«, who are only focused on managing the organisation as an instrument-or with »leaders« that would otherwise be great leaders who would focus on leading people and the relationships between them and the organisation, and would indifferently leave to one side the organisation as an instrument, a concern for the economy, efficiency and orderliness of functioning. »Managers« apparently cannot be »or/or« but only »and/and« and their role and function being a modification, a synthesis of both approaches, the instrumental and the interest.«

It is thus crucial to be aware of organisations' complexity, their processes, their environment and the connection among all of these (in both theory and in practice). Moreover, although in principle we are building on an instrumentally defined concept of management, we also recognise this concept is not fundamental, exclusive or definite. In this context, we continue the present discussion by describing some of the latest and most evident approaches to management and leadership that we believe help better understand the role morality plays in organisations and the factors stimulating applications of morality on both the levels of the individual and the organisation. The following approaches are considered: (1) transformational leadership; (2) the theory of exchange between leaders and followers; (3) participative leadership; (4) humanistic leadership; (5) servant leadership; and (6) responsible leadership.

2.1.1 Transformational leadership

One of the best-known approaches, often associated with themes in literature, to organisational morality entails the distinction between so-called organisational transactional and transformational leadership, terms attributed to the political scientist James MacGregor Burns (1978). These are two types of leadership that differ from each other depending on the way and content of the exchange between managers and/or followers (in the organisational environment they are leaders and their subordinates). The transactional manager focuses on achieving the organisation's goals

and follows the »classical approach« to leadership by using traditional methods of rewarding, controlling, delegating tasks etc., whereas the transformational manager is more directed to employee development which they seek to achieve with less tangible and measurable management methods based on the manager's charismatic leadership, leading on a symbolic level, focusing on empowering the employees, promoting personal and professional integrity, and ensuring the intellectual stimulation of employees. Northouse (2007, 176) denotes transformational leadership as a process in which some kind of connection between the leader and others (his/her subordinates) is established that then increases the motivation and morality of both the leaders and their employees. It is leadership that concentrates on the employees' needs and motives and enables organisational goals to be achieved by maximising the employees' potential and personal and professional development. Transformational leadership is thus considered to primarily act motivationally based on the following elements: (1) raising the employees' level of awareness of the importance and values of specific and idealised goals; (2) encouraging them to move beyond their own interests and act in the interest of the organisation's goals (and wider goals?); and (3) by encouraging them to achieve goals that are higher up in the hierarchy of the individual's needs⁵.

Bernard M. Bass (1985) is often mentioned with respect to a more detailed definition of transformational leadership. Building on results presented by Burns, Bass is an American industrial psychologist who, unlike his predecessors, thinks that transactional and transformational leadership are complementary and interconnected, thus not independent or separate leadership types. Moreover, both types of leadership together represent some kind of a continuum (see Figure 2-1 below), which goes back to the so-called laissez-faire approach to leadership. He strongly reduces the latter leadership process to those activities needed to ensure at least the organisation's minimal functioning. Here we can also speak of »non-leadership«. Bass' model of transformational and transactional leadership includes seven factors that, depending on the leader's activity and their effectiveness, are distributed in the model, and in this way, they create several types of leadership with individual emphases on one type or the other. As explained below, those seven factors are as follows: (1) charisma and/or idealised influence; (2) inspiration; (3) intellectual stimulation; (4) individualisation; (5) contingent rewarding; (6) management-by-exception; and (7) laissez-faire action.

Fig. 2-1: The continuum of leadership



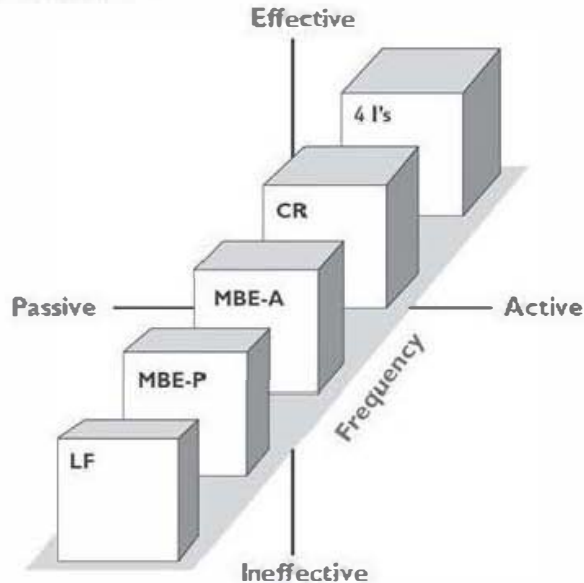
Source: Northouse (2007, 180)

Charisma or idealised influence is closely linked to the employees' perception of the leader's personality, behaviour and activities in terms of an ideal example for others. In other words, it is an idealised notion of a good leader with high personal and moral standards and good leadership skills. Charisma plays an important role here as it is a motivating element that encourages employees to follow the leader. In particular, it is important to highlight the importance of the vision promoted by the charismatic leader that directs the employees in realising the organisation's goals. Inspiration as a management factor aims to boost the employees' sense of belonging to the organisation and to the organisation's common vision, which the leader achieves by expressing high expectations, intensive communication (also indirectly with organisational symbols, etc.) and a stress on motivation. The next factor is intellectual stimulation, entailing the provision of incentive in the areas of their innovativeness and creativity, also ensuring they continually test their own values and beliefs as well as the values of the organisation and their leaders. The next factor, inter alia, shaping the leadership model is individualisation, referring to the leader's orientation to the individual treatment of employees. It is about establishing an appropriate organisational climate which, despite preserving the common values and practices, offers individuals an opportunity to highlight their own attitudes and values, and to develop their own specific potential.

The four factors identified by Bass (1985) (see below) form the transformational type of leadership, which assumed by Bass exceeds the classical achievement of results of the organisation's activity, which is at the same time typical of the transactional type of leadership. The latter consists of two factors: (1) conditional remuneration, whereby employees are rewarded in return for their response (by way of activity, internalisation of organisational values or otherwise); and (2) »management by exception« which is basically sanctioning employees when they do not do

what is expected of them. In this case, we distinguish active and passive forms of »management by exception« that vary according to the method selected for sanctioning. As the third type of leadership, Bass (1985) introduces the »laissez-faire« function which, as mentioned, is the absence of leadership.

Fig. 2-2. Bass' model of leadership



LEGEND

Nonleadership

LF Laissez-Faire

Transactional

MBE-P Management-by-Exception, Passive

MBE-A Management-by-Exception, Active

CR Contingent Reward

Transformational 4 I's

Idealized Influence

Inspirational Motivation

Intellectual Stimulation

Individualized Consideration

Source: Northouse (2007, 182)

Transformational leadership introduces new elements into management, which hold much less relevance in classical management theories and practices. In this sense, the approach should be understood as an upgrade

rather than a contradiction of classical theories. Naturally, the approach has been subject to much criticism, most of which relates to the concept's definition and measurability, which remains not sufficiently determined. Further, transformational leadership is often equated with charismatic leadership and thereby directs thinking concerning this approach to the specific characteristics of individual leaders. As a consequence, the process-oriented tendency of transformational management starts to fade and, in this way, loses important dimensions within the organisation. Critics often also refer to the assumption that transformational leadership conceals the real role played by leaders in shaping an organisation's vision and its values, which is supposed to be more than declarative. Leaders actually mislead employees with transformational leadership by giving the impression the employees are equally involved in these processes. In turn, this can lead to the destructive use of transformational leadership to realise particular interests within the organisation.

Despite this, transformational leadership brings numerous advantages, including mention of the observed connection between the process of transformational leadership and employees' performance and thus the performance of the organisation and exposure of the vision as a motivating factor that encourages employees as they function, directing them to the attainment of both their own and professional and organisational goals. At the same time, transformational leadership is seen as a process that extends the established view of the role of leadership within the organisation: by implementing principles that, while ensuring the efficiency and effectiveness of the organisation, direct attention to stimulating the employees' potential, the management perception moves away from the utmost exclusive instrumentality.

Of particular interest for the discussion in this book is the role of morality in transformational leadership: the development of employees also relates to the needs, values and morality of employees, and involves the transition of the individual from hierarchically lower to higher positioned needs, and thus the orientation of employees in their work. Encouraging employees to achieve the highest level, whereby the core of an individual's motivation is their desire for self-actualisation and their work is an important and expressive part of their life, also stimulates employees to rise above their own interests and directs their efforts to find the common »good« for their workgroup, organisation or even the community. According to Northouse (2007, 192), transformational leadership from this point of view is different from other approaches by assuming that management also includes a moral dimension, not exclusively in the form of compliance with legalised standards and

legislation, but also wider in terms of accountability for the employees in the organisation, as well as in relation to the community (Hood, 2003, 271). The importance of morality within transformational leadership is therefore expressed in two dimensions: first, it is a concept of morality that the transformational leader provides to the employees, thus presenting it as an important reference point, while at the same time the importance of morality is also expressed in the encouragement of employees to develop this dimension. At this point, attention is also partially focused on organisational processes and systems (transformational leadership is actually one of them), which stimulate such an understanding and application of morality within the organisation. From this aspect, transformational leadership represents an alternative to transactional leadership while offering a processual and systematic approach to promoting the moral behaviour of members of the organisation. It should be emphasised that, despite transformational and transactional leadership apparently being diametrically opposed to each other, transformational leadership still preserves the elements of transactional leadership because it continues to rely on the use of classic motivation elements such as rewarding and sanctioning systems, supervision etc. (Klebe Treviño, Brown and Pincus Hartman, 2003, 32-33). These findings are also key to the topic under consideration.

2.1.2 Theory of exchange between leaders and followers

The leader-member exchange theory (LME theory) or, otherwise, the transactional exchange theory appeared in the 1970s (Dansereau, Graen and The Hague, 1975; Graen and Cashman, 1975; Graen, 1976); later on, it was repeatedly upgraded with new findings and discoveries arising from the study of organisations, management and the interactions between management and employees. In contrast to most other theories, the LME theory stresses leadership as a process that arises from the interaction between leaders and followers (in the case of organisations, between leaders and subordinates) and not merely as an organisational function, as a characteristic of the person carrying it out etc. In addition, the LME theory establishes a dual relationship at the centre of the discussion, between the leader and the individual employees and the individual characteristics of such »vertical« relationships. For the discussion in the book, this approach is of interest due to the attention this theory directs to the relationship dimension of management and the organisational systems related to it.

Basically, the theory distinguishes two types of different roles that are presented among leaders and employees in dyads which influence the different behaviours and, consequently, the different relationships between managers and employees who are classified in an »in-group« or employees belonging to an »out-group«. The appointment of employees to a particular group comes spontaneously through the daily interaction between employees (individuals!) and their superiors: it is a kind of life cycle within which the relationship develops in three successive stages. In the first, initial phase, between the manager and the employee, a kind of evaluation takes place, the assessment of mutual motives, attitudes and resources that can be exchanged, such that a perception of each other's expectations regarding the roles they play in interaction is established. At this stage, the manager still treats the employee as a representative of the out-group. In the second stage of developing a relationship, depending on the involvement of the leader and the employee in their particular relationship, a certain kind of mutual trust, commitment and respect begins to form, which either maintains the relationship as exposed in the initial phase or deepens it, leading to the third, »mature« stage characterised by a latent agreement between the leader and the employee concerning the behaviour and activities of one or the other according to formally defined roles as well as the objectives of the work unit or even the organisation within which they operate. Here, the diversity of roles among employees from an internal or external group or the relationship between superiors with the former or the latter is already very clear.

Depending on how much responsibility and work tasks (in addition to those formally defined) employees are ready to accept, the extent to which their views match the positions held by their superiors and how the managers and employees interact with each other, two groups emerge: the external group that comprises employees who, in principle, only assume working roles and responsibilities that are officially defined in employment contracts, and the internal group which includes employees who, through their activity and behaviour, take on extended roles and new tasks, which may not necessarily be already formally agreed, that contribute to a quantitatively larger scale of the work unit or organisation's goal achievement than the efforts of those in the external group. An employee's inclusion in the internal or external group also depends on their personal characteristics, along with the leader's personality and leadership style. Employees who are ready to take on additional tasks and responsibilities, above and beyond their formal roles, have the option of joining the internal group. The basis for establishing this relationship is, of course, the leader's possibility of improving the conditions of work

desired by the employees: by giving employees in the internal group access to more information, influence, confidentiality, personal support and approval by their superiors, by increasing their autonomy at work, their greater involvement in the organisation's strategic activities as well as providing more tangible benefits like a salary increase, better work experience, nicer offices, facilitating different career opportunities, and so on. In return for these improvements, employees in the internal group increase the intensity of their work, their commitment to attaining individual goals of the organisation, their sense of satisfactions with the superior, take over some of the superior's administrative obligations, communicate more with their superiors etc. In contrast, employees in the external group stay within the framework of their agreed tasks and responsibilities and thus receive fewer benefits than their colleagues in the internal group. In this regard, it should be noted that it is an incorrect, almost stereotypical, assumption that employees in the external group are less successful in their work than their peers in the internal group. Differences between the two groups are not based on the quality of work but on the scope of the tasks they take on and the relationship (that thereby arises) between the leader and the follower. Consequently, this distinction between the external and internal groups can make external group employees more dissatisfied, also triggering problems in establishing cooperation among employees, teamwork and the emergence of »defence mechanisms« among external group employees who, in response to perceived unequal treatment, do not even meet their contractually determined minimum requirements.

After the LME theory's initial occupation with the characteristics of the exchange between leaders and followers, these findings spurred greater attention to the question of the extent to which such leader-follower exchanges influence the efficiency of individual work units or organisations as a whole. For example, various authors have looked into the relationships that appear to be more desirable among leaders and employees, how leader-follower relationships are shaped by other demographic and organisational factors, what is the behavioural impact for both of the specific relationships maintained between leaders and employees etc. (Yukl, 1998, 153-154). Further, a number of studies highlight that high-quality leader-follower relationships found in the internal group help reduce absenteeism, increased employee performances, a greater sense of employees' belonging to the organisation, a better work attitude, an enhanced participation rate and faster career advancement (Northouse, 2007, 155). Seen in this way, the LME theory is descriptive, focusing on observing the relations between leaders and employees and

the related consequences, processes, factors, activities etc. It stresses understanding the differences between employees the two groups and their superiors and thereby emphasises the role played by superiors who by understanding the above can assist in promoting an individual employee's performance and thus that of the organisation overall.

At the same time, along with the descriptive contributions arising from the LME theory we note there are more prescriptively oriented contributions that focus on the design of models, techniques, tools and approaches for managing situations that emerge in the organisation due to differences in relationships between leaders and employees from either the internal or external group (Northouse, 2007). The latest versions of the LME theory mainly look for ways to create and consolidate leader-follower relationships with the goal of supporting success in achieving organisational goals. Thus, for example, highlighting the issue of creating an appropriate working and organisational climate that enables the largest number of employees possible transferring from the external to the internal group, encourages employees to perform better, etc. (Graen and Uhi-Bien, 1995). This simultaneously helps the LME theory reject the frequent criticism that it promotes the creation of inequalities between different employees and the resulting unequal outcomes.

On top of the fact the LME theory is quite a descriptive theory by considering the actual state of individual segments within organisations, another of the theory's advantages is that, by honing in on the very centre of the process of leadership, the theory classifies leader-follower relations. As Northouse (2007, 159) observes, the LME theory suggests that successful management depends on successful exchanges between managers and followers. In this way, the LME theory also draws attention to the communication between superiors and their subordinates, an element that is decisive for the processes entailed in managing the organisation at both the individual and organisation level. Leader-employee interaction directly relates to communication, which in this case is not merely a random process between two individuals but the starting point for the management when designing formal systems for organisational communication. Both the intensity and quality of communication at the individual level rely on the organisational context, the climate created in the organisation and the communication options that depend on various organisational factors which at the systemic level are certainly a manageable element in the organisation. The importance for such managerial activities also builds on the findings of numerous LME contributions that point to the connection between leader-employee relationships and positive results for the organisation as a whole.

Disadvantages of the LME theory include problems with its methodological approach to measuring relationships and leader-follower exchanges as conceptualised by the theory. This issue also reflects shortcomings in the conceptualisation itself; namely, the theory frequently highlights the importance of creating high-quality relations between leaders and followers, with the very process of forming such relationships often remaining unspecified, alongside modest interpretations of the element of »quality« in the relations so established. One of the most prominent criticisms is the mentioned theory's discriminatory stance. Drawing attention to the differences between the two groups of followers, which are then treated differently by the leaders, critics believe the theory supports and to some extent even encourages the maintenance of uneven relationships with different groups within the organisation, as influenced by how employees perceive the fairness of the rewards and promotion systems (distributive justice), and the perception across the organisation of the fairness of the procedures (procedural justice) and communication that are in place (interactional justice). Assessing whether discrimination actually exists largely depends on whether it is simply a matter of circumstances that spontaneously occur in the organisation, which cannot be controlled or even directed, or whether it is a question of leaders intentionally creating differences. Especially when the latter is the case, the descriptive LME theory directs attention to the importance of processual and systemic incentives for the leaders' moral action which, among other things, encompasses the clear presentation and awareness of the prevailing norms that permeate the existing organisational culture. Moreover, when unfair practices are perceived, the morality of the leaders' action expands to draw attention to such practices and to put in place further activities, practices, processes and systems that reduce or even eliminate these practices and their impacts.

From the point of view of studying ethical infrastructures as a factor in promoting the moral behaviour of leaders, the following should be emphasised: among other things, the LME theory considers various forms of organisational justice, especially in the superior-subordinate relationship observable at the individual level, but implicitly also calls for a reflection on organisational ethics. Moreover, regardless of the defined managerial functions, it is clear that we cannot separate the manager's role from his personality. As part of the personality of an individual manager who holds a certain level of decision-making power within the organisation, morality undoubtedly is also expressed as part of an organisational ethical framework, bringing important effects for the further development of relations in the organisation, especially those between superiors and

subordinates. Here, the LME theory attributes a significant role to the organisation's communication systems and the question of how organisation enable the establishment and development of superior-subordinate relationships. The relational connotation of communication, which goes beyond the usual perception of organisational communication systems, should not be neglected here. We consider this in more detail in a later chapter.

2.1.3 Participative leadership

The relationship between the superiors and the subordinates of the organisation is also at the centre of attention of another modern approach to leadership attracting particular attention in recent decades: participative leadership. This approach is closely linked to the issue of employee participation in the organisation and the concept of »participative organisations«. Among the frequent occurrences of participative management in both theory and practice, we often encounter the mention of so-called participative management where the boundaries between »participative leadership« and »participative management« are unclear and often intertwined. Moreover, a common misconception of participative management arises from the fact that, in practice, participative management is repeatedly equated with the participative communication style. Accordingly, management, communication and management practices are also approached in this way, thereby overlooking the integrity of these separate concepts. Based on the understanding of leadership and management as defined in the introduction, we shall present individual topics entailed in the process of participativeness and expressly in the concept of participative management, which we also specifically define, since its emphasis on employee participation contributes significantly to the construction of communication systems in the organisation which, as we saw in the previous chapters, represent one of the key elements of organisations' ethical infrastructures.

Kanjua Mrčela (1999, 3) explains that participative management refers to the way of performing a managerial function—a managerial style—in accordance with the logic of increasing the strength of employees. In contrast, employee participation is understood as »different ways of employee participation (individuals and groups) in decision making and other aspects of organisational life (ownership, profits, business changes, quality improvements) at different levels in the company—redistribution of power and increased involvement of employees« (ibid.). In accordance with this, a specific type of organisation is formed that is also called a

participative organisation, an organisation in which employees can express and connect their interests and are more autonomous in their workplaces, and where decision-making power is deployed more polyarchically (Stanojević, 2009, 387). Participative management is therefore a »way of managing companies that enables and encourages maximum involvement of employees in all aspects of a company's business due to efficient release and engagement of the entire human potential (social capital) in the direction of achieving greater business success of the company as a common goal of all internal participants in the business process (owners, managers, employees)« (Gostiša, 2000, 3). The participative management concept largely emphasises the importance of human resources that are perceived as the organisation's most valuable asset and are simultaneously the most important source of competitive advantage if its potential is promoted. The latter requires all employees to more actively participate, regardless of their position in the organisational structure. Among the support mechanisms enabling this, namely, the participative organisational structure and the participative organisational culture, there is also the »participative style« when communicating with employees. These factors are, of course, connected with each other making participative management only successful if we focus all at once on controlling all three factors. It is thus not so much about allocating power to employees who are supposed to participate either through business decision-making or financing and ownership. It is more about the need to establish a system to facilitate such cooperation, to enable the employees to participate, insofar as this is viewed important. Along with this conclusion, we also wonder about the role played by participativeness and, along with that, the organisation's participative management. In other words, it is necessary to answer one question implicitly arising when discussing the theory of LME: whether the employees' participation in the organisation is a moral imperative or a process that can only be promoted in specific situations, subject to certain conditions (like when employees wish to become more involved in decision-making in the organisation, their willingness to take on responsibility etc.) and for a specific purpose. In most cases, this purpose is linked to the organisation's goals and those goals target success. Kanjuro Mrčela (1999, 3) states there is much empirical data on the success of participative management where one of the most visible contributions establishing the connection between participative leadership and the organisation's performance is the study by Rensis Likert (1961), that identifies, on the basis of ample empirical material, four management systems that differ from each other by the quality of internal relations (Kavčič, 1991, 73-74):

- The first of these four systems, System 1, also called »exploitative authoritarian«, is a leadership type characterised by the fact it reserves the right to make decisions and to set the company's objectives. It is a type of authoritarian management that stresses the strong supervision of employees. There is a little trust among managers and employees, thereby making the informal organisation, with its objectives that run counter to goals of the formal organisation, ever more relevant.
- System 2 is known as the »benevolently authoritarian« leadership type and indicates a style that, compared to System 1, encourages slightly more trust between superiors and subordinates, although decision-making remains in the hands of the leaders. Centralised decision-making in the strategic apex is still observed; only less important decisions are taken by middle management or management at lower hierarchical levels of the organisation. The same goes for control, which is an important tool in the organisation allowing superiors to regulate the employees' activities, but is also partly delegated to management at lower hierarchical levels.
- System 3, or the »participative consultative« type of leadership is characterised by decentralised decision-making at lower hierarchical levels of the organisation, while trust between superiors and subordinates is still not complete. A general characteristic of this system is that the superiors consult with their subordinates, and systems of communication exist in the organisations that enable this consultation. Like for decision-making, the same goes for control, which is distributed vertically at lower levels of the organisation.
- System 4 is known as the »participative group« system and is the last of the four leadership types Likert proposed (1961). It is characterised by complete trust between superiors and subordinates and, accordingly, decision-making is distributed over all organisational levels, there is an absence of control and the formal and informal organisations, coincide rather than diverge and thus form a solid whole that fosters realisation of common goals.

While observing the presence of these four management types in the large number of companies that were included in the survey, Likert concluded that in more successful organisations a »participative group« system is usually present. Although the specific procedures for employing system 4 vary among organisations depending on the nature of work and

the organisation's tradition, Likert states that there is a universal connection between organisations' success and their use of this system (Kavčič, 1991, 76). This therefore amounts to an approximation of today's understanding of how participative management affects the organisation's success, namely, the introduction of participative management is promoted despite the fact empirical material confirming such management's positive influence on the organisation's performance does not always provide solid evidence in support. Bass (1990) notes that participative management helps to reduce employees' unfavourable views regarding changes in the organisation, their compliance with organisational goals and their internalisation, while also increasing employee satisfaction, strengthening employee commitment etc. While there are many findings of this kind as well as authors who deal with them, a large number of studies show that, irrespective of participative management's positive effects, these effects are not universal and may also be seen in different circumstances where a different type of management is in place. Although participative management is more desirable for employees, especially if the alternative is authoritarian management, it is impossible to assert that participative management is always the only answer for the organisation's success. Introducing participative management only brings positive impacts for the organisation's success in certain circumstances, which include a suitable organisational structure, employee structure, a sufficiently high level of motivation, and where employees are able to participate etc.

● On the one hand, we therefore encounter several contributions that emphasise participation in the organisation and, consequently, participative management as an element of the organisation's success, at which point it is vital to assess the specific circumstances of its implementation in individual organisations. At the same time, alongside these discussions a whole series of contributions has emerged that draw attention to participation of a lower instrumental role in the organisation: it is about providing the conditions for so-called organisational democracy, at the heart of which participativity is exposed as a moral imperative across the organisation. Participative management plays an important role here in ensuring that participativeness as such can be developed at all. In other words, employee involvement in decision-making in the organisation *must* be assured as it has a direct impact on the employees. Since many individual interests exist in the organisation, management's task is to provide equal opportunities for cooperation and the expression of everybody's views. In the first place, a deontological mindset must be present that does not judge decisions in the organisation by their content or

the consequences of individual decisions, but from the way matters are decided and who is involved in this process (Cludts, 1999, 164). Moreover, the need to ensure participativeness and at the same time the presence of participative management in the organisation also includes a utilitarian emphasis. Many prominent authors (Kanter, 1989; Peters, 1992; White, 1994; Champy, 1995) have shown an approach that enables a greater flow and creation of knowledge in the organisation is necessary in modern management (Senge, 1990), such as horizontal, two-way communication (Isaacs, 1993), mentoring (Garvey and Alerd, 2001) etc. These practices facilitate the more intensive development, accumulation and dissemination of knowledge, which in modern societies is increasingly becoming the fundamental source of activity in all areas (also see Chapter 1.2.1.1). Employees (knowledge workers) are ever more moving into the centre of management practices because knowledge is no longer seen as a tangible asset separate from knowledge workers. To enable this, organisational communication processes and systems are increasingly rising to the fore, with the task to offer support to the activities entailed in organisational learning while taking account of individuals' and groups' needs. Promoting participativeness is thus a key task of management for encouraging employees, especially when dealing with individuals who no longer respond well to the traditional motivational elements.

Of relevance to the present discussion, participative management highlights participative organisation as a kind of moral imperative; an element that refers to the employees' right to participate in organisational decision-making about their own position, interests, objectives within the organisation and at the same time imposes on management a great responsibility to ensure such cooperation can occur. The concept of participative management also implicitly includes an emphasis on morality, which is expressed by ensuring the participation of employees. Managers are thereby put in the position where they either accept such a request and thus acquire the status of a »moral manager« or reject it and risk employees' changing their perception about the morality of the management. However, the participative management approach does not identify the factors that encourage managers to make such decisions.

2.1.4 Humanistic leadership

Most modern theories of leadership and management emphasise the importance of the relationship managers establish with their employees through their leadership and governance. Thus, in studying ethical infrastructures and how they influence the moral behaviour of managers,

we cannot overlook the question of what employees in the organisation actually represent and, in particular, how the management perceives them. McGregor's (1960) notorious Theory x and Theory y along with the ensuing Theory z (McGregor, 1967) deal with the nature of people and the ways they respond to different requirements of the working environment on one hand, and management practices that either stimulate or react to such a response on the other. Regardless of the type of behaviour attributed to employees, lying at the heart of such theories is an element often present in organisational theory, but not always deliberately and systematically treated: the element of humanity and how it is dealt with by organisations. In other words, we are interested in whether employees in the organisation are treated as people and what that actually means in the organisational context. For the current discussion, the latter is primarily interesting in terms of the definition of »moral«, especially as it concerns the employees: humanity as a concept is largely related to the treatment of dignity, conscience, duty, responsibility and other similar categories of ethics, which commonly arise in organisational practice but without being definitively or thoroughly addressed. There are questions that often seem to be more relevant to the philosophy of ethics and, at first glance, do not have much connection with organisational theories, management and business. An insight into this topic can illuminate our topic so below we present some important discussions that contribute to this and add content to »moral«.

The stressed consideration of humanity within organisations is, of course, the subject of numerous debates, most often related to problematising those theories that seek to completely exclude the human aspect from the functioning of organisations (see Chapter 1.1.2.1) and those that oppose this approach, particularly the human relations theory outlined in more detail in Chapter 1.1.2.2. Among other things, representatives of this theory emphasise the importance and role of motivation within the organisation and, in so doing, look for a balance between motivating to achieve the organisation's and the individual's goals. As McGregor stresses (1967), the key to a company's success is the motivation of all employees, and it is the task of management to create the conditions that ensure the employees will be internally motivated to be successful in achieving also (or primarily?) the organisation's goals. It is, naturally, important to identify what constitutes an element of motivation for employees by considering the specificity of individual occupational groups and employment statuses. McGregor (1967) highlights experts in particular, for whom he established that pay is no longer a sufficient motivator for them, that other types of motivators must be activated, which

chiefly relate to higher levels of the motivational scale (Maslow, 1968), for example, full use of individuals' skills and competences, opportunities for professional development within the individual's career, autonomy and self-supervision etc. (Kavčič, 1991, 83). These findings have become even more salient in a knowledge-based society because it has been shown that knowledge workers compared to traditional groups of employees are also different from this point of view (Miller, 2002), as an aspect that also be considered by management as well. In this context, it is also important to accentuate the role that is given to employees and reflects their »humanity«.

As stated several times, human relations theories differ from previous approaches by emphasising the humanity of the employees and their needs that must be satisfied in the work environment setting and thereby meet the organisation's needs to achieve the organisation's goals. In this regard, Melé (2003) mentions so-called humanistic management which stems from the aforementioned human relations theories and, apart from stressing the motivation of employees to make a greater organisational performance, also emphasises the latter's importance in order to help promote the employees' personal and professional growth. Therefore, management should no longer focus solely on ensuring the performance of the employees and the organisation as a whole, but also on fostering the individual development of each employee's personality. According to this, Melé (2003, 79) defines humanistic management as »management that emphasizes human circumstances and focuses on the development of human virtues in all their forms, to the greatest extent possible«. Yet, later on in his contribution, the author does not substantiate the importance of promoting the employees' personal and professional growth within organisations relative to success in achieving the organisation's goals; on the contrary, he promotes the development of human virtues as an important goal in itself. Humanistic management is therefore one that inevitably determines the way in which an individual develops within the organisation as a person, which simultaneously entrusts the management and organisation with a kind of duty to pay special attention to this development, in accordance with social norms and values, of course.

Melé (2003) extends this concept somewhat further and continues to explore the role humanity plays within organisations. He notes several research initiatives that dealt with this issue, especially in the context of the study of organisational culture and its connection with the values and beliefs of individuals in organisations. In this regard, the following can be summarised: the study of organisational culture has brought into organisational theory and practice the idea of a community formed by

employees within the organisation and which basically does not arise solely from their desire to achieve common (organisational) goals, but it is about creating a living space that emerges within a specific working context. Individuals from this point of view cannot be seen as mere employees who carry out their work tasks and are more or less motivated, but above all as people who, for the sake of satisfaction with their circumstances—that is, those who go beyond the working situation—are in more successful in their (work) activities. Management can play an important role, especially in identifying common values and directing them to achieving organisational goals. However, it is impossible to do so without taking account of the human nature of the employees, that is, their tendency to build a human community in a situation that is otherwise typically aimed at achieving measurable results set by the organisation and management. Moreover, the establishment of such a community cannot be avoided, foreseen and fully controlled. It is an important element of organisational behaviour, the understanding of which can significantly contribute to the organisation's success, and above all represents an important factor in maintaining humanity also within the organisations and working situations we encounter them in.

Another view of the treatment of humanism within the organisation is provided by Rocha and Miles (2009), who add another dimension to the concept of more humanistic management, where they mainly emphasise the importance of creating and linking the community of employees beyond the boundaries of individual organisations. This is a big issue in the context of a knowledge-based society and economy: both pose several challenges that organisations can respond to most successfully by increasing the creation, transmission and distribution of knowledge. The long-term success of a knowledge-based society and economy is based on strengthening the collaboration and connection between organisations in a broader sense. If such cooperation and networking proves successful in the long run, they should be based on different foundations than merely rationally expressed interest in successful business results. Rocha and Miles (2009) point to the role of humanistic management, which includes the consideration of the humanity of employees, the importance of their personal characteristics and virtues, and the building of a wider community within which new knowledge can be created. This not only requires the establishment of a new formal structure and organisational systems and processes, but an environment that stimulates individuals and groups towards conceptual productivity—especially for creating knowledge. This is a direct outcome of the realisation of human potential, which we may also call virtue. Humanistic management has a dual function here. ●

one hand, this is an incentive directed at employees in their own organisation: by creating a community composed of members of other organisations in which the exchange of views, positions and reflections leading to new knowledge is facilitated and, alongside that, the diversity of such a community. The richness of different people's interactions has a significant impact on strengthening individuals' virtues and, thus, their ability to participate in the process of knowledge creation. On the other hand, humanistic management, by facilitating the inclusion of employees from one's own organisation into the wider community, also contributes to the way it is shaped and is thereby no longer limited to individual organisations but forms an integral part of a wider community, society. The way in which humanistic management impacts the spread of corporate social responsibility is another issue worth considering, but that would exceed the scope of our discussion here.

To summarise, compared with other managerial approaches, humanistic management more strongly stresses the importance of encouraging employees and their »human« potential, both personal and professional. Greater emphasis is placed here on the consideration of their personal, individual needs, seen as affecting the positive attitude revealed by the individual also in relation to the work done within the organisation. The needs of individuals as an integral part of their humanity lie in the centre of attention for humanistic management, with the fulfilment of such needs being regarded as an end in itself. Further, one of the more exposed functions of humanistic management is the establishment, maintenance and enhancement of a kind of living community within organisations which some authors believed should spread outwards and thereby also form part of a wider unit of society. Thus, the concept of humanistic management clearly highlights certain elements that lack attention in everyday organisational practice. Yet at the same time the approach gives too little attention to the usual economic orientation of organisations and largely avoids providing a more substantiated answer to the question of why it is reasonable (*raison d'être*) to introduce such an approach into the organisation. Of interest from the aspect of dealing with morality in management are both the humanity as the foundation of managerial action in the organisation and the relations that humanistic management shows through managerial practices and human virtues. However, as Melé (2003, 86) points out, humanistic management represents a real challenge for both practitioners and academics to achieve a »higher degree of ethical quality«: the former upon introducing the concept in their environment, and the latter with still the same high level of uncertainty concerning the concept and its effects.

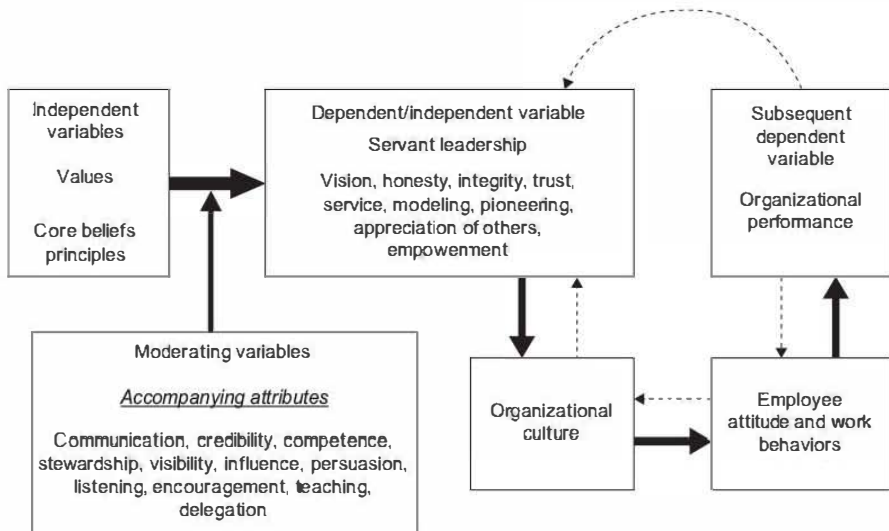
2.1.5 Servant leadership

Like the previously described approaches for analysing management, the servant leadership concept is another contemporary view of the role played by management within the organisation. Showing considerable similarity with transformational management and to a smaller extent humanistic management, the concept is distinguished in business by an extremely atypical function of serving employees. More classic approaches view management as being primarily in the service of the owners of organisations, whereas servant leadership practically turns this mentality on its head. Further, not only is servant leadership directed at employees, the very concept of leadership here rises well above the traditional role of leaders and managers, placing the latter in a position where the employees' interests are placed ahead of the interests of the management or even the organisation. Although the concept of servant leadership has been seen in organisational theories for well over four decades and (judging by 53,600,000 hits on Google) is quite popular, its definition remains unclear.

Servant leadership was presented by Robert K. Greenleaf following decades of observing organisations and making reflections on American society of the time. Building on the assumption that large organisations dominate in American society, but are no longer sufficient in serving people or society, Greenleaf was looking for options to help resolve, but also express, the crisis of leadership present in the US economy during the 1970s. Assuming that merely systemic solutions in organisations would be insufficient, and that the role of individual leaders is also considerable in creating such solutions, in his essay »The servant as leader« (1970) Greenleaf underlined the importance of so-called servant leadership, primarily aimed at serving people. This essay specifically stresses the motivation for introducing servant leadership in business, which is supposed to stem from the individual's altruistic inclination and his/her explicit desire to help others, with the help coming in the form of an incentive to the employee to develop, flourish and thrive⁶. At the same time, the author does not offer any more precise definition of the concept of servant leadership, which significantly influences later discussions on the service of leaders within organisations. Due to the concept's lack of substantiation, several subsequent authors tried to identify servant leadership in various ways (Spears, 1996; Russell, 2001 etc.). Here, we most often encounter an approach that attempts to identify the characteristics of a leader who may be considered a servant leader. The sets of features so determined vary extremely among authors, although at some points one can also match them. ● On the basis of such contributions,

Russell and Stone (2002) developed a model of servant leadership that shows the leadership characteristics most commonly associated with the concept of servant leadership (see Figure 2-3 below).

Fig. 2-3: Model of servant leadership



Source: Russel and Stone (2002, 154)

As the model in Figure 2-3 shows, servant leadership is embedded in a set of different factors at both individual and organisational levels, which may be characterised by very different relationships of influence, dependency and reciprocity. In so doing, the authors distinguish two groups of characteristics typical of servant leadership: the so-called functional and accompanying characteristics of servant leaders, which differ according to their function. Like many authors, Russell and Stone (2002) believe that the characteristics of leaders are also based on individuals' values, beliefs and principles. According to the latter and impacted by other factors in the environment in which they operate, the leader develops a set of functional characteristics (such as honesty, integrity, trust etc.) that observers perceive make him/her a servant leader. In addition to their functional characteristics, the servant leader is characterised by accompanying characteristics that enable the development of the functional characteristics. These are characteristics like competence, learning, communication etc., which direct the servant leader to developing functional characteristics. Similarly to Russell and

Stone, Andersen (2009) attempted to analyse the differently exposed features of servant leaders, but notes the sets are so varying that it is impossible to place individual characteristics in separate categories; it is also impossible to determine whether these features are of the leaders or their behaviour. Due to this diversity, it is also impossible to assess the suitability of individual approaches to address servant leaders (e.g. theory of leadership characteristics, behavioural theory, situational theory). This raises the question of whether servant leaders can be »trained«, to teach them individual characteristics, or whether they are individuals who, by their personal characteristics and the set of properties they possess, are different from other leaders and therefore predetermined.

In general, it is considered that servant leaders are those whose specific focus is on teamwork and community incentives (either within or outside the organisation), emphasising employee involvement in decision-making (i.e. participation) and promoting employee development with a simultaneous concern to improve the quality of the organisation. The servant leader emphasises serving others, a holistic approach to work, promoting a sense of community and participative decision-making. Servant leaders are those who primarily address the needs, wishes and interests of employees or even other stakeholders ahead of their own or even those of organisations. As Greenleaf (1977) notes, it is their deliberate decision, even their inner feeling, that they are called to serve others and are motivated for this by drawing on the knowledge that, by so doing, they will contribute to raising the ability of the individuals and groups they manage and thereby help improve the quality of life of both the individuals to whom the incentive is directed as well as organisations and even beyond, of society (Sendjaya and Sarros, 2002, 60).

Another important aspect of servant leadership is the role of the »steward«, that is, someone who is entrusted with responsibility for a certain value. It is about an individual's willingness to assume responsibility for the welfare of a larger community that entails at least partly takes on the management of activities that significantly influence this prosperity. Sendjaya and Sarros (2002, 61) identify the servant leader in the role of a steward as an individual who will be entrusted by the employees with the responsibility to manage the organisation on their behalf in such a way that leads to their own progress and improvement. Caldwell and others (2008, 154) state that the steward concept expands the boundaries of the functions of leaders and managers: it is not only about ensuring realisation of the owners' interests, but also the interests of others who are implicitly or directly involved in the activities of the organisation. Further, as shown by research findings (Spears, 1996; Caldwell and others,

2008), one of the most prominent dimensions of the servant leader is moral behaviour and the ethics of concern, explaining why the performance of servant leaders is chiefly focused on the long term. As mentioned, the servant leader's primary interest is not merely making profit, although that is not excluded, but creating the welfare of the community in either the narrow (inside the organisation) or broad (community or even society) sense. The ethics of care includes a stimulating relationship that, among other things, enables a »safe« environment in which individuals can develop and grow without interruption (also see Chapter 1.1.1.1.5). Caldwell and others (2008) also note the servant leader is inevitably also directed at »upholding the meaning of their activity«, which actually depends on the relationship between the leader and the employees. It entails promoting the value of employee growth and development, or even directing employees towards a new way of behaving. As Covey argues (2004), the basis of the servant leader's ability to communicate to people about their value and potential is so clear that they can also see it themselves. In this sense, the servant leader assumes the functions of a steward, with his work being mainly based on his/her own example.

We have already mentioned the conceptualisation of the servant leader is often based on how researchers themselves perceive leaders. For example, Joseph and Winston (2005) prove the employees' perception of the servant leader also positively relates to their trust in leaders: the more he/she is associated with features typical of servant leaders, the more trust is expressed in leaders holding those characteristics. Washington, Sutton and Field (2006) also highlight the great importance of emphasising values that play a big role in servant leadership thus being called »values-based management«. It should also be pointed out that the way employees perceive servant leaders also largely depends on whether the behaviour (the servant leader's own example) is also supported by communication. In other words, insofar as the values promoted by the servant leader are not visible or »publicly« exposed, there is a possibility the employees will not associate them with their leader.

Further, we stated before that servant leadership is often compared with transformational leadership (Parolini, Patterson and Winston, 2008; Stone, Russell and Patterson, 2004). This relationship can roughly be described as follows: clearly one of the features shared by both approaches to the leadership of organisations is the orientation to the employees' development and, in the case of a servant leader, also in a wider context such as development of the community or even society. It is therefore about bringing to light the effect of transformational leadership which, with transformational leadership, is directed at a specific goal (achieving

the success of both individuals and the organisation as a whole), while with servant leadership, this effect is an end in itself. Moreover, lying at the heart of the two approaches are the values on which both the leader and the organisation are based in their entirety, and both incorporate the already mentioned moral dimension. It is the orientation of both approaches to ensuring the moral development of employees to a higher level, involving not only awareness of that need but also an incentive for a critique relative to this kind of awareness. The charisma of the leader plays a big role here, which is typical for both transformational and servant leadership. According to Graham (1995, 51), servant leadership further emphasises the moral dimension of transformational leadership, since—unlike the latter—it offers its employees a security mechanism against possible abuse of the managerial position: the servant leader's interest is to serve others, which is an end in itself, and therefore not subject to the fulfilment of other interests. Russell (2001) on the other hand, also recognises the »content« of the moral dimension in servant leadership which cannot be expressed this way in transformational leadership. In his opinion, the function of a servant leader's service in itself involves the idea of the leader's humility and respect for employees, a deontological principle which further adds to legitimisation of the servant leader as a leadership approach that cannot be challenged.

Servant leadership is therefore a modern approach making ever greater inroads in the business world in recent years (Ramsey, 2003). Naturally, despite its strongest features, it is subject to a range of concerns and criticisms. Among the most noticeable is the concern about the approach's inadaptability for modern organisations, which—despite taking account of the »softer« approaches to managing organisations—remain at least in the short term still mainly focused on achieving organisational performance (Northouse, 2007). It is thus still clear that the concept of servant leadership remains insufficiently defined and without empirical support, that would otherwise help clarify the servant leader's role within organisations. It is also true the attributes associated with servant leaders are also attributes that characterise many other approaches to managing organisations. Among other things, the relevant level of »serviceability« should be clarified for determining a leader as a servant leader (Anderson, 2009). On the other hand, from the viewpoint of the leader's role in the organisation, the concept importantly contributes to contemporary organisational theories. With its emphasis on the moral dimension of leadership, reinforcing the idea that leadership is ultimately not an amoral process, with an emphasis on values-based management and, ultimately, by changing the leader-employee relationship, it provides a relevant

reflection of the organisational world, the organisational power of employees, the role of traditional organisational goals in the business world, the interweaving of organisations and society etc. From this perspective, the servant leader concept also offers a basis for reflecting on the subject of this book.

2.1.6 Responsible leadership

The concept of responsible leadership derives from different approaches in business ethics, developmental psychology, psychoanalysis, stakeholder theory, and systems theory. Although have been around for a long time, it has only received more attention and attributed with greater relevance in organisational theory and management theory in recent decades, upon the appearance of moral anomalies in the business world, the exposure and worsening of global economic crises, rising global problems as well as growing demands of the public for the responsible behaviour of organisations and the extension of the traditional roles of all actors in business.

Discussions on responsible leadership focus on the study and understanding of diverse dynamic processes between leaders and stakeholders, which also determine the leadership process, especially its wider impact on social change (Pless, 2007, 438). According to Maak and Pless (2006b, 112), »leadership is a socio-relational and ethical phenomenon that arises through the interaction between leaders and broader groups of followers, inside and outside the organisation«. As such, it plays an important role in shaping society by extending other views on the role played by leadership in organisations.

Maak and Pless are among the more influential researchers of responsible leadership and some of the first to try to define the concept more precisely. In formulating their model of responsible leadership, the authors derive from the normative stakeholder theory (see Chapter 1.1.1.2.1), which sets the challenging task of establishing and maintaining the organisation's financial responsibility to shareholders and simultaneous responsibilities for wider economic, environmental and social impacts and, finally, the organisation's development and long-term success. Maak and Pless' (2006a) assumptions about the role of responsible leadership build on their observations of the modern organisational world which they believe is confronted with some kind of general crisis of legitimacy and trust (Wheeler and Silanpää, 1997), the latter being the result of frequent immoral behaviour in the business world (environmental issues, worker exploitation, corruption, fraud etc.). It is precisely because of the lost

confidence in organisations and, in particular, in their management structures that it is necessary for modern management to establish the legitimacy of this position, which also requires a change in the leadership style and the roles assigned to leadership. »In a stakeholder society, leadership must go beyond traditional concepts of leading-following. The leader /.../ becomes a coordinator and a »cultivator« in relation to different stakeholder groups« (Maak and Pless, 2006b, 100), such as employees, clients, business partners as well as the more widely defined social and natural environment.

In accordance with the stance held by the normative theory of stakeholders, Maak and Pless' (2006a) model of responsible leadership roles assumes that all stakeholders involved in the business situation are equal in relation to leaders, communicate with them equally, and give leaders the legitimacy of leadership, which depends on the stakeholders' perception of the »relational intelligence« of leaders, which includes emotional and ethical intelligence. In this regard, emotional intelligence refers to the ability to perceive emotions, to use emotions while expressing, understanding emotions and managing emotions in such a way that contributes to personal growth and social relations between leaders and employees (Mayer and others, 2001, 234), while ethical intelligence incorporates moral awareness, moral reflection and moral imagination. As Maak and Pless explain (2006b, 106), moral awareness refers to the ability to recognise and understand values, norms and interests in both yourself and others. This ability helps responsible leaders differentiate their own interests and the interests of others and/or the organisation as a whole, which is a key element of moral reflection, which represents responsible decision-making when considering the above factors. The final element of ethical intelligence-moral imagination-is the ability to judge virtual morally-sensitive situations and define the potential advantages, weaknesses and good or bad consequences of acting in such situations (Johnson, 1993). To sum up, both emotional and ethical intelligence, which together form relational intelligence, contribute to the establishing of relations between leaders and stakeholders (see Chapter 1.1.2.4), which in turn add to the creation of trust and sustainable leader-stakeholder relationships.

In order to improve understanding of responsible leadership, Maak and Pless (2006a) therefore emphasise the model of roles in responsible leadership (see Figure 2-4 below). In their opinion, research into the roles of leaders and management is extremely rare, which is problematic because this leaves out an important aspect of understanding the dynamics of leadership and governance. It is precisely for this reason that they introduce a sociological mindset into the study of leadership, drawing on

the findings of Merton's (1957) theory of roles, which on one hand highlights the determination of roles for the individual and, on the other, their multiplicity and diversity and the way the individual integrates them into a whole. Similarly, the leader combines various roles which together form the whole of the function they are performing: leadership. The leader does this in relation to different stakeholders who hold very diverse values, principles, expectations and interests. In order to deal with these, the leader must play several different roles but, as already pointed out, does not perform them separately, independently of each other, but holistically, integrated as a whole.

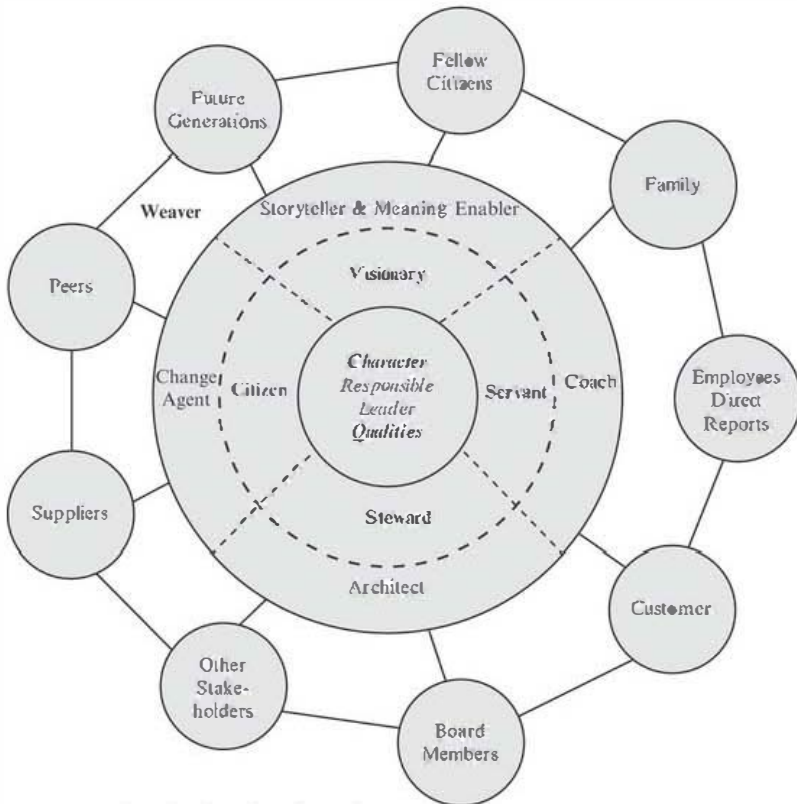
The model of roles for responsible leadership entails the following: the role of the steward, the citizen, the visionary and the servant. These roles are also associated with somewhat more »operational« roles, which the authors designate as those of architect, change agent, storyteller and coach. We briefly present them below:

- *The steward's role:* as noted out in the previous chapter, when in the role of the steward the leader is responsible for the stakeholders' prosperity in such a way, that at least to some extent, he/she takes over the management of those activities that significantly influence that prosperity. The authors emphasise the role of the leader who »takes care of social, moral and environmental values and resources« (Maak and Pless, 2006b, 108) and is sustainably oriented to the long term.
- *The role of a citizen:* the authors build this role on the premise of the need to unite the private, business and public spheres. It is a recognised need to establish leadership, which will combine the efficiency and effectiveness of organisations on one hand and the success of society on the other. Responsible leaders in the role of a citizen should recognise and understand the integration of organisations into the community and their interdependence, and guide them to ensure the balanced functioning of both.
- *The leader as a visionary:* this is about highlighting the vision as an important element of leadership, stressing the responsible leader's ability to develop and maintain a vision of the desired future, and ways and means to achieve that. Moreover, the authors emphasise the importance of involving stakeholders in developing such a vision: responsible leadership is reflected in the process of providing opportunities for participation in this, not merely in expounding ideas about the vision.

- *The manager as a servant*: as explained, this concerns the idea of a leader as a servant of the stakeholders, which stems from the ethics of care and is responsible for the development and prosperity of the latter. Maak and Pless (2006b, 110) also emphasise the humanistic dimension, that is, the demand for the responsible leader to be a servant who should in others recognise vulnerable, yet also equal, human beings. At this point, it is quite similar to humanistic management.

The model of responsible leadership roles therefore assumes the responsible leader holding a multitude of roles. Alongside the already described roles of steward, citizen, visionary and servant, the following »operational« roles include:

- *The manager as an architect*: the responsible manager as an architect is directed to establishing and sustaining organisational systems and processes that enable realisation of the common vision, while also maintaining the possibility of all stakeholders to participate in development. At the heart of this role is the ability of a responsible leader to maintain a lasting dialogue, which creates the basis for preserving mutually beneficial as well as trusted relationships between stakeholders.
- *The leader as an agent of change*: in promoting and supporting change, the responsible leader's activity primarily focuses on achieving so-called responsible changes. According to Maak and Pless (2006b, 112), these are changes in the direction of building a stakeholder society that is aware of its own values and maintains sustainable business. The responsible leader's role here is to activate stakeholders, build and keep up their commitment, reduce the complexity and anxiety that usually occur during a period of change and, finally, encourage the process of change, especially regarding changes that may cause uncertainty and confusion.
- *The leader as a storyteller*: the responsible leader in the role of a storyteller and maintainer of common meanings largely complements the leader's orientation as a visionary. Through various methods, it helps all stakeholders become involved in co-shaping the idea of the organisational reality or the wider, social reality. The authors mostly emphasise the method of telling stories as one of vital elements for illustrating and transferring basic values and promoting moral imagination.

Fig. 2-4: The model of the roles for responsible leadership

Source: Maak and Pless (2006b, 107)

- The leader as a mentor:* this role presupposes the leader's orientation to promoting and developing stakeholders' relational skills so that they can be integrated into the community (organisational or wider) and participate equally in co-designing the latter. This is particularly important in the period of multiculturalism and diversification that is typical of the modern world. Further, the responsible leader as a mentor should be particularly focused on supporting relational processes, including cooperative interaction, open communication and constructive solutions to emerging conflicts. In this way, they contribute to maintaining the balance between the conflicting emotions, values, needs and interests of stakeholders.

Despite the relatively clearly defined concept of responsible leadership, many open issues remain with regard to the relationships between individual elements of the presented model of responsible leadership roles; for example, between the responsible leader's personality and his/her relational intelligence, between intrapersonal processes and the responsible leader's behaviour in a broader context (either within the organisation, in business processes or within wider society) etc. Discussions on responsible leadership that are perceived in the academic community, and more and more often in organisations themselves, are chiefly linked to wider debates on the (moral) responsibility of organisations and business, on the stakeholder approach, as well as debates on positive organisational behaviour, on the success of organisations etc. Different authors take different positions regarding the broader questions mentioned here as well as the specific topic of responsible leadership. However, a consensus remains in relation to the contribution of responsible leadership to business practices and business studies: at the heart of responsible leadership is the desire, even the need, to co-create a sustainable society (a moral requirement), emphasising the equal responsibility of all stakeholders. It is legitimised through interactions maintained between leaders and stakeholders, which also represent the most important mechanism for establishing such ethics. Morality at both the level of society and of organisations is a key element of the leader's work and is particularly evident through observation of the individual but also intertwined roles of leaders. From the viewpoint of the present work, this is an important fact to be considered in the verification of the exposed assumptions about ethical infrastructures and the moral behaviour of managers.

What do the contemporary approaches presented above bring us? There is probably no need to expand on their value within the boundaries of theories and the sociology of organisations since that has been done several times and fully debated in the case of both individual theories and modern approaches. Therefore, below we present those aspects of the considered approaches which, according to more traditional views, are the most expressive, while also contributing to understanding the subject of study in this work.

Table 2-1: The role of morality in contemporary approaches to leadership and management

<i>Approach</i>	Emphasis	The role of morality
<i>Transformational leadership</i>	Employee development as a means to achieving organisational goals	Basic concept of leadership, an integral part of employees' self-realisation
<i>Leader-member exchange theory</i>	Relationship among leaders and employees and achieving organisational success by understanding the differences among leaders and employees e.g. internal and external groups	Organisational fairness as one of the most important elements of the leader-employee relationship
<i>Participative leadership</i>	Participation of employees in decision-making at all levels of the organisation	Participation as a moral imperative
<i>Humanistic management</i>	Creating human conditions in organisations and development of human virtues and thereby creating a wider organisational community	Humanity as a moral imperative
<i>Servant leadership</i>	Serving the employees and community, within which the employees can evolve	Ethics of care as a goal
<i>Responsible leadership</i>	Leadership as a societal and ethical phenomenon that leaders implement with different, holistically related roles	Ethics as a key element of leaders' activities, focused on the co-creation of sustainable society (moral demand)

Source: authors' contribution

At the outset, it is necessary to emphasise the explicit exposure of employees as an important stakeholder group through all of the approaches discussed above as either guidance by the leaders in promoting the employees' personal and professional development or by stressing the establishment of appropriate relationships between leaders and employees

in order to add to organisational performance or by dealing with such emphasis as an end in itself. All the contemporary approaches previously presented place employees at the centre of attention of management and leadership, which at least partly confirms the shifting perception about the meaning and value of people, of employees within organisations or the importance of promoting their potential. Further, management in relation to employees is dealt with from a process point of view, whereby the coexistence of appropriate circumstances in the organisational environment and outside of it is set as a broader goal of management and managerial activities, and these circumstances rely on the aforementioned development of employees or, in the case of some approaches, even of other stakeholders. One of the approaches that largely refer to the orientation to the wider community is, for example, responsible leadership, which includes the assumption of the interdependence of organisations and society and, hence, the need for organisational functioning in terms of co-creating a sustainable society. In achieving the goals of organisations identified in this way, the presented contemporary approaches do have another thing in common: all of the above approaches are not morally anonymous, the concept is considered by these approaches as important in leadership and management. So, for example, transformational leadership emphasises morality as an important reference point for employees in terms of establishing their responsibility within the organisation as well as in relation to the community at large. At the same time, it is also a moral requirement for leaders to encourage employees to develop this dimension. Morality also constitutes a valuable part of leadership in the theory of the LME which, moreover, presupposes several dilemmas of organisational justice as being one of the important elements in the leader-employee relations, but also recognises that morality must be an important part of a particular manager's personality and is thus also expressed as part of the organisation's moral framework. Thus, leadership is certainly not an amoral process, a claim that is particularly emphasised by servant leadership, and some approaches upgrade this assumption further by the expression of moral imperatives (for example, participativity in participative leadership, humanity in humanistic leadership, ethics of care in servant leadership, co-creating a sustainable society in responsible leadership etc.).

Given the processual orientation of leadership in contemporary approaches, it is necessary to also draw attention to the explicitly or implicitly expressed bias of this process or in some cases (e.g. transformational leadership, LME theory, responsible leadership) even of the relationship between managers and employees. The common feature of

all these approaches is the attention they pay to creating an appropriate organisational context to stimulate development of employees they defined. The most often mentioned is the establishment, preservation and development of organisational culture and, at the same time, communication in the organisation. Both of these need to be regulated at the system level since they can fully contribute to the already mentioned circumstances that favour the exposed bias of relationships (e.g. transformational leadership, participative leadership), the establishment of an intra- and interorganisational »community« (e.g. humanistic management, responsible leadership), setting the example and representing the potential of employees (e.g. servant leadership) or facilitating leader-employee interaction (e.g., responsible leadership). Moreover, organisational communication here not only has a message function, but a relational function. The repeatedly emphasized participativeness, which in some approaches represents a goal in itself (for example, participative management), partly contributes to fulfilment of this function, but also requires a different response from the employees—their increased responsibility in relation to both their own work, goals, interests, needs and wishes, as well as to leadership, management, communication and other organisational processes. Although the equality of employees as one of the important groups in the organisation is not always guaranteed, the latter does not negate the (pro)activities that *must* be assumed by employees inside and outside organisations. The presented contemporary approaches support this premise and it is becoming increasingly clear that it is a considerable prerequisite for promoting morality in business.

Such conclusions lead us to the idea of a completely new form of management that can be implicitly traced in several approaches which also add the moral dimension to the leadership process. At the same time, in both theory and practice we encounter such management approaches, already recognisable in individual empirically verified models. This is a concept that we can only sense at this historical moment and, due to the described indeterminacy, we cannot yet attribute sufficient weight to it for it to be equated with the approaches already presented or even with other, much more established ones to leadership and management. Nevertheless, we believe that at least a partial understanding of its characteristics can significantly contribute to grasping the area of this book which refers to the moral behaviour of managers. With this in mind, we continue discussing the concept called moral management and, on this basis, add to our understanding of the moral behaviour of managers and their involvement in the wider organisational context.

2.2 Moral management

So far, we have attempted to underline the factors we believe are necessary for an in-depth understanding of morality in management with the hope we offered a sufficient insight to the reader while also being sufficiently comprehensive to not refrain the reader from reflecting on his/her own position on the topic. Below, our attention will be somewhat more confined: from here on, we proceed by assuming that morality in management *is* important and that it has a decisive influence on both the functioning of the management and the entire organisation. At this point, we reiterate the important need to distinguish different levels of moral activity in the organisation: this book simultaneously studies both the activity of individual managers and their individual personality and professional moral action—hence we are interested in so-called moral managers—as well as organisational systems that enable and encourage such actions (ethical infrastructures) and processes that impact the performance of moral managers through the ethical infrastructure (ethics management). At first glance, the relationships between the individual and organisational levels of enforcing morality in the organisation are quite simple. However, that is only apparently the case. Mintzberg (1979) draws attention to the complexity of organisational dynamics that he illustrates by numerous flows in the organisation: formal and informal structures and systems, decision-making and communication processes, etc. It is precisely in this context that the importance of management become even greater since it supports, directs and even forms all of the above-mentioned flows. Therefore, part of the attention in this book is given to the processual dimension of management and, specifically, moral management, which when studying the moral behaviour of managers and other groups in the organisation is regarded as a key organisational process. In the following, the latter is explained in more detail.

As already noted, the concept of management and leadership on one hand and ethics and morality on the other is very complex, and we also looked at the often uncritical use of all these concepts. Of even greater interest is the finding that such uncritical use or at least the lack of precision is also evident when talking about management morality, the ethics of management or managerial ethics and especially ethical management. Despite its actuality and growing popularity, the phenomenon is often not clearly made visible, let alone defined, with the relationships among the above terms remaining undifferentiated and interpreted differently in various contexts. So, for example, contributions on ethics at the centre of leadership (Ciulla, 1998) include many topics

that directly relate to leadership ethics and also provide no explicit definition of such ethics. Similarly, while discussing management and morality MacLagan (1998) details the managerial practice and its attitude to moral thinking and gives numerous examples of moral topics we encounter in organisations, yet the very definition of management morality is left untouched. Slovenian authors generally deal with this topic in the same way; they write about managerial ethics (Berlogar, 2000) or the ethics and morality of Slovenian managers (Ferjan and Brumen, 2002; Tavčar, 2009) but remain at the level of describing the notions of ethics or morality, or of the relationship between these concepts and the management concept. Somewhat more consistency is seen in authors studying the concept of management ethics, which usually refers to the discipline of norms in the decision-making process of management and its behaviour (Kovač, 1999). We also adopt this definition, where we highlight the distinction between the ethics of management and the concept of ethical management: between the study of ethical management and the organisational process which we believe should in fact be called moral management. This reflects our understanding of the already established differences between the moral and ethical dimensions of social responsibility. The distinction between these and other concepts is to be outlined in more detail in Chapter 3.

We are thus left with the issue of defining the concept of moral management, which we understand as a process that places the moral dimension at the heart of each element of the control of organisations, including its requirement for the effective and successful achievement of organisational goals. This is not simply about upgrading the definition of management (Tavčar, 2009) or just taking the moral moment into account, namely, the individual's moral reflection that arises when confronted with a morally questionable situation. Moral management is a process that implements morality a priori, it involves it as a ubiquitous element of the organisation's functioning, regardless of the level of implementation or the goals pursued by the organisation. Here, morality is not only a means for achieving organisational goals, but a set of guidelines for how the organisation works that is reflected in all its internal processes and systems, both latent and manifest. The latter appears to be a particularly vital characteristic of moral management, as also seen in the emphasis on communicating about morality within the organisation. We consider this in more detail in the section on ethical infrastructure and its components while, and what follows, we focus our attention on thinking about the the real need to implement the concept in theory and practice.

Thinking about moral management inevitably triggers the question of why it is needed, if at all. Is it a trend, an urgency we observe in the development of organisations, that forces us to try and prepare managers and organisations in time so they can adapt to future challenges? Is this the next development stage in the evolution of management as a process and, finally, as a discipline? Or does this entail raking over the impoverished soil of infertile academic debates to show the importance of an element that does not even exist yet in practice and whose appearance in the near future is quite unlikely? There is certainly a strong desire to respond to this with a unique, concrete and clear answer, akin to say the credibility of a simple mathematical calculation but, faced with the multiplicity of the subject, it is ungrounded and limited by the relativity of perceptions of what is moral. Each question asked probably hints at part of the truth and it is possible that we agree with each of these assumptions. The truth here is actually variable and depends on the individual, his/her perception, experience and values. Considering all of these factors, we therefore offer some answers to these questions not to categorically accept and fulfil all of the above, but as a starting point for creating our own understanding of the concept of moral management.

The reasons for justifying the relevance of moral management in business practices, like with promoting business ethics in organisations, include the idea, certainly the most reassuring one, that moral management brings the short-term and long-term benefits to organisations that ensure their success. The various discussions considering the urgency of incorporating the moral dimension into managerial practices often refer to the specific (where possible) measurable results that organisations can perceive when implementing ethical programmes, where the stress is on the ethical climate in an organisation, etc. So, for example, the moral behaviour of the management or the establishing of systems with an emphasised moral dimension would contribute to strengthening trust among organisational members and increasing their sense of belonging, while at the same time boosting the organisation's reputation (Carroll, 2002, 142). By contrast, it is considered that immoral behaviour can worsen mutual relations as employees become distrustful of their superiors, and vice versa. This negatively impacts the work process and leads to a decline in productivity and anomie at work (Tsahuridu, 2006, 163). With the presence of immoral activity in organisations, the rules of normal functioning in organisations also start to change, processes become more complex, and thereby the need to increase control starts to rise (Lynch and Cruise, 2002), which can act in destructive ways. And so on.

While in touch with management practice, a justification like this offers an attractive, if not a convenient, method for incorporating the moral dimension into organisational practices, yet it is also questionable in several respects. These mainly refer to concerns over the possibility of demonstrating a connection between all of the above-mentioned factors with the ability to measure the effects of the presence of moral management on the organisation's performance. Neither the former nor the latter have yet to be explicitly proven, which to some extent is due to the complexity of measuring these concepts. In the light of these considerations, however, one should consider the following: if it is regarded that the latter serves as a motivating element on whose basis organisations will adopt the norm of the moral dimension as an integral element of their functioning, can we claim that this element will still be present in organisations, even in the absence of such motivations? Such extrinsic motivation factors merely allow us to maintain a limited degree of consistency with what is desired, visible only at the level of behavioural patterns and actual behaviour in the organisation, that is, at the first level of organisational culture defined by Schein⁷ (1987), although it is not necessary that this behaviour will in fact reach the second level-values-or even the third-the fundamental assumptions made in the organisation. Only the latter are, to the same extent, so self-evident that they »remain unquestioned and become so strongly anchored in the group that its members consider behaviour that is inconsistent with these assumptions as incomprehensible and unacceptable« (Mesner Andolšek, 1995, 23). Assuming this is the case, in order to promote the moral behaviour of the manager and other members of the organisation, the urgent question arises of whether it is more appropriate to build on the intrinsic motivational factors and thus define morality within the organisation as a legitimate way of acting rather than merely as a way of achieving the organisation's success. This would certainly contribute to the sustainable business development, as referred to by Fisher and Lovell (2006), which we outlined in more detail in the first chapter.

Parallel to the discussions on the usefulness of moral management and wider on integrating the business ethics dimension into organisations and business, we also detect a comprehensive discourse that helps justify the importance of moral management in terms of normative ethics, either traditional or contemporary ethical approaches. The most common observation here is the adherence to deontological assumptions with their emphasis on the duties and attitudes of management and organisations relative to the enhancement of interpersonal relations, respect for employees and their humanity, and the orientation towards employee

development. In organisational theories, these tendencies are shown in the stress on the care for people and their social needs, the treatment of organisations as a social system, the accent on the need for self-realisation, etc. Thus, we encounter theories on human relations, human resources management, the importance of self-actualisation, the need for participative leadership, and others (already discussed in previous chapters). Although each of these approaches involves some sort of argumentation for justifying the functioning of organisations in the manner it describes them, these arguments often remain at the level of self-identity, disregarding the dynamics of business practices and organisational activity. This and the inviolability of the presented arguments lead to such approaches often being perceived as utopian, subjective and emotional, but also as unscientific.

The discussions arising from such an understanding-including, to the maximum extent, our view of the importance of moral management-partly try to build on the relationship between the organisation and society and, for pragmatic reasons, also seek to show the benefits of organisations on the assumption of moral management being a basic process in the organisation. Management plays a major role in this as it is the group with seemingly the highest degree of decision-making power and influence and also the group responsible for making organisational changes. Given the nature of how a modern organisation functions, this influence almost always spreads to changes that we perceive as »society«. This is where the ideas of sustainable development and the social responsibility of organisations stem from, that increasingly shift responsibility for the overall development of society to companies. According to Berlogar (2000, 57), organisations are resisting this role due to the feeling they do not have enough social competence such that it is only legal business that can be demanded from them, and due to the belief they do not have enough support for this in other segments of society. In other words, in a situation where neither the state nor society are clearly not carrying out their tasks according to expectations, it seems unreasonable to then also require organisations to fill the void. In spite of this, Berlogar (1997, 457) warns: »If the prevailing practice is not appropriate and the existing standards are not feasible, then the changes /.../ are necessary«. Further, the actions of companies, their costs or the realisation of other interests depend on changes that will happen in the future. Recognising that this requires the ethical will of the state and society, it is therefore essential these processes also include changes in the level of business practices. At the same time, this is a sufficiently explicit reason for the need for (perhaps even the urgency of) moral management because it places the

question of the morality of organisational behaviour in the foreground and draws back the curtains of anonymity from it.

»What is primarily the duty of the companies, are to provide the distribution of social (economic) power and non-utilization of political power. This is also ethical and moral, but ethics and morality do not yet guarantee the necessary distribution of power. The assurance of this (overcoming political utilitarianism) is an appropriate contribution of other partners to ... / social change« (Berlogar, 1997, 457)

The answer Berlogar (1997) offered is therefore a new social contract in which both the state and society are actively involved, together with the organisations between them. The guidelines the author considers most relevant to moral management certainly include the attitude towards employees who, in his opinion, are at the greatest disadvantage by the current ways of measuring power. All other stakeholders or environments of organisations are better able to take care of their interests. The value of moral management here lies in setting ethical standards (not necessarily only at the systemic level), which provide the foundation for mutual trust and cooperation that is essential for the cooperation of many social entities. This also applies to the new social contract proposed by Berlogar (2000): making the shift from measuring power to trust and cooperation.

Given the fluidity of the moral management concept and related dilemmas, we are ever more questioning whether moral management as a process can be achieved as part of the organisational structure or whether it actually is just one of a group of more dynamic elements in the organisation that can only be partially affected through design, orientation and control. The answer to this question directly relates to observation of how the individual's morality is realised in the organisational environment since the behaviour of the individual holder of the managerial function—the holder of the managerial function and therefore directly involved in management process—in many ways constitutes a fundamental element of the organisation's activity as a whole, albeit we still acknowledge the many differences between the former and latter. At the individual level, the question is whether morality is the individual's specific and innate predisposition, or is it an ability and even knowledge that can be linked to the manager role and function in the sense it can be taught and learned. This entails discussion of the relationship between the natural and given or the acquired or communicated, and of whether morality can at some level be formulated and monitored. In this book, we strongly support the idea of the latter and devote much attention to managerial approaches to dealing with this dilemma. At this juncture, in order to create a comprehensive

notion of the moral management process, the discussion is simplified and presented more broadly in the light of professional ethics.

According to Hribar (1996, 35), the starting point of any ethics is primarily the moral attitude of the individual. Developing and maintaining the moral dimension in any activity therefore depends on the individual. Ramovš (1996, 75) emphasises that the ethical action of an individual⁸ is an important factor in the environment, yet the decisive factor is the subject of ethical action, the personality of the individual. If ethical orientation does not come from that, even the most favourable environment cannot make human behaviour ethical. On the other hand, with regard to an ethically stable personality, even the worst social pressures are unable to direct it towards unethical behaviour. According to the author, the concrete ethical reach of professional activity has four determinants. First, it is deeper knowledge that enables an individual an objective view of the circumstances of a problem. In this way, one can avoid emotionally determined decisions or decisions with roots in particular interests, and ensure the better performance of a professional activity, which at the same time should be more equitable. The second factor is experts' tendency or desire to act in a correct and fair manner. In addition to their decision, this includes a full personal effort to achieve such a course. The third factor is the individual's conscience regarded as their personal ability which is most influenced by the social environment since it is mediated in the socialisation process as a homogeneous rule of conduct. Finally, it is necessary to mention the ethics of the experience, which are the expert's past personal experiences with ethically ambiguous situations (habits, basic personal orientation towards honesty, etc.) (Ramovš 1996, 74-76). This is sociological notion of habitus (Bourdieu, 2006)

The literature contains many contributions on the topic of stimulating the individual's moral development (especially in the field of psychology), where of specifically note is Lawrence Kohlberg's contribution (1981) and his theory on cognitive moral development, which describes the course of the individual's moral development in six stages. Here, moral development is understood as the development of understanding of social norms, rules and laws, reciprocity in interpersonal relations, and the basic moral concepts present in every society. It is therefore a cognitive element which primarily focuses on the concept of justice and manifests itself in different ways, depending on one's degree of development. He distinguishes six levels of moral development and combines them to form three categories (pre-conventional, conventional, post-conventional) which are arranged hierarchically: each subsequent stage represents an upgrade

of the previous one. It is a question of what motivates an individual's perception of justice, and what is the leverage of control that impacts the individual's moral activity. Kohlberg's theory has drawn numerous criticisms regarding the approach to the research, the topic itself, the starting point of the research, etc., but is still one of the most popular theories that offer an answer to the question of whether moral development can be promoted and controlled: namely, this is possible, above all, in those stages of moral development where most of the individual's motivation is external—the post-conventional and partly the conventional levels. Of course, the question remains: to what extent (if at all) is it possible to promote the moral development of individuals at higher levels of development?

Those who allow this possibility include authors who stress the social nature of man: because man is a social being, his individual morality is therefore also part of social morality. Moral development of the personality is thus influenced by social circumstances, although it is also still true that the personal moral attitude is the crucial factor in the formation of the individual's professional ethics. In doing so, professional ethics do not necessarily imply the individual's morality as a whole since the assessment of the morality of a certain profession is made on the outside, by a professional community, association of profession, state, etc. It is also noted that the grounds for developing the morality of the individual and society differ among societies. Especially the systems of Western societies have for some time been described as experiencing a great moral crisis. According to Hribar (1996, 37), »most young people and adults lack essential knowledge about the general origin, the structure, contents of universal ethical principles, as well as moral habits and necessary personality traits for a higher moral and ethical culture«. However, »this is not only a serious lack of knowledge, but also a weak ethical and moral motivation, for deeper foundations that enable moral behaviour in everyday and professional life« (Divjak, 1996, 148). Many believe this should also be the main motivation for finding different models for promoting ethics at the level of the organisation, profession or even society. Developing professional ethics in organization is a *must* for fostering the moral management.

So, what does all of this mean for the discussion of moral management? It is becoming increasingly clear that this is a randomly emerging process (Watson and Harris, 1999) which, like the deepest organisational values, cannot be unconditionally altered, guided and controlled. Any attempt to influence this process would simultaneously need to address a several factors, including the particular characteristics of

employees (age, gender, education, employment, psychological factors, personal integrity, national and cultural differences between them, etc.) as well as situational factors such as the moral intensity of the activities, processes, systems, behaviour, and the moral framework and context created by the organisation (for example, with a rewards system, authority, organisation structure, job and organisational roles, organisational culture, etc.). Thus, it primarily seems important that the organisation remain the object of attention, and that moral management is constantly enforced and maintained as a key part of the organisational dynamics and system. It also refers to changing the most deeply rooted organisational values, which are equally subject to the influence of external factors, those found outside organisational frameworks. The relationship between the organisation and its environment should therefore be given greater attention, while still assuming the important role of the organisation as a social player and awareness of the internalisation of »new« organisational values-in this case, the need for moral management in organisations-as the goal whose attainment is closely linked to changes in social structures.

The presented duality of the effects on the development of morality is of course quite simplified and only focuses on the outline of factors concerned with the definition of the moral management concept. Yet, it is necessary to draw attention to at least one other dimension of the issue: if the enhancement of moral management within the organisation is largely intangible and thus uncontrollable in many respects-where what stands out most is the approach to establishing and preserving the importance of morality as a vital element within organisations-then it is also necessary to question the extent to which moral management exists merely to promote the *impression of* morality while simultaneously the moral management itself is actually not achieved. Here we need to remained the difference between formal and informal structure of organization. Lord and Maher (1991) define leadership as »a process in which leaders are perceived as leaders by others.« As the authors point out (*ibid.*), there is a key difference between this perception of top management and the perceptions held by leaders at lower hierarchical levels that is influenced by several factors. Among other things, this refers to the nature of the relationship between superiors and subordinates, which involves (or excludes) direct contact between individuals from both groups. For example, employees at lower hierarchical levels have significantly fewer contacts with higher management so their perception is mainly influenced by symbolic management factors (images, behaviour, politics, communication...). The perception of those who are also part of a managerial professional group (inside or outside the organisation) will be different from that of those not

occupying managerial positions, and the same applies to distinguishing managers who hold hierarchically higher- or lower-positioned managerial roles. Of course, it is also true that when observing the moral dimension in management there is always a great measure of subjectivity in the »moral«, which also impacts the individual's perception of moral of management. As we shall show, this is one of the crucial parts of the debate on the moral behaviour of managers.

At this point, we move from the treatment of management as an organisational process to dealing with the behaviour of a specific group in the organisation: managers. Precisely due to the power in their domain, discussions about management as a group almost exclusively focus on their role in the management, construction and enhancement of organisational processes and systems, along with their orientation towards differently identified stakeholders in order to achieve organisational goals. In so doing, we often face questions about how to control managers themselves, their autonomy, quality of work, etc., and we rarely encounter the problematisation of their own position in the role of employee and the incentive they receive in this position, which is largely shaped by the existing and future organisational context which they themselves co-create more actively than other employees. When examining the enhancement of the moral behaviour of managers, this becomes an even more important question. Again, we face a set of concerns: depending on the active role we expect of managers in creating an organisational context to promote the moral behaviour of members of the organisation, can we suppose that managers themselves will equally conform to the assumed norms? Surely this is in fact an essential prerequisite for them. How is their behaviour reflected in the process of moral management and how is it shown in business? Are these practices of excellence or even an ideal in both the process and functioning of management? We aim to answer these questions in the following chapters where we focus more on working at the level of the individual, which often also depends on understanding the processual dimensions of management. In this book, we seek to highlight this difference as much as possible, although it is precisely due to the connection between these two levels that this will not always be clear in the discussion, about which we specifically warn the reader.

2.3 Moral behaviour of managers

In the literature, the concept of moral behaviour of managers is frequently associated with the process of the moral development of individuals. The most prominent advocate of this is Kohlberg (1981) with

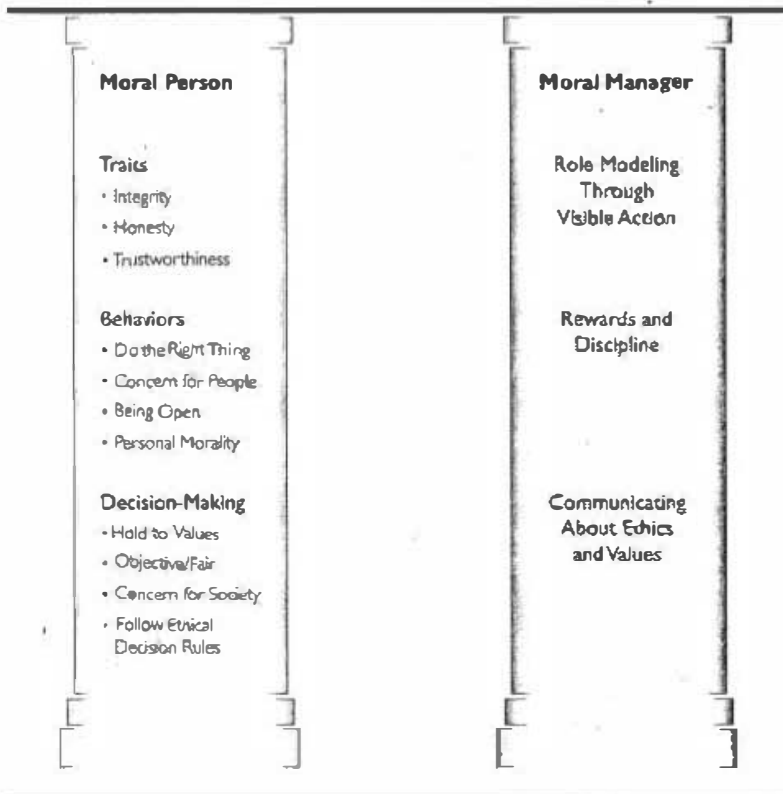
his theory of cognitive moral development. One of the more familiar and contemporary contributions comes from Kohlberg's disciple, James Rest (1986, 1994), who identified four psychological processes that must unfold in order to act morally. These are the following, interrelated elements: (1) moral sensitivity; (2) moral judgment; (3) moral motivation; and (4) moral character. His approach is interesting chiefly due to his understanding of morality: while classical approaches presuppose several components of morality (in principle, there are cognitive, affective, emotional and behavioural components), which interact with each other, but do not intertwine, Rest (1986) rejects this assumption. According to him, these components are always interconnected, intertwined and expressed simultaneously. Therefore, whenever the processes of moral action take place, it is considered that they include all of those components, which are situationally dependent. His model of moral development thus does not address the individual elements of this process as the characteristics of individuals, but instead focuses on situations that shape the interpretation of morality at a particular stage of development. For example, it is considered that an individual can be extremely morally sensitive in a given situation while, in another, this sensitivity does not emerge. The same applies to other components.

Such ideas, namely, the aforementioned fluidity of the moral management process, and the inability (and senselessness) of holding preconceptions of morally questionable situations, have redirected our focus to the moral behaviour of managers and the factors that encourage them towards the roles that apply to managers in business. As mentioned, this approach is not common in the study of leaders and managers, but at the same time it introduces a sociological perspective into the organisational sciences: it treats the organisation as a social phenomenon, organisations as social actors, and the managers within them as the holders of important roles, which in one way or another coincide with the existing dynamics of activities, processes, culture and values.

Treviño, Pincus Hartman and Brown (2000, 128) introduced the concept that the moral behaviour of managers manifests through the prism of roles. The authors found in a survey among American managers that the perception of observers (primarily employees) of the moral manager is made up of two fundamental principles: the perception of the moral person and the perception of the moral manager (see Figure 2-5 below). The subject of study is thus an individual holding the role of manager, which has two dimensions. In the case of the dimension of a moral person, it is about observing the manager's particular characteristics, actions and decisions in terms of judging their morality. According to the authors, of

the characteristics perceived as moral the most often emphasised are the manager's honesty, the value of trust and integrity, while the moral action is behaviour that includes »real« acts, displaying concern for people, an appropriate and equitable relationship that is based on the preservation of their dignity and respect, openness and communicativity, and the manifestation of morality in personal life. Openness and communicativeness relate to the manager's willingness to communicate with others, listen to their problems and perceive negative information as constructive feedback. Simultaneously, the establishment of clear and solid moral values and principles based on fairness, objectivity and a widespread concern for the broader social environment and the community is important for the decision-making of the manager, the moral person.

Fig. 2-5: The foundations of moral management



Source: Treviño, Pincus Hartman and Brown (2000)

The second dimension of the perception of the moral manager refers to the role of the individual as a moral manager, that is, their functions within the organisation and in the way they fulfil them. According to Treviño, Pincus Hartman and Brown (2000, 133), the challenge for a moral manager lies chiefly in exposing and implementing morality as an important element of the organisation's functioning. If successful, he will be more likely perceived as a moral manager. Otherwise, despite his/her morality (in both personal and professional roles), employees will perceive him/her as morally neutral, as someone who does not consider morality in business situations and, in doing so, instead derives from rationally grounded starting points such as different performance indicators, the financial situation, etc. According to the authors, such a perception held by employees is very unfavourable for the management because it leads to a drop in employee trust, a decrease in their commitment, the increasing rejection of relaxed, direct communication, etc. Consequently, this kind of activity is noticeable at the organisational level, but often there are also negative effects on the organisation's performance. The moral manager's function is therefore to expose the moral dimension as an integral part of his/her activities, which can be achieved in many ways. Participants in the mentioned study highlighted the following: setting an example, the importance of communicating with employees, and the establishment and use of an appropriate remuneration system. In the case of setting an example, it is not just about the manager's own implementation of morality in business, but ensuring that the latter is noticeable, visible and perceived by employees. Otherwise, the manager is labelled as morally-neutral. This is supported by the intensity and targeting of communication about morality within organisations and business, explicitly exposed at both the individual level in direct relationships between managers and employees, as well as the organisational level in the organisational communication system, which is also aimed at constructing a clear perception about the role of morality within the organisation and business, and ethical standards, principles and values that represent a vital element of organisational activity. In addition, the continuing commitment of management to enforcing the moral dimension in business practices is needed to preserve the perception of the moral manager. On top of the manager's individual involvement in this direction, it is necessary at the organisational level to establish a rewards system that directs the employees and gives them a clear idea of the expected moral behaviour by rewarding acceptable and punishing unacceptable behaviour. More on this is found in the section on ethical infrastructures.

It is here that the definition of a moral manager strongly coincides with the mentioned characteristics of the moral management process, and we thus draw attention to the difference between the implementation of morality in the management process and the perception of moral management, which may also be ostensible. However, we also note the following: the moral behaviour of managers is on one hand determined by the personal characteristics of managers, and at the same time the professional dimension of a moral manager requires the implementation of morality on both an individual and organisational level. From this perspective, the psychological interpretation of the manager's moral behaviour is no longer sufficient as that explains only the psychological processes the individual undergoes while dealing with morally questionable situations. The concept of the moral manager adds a wider aspect to his moral behaviour: not only must the manager as a member of a professional group form morally, but this requirement is also transmitted to the manager's activities concerning incentive factors at the organisational level, and the elements of the moral manager's professional dimension therefore turn out to also be elements of the ethical infrastructure of organisations. Below, we elaborate on some of the connotations that should be mentioned when dealing with the concept of a moral manager. These are the relationships between the »moral«, »good« and »ideal« manager.

2.3.1 The moral manager-a good manager?

When speaking of morality in management, we cannot avoid the question of whether we can equate morality with »good«. In part, such thinking is caused by the traditional view of morality as »good« or »true«, and partly it is a natural tendency towards excellence in both the process of attaining goals and the goals themselves. The subject of discussions continues to revolve around the constituent elements of »good«, which still remains »a fundamental value within every morality, including business morality« (Jelovac, 1998, 27). In organisational theories and management, the question of measuring the performance of the organisation or parts of it is typically placed at the heart of the issue. In practice, this focus is reflected in numerous attempts to create clear criteria of performance or even efficiency in organisations' functioning, by problematising definitions of quality and establishing indicators of the latter by creating more or less complex systems for designing, implementing and monitoring such indicators, etc.

We are talking about measurable indicators that show a direct link between the activity of an organisation or its parts and the final results of these activities. The more this connection is expressed, the more it can be assumed that it is a successful or unsuccessful organisation or that part of it is. At the same time, the absence of such indicators in an organisation's environment can encourage the belief that this is an unsuccessful organisation.

When thinking of a moral manager as a good manager, it is difficult to judge the appropriateness of such an approach. If we tackle the problem systematically, we can assume that at least two reflections come to mind. First, we are interested in whether the moral manager is a good manager, with the emphasis on identifying the source of »good« in a manager, which is highly subjective. In this regard, philosophy often refers to the ethics of virtue (see Chapter 1.1.1.1.4), where the moral manager is an individual with a maximum set of characteristics that society considers desirable and are perceived as part of that individual's excellence. Namely, virtues. Moreover, it is the individual's duty to invest in his/her own development in order to promote the further development of such virtues since in this way, as a social being, he/she actually contributes to a good way of life, as Aristotle defines it (King, 2006, 114). This is also reflected in the level of moral management as a process because it is an incentive to achieve the excellence of the organisation as a whole and also to the organisation's excellence as a system with all its parts. In any case, it is considered that such argumentation is only one of the possible perspectives on justification of »good« given that it can also be derived from other deontological and teleological theories (see Chapter 1.1.1.1).

It is also important to note another difference which is common in practice, although at the conscious level it may not be so clear-cut. This concerns the distinction between »good« and »typical« managers, which basically also derives from the characteristics shown by managers in the performance of their business activities. In her study, Carmichael (1995) found what the general idea of a good manager was and, among other things, showed there are differences between a typical manager, where the perceived attributes are generally of the so-called male style of leadership, and a good manager, where the perceived attributes are balanced between the male and female management styles. A typical manager is thus the classic, almost stereotypical perception of an authoritative, highly rational, goal-oriented individual, but that does not necessarily mean they are also a good manager. The latter, along with the aforementioned characteristics, also embodies those attributes associated with the female style of leadership (democracy, orientation to teamwork, emotionality, etc.) and

which, in the changing circumstances of how organisations operate, is becoming ever more typical. Although the research principally focuses on examining the role of managers, it is probably reasonable to apply these findings to the very process of management, and not merely to those who play the roles. Yet it is also undoubtedly true that these findings cannot be generalised. As the author herself concludes, when defining a good manager it is also essential to observe the context of the action or the role of a good manager or, more precisely, the organisational culture, which also affects the process itself. A good manager therefore must be able to adapt to the latter and to a greater extent reflect the characteristics that are complementary to the existing organisational culture. At the very least, a good manager will in principle possess several different characteristics, such as those traditionally belonging to the male leadership style and those of the female style of leadership. The »good« in a manager actually resides in their adaptation or the ability to demonstrate those characteristics that best suit the organisational culture or in ensuring that this is even possible at an organisational level. In this way, we can conclude that a good manager will also sufficiently express morality compatible with the expectations of this culture, which at the same time explains the relationship between a moral and a good manager, while a good management (process) will also be distinguished by the presence of a moral dimension. Another important question arises regarding the good in a »good« manager: if a good manager takes on the desired norms and values of an existing organisational culture, is that manager also good when the norms and the values of the existing organisational culture are bad (if, of course, we are aware of this) and is the morality of the management therefore immoral? As already noted in this book, we do not wish to assume that every act has a moral value but, despite this, we reiterate that the study of a good manager is closely linked to the identification of what »good« even means.

The next step in explaining this relationship seems logical and continues the discussion highlighted at the start of this chapter: it is about defining the relationship between a good and a successful manager. The success of a manager is also relative and varies according to its source. When measuring performance, so-called output performance criteria are typically used, such as work results or so-called input performance criteria like individual or group behaviour, based on the mentioned starting points, or the capabilities of the individual and the group as they are perceived in the work process. According to Zupan (2009, 429), when measuring performance what is usually the most appropriate is a combination of both types of criteria, where the output criteria is typically quantitative and

more objective, but at the same time more focused on measuring the performance by way of results, but not also on measuring the success of the work process. Input criteria here work complementarily and contribute to performance monitoring also in those workplaces where measurable targets are difficult to set. Managers are certainly a group whose measurement is largely based on observation of behaviours and abilities, and where the subjectivity of the observers is often the biggest deficiency of the measurement. Nevertheless, researchers note that subjective behavioural measures hold many advantages over measuring achievements in terms of achieved goals since they: (1) can be applied to all types of jobs; (2) also include factors that affect an individual's performance, although he/she has no influence on them; (3) allow the observation of the work process; and (4) give a wider insight into overall behaviour, not just the performance of tasks that lead to results.

The approaches to defining good and successful are therefore very different. Even the treatment of »good« can be a kind of input criteria of performance, albeit highly indefinable and subjective. If it is considered that a good manager is one who embodies the most desirable standards and values of the existing organisational culture and if it is regarded that a successful manager is one who achieves the set goals, where the compatibility with organisational culture is a goal in itself, then we must ask the following question: when is a good manager *not* a successful manager? There may be many answers to this question, distinguished by their wide diversity, yet for this discussion, the most important is the finding that arises from all of these answers: in any event, there is a difference between a good and a successful manager. We can hence say that a good manager can be successful, but at the same time the opposite may apply: it does not necessarily have to be true. We are therefore still left with the assumption that a good manager is, in principle, moral, but not always successful, because their success is not shaped only by morality itself but also depends, as we have shown, on many other factors. With this in mind, we introduce a new concept of an ideal manager into the discussion.

2.3.2 The moral manager-an ideal manager?

This leaves us with the challenge of answering the question of whether the moral manager is an ideal, whether the ideal manager is therefore a »real-life« manager or at least a management style we aspire to and wish to promote in the future? For the reasons given in this and the previous chapters, our answer to this question the affirmative. Still, one issue

remains concerning how the idealness of the moral manager is manifested in reality. A clear perception of what we want to achieve would likely make the process of change easier in organisations and business practices, yet there is doubt as to whether something like this is even possible, or at least meaningful. Considering the factors in the modern organisational environment, linear, cause-effect and targeted planning is seriously blocked already in short-term planning, let alone for long-term goals which are almost impossible to achieve in this way. We therefore need to re-question the characteristics of individuals and managers (in the literature, there is a greater emphasis on the characteristics of the leaders) or, most appropriately, the »ideal« combination of such characteristics.

● One of the more prominent approaches in this area of research is the »trait theories« from the early 20th century which sought to discover the ideal manager, the »magic leader« or »great person«. Following the example of these theories, and according to a survey conducted on the managers of major European companies, Whetstone (2003) shows the profile of an ideal European manager who is distinguished by at least five different abilities: (1) the ability to establish contact with people; (2) the ability to perform internationally; (3) flexibility; (4) intuition; and (5) to have a broadly-based vision.

Several similar definitions exist (Calori and de Woot, 1994; Paulson et al., 2002), but like when dealing with a good manager, an ideal manager cannot be explicitly identified and defined by way of specific characteristics and abilities. The presented theories about the characteristics of leaders confirm this. Although many studies show there are differences between superiors and subordinates, these studies reveal that differences do not arise exclusively from the characteristics individuals possess and bring to a particular situation, but that individual characteristics can also be reflected due to frequent exposure to managerial situations.

Grugulis (1998) contends that such an approach is in fact completely wrong, as is the attempt to define national professional qualifications which include an idealised image of managerial roles. According to her, such standards blur the perception of management, even among managers themselves. Although standardisation should help with the outline of the actual situation and activity of managers, in reality it only contributes to lowering the importance of the organisational context and power relations among managers who, according to the author, are more important for defining management roles. Further, McLaren and Mills (2008) emphasise that the notion of an ideal manager is a consequence of the time in which this perception is shaped together with influential events occurring at that time. It is therefore a social construct that changes over time and is

strongly shaped by social and political circumstances. Some properties may occur several times in different time periods, but also in combination with various other characteristics and abilities. As an example of such a construct, in their contribution they consider the notion of an ideal manager during the Cold War period. By analysing the main managerial textbooks from that time, they identify the biggest influences on the formation of this perception: the Great Depression in the 1930s, the Second World War, the strong accent on interpersonal relations and the political environment during the Cold War. At that time, the ideal manager was an educated man trained for several complex, even unusual tasks, including effective decision-making, organising, planning, supervising, encouraging and maintaining morality, possessing the ability for successful writing and verbal communication, etc. Such an ideal manager needed to have a good understanding of authority, how to use it to encourage the achievement of good results from his subordinates, and also had to be aware of the restrictions on use of that authority. Building precisely on understanding his role in this way, the ideal manager assumed responsibility for his subordinates, the owners, the community, consumers, society and the management profession. Such managers can be detected at several levels of the organisational structure, they perform various functions within the organisation but, as McLaren and Mills (2008, 389) argue, the diversity of managers' positions is what influenced the importance of the variability between the expected managerial characteristics and those expressed. Of course, this perception of the ideal manager and his functions has changed over time, influenced by many political and social factors. Moreover, as shown, the doubts about describing the ideal management using a set of ideal managerial characteristics are largely justified.

Despite these findings, it is interesting that modern approaches to management and organisations are dominated more and more by so-called competence approaches, which in practice at least often refer precisely to a set of individual capabilities, skills and knowledge suitable for performing a particular managerial role. In her analysis of the requirements of management system standards, Gorišek (2005) highlights eight principles of quality managing defined in the ISO 9000 family of standards, which strongly emphasise the role of leadership in achieving goals, efficiency, effectiveness and continuous improvement. According to the author, meeting the requirements of the ISO 9001 standard ensures a good basis for the overall conduct of employees' performance, including management and the achievement of related business goals. However, it should also be stressed that the fulfilment of such standards must be carried out on the

substantive level and not just on the formal level. In practice, this kind of instrumentality is noticed too often, contributing to simplification and, in some ways, to the failure of the competence approach. Namely, it is not merely a matter of indicating the skills, abilities and personality characteristics of individuals, but their knowledge of how to use this information in a given context. Competence is thus understood as »the ability of the individual to activate, use and connect the acquired knowledge in complex, diverse and unpredictable situations« (Perrenoud Svetlik, 2005, 13), which is even more important in a modern, knowledge-based organisational environment with a stress on the dynamism and adaptability of individuals, groups and organisations. The context of implementing a competence approach in organisations plays a particularly important role here, also bringing a strong impact on identification of the »ideal« manager outlined in this chapter.

The notion of the moral manager being an ideal manager is thus dictated by quite a broad and incomplete explanation: the moral dimension, defined as part of a moral manager, is an ideal insofar as it is rooted in the existing organisational system of values and norms. It is an implicit assumption that can only be made within certain limits. The insights into the conceptual starting points presented in the first part of this discussion certainly indicate this. However, it would not be far from the truth to also assume it is more of a normative expectation, which-like the notion of an ideal manager-is influenced by many historical, political, cultural and other social factors. Thus, to summarise, the moral manager is ideal especially when we perceive it as desirable and to the greatest extent relevant to modern organisations. In any case, by equating these concepts, we are unable to offer any more tangible explanation of the individual characteristics of a moral manager because these characteristics vary.

2.4 At the end of the second chapter

The growing and ever more significant influence organisations exert on society means the moral responsibilities of organisations are increasing, which also implies the need for change at the level of business practices. Building on this assumption, in this part of the book we dealt with the role of morality in modern approaches to leadership and management, providing a starting point for further study of the topic in this book. We allocated the concept of moral management at the heart of the discussion, paying considerable attention to the difference between the individual and organisational levels of moral action. Based on the insights into six contemporary approaches to leadership and management, which we

observed through the prism of the moral dimension as part of organisational dynamics and managerial processes, we first considered moral management as a process that is understood to lie at the centre of each element of organisational control which, in aiming for the effective and successful achievement of organisational goals, establishes the moral dimension. Morality is integrated into the organisation's operations and represents the way in which the organisation functions and is reflected in all organisational processes and systems, both latent and manifest. The concept of moral management is still relatively unknown and largely unclear: moral management actually constitutes a kind of emergent process (Watson and Harris, 1999) that depends on many factors, not necessarily those that can be directly controlled. It should be emphasised that the exposure of moral management refers to changing the most deeply rooted organisational values, which are equally influenced by external factors, namely, those found outside of organisational frameworks. The relationship between the organisation and its environment should therefore be given greater attention, while still accepting the important role of the organisation as a social player and awareness that the internalisation of »new« organisational values (in this case, the assumption of need for moral management in organisations) is a goal whose attainment is closely linked to changes in social structures.

After trying to show and explain some of the most common and most visible dilemmas concerning analysis of the moral management process, we concentrated on another aspect important for implementing the moral dimension in organisations: moral behaviour of managers. With a stress on the situational character of organisational ethics and by persisting on the sociological approach (Merton's theory of roles) to the study of the moral behaviour of managers, we presented in greater detail the moral manager concept (Treviño, Pincus Hartman and Brown, 2000), which has a personal and a professional dimension. We thus find that the moral behaviour of managers is determined on one side by the personal characteristics of managers and, on the other, the professional dimension of the moral manager requires the implementation of morality at both the individual and organisational levels, which adds a wider understanding to the study of the moral behaviour of managers: in promoting it, the orientation towards strengthening such personal development (characteristics, attitudes, etc.) is becoming increasingly important as are professional activities, which must be systematically determined.

The moral behaviour of managers as defined here demands even more consideration. Among the initial reflections is the differentiation of the relationships among the concepts of a moral, good, successful and ideal

manager, which we understand as: a good manager is one who embodies the most desirable standards and values of the existing organisational culture, whereas it is essential to study the characteristics of the organisational culture. A successful manager is seen as one who achieves the set goals, where compatibility with the organisational culture is an end in itself. A good manager who is, in principle, also moral, is not always successful because their success is not only shaped by morality itself, but the success of the manager also depends on many other factors. Further, the relationship between the moral, the good (but not necessarily the successful) and the ideal manager is explained by the following conclusions: the moral dimension in the behaviour of managers is an ideal, insofar as this ideal is rooted in the existing organisational system of values and norms. Yet these are also variable, or even fundamentally immoral, which is why it is considered that the moral manager is ideal especially when we perceive him/her as desirable and to the maximum extent relevant to modern organisations. In the attempt to distinguish a moral, good, successful and ideal manager, we are becoming ever more aware that the encouragement of the moral action of managers largely depends on the organisational context, the organisational culture, and communication processes and systems. These findings will be considered in the following chapters of this book, when we focus more on studying managerial approaches to creating such an organisational context: we are talking about ethics management in organisations and ethical infrastructures as factors for promoting the moral behaviour of managers.

CHAPTER THREE

ENHANCEMENT OF MORAL BEHAVIOUR IN ORGANISATIONS

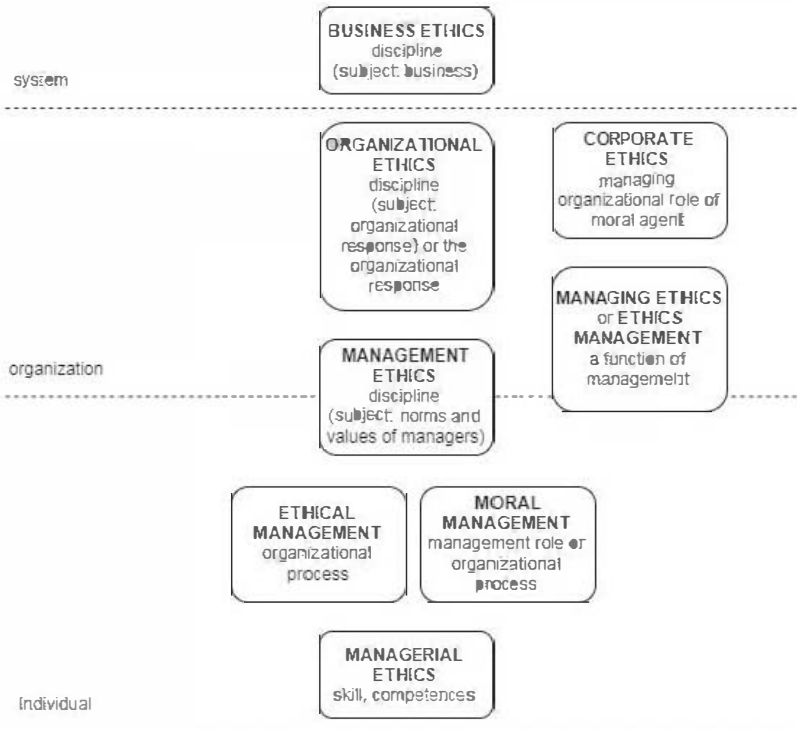
In the third chapter we will concentrate on studying the organisational context; in other words, we will study all those elements that add to the enhancement of ethics and moral behaviour in the organisation. Yet, at the outset, we encounter a semantic and conceptual dilemma: as with most concepts in the disciplines of management and business ethics, when studying the so-called ethics management we notice a multitude of similar terms and meanings. Therefore, before continuing, it is appropriate to clarify some terms that may have a similar language of origin, but hold very different meanings. By examining the wider literature, information on the World Wide Web, along with an otherwise unsystematic insight into how these concepts are used in practice in a albeit limited environment of Slovenian organisations, we have developed a set of eight concepts that are most often referred to when considering the role played by morality and ethics in business practices and, more specifically, in management. We have tried to present some of these in previous sections of this work but now all the mentioned concepts are also placed in line with the definition of Matthews, Goodpastor and Nasheve (in Weiss, 2003, 14) and the three levels on which morality must be implemented: (1) the level of the system at which customs, norms and values are from a specific (geographical) area (state, region, continent...); (2) the level of organisation at which the acceptable formal and informal norms and methods of functioning of organisations are exposed; and (3) the level of the individual, where we talk about the norms and values of an individual, a person⁹. In this way, we have sought to formulate a relatively simple and, above all, clear overview of the concepts we encounter while studying approaches to promoting ethics and moral behaviour in organisations, and especially within the management group. Here we should emphasise the aforementioned problems of translation and naming of individual concepts that are the result of the already described distinction in the understanding of morality and ethics, and the often only superficially mentioned, very diverse and often ungrounded claims of concepts related to morality and

ethics in business. Knowing that we are contributing either to a conceptual clarification or, on the contrary, even greater confusion, in the designation of individual concepts, we generally first started with the meaning of a concept as we perceived it while observing different sources of a citation and, only after then, did we concern ourselves with the consistency of the term with the original. In certain cases, the latter also presupposes the diversity of understandings of a concept in terms of the examined field's social, cultural, economic and political context, and we adhered to the meaning of a concept in the environment where it is more or less established.

As seen in Figure 3-1 (see below), individual concepts relating to morality and/or ethics in business are semantically very similar. We aim for a differentiation on the grounds of the exposed level of realisation of morality and the difference in meaning arising from both the approach to a specific subject and the subject of interest itself. At the systemic level, *business ethics* which, as we have already noted in several places in this contribution, it is a discipline that studies business situations, activities and decisions from the point of view of answering questions with »right« or »wrong«. Naturally, the discipline is attributed with a much more active role, which we have already discussed, and in this context it is important to emphasise its contribution to the enhancement of ethics and moral behaviour in organisations. Many authors stress the multiplicity of the business ethics approach characterised by descriptive, normative and analytical elements (Goodpaster, 2006, 57): the discipline focuses on empirical research of an actual situation, the values of individuals and groups (it is therefore descriptive), it can also focus on the evaluation of individual situations (it thereby expresses normativity); at the same time, it can also be directed to discovering the meaning of both actual state and value estimates (thereby being, analytical). Above all, it should be noted that its attention is on creating a common set of findings that are a basis for the development and enhancement of morality within business. Meanwhile, its direct opposite is so-called *managerial ethics*, which is an expression of the practical needs of managers and other individuals. With many stakeholders today holding increasingly demanding expectations in terms of moral behaviour in business practices, managers are challenged by the need to establish systemic leverage to promote the morality of the organisation and its members, as well as the question of their own, personal response to morally questionable situations. Managerial ethics at this point offers practical tools, approaches, methods and models to enable an individual to improve their own decision-making skills, responding and

acting upon meeting various ethically coloured dilemmas at the individual level.

Fig. 3-1: Ethics and Management-Classification of Concepts



Source: author's contribution

It is therefore a relatively pragmatic approach characterised by simplification, the formation of standardised answers and, in some cases, even generalisation. It is here the concept of managerial ethics differs greatly from the above-mentioned *management ethics*, which is understood as a normative approach to the study of the moral action of management and *ethical management*, which refers to an organisational process that, during the control of organisations, emphasises the element of morality. Here we should also mention the close connection between the latter and the concept of *moral management*, which we regard as either an organisational process and thus equate it with ethical management, or as being reflected in the roles of the individual, the manager, and is hence

defined by their own moral action or with action that promotes morality in the organisation and beyond. All three of these concepts still affect the level of the individual, and the level of the profession. It is no doubt true that all of the mentioned concepts are moving away from the pragmatic nature of managerial ethics and are oriented to formulating knowledge of management action in individual situations in order to realise and promote both their own moral action and morality in the organisation and beyond. The same applies to *organisational ethics*, which is often equated with business ethics. It should also be pointed out that both organisational and business ethics, despite a relatively well-established perception that they are disciplines oriented to creating lessons about a specific subject of interest, are often defined simply as a set of norms and values that are valid within the organisation or business. We see organisational ethics itself, with the already defined definition of business ethics, as a discipline aimed at observing and examining the responses of organisations and their systems from the aspect of the role of morality which, by so doing, is confined to organisations (thus solely at the level of organisations). In addition to focusing on the organisational level, organisational ethics is characterised by an expansion of areas of interest, which also include organisations outside of business, government and non-profit entities. Moreover, in the concept of organisational ethics we perceive the aforementioned connotation that organisational ethics is recognised as the object of study of the discipline with the same name and is not merely the discipline itself. In doing so, we point out that being limited to a set of norms and values is too narrow: organisational ethics encompasses the entire response of the organisation, with an emphasis on the organisational dimension of the concept (and not so much the response of the individuals or groups within it).

Just two more concepts remain unexplained: *corporate ethics and ethics management or managing ethics* characterised by exposure to the management function, the former relative to the organisation as a moral agent, and the latter in terms of systemic incentives for morality in the organisation. Although corporate ethics is often equated with organisational or business ethics, the concept's application is most often associated with so-called corporate governance. The concept emerged in the 1930s, especially in the Anglo-Saxon area, alongside the problems of separating the ownership and management of organisations as well as dilemmas of management concerning realisation of the interests of all organisation stakeholders and not solely those of ownership. These debates acquired several dimensions over the years and also found a place in political and economic decision-making structures. An example of this is adoption of

the famous Sarbanes-Oxley Act (2002) in the USA or the OECD's Corporate Governance Principles (2006) in Europe, which basically state what is required for fair and transparent business. This all signifies a great influence on ethics management, which presupposes management practices for the purpose of promoting ethics and moral behaviour within the organisation, and is often equated with the aforementioned business, organisational and corporate ethics. It is a concept that encompasses the design and functioning of ethical infrastructures, which are of paramount importance for discussing this part of the present work and therefore the next section presents a somewhat more detailed discussion of ethics management.

3.1 Ethics management

The concept of ethics management is often associated with the problems of so-called ethical organisations. On one hand, this is a dilemma concerning the moral responsibility of organisations. We already dealt with this in Chapter 1.2.3. On the other hand, ethics management offers an answer to the question of how to promote and develop the organisation's moral responsibility and response. It is a contribution to the institutionalisation of ethics, the use of organisational systems, processes, programmes, models and tools that serve this purpose. Crane and Matten (2004, 144) define ethics management (or the management of business ethics, as they call it) as a »direct attempt to formally or informally manage ethical issues or problems through specific policies, practices and programs«. But as Kaptein states (1998, 44), managing ethics represents much more: in ethics management, it is not just about institutionalisation, that is, the formal establishment of leverage to promote and develop ethics within organisations and its implementation with various measures such as training, organisation vision etc. Ethics management also means exposing the »ethical content« of an organisation, which he identifies as »the extent to which an organisational context stimulates employees to be aware of the legitimate and fundamental expectations of stakeholders and to counterbalance contradictory expectations in an appropriate way« (Kaptein and van Dalen, 2000, 97). This understanding of the moral dimension in the organisation implicitly presupposes that the task of organisations is not only to meet the system requirements (either legislation or normative systems within the organisation), but to balance the interests of different stakeholders. Further, the ethical content of the organisation does not only define the behaviour or consequences of actions; instead, it reflects the organisation's orientation towards motivating specific, desired, moral

organisational behaviour. As Kaptein and van Dalen discovered (2000, 98), the organisation's morality is located in the conditions it is formulating in order to encourage its members to behave in a moral way.

In doing so, the author highlights another dilemma of the »ethics management paradox«, which refers to the organisation's assimilation of a dual responsibility: (a) its wider, even social responsibility, demonstrated in the organisation's attitude to external stakeholders; and (b) respect for the individual, involving the organisation's attitude to internal stakeholders. Moreover, in the processes of ethics management and, consequently, encouraging the moral behaviour of individuals within the organisation, it is one of the main responsibilities to preserve and respect the intentions and intuitions of employees: indoctrination and manipulation may represent an effective method of socialisation, but can also conflict with the rights of employees (Kaptein, 1998, 44). In other words, even if the organisation's objective is moral in itself, it still does not justify the immorality of the resources that are engaged in achieving this goal. This point of view best illuminates the value of moral management, which emphasises the moral dimension lying at the heart of each element of the organisation's management in its demand for the effective and successful achievement of organisational goals. In relation to ethics management, moral management acts to ensure and maintain accountability in relation to both internal and external stakeholders.

To sum up, ethics management refers to the establishing of formal and informal systemic leverage (so-called ethical infrastructures) to promote and develop ethics and moral behaviour within the organisation, through both specific policies, practices and programmes, and the formation of the ethical content of the organisation. It is an incentive for moral activity in the organisation, where the moral dimension relates to the balance of interests of different stakeholders in a specific situation (Kaptein and van Dalen, 2000); in other words, to the coherence of the interests of individuals and organisations (Klebe Treviño and Nelson, 1995). Ethics management is imbedded between the level of the individual and the organisation, aimed at conditioning the behavioural component of organisational activity, while also being committed to the organisation's requirement for the effective and successful achievement of organisational goals. To satisfy all three and at the same time offer applied managerial methods that enable the development of a so-called ethical organisation, several normative and descriptive models of ethics management have been developed in the context of debates on morality and ethics in organisations, which presuppose various approaches to promoting ethics and moral behaviour in organisations. The chapters appearing below

outline some of the most prominent dilemmas related to this kind of approach to ethics management, also illustrated by presenting individual models.

3.1.1 Models of ethics management

We have already demonstrated the extremely complex context of managing ethics and moral behaviour of members of the organisation. By studying different models of ethics management, this complexity increases even further, with most attention being focused on the approach to ethics management. In the definition given in Chapter 3.1, we highlighted the general orientation to balancing the interests of the different stakeholders, which primarily relates to the purpose of managing ethics rather than how to approach this goal. Clarification of the latter is largely linked to the definition of the ethical organisation and its characteristics. We already noted this in earlier chapters. Addressing this issue from the aspect of ethics management, and thus introducing the principles of managerial activity into the study of the moral functioning of the organisation and its members, dictates a somewhat deeper insight, and requires a determination of the effectiveness and efficiency of ethical organisations. In other words, irrespective of the original approach taken by the chosen model of ethics management, it is a fact that the engagement of ethics management, although with a pronounced emphasis on promoting the ethics of organisation and the moral behaviour of its members, is to some extent in the service of effective and successful achievement of organisational goals. Taking this orientation into account, we therefore pay particular attention to this aspect when studying various models of ethics management, while also focusing on models from managerial circles where we are especially interested in those elements that promote the successful ethics management.

As mentioned, while managing ethics and an ethical organisation we notice a connection that is not yet fully confirmed empirically, even though there are contributions that deal with the problem a lot and many also focus on the issue of the effectiveness and successfulness of ethical organisations. These include Verschoora (1998) who in his survey of the 500 most successful companies in the USA points out the statistical correlation between financial performance and expressed commitment to moral behaviour, while pointing out the lack of results of this research and the finding that the mere presence of elements we associate with ethics management does not necessarily contribute to the actual moral behaviour of organisations. These findings have inspired many authors to find out

which principles of action are characteristic of so-called ethically effective companies, that is, those which show a high level of morality and also provide a high level of profitability. Based on a survey of 25 globally successful companies, Mark Pastin (in Weiss, 2003, 129) states the following four principles:

- High-ethics companies can easily establish and maintain relationships with various internal and external stakeholder groups. The starting assumptions of these companies include both »good« stakeholder groups and »good« companies.
- Highly ethical companies are obsessed with justice, which particularly involves emphasis on the interests of others who are perceived as equally important as their own.
- In highly ethical companies, responsibility is individual and not collective. Individuals assume responsibility for the actions of the company, while it follows from the premise assumptions of the companies that the individual is responsible to himself.
- Highly ethical companies understand their goals and the way they work in accordance with the prevailing expectations of members of the organisation, and the goals of the organisational link it to its environment.

The emphasis is therefore on balancing the interests of the different stakeholders, with an emphasised moral component (in this model, it is about justice and accountability). As mentioned, Pastin's model assumes individuals are individually responsible for the functioning of organisations, where an interesting dilemma arises which simultaneously shows one of the key differences between the American and European perspectives and approaches to business ethics: the question of responsibility for moral behaviour in business practices, which also relates to the relationship between the moral responsibility of the organisation and the moral responsibility of the individual. As we have already shown in this book, there are several known debates on this subject reflecting geographical, historical, political and cultural differences in the understanding of responsibility. While the American tradition may be characterised by a strong culture of individualism, Europe reveals a typical emphasis on collectivism seen not only at the level of the relationship between the individual and the organisation, but also extends to the attitude of the organisation to society. This is illustrated by the many contributions of American authors who discuss the response of individuals, the principles of decision-making for individual managers

etc., whereas European authors focus more on the collective response of organisations and the circumstances that influence them¹⁰. The impact of this distinction between the American and European traditions is also evident in ethics management, as will become apparent later in our work.

However, at this juncture we are discussing ethical organisations, assuming that an ethical organisation is a kind of framework that enables ethics management, and at the same time managing ethics shapes the existence and development of an ethical organisation and enables the creation of circumstances that impact the development of moral activity in the organisation and stimulate it along these lines. In this context, we are also beginning to think about the morality of the process (of managing ethics) itself. On one side, this dilemma touches on the issue of the indoctrination of members of the organisation, as already mentioned in connection with the paradox of ethics management and, on the other, the ethics of ethics management also refers to debates on ethical infrastructures as a kind of control, a form of regulation of organisational behaviour and behaviour of members of the organisation. When implementing a wide range of tools in an attempt to monitor and promote moral action, we inevitably encounter the concern that such elements enable the behaviour of members of the organisation to be regulated, which is contrary to ensuring their individuality. The question thus arises about the extent to which such oversight members of the organisation is still acceptable? To what extent is adapting the interests of the individual (and even constraining with them) in the name of achieving the organisation's interests still acceptable? Alternatively, do the rights of those who can decide to do so interfere with the rights of those who are being decided upon? It is, of course, a broad, already philosophical debate about the rights and responsibilities of individuals in relation to the rights and responsibilities of organisations, which has not yet found a logical conclusion over many centuries.

We have also touched on these dilemmas at several places in this contribution but, despite the extensive intellectual effort to formulate a response and guidelines for how to handle it, we are unable to do this. Therefore, we are left with the fact that this dilemma is recognised as one of the most important in managing ethics and, as such, we position it as an imperative in ethics management and note it must be reflected in the design of ethical infrastructures in the organisation.

Thus, we are turning to the last topic in the context of discussing managing ethics and the individual models that presuppose implementing it in organisations. This is a dilemma that partly also refers to the exposition of individual responsibility, as mentioned by the Pastin model.

In examining the available literature on ethics management, we encountered a wider range of models, approaches, methods and tools that either formulate the principles for implementing managing ethics or present individual elements that form a system of ethics management. We could not avoid the finding that the vast majority of cases dealt with are some kind of standardised solutions that are used in very different contexts and situations. Despite the frequent exposure of the situational perspective on dealing with organisational ethics, many authors also draw attention to the situation in business, which often shows the practice of merely imitating and assuming standard models. These are included in the organisations instrumentally, with well-intended purposes and much input of energy, but without further incentives to internalise and »educate« the newly established values in the organisation. And it is the latter that ethics management specifically refers to: it is about changing organisational values by changing the existing circumstances, the norms in the organisation. As Treviño and Nelson argue (1995), commitment of the members and not mere compliance with the exposed norms is crucial to success in managing ethics. When instrumentally introducing individual models without considering their actual value in a specific situation, they cannot guarantee commitment and, in certain cases, not even compliance.

Alongside the meaning of promoting commitment, the authors point to another element that adds to success in managing ethics precisely due to the emphasised situational character of ethics: it is development of so-called moral imagination, at both the level of the individual and the organisation. Moral imagination, defined as the ability to »imaginatively« perceive different possibilities of action within a given situation or perceive a potential result of the advantages and benefits of individual acts (Johnson, 1993, 202), is crucial specifically in the situations we also found ourselves in when considering the relationship between the rights and responsibilities of the individual and the organisation. When no clear answer emerges or no standard model can be used in a specific situation, moral judgement and performance more or less depend on the ad hoc response of an individual, or an organisation. The established operating patterns according to the principle of compliance with the existing norms at this point leave a lot of room for interpretation which, irrespective of the original philosophical orientation of the observer or auditor himself, can be false insofar as the actor carrying the burden of moral judgement and action is incapable of it or simply does not want to do this outside the frames provided. Here, the importance of moral imagination is particularly exposed: as noted by Werhan (1999, 93), it is about raising awareness of the contextuality of moral dilemmas and overcoming the usual,

unconscious action in such situations. In our opinion, this is a key element of ethics management, which at the same time represents a prerequisite for its success. Accordingly, in the continuation of this work, we will first demonstrate an ethics management model based on the concept of moral imagination.

3.1.1.1 DeColle and Werhane (2008)-A model of managing ethics focusing on the concept of moral imagination

Ethics management refers to changing organisational values by changing the existing circumstances in the organisation in order to promote moral behaviour in the organisation, with an emphasis on promoting the members' commitment to these changes. DeColle and Werhane (2008) approached this challenge by exploring the leverages of motivation that shape moral action. They examined various interpretations of the role of moral motivation in terms of three ethical theories: Aristotle's ethics of virtue, Kant's deontological approach, and Mill's utilitarianism (all three were discussed in more detail in the first chapter of this book). Based on the assumptions of each of these theories, the authors try to explain the diversity of their approaches to revealing the motivation of individuals to act morally. Special attention is paid to modern programmes of ethics management or their normative stance, stressing the role of moral imagination as the connecting factor of all three ethical theories, and at the same time as a factor determining the effectiveness of ethics management programmes.

From the perspective of Aristotle's ethics of virtue, a successful ethics management programme includes elements, methods and tools that may contribute to strengthening the character of members of the organisation. This can be done by introducing case studies into ethics management programmes and using dialectical methods whose primary purpose is to enable individuals to develop »good character«. In this sense, the ethics management should be directed to educating successful individuals who are distinguished for their practical wisdom and personal integrity. From this point of view, »being moral« means »being good«, in both its function within the organisation and in personality traits, namely, »being a good person«. A comprehensive ethics management programme that supports this kind of attitude includes elements that are not based on knowledge of theories, principles, models and methods, but focus on elements that promote active participation and the engagement of members of the organisation with the aim of reinforcing their ability to make their own decisions in morally uncertain situations. According to the authors, Kant's

deontological approach points out something similar, that based on the assumptions about moral laws adds universal principles for moral action into ethics management, whose main contribution is to highlight the requirement for the fair treatment of all stakeholders both inside and outside the organisation. From the perspective of this approach, ethics management concentrates on identifying organisational values, principles and norms that reflect the universal moral law to the greatest extent: respect for the humanity of individuals as a goal and not merely as a means to achieve organisational goals (also see Chapter 1.1.1.1.1). It is a universal guideline, a guideline for members of the organisation, while their moral behaviour is based on the incentives they receive primarily by developing their own moral thinking. Ethics management should thus be focused, according to Kant, on highlighting debates on individual cases aimed at developing the moral thought of individuals and promoting their rational decision-making for moral behaviour.

The most pragmatic of these three approaches is Mill's utilitarianism. This introduces elements into ethics management which encourage individuals to understand both the internal and external sanctions that follow unwanted action. The latter represents a motivation for moral action, while ethics management in accordance with the utilitarian tendency to satisfy as many stakeholders as possible makes it a reality by building ethical training programmes (or training in ethics) and at the same time by promoting so-called sustainable management processes. The former is training which contributes to the development of the moral emotions of individuals, that is, the abilities enabling individuals to judge not only their own but also the wider social benefits. The latter are supplemented by ethics management programmes that contribute to the identification and measurement of »external« advantages and negative sanctions, e.g. the impact on the company's reputation, a positive or negative consumer response etc.

Regardless of the diversity of the approaches discussed, all three perspectives intersect at the mentioned concept of moral imagination whose role is also defined differently from the baseline assumption made in each normative approach presented. Above all, each supports different stages of the development of moral imagination. DeColle and Werhane (2008, 759) distinguish the following:

- »exclusion« from the context: in the course of their analysis, the authors draw attention to the increasing instrumental attitude of managers and other members of organisations in resolving dilemmas that arise within business practices, specifically in the

management profession. Solving moral dilemmas is often subject to the same decision-making process as for all other types and levels of problems in the organisation, with such approaches leading to rootedness, the almost standardisation of the solutions obtained in this way. Moral imagination at this point represents an incentive in the organisation for exclusion from a familiar context, for some kind of broadening of the horizon which at the organisational level can be chiefly solved by promoting collective agreement and the exchange of views. Aristotle's approach to ethics management here provides an opportunity to discuss the causes of the emergence of dilemmas, the motives and ways to resolve them etc. To facilitate the free flow of messages and ideas, it is essential to go without the usual limitations and typical goal-oriented solutions. It is a principle in parallel to the developmental stages of »learning to learn« (see Chapter 1.2.1.1), which contributes to the enhancement of moral behaviour, primarily through awareness and reinforcement of one's own beliefs. Of course, this stage in developing moral imagination requires time that is becoming ever shorter in an age of the intensification of work and the tendency towards multi-tasking.

- exploring new possibilities: this is a stage of development that enable an assessment of the compliance of a moral dilemma with individual beliefs and general principles that apply in a particular environment (in this case, in the organisation). While in the previous stage, the emphasis was on extending the boundaries of an extremely limited context in the organisational world and business practices, this phase offers the opportunity for the individual to explore new alternatives in a wider context, new options for action. In order to do so, ethics management must encourage moral thinking at both the individual and organisational levels: in the individual, by providing opportunities in which he can develop the latter, and examining them in different situations and with different norms and regulations. At the organisational level, it involves the constant verification and defining of organisational values and, thus, organisational cultures: insofar as it provides a sufficiently solid underlying assumption, it will help the individual and support him/her, but not limit the search for new opportunities. This principle of action is also promoted in ethics management, as seen by Kant.
- concentration on consequences: while the previous stage is characterised by fluidity and to some extent intangibility, which in business is not often among the most popular approaches to solving

dilemmas, the third stage in developing moral imagination is directed to more practical reflection and action: as DeColle and Werhane state (2008, 761), managers often find themselves in a very difficult position during work when they have to decide between only a few very narrowly defined options, usually mainly related to direct benefits for the organisation. Moral imagination at this stage provides managers with some kind of connection to the »outside« world, the world outside the organisation. It enables the development of both their moral sensitivity and the perception of the organisation's effects on the largest number of exposed stakeholders. Ethics management, which adopts here the elements of the utilitarian perspective, plays an important role in this respect by directing the attention of managers and organisations to evaluating the expected results of acts that proved to be the most appropriate choice in the previous phases.

At first glance, the model does not bring any surprising novelties and insights that would add tangible value to our knowledge of ethics management. In particular, in terms of thinking about applying the model in actual practice, the authors' contribution does not provide sufficient support to give the practitioner more effective solutions. We have already noted the dangers of implementation on several occasions, therefore we encourage the reader to understand some of the key elements which have to be considered when talking about the design and development of ethical infrastructures in organisations: the presented model draws attention to the specific principle of building elements of ethical infrastructures that interferes with the relationship between formal and informal elements of ethics management or among standardised and formalised, visible elements of ethical infrastructure (such as the company vision, ethics codes, ethical audits etc.) and other elements more difficult to tackle but no less important for success in ethics management (e.g. an ethical climate in the organisation, values, ethical dialogue and communication, etc.). In the context of existing legislative orientations which shape ethics management within organisations (e.g. the US Sentencing Commission guidelines) to the greatest extent, the authors also draw attention to the disadvantage of such provisions: although usually offering a good basis for the creation of ethical infrastructures that include both formal and informal elements, they mostly state the guidelines of the latter but do not give clear recommendations on how to control the mostly informal elements of ethics management. DeColle and Werhane (2008) therefore present their model as the starting point precisely for this aspect of ethics management, and

thus for the development of comprehensive programmes that will emerge from understanding the process of moral imagination and its connection with and role in promoting moral behaviour in the organisation.

Although we also recognise moral imagination as an important element for building ethical infrastructures in organisations and for promoting morality, we must express our scepticism of the authors' of success in achieving their goal: it is precisely the model's intangibility that might distract stakeholders in applying it to business and individual organisations. The design and construction of ethical infrastructures that follow different models often entail extensive process planning and even the standardisation of procedures, thereby losing their purpose. This is especially true for models that clearly explain the basic concept, but do not pay more attention to the principle of the model's implementation in the given environment. Of course, we do not support simplified models providing recipes and concrete instructions, but nevertheless insist on reducing the gap between theoretical contributions and the practical circumstances of organisations. This also applies when dealing with the development of moral imagination: it is a long-term and demanding process that calls for a lot of energy, openness and understanding for its success. The same applies to the informal elements of ethics management which-despite general recognition of their role in organisations and precisely due to the inability to measure the effects of their actions-are often not addressed.

We accordingly find ourselves at some sort of crossroads: in one direction, we are drawn by the desire to promote morality in organisations but, in the other, we cannot come to terms with the prevailing tendency for efficiency in business. Consequently, in practice, we notice an unwillingness regarding this kind of initiatives, along with inadequate and superficial implementation of individual processes which, therefore, are condemned to failure from the outset. In response to this dilemma, in the next chapter we focus on a model that seeks to approach ethics management more pragmatically, building on knowledge of the organisational environment and the dilemmas encountered by organisations while implementing individual principles of ethics management. It is called the Modes of Managing Morality Model, which provides an overview of various managerial strategies in ethics management, and thus contributes to learning about the discipline, while also seeking to address both users and the management community. The model's authors, Rossouw and van Vuuren (2003), consider the issue of moral development in organisations that, in their opinion, differs significantly from the development of the morality of individuals, which

influences the approach taken to promoting moral behaviour in organisations.

3.1.1.2 *Rossouw and van Vuuren (2003)-The Modes of Managing Morality Model*

Rossouw and van Vuuren (2003) present their model in response to several contributions which try to explain the development and thus enhancement of moral behaviour in organisations by using Kohlberg's (1981) theory of cognitive moral development and other similar contributions. In their view, the moral development of an organisation cannot follow the same principles of moral development as those applying to the moral development of an individual. As they say:

»Organisational decision-making and activities are the result of complex, group, dynamic processes in which each member of the organisation participates. Decisions and activities, therefore, do not originate from a collective personality or from a collective opinion or from a collective moral level of development, but result from a group dynamic process involving individuals with different personalities, opinions and levels of moral development.« (Rossouw and van Vuuren, 2003, 390)

Although they agree with the assertion that organisations can be moral agents and are hence capable of moral action, they warn of the danger of making conclusions about the moral development of an organisation based on knowledge of the moral development of individuals, precisely due to the differences they mention in decision-making and the activities of the organisation and individuals. It is a crucial dilemma in ethics management, which also influences the effectiveness of promoting ethics and moral behaviour in the organisation. Knowing the different strategies for managing ethics in terms of how to perceive and understand ethics in organisations, as facilitated by Rossouw and van Vuuren's (2003) model of approaches to ethics management, contributes to understanding the effects of applying individual strategies in the organisational environment, while also clarifying the different levels of the organisation's development. The authors distinguish five different approaches to ethics management, yet it should be noted they are not hierarchically allocated stages of development but different approaches derived from organisational attitudes to ethics. Although it is considered that organisations which emphasise the importance of morality to a greater extent are usually characterised by more complex strategies for managing ethics, it is not necessarily the case that the individual approaches taken by organisations

follow ethics management in a sequential, hierarchical way. It is also not necessary that an organisation adopt only one of these approaches. The added value of this contribution is the creation of a tool that enables understanding of different approaches to managing ethics in organisations, depending on their basic attitude to morality while at the same time drawing attention to the complexity of their implementation in organisations that are not always linearly arranged.

As the authors explained organisations' approaches to ethics management vary according to four categories: the basic characteristics of an individual approach, the purpose, the applied ethics management strategy, and the challenges faced by organisations in this regard. Rossouw and van Vuuren (2003) thus presuppose five different approaches:

- *Immoral mode*: an approach whereby an organisation perceives immoral activity as being sometimes an inevitable part of business, and morality as an element that does not have a place in business. The assumption made by this approach is that the organisation's sole purpose is to maximise profit, regardless of the measures that the organisation must accept and support in connection with this. According to this orientation, the organisation does not implement a strategy that should include morality as an important element in the organisation's activities and decision-making, it does not express itself relative to the moral dilemmas it encounters, and does not explicitly support the development of the moral behaviour of both individuals and the organisation. For Rossouw and van Vuuren (2003), this approach underscores certain key challenges that must be overcome by organisations that adopt it, the most obvious of which entails the following: from the standpoint of increasing the sensitivity of ordinary stakeholders to moral dilemmas, an organisation can confront the problem of coping with the financial consequences of immoral activity very quickly, as arising from either individual conflicts due to ignorance of the organisation with respect to moral dilemmas, or from the perception of such an orientation held by the organisation that is spontaneously built by various stakeholders in contact with it.
- *Reactive mode*: in comparison with the »immoral mode« presented above, the organisation does not show any explicit deviation from morality or moral action, but it also does not pay much attention to this issue. The overriding reason for introducing individual activities of ethics management in the organisation is the fear of possible ethical scandals and other, harmful effects of immoral

activity on the organisation. These activities are chiefly about creating the appearance of moral action, but it remains that way, just the appearance. ● Organisations with such an approach are characterised by the use of individual ethical tools, for example, creating an ethics code while ignoring immoral activity in the organisation, which is not being dealt with or prevented. The challenge for such organisations is mainly the problem of preserving one's own credibility in the eyes of different stakeholders of organisations, which can lead to various ethical scandals, lowering the organisation's reputation and, thereby, losing the volume and trust of stakeholders (e.g. employees, consumers, suppliers etc.).

- *Compliance mode*: organisations adopting this approach are committed to promoting ethics and moral behaviour in the organisation, demonstrated by a strong intention to manage and monitor ethics in the organisation, while preventing the immoral action of its members. The purpose of this approach is to direct members of the organisation to the desired moral functioning, while creating a good ethical reputation of the organisation and thus protecting against immoral action that could lead to more difficult, even unmanageable consequences for the organisation. ● Organisations with a compliance approach are typified by the active use of various strategies of ethics management, with a stress on sanctioning immoral activity, while highlighting a system that gives clear and comprehensive guidelines to members of the organisation (e.g. by formulating an ethics code, using ethical advisers, preparing ethics reports etc.). Roussouw and van Vuuren (2003) describe this approach as a transactional approach to ethics management, based on the creation of an ever-expanding set of ethical rules and guidelines for members of organisations, which also leads to individual dilemmas and challenges: the approach promotes compliance with established guidelines and rules, while underestimating the moral autonomy and responsibility of individuals. In this way, the organisation can be forced to build an ever more detailed set of rules, while also strengthening control over the implementation of set rules, which does not necessarily work to stimulate moral behaviour in the organisation.
- *Integrity mode*: this approach is based on the enhancement of moral values and their internalisation by members of the organisation. These are activities of the proactive enhancement of moral action, showing ethics has a strategic value in the organisation, it is an

element that is strongly taken into account in the organisation's activities and decision-making and, in some cases, it is even perceived as a source of competitive advantage for the organisation. In line with this perspective, a so-called transformational approach to ethics management is encouraged in the organisation based on the involvement of all organisation stakeholders, the enhancement of ethics communication, and the engagement of diverse ethics management strategies that direct members of the organisation to integrate and act in line with the moral dimension. At first glance, this approach promises greater success in promoting ethics and moral action in the organisation than other approaches. However, at the same time, there could be more challenges for the organisation. When adopting such an approach, several problems can arise stemming from the moral autonomy of members of the organisation: an abuse of the discretion given to them is possible, great differences in the perception of morality and, above all, the weakening of organisational ethics which might ensue insofar as the power of the leaders is not expressly exposed, insofar as organisational values are not solid and are inconsistent with the organisational identity.

- *Total aligned organisation mode*: in this approach morality is comprehensively integrated into the organisation's functioning. Morality is part of the organisational culture and is at the centre of all organisational activities and decision-making. It is an approach characterised by moral management and an integrated engagement in ethics management aimed at reducing disparities between organisational values and functioning. Ethics management is not just a function but an integral element of an organisation's work for which all members of the organisation are responsible. Although ethics management is to some extent attributed to individual organisational units (e.g. ethics advisers), their role is only coordinative and never strictly in the form of guidance. This approach is based on setting an example for members of the organisation, such as placing organisational moral heroes and moral stories in the spotlight. According to Rossouw and van Vuuren (2003), this approach can be most effective for promoting ethics and moral behaviour in the organisation, but at the same time it is characterised by several challenges: organisations oriented in this way can rapidly develop so-called moral exaltation or even arrogance, that is, the belief that it is following the highest criteria of action, leading to the organisation's incompatibility with

expectations of the environment. In addition, we encounter the aforementioned definition dilemma, which is actually the highest criterion of action, and therefore the most »good«. At the same time, this kind of attitude of the organisation can also provoke some other, more practical problems such as the hindered socialisation of new members of the organisation and, last but not least, the failure of ethics management due to a lack of coordination.

The presented model draws attention to different approaches to ethics management in terms of how organisations perceive the role of morality and the importance of moral behaviour. The authors also highlight the model's incompleteness, especially that it requires empirical verification and its applicability to a specific organisational environment. They believe more emphasis should be placed on developing quantitative and qualitative diagnostic instruments which will provide organisations with sufficient information to enable them to define their current orientation: it is therefore a heuristic model for designing various ways organisations have available when faced with moral dilemmas (Roussouw and van Vuuren, 2003, 401). We also note the authors' emphasis that the model includes approaches which are not linearly connected to each other and do not represent individual development phases in the moral functioning of the organisation. The model's purpose is to draw more attention to the various strategies of ethics management used by organisations in terms of their basic orientation to morality.

In understanding the moral imagination and its importance in ethics management and knowing the different strategies of ethics management, only one question is left unclear: how to implement the described strategies in a given organisational environment and ensure their real impact on organisational practices. We are talking about the institutionalisation of ethics in organisations, which is also described by Robert W. Ackerman's model (1977), as presented in the following section.

3.1.1.3 Ackerman (1977)-Phases of the institutionalisation of ethics in organisations

The model presented in this chapter was developed on American grounds at a time public demands for companies to respond to dilemmas were becoming increasingly loud, also a time when providing solutions to these were not typically perceived as their responsibility. The ever more pronounced tendencies for organisations to become social responsible and

responsive required decisions on the part of managers that were made ad hoc, intuitively and often without having thoroughly reflected on the role of morality and its connection with organisational activities. These circumstances prompted Ackerman (1977) and others to study the process of managers' decision-making with respect to moral and social responsibility, topics related to environmental protection, employment dilemmas etc. The key question was how the process of such a moral response actually takes place (Berlogar, 2000, 164). In light of the findings we have listed so far and which were mainly concerned with the strategies, methods and techniques of ethics management, we are therefore interested in the process of the so-called institutionalisation of ethics, or in which way does the organisation promote moral action so that it moves from being an idea to a reality in the organisation's activities. As Berlogar explains (2000, 164),

»Ackerman's description of this process has become a classic in the study of the ethical response of companies, primarily because of the concrete presentation of the conversion of such a response from policy and principles to concrete actions«.

This explains our motivation to include him in this work. Ackerman (1977) begins by presenting a concrete case, a moral dilemma faced by various groups in the organisation (the president and the management of the company, middle management, employees). He first notes that the process of ethical response is always difficult for the organisation and accompanied by many obstacles. One of the most prominent is the deeply-rooted belief within companies we have repeatedly referred to in this part: the enhancement of moral behaviour in the organisation is a cost that does not add value to the organisation and often even causes damage to it. In the previous chapter, we identified different points of view that can be traced in relation to the importance of morality in organisations, but Ackerman's model adds to this yet another, not so explicitly stated conclusion: to promote moral action, the support provided for these kinds of activities by individual managerial groups, middle management and especially the management of the company is of the utmost importance. Of course, this is also a personal example the managers set for other members of the organisation with their actions, but here we note, in particular, the systemic dimension, the support not only reflected on the level of principle but also the realisation of activities which contribute to the enhancement of ethics and moral action and, moreover, to the implementation of the latter in organisational processes and systems. As stated by Ackerman (1977), this initiative usually comes from the leaders, and the real issue is

how to provide middle management support for ensuring the ethical responsiveness of the organisation. As is clear from his interpretation, it is middle management that designs strategies for action and at the same time accepts responsibility for achieving results, meaning it is the one that contributes the most to making the shift from »ideas to actions« (Ackerman 1977, 90). Berlogar (2000, 165) adds: »From our own research we know that the belief of management is even that ethical engagement can also harm their position, or that positive consequences can only appear when they are no longer beneficial«.

Our reflection is therefore not so much in the direction of identifying appropriate decision-making processes or other specific activities performed by managers. Instead, we are trying to create an idea of the factors that hold the greatest influence on the design of individual decisions, especially those that contribute to the placement of morality in organisational processes and systems. With this in mind, we continue to present several development phases which Ackerman (1977) believes are typical of the institutionalisation of ethics in organisations:

1. The first phase is characterised by identifying the need for the organisation's ethical response and the implementation of the requirement for moral action, primarily by adapting the organisation's business policies. This is an attempt to update ethics, ethical problems between stakeholders through adaptation of business policies and the distribution and internalisation of »new« values among members of the organisation. Here, emphasis is placed on activities that encourage the participation of the largest number of management groups at all levels in the organisation as this also impacts the success of exercising moral activity in the activities of the organisation and its members. This phase is usually made problematic by the vaguely distributed responsibilities and even more so because »ethics in the eyes of most is something that would, if not necessary, at least be worth the sacrifice of financial and overall business success« (Berlogar, 2000, 165). According to Ackerman (1977, 89), this belief stems largely from the nature of managerial work, but not necessarily from the character of managers.
2. The second phase: here, the author sees the key milestone between the first and second phase in the involvement of specially appointed managers, professional bodies, even organisational departments, and in some cases involving external experts whose responsibility is to monitor activities related to the ethical response of the

organisation. This is a systematic analysis of organisational performance, checking its compliance with stakeholder requirements, establishing a reporting process by identifying methods and performance indicators, and setting up a control system. Therefore, it is anything and everything that should contribute to implementation of the »new« policy and its materialisation in organisational processes. Regardless of an otherwise well-structured management approach to these activities, it does not necessarily add to the organisation's actual responsiveness since the latter depends primarily on the rootedness of morality in the organisational culture, on the degree to which members of the organisation have internalised the »new« values. Berlogar (2000, 166) describes this phase as not necessary and more intermediate regarding the culture of ethics, when it is no longer a matter of specialists but of the organisational culture and all members of the company. Nevertheless, this stage also plays an important role in the institutionalisation of ethics because it presupposes a set of information on the actual state of affairs, and above all the expectations that will have to be met in the future. According to Ackerman (1977), the opinion of members of the organisation makes an important contribution, in particular, to strengthening the support given to the process by the management groups.

3. The third phase is characterised by the institutionalisation of organisational ethics, which involves solving moral problems by incorporating moral issues into all organisational processes and activities. Morality becomes an important value in the organisational culture and is already materialised in the moral activity of members of the organisation. Of course, it is possible to distinguish between organisations in terms of both the intensity of ethical responsiveness as well as the perception of the role of ethics and moral behaviour in the organisation (also see the previous chapter). Typical of this phase is the internalisation of the moral dimension, especially the functioning of members of the organisation in accordance with themes.

The process described can last 6 to 8 years and, as a rule, leads to changes in the organisational response. Still, the author also draws attention to unwanted consequences that may result from such dynamics: the problem of overburdening members of the organisation with activities leading to the institutionalisation of ethics and thereby reducing the performance of regular organisational activities, the unsystematic nature of

the process, which can weaken existing organisational systems and produce new moral dilemmas in organisations (e.g. a rewards system that promotes the moral responsiveness of individuals can lead to the sanctioning of otherwise economically efficient managers) etc.

The presented model is understood as a useful method, to some extent even a measure, for observing specific practices related to the enhancement of ethics and moral behaviour in organisations. Looking at the individual methods and strategies used as done in the previous chapters may indicate the variety of approaches to, even creativity in ethics management, but it somewhat less reliably indicates the level of the field's development, which is better exposed in the Ackerman model. As Berlogar (2000, 166) observes, this is a »quite an appropriate way for managers dealing with not-so-easy problems« which, irrespective of the time the model was created, still adequately explains the dynamics of decision-making and changes in organisations. Accordingly, in assessing the level of development of organisational ethical infrastructures typical of Slovenian organisations we will start with Ackerman's findings and rely partly on his assessment of the current models of ethics management.

As noted already, several models in the international communities are used primarily by business organisations in their work which, inter alia, shape the ethics of organisations and the moral behaviour of their members. Even a casual overview of such models shows their exceptional diversity due to covering the specific characteristics of practically every single organisation. From this point of view, it is therefore meaningless to search for typical pop-up patterns in a group of such models and approaches because there is a high likelihood we will not benefit greatly from the knowledge produced by such an intellectual venture. Nevertheless, we cannot ignore the contribution of such pragmatic approaches since they also enable understanding practical aspects of implementing individual models of activity, and thereby enrich our knowledge of the organisation's moral functioning and the developing or even shaping of the latter. For these reasons, below we present a model of management which is typical for the European environment: the EFQM model of excellence.

3.1.1.4 The EFQM Business Excellence Model as a Platform for Ethics Management (1991, 2010)

The EFQM Model of Business Excellence, named after its holder, the European Foundation for Quality Management, was created in 1991 in response to the needs of organisations for a useful governance model

applicable to a wide range of organisations, activities or sectors. At first blush, the relatively complex model has found a rapid and enthusiastic response in business and is today one of the leading business models for ensuring the excellence of companies and other organisations. Over the years, the model has been updated on several occasions, with the latest version being created under the auspices of the European Quality Management Fund in 2013¹¹. The model should be used in several respects: (a) as a self-assessment tool; (b) as the basis for a common language and a way of thinking about the organisation, which is shared in all workplaces of the organisation; (c) as a framework for deploying initiatives, avoiding duplication and identifying gaps; and (d) as a structure for the organisation's management system (the Ministry of Education, Science and Sport, 2004, 4). Above all, its advantage is its presentation of a specific way of thinking and not exclusively the way the organisation operates as is usual of other models for promoting the organisation's excellence.

Compared to other models of comprehensive quality control, for example ISO 9000, the EFQM model provides organisations and managers with a framework for managing and operating an organisation that emphasises not process standardisation but the processes of continuous learning and involving all participants in the implementation of individual principles which, to a greater extent, contributes to the sustainability of business excellence thereby achieved. As many theorists and practitioners underline, and we pointed out in Chapter 1.2, modern organisations need a bigger degree of flexibility and, above all, learning since these characteristics allow them to exist in an otherwise extremely dynamic, globalised and increasingly unpredictable environment. The EFQM model largely supports such a mentality and in particular treats the organisation as a comprehensive system and, even more, as an entity that in some ways follows the principle of the functioning of organisms (Morgan 2004). Thus, considerable attention is devoted to individual processes and systems in the organisation, while it also deals with the organisation's interaction with its environment. When the model is introduced into actual organisational practice, this orientation can prove to be a big obstacle since the model is relatively complex and at the same time it is only minimally regulative. The latter provides a great deal of variability in interpreting individual principles when seeking to implement them in practice, which in turn can also lead to the model's implementation failure (Mønsted and Føns, 2002).

For the purposes of our discussion, the model is interesting principally for the basic assumptions it introduces into organisations that emphasise

the vital role of morality in achieving the business excellence of the organisation. As Martín-Castilla (2002, 126) indicates, the EFQM model in its core takes a humanistic approach, which puts the stakeholder¹² at the centre of all activities of the organisation and defines this relationship as the most vital goal of the organisation's work, devoting a particular role to the organisation as a moral actor that must be a responsible member of society and as such contribute to its construction through either direct activities or establishing a responsible relationship in the interaction with stakeholders. According to the author, moral action in the organisation is a value that is therefore presented in the model as the best way to ensure and maintain long-term organisational interests as well as the interests of individuals and groups connected in any way with the organisation. Moral (in this case, responsible, author's note) action is one of the so-called fundamental principles of organisational excellence that the model links in many ways to the various criteria included in the model, especially the following relations:

- The role of cooperation and the balancing of organisational interests with the interests of stakeholders of the organisation is emphasised, along with the importance of ensuring compliance with social criteria and expectations. The model encourages the search for criteria that indicate the satisfaction of society with the organisation and, at the same time, criteria that point to the organisation's socially responsible response to the environment.
- A great deal of attention is focused on collecting so-called input data that indicates society's expectations, as well as the discussion of the use and disposal of resources that affect society. Among other things, it is measuring and monitoring the effects of organisational products and services after their delivery to customers. The model also deals with the successful application of various standards in the fields of the environment, health and safety, and in the process management field.
- Emphasised care for employees, whereby the role of ethics management is seen in care for dealing with and ensuring equality and fairness for the employees.
- Managers play an important role in developing, promoting and providing for the successful ethics management, in ensuring and protecting equal opportunities and diversity in organisations, in promoting the proactive environmental policy of the company and other programmes that are expected from the company.

In addition, the model includes seven basic principles:

1. the principle of results-orientation, which presupposes all stakeholders are satisfied with results;
2. the principle of focusing on stakeholders, where excellence is seen as creating lasting value for a stakeholder (in a product or service, or in a relationship);
3. the principle of leadership and persistence in purpose where the role of leaders in achieving and maintaining the organisation's excellence at all levels is highlighted;
4. procedural management and management based on facts underscoring the interdependence and interconnection of different systems, processes and facts in organisations;
5. the development and integration of employees, showing the importance of human potential in achieving the excellence of the entire organisation;
6. continuous learning, innovation and improvement; and
7. the development of partnerships where emphasis is given to creating constructive interactions and mutual cooperation with the aim of achieving common goals, providing mutual support and building lasting relationships with partners.

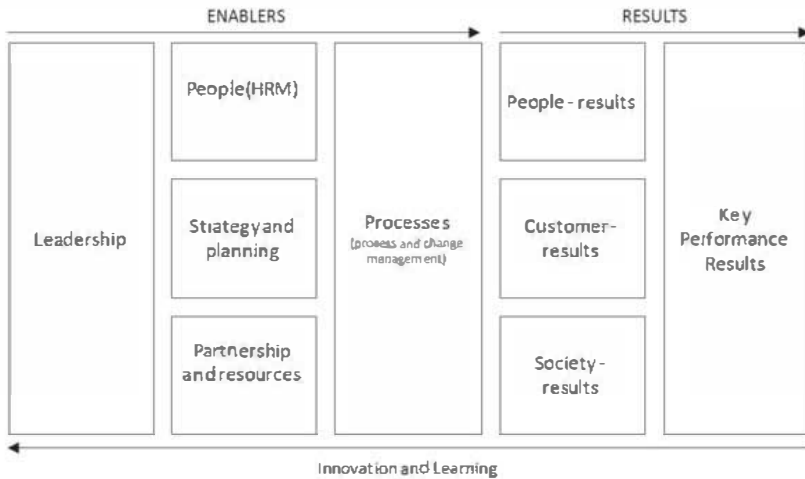
As mentioned, the model's so-called basic principles are intertwined with individual criteria divided into nine groups in the EFQM model of excellence. Five of these criteria are so-called enablers, that is, those organisational elements and activities that ensure the achievement of individual results. The latter are the result of factors which are improved based on the feedback provided by the observation and measurement of results. Therefore, at this point in the model processes of learning and innovation are defined as leverage for achieving the organisation's excellence.

Figure 3-2 shows the elements of the EFQM model, as explained below, with particular attention to those that contribute to promoting moral behaviour in the organisation. First, we present the »factors«:

- **Leadership:** this section refers to assessing the role of leaders in the organisation. Five criteria are presented regarding development of the organisation's mission and vision, development of the organisational values and systems, and improvement of the organisation's management system, cooperation with stakeholders, strengthening of the culture of excellence, and management of

organisational changes. Ethics plays an important role: leaders are accountable for the development of ethics, for »developing (based on role model) values, ethics and social responsibility of the organisation, that support the culture of the organisation« (Ministry of Education, Science and Sport, 2004, 13), the stress on promoting »activities aimed at improving the wider environment, supporting these activities and integrating them, and the contribution of the organisation to society, taking into account the rights and interests of future generations« (Ministry of Education, Science and Sport, 2004, 14), and promoting »equal opportunities and diversity and their enhancement« (ibid.).

Fig. 3-2: EFQM model of excellence



Source: Ministry of Education, Science and Sport (2004)

Thus, the moral dimension in the model is presented in the function of promoting morality as part of basic organisational assumptions, it is aimed at taking the broader social interest into account and the fact that, due to its influence on wider society, the organisation also holds responsibility for the consequences of such an impact. Further, within this set of criteria, the individual responsibility of the leaders is clearly emphasised; their task is to personally engage in organisational activities, communicate the organisation’s mission, visions, values, policies and strategies, plans and goals, and to be active in solving both common conflicts and challenges.

The latter is particularly clear in the case of developing and implementing ethics management activities which, according to Martín-Castilla (2002, 127), is the task of leaders. Moreover, the author understands ethics management in the EFQM model as one of the most important elements contributing to the integrity of organisational activity and, thus, to promoting its business excellence. It is imperative to define the relationship between leaders, the organisation and the wider environment, as to which the author stresses the importance of the organisation's ethics code. We present this topic in greater detail in Chapter 3.1.2.1.

- **Policy and strategy:** the criteria in this section concentrate on shaping such a policy and strategy in an organisation that is thorough and focused on coordinating the current and future needs and expectations of all stakeholders in the organisation. Organisational policy and strategy are prepared on the basis of information gathering, the systematic measurement of achievements, as well as research and learning. The moral dimension is realised through data analysis, which includes observing short-term and long-term social issues whose resolution the organisation can contribute to. Further, policy and strategy are exposed to constant development, review and modernisation, underscoring the organisation's role in coordinating and continuously developing social and environmental standards. The key to this is cooperation with all stakeholders, which is also a prominent element of the EFQM model.
- **Employees:** This set of criteria builds the organisation's excellence on the perception which treats employees as comprehensive personalities, with individual interests and intense activation in both work and private life. Therefore, aligning the employees' interests with the organisation's interests is an important aspect of the organisation's business excellence and, for this reason, it emphasises the involvement of employees and their representatives in developing policy, strategy and plans in the human resources field. The moral dimension is reflected in the »commitment of the organisation to a fair attitude in all aspects of employment, including equal opportunities for all« (Ministry of Education, Science and Sport, 2004, 16) and for »recognizing and adhering to diversity and diverse cultural backgrounds and advocating for social and cultural activities« (ibid.). Moreover, the organisation must ensure employees' awareness of health, safety, the environment and social responsibility. Therefore, another business

excellence criterion is the organisation's orientation to stimulating employee autonomy, not only in terms of the individual's independence in the performance of their tasks, but also in encouraging employees to take responsibility. The latter is not limited to the individual's actions, but extends to their activation and involvement when it comes to wider moral dilemmas. Among the important criteria that ensure business excellence and also contribute to the enhancement of moral behaviour in the organisation is the enhancement of communication in the organisation: the EFQM model highlights both the recognition of communication needs as well as the development of policy, strategy and systems of organisational communication.

- Partnerships and resources: at the heart of this section is the establishing of a relationship with the organisation's internal and external partners, which is set as a value in the organisation. The moral dimension is reflected in the organisation's concern for this relationship, which on one hand presupposes organisational orientation in measuring and managing possible negative effects on employees (e.g. through ergonomics, monitoring health and safety conditions and similar measures) and, on the other, in the care for external partners and to »minimize any global impact of products, production processes and services« (Ministry of Education, Science and Sport, 2004, 18). An important component of maintaining and promoting the organisation's business excellence is its concern for the natural environment, whereby the seeks to limit the negative effects of its operations on the environment, for example, by using resources in an environmentally-friendly manner throughout the product life cycle (insofar as it is a production activity, author's note), through the conservation of energy and resources, the reduction of waste and emissions, the promotion of recycling and reuse etc. Another aspect of the so-called moral dimension is the organisational concern for the development of innovative and environmentally friendly technologies, and at the same time recognising and evaluating alternative and emerging technologies in terms of policies for their impact on both the functioning of the organisation and wider society. The same principle applies to service activities: care for the environment and society can be reflected in the strategy of the organisation, its business models, marketing activities and other processes.
- Processes: this set of criteria focuses on the systematicness of the organisation's approach to otherwise complex processes and on

increasing the organisation's innovation and optimal engagement of the development function. All of the above helps increase added value for both the organisation and its stakeholders. The moral dimension is expressed here through an expressed concern for different quality management systems, environmental systems, health systems and workplace safety in process management. Further, business excellence is also based on understanding and anticipating the impact and potential of new technologies on products and services, which implies the assumption of organisational responsibility in developmental processes as well. This responsibility is also encouraged in the stage when a product or service has already reached a customer: the organisation primarily takes care of customers' satisfaction with the products and services, and in this way builds a relationship with them, but the criteria also include the organisation's care for the customers' awareness of the responsible use of products. At this point, the organisation's moral purpose is especially emphasised or noticeable.

These factors ensure the achievement of the organisation's results which the EFQM model covers in four sets of criteria: (1) customer-related results; (2) employee-related results; (3) society-related results; and (4) key results of the action. Each set of criteria is divided into two sets of indicators that define a single criterion: (a) perceptual indicators where the indicators show how customers, employees, companies or organisations themselves perceive the organisation's excellence in its functioning; and (b) performance indicators where the indicators are internal or operational indicators the organisation uses to monitor, understand, predict and improve performance and anticipate the perception of all of the above stakeholder groups. Regarding the criteria referring to the results, the following can be stated (from the aspect of addressing the enhancement of ethics and moral behaviour in the organisation):

- It is a set of different indicators that define the individual characteristics of the relationship between the organisation and its stakeholders or the perception of stakeholders, whether internal or external, about the organisation, its activities, products and services, its overall performance etc.
- The emphasis in observing the organisation's results is on its environmental concern, either in the environmental characteristics of individual products and services for the customers, in the

identification of environmental labels of products and services, their life cycle or by measuring employee satisfaction with the organisation's environmental policy and its environmental impact.

- In comparison with many other models of business excellence, in the measurement of results the EFQM model also focuses considerably on results related to society. These indicators show how a society perceives the organisation, and at the same time measure the organisation's involvement in both the local community and wider society. Indicators here therefore relate to the organisation's role as a responsible member of the community and, moreover, to the organisation's functioning as a responsible citizen. It examines the organisation's responsiveness to the moral dilemmas of broader society, its ability to ensure transparent information that is important to the community, its commitment to enabling equal opportunities and the ethics of the entire organisation. In addition, the real/potential positive/negative effects of the organisation on society are observed, with a stress on the organisation's reporting, especially on activities that contribute to the preservation and sustainability of resources. Measuring outcomes in relation to society also highlights the organisation's willingness and ability to become involved in the exchange of information on good practices in the area of corporate social responsibility, which includes the need for judgement and »reporting« by the organisation. The latter is to be presented in more detail in following chapters.
- Despite the diversity and integrity of the result criteria, the EFQM model is able to maintain a high level of economic accountability, reflected in the measurement of financial and non-financial results, where the latter include both structural and more intangible »soft governance factors«.

We can roughly conclude that, despite some of the limitations presented at the outset, EFQM represents one of the best models for promoting business excellence, especially in terms of promoting the ethics of moral behaviour in organisations. What can be highlighted in the EFQM model as a positive factor that helps develop the moral dimension in organisations is the solid position the model attributes to the moral dimension in managing the organisation. This speaks in favour of ethics management, which is shown in many places of the model to be a strategically important element in achieving, promoting and maintaining the business excellence of organisations. ●f course, such a model opens

many questions which might affect success in implementing the model in practice. One dilemma refers to the definition of morality in the organisation and which, as often mentioned during our discussion, depends on many factors, especially the characteristics of the organisational culture (also see the discussion in Chapter 2.2). This brings us to a discussion to the last model, which touches specifically on the issue of the so-called ethical content of the organisation, and upgrades the doctrines of ethics management we have studied up to this point of the book. This is Kaptein's (1998) model of ethical characteristics whose elements we already mentioned earlier in this work and which, in the study of ethical infrastructures and their role in promoting moral behaviour in the organisation, are certainly some of the most important considerations.

3.1.1.5 Kaptein (1998)-Ethics qualities model

The ethics qualities model first appeared in 1998 when its author, Muel Kaptein, published the monography »Ethics management: auditing and developing the ethical content of organisations«. In our opinion, this is one of the fundamental works contributing to the systematic treatment and understanding of ethical infrastructures and their role in promoting moral behaviour in organisations. Kaptein and van Dalen (2000) define Kaptein's work as a response to the insufficient and insufficiently exhaustive empirical analysis of ethics in organisations which they contend prevails in business ethics and related disciplines dealing with similar issues. By doing so, they highlight three issues that underpin the inadequacy of findings in the area under consideration. They are as follows:

- (1) The absence of an appropriate definition of the ethical organisation concept: the efforts made in this direction are limited to guessing, yet it is impossible to explain the actual situation in business in this way (Kaptein and van Dalen, 2000, 95);
- (2) among the factors that make it difficult to understand moral behaviour in organisations, the author notes the problem of generalising knowledge about individuals' specific behavioural patterns to the behaviour of organisations. As they say: »Some of the dominant theories of business ethics, such as stakeholder theory, social contract theory, utilitarianism and deontological ethics, are primarily aimed at identifying morally optimal activities in specific, well-defined dilemmas. Rather than dealing with the ethics of organisations, they deal with the morality of individual

activities within an organisational context« (Kaptein and van Dalen, 2000, 96); and

- (3) too many authors ignore the normative contribution made by individual theories, for example, by comparing specific organisational situations, we do not gain any substantial insight into common »criteria«, characteristics or even standards, and thus lose the opportunity to obtain new insights into ethics and moral behaviour in organisations.

In line with the above, Kaptein and van Dalen (2000, 96) present a model of ethical characteristics that answers the problem of developing an operational definition of the organisation's ethical content by conceptualising normative criteria for an organisation, based on the requirement of universality. It is an approach that supports the autonomous model of moral responsibility (see Chapter 1.2.3), which includes several aspects in the study of organisation and the role of morality within it:

- The consequence approach: this is about observing the impact of an organisation's activity on different stakeholders. Disadvantages of this aspect include the inability to compare the ethics of different organisations. For instance, an organisation that only has a modest negative impact on the environment is not necessarily more ethical than an organisation with a significantly greater environmental impact and provides products and/or services of greater social value.
- The conduct approach: this aspect involves examining the way individual organisations actually function. Specific situations characterised by high ethical intensity are typically observed, which prevents the ethics of the entire organisation from being evaluated.
- The context approach: this focuses on researching the climate within the organisation or the level of the organisation's moral development, providing a partial insight into its moral functioning but without, in the authors' opinion, providing an appropriate normative basis to enable comparisons.

Lying at the heart of the ethical characteristics model is the assumption that the ethical content of the organisation is the starting point for further developing ethics management system. Let us recall that the organisation's ethical content refers to »the extent to which the organisational context stimulates employees to be aware of the legitimate and fundamental expectations of stakeholders and to counterbalance contradictory

expectations in an appropriate way« (Kaptein and van Dalen, 2000, 97). With emphasis on the need to balance the different stakeholders' interests, and after observing not only the functioning but also the purpose of organisations, the model draws attention to the nature of the ethics of the organisation which, according to Kaptein and van Dalen (2000, 98), manifests via various moral dilemmas arising from the clash of interests and expectations in the organisation. Thus, they define three types of dilemmas: (1) the entangled hands dilemma, which is due to the mismatch of the interests and desires of individuals and organisations, which can lead to the abuse of organisational resources, time, information, etc. (for example, accepting business gifts, nepotism...); (2) the many hands dilemma, which arises from the discrepancy between the functions and tasks of various employees, managers or departments, and is seen as unproductive competition among employees, departments or various other parts of the organisation (e.g. the issue of rewarding the individual vs. rewarding the collective); and (3) the dirty hands dilemma, which refers to the discrepancy in stakeholders' interests and expectations and those of the organisation, with typical outcomes bringing serious consequences, stakeholder »abuse«, etc. (e.g. terminating work positions in an attempt to increase profits, the use of child labour).

Kaptein and van Dalen (2000, 100) believe these difficulties represent the key moral dilemmas in the organisation and are thereby potential sources of moral conflict, which in turn impacts how the situation is interpreted. They add the so-called normative framework to this dimension of understanding of the organisation's moral activity, which enables the ethical content of the organisation and its parts to be systematically evaluated while providing a starting point for the planning of further activities to promote ethics within the organisation. Building on an extensive study of the literature, examples from business practice and other research findings, the authors identify seven different ethical characteristics of the organisation:

- *Clarity*: well-expressed organisational expectations regarding moral action, which must be accurate, concretised and definitive;
- *Consistency*: organisational expectations in relation to moral action are understandable and unambiguous, with a considerable role for »role models«, individuals in the organisation who provide an example to others (e.g. managers);
- *Sanctionability*: the organisation incorporates activities that reward actions that are morally positive and desired and sanction actions which are morally negative and undesired.

- *Achievability*: Organisational expectations for moral action should not be unrealistic or unfeasible in view of the current opportunities and resources available to the organisation;
- *Supportability*: Support is provided to employees when deciding on the use of organisational resources (if the entangled hands dilemma is entailed), with employee collaboration (if the many hands dilemma is involved), or relative to the active implementation of stakeholder interests (if the dirty hands dilemma arises);
- *Visibility*: The observation of the moral action of the employees and its effects must be enabled, distinguishing between vertical visibility, namely in the relationships between superiors and subordinates, and horizontal visibility, that is, on the same hierarchical level, among employees;
- *Discussability*: The possibility is provided for moral action and organisational expectations to be the subject of discussion, while ensuring the participation of all stakeholders involved.

The mentioned model of ethical characteristics is a two-dimensional tool for managing ethics that can be operationalised both qualitatively and quantitatively, depending on the various moral dilemmas the organisation faces. Use of the model impacts both how elements of the organisational context are understood, which may influence the organisation's moral behaviour, and the extent to which the moral dilemma is present in the organisation. Last but not least, using the information collected the model provides an appropriate basis for individual strategies and activities of ethics management. Kaptein and van Dalen (2000, 110) see another value of the model in the fact it relates to both individual activities and processes, even systems, in the organisation, that can be engaged in by both profit and non-profit organisations. Further, the model allows comparisons of different time periods and thus an assessment of the organisation's development phase in terms of promoting ethics and moral behaviour. As shown the following chapters, the model's assumptions are found in various strategies and tools for managing ethics, which explains our continuous emphasis on its value in promoting ethics and moral action in organisations.

To summarise, at first glance managing ethics would only seem to be one of those functions in an organisation that falls on the shoulders of management or develops as an inevitable consequence of other processes in the organisation. Like with all other management tasks, one way of tackling ethics management is with a great deal of organisation and systematics, goal-orientation and emphasis on effectively achieving

results. Such a pragmatic approach to managing ethics would certainly be sufficient for the latter, as proven by the EFQM model and its growing popularity in business circles. Alongside continuing to maintain and increase organisational efficiency, the EFQM model's advantages certainly include its comprehensive, one might say organic, approach to examining the organisation, its orientation to both systems and processes within the organisation and its interaction with the environment, a prominent humanistic approach that presupposes social responsibility of the organisation and even its role as a corporate citizen and, finally, the need to promote the organisation's continuous learning and involvement of all participants in the implementation of individual principles. Despite its advantages, however, this approach fails to identify a key element that separates ethics management as a managerial function from the organisational process that provides changes in the organisation: it is the definition of the content and »nature« of the ethics in the organisation, as flagged up by Kaptein and van Dalen (2000). Considering the systemic and procedural aspects of the organisation's operations, the authors emphasise the organisation's ethical content, which represents the essence of the ethics of the organisation, manifested through the various moral dilemmas that arise from the clash of interests and expectations in the organisation. In order to systematically evaluate such ethical content, the authors offer a normative framework that provides a starting point when planning further activities to promote moral behaviour, that is, for embarking on successful ethics management. In other words, knowledge, understanding and use of individual ethics management models are not enough, it is also necessary to understand the nature of the mentioned ethics and the way the organisation responds. This is pointed out by both Ackerman's model of the phases of institutionalising ethics in organisations (1977) and Rossouw and van Vuuren's model of approaches to ethics management (2003), which highlights the characteristics of implementing ethics management and the difficulties organisations face in this regard, and that how organisations function cannot be determined solely based on understanding the performance of individuals. It is also difficult to list the common characteristics of how various organisations actually respond since, regardless of their attitude to ethics at the declarative level, their operations in practice are influenced by a mix of other, different and complex factors. The following chapters will touch on some of these.

3.1.2 The elements of ethics management

The debate on ethics management also triggers some more concrete reflections. They range from the paradox of managing ethics connected with the morality of indoctrinating members of the organisation and the regulatory function of ethics management through to the dilemma of the purpose of standardising approaches to ethics management and the need for moral imagination to overcome the problems created by the very same standardisation. Thus, when we reach the end of the list of concerns associated with the enhancement of moral action in organisations, we encounter another challenge linked with the question of how to concretise ethics management in organisations. Through practice and a variety of theoretical and empirical experiments, organisations can establish a host of factors and measures aimed at encouraging moral behaviour in the organisation. The best established of these elements of managing ethics in organisations are presented below.

3.1.2.1 *The code of ethics*

One of the most prominent tools in ethics management are ethics codes whose the beginning of development date back to the start of 20th century (Wood and Rimmer, 2003, 181-82). Although various sources report the phenomenon's rise and the use of ethics codes during the 20th century, the latter's intensity started growing in the 1990s (Schwartz, 2005). As predicted by Stohl, Stohl and Popova (2009, 609), this trend is expected to continue. Many definitions of ethics codes have been produced by researchers and practitioners, that generally contain four common elements: (1) codes are formally written documents; (2) they define good performance, irrespective of differences in the definition of »good«; (3) they refer to moral standards, established norms and values; and (4) are aimed at promoting the desired thinking, behaviour or action (Wood and Rimmer, 2003, 183). Some authors (Crane and Matten, 2007) note these are documents organisations take on voluntarily, with others claiming this is no longer the case. For example, the Sarbanes-Oxley Act (2002) in the USA requires disclosure of whether organisations have an ethics code. Organisations often perceive this as an explicit requirement and adapt accordingly (Schwartz, 2004). Ethics codes should also be adapted to suit the characteristics of the modern organisational environment, characterised by globalisation, technological development and increasingly blurred boundaries between the economic, social and political environments. Stohl, Stohl and Popova (2009, 618-19) state that organisations, particularly

those acting globally, are increasingly integrating topics into their ethics codes arising from those characteristics of the organisational environment. Despite this, in their study of ethics codes in 131 global companies Stohl, Stohl and Popova (ibid.) show that corporate ethics codes are still primarily focused on relationships with their own shareholders. Moreover, irrespective of the country or sector, most ethics claims reflect »traditional business values«, meaning the moral dimension of the organisation involves, in particular, those activities subject to national law along with those behaviours affecting stakeholders directly connected to the organisation, but chiefly-including via the provisions of the said codes-the emphasis given is on the organisation's duty vis-à-vis the owners and generating profit. In investigating possible ways to differentiate how organisations approach ethics codes, the authors discovered just one significant difference: global companies based in Europe usually take a broader view of stakeholders and the role of the company that goes beyond its own profitability. This is in line with the previously defined distinction in the perception of ethics and responsibility in the context of European organisations. Stohl, Stohl and Popova (2009, 620) note that global companies have a long way to go to achieve so-called ethical globalisation, which they understand as developing mutual solidarity as companies and other political and social actors work together to bring about global social, and humane development.

Another prominent researcher of the content of such codes is the Canadian Mark S. Schwartz (2002), who assesses the contents of these codes not simply for their relevance but in terms of the ethics of the contents of the code itself. Thus, he makes eight recommendations while formulating the content of such a code:

- *Inclusion of six universal moral standards*: building on research of ethics codes, firms (national and global) and business ethics, the author highlights six universal moral standards essential to the purpose of any code of ethics, namely: (1) trust (which includes integrity, transparency, reliability and loyalty); (2) respect (including respecting human rights); (3) responsibility (including excellence and self-control); (4) honesty (which includes integrity of the process, objectivity, and fairness of treatment); (5) concern (including avoiding unnecessary damage); and (6) citizenship (which includes the requirement to follow laws and protect the environment) (Schwartz, 2005).
- *Responsibility of the organisation to the stakeholders*: the code should define the organisation's attitude to its stakeholders,

regardless of which stakeholder is involved. It is important for this attitude to be stated with regard to all of the mentioned universal moral standards.

- *Compliance with moral standards*: all references and provisions in the code must reflect the organisation's commitment to the moral standards it declares.
- *Priorities for standards*: irrespective of the organisation's goal of generating profit, the code should prioritise universal moral standards which thereby represent the operating context and/or values that guide them in achieving organisational goals.
- *Sufficient explanation*: most provisions of the code are self-explanatory and do not require further explanation. If not the case, the code must provide an explanation of the need for individual provisions and clarity on their implementation, either through the contents of the code or additional measures in the organisation (training, possibility of ethics consultants verifying the ethics code contents, etc.).
- *The inclusion of procedural provisions*: especially where a code of ethics foresees sanctioning and/or rewarding the (non)moral behaviour of users, provisions must also be included that clearly state the consequences of such action and ensuing procedures.
- *Understandability*: the wording of the code must be clear, unambiguous and, above all, understandable. It is advised to pay extra attention to ways of clarifying the provisions during the initial implementation or later application of the code.
- *Availability*: a code that includes provisions that are very difficult or even impossible to achieve in practice will be useless in practice and not be accepted by users. This is especially true when a code also includes sanctions and rewards.

In addition to all the above dilemmas concerned with ethics codes, a key issue is how to approach the design and introduction of an ethics code in an organisation. At this point, the difference between a code of ethics and a code of conduct should be noted. Wood and Rimmer (2003, 184) say there is a considerable difference: while the former is more general and points to the norms and values of the profession or organisation, the latter are more likely to define the desired operating methods. This difference between the two types of code greatly influences the manner and intensity of the response of the stakeholders for whom the code is intended. Most authors do not perceive any significant semantic difference between these two concepts and use these terms in different ways. More attention is paid

to the implementation of ethics codes and their effectiveness. Schwartz (2002) states that the effectiveness of codes of ethics depends largely on the way a code is formulated and incorporated by the organisation. In line with this conviction, he describes four sequential phases in developing a code: (1) designing the contents of the code; (2) designing the code as a whole; (3) introducing the code; and (4) managing the code, which includes monitoring its implementation and evaluating its effects. All phases of developing a code of ethics are conditioned by the effectiveness of its influence on moral action, with an important role played by the employees (one of the stakeholders concerned by the code) in all these phases, the coherence of the general ethical principles outlined in the ethics code with organisational values and the code's coherence with practices in the organisation (Newton and Schwartz, 2002, 28). The example set by the leaders has one of the most powerful impacts on successful implementation and use of ethics codes, including following their provisions (Schwartz, 2004). This raises the concern: what provides an incentive for the leaders to respect the code of ethics?

In response to this question, Wotruba, Chonko and Loe (2001) conducted a survey of 286 managers and checked the perceived impact of ethics codes on their action. They confirmed that the influence of ethics codes on managers increases linearly as does their knowledge of the content of the code of ethics. This link is all the more real if the managers consider the code of ethics to be useful. At the same time, the authors showed that knowledge of the code of ethics can also act negatively by way of the (un)moral behaviour of managers since, instead of following it, they can respond to it by strictly interpreting it, in a way not intended.

Discussions on the influence of the code of ethics on stakeholders' activities are one of the most widespread issues of dealing with such codes. When investigating the relationship between ethics codes and employee activities, Schwartz (2001, 253) concludes that ethics codes have the potential to influence employees, especially when morally unclear and ambiguous situations are in question. By doing so, he identifies eight ways of possible influence:

- *Code of Conduct*: The code is intended to explain which behaviour is expected from employees;
- *Detour sign*: the code provides support with consultation on the moral suitability of organisational policies and the behaviour of other individuals;

- *Mirror*: The code provides employees with an opportunity to verify that their performance is in line with the organisation's expectations;
- *Magnifying glass*: the code encourages employees towards greater caution and reflection regarding their own action;
- *Shield*: the code provides protection for employees to better explain their actions and to not respond to morally ambiguous requests;
- *Smoke detector*: the code encourages employees to alert others and convince them of the inadequacy of their actions;
- *Fire alarm*: the code encourages employees to report immoral behaviour;
- *Stick*: enforcing the code on employees encourages compliance with its provisions.

Companies decide to introduce a code of ethics for a variety of reasons. There are as many advocates of ethics codes as there are sceptics. For example, Wood and Rimmer (2003, 188) refer to the problem of designing and implementing an ethics code which they believe generally reflects the current ethical positions and political dominance of individual stakeholders rather than a shared set of moral values specific to the organisation. This is exactly why they point to the need to involve stakeholders in every phase of the design and implementation of the code as this ensures the ethical assumptions made in the code comply with the existing moral values of the stakeholders. Criticism of ethics codes includes claims that ethics codes are »fine on paper« but are not realised in practice, they are more in the interest of effective enhancement and building the organisation's wholesome external image that ethics codes serve as a tool for exclusively regulating the internal functioning of organisations, while ignoring the role of other stakeholders, etc.

After reviewing the existing professional literature and the non-systematic observation of practice in companies, we consider that ethics codes in companies are a welcome practice, but only if they are but one of the components of ethics management. An ethics code, which we understand chiefly as a factor directing individuals' decision-making in morally questionable situations, cannot be successful if it applies to the organisation exclusively, it will not be effective if representatives of the organisation or its other stakeholders do not adopt it and perceive it as being consistent with their own values. This of course presupposes the engagement of a wide range of human resources management practices that, with a systematic and targeted approach, provide the desired response of stakeholders. Further, while the code of ethics is a perfectly appropriate

tool for managing ethics at the individual level, it cannot have the same effect at the organisational level. Its value here is primarily seen in providing opportunities for the relatively clear identification of organisational ethical levels, while the code is less useful for directing the conduct of stakeholders. At this point, we must draw attention once again to the debate described in a previous chapter that relates to the role of moral management in organisations. At both the process and managerial level, their functions emphasise the exposition and implementation of morality as an important element of the organisation's functioning, by setting an example, communicating with employees and establishing and using an appropriate system of rewarding. As mentioned, the role of the code of ethics on the organisational level is largely in proclaiming the ethical standards it contains. It is one of the organisational practices that help understand the organisation's identity and its relationship to individual values in its activity. Below, we define some other tools for managing ethics that have the same goal.

3.1.2.2 Ethics statements

Murphy (2005) lists several different corporate ethics statements, including the mentioned ethics codes, value statements, corporate credo/mission statements and Internet privacy policy. In his study, he noted that the frequency of companies using one or more forms of ethical declarations is increasing and becoming a growing measure of business behaviour as regards companies and their stakeholders. The literature, however, mostly deals with mission statements and statements of values, with considerable attention paid to the impact of such statements on the functioning of organisations and their members. This is also what is to be discussed in this chapter. When considering the purpose of mission statements and statements of values, the authors of such studies perceive some kind of duality: on one hand, it is a tool through which organisations direct the work of their members and, in some cases, other stakeholders, while at the same time there is doubt whether these are statements that truly reflect the organisation's performance or they are more or less a skilfully used marketing tool, a tool for communicating with various public groups (Bartkus and Glassman, 2008, 209), whose role is part of creating an impression about how the organisation functions and are thus more or less symbolic (Urbany, 2005).

As stated by Darby (2012), mission statements or statements of values are the most frequently used managerial tool organisations use to communicate with both internal and external stakeholders about the

organisation's strategic orientations and basic values, but it is also long known that the declared vision, mission and values of the organisation serve as motivation and inspiration to the stakeholders, especially the employees (Peters and Waterman, 1982). An important issue here is whether the functioning of organisations is consistent with their declared ethics statements. Mullane (2002) emphasises the coherence of vision and mission with the organisational functioning depends largely on the management, which is responsible for designing and implementing these elements. He recognises their value primarily in the process of implementing the vision and mission which, with the appropriate involvement of all employees in the organisation, can offer an important guide for both the behaviour of the individual and in the achievement of the final results. At this point, he highlights the key elements of design and implementation: the involvement of relevant stakeholders in the process of designing and implementing the vision and mission, ensuring the stakeholders have a sense of ownership of what is exposed or declared, and that the goals and purpose of the vision and mission are clearly expressed. Further, Bart and Darby (2012, 97) note that ethics statements impact the performance of employees especially when their design and implementation also relate to other internal policies, programmes and processes in the organisation (e.g. the training system, rewarding, etc.). By contrast, in their research Bartkus and Glassman (2008, 208) find that in their operations only a small share of companies actually follow the ethics statements they have proclaimed.

It thus seems we have ended up in a »Chicken or the egg?« dilemma. By the same principle, we wonder whether ethical statements actually affect how organisations and their members function or are only a reflection of the pressure of stakeholders to expose the objectives they are demanding and even trying to enforce. In this sense, it is not so much to create an impression as to expose the values and intentions arising from the organisation's desire to satisfy selected stakeholders' interests, that is, a tool for ensuring that the organisation's operations are legitimate. According to Blair-Loy, Wharton and Goodstein (2011, 441), the organisation's responsibility to realise values and goals-explicitly and publicly stated in the form of a mission and/or value statement-increases, as does the likelihood the organisation's operations will be in line with its ethical commitment. An important element for ensuring organisations actually behave in line with the ethical statements is organisational communication, above all transparency in relation to stakeholders. Research shows that 61% of companies communicate ethics both inside and outside the organisation (Murphy, 2005, 186), where an orientation to the organisation's external stakeholders is also noticeable, not just towards

the internal ones as in the past. Extending the scope of stakeholders that define the attitude towards the organisation, also in terms of its social responsibility, is another element of the impact on organisations, in both the design and implementation of ethical declarations and the process of acting accordingly. For this reason, we welcome the various institutional incentives for managing ethics in organisations, where the emphasis on reporting on the functioning of organisations and the clear and formalised expression of organisational values is already evident.

Before ending this discussion on ethical statements, we highlight another topic relevant to understanding their role in ethics management: the content of ethical statements. Numerous classifications in the literature can be found that relate to the content of mission or value statements which include a wide range of elements, from the nature of organisations' activities and their values and beliefs to stakeholders' views on organisations, their competitive advantages and the approach taken to realisation of the organisational goals. Shapiro and Naughton (2015, 2) point out that ethical statements are a key element aimed at promoting the morality of the organisation, particularly the so-called humanistic values. Only these include respect for human dignity, the enhancement of care and service to others, support for the personal and professional growth of employees and their families, the enhancement of a common good, while being focused on the »right« functioning of people even if it is not then shown to be profitable or economically efficient (right now). This kind of ethical statement is then found in the service of humanistic management (see Chapter 2.1.4) that mainly aims to develop human potential and respect human rights, thereby creating the basis for a wider community that includes both members of the organisation, and the social and natural environments the organisation forms part of. Despite some institutional initiatives targeted at achieving economic prosperity, the latter also explicitly or implicitly incorporate considerable emphasis on human rights as the starting point for achieving all other aspects of success. As mentioned in an earlier chapter, it is about achieving a »higher degree of ethical quality«, which could also be an ideal reference point towards which modern business are moving. Shapiro and Naughton (2015) also underscore the integrity of ethics management, which includes humanistic values. In this respect, it is important to answer questions like how and where the organisation communicates its values, which resources it uses to maintain such a value system, and how it occurs in actual practice. These issues constitute an important starting point for the creation of various organisational systems, including reporting and advisory systems, which are dealt with in the next chapter.

3.1.2.3 Internal reporting and advisory systems

Debates on reporting and advisory systems as an element of ethics management typically relate largely to the whistleblowing problem¹³. In this context, organisations focus on providing appropriate channels in the organisation to give particularly internal stakeholders opportunities to draw attention to the immoral actions of organisation members or for consulting on and interpreting organisational ethics where doubt may arise. By setting up reporting and advisory systems, organisations try to help employees face morally challenging situations. As Weber and Wasieleski (2013, 617) argue, this entails proactive work by organisations not limited to reacting to emerging crisis situations, but specific systems should be created in the organisation that also shape the ethical climate.

The programmes and systems of advisory and reporting in connection with ethics management have received surprisingly little attention in the literature, despite the fact research shows they are becoming more and more established in organisations. Weaver et al. (1999) state that 57% of more successful American companies had created so-called hotline channels for employees for reporting immoral activity. Almost a decade later, Calderón-Cuadrado et al. (2009) reported this number had climbed to 95%, with more than half of European organisations using a similar reporting and advisory system. Here, it is also necessary to draw attention to the very different names given to such systems that reflect, in particular, differences in the perception and culture of the regions being considered. According to Calderón-Cuadrado et al. (2009, 204), the term »hotlines« appears most in relation to American organisations, while financial organisations speak of »ombudsmen«. It is also typical of American organisations to base their reporting and advisory systems on values, highlighting the importance of ethics and integrity for the organisation with regard to different stakeholders, and emphasising organisations' internal responsibility to manage ethics and act accordingly. In European organisations, responsibility is distributed more between organisations and wider society, specifically, state institutions; instead of hotlines, in European organisations there is more talk about whistleblowing and the conditions needed to encourage the reporting of immoral activity and seek consultations on morally questionable situations. In this context, in European organisations one more often finds in practice special organisational units (e.g. audit departments, advisory departments etc.) or that individual functions whose tasks are connected with resolving these situations are delegated; in contrast with the USA, in European organisations there is a noticeable link between these systems and systems of control.

Regardless of what they are called, reporting and advisory systems for formal, non-hierarchical systems believed to allow employees to report on immoral activity in dilemmas or to point out the possibility of it appearing within the organisation. These systems are also intended to support and advice on moral dilemmas that employees encounter in their work activities (Calderón-Cuadrado et al., 2009, 201). Institutional incentives (e.g. the Sarbanes-Oxley Law in the USA, the OECD and the UN Guidelines in Europe etc.) are contributing greatly to the rise of such systems. They emphasise the importance of developing procedures in external and internal reporting systems regarding potentially immoral behaviour, the importance of protecting those who so report and give the option of remaining anonymous throughout. Much of the discussion also highlights the influence of ethics management systems' integrity on the effectiveness of reporting and advisory systems. Insofar as this is an individual measure within organisations that otherwise do not display a commitment to moral behaviour and do not declare their moral values, it will be significantly less successful (Lee and Fargher, 2013, 286). In addition, experience reveals that employees show less confidence in the internal reporting and advisory system and more in systems outside organisations that offer higher levels of anonymity, confidentiality and protection from retaliation (Calderón-Cuadrado et al., 2009, 206). Lee and Farger (2013, 294) also emphasise that having external reporting and advisory systems in place indicates the organisation's greater readiness to detect immoral activity because establishing such systems is typically expensive, impacting the trust put in such systems.

Another big dilemma associated with implementing reporting and advisory systems is how to motivate managers to strengthen these systems and ensure their proper functioning. Micelli, Near and Dworkin (2009, 380) note that while seeking to establish effective and successful ethics management organisations often do not deal sufficiently with the role of managers who are important for implementing these practices and systems. Thus, it often happens that managers are unfamiliar with the elements of ethics management and their role is neither defined nor expected, leading to poorly implemented reporting and advisory systems, particularly by reducing the response and related activities of employees in this regard. It is a complex issue which on one hand relates to the delegation of responsibility in the implementation process across the organisation's hierarchy, especially if a larger organisation is involved. On the other hand, this issue is connected with establishing an appropriate organisational culture and promoting an ethical climate within.

As reiterated in this work, the commitment of managers and their role in promoting the moral action of the organisation and its members is crucial. The role of the leading managers is put in the spotlight; on one side, by highlighting the organisation's moral values and establishing a comprehensive system of ethics management and, on the other, with their own activity that is consistent with the organisational system. Most institutional incentives (e.g. OECD Guidelines on Corporate Governance, Multinational Enterprises etc.) also stress the commitment of managers to supporting the organisational values and existing systems, as well as the importance of establishing a system of intelligence, informing and reporting.

As mentioned, how employees respond to an established ethics management system is also linked to the existing ethical climate. In his research, Kaptein (2011, 524) reveals a positive correlation between elements of the organisation's ethical climate and the willingness of employees to engage in confrontation, to report to management and use the established reporting systems. In particular, this link is strong with regard to the clarity of the expressed ethical culture, the support and the consequences it presupposes. Michelle, Near and Dworkin (2009, 384) state that precisely for this reason the task of managers is to build the moral identity of the organisation along with and a clear, above all, declared of the values the organisation. According to the similar principle of the perception of the moral manager, so-called »organisational muteness« can also create an impression of unethical and not merely neutrality in moral dilemmas. Further, the survey discussed by Miceli, Near and Dworkin (2009) shows that most employees in the previous year or two had encountered immoral activity within the organisation, although the majority did not report any of it, particularly because they thought nothing would be done about it in the organisation.

This finding draws attention to another difficulty in the establishing reporting and advisory systems, which should also include a system of steps to take after the reporting/advisory activities. It is a principle that defines the way in which reporting is to be monitored, the delegation of responsibility for assessing reports implemented, and further steps and actions in this regard. Here, it is also necessary to establish public and transparent information which is given with regard to these activities, that holds a communicational and an interpretational value. At the same time, it also presupposes the willingness of organisations to adapt their existing operations, processes and procedures to the change. In our opinion, this is a paramount reason for the frequent failure of reporting and advisory systems.

3.1.2.4 Risk analysis and management

Crane and Matten (2007, 172) list so-called risk analysis and management among the tools of ethics management. It is a well-known management tool, but relatively new in business ethics and aims to detect, analyse and manage aspects of risks not usually included in such decisions. While risks in the first half of the 20th century were generally physical risks such as explosions, fires, floods, injuries to employees and company property, the understanding of risks spread in the 21st century and, from the point of view of managing organisations, is becoming part of a more comprehensive system that treats the organisation as an actor embedded in a wider and highly diverse environment. Risks in this setting include very different situations that fall outside the paradigm of corporate social responsibility and result from corruption and immoral activity in organisations. Such behaviour can reduce the reputation of an organisation, lower stakeholder trust and, in extreme cases, lead to the organisation's downfall. Emerging risks of modern organisations also ever more frequently include so-called psychosocial risks, which are factors that arise from the changing nature of work and the working environment. These are factors such as work climate, employee satisfaction with the circumstances at work, communication and other factors that directly affect the possibility of stress at work, psychological disorders, emotional exhaustion and other psychosocial factors of the work of employees, which are not only troubling in a moral sense but also represent a large expense to organisations due to absenteeism, sick leave, employee inefficiency etc. According to Jain, Lek and Zwetsloot (2011, 620), the treatment of such risks is rarely included in the strategies of modern companies, which in the future may bring an additional challenge for organisations. Webra and Wasielesk (2013a, 621) believe organisations decide for risk analysis and risk management on the following grounds: to identify areas of the organisation's operations before they become problematic, to detect potential fraud, to check compliance of the organisation's functioning with legislation, and to assess the effectiveness of the organisation's control systems. The research data collected by the authors also show that responsibility for risk analysis and management is usually transferred to three stakeholders within organisations: organisational units defined for this purpose, insofar as they exist in the organisation (e.g. ethics departments), departments for revision, or legal services. Almost half of organisations perform a risk analysis at least once a year and only two-fifths even more than once (Weber and Wasieleski, 2013, 621).

Crane and Matten (2007, 172) consider that integrating the risk management perspective into the company's business ethics leads to a much more wholesome management approach, which is once again in its infancy and mostly seen in more noticeable and even »measurable« moral dilemmas such as risks associated with legislative non-compliance, environmental pollution, the controversial production or composition of various products etc. The authors therefore warn that risk managers will also have to deal with issues that are harder to resolve, such as how to include wider and deeply rooted moral dilemmas in the analysis and in risk management faced by modern organisations as we have repeatedly pointed out (human rights violations, corruption and other forms of economic crime, impact on climate change etc.). But before we continue discussing the analysis and management of risks in connection to ethics management, a short conceptual definition of risk management is in order.

Drennan (2004, 257-58) considers risks as a key element in the performance of any organisation's functioning, but they must be effectively managed in order to avoid the possible consequences of these risks. Risk management therefore refers to a management function focused on the search for strategies through which organisations can deal with identified risks. It is a multi-step process of: (a) identifying the organisation's strategic objectives and obstacles to their implementation; (b) assessing the likelihood of their occurrence and the extent of these obstacles' impact on achieving the organisational objectives; (c) choosing individual strategies for dealing with the assessed risks; and (d) facing the risks the organisation has failed to manage. Other important parts of risk management are: (e) preparing a »crisis plan« to enable the organisation to continue operating even after having unsuccessfully dealt with individual risks; and (f) establishing a system for monitoring these processes, aimed particularly at detecting possible deviations or changes that could positively or negatively affect attainment of the organisational goals. Drennan (2004, 263) notes that risk management does not mean the complete removal of risks. It is mostly to support organisations to make the best decisions in situations when they face an extremely uncertain and potentially dangerous future. Yatim (2010, 19) draws attention to involving decision-makers, members of supervisory boards, management boards and top management in the process of implementing a risk management system which not only determines the organisation's functioning, but shapes both how future risks are understood and the organisation's future functioning from the sides of both groups exposed. A survey conducted by the author among the most successful US companies showed a direct correlation between the independence of supervisory

board members and management boards and the structure of risk management systems: the more autonomous members are in their decision-making, the more likely the risk management in the organisation will be more structured, functionally defined and meaningfully connected with other elements of the organisation's management. Further, the experience of members of supervisory boards and boards of directors affects their willingness to establish a system for supervising and monitoring the functioning of organisations and managing the related risks. Yatim (2010) believes that to a certain extent it is a kind of defence mechanism that allows supervisory board members to maintain their professional reputation, but this certainly also establishes a higher level of accountability of supervisory board members and, thus, more attention in monitoring the functioning of the organisation. Weitzner and Darroch (2010, 364) note that top management's backing is valuable for success in risk management, including the interpretation of the organisational culture, defining the breadth of risks the organisation must consider and, ultimately, the inclusion of risk management and individual themes in organisational policies and strategies.

Among the risk management elements more discussed by many authors and contributing to successful risk management is the involvement of a wider circle of stakeholders in the risk management process. Brinkmann (2013, 576) emphasises the importance of adequate information and information as a precondition, which allows stakeholders sufficient information to monitor the situation in the organisation, and at the same time determine their attitude to the situation presented. We are therefore talking about the problem of information disclosure, which in practice often relates to the protection of business secrets. In addition to defining the point at which an organisation can still justify the information someone seeks to have as a business secret, it is important to highlight who needs to provide such information. Is it the duty of the organisation and its members or is it the duty of the organisational stakeholders? Precisely because of this dilemma, Brinkmann (2013) identifies the creation of a discourse between the organisation and its stakeholders as a vital element of risk management. The value of the latter lies in both the provision of information and in the achievement of consensus when defining future risks to the organisation and its stakeholders. In this way, the actual involvement of various (even broadly defined) stakeholders in risk management is ensured, the perspective of which now holds extended potential. We can roughly say that establishing communication systems within risk management enables common goals and values to be created, above all a clear idea of the kind of future that is desired. Another

organisational process that supports efficient management of this type of risk is the management and development of human resources, as well as internal control systems, focused on the development of both management and other employees. It is primarily important that risk management, like many other organisational systems, does not become merely a formal provision in the organisation but never come to life. Such a risk management system is, in fact, the greatest risk to the organisation because it inevitably leads to the declining trust of employees, customers and the general public (Drennan, 2004, 263).

3.1.2.5 Organisational departments/functions for ethics

An ever more mentioned ethics management tool is giving various departments/functions the responsibility to promote moral action in the organisation. In literature and practice, we see such structures are named differently most often called the ethics office, ethics committee, or ethics officer in the Anglo-Saxon world and a broad variety of departments and consultants related to social or organisational responsibility in the European context. The emergence of ethics departments and similar structures goes back to the late 20th century. Just a decade later, particularly organisations in the USA have started to include these structures in their systems on a larger scale. Crane and Matten (2007) attribute this to the Sarbanes-Oxley Act, which foresaw the role of overseeing implementation of recommendations being held by ethics department/ethics advisers. In 1991, the Ethics and Compliance Officers Association (ECOA) was formed and is today almost three decades later a global association with over 1,000 members from all over the world. The association aims to support ethical counsellors through various forms of counselling, mentoring, training, participation, public debates, and the like. The purpose of this activity is to promote a structured approach to ethics management by supporting the moral performance of management and, thus, the organisation as a whole. Ten years later, similar initiatives can be found in Europe, such as the European Business Ethics Network (EBEN), which set up the Ethics Practitioner Forum in September 2001, the Globethics.net global network, and others that are more focused on promoting business ethics and moral behaviour generally and training and education on individual managerial approaches and tools in ethics management. Research also suggests that European organisations are setting up functional departments or positions within the organisation that deal exclusively with ethics, the latter to a lesser extent. Brytting (1997, 673) notes that only 9% of the participating organisations are in Sweden,

and 87% of consultants who participated in the research devoted just a quarter of their time to the issue of ethics. On the other hand, these consultants are mostly also among the decision-makers (73% of them) and have an opportunity to jointly create the organisation ethical management systems.

Although departments and ethics advisers have become growingly popularity, recent research on this subject is rare. Authors in this field are relatively united in defining ethics departments and advisers: mainly departments and individuals who are supposed to deal with the moral issues faced by the organisation at the system level during its functioning (Brytting, 1997, 666). Through different methods and activities, ethics advisers are responsible for managing ethics, the individual programmes the organisation implements, and above all with the management's support in guiding organisational moral behaviour (Adobor, 2006, 69). According to Hoffman, Neill and Stovall (2008, 87-89), ethical advisers are more agents of the organisation's management and not employed managers, with most reporting to top management about their work. The research carried out by the authors among ethical consultants among the most successful US companies shows dominant among ethics advisers' profiles before taking office are experience in the field of human resource management, law, finance and internal control. One of the main functions of ethic advisers is to improve the moral behaviour of members of the organisation, which includes counselling during the preparation of ethics codes, the design and implementation of training programmes in the area of ethics, monitoring the organisation and the members' compliance with the code of ethics along with established legislation, and to take action against the immoral behaviour of organisational members (Israel and BarNir, 1998, 1189). Israel and BarNir (1998) also draw attention to the symbolic dimension of the work of ethics consultants in companies: their presence in the organisation shows the management's commitment to morality and creates the perception of such behaviour being normal. This is especially true where departments or ethics advisers represent autonomous, impartial and decisive entities, which also emphasizes the importance of the perception of both their function and personality. It is the same or even more strongly the case that when installing the position of ethics adviser the dual dimension of morality must be considered and exposed if it is to influence the ethics of the organisation. It is precisely the importance of providing such an impact, and ensuring the effectiveness of integrated ethics management that a great deal of attention is also devoted to including ethics counsellors in the organisation's work. Israel and

BarNir (1998) state the following conditions are required for this process to be successful:

- *Status of an internal coworker*: Although many organisations decide to engage external advisers in the area of ethics, the authors believe it is important for the ethics adviser to hold the status of an internal coworker, which may mean they come from the ranks of the organisation's employees, but they can also be an external consultant, albeit one who must win the trust of the employees and remain impartial in approach, which typically results from being involved in external control mechanisms. Further, ethics counsellors must be included among the decision-makers in the organisation as this is the only way to create the perception they hold power and authority which they can use if the need arises. At this point, we should note the actual status of ethics advisors/experts: in everyday activities it turns out that decision-making is only virtually possible, not in actual practice, which in turn lowers confidence in ethics counsellors and, hence, trust in the management's commitment to the moral performance of organisations.
- *Independence*: the independence of ethics advisors is vital for two main reasons. Primarily, the independent position of ethics advisers makes them less vulnerable to possible groups of influence they are likely to face in morally questionable situations and who may decide to change their performance and position in the organisation. Moreover, independence provides credibility in ethics advisors' performance, impacting the effectiveness of ethics management system, which also depends on the stakeholders' willingness to respond. If they doubt the ability of ethics advisers to be able to remain firm in a situation and introduce change across the organisation, they will also not respond to the expectations for ethical action and accept any new ways of acting.
- *Professionalism*: this is a classic feature of individual profiles, which also adds to the credibility of ethics advisers. In addition to the personality traits that apply to such personnel, this is a code of conduct that applies to professions, qualifications and the contribution of new experiences in a professional community that ethics advisers form part of etc.
- *Knowledge of the organisation*: knowing about the specific organisation, its characteristics, organisational culture, formal systems, normative framework etc. is crucial for the effective work

of ethic advisers since it covers a wide range of situations whose meaning can only be properly understood after assessing the concrete situation and organisational context. This is one reason against engaging external ethics advisors: although they can maintain greater independence, at the same time they have a smaller chance of being able to bring the organisational reality closer to the point at which they can adequately assess the situation.

- *Knowledge of ethics and social responsibility*: ethics advisors must be trained to identify moral dilemmas, analyse individual decisions, promote awareness of corporate social responsibility and conduct training in business ethics. Their capacity to deal with moral dilemmas is also important, and they must be able to regulate the aspects of both the employee and independent expert in a given field.

The success of ethics departments or advisors not only depends on the advisors' qualifications per se, but also on the organisations' approach to using this tool. Adobor (2006) emphasises the following:

- An appropriate process of introducing a new function into the organisation is key to success in their functioning; it includes, in particular, adequate informing of the employees about the role of the new department or ethics consultant and the related systems. In this context, a clear description of the work of ethics advisors must be agreed, which serves primarily to avoid the ambiguity of their role and conflict in the roles such advisers can adopt.
- Attention should be paid to the process of selecting candidates for an ethics advisor and making the final choice. Apart from the mentioned characteristics of successful ethics advisers, their willingness to learn and for further training should also be taken into account. Ethics training is one of the key tools for promoting the development and performance of ethics advisors, which is especially important in profiles that lack much knowledge in the field of ethics.
- Support provided by management is particularly important for the success of the department of ethics or an advisor. It must demonstrate unwavering commitment to the moral values established at the level of the organisation, both through its own functioning and at the declarative level.

To sum up, despite the relative novelty of ethics departments and ethics advisors for managing ethics, in the future we can expect the further development and use of this function in organisations. Based on this, Strand (2013, 726-727) imagines at least three development possibilities: the presence of ethics departments and ethic advisors will further reflect the organisation's orientation to moral functioning, and thus the number of organisations with such organised functions will increase. Second, the current organisational form, which involves the design of departments and the appointment of ethics advisers, may lose its relevance in the future to the extent it might gradually disappear, with its functions being transferred to other organisational units, which will continue to strengthen in this area. As the final, almost idealistic option, Strand (2013) emphasises the possibility of abandoning the idea of creating special departments and ethics consultants since they will no longer be necessary, while morality will become an implicit value in organisations reflected in all systems and values of the organisation. As an illustration, the author considers examples of organisations already operating in this way, although it is difficult to judge the certainty of a long-term trend based on individual observations alone. This is also a very good reason for engaging in systematic and long-term observation of the situation here.

3.1.2.6 Education and training in the field of ethics

Weber and Wasieleski (2013, 613) include among the most commonly used tools for managing ethics such departments, ethics advisors, codes of ethics and reporting on ethics and also include education and training¹⁴ in the field of ethics. While educational programmes in this area are most often seen within business schools, universities and other educational institutions, and targeted at students of business schools and other programmes, ethics training is typical for working organisations and aimed at employees already with some experience in a specific working environment behind them. Both education and ethics training have the function of placing and maintaining moral values, even standards, education to a greater extent as a role model and a kind of socialiser of new generations, and training as a tool for adapting the exposed values and standards within organisational or professional environments.

According to Sigurjonsson, Vaiman and Arnardottir (2013, 7), educational institutions are the most important social institutions for influencing the likelihood individuals will strengthen their own engagement towards morality and their self-initiative in identifying moral dilemmas. In this regard, formal education systems should also provide

some sort of selection in order to ensure that individuals in the labour market come to organisations with enhanced moral values (Sigurjonsson, Vaiman, and Amardottir, 2013, 11). Of course, this is not the only area of influence; the authors set the starting point for enforcing moral values in the individual's personal values they acquire in the early period of their socialisation. Mayhew and Murphy (2009, 387) also point out the connection between education systems and the social environment, which shapes the reaction of the first: if the moral values of the society are strongly exposed, the latter will also be perceived in education (and vice versa), and this relationship will also influence the effectiveness of education. It is precisely because of these observed relationships that another important function of education is the mere establishing of expectations regarding the moral behaviour of individuals and organisations, in relation to both the learners and the external environment, society, its systems and, finally, individual organisations. Mayhew and Murphy (2009) state education systems are more successful if there are increased social expectations, which is also why they point to the need for social reporting, as discussed in more detail in the next chapter. In any case, it is true that educational programmes and training programmes in ethics in fact have a smaller or greater impact on these programmes' participants. In their research among the participants in the programme on the topic of moral decision-making, May, Luth and Schwoerer (2014) find that it brings about an increase in moral effectiveness, that is, the ability to face moral dilemmas in the workplace, the importance of morality in their professional or professional practice and moral courage, namely, their willingness to initiate a debate on moral dilemmas at work, even though they could be sanctioned for this. Of course, research can also be found showing the opposite, that is, education and training programmes have only minimal effect or none at all, raising another question: what exactly influences the effectiveness of education and training programmes in the field of ethics?

Waples and others (2009), in their study of the effectiveness of such programmes, highlight the following factors:

- *the motives of the programme participants*: those participating in education or training in the field of ethics for the purpose of their own development, whether in personal or a professional manner, show better responsiveness to these programmes than those who attend for other reasons (e.g. employers' requests, gathering information, etc.);

- *the work experience of participants*: those already with work experience and involved in the work process during education and training generally respond better to education and training programmes on ethics;
- *the use of concrete and interactive approaches to teaching*: case studies and other pedagogical methods, which presuppose participants' engagement in the learning process, as well as the transfer of acquired knowledge to a specific (working) environment; and
- *encouraging cognitive processes in relation to ethics*: the stress is on promoting understanding of the dilemma and the context of the discussion and, further, understanding the action that results from it and leads to its resolution.

Particularly in the case of ethics training programmes, Lee (2012, 189-98) also draws attention to the impact of the relationship between »formal« and »informal« (manifest and latent) knowledge of ethics on the participants' response in ethical training programmes. By applying the knowledge development theory of Nonaka and Takeuchi (1995) to the knowledge of ethics, Lee expounded the dual characteristic of this knowledge, which has a major influence on the effectiveness of ethics training programmes. According to the same principle, which applies to the generation of knowledge in general, knowledge of ethics is created by interaction and in relation to others. Starting from the acquired knowledge, experience and beliefs of an individual, and through interaction and socialisation in the organisational context, individual knowledge is intertwined with organisational knowledge and eventually transforms into the co-creation of common knowledge and experience at the level of the organisation, profession, etc. (Nadon, 2004). Ethics training at this point plays an important role as a socialisation agent for new or existing members of the organisation, and this role must be supported by other ethical management measures in order to gain, internalise and together create common organisational values, which also influence the behaviour of its members because the socialisation cycle is sensitive to the diversity of information that can come from the various elements, activities, processes and systems in the organisation, either formal or informal. Any incoherence of these can lead to inconsistency in the socialisation process, which may also have consequences for internalising the acquired knowledge. These findings lead us to another conclusion mentioned several times: the effectiveness of training in the field of ethics is increasing insofar as training is supported by other ethical management

measures and other organisational measures, among which organisational communication plays an especially important role by enabling both the transmission of information and the relational function. We will show this in Chapter 4, but here we remain focused on the meaning of education and training in the field of ethics, primarily on the characteristics of these programmes in the European context. As with some other ethical management tools, in the example of education and training in the field of ethics, only rare research shows the actual situation in this field and, above all, such research is somewhat dated. For this reason, the acquired information will also be supplemented with our own, albeit unsystematic, findings.

Liedekerke and Demuijnck (2011; 2012) consider most common programmes in the field of ethics and observe programmes that address the topic of social responsibility, especially in relation to communication and public relations. The emphasis is on collecting and analysing the various types of information organisations need for the purpose of directing their members' actions or for monitoring the situation in their own organisation (for example, by preparing annual reports on corporate social responsibility). Among the performers of such programmes, the most common are diverse consulting companies which increasingly offer global and not only locally-oriented programmes which, according to the authors, reflects the influence of present global issues and moral dilemmas and thus a concrete qualitative change in the stance of European economies. The authors give the example of the countries of Europe and Scandinavia, which are ever more strongly emphasising the importance of a sustainable economy and social responsibility for the environment and society. This is also noticeable in the EU strategic guidelines, about which we write in more detail in the chapters below. The authors include the following challenges representing important contextual starting points for European education and training programmes in the field of ethics and which Europe will also face in the future:

- the economic crisis and the direction that will ensure a stable financial system and the related dilemmas;
- the need for systemic and procedural arrangements at the EU level that promote socially responsible behaviour (e.g. public procurement system, ensuring the transfer of good practices, etc.);
- the expressed need of the economy to promote quality offers of education and training programmes in the field of ethics;

- the need for newly established relations between the economy and society that have been disrupted by the problems faced by the EU and the wider European area over the past few decades;
- global challenges such as global warming, poverty, corruption, human rights protection, demographic changes, protection of aquatic and other natural resources; and
- the need to establish strong values, highlighting the humanistic notion and the desire to place man as a subject in the centre of all social spheres, including the economy.

The authors note that interest in business ethics has risen dramatically in Europe in the last decades. Since the 1980s, when Van Luijck founded the European Business Ethics Network with 25 members from various European countries, membership has grown rapidly to 1,400 members from as many as 40 countries from Europe and elsewhere in the world. It is only one of many networks and associations that actively promote discussions and solutions in business ethics and are becoming ever more important in the political sense. This is followed by a response in other spheres of society, whereby education and training are not exceptions. However, Liedekerke and Demuijnck (2011; 2012) found differences between Western European and Scandinavian countries and Southern and Eastern European countries, pointing out that in such distinct geographic areas countries are taking on the characteristics of countries from other regions in certain respects. These differences are especially noticeable while considering the content of educational programmes and training programmes in the field of ethics, which have rapidly developed in the Western European and Scandinavian countries, both within education systems and a wide variety of other providers of such programmes, while they are still quite rare in Eastern Europe. On the other hand, both groups share a growing emphasis on programmes deriving from the concept of sustainable development and systematically integrate them into other educational and training programmes. The common features of the European offer in this area are as follows:

- While, at least in some areas of Europe, the incidence of a broad variety of contents in business ethics has increased, for most of Europe it is considered that it still does not offer specialised content in the field of finance and ethics (only at the business school EDHEC in France);
- As a result of the internationalisation of a large number of European universities and business schools, education and training

in the field of ethics is available in English, using textbooks based on English and American texts: this brings into European education and training certain topics not specific to the Continental economic, political and social environment, although it is ironic that a considerable number of such texts were prepared by experts who come from Europe and operate in the USA or Canada;

- In Europe, only a few educational centres in the area of ethics are found, but they are relatively impoverished, often due to brain drain; specialists working in this field often find more favourable conditions for their work in the United States and Canada.

The perceived changes in the European environment also include a growing number of consulting firms that offer training programmes in various fields of ethics: a comparison between 2005 and 2010 shows the number of providers rose from 227 to 685 of such organisations, with smaller enterprises predominating, either as independent or as affiliates of already established global companies. While training in 46 different areas of ethics was available in Europe in 2005, this number had reached 60 in 2010 (Liedekerke and Demuijnck, 2012) and 65 in 2014. In other words, this is an area of showing an obvious trend of stronger demand for such services, especially in the area of corporate social responsibility and reporting related to this, as well as in the fields of communication and public relations, corporate governance, etc.

All of the above highlights the importance of education and training in the field of ethics, both from the perspective of assessing the effects of education and training on individuals as well as more broadly, on society. At this point, we would like to draw attention to the development aspect of the implementation of such programmes: while we clearly need »micro« information regarding the form, content and method of implementation, the number of participants, the duration of programmes of education and training in the field of ethics, we draw attention to the exposed socialisation function of such programmes that do not serve as such only within the organisational environment, but also extend to the broader economic, political and social environment. We are pleased to note that this assumption is also more explicit in the institutional environment, as will be presented in greater detail in the next chapter. Therefore, we now focus our attention on the last ethics management tool presented here: reporting in the field of ethics.

3.1.2.7 *Ethics reporting*

Reporting on ethics is a special chapter characterised by several dilemmas and problems associated with conceptual confusion as well as undefined procedures, criteria, modes of functioning and, last but not least, the importance of reporting itself. Despite these shortcomings, this is an increasingly used approach to managing ethics which has undergone a real boom in recent decades-also under the influence of changing global societies, the global economy and the political aspirations that followed. Data from the KPMG Annual Research on Ethics Reporting (2013) show a drastic increase in the percentage of companies reporting on ethics in all global economies: after a few years of lagging, organisations in the Americas lead the way (76% of organisations in the area report on ethics), followed by 73% of European and 71% of Asian organisations. Reporting on ethics or so-called ethics reporting or ethics auditing¹⁵ is nowadays one of the most commonly used tools for managing ethics, which is at the same time one of the most undetermined. One of the most obvious dilemmas the area faces is certainly the wide set of related concepts, which we otherwise hardly notice in practice: for example, companies report on ethics, there is also CSR reporting, sustainability reports, environmental reports, citizenship reports, value reports and so on. The question thus emerges: what specifically are we talking about?

Basically, these are practices deriving from the European context and developed in response to the problem of measuring the moral performance of organisations, in particular in relation to environmental issues and sustainable development. Parallel to this, in the mid-1960s the USA recorded the phenomenon of so-called social audits or social accounting, which represent a kind of upgrade of financial audits and were similarly designed to measure the impact of organisations on their social environment. According to Gond and Herrbach (2006, 363), social audits are often regarded as a »practical« aspect of reporting by organisations, but at the same time such a narrow perception of social audits also leads to a reduction in their significance or meaning in organisations and even contradicts the idea of increasing socially responsible organisations in relation to stakeholders of organisations. Despite acknowledging that the tangible differentiation between these concepts is not clearly identified, Crane and Matten (2007) underline the involvement of three, in their opinion, key concepts for understanding reporting on ethics: auditing, reporting and accounting, the latter being a broader concept than auditing and reporting. For this reason, in their discussion of the evaluation of the moral behaviour of organisations, they expose the concept of social

accounting and define it as a »voluntary process that refers to the assessment and communication of organisational activities and impacts on social, ethical and environmental issues, important to identified stakeholders« (Crane and Matten, 2007, 195). It is therefore an element of ethics management which is based on the concept of organisational accountability and aimed at increasing the transparency of the organisation's operations, which enables the provision of information regarding the responsible behaviour of organisations to the widest possible range of stakeholders, while also defining the influence of organisations in the relationship with their natural and social environments. Now we focus our attention on reporting on ethics.

One of the key features of reporting on ethics is therefore the orientation towards a wide range of organisational stakeholders where reporting on ethics complements the aforementioned internal reporting and advisory systems. Reporting on ethics also goes beyond just mentioning financial indicators on the performance of each field of organisations' activity, and the fact that organisations are not obliged to report on ethics by various institutions but decide to do so voluntarily. But they are also being encouraged to engage in this practice to an increasing extent by the rising pressures of various stakeholders at both the systemic and user level. In Europe, this pressure manifests in the growing expectation of the European Commission for European companies to also assume responsibility for social development, for which it is typical the dominant role is played by the welfare state. Among the European Commission's most obvious incentives in this direction is the publication of so-called green papers, which stress the greater engagement of European organisations in terms of the attention and investments they devote to human capital, the environment and relationships with other stakeholders. Such documents highlight the importance of dealing with human resources, ensuring equal opportunities, social inclusion, health and safety at work, adapting to changes and managing environmental and natural resources as elements of internal ethics management, while among the elements of external management it emphasises organisations' attitudes to communities, partners, suppliers and customers, human rights and global environmental concerns. However, as García-Marzá points out (2005, 212), the disadvantage of such documents is precisely amounting to little more than promoting the desired response of companies, and in the fact the document only vaguely defines ways for achieving the stated objectives. They are insufficient in defining clear objectives or the tools companies can use to meet these objectives. Moreover, the documents reflect the relatively naive expectations of the European Commission to

change the functioning of organisations without providing a justification for why such a change is important (Vuontisjärvi, 2006, 331-32). Coupled with the fact that with this and similar instruments (e.g. European Strategy for Sustainable Development, 2001) the European Commission has particularly contributed to awakening the awareness of European organisations about their responsibility in the relationship towards a wider stakeholder pool and taking the responsibility organisations have towards their social and natural environment into account, European policy is in this sense quite inconsistent and, above all, it is impossible to judge the effects and implementations of strategies set in this way since in the second half of 2016 it was still not possible to access comprehensive information on this at the EU level.

Thus, the issue of organisations' motives remains open which, despite the non-binding nature of these documents, at least in Europe, decide to report on ethics. A number of researchers have devoted considerable attention to this topic; one can thus highlight two broadly stated arguments among the most diverse approaches: organisations decide to report on ethics either due to a sincere desire in their own development in this direction, or as a response to the ever more pronounced expectations of various stakeholders that influence the building of the image and integrity of organisations (Morimoto, Ash, and Hope, 2005, 319) and, consequently, their market success. The latter requires a somewhat more detailed explanation, which is also a starting point for understanding the importance of reporting on ethics. García-Marzá (2005, 209-210) refers to the importance of promoting trust between the organisation and consumers (and other stakeholders), also understood as one of the key tasks of reporting on ethics. Trust is based on expectations that can be: (a) general and derive from experience and general knowledge of the natural and social environment; (b) technical, arising from the perception of competences and the ability of an individual or organisation; and (c) moral, which relate primarily to the perception of responsibility that the subject of observation holds in relation to others. All these individuals evaluate on the basis of the information available to them, which presupposes the transparency of information on the functioning of organisations. Here the value of reporting on ethics is the highest since it guarantees the disclosure of information, while allowing stakeholders to create their own assessment of the situation, which also influences their assessment of the role of the organisation in relation to themselves. In this respect, reporting on ethics also means part of the risk management that the organisation can expect. Moreover, as the authors of this work, we support the view that reporting on ethics is also an opportunity to

incorporate the moral dimension into the organisation's activities and decisions. In this regard, the key role is played by activities that lead to the establishment of dialogue and two-way communication with stakeholders, which in the long run also ensures a higher level of trust, the organisation's success and, ultimately, the desired impact on the natural and social environment.

If we return to organisations' motives for reporting on ethics, it is interesting to discuss what influences organisations' decision on such reporting. Parsa and Kouhy (2008) in their study on reporting on ethics among small and medium-sized enterprises find they are in fact not different from major companies in their intention to report on ethics, which has long been considered a fact. This also explains the orientation of European political strategies for the social responsibility of larger and not also small and medium-sized enterprises. Parsa and Kouhy (2008, 356-357) find that, despite alleged financial and time barriers, small and medium companies equally report on ethics as large companies do, and consider reports on ethics as tools for designing and maintaining their public images in an increasingly competitive business environment. The more they depend on external sources of financing, the greater the case, and in any event the latter does not challenge the fact that small and medium companies are also well aware of the benefits of responsible behaviour. This raises a new concern which involves doubt about the true effect of the changed functioning of organisations on their environment and relationships with stakeholders, which is not focused solely on the artificial build-up of the organisation's image without also being accompanied by a qualitative change in how the organisation functions. According to Vuontisjärvi (2006, 344-345), in her research among Finnish companies the reports on ethics she studied were often reported only by their own perceived success based on well-educated and competent employees, but not the organisations' actual commitment to establishing a responsible attitude to them. She partially attributes this to the fact that in the field of reporting on ethics there are no established approaches and criteria to enable organisations to provide a wholesome and comprehensive insight into their functioning and changes based on this, making organisations respond very differently to reporting ethics and presenting a wide variety of (often also defective or selectively chosen) information, which typically do not contribute to the creation of a comprehensive idea of their actual functioning (Vuontisjärvi, 2006, 344). Further, the biased interests of individuals or groups often also affect the implementation of otherwise well-established systems for reporting on ethics (Morimoto, Ash, and Hope, 2005, 319). It is quite clear that

organisations develop various unwanted responses to stakeholder pressures, which are further listed by Hooghiemstra (2000, 56): (1) informing stakeholders about the organisation's purposes in the area of corporate social responsibility; (2) attempting to influence the perception of stakeholders on (negative) activities without altering the actual behaviour; (3) diverting attention by highlighting only the positive activities of the organisation; and (4) attempting to influence stakeholder expectations regarding the behaviour of the organisation. Ethics reporting is often an appropriate tool in the implementation of such strategies, which makes it important to define individual reporting elements in promoting reporting on ethics, while maintaining awareness, and in particular understanding the effects of individual elements on the success of reporting, and thus also qualitative changes in the organisational behaviour (Dickson and Eckman, 2008). In line with the above, the last part of this chapter discusses the elements of reporting on ethics.

Crane and Matten (2007, 199) include the following among the characteristics of ethics reporting:

- *inclusivity*, which presupposes the inclusion of interests and opinions of all stakeholders of the organisation and the establishment of two-way communication for this purpose;
- *comparability*, which ensures a comparison of reports on ethics in individual developmental periods of organisations;
- *completeness*, which refers to the assessment of all organisational activities, not just those areas of activity that contribute to creating a positive image of the organisation;
- *evolution* follows the requirement to promote qualitative changes in the organisation, through the organisation's exposed commitment to learning based on the obtained information;
- *management policies and systems* should also include reporting on ethics, which ensures the long-term commitment of organisations to change;
- *disclosure* should include a transparent information system for all stakeholders that takes account of which information is needed and how it should be presented;
- *external verification* ensures the objectivity of the presented ethics reports and, consequently, a good starting point for establishing one's own vision of the functioning of the organisation from various stakeholders; and

- *continuous improvement*, aimed at achieving the already mentioned actual change in the behaviour and functioning of the organisation in terms of stakeholder expectations.

These characteristics can be detected in a broad range of academic contributions and also provide a starting point for developing concrete guidelines in reporting on ethics (e.g. Global Reporting Initiative Guidelines, GRI Standard 3000, AA1000S, etc.) but, as Crane and Matten note (2007), the way to forming a satisfactory tool in this direction is still very long. The purpose of this chapter was to shed light on the key dilemmas in presenting one of the tools most commonly used for managing ethics but, once again, it is not an exclusive element but should be seen as part of a wider process of ethics management, which should also be involved in managing the organisation as a whole. Having said that, we conclude the debate on ethics management here and continue with the outline of the context for implementing it in organisations.

3.2 Institutional incentives for managing ethics in organisations

Managing ethics is an organisational process that, in the chapters so far, we have attempted to describe to the extent that the process itself allows a clear representation based on a scientific background to be put forward while also allowing the creation of an applied approach that would also satisfy the needs of organisations and management in modern business. It is understandable that considerable attention was devoted to the organisational level which, of course, is not exclusive and, as such, is not immune to environmental influences. This relationship has already been emphasised in the now 19-year-old survey of the position held by Slovenian managers towards business ethics conducted by Janko Berlogar (2000, 221-224) who also identified, as an important element in understanding managerial, organisational and business ethics, the relationship business-state-business partners and competition-consumers-society¹⁶ and, above all, the influence of this relationship with these stakeholders on the ethics of companies and the morality of their managers. In doing so, he highlights the majority belief held by the surveyed managers that the state and society do not give support to moral activity, which places managers in a situation where they feel powerless and compelled to act according to the tendency to survive. Additional pressure in this direction is felt by business partners and competition, although they are largely convinced that compliance with business ethics is a competitive advantage. Further,

the majority of respondents stressed the increasing pressure from consumers regarding the ethics of companies, but also believed the consumer is unwilling to take on business ethics costs and it is therefore something that falls on the companies' shoulders (ibid.). Although this trend is changing, as evident at the level of consumers (in the emergence of increasingly massive market needs for environmentally friendly, sustainable products and services, which also include the imperative of fairness, for example, in fair trade, etc.) as well as at the level of decision-makers, e.g. at the European Commission level, which has explicitly expressed its commitment to ensuring the positive effects of organisations' functioning on the natural and social environment.

It is quite obvious that the understanding and enhancement of ethics management in organisations exceeds the organisational level and requires understanding of those elements that impact the organisation's operations »from the outside«. At this point, the discussion on ethics management will therefore be temporarily focused on the study of external influences. However, we must note the complexity of the organisational environment and the situationally-influenced functioning of modern organisations. For these reasons, in the future, we will pay more attention to those elements that are encouraging (and not necessarily only restrictive) for the ethics of organisations and specifically for ethics management in organisations. The main role here is played by the so-called institutional environment of organisations where direct forms of conditioning of the operations of organisations arise from various guild, consumer, professional, national and transnational organisations. Considering all of the above, as well as the research orientation of this book, the following discussion will chiefly focus on the European institutional environment.

3.2.1 The international environment and Europe

Regardless of the cultural, economic and linguistic diversity of European countries, they may be characterised by the establishment, development and functioning of the European Union and the European Commission as an administrative body, which plays a primary role in shaping policies and practices in Europe. This, of course, also applies to business ethics which, according to Spence and Perrin (2010, 35), in the European context is strongly intertwined with the concept of corporate social responsibility. As they put it: »Semantics and terminology regarding social and ethical responsibility are problematic in the European business world. Areas of corporate social responsibility and ethics in Europe exist in parallel to each other to some extent. In Europe, there is no clear picture

of the meaning or difference between these two concepts« (Spence and Perrini, 2010, 35), which naturally makes it difficult to define unambiguous and clear elements of the influence on organisations and their action in the direction of ethics management. Following their example, in this book we have looked at the study of all institutional incentives that implicitly or explicitly influence the policies and practices of ethics management in European organisations, regardless of the concept that initially directs such initiatives¹⁷. Most come out from the above-mentioned discussions and initiatives aimed at promoting corporate social responsibility, while a smaller share is concentrated directly on ethics management and related organisational processes.

The European Commission includes among its key objectives the enhancement of corporate social responsibility, particularly environmental protection measures (action plans for sustainable consumption and production and sustainable industrial policy, environmental management) and global activities focused on adapting to climate change, with the emphasis being on the design, development and strengthening of so-called sustainable industry, with which the areas of eco-design, eco-industries, etc. are closely connected. We are also talking to an increasing extent about a circular economy based on the principle of prolonging the life of a product, reducing environmental harmful waste in all life cycles and reusing waste. Lying in the background of such goals, there are the already known aspirations for a sustainable and competitive European society, and above all the search for a balance between economic prosperity on one hand and social cohesion on the other. But, as Van Liedekerke and Demuijnck (2011: 35) note, in addition to the dilemmas of the »social« connotation in different cultural and linguistic environments, the concept of sustainable development and economy is one element that slows a more successful development down as well as the assumption of responsibility by companies. The authors note that the concept of a sustainable economy in Europe equates with the responsible behaviour of companies in relation to environmental problems, which is also what organisations and, often society at the normative level, understand as social responsibility, and thus ethics and ethics management in organisations. We shall not try to determine here whether there is a deliberate neglect of wider stakeholder interests in European politics and practices, or an unintended and insufficiently thought-out development of what was planned, but we also draw attention to this in the presentation below of various standards and guidelines that directly or indirectly impact ethics management in organisations: the reader should pay particular attention to the importance attributed by individual documents, tools or practices to the role of

organisations in dealing with socially defined or substantially less pronounced moral dilemmas, and in the design, development and enhancement of ethics management processes within their own systems. The purpose of the structure of this book is to reduce the complexity of the understanding of ethics management, and thus the enhancement of ethics and moral behaviour in organisations, by systematically presenting institutional incentives in Europe.

3.2.1.1 The EU for corporate social responsibility

One of the EU's most visible moves, which has significantly shifted the political and economic stance of EU member states, is certainly the notorious Lisbon Strategy which declares that the European Union must become the most competitive and dynamic knowledge-based economy in the world capable of sustained economic growth, with more and better jobs and with stronger social cohesion (Lisbon Strategy, 2000). At the same time, this commitment marked the beginning of a wider, multi-stakeholder dialogue on social responsibility. In the ensuing years, several documents, guidelines and recommendations were highlighted, included only the voluntary activity of stakeholders, which is also the main counter-argument of the opponents of the so-called policy of promoting social responsibility within the EU. In October 2011, the European Commission published a new, up-to-date Renewed EU Strategy for Corporate Social Responsibility for the period 2011-2014, which underlines the importance of several actions and activities:

- *Strengthening the visibility of corporate social responsibility and the dissemination of good practices:* involving the introduction of a wide range of programmes for cooperation with businesses and other stakeholders on vital social and environmental issues (retail sustainability forum, process of corporate social responsibility in the pharmaceutical industry, forum for dialogue between universities and business etc.), promoting dialogue with businesses and other stakeholders on issues such as employability, demographic change and active aging, and challenges in the world of work, and in particular this dialogue will concentrate on sectoral approaches and the dissemination of responsible behaviour of companies in the supply chain;
- *improving and monitoring trust in companies:* due to the discrepancy between the expectations of EU citizens and the actual behaviour of businesses, methods should be introduced to

encourage trust in businesses. To this end, the Commission has put in place a number of measures focusing primarily on promoting common understanding and expectations through the exposure of a public debate and the conduct of public opinion surveys on the trust of citizens in companies and their relationship with corporate social responsibility;

- *improving the processes of self-regulation and co-regulation*: this presupposes the development of a code of good practice for self-regulation and co-regulation, which should promote corporate social responsibility;
- *improved market rewarding for corporate social responsibility*: focused on improving spending policies, public procurement and investment, and thus on strengthening market incentives for social responsibility;
- *better disclosure of companies' social and environmental information*;
- *continuing integration of corporate social responsibility in education, training and research*: providing financial support for education and training projects on corporate social responsibility in the framework of the EU Lifelong Learning Programmes or Erasmus+ and Youth in Action, and to inform educators and businesses about the importance of cooperation in the field of corporate social responsibility;
- *the value of national and transnational policies for corporate social responsibility*: encouraging local and regional authorities in the »smart use« of EU Structural Funds to support the development of corporate social responsibility, especially small and medium-sized enterprises, and to work with companies to tackle problems such as poverty and social exclusion; and
- *better coordination of the European and global approaches to corporate social responsibility*: the cooperation of the European Commission with the member states, partner countries and relevant forums to promote respect for internationally recognised principles and guidelines, and consistency among them (e.g. OECD guidelines) for the implementation of the guiding principles of the United Nations of entrepreneurship and human rights, and to promote corporate social responsibility in relation to other countries and regions around the world.

By the end of 2016, in line with the guidelines of the EU's Renewed Corporate Social Responsibility Strategy for the period 2011-2014, a wide

range of activities was carried out in the EU, ranging from public debates, research on existing knowledge, educational programmes and seminars to the preparation of draft agreements, proposals to improve existing legislation in the field of public procurement, etc. This approach to promoting social responsibility, however, drew both praise and criticism, the latter by being mostly focused on the enhancement of social responsibility among small and medium companies, which are considered to be significantly different from larger companies and thus the approach should be adapted to them (Van Liedekerke and Demuijnck, 2011; 2012). The planned period was followed by an evaluation of the concrete effects of all these activities, based on which the European Commission planned a new strategy to promote corporate social responsibility for the period 2015-2020. At the end of 2016, the strategy had still not been prepared, and the evaluation of the success of implementing the previous strategy provides only the views of the stakeholders involved on the success of the study under review and some loose pointers for further action. The findings generally show, however, that the European Commission's described efforts had contributed to the greater importance of corporate social responsibility and ethics at the European and national levels of individual member states.

In addition to the European Commission, several other institutions play a role in promoting corporate social responsibility, such as the Organisation for Economic Cooperation and Development (OECD), the United Nations (UN), the European Corporate Social Responsibility (CSR Europe) Network, the European Corporate Governance Institute, an international scientific non-profit association in the field of corporate governance, Transparency International, an organisation for the prevention of corruption, the European Network of Business Ethics (EBEN), the International Association for Business Studies, Economics and Ethics (ISBEE) and many others. All of these organisations have in one way or another helped strengthen social responsibility and ethics among companies themselves by either creating public debates, linking different stakeholders, or introducing more concrete guidelines or even standards designed to increase corporate social responsibility or their moral behaviour. Below, we present some of those that are best established in Europe, explaining those elements of the considered guidelines and standards that, in our opinion, exert the most direct influence on ethics management in companies.

3.2.1.2 *Guidelines and standards for corporate ethics*

3.2.1.2.1 The Organisation for Economic Cooperation and Development (OECD)

The Organisation for Economic Cooperation and Development (OECD) is a vital institution that conditions the operations of European companies. It is an international organisation established in 1961 that aims to promote growth of the global economy through mutual support and assistance, which is shared between 34 member states in the organisation. In this way, it seeks to preserve prosperity and reduce poverty, with simultaneous economic growth and financial stability. The OECD's main activities include monitoring economic progress in the participating countries, preparing projections for short and medium-term economic development, analysing existing data and, finally, developing guidelines, principles and recommendations that the governments of OECD countries introduce into their own systems.

In the area of corporate leadership and management, the most influential OECD documents are as follows: OECD Principles of Corporate Governance (2004; 2008); OECD Guidelines for Corporate Governance of State-Owned Enterprises (2005; 2009); OECD Guidelines for Multinational Enterprises (2000; 2009); and OECD Guidelines on Internal Control, Ethics and Business Compliance (2010; 2013). Below is a presentation of the individual principles we shall analyse later in the book.

OECD Principles of Corporate Governance

These are the principles with which the OECD seeks to establish trust among the different organisational stakeholders and establish an environment of creativity and cooperation in business practices. The principles provide a common platform that OECD countries consider essential for the development of good management practices, but at the same time are not binding and are designed as a kind of accessory, a reference framework that offers various stakeholders (policymakers, business managers, owners...) assistance in identifying goals and finding different means to achieve them. Corporate governance is defined as »a set of relationships between the management of a company, its board, shareholders and other stakeholders. Corporate governance also defines an organisation that supports the goals of the company and tools to achieve these goals and monitors the results. Good corporate governance must give

the board and management the right incentives to achieve goals that are in the interest of the company and its shareholders and ensure effective supervision» (Principles of Corporate Governance, 2003, 11). In the principles themselves, the importance of the legal, regulatory and institutional environment is defined, as well as the influence of the company's business ethics and responsibility on the environmental and social interests of the communities in which companies operate, but the principles themselves relate more to management problems arising from the separation of ownership from control, and hence from the relationship between management and shareholders.

The principles are arranged in six sets relating to: an effective framework of corporate governance, shareholder rights and key ownership functions; the impartial treatment of shareholders; the role of stakeholders in corporate governance; the publication of data and transparency; and the tasks of the board. From the point of view of studying ethics management and ethical infrastructures in organisations, it is important to highlight the following:

- alongside the meaning of laws and regulatory rules, the principles stress the importance of voluntary codes and standards, drawing attention to the importance of clearly defining their status regarding introduction, coherence and sanctioning;
- principles outline measures that balance the interests of different shareholders and the relationship between owners and management, with an emphasis on the equality of treatment of all shareholders, the enabling of all shareholders' participation in decision-making, the transparency of the procedures and rules of the company's operations, and in particular the choice and functioning of supervisory authorities;
- principles require the enforcement of procedures that prevent the misuse of position, use of internal information for their own interests, or linking up with other stakeholders in order to establish their own interests, etc.;
- when considering the role of different stakeholders in corporate governance, the stakeholder group of employees is particularly exposed and should be allowed to participate in corporate management, and all stakeholders should be given access to information on the basis of which they will be able to perform their tasks;
- in addition to the above, the principles point out the usefulness of introducing procedures and secure means of forwarding complaints

from employees, individuals or their representative bodies, as well as other entities outside companies that refer to unlawful or unethical behaviour by businesses or their managers. In this respect, the principles require a company to refrain from discriminatory or disciplinary action against employees or their representative bodies;

- publishing information on all essential business matters, including the financial situation, business, ownership or management, has an important place in these principles. The publication of data should contribute to a better overall understanding of the organisation and the activities of companies, corporate policies and business in terms of environmental and ethical standards and relations with local communities; and
- the principles also define the tasks of the supervisory boards that devote more weight to controlling the efficiency of management and the appropriate earnings of shareholders, and the possibility of the emergence of a conflict of interest, parallel to the supervision of systems that take care of the company's operations in accordance with applicable tax legislation, competition, rights arising from work, the environment, equal opportunities, health and safety. Here, the principles emphasise the responsibility of the supervisory board to the company and shareholders, but also the responsibility to act in their best interest, which implies fair treatment of the interests of other stakeholders and the respect of environmental and social standards.

OECD Guidelines for Corporate Governance of State-Owned Enterprises

The OECD Guidelines for Corporate Governance of State-Owned Enterprises (hereinafter: the Guidelines) were derived from the OECD's perception that state-owned companies in many OECD countries still account for a large proportion of GDP, employment and market capitalisation. This fact and frequent reference to OECD member countries by non-OECD members has spurred initiatives to prepare a set of non-binding guidelines and best practices in the corporate management of state-owned companies. The Guidelines should therefore be understood as complementing the OECD Principles of Corporate Governance, which also constitute the basis for their preparation. As emphasised in the text of the Guidelines: »The problems of corporate governance of state-owned companies are in principle based on the fact that the responsibilities for the

operations of these companies are dispersed in a complex chain of representatives (management, the board, proprietary bodies, ministries, government) without clear and easily identifiable principles. Organizing this complex network of responsibility to ensure effective decision-making and good corporate governance is a real challenge« (OECD Guidelines for Corporate Governance of State-Owned Enterprises, 2009, 16).

As stated above, the Guidelines are designed on the basis of the OECD Corporate Governance Principles and follow both their structure and content. Below, we highlight those elements specific to state-owned enterprises that are not explicitly exposed in the OECD Corporate Governance Principles:

- the focus of the Guidelines is mostly on the role of the state as the owner of enterprises, which is otherwise responsible for the preparation and publication of proprietary policy, while at the same time it must provide full autonomy to the managers of state-owned companies;
- the state as the owner must allow the boards of state-owned enterprises to be independent and allow them to carry out their tasks, paying more attention to situations where conflicts of interest may occur: the Guidelines include the assessment and preparation of instructions for dealing with and addressing such situations, they also require the independence of committees in relation to political influences;
- a particularly important element of corporate governance at the state level is the definition of the personal responsibility of the members of the committees and of the responsibility of the state, which is subject to the code of ethics which regulates the publication of information on the ownership of board members and instructions for dealing with confidential information provided for the country by the members of the committees;
- the Guidelines also define the attitude to shareholders (in particular the protection of minority shareholders) and other stakeholders, highlighting the recognition and respect of their rights, based on laws and mutual agreements, an important element in ensuring successful corporate governance of state-owned companies is yet again the informing and reporting on their relationships with stakeholders or the so-called active policy of communication and consultation;
- the Guidelines also include the requirement to recognise the responsibility of state-owned enterprises to all stakeholders and the

requirement to report their relationship to these stakeholder groups: »The stakeholders must be legally entitled to recover compensation for cases of violation of their rights. Employees must be allowed to freely inform the committee of the observations of illegal and unethical behaviour, for which their rights cannot be endangered« (OECD Guidelines for Corporate Governance of State-Owned Enterprises, 2009, 48). And still: »It is necessary to allow the development of mechanisms to encourage employees to participate when relationships with stakeholders prove to be important for society« (ibid.);

- reports of stakeholder relationships should include information on social and environmental policies every time state-owned companies pursue such goals. »To this end, they can rely on best practices and take into account the guidelines on the publication of data on social responsibility and environmental responsibility« (OECD Guidelines for Corporate Governance of State-Owned Enterprises, 2009, 49);
- the guidelines also require committees of state-owned enterprises to prepare, implement and communicate programmes of compliance with internal ethical codes, which must be based on national norms of behaviour, in line with international obligations and put into practice in the enterprise and its subsidiaries. »The code of ethics should include guidance on procurement procedures, as well as specific mechanisms to protect and encourage stakeholders, in particular employees or their representative bodies, to report on the illegal or unethical behaviour of company directors« (OECD Guidelines for Corporate Governance of State-Owned Enterprises, 2009, 50), which also implies that systems be established that provide such employees with protection and security. According to the Guidelines, ethics codes should also include disciplinary measures for reported assumptions that have proved to be unjustified and malicious, reckless and disturbing.

OECD Guidelines for Multinational Enterprises

The OECD Guidelines for Multinational Enterprises (hereinafter: the OECD Guidelines) are a document based on the OECD Declaration on International Investments and Multinational Enterprises. The latter reflects the values and standards that are an important component of general corporate social responsibility, as understood by OECD members which, as already pointed out, have the greatest influence on the creation of ethics

processes and systems in organisations. As stated in the introduction of the OECD Guidelines, they are »the only and unique multilateral act for the global enforcement of OECD standards for socially responsible behaviour of companies« (OECD Guidelines for Multinational Enterprises, 2009, 6). While other documents and acts (including the internal value systems of organisations and the rules of moral action that organisations establish for employees) focus on individual areas or aspects of conduct, the guidelines »are attributed the nature of the emerging international customary law in the field of social responsibility of corporate enterprises, together with other international (conventional) bases« (ibid.). Moreover, »Guidelines are a comprehensive and general code of responsible behaviour of multinational companies, which complements domestic law« (ibid.), but only constitute a morally binding document for companies and are also mandatory for a government that has undertaken to comply with the legal order of the OECD. Another of these commitments is the establishment of national contact points aimed at implementing the Guidelines in individual OECD member states and raising awareness of their content. Further, »the goal of the national contact points is to ensure that businesses get acquainted with /.../ the Guidelines and respect them irrespective of the territory in which they operate. They also stimulate designs and adopting their own internal system of values. They are also /.../ a kind of mediation body that enables the handling of received complaints on non-compliance with the Guidelines« (OECD Guidelines for Multinational Enterprises, 2009, 6).

As the title of the document itself says, the OECD Guidelines relate to the functioning of companies, operating in several countries. In spite of this, the OECD Guidelines also greatly underline the applicability of the provisions on the functioning of businesses in the local environment. In accordance with the concept of social responsibility, the OECD Guidelines highlight the importance of the impact of multinational enterprises on the development of the global economy, as well as their impact on the environment of domestic and host countries. The dominant instrument of the OECD Guidelines, which directs business operations, is to highlight existing and create new good practices in the area of sustainable development with the aim to achieve the coherence of social, economic and environmental goals. In line with the above-mentioned OECD Guidelines, they highlight the following:

- the orientation of companies to economic, social and environmental progress in order to achieve sustainable development;

- taking into account the impact of business operations on one's own environment, which refers to respect for human rights, the development of local capacities, the enhancement of human capital development, non-discrimination, and the encouragement of business partners, suppliers and subcontractors to respect the principles of the company's conduct;
- developing and applying effective self-regulation and management systems that promote trust and mutual respect between businesses and the social environment, as well as within companies themselves. The latter involves encouraging employees to raise awareness of the company's policy and training towards the principles of the OECD Guidelines and to eliminate and prevent discriminatory and disciplinary practices against so-called whistleblowers and employees who draw attention to unlawful and immoral practices of the company;
- the importance of transparency and disclosure of information about the company and its operations, which must be timely, regular, reliable and relevant, with this informing also referring to providing access to information for appropriate (co)decision-making (to either shareholders or employees and their representatives); and
- in addition to the use of high standards of disclosure, accounting clarity and revisions, the need to apply high-quality standards for non-financial information is emphasised, such as, reporting on environmental and social aspects. Companies are also encouraged to communicate additional information relating to information on the company's social, ethical and environmental policies and other codes of conduct adopted by the company, information on risk-management systems and the legality of activities and statements or codes of conduct and information about company relationships with employees and other stakeholders.

The OECD Guidelines focus in more detail on the following areas of a company's operations:

- employment and employer-employee relations, with a stress on the rights of employees and their representatives, the need to provide conditions and information, and the enhancement of consultations and cooperation between employers and employees needed for the success and effectiveness of negotiations on the conditions of employment and, thus, contracts, the contribution to the elimination of child labour and all other forms of forced or compulsory labour,

non-discriminatory practices and the orientation towards employing the local population. In this context, the need to cooperate with the host country is particularly emphasised in mitigating the potentially harmful consequences of the company's activities or decisions;

- the attitude of the company to the physical, natural environment, emphasising the need to establish and maintain the company's environmental management systems, informing the public and employees about the possible impacts of the company's operations on the environment, health and safety, training of employees and general and professional public on health and safety, the preparation of an appropriate judgement on the environmental impact of the company, the establishment of emergency-response systems and the need for continuous efforts to improve entrepreneurial environmental performance;
- the company's contribution to the fight against bribery, which includes an indication of the various practices considered by the OECD Guidelines as unfit (e.g. bribes, employee benefits or agents, extortion...), measures to promote awareness of both employees and the general public, and the creation of control systems over management;
- taking consumers' interests into account, in relation to which companies should operate in accordance with the practice of fair business, marketing and advertising, and to implement reasonable measures for the safety and quality of goods or services;
- the field of science and technology, regarding which the OECD Guidelines encourage companies to contribute to the development of local and national innovation capabilities, the adoption of practices that enable the transfer and rapid deployment of technologies and knowledge in the host countries, to promote the long-term development potential of the host countries and maintaining contact with local institutions of knowledge with the intention of integrating them into the economy;
- the attitude of the company to competition, where the OECD Guidelines point out as an inappropriate practice the conclusions or implementation of anti-competitive agreements between competitors, and underline the importance of the compliance of companies' performance with valid competition law legislation. In this respect, companies should also cooperate with competition protection authorities and promote employee awareness of the importance of respecting existing competition law and policies; and

- the importance of companies' contribution to the public finance of the host countries through the timely fulfilment of their tax obligations.

OECD Good Practice Guidance on Internal Controls, Ethics, and Compliance

The OECD Good Practice Guidance on Internal Control, Ethics, and Compliance (hereinafter: OECD Guidance) was approved by the OECD in February 2013 in response to efforts to detect and reduce economic crime or corruption. These are recommendations that companies take into account voluntarily, and relate to the establishment of organisational systems that enable continuous assessment, checking and adjusting of circumstances in organisations that could influence internal control, ethics and compliance in business activities. In line with the guidelines, these systems contain the elements below:

- strong, explicit and visible support and commitment to the OECD Guidance of the leading managers in the company;
- a clearly articulated and visible policy of companies that prohibits bribery;
- the exposed responsibility of individuals at all hierarchical levels in companies to operate in accordance with the revealed corporate policy and internal control systems, ethics and business compliance;
- the reporting on ethical and business compliance programmes is the responsibility of one or more leading, autonomous managers;
- programmes for internal control, ethics and compliance of functioning, which refer to all leaders, employees and all organisational units of the company, and cover the following areas: gifts, costs for co-sponsored representation, official charnels, contributions to political parties, donations and sponsorship, etc.;
- enforcing the requirement for compliance with the OECD Guidelines also in relation to business partners, consultants, representatives, subcontractors and others involved with the company;
- the implementation of a transparent reporting system that relates to internal control, fair business, data transparency;
- ensuring continuous communication and training of employees at all hierarchical levels in the company and in all branches and

organisational units, in the field of ethical programmes and business compliance programmes;

- planning and implementing a system of disciplinary procedures in case of violation of the law or control systems, ethics or compliance of the company;
- providing a system of reporting on possible anomalies, detecting illegal or immoral activity in the company, and providing protection, internal counselling and support for employees reporting such anomalies; and
- constant evaluation of control systems, ethics and business compliance in the company with the aim of improving them.

The OECD Guidance also devotes an important role to promoting and enforcing principles in the professional community of companies to business organisations and professional associations that could offer support to businesses, especially small and medium-sized enterprises, in developing effective programmes and systems for internal control, ethics and business compliance. It is support for the dissemination of information on economic corruption, in particular bribery, the organisation of various international and regional debates, the collection of data, the organisation of different supporting instruments (training, anti-bribery activities, etc.), counselling and other forms of support.

To summarise, all of the presented OECD documents together constitute an important incentive for corporate social responsibility, which also influences corporate ethics management systems, with the OECD Corporate Governance Principles and the OECD Guidelines for Corporate Governance at State Level highlighting the responsibility of supervisory authorities or their members, while the OECD Guidelines for Multinationals and the OECD Good Practice Guidance on Internal Control, Ethics and Compliance emphasise the importance of designing ethical management systems that promote accountability at both the level of the organisation and of individuals. In doing so, the latter in particular stress a comprehensive ethics management system, while the OECD Guidelines for Multinationals focus somewhat more on the code of ethics as an instrument for ensuring the responsible behaviour of the company and its members.

At the same time, none of the presented corporate documents obliges legal compliance with the principles and guidelines they are applying, yet these are binding on the governments of OECD member states which approach the principles or guidelines and their related development in different ways and at different intensities. All of these documents also

emphasise the importance of protecting whistleblowers and the role of informing and communication in providing the possibility of (co)decision-making or judging for different stakeholders and the transparency of the information presented.

3.2.1.2.2 The United Nations (UN)

The United Nations Organisation (UN) is an international organisation whose main purpose is the preservation of world peace and security, the development of friendly relations between countries and the enhancement of social development, better living conditions and human rights. Although the organisation, which was founded in 1945, is chiefly known for its role in preventing international conflicts and humanitarian aid, it also boasts an extremely diverse network of professional organisations that organise and promote development in a wide variety of fields: from the enhancement and maintenance of human rights to promoting sustainable development in the economy, society and the environment. The importance given to the UN's economic and social development is particularly evident in the establishment of a special decision-making and executive body called the UN Economic and Social Council, which operates within the UN General Assembly and coordinates activities to promote economic and social development. To this end, the UN Economic and Social Council works with a large number of specialised agencies and other relevant organisations operating within or in cooperation with the UN (such as the International Labour Organisation) and which are, through their activities, the main factors influencing the operations of companies in the national and the international environment. In order to promote the involvement of economic operators in addressing global problems, the UN has put in place a number of instruments that offer a strategic orientation and an opportunity for effective functioning, while respecting the principles of the UN. One of these is the Global Compact programme, which is to be presented along with some other documents relevant to the study of ethics management.

The United Nations Guidelines on Business and Human Rights

As mentioned, the scope of the UN is very broad, although considerable attention is placed on the issue of economic and social development; the UN understands both of these as being interconnected and interdependent. From several documents, deeds and strategic orientations of the UN we reviewed while analysing the secondary sources, an understanding

emerges that the role of companies in the UN's perspective goes beyond their economic responsibility. Above all, this responsibility is all the more visible (and demanded) with transnational, global organisations, which are also important for maintaining and promoting respect for human rights. The area traditionally applied to the domain of governments is also being transferred to business practices and to companies as the bearers of responsibility for social, local, national and wider development due to globalisation and rising demand for sustainable development. This is about assuming the role of a corporate citizen which, in line with the United Nations' views, companies are doing in a global context. In this respect, the UN has also made significant efforts to develop clearer guidelines or global standards that directly link the field of human rights management to the functioning of the economy. In 2011, the UN General Assembly endorsed the Guidelines on Business and Human Rights (hereinafter: the UN Guidelines), which help with implementation of a wider UN initiative entitled »Protect, Respect and Maintain«. In this document, the UN points out and defines a wider dilemma on the interlacing of the role of governments and (international) companies in respecting human rights and the importance of coordinating their action in the pursuit of the maintenance of human rights. From the viewpoint of the orientation of this volume, below we present only those activities that directly relate to the role of business and companies in so doing:

- businesses must respect human rights, regardless of the relationship shown by the host country in this area, whereby the minimum level of human rights is determined by the universally accepted Universal Declaration of Human Rights;
- accountability for human rights is reflected in the efforts of businesses to not contribute to the violation of human rights; companies should also be aware of the inadvertent, indirect effects of their actions on the respect for human rights. Responsibility defined in this way should also be transferred by the company to its stakeholders (employees, subcontractors, suppliers, business partners ...);
- the requirement of respect for human rights applies to all companies irrespective of size, sector, operating context, ownership or organisational structure; nevertheless, it is assumed businesses' contribution to the respect for human rights may vary according to these characteristics;

- the UN Guidelines recommend establishing clear organisational policies that play an important role in respecting human rights, procedures for ensuring the latter, and sanctioning any violations;
- such policies must have the clear support of the company's leaders, appropriate information and communication systems must be launched with internal and external stakeholders of the company, with the intention of internalising and raising awareness of the company's policy on human rights, and it is important these policies are linked to all operational policies and practices;
- the UN Guidelines also recommend introducing some other instruments to promote respect for human rights, such as employing human rights professionals in the company and providing advice on possible conflict situations and support for vulnerable groups within the company;
- a company needs to set up a system that allows monitoring, evaluation and complementing of the company's policies and practices concerning human rights. Monitoring the efficiency and effectiveness of such a system should include both qualitative and quantitative indicators, while providing the possibility for feedback at all levels of the organisation;
- one of the most explicitly exposed requirements in the UN Guidelines is for formal reporting on the company's policies and practices in relation to human rights, especially where one or more stakeholder groups warn of the possibility of the company interfering with human rights. At the same time, the UN Guidelines emphasise the importance of transparency in the functioning and informing of stakeholders and protection of whistleblowers; and
- where a company's functioning has caused or affected the violation of human rights, the company must do its best to help improve this situation.

From the viewpoint of dealing with companies' functioning with regard to respect for human rights, the UN Guidelines may be seen as an important document complementing the most important international human rights legal acts and providing support to businesses in the conscious conduct of human rights, including at the systemic level. It is a contribution to a clear definition of corporate social responsibility which highlights people and respect for them or their rights as a key element of the business, whether the relationship with employees or in relation to others, including external stakeholders. The latter is also perceived by the European Commission which, by taking the statements made in the UN

Guidelines into account, has made a serious attempt to address the potential negative impacts of business on the respect of human rights. By involving both the general and professional public, the European Commission in cooperation with the Institute for Human Rights and Business (IHRB) developed guidelines for the operations of companies in three sectors: employment and recruitment, information and communications technology, and the oil and gas industry. It is a kind of tool containing structured recommendations for businesses wishing to introduce elements mentioned in the UN Guidelines. The European Commission also devotes special attention to implementing the recommendations of the UN Guidelines concerning small and medium companies, which feature predominantly in European countries and which, despite their small size, can have a significant impact on respect for human rights. For this reason, in cooperation with GLOBAL CSR and BBI International, the European Commission prepared the handbook »My business and human rights«, which includes structured recommendations for small and medium-sized companies that recognise respect for human rights as one of their key values; it has also offered other tools to help and support businesses in this field. All of the above recommendations of the European Commission include a definition of the importance of companies respecting human rights and the reasons for companies to do so. Taking their specificity into account, the recommendations offer companies a possible way to systematically put in place organisational processes that promote and maintain respect for human rights. The following recommendations deal with several situations in business that can prove to be morally ambiguous for companies; they state moral issues that require reflection and reaction by such companies in such situations; they also illustrate some examples of immoral practices and the possible reactions of businesses that in the given situations are seen as more appropriate. As mentioned, all of these recommendations provide a good tool for companies seeking to focus more on their role and influence on the economic and social environment, although one can doubt the effectiveness of such instruments in the setting where companies have little awareness in this regard.

In 2015, the European Commission prepared an overview of activities for implementing the UN Guidelines across the EU. The report shows progress has been made in the area of human rights in companies, particularly in terms of raising companies' awareness of their role and disseminating information on the recommendations and tools that are available. In spite of this, there remain many unresolved dilemmas that may directly help ensure human rights are maintained in the business

framework, among which greatest emphasis is on the importance of introducing appropriate instruments into criminal law so as to enable the appropriate detection of those business activities that are falling short and the related sanctions.

Universal principles of the Global Compact UN

Within the UN framework, a special global initiative called the Global Compact UN was set up in 2000 aimed at promoting social responsibility and the sustainable development of economic operators. It is an initiative joined by more than 5,000 companies and non-governmental organisations around the world seeking to actively participate in co-shaping a socially responsible and sustainably oriented business world. One of the initiative's more recognisable instruments is a set of 10 universal principles that supporters of the UN Global Compact are trying to extend to all business activities in the world. These are principles relating to the functioning and attitude of businesses with regard to human rights, labour standards, the environment, transparency, and anti-corruption activities. Under the UN paradigm and its orientation for achieving and preserving prosperity and peace, the UN Global Compact supports the idea that it is based on business, commerce and investment, which are often associated with serious moral dilemmas. The UN Global Compact is set up with the aim of developing and promoting responsible business on a global scale which, along with the potential for solving these moral dilemmas, has the capacity to build and strengthen trust and social capital, thus contributing to both wider social and market development according to the principles of sustainable development. The UN Global Compact aims to achieve these goals by engaging various instruments such as political dialogue, learning, local networking, cooperation projects, etc., among which mainly the above-mentioned universal principles stand out, as presented below:

1. principle: the economy should support and respect the protection of internationally proclaimed human rights;
2. principle: ensure that it does not participate in the abuse of human rights;
3. principle: the economy should maintain freedom of association and effectively recognise the right to collective bargaining;
4. principle: eliminating all forms of violent and forced labour;
5. principle: effective abolition of child labour;
6. principle: the elimination of discrimination in the field of employment and occupation;

7. principle: the economy should support a preventive approach to environmental issues;
8. principle: to provide incentives to promote greater environmental responsibility;
9. principle: to promote the development and dissemination of environmentally friendly technologies; and
10. principle: to work against all forms of corruption, including extortion and bribery.

Guidelines of the International Labour Organisation

The International Labour Organisation (ILO) is a specialized agency of the United Nations that was established in 1919. It aims to promote social justice and internationally recognised human and labour rights. The ILO's main purpose is to promote and facilitate the development of decent work and economic and working conditions that ensure peace, prosperity and progress for people. The organisation aims to promote labour rights, decent employment opportunities and strengthen social protection and dialogue related to various aspects of the field of work. The latter is also defined by the four strategic goals of the ILO and the related activities:

- enhancement and creation of standards and basic principles and rights at work;
- creating greater opportunities for decent work and earnings for both women and men;
- strengthening the scope and effectiveness of social protection; and
- bolstering the tripartite and social dialogue between governments, employers and employees.

The ILO offers professional support, training and research and has accumulated of knowledge about the working world by actively participating in the design and enhancement of international standards, guidelines and programmes that influence the preservation and development of basic human rights, the improvement of working and living conditions and strengthening of employment opportunities. Among the more influential guidelines are the Declaration on Fundamental Principles and Rights at Work and the Tripartite Declaration on Principles Concerning Multinational Enterprises and Social Policy (1977; 2000). Both documents emphasise the importance of the global implementation of minimum social standards that relate to work and working conditions. The Declaration on the Fundamental Principles and Rights at Work is

more general in this respect and highlights the importance of the free association of organisations that wish to help implement these standards and to provide opportunities for collective bargaining. It also talks about the elimination of forced labour, child labour, and discrimination in work and employment. These values also form the basis of the Tripartite Declaration of Principles Related to International Business and Social Policy, which is increasingly devoted to the role of multinational companies and their impact on the environment in which they operate. In doing so, it emphasises the adherence of multinational companies' operations to national legislation, international standards and voluntary commitments, and the coherence of their functioning with the social objectives and structures of the countries in which they are hosted. The Tripartite Declaration of Principles Related to International Business and Social Policy focuses on productive and satisfactory employment and a free choice in this regard. Multinational companies play a major role in the design and provision of employment opportunities and standards in the countries where they are hosted, and their role is directly linked to the role of governments that need to work with multinational companies while ensuring equal treatment and job opportunities, job security, and promoting vocational training and career guidance. Building a socially responsible social policy is one of the more important tasks of every government, and multinational companies must take this into account in their work and follow other national and international recommendations and standards concerning the determination of wages, working conditions, benefits and other aspects of employment and work. Thus, in the Declaration on Basic Principles and Rights at Work, and even more so in the Tripartite Declaration of Principles Related to International Companies and Social Policy, the importance of industrial relations or the possibility of combining and organising workers for the purpose of participating in formulation of the aforementioned aspects of work and employment is emphasised. Neither Declaration is binding on its members, but they are implemented voluntarily. Notwithstanding this, the structure of the ILO provides a starting point for the evaluation, monitoring and subsequent adaptation of existing standards at the level of individual member states.

The orientation of the UN and its affiliates or the organisations under its auspices is very wide. The UN devotes considerable attention to issues of both economic and social development, understood as interconnected and interdependent. Particular attention is paid to promoting and preserving human rights as a virtue of and in itself, as well as by highlighting the relationships between different actors that can influence them (for example, multinational corporations). Both the UN and the

previously discussed OECD emphasise the importance of developing the economy in interdependence with social development, but there is at least one major difference between them. The UN approach emphasises economic development as the basis for preserving prosperity and peace, which presupposes a kind of humanistic approach to addressing this issue, and the latter is also reflected in the tools and principles implemented by the UN. The OECD approach takes a somewhat more utilitarian attitude: while emphasising the responsibility of organisations to their environment and stakeholders, it also maintains a high degree of focus on company performance. In this sense, the activities of the OECD are also set. Further, the guidelines provided by the UN for companies are focused on the area of broadly defined corporate social responsibility, with an emphasis on the economy's contribution to preserving and developing welfare and peace around the world, but these remain at a normative level and cannot be seen as intended for providing principles to be implemented in the day-to-day practices of companies.

3.2.1.2.3 International Organisation for Standardisation

The International Organisation for Standardisation (IOS) is one of the world's largest organisations that develop, shape and implement business performance standards. These are the so-called ISO standards, among one finds the ISO 26000 (included in 2010) in the area of corporate social responsibility. Although not intended exclusively for private companies and refers to other organisations, it is one of the most established standards in Europe that affects the systemic level of organisations in their regulation of ethics. Although the ISO 26000, compared to other rest of the standards, is somewhat specific by providing guidelines and recommendations, but not the necessary conditions and requirements a company must fulfil in the certification process. It is intended for companies wishing to contribute to sustainable development through their activities, which also includes a concern for the wider, and not just the natural, environment. It provides organisations with guidelines on social responsibility and aims to foster a common understanding in the area of corporate social responsibility. It is designed for use regardless of the location or size of the organisation, and defines the following:

- the concept, conditions and definitions relating to social responsibility;
- the context, trends and characteristics of social responsibility;
- principles and practices that point to social responsibility;

- basic topics and issues of social responsibility;
- the integration, implementation and enhancement of socially responsible behaviour within an organisation via its policies and practices and within the area of the organisation's impact;
- identification and cooperation with stakeholders; and
- reporting information on corporate social responsibility.

The Standard defines seven areas of corporate social responsibility:

- management of the organisation;
- human rights;
- work practices with employees, including employment and employment relations, working conditions and social security, social dialogue, health and safety in the workplace, human development and workplace training;
- the natural environment;
- fair practice, where it focuses on anti-corruption practices, responsible political involvement, fair competition, the enhancement of social responsibility in the value of the chain, respect for proprietary rights;
- the attitude to consumers; and
- involvement in the local environment and its development.

The ISO 26000 standard includes a systematic and above all pragmatic approach to the practice of the organisations that follow it, which also highlights the practices of social responsibility and the need to consider the implementation of individual guidelines in the specific practices of organisations. In doing so, it emphasises a holistic approach to addressing social responsibility which involves both recognising the concept and integrating it into organisational practice, and the importance of involving different stakeholders in this. The most important elements of the standard include the guidelines on the integration of social responsibility within the organisation and its systems and processes, such as: identifying and understanding the socially responsible functioning of a specific organisation, integrating this responsibility into the organisation, communicating on social responsibility, building the organisation's credibility in conjunction with social responsibility, tracking progress and improving performance, and evaluating voluntary initiatives for social responsibility. Colle, Henriques and Sarasvathy (2013) evaluate the standard as being adequately designed and sufficiently applied in business, although they also point to the paradox of standardisation, which can lead organisations

to a high level of engagement in implementation of a standard when at the same time they fail to achieve the set objectives, even bringing potentially damaging effects for the enforcement of individual standards. ISO 26000, however, is classified as a processual and general standard that focuses on the organisation's management process, highlighting general issues, but not also to the extent that they relate specifically to individual organisations. In that respect, they draw attention to the criticality of organisations in implementing such standards, particularly in relation to: (a) established criteria that measure the development of a particular field; (b) responsibilities at the level of the organisation and at the level of individuals; and (c) the attention of employees, which can be focused to a greater extent on tracking the rules arising from the standard than in the actual attitude to stakeholders, which is actually the purpose of enforcing the standard.

The standard described is only one of many, some of which have already been mentioned in the previous chapters, and many more of such initiatives can be found on the global level (e.g. the SA 8000, AccountAbility 1000, Global Reporting Initiative, Social Venture Network Standards of Corporate Social Responsibility, The Global Sullivan Principles, Ethical Trading Initiative, Responsible Guidelines, etc.). For the purposes of this book, the study of these will be limited as we wish to primarily show the specific characteristics of the field in Europe. From the aspect of dealing with ethics management and institutional impacts on the latter, we find the lion's share of the relevant guidelines is characterised by a normative approach that stresses the importance of individual areas and determines the expected attitude of organisations towards these and, to a smaller extent, the guidelines and standards that also define organisational systems and processes. In the book, we do not support approaches aimed at generating general instructions and procedures since we believe in the situational character of organisational ethics and emphasise the uniqueness of the functioning of each organisation for itself. Notwithstanding this, by observing the established guidelines and standards, at least in the European context, we can detect the lack of commitment of the organisations responsible for implementing them in business. This relates to the fact that, despite the great extent of professionalism and engagement in the development of guidelines and standards, the latter often disappear in business, largely also due to insufficient emphasis on information and training for companies with the biggest role in implementing such guidelines and standards. Despite lacking any more detailed research on this situation, we dare to assert that of the companies engaged in the direction of greater social responsibility, many are at the beginning,

characterised by a high level of social responsibility. If this is true, it is then inevitable that greater attention and effort should be invested in those companies that do not think about social responsibility and do not see it as part of their operations. This also implies stronger engagement in the direction of motivating such companies, of course by way of the continuous activity currently taking place at the levels of the formulation and implementation of guidelines and standards of social responsibility.

3.3 At the end of the third chapter

We started the chapter by defining the classification of diverse concepts encountered when considering the ethics of organisations and the moral conduct of their members. On this basis, in the rest of the chapter we focus attention on ethics management, which is the management of systemic incentives for moral actions in organisations, and presupposes the establishment of formal and informal systemic leverage (so-called ethical infrastructures) for promoting and developing ethics and moral behaviour within the organisation, policies, practices and programmes as well as through the organisation's ethical content. Moreover, by presenting different models and elements of ethics management and institutional incentives for ethics management in organisations at the national level, and wider, we try to draw attention to some key findings that in our opinion are important for any theoretical and practical treatment of ethics in organisations. These are the following:

- Ethics management is a framework for ethics and moral behaviour in organisations. The vital task of ethics management is to provide systemic enhancement for the latter which, in turn, enables a balance of different stakeholders' interests in a specific situation. In so doing, it is essential to remain aware that ethics management is also part of organisational processes that, together, enable the attainment of organisational goals.
- Ethics management, along with the formation of circumstances that influence the development of moral activity in the organisation and stimulates it in this way, also establishes elements of control or forms of regulation of organisational behaviour and behaviour of members of the organisation. It is a form of indoctrination in which we inevitably encounter the moral dilemma of interfering with the rights of individuals, which can be caused by a conflict of interest between individuals and the organisation. We are talking about the so-called paradox of ethics management, a dilemma for which we

did not find a definitive answer, but we nevertheless note is one of the most important considerations when faced with the responsible task of establishing ethics management in organisations.

- A vital principle in ethics management is to be aware that even with efficient system solutions, situations that do not fit with such solutions are inevitable. In these situations, the independent moral judgment and functioning of each individual member of the organisation is expressed, making it necessary for ethics management to rely on an extended understanding of moral behaviour and also define systemic leverage that stimulates this kind of individual response. A key factor in this noted in our book is the reflection on the enhancement of so-called moral imagination, innovation in solving moral dilemmas, the individual's ability to recognise moral dilemmas and react appropriately, even though the solution is not yet known, prescribed or even standardised. It is a competence that can be gained if the organisation provides the appropriate system incentives for it and form a habitus where appropriate decisions are taken as a part of professional ethics and ethical climate as a part of organizational culture.
- When understanding the moral imagination and its importance in promoting the moral behaviour of organisational members, it is also necessary to consider the organisation's strategy and approach to managing ethics at the level of the entire organisation, not just at the level of individual groups within the organisation. Attention is drawn to the attitude that organisations actually present regarding ethics, the role they attach to it in the context of organisational processes and the tools they incorporate in ethics management. The significance of this kind of reflection is shown in the fact that moral action is often performed on an unconscious level, and that the enhancement of moral action also depends largely on informal systems in ethics management. For several reasons, these are usually given less attention, among which the most obvious fact is that the establishment and development of informal systems is more difficult to control, and it is also difficult to measure their effects.
- An important element for success with ethics management in organisations is the support provided by management teams in the organisation: leadership of the organisation and middle management. It is not just a matter of approving this process in principle in the organisation, but supporting it with its own

activities, a publicly expressed demand for the realisation of activities that help promote moral activity in the organisation. In addition to the already expressed need to consider ethics management as a key process within the organisation, it is necessary to maintain a systemic approach in organisations that requires consistency with the existing and established processes in the organisation, especially those oriented to achieving the organisational goals. In managing ethics, it is necessary to strive for the integrity of this function that takes account of the complex nature of organisational processes and accordingly also adjusts the tools it uses.

- When the organisation reaches a certain degree of readiness to implement ethics management system, it is essential to pay attention to the degree of standardisation that is to accompany this process. As shown, the danger of generalisation and non-critical transfer of the offered solutions and models is great, making understanding of the importance of the moral dimension in the organisation, especially among management groups, even more important. At the same time, this is also the reason the focus of the organisation of ethics must also be complemented by the organisation's desire to add purpose to the moral dimension, adding so-called ethical content to the ethical infrastructure.
- Institutional initiatives for companies, mainly representing national context and beyond, the EU context in the variety of national, EU and international organisations, most notably the Organisation for Economic Cooperation and Development (OECD) and the United Nations (UN), are very important for encouraging companies to reflect on their role in promoting the ethics of companies and the moral behaviour of their members. An overview of the most visible guidelines, recommendations, instruments and tools in the EU shows a wide range of services is available in this field, which is positive in terms of achieving the greater awareness of companies about their role in the design of ethical business practices, and somewhat less encouraging in terms of offering concrete tools to achieve the latter. In the chapter, we also underline the inadequate approach that entails addressing organisations which already basically express greater awareness in this field. We assume there is still a large group of companies and other organisations that do not deal with such issues that therefore remains outside the institutional stimulus described above. This group should be addressed with greater intensity in the future.

CHAPTER FOUR

ETHICAL INFRASTRUCTURE AS A FACTOR IN ENHANCING THE MORAL BEHAVIOUR OF MANAGERS

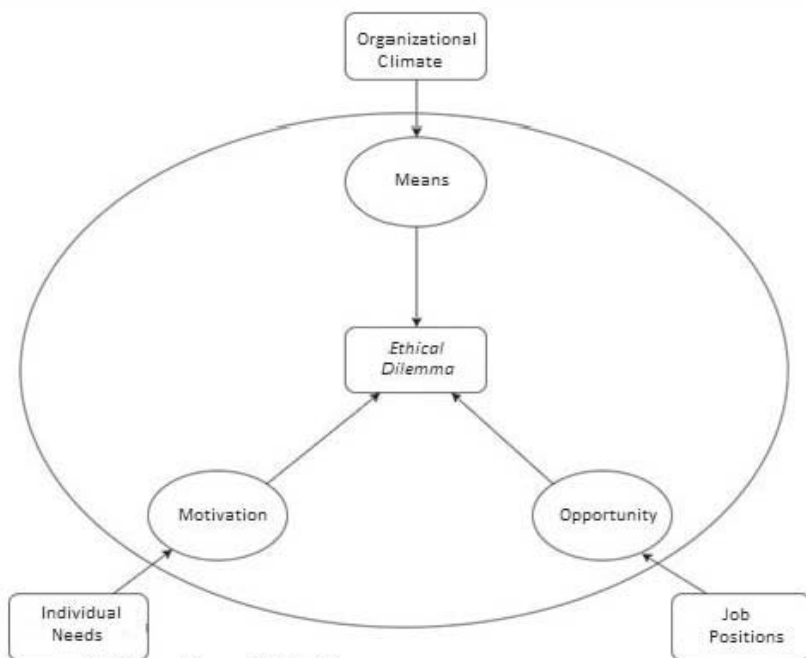
The chapters presented so far have largely focused on interpreting various concepts we encounter while dealing with ethics and moral behaviour in organisations. We proceed from the desire to offer the reader concrete starting points for radically reflecting on the widest range of factors that are (in)directly related to the above-mentioned topic, thus enabling the reader to create their own view of the individual aspects we have outlined. In this chapter, we want to make the latter even more tangible and therefore devote the fourth chapter to discussing individual elements, i.e. ethical infrastructures and formal and informal leverage, that help promote and develop ethics and moral behaviour within organisations. While considering the existing resources, we have determined that the direct impact of ethical infrastructures on management's behaviour is not given focused attention. Hence, we draw mainly from sources that shed light on this impact across the entire organisation and the employees. We assume the nature and intensity of the influence in the case of the two groups are the same but, where possible, we shall emphasise this aspect of the influence of ethical infrastructure on how management operates.

Despite the topicality of the subject matter, there are relatively little specific material and empirically verified facts about ethical infrastructures. The literature deals with this topic by way of individual elements of ethical infrastructures, particularly the relationship between the formal and informal elements of such infrastructure, yet there are far fewer discussions allowing a comprehensive treatment of this concept and a full understanding of how such infrastructures are implemented in practice by organisations that then leads to ethics becoming institutionalised in organisations¹⁸. There are even fewer contributions that explicitly state what ethical infrastructures do in the institutionalisation process at all. This issue is partly related to the discussion of individual and organisational ethics and the relationship between them (also see Chapter

2.3). Before presenting individual elements of ethical infrastructures, we first outline some starting points.

White and Lam (2000) set the stage for the institutionalisation of ethics in organisations by showing elements of the moral dilemmas individuals face in organisations (see Figure 4-1 below) and which hold implications at the organisational level. The model contains three elements: the means, motivation and opportunity influenced by the organisational climate, the individual's own needs, and his position in the organisation. Basically, the authors assume an individual will be more likely to encounter a moral dilemma if: (1) the organisation does not provide resources that prevent immoral action; (2) an individual has motivation for immoral action either for his own needs or with an external initiative; and (3) the position within the organisation gives him the opportunity to act immorally.

Fig. 4-1: Elements of a moral dilemma



Source: White and Lam (2000, 38)

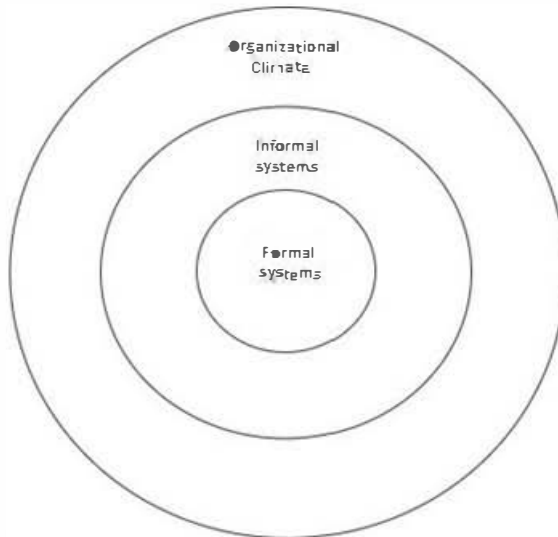
The model of the elements of a moral dilemma is crucial for understanding the role played by ethical infrastructures since on the individual level it explains the situational character of moral dilemmas,

which in the organisational context acquire a wider dimension. White and Lam (2000, 38) emphasise that the individual's moral response is truly individual and depends on their values and interests, but each individual is also involved in a broader organisational environment that, through formal and informal leverage, directs individuals' behaviour and adjusts their particular responses. For this reason, organisations wishing to promote ethics and moral behaviour in the organisation must identify leverage to interpret and promote the moral responses of individuals, monitor individual needs and their compliance with organisational needs, and to ensure working conditions that enable individuals in their organisational positions to a greater or lesser extent demonstrate the desired actions. Ethical infrastructures thus constitute an element of ethics management which, at the organisational level, address a completely individual response to moral dilemmas. Yet, at the same time, awareness must be maintained about trying to contribute to ensuring the long-term integration of ethics into the organisation at the level of e.g. the basic assumptions of the organisation that, however, far exceed the level of the individual. Kaptein (1998) speaks of moral trustworthiness for establishing this and notes it is necessary to take care at the organisational level since organisations cannot rely exclusively on the purposes and intuitions of employees. Especially in situations where these are not necessarily related to moral action, it is essential for the organisation to establish the appropriate measures. Moreover, organisations must be aware that these measures can, by themselves, also directly or indirectly promote the immoral performance of employees. Establishing the appropriate ethical infrastructures in themselves therefore does not ensure lasting ethical moral activity in the organisation, but only the temporary response of employees to individual elements assumed by the ethical infrastructure. Notwithstanding the above, establishing an ethical infrastructure within an organisation is a prerequisite for promoting ethics and moral behaviour across the organisation. In their study of the role of human resources management in the institutionalisation of ethics in organisations, Foote and Ruona (2008, 302) discover that ethical infrastructures provide the basis for promoting ethics and for their long-term implementation in organisations, the integration of ethical infrastructures into other organisational processes and systems, taking both formal and informal system leverage as well as other factors into account, among which the authors also include the organisational culture and management. Above all, it is necessary to identify the relationships between them. Similarly, other authors (Tenbrunsel, Smith-Crowe, and Umphress, 2003; Belak and Milfelner,

2011) believe the same, explaining why we shall pay particular attention to this aspect of dealing with ethical infrastructures.

In defining the elements of ethical infrastructures, we proceed from a more comprehensive review of the related literature on whose basis elements of ethical infrastructures are divided into formal and informal systems. Regardless of the smaller diversity in how various authors interpret individual elements of these systems, it is interesting that among the different ethical infrastructure researchers there is a relatively cohesive view of the relationship between individual elements. This is shown in Figure 4-2. The basis for building ethical infrastructure is formal systems that are formalised, recorded, documented and often standardised. As such, they are also most easily manageable by management, which carries primary responsibility for implementing them. This is also why most formal attention is paid to formal systems. As Smith-Crowe et al. (2015, 798) state, formal systems are only effective where pressures for immoral activity are strong. Where this is not the case, formal systems are in themselves ineffective and can act in reverse, affecting immoral activity, especially if informal systems are tuned in to immoral activity. In this sense, informal systems represent a framework of action that determines the performance of formal systems in organisations. While some authors equate informal systems with the organisational climate (e.g. James, 2000), Tenbrunsel, Smith-Crowe and Umphress (2003) draw attention to the difference between formal and informal systems on one hand, and the formal and informal implementation of individual system leverage on the other, while at the same time defining the third part of ethical infrastructure: an organisational climate that supports the other elements in the widest sense.

While it is possible to trace a series of elements in theory the authors classify as either formal or informal systems, Tenbrunsel, Smith-Crowe and Umphress (2003) draw attention to the otherwise well-known multidimensionality and dynamism of organisational activity, which presupposes the simultaneous actions of a broad variety of systems and processes (Mintzberg 1979). In organisations, we deal with a wide range of forms of leverage, but it is also important to emphasise that each of these actions can be repeated several times at various levels, in both formal and informal systems. Moreover, various tools for managing ethics can carry multiple functions and are used parallel to each other for multiple purposes.

Fig. 4-2: Elements of ethical infrastructure

Source: Tenbrunsel, Smith-Crowe in Umphress (2003)

Therefore, among the elements of both formal and informal systems, the authors classify the following three organisational processes which determine they significantly influence ethics and moral behaviour in organisations and can be implemented on several levels: communication, supervision and sanctioning. This framework will also be assumed in the present work.

4.1 Formal systems in ethical infrastructure

Formal systems in ethical infrastructures refer to visible, formalised, documented actions and activities in the organisation designed for the precise purpose of promoting ethics in the organisation (Smith-Crowe et al., 2015, 792). They include managerial tools such as ethical declarations, ethics codes, manuals for dealing with ethical dilemmas, ethical standards, formally appointed persons responsible for ethical issues, ethics training, etc. We have already discussed the importance of individual tools and their strengths and weaknesses in previous chapters (see Chapter 3.1.2). Belak and Milfelner (2011, 119) researched Slovenian companies and discovered that Slovenian companies use some of the tools in the formal systems to a greater extent than the others (e.g. ethical statements), but it is generally

understood that the various elements of ethics management are poorly known and, as such, are not introduced into their formal systems, even though they recognise the importance of ethics in organisations. This is especially true for companies in the later stages of their development. The reasons for this may vary, but also from our own observations and an overview of the existing resources and research, we find that organisations often fail to recognise the importance of the systemic planning of ethics management process either due to their own disinclination to act in this direction, and most often due to being trapped in the dominant patterns (see, for example, Rossouw and van Vuuren's contribution, Chapter 3.1.1.2). In other words, ethics in organisations are not perceived as a priority. In so far as this applies to managers, it is then impossible that ethics will be assumed as important element of the organisation. For these reasons, in implementing formal structures for promoting ethics and moral action in organisations, extra attention must be paid to justifying the purpose of such systems and why they are needed in the organisation. At this point, however, we draw attention to one, in our opinion, key finding we have already implicitly demonstrated in several places in this book: the example of Slovenian organisations shows they recognise the importance of ethics for organisations, partly also agree that ethics can be institutionalised, but nevertheless do not make much effort to implement the appropriate mechanisms to achieve this goal. This leads us to the dilemma of the unique position held by managers of organisations and which, in our belief, is one of the most important factors when dealing with ethics management. Managers are a group with significant influence on both the design of organisational formal systems and many other aspects that influence employees' acceptance of such systems. In this sense, managers are treated as a source of influence on organisational members' functioning and are often excluded from being treated as an object that can also be influenced. Considering the multidimensionality of organisations' operations, as already seen at the beginning of the chapter, and at the same time the multiplicity of managerial roles (see Chapter 1.1.3) as presented in more detail in the section on the moral behaviour of managers (see Chapter 2.3), one must therefore recognise the need for managers' motivation to institutionalise ethics and support, which managers require when carrying out managerial activities in relation to ethics management. This is especially true for a group of organisations that do not basically show understanding of the ethics of organisations and the importance of managing ethics, regardless of the level of organisational development at which they are currently found. This is at the same time a basic prerequisite for the performance of formal systems, which must

respond to the complexity of the organisation in a given period. Therefore, if we want to promote the development of ethics and moral action in organisations, the management of organisations should provide an incentive and, above all, support, which basically stems from providing understanding of the ethics and principles of implementing individual systems of ethics management in organisations. Chiefly, it is important to incorporate elements that influence the functioning of managers themselves in ethics management. Although some of these leverage mechanisms are already in place (see, for example, Chapter 3.2), there is also a growing trend in various forms of incentives, from national and European recommendations to various training sessions, but the data presented show the need to promote this area on business-level practices is still present and is in many respects insufficiently supported.

In line with this, in the continuation of the book, we shall attempt to highlight the elements of ethical infrastructure that assist in offering solutions to these dilemmas.

4.1.1 System of formal communication

Among the most obvious processes that contribute to the success of ethics management is communication, which is expressed through both formal and informal systems. In this chapter, we will highlight aspects of the formal communication system in organisations. Tenbrunsel, Smith-Crow and Umphress (2003, 288) define formal communication which officially forwards information, values and principles in organisations. It is organised systematically and is visible in the organisation¹⁹. Many studies found that communication is positively related to the satisfaction and productivity of the employees, and that its role is essential for consolidating employees' commitment to the organisation and organisational goals, at both the organisational level and the level of individual organisational units. Organisational communication also plays an important role when introducing changes to the organisation: it is precisely due to an inadequate communication system that it often happens that organisations lose professional workforce. When organisational life is filled with intense changes, communication needs to be particularly intensified; otherwise, uncertainty grows, which in turn affects the degree of loyalty and commitment of employees. Last but not least, it is one of the key roles the organisation carries out in management which, through establishing communication systems in the organisation, directs the process of communication itself, enabling both the flow of information and the creation of the organisational reality. Communication does not merely

relate to the transmission of information, but is a wider, more meaningful process, the understanding of which enables the more efficient development of the organisational reality and thus the organisational culture and other key processes. Promoting ethics and moral action in the organisation is one of these.

When talking about the functions of communication, we can certainly not overlook the informational function, which definitely plays an important role but has long been considered not to be exclusive. One reason for the »popularity« of so-called organisational communication probably relates to the original definitions of communication and the communication processes, which experienced a number of changes in the communication studies, but the fact remains that this is a process that revolves around the transmission of messages, from the messenger to the recipient. It is therefore the exposure of the informational function of communication that relates to the semantic content of the message that is to the transmission of information. Yet contemporary researchers also point out the relational function of communication based on the fact that the communication itself cannot be clearly distinguished from relations, that is, from social interactions between people, which defines the relationship between communication partners (Ule, 2005). In the organisational context, alerting to the relational function of communication also means redirecting attention to all other communication dimensions that bear the representative function of communication (revolving around communicating information about events, things in the world and around us, that is, the content level of communication) as well as the presentational function of communication, where the main function is about establishing a relationship to the content transmitted (Ule, 2005, 267). These functions, of course, must also reflect the organisational communication system but, as will be seen in later chapters, the differentiation between formal and informal communication systems is not so obvious at this point.

Schermerhorn, Hunt and Osborn (2011) discuss flows in the organisation's communication processes, distinguishing between downward communication, upward communication, and lateral communication. While the first two run along a vertical line, lateral communication coincides with horizontal communication. These are classic elements in the otherwise clearly functionalist definition of the communication structure that Berlogar (1999, 113) understands as »the way of organizing, creating personal interactions and exchanging messages between members of the organisation itself and the organisation with its environments«. The structure is reflected in the connections or relationships between elements in the system which enable implementation of a functional activity. Such

an understanding of the structure of organisational communication, despite its simplification in the theory of organisations, is already well-anchored. Thus, if we use this classification of communication in the formal communication system, we distinguish between vertical communication, i.e. communication in between the hierarchical levels in an organisation that relates to the work process and to a greater extent contributes to strengthening organisational commitment than horizontal communication, i.e. communication through individual hierarchical levels, through which primarily informal socio-emotional interactions and relationships between employees are transmitted (Postmes, Tanis, and Wit, 2001).

Formal communication systems in enhancement the ethics of the organisation and the moral behaviour of its members help define expectations and standards regarding the moral response of organisational members, information on the values of the organisation, etc., while also affecting the relationships between employees. In this way, management directs the employees' activities through the system of communication with explicit exposure to the rules and procedures for functioning, announcing what is desirable or even permissible in the organisation and what is not. As mentioned, this is not just about the transmission function of communication in terms of providing specific information and instructions, and also not just to monitor whether the employees are acting in line with the above. To a large extent, the construction of the impression is emphasised, the perception that the employees receive about the elements in organisations, and which the management signifies with formal wording and, consequently, the employees perceive that this is an element that should be taken into account and even internalised in the organisation. As already shown, the lack of communication on ethics in most cases does not give the impression of ethical neutrality, but the silent approval of immorality. For this reason, the explicit nature of formal communication in relation to morals within the organisation is a prerequisite for the success of the ethics management. However, a certain danger lurks here: insofar as the messages that are formally communicated by the managers do not correspond with the actual situation and activities in the organisation that they perform or support, the legitimacy of such formal communication is compromised. This also involves the individual performance of managers and the setting up of their own image, and not simply for the process function (see the discussion in Chapter 2.3.1), which adds to the above-mentioned elements of formal communication that are highlighted at the interpersonal communication level²⁰ (e.g. in the annual conversation between the superior and the subordinate, in carrying out daily/weekly/monthly working meetings, etc.). At the same time, it is

crucial that other systems in the organisation (such as rewarding and sanctioning, training, etc.) follow the expectations and values as they contribute to the harmonious orientation of employees' performance. Further, to the degree formal communication involves only top-down communication, if it is limited in the opposite direction or only allowed to a smaller extent, thereby decreasing the possibility of employees receiving manifested and latent messages. Even formal, two-way communication contributes to implementing the relational function of communication in the organisation and represents a significant difference between the situation where the employees will act only in compliance or will also show commitment that ensures the internalisation of individual values, which also determines their functioning. The difference between these two will also have an important impact on the effectiveness of the entire ethical infrastructure and, consequently, the effectiveness of ethics management across the organisation. Lin and Ding (2003, 344) further point out that in organisational communication it is essential to provide employees with the opportunity to express their own views on individual moral issues, (i.e. whistleblowing), an opportunity to check and consolidate their own moral values and, above all, an opportunity to develop their own moral imagination. Formal communication must therefore include a structure that satisfies all of these needs, thereby encouraging group discussions, checking various roles, as well as ensuring dialogue and other participative methods. Formal communication in this sense plays a much more important role than the mere transfer of information as it contributes to understanding the expressed organisational expectations and ethical content of the organisation (also see Chapter 3.1).

Thus, an effective ethical infrastructure contributes to the system of formal communication to the greatest extent by explicitly exposing morality as a visible element of the organisational functioning, while also determining the employees' response to this element by either the compliance (or incompatibility) of activity or by subscribing to the exposed values. As mentioned, the effectiveness of this element of ethical infrastructure is a key connection with other organisational systems, including monitoring and sanctioning. Both of these are presented below.

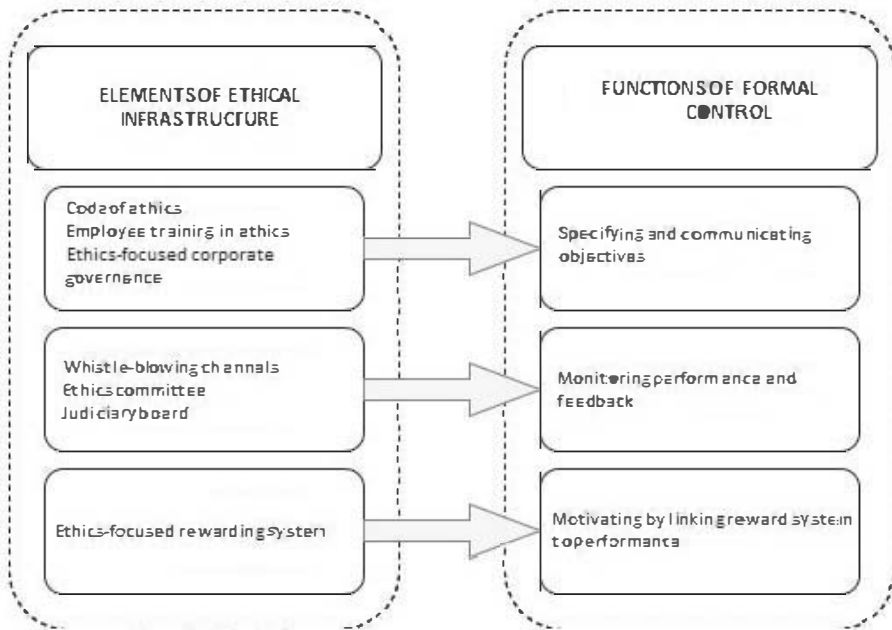
4.1.2 System of formal control

When designing control systems in the organisation, this is another classic management approach for executing control that focuses on clearly defined objectives, monitoring and evaluating, results and methods for sanctioning or rewarding (Rosanas and Velilla, 2005, 85). The set system

is the most frequently observed response of organisations when faced with moral issues, especially those visible to the public that can also cause economic consequences to the organisation. According to Rosanas and Velilla (2005, 83), this is a simplified solution, although the problem is much more complex. Both Belak and Milfelner (2011, 108) note that most supervisory processes in the organisation are carried out according to the principle of delegating responsibility and verifying whether individuals are accomplishing their tasks and activities. However, according to research, such narrowly defined control processes in organisations lead to the prevention of immoral behaviour of managers and employees, but not to promoting their moral behaviour. Elango and colleagues (2010, 552) based on his research on the moral behaviour of managers states that, when resolving moral dilemmas, they derive from their own values and beliefs, but are also influenced by the formally exposed guidelines, standards and practices they perceive in the business environment. This makes it important for the organisation to establish a process that ensures that understanding and integrating the moral aspect of a particular dilemma forms part of the everyday activity of organisations (Deshpande, 2009, 393). Various processes, including formal control, contribute to this, yet understanding of the latter should be extended. In addition to exerting control over immoral activity, supervision must include elements that contribute to understanding the ethical content of the organisation. At this point, the interaction between formal supervision and other processes in the organisation is the strongest, as shown below.

Chen (2001, 393) defines three groups of elements of ethical infrastructure, each of which provides individual functions of formal control. As Figure 4-3 shows (see below), control is defined more broadly and includes functions to which other processes in the organisation contribute. The various ethical tools used help promote different processes in the organisation, each of which can represent an independent function or, in combination, create a multi-dimensional response. The use of different ethical tools should be adjusted to the perceived need of the organisational system, while the fact that such entities face differences in their organisational realities also makes for varying uses of individual ethical tools.

Fig. 4-3: Elements of ethical infrastructure, including formal control



Source: Chen (2001, 394)

Chen (2001) assumes that the effectiveness of ethical infrastructure depends on the ability to implement individual processes consistently and in accordance with the organisational goals, and this requires a transparent locus of responsibility. As one of the more appropriate elements, the author advocates establishing departments or individuals (ethics advisors) who are supposed to ensure consistency in the responsibility for ethics in the organisation, but at the same time draws attention to the broader goal of establishing such systems: to create a wide circle of employees who work morally and to ensure the continual strengthening of this kind of activity in the organisation, which can also be reduced or prevented through the centralisation of ethics responsibilities. Therefore, the self-discipline of individuals is certainly demonstrated to be the best supervisory mechanism for the enhancement of ethics and moral behaviour in the organisation (see Chapter 1.1.3). The real responsibility for an effective ethical infrastructure is based on the engagement of managers and other employees: (1) training at all levels of the organisation; and (2) clear and transparent communication and an example

that explicitly, with the wording, and especially with their own moral actions, are set mainly by managers. The first two elements directly contribute to the implementation of control mechanisms, while the latter also helps establish guidelines for the ethics and moral functioning of the organisation. A more detailed insight into the ethical structure thus established shows these are actually the elements that make up the professional role of a moral manager (also see Chapter 2.3), and at the same time the function of the moral management process in the organisation.

Concerning the discussion on the effectiveness of formal control systems from the aspect of their contribution to the success of ethical infrastructure, a wide debate has emerged between those investigating this topic related to the purpose and elements of the control systems, especially the performance indicators that, in the monitoring and evaluation of the functioning of individual organisational systems are irreplaceable. Much attention has been devoted to the question of what the formal system of supervision in the organisation causes at all. It is quite clear that this is an attempt to regulate the functioning of employees in the direction of harmonising their individual and organisational, collective interests, but it is questionable whether we are actually contributing to the desired changes. Rosanas and Velilla (2005, 93-94) reveal a dynamic established by the diversity of the values of the employees and the organisation and, in so doing, derive from the distinction between technical and moral values. If the guidelines integrated into the formal control systems are not in line with the individual's professional values, namely, values that are consistent with the individual's need for their own professional self-actualisation, the organisation loses potential based on the professional development of employees which might give the organisation a competitive advantage in the market (innovation, new products, and the response of the organisation to market changes and demand, etc.). Insofar as the incentives that are integrated into the system of formal control are not in accordance with the individual's moral values, this causes either dissatisfaction or forces the need for adaptation and, in order to comply with the defined expectations, the possibility for the internal motivation of individuals, their »self-discipline« and thus also the possibility to internalise the organisational goals and values could be lost (Rosanas and Velilla, 2005, 93-94). This is especially true, if formal control systems are narrowly defined. The work of employees will thus possibly be in line with expectations at the organisational level, but this also has a downside: in morally dubious situations, the individual's judgement on the proper behaviour will be based on their knowledge of what is expected and

accordingly on the desire to avoid immoral action, but only when the sanctions are sufficiently strong (Lin and Ding, 2003). When this condition is not met, the behaviour of individuals will be less consistent with what is expected. Moreover, employees gradually develop sufficient knowledge of the existing system, which also enables them to exploit the latter, and thus act contrary to what is expected. This leads to an important conclusion: the mere prevention of immoral action through control systems does not sufficiently contribute to the effectiveness of ethical infrastructure. Supervision with the support of rewards and sanctions should be present, yet it is appropriate to ask ourselves to what extent and for what purpose? Most of all, it is important to note that the direction of moral action is a complex process in which a diversity of organisational members' responses is expected. What motivates one individual or group is not necessarily a motivation for another. What motivates and encourages in one situation might also be an inhibitor in other circumstances. Different groups, depending on their individual characteristics and the intensity of the influence of other contextual factors, respond differently to the orientations of formal systems, which in one way or another always leaves enough room for interpretation (Lin and Ding, 2003, 344). Here, we need to, once again, expose the importance of complementing formal control systems with a variety of functions, which also include obtaining feedback from employees, facilitating discourse, the latter influencing understanding of the role of ethics in the organisation as well as the coordination of rewards and sanctions systems. We will pay more attention to the latter in the next chapter but, before then, we shall point out another important consideration referring to setting up appropriate indicators for checking the effectiveness of the formal control system.

Among the biggest challenges in establishing an appropriate system of formal supervision in the organisation is the very creation of such a system, which will include understanding and compliance with optimally predicted moral issues employees might encounter during their work in the organisation. For a long time, we have known that not every situation or moral dilemma can be foreseen, but we have already shown that the absence of a supervisory system in an organisation is not recommended and may contribute at least to preventing employees from working against the interests of the organisation (Rosanas and Velilla, 2005, 87). The optimal control system thus assists in the harmonisation of individual and organisational interests, while it is important to note that both one and the other are often not clearly expressed and, due to the different levels of treatment, there are inconsistencies between them. In addition, there is a wide variety of performance measurement systems at the individual and

organisational levels, often also not allowing any direct link between the proper functioning and the measurability of the result. By increasing the ambiguity and complexity of individual moral dilemmas, these dilemmas are becoming even bigger. Further, the afore-mentioned knowledge of the control system and the potential for exploiting those parts of the system that are not adapted to unforeseen moral dilemmas are also transmitted even when using the results. Thus, an individual who knows the formal control system well in addition to the elements of performance measurement that he foresees can easily use it to promote his own interests (for example, by displaying one's own role in a particular situation, choosing those activities that explicitly indicate the success of the said individual, etc.), but which are not necessarily in line with the organisation's interests. This is what points to the most important function of formal control systems in enhancing ethics and moral behaviour in the organisation: it is not so much about setting standards, nor regulating behaviour in certain directions, but about the function of diagnosing the understanding and responses of employees as well as moral dilemmas that occur in the organisation (Rosanas and Velilla, 2005, 88). Here, the connection between control systems and the communication system, which is also complementary in this case, is particularly pronounced.

4.1.3 System of formal rewarding and sanctioning

Closely related to the systems of supervision considered thus far, this system contains the often mentioned systems of formal reward and sanction which in the organisation represent an important factor in regulating the performance of employees, including moral behaviour (Tenbrunsel, 1998; Treviño and Youngblood, 1990). It involves the use of various, formally established mechanisms designed to promote the desired performance of employees in the organisation. Formally established rewarding and sanctioning systems must function in line with other elements of ethical infrastructure, and thus ensure consistency in employee performance. As James emphasises (2000, 48), when designing organisational systems of rewarding and sanctioning within the planned ethical infrastructure, a great deal of attention should be paid to the fact that such systems are geared to controlling an extremely inapplicable aspect of employees' work: their response to moral dilemmas. Various authors confirm the connection between the presence of incentives and sanctions and employee responses, while empirical data also indicate the situational character of the moral behaviour of employees and, in particular, their managers. For example, Paternoster and Simpson (in

Smith, Simpson, and Huang, 2007, 636) define five elements influencing the decision of managers on whether or not they will act in accordance with the formal rules: (1) perceived advantages for an individual or for an organisation in activity that is contrary to legislation or rules; (2) perceived formal and informal sanctions for an individual, organisation; (3) moral reservations of the individual; (4) the organisational context; and (5) the characteristics of the organisation. Various other authors cite other factors as well, but the general conclusion is that the morality of employees is a very fluid phenomenon in organisations and as such presents a major challenge when establishing formal organisational structures. Not only is an employee's response to moral dilemmas at the same time under the influence of a wide variety of factors, where rewarding and sanctioning is just one of them, but it is also true that the combination of all these factors can lead to a variety of unreliable responses with a wide range of dilemmas. What then is the significance of the systems of formal rewarding and sanctioning in light of the above?

Formal rewarding and sanctioning systems are often complemented by formal control systems and, within the ethical infrastructure, are defined as a tool for directing employees' work: the desired performance of employees is rewarded, and unwanted performance is sanctioned. Ashkanasy, Windsor and Treviño (2006, 464) found that such systems are especially successful in regulating the functioning of managers who show a low level of cognitive moral development as well as managers with a high level of cognitive moral development. However, these two groups of managers differ in their response: managers with a high degree of cognitive moral development intensify their own moral behaviour in the presence of a rewards system. Although the same holds true for managers with a low level of cognitive moral development, it is here that the research provides an interesting conclusion: in cases of insufficiently intense sanctions, managers with a low level of cognitive moral development started to express immoral actions to a greater extent. The above findings show to an important characteristic that cannot be ignored in the process of designing formal rewarding and sanctioning systems: an element that determines the effectiveness of rewarding and sanctioning is the intensity of sanctions designed to prevent immoral action. Namely, when it turns out that the sanctions are not intense enough, the sanctioning system has no influence on moral behaviour, especially for managers with a low degree of cognitive moral development. The remaining question is what happens in cases of groups of managers with an average level of cognitive moral development. The influence of other factors in their case has proved much stronger than the impact of the rewarding and

sanctioning system. For this reason, the need to integrate rewards and sanctions becomes even greater.

Further, Smith, Simpson and Huang (2007, 641) find that formal rewarding and sanctioning systems, despite the intention to promote the morality of employees, often act exactly the opposite, at most they prevent immoral activity. With an insufficient definition enabling a broad interpretation, they represent a kind of »structural source for ethical ambivalence« (James, 2000, 47), which is particularly true in a context where the importance of ethics in the organisation is insufficiently exposed at the level of formal communication and at the levels of organisational values. Therefore, the importance of the formal emphasis on organisational values and anticipated action is increasingly reflected here (see Chapter 3.1.1), and in particular the incitement for employees to understand the importance of ethics in the organisation (see chapter 3.1.2).

With these highlights, we conclude the chapter on formal systems that form part of the ethical infrastructure in the organisation and outline some key findings: organisational formal systems primarily contribute by explicitly exposing morality as a visible element in the organisational functioning, and at the same time influence the way employees respond to this element through either the transmission of messages and the importance, control and collection of feedback, or by rewarding the desired or sanctioning adverse outcomes. In the book, we support the extended definition of formal systems in ethical infrastructure which, in addition to the afore-mentioned functions, assist in justifying the morality in the organisation and the employees' understanding of morality. The organisational systems outlined in the chapter are dealt with individually in order to clarify their role in ethical infrastructure. Nevertheless, we also support the thesis on the complexity of the organisational reality and the interweaving of the formal systems under consideration, and we presume they can only support the ethical infrastructure's success if they operate in a coherent way. Considering the above, below we will present the second group of elements of ethical infrastructure, namely, informal systems in the organisation.

4.2 Informal systems in ethical infrastructure

While formal systems in ethical infrastructures are regarded as visible, formalised, documented actions and activities in the organisation (Smith-Crowe, et al., 2015), informal systems in ethical infrastructure are considered to include all those elements that are not codified and visible. Informal policies, practices and procedures are not predetermined and

systematically defined, nor do they have a clear purpose, but are spontaneously generated by the interaction of organisational members (Smith-Crowe et al., 2015, 792). (See Chapter 1.1.3). Belak (2013, 530) refers to elements of informal systems that include informal norms, organisational patterns, »heroes«, rituals, stories, and specific speech that is used in the organisation and which marks the organisation. The elements of informal systems are primarily models that represent important reference points for working in organisations, often there are also stories about the moral behaviour of employees and on sanctions for immoral activity (Belak, 2013, 530). The power of informal systems stems from their ability to direct behaviour in ambiguous and unexpected situations. Informal systems do not include specific rules for directing the performance of employees, including specific tools for use in precise situations. It is more about unofficial, informal messages about norms within the organisation, which the members of the organisation gain spontaneously through socialisation and the process of social learning, which does not mean such communication has a smaller role in promoting or preventing certain activities. In this way, by communicating with one's colleagues and superiors, and by observing what is moral and what is not, members of the organisation gain knowledge of the proper functioning of the organisation (Smith-Crowe et al., 2015, 794). It is a kind of silent knowledge that is transmitted without control and also not necessarily in line with the organisation's formal systems. This knowledge is sometimes even the most important reference point when employees find themselves in doubtful situations. Through a study of the effects on the moral behaviour of employees in organisations, Falkenberg and Herremans (1995, 140) find that employees do not generally perceive formal systems as appropriate mechanisms to promote moral behaviour and, therefore, rely more heavily on information they obtain from informal systems. Even if formal systems provide clear information, informal systems still act as a source for interpreting the formal information. In all of this, it is ironic that, in spite of these findings, management organisations continue to devote most of their attention to formal leverage to direct employee behaviour, while informal systems often remain in the background of their attention even though their presence is an important factor influencing the functioning of organisational members.

Informal systems therefore play an important role in the socialisation of members of the organisation, and in terms of the successful ethics management they are also an important element for shaping the ethical identity of the organisation (Verbos et al., 2007, 24). This is particularly true in organisations in the initial stages of their development as they are

usually smaller and have fewer formalised systems. Information about organisational identity, processes and functioning in such situations comes from informal systems. When organisations grow, formal systems are developed and start becoming increasingly defined and finalised. Regardless of the development level of formal systems, they can never be able to solely satisfy the need for a thorough interpretation of all situations, and are often also conditioned by the dimension and power of informal systems that are firmly anchored in the organisation on the side of the organisation itself from the point when formal systems have not yet been shaped and the primary power of explanation is carried by informal systems. The above indicates the interlacing of formal and informal systems in organisations that together contribute in the direction of the organisational members' behaviour and, consequently, the stance and identity of the organisation as a whole. As Verbos et al. (2007, 24) states: »There is a complementary informal component that can strengthened or disabled any formal component in the organisation«. It is therefore crucial that ethical infrastructures in the organisation focus on defining the relationship between formal and informal systems and identifying the existing situation in the organisation. It is impossible to define a clear, unequivocal definition of the exclusive influence of a formal or an informal system on the moral behaviour of members of the organisation as that constitutes two sides of the same element in an organisation that are strongly intertwined. For this reason, a more important feature of the relationship between formal and informal systems is the congruency of this relationship. Insofar as informal systems support norms, values and action, which are also expressed in formal systems, we are talking about their congruence. This situation affects the enhancement of ethics in the organisation and moral behaviour that is in line with the organisation's goals. If this is not the case, the organisation is characterised by the incongruity of formal and informal systems, which is in principle less favourable for the organisation and often contrary to the goals it pursues. As noted, research confirms the dominance of informal systems over formal ones, which is also influenced by the success of designing and transferring formal systems on all levels of the organisation: formal systems are usually formed in a top-down line, which often leads to insufficient knowledge and insufficient acceptance of the content of formal systems at lower organisational levels. Moreover, even where formal systems are properly transposed on all levels of organisations, there is often an insufficient interpretation which makes employees rely on information from informal systems (Falkenberg and Herremans, 1995, 139). This also has important implications for the design of ethical

infrastructures. Research suggests it is sensible for the formal system to be introduced primarily in situations where there is strong support in the organisation for immoral activity in the informal systems. If the latter support moral action, it is not relevant to strongly engage in the design of formal systems (Smith-Crowe et al., 2015, 797) since the need to promote morality is satisfactory. In these cases, the interpretation of the identified norms and values derived from informal systems and their articulation is also important at the formal system level. However, it is important to draw attention to the fact that the presence of a strong informal system does not necessarily affect the enhancement of the moral behaviour or the immoral activity of members of the organisation. Falkenberg and Herremans (1995) accordingly point out that the greatest assurance regarding the effectiveness of ethical infrastructure lies in the congruency of the formal and informal systems. Based on these assumptions, the role of communication, supervision and rewarding and sanctioning in informal systems as part of ethical infrastructure is presented below.

4.2.1 System of informal communication

In identifying the factors influencing the efficiency of ethical infrastructures, among other things Kaptein (2015, 427) discovered the important influence communication has on reducing the immoral activity of employees in organisations, whereby the role of formal and informal communication in the organisation is obvious. The definition of the latter is quite broad, but with most authors dealing with this concept conformity is seen in the definition of informal communication, which refers to unofficial messages that communicate messages about ethics within the organisation (Tenbrunsel, Smith-Crowe, and Umphress, 2003, 291). As already noted in the section on formal communication systems, communication is not just limited to its communication function, but informal communication systems even more than formal communication systems support the relational function of communication, which also influences the performance of the ethical infrastructure of the organisation. What is the key to creating an ethical infrastructure in this relationship?

Informal communication systems mostly contribute to the mentioned process of socialisation and social learning (Bandura, 1977; Bandura, 1986), an integral part of the socialisation process. In this, an important reference point is not so much represented by the formal levers in the organisation, but by important others in the organisation, either superiors or employees, colleagues and others. On one hand, it contributes to how situations individuals face are interpreted, shaping their meaning and, on

the other, it is about unconscious learning about the proper functioning through examples employees observe at an unconscious level primarily with their superiors and, where there is no such strong example, with other employees (Wacquant, 2006). An important feature of this process is its unpredictability and spontaneity, which makes the management of organisations (and ethics management) a much greater challenge by preventing the determination of behaviour in advance, and even less a consistent direction in the course of such interactions. Informal learning is therefore inherently social in character and derives from everyday life activities (*habitus*, see Chapter 1.1.3). It is not an individual but a distinct group process that is expressed through interactions between employees, their involvement in organisational and non-organisational communities, and through the fulfilment of their daily tasks (Fichter, 2016, 11). Understanding the role of informal communication in the design and effectiveness of ethical infrastructure is therefore closely linked to understanding of the learning processes in the organisation, especially where implicit, tacit knowledge passes on to the organisational level in the form of explicit knowledge. Nonaka, Toyama and Byosiere (1998) speak of the establishment of *Ba* platforms, which spontaneously arise as a contextual framework for such processes and are chiefly formed on the basis of communities created in organisations by established networks of employee interactions. Informal communication plays the role of a messenger at the same time, as well as a stimulator of communication that impacts the interactions between employees and thus the formation of relationships between them. In this way, trust among employees is established, which is conditioned by the intensity of the informal communication system: in so far as relations between employees are weak and trust is low, informal communication does not have a significant impact on the performance of employees. And vice versa.

Many authors see as a prerequisite for creating such defined relationships an element for promoting moral activity, i.e. open communication (Lee et al., 2015; Leila Trapp, 2011). In relation to this concept, there is often mention of the sincerity of communication, the establishment of dialogue among employees and emphasis on the debate on organisational values. The function of open communication is to facilitate the establishment of relationships based on which the community creates trust (Verhezen, 2010) and, in addition, open communication importantly contributes to the creation of meaning in specific contexts (sensemaking) (Wacquant, 2006). Based on interviews with managers of international companies, Leila Trapp (2011, 546-47) identifies the significance of the context in interpreting different situations given to

individuals by their reference group: managers recognise the functionality of formal leverage to define rules and procedures in an organisation, while also expressing the need for support in interpreting them, which in practice is mainly shown in an informal conversation with other employees, the observation of established practices and especially of the performance of managers. Therefore, they are informal, undefined aspects of the ways organisational practices are implemented. Interestingly, the need for physical proximity is almost always found among the most important criteria for successful open communication (Weaver, Treviño, and Agle, 2005, 323). This is at the same time a reason for the frequent dominance of informal leverage over formal leverage since it does not necessarily presuppose personal contact between superiors and subordinates, which is particularly the case in larger and more hierarchically structured organisations.

As pointed out on several occasions, the main source of informal communication in the organisation is others, their superiors, colleagues and employees. Particularly in connection with the treatment of superiors as leverage for promoting moral action, the key role of emphasising the role of employees (role-modelling) in the informal communication process is particularly pronounced in the superior-subordinate relationship: the most important methods of social learning include observing the performance of others, especially superiors and other managers in organisations. In addition to the need to support this type of functioning through formal communication in order to prevent the impression of management being morally-neutral or even immoral, the importance of the informal communication of this group and the messages managers unknowingly communicate to employees should be noted and stressed at this point. Regardless of the formal, written norms in the organisation, the inconsistency of managers' behaviour influences the idea of perceived values in the organisation. In other words, the more employees see inconsistencies with the declared norms and values in managers' behaviour, the more they will follow the observed but not the prescribed behaviour. Belak and Milfelner (2011) note that manager-role models are among the most commonly found informal elements which represent a source of information on acceptable, moral behaviour in organisations. This is simultaneously also the strongest element in ensuring employee compliance (Verhezen, 2010, 188) and a big responsibility for the management team. The power of the manager's informal communication in this sense can considerably prevail over the power of an informal reference group, while the dynamics of ethics management can greatly swing in such a situation and break the balance established with all other

systems in the organisation. Being now aware of these issues, we continue with the discussion of informal systems which, like with formal ones, are considered to be highly integrated among them and provide strong support for streamlining the organisation's operations.

4.2.2 System of informal control

Informal control systems are systems that control and detect inadequate behaviour through informal, unwritten, unforeseen methods. The informal control of the organisation is also based on established interpersonal, social relations, and relations between employees, the latter including relationships formed both vertically and horizontally, as well as diagonally or in a network. According to Tenbrunsel, Smith-Crowe and Umphress (2003, 291), informal control is exercised by members of the organisation, but not within the framework of official organisational channels through which it would be possible to report inadequate behaviour. Instead, the observation and reporting of such behaviour is consistent with the informally established relationships that the employees simply perceive, in their daily group interaction, based on which they create an idea of the organisational reality (Belak and Milfelner, 2011, 106). It is a form of social control which could be said to be an extension of social relations between employees in the organisation (Laufer and Robertson, 1997, 1033). Social control is a form of pressure or processes that forces individuals and groups to function in accordance with agreed expectations (Laufer and Robertson, 1997, 1031). In this context, the agreement is not explicit, but is presented to employees only at a perceptible level, at the level of the organisational climate. For more on this, see Chapter 4.3, but here we emphasise the key characteristic of social pressure: the incentive for social conformity, which directs organisational members more strongly than is typical of formal oversight, calling for activities to be compliant with perceived expectations, rules and norms (Smith-Crowe et al., 2015, 794). It should be pointed out that if informal expectations deviate from formal ones, this may also mean a greater emphasis on action that is not in line with formal systems.

The influence of informal control is due to many individual and organisational factors, including the fact that informal supervision is shaped in a situational manner. Given the strong relationship between social relations and social control, one of the crucial factors dictating the effectiveness of informal supervision is the intensity of contacts between the members of the group from which social control stems. The more the individual feels connected with the group, the more their performance will

be in line with the expectations of the group, and vice versa (Goebel and Weißenberger, 2015, 4). This also provides a starting point based on which one can roughly regulate the formation of social groups in the organisation and the coherence of their functioning with the formal systems. Here, too, is the most obvious interplay between communication and control: taking the »organic« nature of social control into account, it is wise to consider the establishment of such formal systems that enable the creation of close social networks, while ensuring the highest level of compliance between the formal norms in the organisation and the informal norms of individual social groups arising among employees.

Yet formal and informal control are not necessarily exclusive (Lambert et al., 2012, 247). Creating compliance and close coherence between formal and informal supervision is in fact the most effective way to establish appropriate organisational control (Laufer and Robertson, 1997, 1042). As already shown, these processes and mechanisms also closely interact with many other formal and informal systems in the organisation, including systems of leading, structure developing, rewarding and sanctioning, decision-making etc. Establishing control over moral activities in organisations will be unsatisfactory if regulated exclusively via formal systems. It is crucial to acknowledge the characteristics of employees and individual groups that form within the organisation, to identify the norms and values evident within these groups, and to validate their compliance with formal systems. For this very reason, it makes sense to allow the participation of employees when developing formal systems, also realising the possibilities for including elements of a given existing social control in each organisation. Also in this regard, the meaning of identification of the latter is clearly evident. As Goebel and Weißenberger (2015, 5) emphasise, the mechanisms of informal control point to a specific character of the organisation and its ethics. Informal control directly contributes to the development of implicit »directing psychology« that shows which kind of behaviour is truly expected in the organisation, on the level of everyday activities. The authors also reveal in their research the decisive influence of such mechanisms on developing an ethical climate in the organisation. We thoroughly define the latter in the following sections.

4.2.3 System of informal rewarding and sanctioning

While the formal rewards and sanctions system is known for determining rewards for appropriate behaviour or sanctions for inadequate behaviour in advance regarding predefined situations, informal rewarding

and sanctioning systems are not specified in such a way. Tenbrunsel, Smith-Crowe and Umphress (2003, 291) see them as those systems within the organisation that directly associate moral and immoral action with rewards and sanctions and do not follow formal, official organisational channels. The possible forms of informal rewarding and sanctioning can be very diverse, from isolation of the organisational group to ostracism, even physical violence, which is a form of group and represents a social pressure which directs the individual to the desired forms of action. Informal rewarding and sanctioning are also present in the relationship between superiors and subordinates: in this way, superiors supplement the existing system of formal rewards and sanctions. Johnson (2009, 127) studied the perception of rewarding and sanctioning among police officers: his research showed several informal forms of rewarding and sanctioning used by superiors to regulate the performance of police officers. These are forms such as verbal praise, the assignment of more (or less) desirable work tasks, the chance of participating in the choice of one's partner, approval of a day off, etc., that is, for all those forms of rewarding and sanctioning that are largely based on the subjectivity of the superior. Here we recall the second chapter and the theory of the exchange between leaders and followers which states how the relationship between leaders and followers is formed and also makes the creation of a system of rewarding or sanctioning conditional on the interpersonal level between the leader and his/her subordinates. This theory also serves as an excellent example of interweaving formal and informal systems in managing relationships with employees. From the point of view of dealing with the enhancement of moral behaviour, this also involves a relevant reflection that considers informal rewarding and sanctioning systems.

Informal rewarding and sanctioning, in principle, have a significant impact on employees and often prevail over formal and, in certain cases, even above the norms envisaged by wider rewarding and sanctioning systems (e.g. legislation) (Worrall et al., 2014, 344). Important reflections on informal rewarding and sanctioning systems affecting the moral behaviour of individuals in organisations include the following: (1) whether it is rewarding for moral action or a sanction for immoral activity, this aspect has already been defined in the section on formal rewarding and sanctions; there is a proven difference in the perception of rewarding and sanctioning and in the activities following such perception; (2) whether rewards or sanctions are used to promote a particular form of behaviour: even if it is to promote a moral (and not to avoid immoral) action, the way of wording, articulation of the expected activity has a considerable effect on the response of individuals, taking account that

individuals hold different perceptions of rewards and sanctions. What is punishment for someone may be a reward for another, even if there is no explicit and consistent practice at the organisational level (Worrall et al., 2014, 343); and (3) sanction intensity: depending on the perceived extent and importance of the reward or sanction, individuals also respond with their own actions (Mulder, 2016). In informal rewarding and sanctioning systems, these characteristics are strongly determined by the individual's perception of the reward or the sanction, which is built on interactions in the relevant social group or relationship and own interpretations of the value of the reward or the sanction. Gössling (2003, 129) underlines the importance of social institutions, an informal context in which moral norms in the organisation are formed and can also be changed, although this process is considered to be lengthy and complex. In this setting, he draws attention to the importance of moral discourse, one of the prerequisites for defining norms at the level of the social institution, and thus the appropriate form is also taken over by the rewards and sanctions used. We mentioned this in Chapter 4.2.3.

Johnson (2009, 129) notes that when assessing the importance of rewarding and sanctioning at an unconscious level individuals use some sort of cost-benefit analysis to calculate whether or not certain payoffs are worth it: the value of the consequences (reward or sanction) must be sufficiently significant to make it worth the energy for an individual to invest in it. In terms of the research of informal rewarding and sanctioning as a leverage for moral action, the value of this lies in the community established in the organisation and which can confer or deprive the individual of the right to be part of that community and the individual enjoys the privileges and protection granted to him only. »If he fails to respond appropriately to informal demands, the individual will not survive in the organisation« (Falkenberg and Herremans, 1995, 134). From the point of view of dealing with ethical infrastructure, it is hence important to: (1) consider not only the contribution of individual rewards and sanctions to stimulating action in line with what the organisation desires; but also (2) to shape the intensity of the relations in the informal groups in which expectations of informal rewards and sanctions are formed. Baucus and Beck-Dudley (2005) see an alternative approach to promoting congruent rewards and sanctions in the concept of an ethical community. This concept also introduces more fluid forms of management into the organisation, and which in the organisation presupposes: (1) the great importance of communicating ethics and moral action; (2) the need to strengthen the participation of employees in decision-making; and (3) the creation of smaller yet cohesive organisational units that enable the

creation of cohesive communities (Baucus and Beck-Dudley, 2005, 363-364). Managers whose role in shaping informal systems is so much greater than may seem at first glance play the most important function in creating such ethical communities. Such ethics management goes far beyond the mere regulation of moral and immoral activity and moves towards integrative approaches that establish the integrated treatment of ethics at the level of the whole organisation.

By defining the last of the identified informal systems, we conclude the discussion on organisational system elements that comprise part of ethical infrastructures and focus on the last, »organic« part of the organisational activity embodied in the organisational climate. Here, we pay more attention to those aspects of the research that help explain the possible types of leverage in promoting the moral behaviour of managers and other groups in organisations. We shall now consider the concept of ethical climate.

4.3 Role of ethical climate in ethical infrastructure

In this chapter, we focus on the concept of ethical climate which differs considerably from the more familiar concepts of organisational climate and organisational culture²¹ and is defined as the dominant perception of typical organisational practices and procedures with ethical content (Victor and Cullen, 1988, 101). This is a very general definition, which is certainly not without its disadvantages, but is sufficient for the purpose of our research: it is not our intention to conceptually analyse, but principally to show the role ethical climate plays in ethical infrastructure and, in this context, the impact it exerts on the moral role for management and other employees in the organisation. In this, we rely on a conceptual definition found in business ethics since the 1980s, which has also been repeatedly proven to be empirically reliable: it is the conceptualisation of various types of ethical work climate proposed by Victor and John B. Cullen (1988) and presented below.

4.3.1 Victor and Cullen (1988)-Types of ethical work climate

The model of types of ethical work climate includes two dimensions which are further elaborated by the authors and, depending on the combination of the two dimensions of differentiation, among the nine theoretical types of ethical work climate. The characteristics of each of these types impact the way the organisation considers ethics and moral issues, how or through which processes these kinds of issues are solved in

the organisation, and what are the characteristics of the solutions that emerge in this way. It should be noted here that individual types of ethical work climate are theoretical constructs, with a set of dominant characteristics for each type which, however, do not necessarily exist in business as such an ideal construct, as will be shown below. In fact, it is more likely that at any one time several types of climates can be found in organisations, depending on an organisation's heterogeneity and its organisational subgroups. Certainly, the model of types of ethical work climate adds value to the study of business ethics by enabling the normative systems that prevail in organisations to be identified and thereby enabling the design and implementation of appropriate leverage in support of ethical infrastructure.

The first dimension of the model of ethical work climate types refers to the ethical criterion that is used while deciding on ethics and moral issues. The authors distinguish three types of ethical criteria: egoist, which arises from the need to respond one's own needs, either individual, or organisational; benevolent, based on a teleological perspective and deriving from an assessment of the benefits for the stakeholders involved, and principled, which is deontologically oriented and based on a reflection on the original duty of the individual, group or organisation. The second dimension of the model of ethical work climate types assumes a different place, or locus of analysis, which represents a reference point for deciding on the choice of an ethical criterion. Thus, for individual ethical criteria we can encounter different reference sources (individuals, groups, organisations, etc.) and, consequently, the types of ethical work climate change. The authors assume three types of locus of analysis: individual (individual), where the individual is at the forefront; local (local), which refers to the organisation or individual groups within the organisation, and cosmopolitan, which presupposes a more abstract level, wider than the organisation such as, for example, professional groups or legislation.

The model of ethical work climate types is based on Kohlberg's moral development stages (Kohlberg, 1984). However, with this model Victor and Cullen (1988) sought primarily to explain the contextual effects on the moral behaviour of individuals (for example, dealing with Kohlberg's concept of moral atmosphere). They therefore point out that their model does not follow Kohlberg's moral development levels as it relates to the level of the individual, while the model of ethical work climate types addresses the level of groups and organisations. In addition, individual elements of their two dimensions are not hierarchically defined. In other words, the types of the two dimensions do not indicate what is more or less moral, but in particular indicate the characteristics of decision-making

on ethics and moral issues, depending on the decision-making point and the reference sources which are applied. The locus of analysis can vary for different ethical criteria, which also defines the characteristics of individual types of ethical work climate.

Building on the defined dimensions, Victor and Cullen (1988) identified nine types of ethical work climate, while Cullen, Parboteeah and Victor (2003) also examined employees' commitment to an organisation with the said types of ethical work climate. In the context of an individual locus, the analysis proceeds as follows:

- *Self-interest*: based on an egoistic ethical criterion and describing a climate in which one's own interests dominate, their predisposition to satisfying personal needs, gaining their own benefits, or self-interest, developing defence mechanisms to protect all of the above. Commitment to an organisation with such an ethical work climate type is basically low;
- *»Friendship«*: derives from a benevolent ethical criterion and refers to an ethical work climate that puts emphasis on the collective, defining and realising common interests, whereby the starting point for forming this kind of dynamics is personal relationships, friendly ties and other informal relationships. The commitment with the organisation is slightly stronger than that of the type of 'own interest', but more in the sense of belonging to personal, informal networks than to the organisation. If the interests of the former are contrary to the latter, commitment to the organisation is also lower;
- *»Personal morality«*: this stems from the judgement of the individual, his/her own morality and, in principle, the deontological orientation towards action based on the individual's own moral principles. Even in this case commitment to the organisation may be reduced, especially if the individual's perception of ethics at the level of the organisation is not in accordance with his/her own. If an individual perceives a similarity here, commitment to the organisation is much greater.

Within the local locus of analysis, the authors identified the three types of ethical work climate according to individual ethical criteria:

- *»Company profit«*: based on a local or organisational group which, in line with the egoistic decision-making criteria, emphasises its own interest and benefits for this working group, insofar as it represents the whole organisation, for the latter;

- *»Team interest«*: similarly to the case of a friendly type of ethical work climate, the interest of the collective is also emphasised, but in this type of ethical work climate a somewhat broader starting point is adopted: a collective is established in a wider manner than friendship, and is also based on other interactions in the organisation. In particular, this type of ethical work climate is found in organisations where there is a marked need for work autonomy and teamwork. In this way, the commitment is chiefly expressed towards the collective, if not already to the organisation;
- *»Company rules and procedures«*: derives from principles at the level of groups or even organisations, and is largely shaped by organisational ethical infrastructures and processes that are influenced by it. Employee commitment to the organisation is high with such an ethical work climate.

Regarding the last three ethical work climate types, Victor and Cullen (1988) attribute them to the cosmopolitan part of analysis, namely, the following:

- *»efficiency«*: this is the type of ethical work climate characterised by the pursuit of interests outside the organisation, either social or economic. Similarly to all types of ethical work climate based on egoistic ethical criteria, even here it is considered that commitment to the organisation is at the lowest and the organisation, by allowing the pursuit of own interests in the organisation, also affects the low level of internalising the organisational values as employees receive information on the superiority of one's own interests over the organisational ones (Cullen, Parboteeah, and Victor, 2003, 138);
- *»Social responsibility«*: based on a benevolent ethical criterion, this type of ethical work climate follows external influences, especially those that stress the importance of the organisation's social responsibility to external communities;
- *»Law and professional codes«*: this type of ethical work climate is based on principles created by groups outside the organisation, either the principles of a profession, or legislative principles, at the national level or more broadly (e.g. at the European level). Such an ethical work climate is particularly found in organisations that are strongly subordinate to professional principles (e.g. lawyers, auditors, accountants, etc.). In addition, this type of ethical work

climate is characterised by a high sense of belonging to the organisation.

On the basis of the so-called theoretical types of ethical work climate, Victor and Cullen (1988) formulated a questionnaire that was also empirically verified and produced interesting findings: seven of the nine theoretical types of ethical work climate were empirically confirmed. Both these and many of the subsequent research studies of organisations from different parts of the world (Deshpande, George and Joseph, 2000; Boume and Snead, 1999; Barnett and Vaicys, 2000; Parboteeah and Kapp, 2008), also in Slovenia (Belak and Mulej, 2009; Duh, Belak and Milfelner, 2010) empirically confirmed five types of ethical work climate, and in only some cases more than seven (Cullen and Victor, 2008).

Individual empirically verified types of ethical work climate include several theoretical types. Based on these results, Victor and Cullen (1988) thus present the following five types of ethical work climate:

- *»Caring«*: this is an ethical work climate in line with the utilitarian perspective (also see Chapter 1.1.1.1.3), which highlights the importance of providing benefits for the widest possible range of participants. Research shows that such an ethical work climate is most often seen in modern organisations (Cullen, Parboteeah, and Victor, 2003);
- *»Law and code«*: as is the case for the already identified type;
- *»Legislation and Professional Codes«*: this type of ethical work climate also emphasises the importance of principles that are grounded in legislation or professional principles;
- *»Rules«*: this is another type of ethical work climate we previously identified: it includes the characteristics of the *»rules and procedures«* that presuppose the definition of organisational principles and supports the established ethical infrastructures;
- *»Instrumental«*: in such an ethical work environment, an individual's or group's interest is emphasised over the interests of the organisation and/or wider community, often with harmful consequences for the organisation or individual stakeholders; and
- *»Independence«*: this type of ethical work climate is consistent with the previously described *»personal morality«* type. It is dominated by the importance of personal moral judgement on the appropriateness of the work of individuals and, usually, the influence of others in the organisation or even outside of it is minimal.

The presented methodology based on this conceptualisation of ethical work climate types is a proven and empirically verified construct in business ethics that confirms the existence of an ethical work climate in organisations. On this basis, several studies were conducted in which the authors tried to define the influence an ethical work climate has on moral activity in the organisation. Martin and Cullen (2006) confirm the positive effect of these elements: above all, the types of ethical work climate arising from the egoistic ethical criterion show a positive correlation with immoral action, while the types of ethical work climate based on benevolent and principled ethical criteria is being negatively linked with immoral activity (Peterson, 2002). Recent research (Craft, 2013) on the moral decision-making of managers shows the ethics of virtue and deontological ethics are positively related to moral decisions, while the ethics of utilitarianism or relativism are related to unethical decisions. In terms of promoting moral behaviour in the organisation, the connection between egoistic and instrumental types of ethical work climate and immoral action is specifically problematic. As Wimbush and Shepard (1994) show, these types of ethical work climate are, in spite of the original assumption by Victor and Cullen (1988) who did not evaluate individual types of ethical work climate, the least desirable for the organisation. This kind of employee performance leads to a decrease in the organisation's performance and consequently also influences the formation of policies and processes in the organisation, which is therefore subject to more disruptions in its operations (Wimbush and Shepard, 1994, 641).

There is hence a connection between the presence of individual types of ethical work climate and moral behaviour in the organisation, and the ethical climate is one of the key elements of ethical infrastructure, and thus one of the vital elements of ethics management in the organisation. The next question we try to answer below is: how then can one manage an ethical climate?

4.3.2 Ethical climate as part of ethical infrastructure

We have already revealed the connection between ethical climate and moral action, but now we will be pointing to the connection between ethical climate and the other types of leverage of ethical infrastructure. Martin and Cullen (2006) include among the elements with a major influence on the design and changing of the ethical climate: (1) an off-organisational context such as legislative and professional principles; (2) the form of an organisation that encompasses both the size, type and

structure of the organisation (e.g. hierarchically organised, bureaucratic organisation, multi-functional departments, etc.); and (3) the strategic direction of management, which includes the strategic guidelines set by management, the way the organisation is led, etc. These findings also show the interaction of formal systems with the formation of an ethical climate. The main actor in influencing and changing the establishment of formal leverage types is the management which, in addition, consequently influences and changes the ethical climate (Demirtas and Akdogan, 2015). A collective actor, where the power of an individual manager is limited, with his formal position in the organisational hierarchy and the influence of an informal group that affects him in the sense of social pressure (Jackall, 1988). Management as a collective actor and the dominant group in the organisation (Finkelstein, 1992) can have a stronger impact on the ethical climate than an individual actor.

In investigating the influence of communication and empowerment on the organisational ethical climate, Parboteeah et al. (2010) identified a positive correlation between organisational communication and the main types of ethical work climate. Communication is a key process on whose basis management can introduce information about organisational values into the organisation, while communicating is also the basis for establishing relations and, thus, relations among employees. All of this also influences the formation of an ethical climate, especially the principle types. Among the most important tools, the implementation of the Code of Ethics (Jr and Hartline, 2005), which explicitly expounds the moral dimension, contributes to the visibility of the formal values and the ensuing processes. Empowerment processes also play an important role in the formation of an ethical climate, particularly the types of »profit« and »team interests«, which enable employees to become more involved and simultaneously influence organisational processes and, with their greater involvement, employees' sense of responsibility rises. At the same time, commitment to the organisation is stronger.

Guerci et al. (2015) also showed the important role of human resources management practices in shaping the ethical climate, with different human resource management practices affecting various types of ethical work climate differently. In their research, they dealt with the influence of practices as: (1) ability-enhancing practices such as training, selection, recruitment, etc., (2) motivation-enhancing practices like evaluation, rewarding and sanctioning, etc.; and (3) opportunity-enhancing practices such as monitoring the ethical atmosphere of an organisation, setting up reporting systems on morally disputed situations, etc. In particular, practices for promoting skills and creating opportunities positively

influence benevolent and principled types of ethical working environments while, surprisingly, motivation practices mainly influence the formation of egoistic types of ethical work climates. Practices for promoting skills aim at strengthening individuals' ethical competences, i.e. their ability to perceive and interpret morally questionable situations, while also gaining a foothold in opportunity-enhancing practices that are typically based on the need for an organisation to build a collective (that is, benevolence) and to achieve organisational goals, which is why organisations are engaged in establishing coherent systems (i.e. principles) (Guerci et al., 2015, 336). Motivation practices create conditions for employees that direct them to re-calculate their own benefits and values of their activities, which in turn lead to more egoistic types of ethical work climate. Modern HRM models, and above all HRM practices in the organisation, often use more motivational aspects and elements of the HR model than the other two (promoting skills and creating opportunities). This prompts us to ask about the appropriateness of ethical infrastructures and their impact on the moral climate and functioning of organisational members.

Organisational control systems also influence the formation of an ethical climate (Laufer and Robertson, 1997, 1034) and often coincide with social control, which is developed in the organisation based on informal relationships and the social groups that create and maintain them. The more the control systems are restrictive and formalised, the greater the possibility for the ethical climate to include elements of one's own interest, weak commitment to the organisation, etc., which further adds to the previous findings about broader control systems that not only prevent immoral action, but also contribute to identifying existing values, finding feedback, etc.

Building on all of the above, we agree with authors who find that ethical work climate constitutes an important part of the ethical infrastructure, which helps establish the context of the organisation's activities and also influences other elements of the ethical infrastructure, systems and processes, including communication, control and rewarding and sanctioning. The relationship between them is two-directional: these elements also influence the formation of individual types of ethical climate. Lying at the heart of the debate on ethics management, ethical infrastructures and its individual elements is certainly management, which plays the most important role in shaping the dynamics of organisations' functioning (setting strategic directions, defining the systemic aspects of the organisation and, in particular, leading by example). At the end of the section on ethical structures, we are left with the following question: how do ethical infrastructures affect the moral behaviour of management? This

is the subject of the fifth chapter and the empirical research that was carried out while preparing this book.

4.4 At the end of the fourth chapter

The fourth chapter focuses on presenting individual elements, i.e. ethical infrastructures or formal and informal types of leverage, that contribute to the enhancement and development of ethics and moral behaviour within organisations. Ethical infrastructures represent an important element of ethics management that can lead to the institutionalisation of ethics or to the integration of ethics into organisational processes. In this, we proceed by assuming that moral dilemmas have a situational character which requires organisations to adjust their operations and establish organisational leverage to enable them to monitor the responses of individuals to those moral dilemmas and guide their further action. In the book, we support the thesis that such management is necessary because the organisation cannot function in a developmental way without it.

Based on analysis of secondary sources and own knowledge and experience of working in Slovenian organisations, this chapter presents the theoretical model of ethical infrastructure building on the definition given by Tenbrunsel, Smith-Crowe and Umphress (2003). However, our theoretical model adds to the definition of these authors an important change in the dynamics of the relations between individual ethical infrastructural elements. In the theoretical model of ethical infrastructure we assume the equal position of all elements of ethical infrastructure that are otherwise dealt with in a mutually subordinate position. This also highlights the assumption that individual elements of ethical infrastructure provide a different impetus for the moral behaviour of managers, but it does not necessarily imply a different intensity of influence. This explores the relationship between ethical infrastructure and moral behaviour in organisations and introduces a completely different dimension, which also a priori presupposes the simultaneous interaction of individual ethical infrastructural elements.

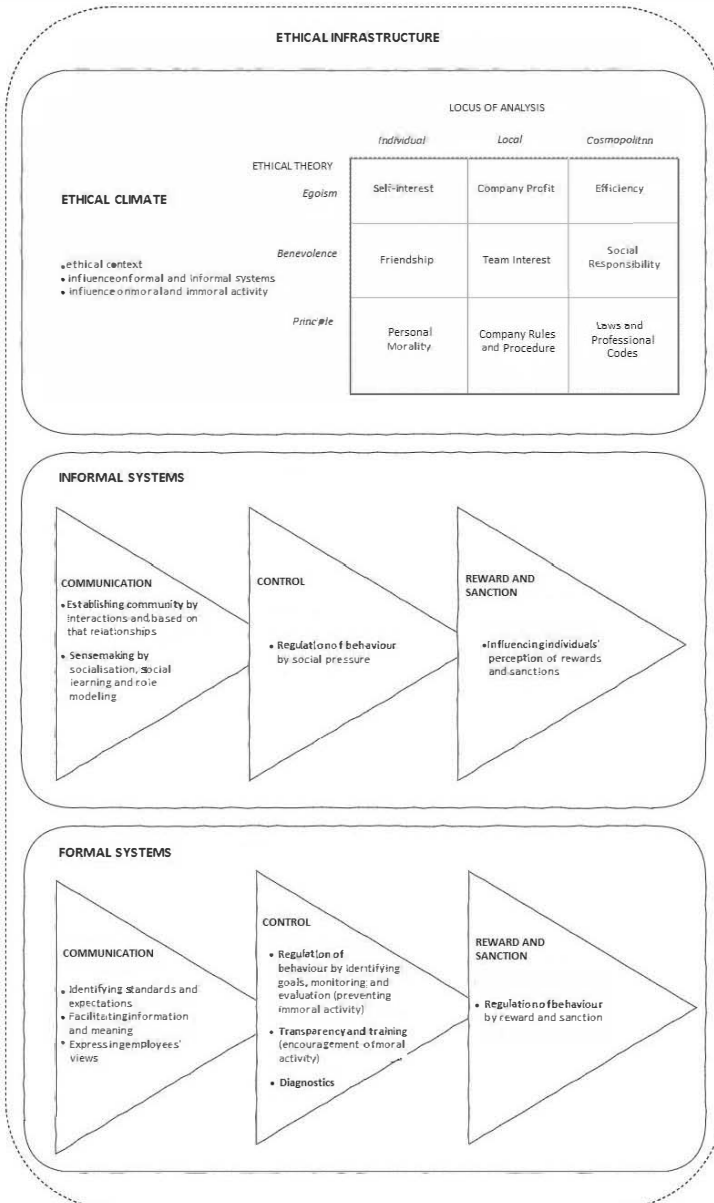
As part of ethical infrastructure, formal systems are the easiest to manage, but are only limited in their effectiveness to cases where incentives for immoral performance are strong in the organisation. If this is not the situation, formal systems may also act in reverse, affecting immoral activity, especially if informal systems are also oriented to the enhancement of immoral activity. Alongside the formal system in the theoretical model, we posit informal systems where it is clear that the effect is two-directional: just as informal systems can influence the

performance of formal ones, they can also influence the formation of informal systems. The third element of ethical infrastructure is the ethical climate which can also shape both informal and formal systems and is at the same time subject to the influence of these and many other organisational systems and processes. That is why it is important to once again emphasise the multidimensionality and dynamics of organisational activity that underline the awareness that, despite the theoretical conceptualisation of the proposed model of ethical infrastructures, attention should be paid to the fact that in practice these systems and processes are not so clear and often intertwine. At the same time, this is what makes it essential that elements of ethical infrastructure be consistent and support other systems in the organisation.

Based on the discussion in Chapter 4, we have thus created the theoretical model of ethical infrastructure presented in Figure 4-4 (see above) that aims to at least conceptually differentiate the functions to which individual elements of ethical infrastructure contribute, thereby enhancing the model's conceptual clarity.

As mentioned, the most prominent part of an ethical infrastructure is the formal systems which are visible, formalised and documented measures and activities in the organisation designed for the precise purpose of promoting ethics in the organisation. These systems can be set up with a wide range of managerial approaches, concentrating primarily on creating awareness of the importance of ethics and encouraging a readiness to put concrete measures in place in the organisation, and thus contribute to the foundation of ethics in the organisation. We find that managers have the least support in shaping their own beliefs regarding the importance of ethics and the principles of ethics management, even though it is considered that they are at the same time the group with the most direct influence and responsibility for the design of ethical infrastructures. This contradiction between the manager as an individual moral actor (individual as a leader) and a member of a group of managers as the dominant actor in the organisation shows the asymmetry of power sources in his/her role (formal position in the organisation) and the resources available to them as individuals.

Fig. 4-4: Theoretical model of ethical infrastructure



Source: authors' contribution

An example of this is the analysis of the formal role of HR managers and their impotence as an individual—an expert in the organisation who should not only represent the interests of management versus the employees, but also the interests of the employees versus the management, which the employees expect from him (Mesner Andolšek, Primožič and Štebe, 2013). Mesner Andolšek (ibid.) showed how helpless HR managers feel amidst this conflict of interests, demands and expectations in this situation. The question is how many power sources are available in order to increase their impact on the ethical performance of their employees as a single leader or as a member of the strongest group in the organisation? We assume that as an individual leader, his ethical habitus is decisive. Where a manager is a member of the leading group, the formal leverage is stronger. All of the formal systems in question are closely interconnected, making it important to ensure their complementarity in order to bring about their cohesive action.

We define the first of the formal systems as the system of formal communication, which has several tasks: (1) defining expectations and standards regarding the moral response of organisational members by providing information on the values of the organisation and directing the employees' work by explicitly stating the rules and procedures for behaviour; (2) building the impression or perception that employees receive about elements in the organisation, while the management provides them with meaning in a formal form, and above all with the consistency of one's own image; and (3) providing employees with the opportunity to express their own views on individual moral issues, to have the chance to report immoral action, the possibility to check and consolidate their own moral values, etc. This is followed by a system of formal controls closely linked to formal communication and helping regulate the activities by either preventing immoral or promoting moral behaviour.

While it contributes to the first, it defines clear objectives, the monitoring and evaluation of activities, results, supporting the latter by facilitating transparency in the organisation's responsibility and motivation for moral action through training and other elements of ethics management. This expanded view of the role of formal control systems is complemented by another, in practice often under-exposed function: diagnosing the understanding and responses of employees, and at the same time the moral dilemmas that occur in the organisation that substantially make ethical infrastructures more effective.

The system of formal control is also complemented by a third formal system, the system of formal rewarding and sanctioning, whose core

function is the regulation of activities: the moral activities of employees are rewarded while immoral activities are sanctioned. One of the most important reflections on systems of formal rewarding and sanctioning is the consideration of the actual impact of these systems: as many studies show, the response of employees depends primarily on the appropriateness and intensity of rewards and sanctions. If the system of formal rewarding and sanctioning is not properly established, it can also produce unwanted consequences and immoral activity. The question remains as to how much the organisation checks the reward and motivation systems in terms of their effects on the moral behaviour of the employees. Do HRM evaluations (assessments) of employees and consequently motivation stop only at checking the efficiency and greater work performance of employees and not from a moral perspective?

The other part of ethical infrastructure is informal systems, which also shape the functioning of formal systems in the organisation. Research often shows the dominance of informal systems over formal systems, based chiefly on the ability of informal systems to direct employees to work in ambiguous and unexpected situations. Informal systems entail all those informal policies, practices and procedures that are not predetermined and systematically defined, and do not have a distinct purpose, but are spontaneously generated by the interaction of organisational members due to their need for additional interpretation of a given situation or of formally defined values, norms, policies, procedures, etc. The main function of informal systems is to socialise members of the organisation who, through observation and communication with others, acquire silent knowledge of acceptable and unacceptable behaviour in the organisation. As seen in Chapter 4, informal systems also have a significant impact on ensuring the effectiveness of ethical infrastructure by facilitating the already emphasised socialisation and through this interpretation of reality as well as with the support informal systems can offer to the efficiency of formal systems. We also observed systems of communication, control and rewarding and sanctioning among informal systems.

The informal communication system in which all unofficial messages communicate information about the organisation's ethics within the organisation has two distinct functions: (1) to create a community within the organisation; and (2) socialisation and social learning through which individuals acquire information on ethics and moral activity in the organisation, and also interpret all aspects of these elements which are not mediated by the formal system or left to interpretation. Nowhere have we come to understand socialisation in the broader sense more than in the transformation of individual ethical principles. Socialisation is understood

here as adapting individuals to the way they work in the organisation, not in terms of resocialisation. Such radical goals of socialisation (in terms of transforming the identity of individuals) are usually not propagated by organisations, except in rare cases of total institutions such as prisons (Goffman, 1963). Usually, companies talk about the transfer of organisational identity and socialisation into the organisation's culture, although Wacquant (2006) showed the organisation's influence on the design of professional ethics in the individual in terms of habitus formation. Regarding the first function, the following applies: through informal communication, informal information is transmitted, although its relational function is even more pronounced. On this basis, interactions are created between individuals, leading to the formation of relationships and thus a community with more or less intense trust among the members. In this process, a social learning platform is spontaneously created which contributes to the socialisation of organisational members. The community represents an important reference point for the individual, with an important role being played by management which by its example confirms or denies the formally emphasised policies and processes. In this way, it supports the actual role of informal communication: defining the meaning of the organisation. Informal control systems were also discussed in the part on the informal system which focuses mostly on monitoring and detecting immoral activity through informal, unwritten, unforeseen systems that are based on social control. The latter represents a kind of extension of social relations between employees in the organisation and a form of pressure via which it affects individuals and groups to act according to agreed expectations, whether formal or informal, in as much as they are inconsistent with the former. For the effectiveness of ethical infrastructure, it is essential to create coherence and a close connection between formal and informal supervision. The latter however also depends on the power of informal control. If there are weak social ties in the organisation, social pressure will be unable to satisfy its function, which also influences formal control and consequently the entire ethical infrastructure. As the last of the informal systems, we dealt with the system of informal rewarding and sanctioning, i.e. those systems within the organisation that directly link moral and immoral activity with rewards and sanctions and do not follow formal, official organisational channels. Also in this case, the basis for forming informal rewarding and sanctioning is the social group that is established in the organisation along with its values and expectations. Although the effectiveness of informal rewarding and sanctioning is mainly related to an individual's perception of the value of rewards and sanctions, it is considered that it is built on the basis of

interactions in the relevant social group or relationship. Therefore, in terms of addressing the effectiveness of ethical infrastructure, it is relevant: (1) to reflect on the real contribution made by informal rewards and sanctions in stimulating action that is in line with the desired action in the group; and (2) identifying the intensity of relations in informal groups in organisations where informal rewards and sanctions are formed.

The last part of the ethical infrastructure we present is the ethical climate where the prevailing perceptions concern typical organisational practices and procedures with ethical content formed on a wide range of elements: formal and informal systems, the role of management, external influences, employee structure, form and type of organisations, etc. Despite the conditionality of all of these elements, ethical climate is one of the most influential elements in ethical infrastructure that also determines the success of the other two elements, the formal and informal systems that have been studied so far. In the book, we emphasise the conceptualisation proposed by Victor and Cullen (1988), which introduces two dimensions (ethical criterion and locus of analysis) to define nine theoretical and five empirically verified ethical work climate types. Although the authors emphasise it is impossible to determine the precise suitability of individual types of ethical work climate in promoting moral activity, in the discussion on ethical climate as part of ethical infrastructure we find that, above all, the egoistic types of ethical work climate are considered to promote immoral activity. In organisations with such an ethical work climate, it is thus necessary to strengthen both formal and informal systems that lead to changing the ethical work climate, and consequently towards preventing immoral and promoting moral behaviour in the organisation. An important role in this is played by the management by laying down the basic guidelines, by setting an example and with other elements of its activities, where the most important question is the impact of ethical infrastructures on the moral behaviour of managers.

CHAPTER FIVE

THE RESEARCH

5.1 Methods of research

The aims of the empirical work were to: (1) formulate basic ideas about the development of ethical infrastructures in Slovenian organisations and their influence on the moral behaviour of managers; (2) contribute to understanding of the concept of ethical infrastructures by exploring relations among elements of ethical infrastructures; and (3) add to the creation of a model for promoting the moral behaviour of managers. In line with such goals, we formulated a structured questionnaire which examined the views of employees in organisations, regarding both individual elements of ethical infrastructures and their perception of moral management. In this, we proceeded from the thesis that organisational ethical infrastructures and their elements are connected with the moral action of members of the organisation and that, to some extent, they influence them. The following hypotheses were examined with the aforementioned questionnaire and the analysis of secondary sources presented so far:

- *H1: Ethical infrastructures are poorly developed in organisations.* Ethical infrastructures are an important element of effective ethics management, which in turn leads to the institutionalisation of ethics in the organisation. Ackerman's (1977) model of ethical infrastructures was the starting point for defining the development of ethical infrastructures, which he observes from the perspective of development phases in organisations' institutionalisation of ethics. We assume that most Slovenian organisations are in the first stage of institutionalising ethics, characterised by the presence of individual tools of ethics management such as, for example, an ethics Code of Ethics, but not other elements of formal and informal structures in the organisation.
- *H2: More developed ethical infrastructures promote the moral behaviour of managers in organisations to a greater extent than*

less developed ethical infrastructures. Research shows the presence and development of ethical infrastructures are important factors influencing the morality of managers (Tenbrunsel, Smith-Crowe and Umphress, 2003), so we assume this will be confirmed in our research. We expect to find a strong link between the elements of ethical infrastructure and the perception of moral management.

- *H3: Ethical infrastructures in organisations promote the professional dimension of moral behaviour to a greater extent and the personal dimension of moral behaviour to a lesser extent.* In studying moral management, we derived from the models of Treviño, Pincus Hartman and Brown (2000) who distinguish the personal and professional dimensions of managers' moral behaviour that are based on employees' perceptions of the characteristics of their managers. In our study, we assume that ethical infrastructures in organisations are more closely related to those elements of activities of managers which concern their professional dimension. That is to say, their focus on emphasising the importance of moral behaviour by personally setting an example and by rewarding, along with the communication they use for that purpose. To a smaller extent, ethical infrastructures influence the personal dimension, that is, the characteristics, behaviour and decision-making of managers. This can also be explained by the concept of habitus. It is shaped in the socialisation process, including its moral dimension (Wacquant, 2006). During the process of socialisation, the impact of informal sources of power is stronger than the impact of formal structure and thereby the influence of formal ethical infrastructure. The moral decision-making and behaviour of managers is therefore part of the personality of moral habits (Hribar, 1996) and not merely a reaction to the formal and informal aspects of institutional structures. Wacquant (2006) revealed that habitus (professional ethics) is shaped through sparring, coaching, partner reactions, and training itself.
- *H4: Various types of ethical work climates are differently connected to the formal and informal systems of ethical infrastructures found in organisations.* Based on the typology of ethical work climates by Victor and Cullen (1987), we assume various types of ethical work climates will be linked in different ways to formal and informal systems in Slovenian organisations. We assume the egoistic types of ethical work climate will be more strongly linked to formal systems than the benevolent and

principled types, with the latter being more strongly linked to informal systems.

5.2 Collection of data and characteristics of the sample

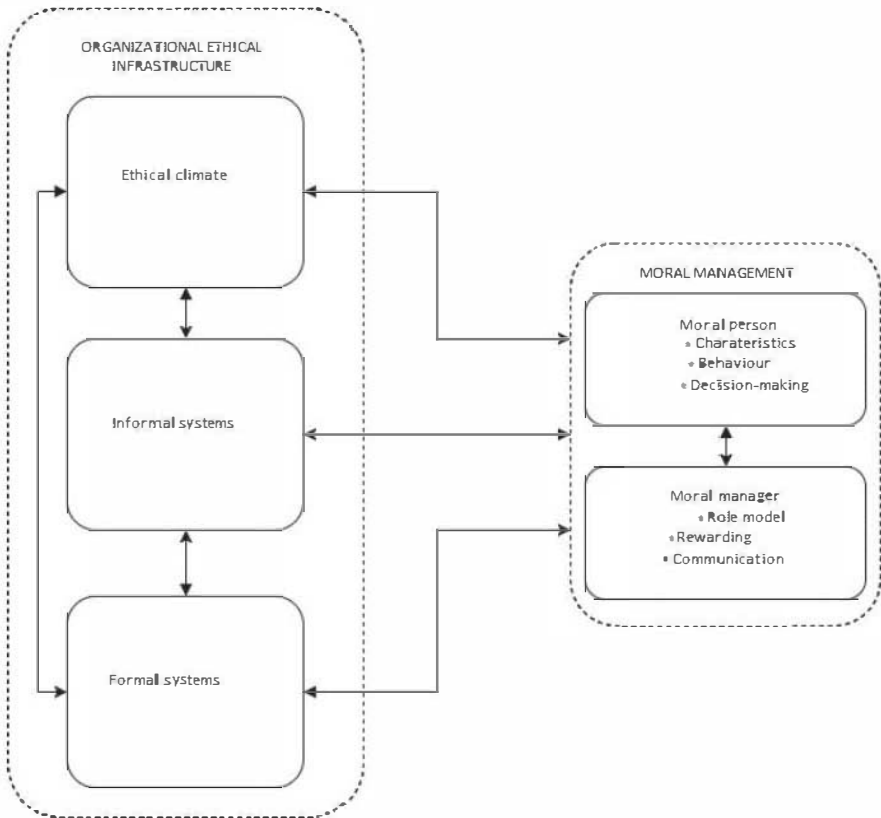
In the research, we used a structured questionnaire whose design is based on theoretical starting points and analysis of secondary sources. Part of the questionnaire was designed in accordance with already empirically verified instruments, while other parts were created independently (see Chapter 5.3). The questionnaire was formally tested on 20 respondents and a few individual questions were adjusted based on the answers and test analyses. The questionnaire was prepared using the www.lka.si test tool. The data collection took place online between May and August 2016. During this period, we encouraged respondents to complete them through specialised electronic databases. The sample framework primarily included the electronic databases of the Chamber of Commerce and Industry of Slovenia, as well as the Institute for Social Responsibility Development, the company Taktika Plus d.o.o., which is the organiser of the annual conference on ethics of business, and other similar organisations. We targeted a total of approximately 2,000 addressees, with 375 respondents responding to the questionnaire (response rate of 18.8%), while the survey was adequately completed by 211 respondents (10.5%). We included all respondents in the database which formed the basis for the analysis, so the number of answers to individual questions varies depending on the extent of survey completion. A smaller share of respondents who fully completed the survey was partially expected based on the findings of the mentioned questionnaire testing. Respondents who responded to the invitation to fill in the questionnaire during the test phase highlighted the length of the survey as a disadvantage of the survey (on average, the survey took 10 minutes 32 seconds to complete) but, above all, they noted its complexity. Among the disadvantages pointed out was the similarity and, at times, the inability to comprehend certain claims included in the questionnaire. These are chiefly claims related to the characteristics of different types of ethical workplaces, which also form part of an already established measurement instrument for assessing ethical work climate types (Victor and Cullen, 1987). For this reason, we did not exclude the above-mentioned claims from the questionnaire as that would also encroach on the validity of this tool. In the future, however, it would be worthwhile to think about ways to improve this measurement instrument, how it functions in the specific context, and especially to optimise translations, which in this case played a key role in understanding the claims.

The selection of units in the sample was random, each person from the population had the same probability of being included in the sample (Kaltan and Vehovar, 2001). If a sample reflects the characteristics of the population, it is representative, although this is not fully applicable in this case. The population we are addressing with the survey are all employees of Slovenian organisations whose statistical characteristics are not completely preserved in the sample, partly due to the inability to determine the relevant population's characteristics (e.g., the starting population is the working population of the Republic of Slovenia, yet data on Slovenians employed by foreign employers and immigrants working in Slovenian organisations cannot be included), partly due to limited access to all Slovenian employees, which led to the selection of specialised databases that allow access to employees in terms of both access to the electronic addresses of potential respondents from the aspect of the choice of part of the population we believed would be more likely to participate in the survey due to having already expressed an interest in the topic. Thus, the survey covered mostly respondents between the ages of 25 and 48, which corresponds to the structure of the working population of the citizens of the Republic of Slovenia, of whom 61.7% are women and 38.3% are men (for the employed population of the RS citizens, the ratio is 45.2% women and 54.76% men). Compared to the population, respondents in the sample are above-average educated: less than half the respondents have a university degree or a master's degree (43.7%), followed by those with a higher vocational school (31.6%), and a good 10% of respondents with a scientific master's degree or doctorate (12.6%) or with secondary school (12.1%). A little more than half the respondents (51.9%) hold a managerial role in the organisation in which they are employed. Three-quarters of the respondents (76.8%) come from the private sector, while the rest are from public and non-governmental organisations, which also corresponds to the structure of the population of Slovenian organisations. The data thus show the sample is not representative of the population, by which characteristics of the population cannot be derived nor generalised results obtained. This is a significant constraint on the research that needs to be improved in future similar research initiatives. Regardless of the above, the set pattern thus enables the acquisition of data on whose basis it is possible to determine the methodological relevance of research constructs and the relations between them, which is another goal of the book. On this basis, the results of data study are presented below.

5.3 Research model and measurement of the variables

The research model was based on analysis of secondary sources and our own findings and observations of individual Slovenian companies and other organisations. The model contains two composite constructs. Our focus is primarily on empirically validating the relation between them (see Figure 5-1). The model also serves as the basis for studying the relationships within individual dimensions of the presented constructs.

Fig. 5-1: Research model



5.3.1 Ethical infrastructure

To measure ethical infrastructure, we started with the classification of Tenbrunsel, Smith-Crowe and Umphress (2003), which includes organisational ethical climate, informal and formal systems in the elements of organisational ethical infrastructure, among which they especially highlight communication systems and systems of supervision and sanctioning. Indicators for measuring informal and formal systems were developed on the basis of theoretical starting points and a review of secondary sources, while indicators for measuring an ethical work climate were summed up according to the established and repeatedly tested instrument of Victor and Cullen (1987). Below, we present characteristics of the individual dimensions we included in the survey.

5.3.1.1 Identification of types of ethical work climate

The types of ethical work climate were identified based on 37 selected indicators summarised by Victor and Cullen (1987). In two cases, the original indicators were divided into two indicators because the questionnaire testing showed those indicators caused problems for the respondents. Thus, 39 selected indicators were used to measure ethical work climate types. Table 5-1 shows how these indicators were modified.

Table 5-1: Modification of indicators in the instrument for measuring types of ethical work climate

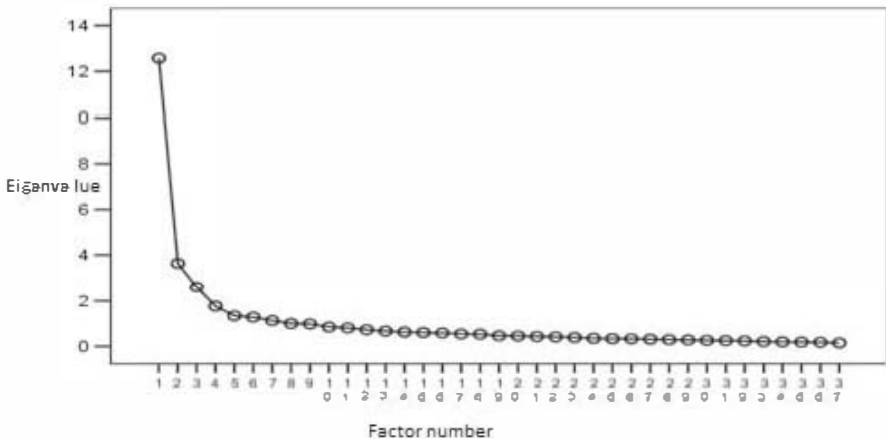
Original indicator	Modification of the original indicator
In this company, people look after their own interests above all else.	In this company, people are mostly looking out for themselves.
	In this company, people have each other's back.
People are expected to comply with the law and professional standards over and above other considerations.	People are expected to comply with the law over and above any other considerations.
	People are expected to comply with professional standards over and above any other considerations.

The distribution of all indicators is fairly close to a normal distribution since the values of asymmetry and kurtosis are below the absolute value of 1 or are close to 1, allowing them to be included in the factorial model

(Reader can obtain the data from authors). The theory and preliminary research make it clear that ethical work climate is a multi-dimensional concept and we designed the measurement instrument accordingly. By factor analysis of the principal axis method we verified the dimensionality of ethical climate.

The analysis shows an ethical work climate is best described by four factors, explaining 50.2% of the variability of the model variables. In addition, we note that two variables with a low value of commonality (below 0.2) were excluded from the analysis. These variables are »In our organisation, employees act primarily after the interests of their colleagues« and »The most important decision-making criterion in our organisation is every employee's sense of what is right and wrong«. After that, the factor analysis was repeated.

Fig. 5-2: Diagram of eigenvalues of ethical work climate types



In order to more evenly distribute the variance among the individual factors, thus allowing a higher degree of their interpretation, we also performed a square rotation. Thus, for the first factor, 16.29% of the variance of the variables was explained, for the second factor 15.49%, the third factor 9.97%, and the fourth 8.48%, totalling 50.24%.

Regarding the first factor, indicators with high weights mostly relate to the type of working ethical climate Victor and Cullen (1987) call »friendship«; thus, in turn we named it »friendship«. Although this dimension is dominated by indicators relating to »friendship«, this type of ethical work climate in organisations is intertwined with elements of

»efficiency« and »rules and procedures«, along with »personal morals« and »social responsibility«. With respect to the second factor, high weights refer to the ethical work climate types »legislation and professional codes«, »rules and procedures«, »personal morality« and »effectiveness«. High weight indicators are found particularly in the »legislation and professional codes« and »rules and procedures« types. This factor will therefore be called »legislation and rules«. Concerning the third factor, high weights are predominantly given to indicators that relate to the »self-interest« type of ethical work climate. In this factor, high weights also indicate the »profit« type of ethical work climate, which also corresponds to Victor and Cullen's (1988) empirically verified model which names this type of ethical work climate »instrumental«. We will also do this. In the fourth, last factor, high weights characterise indicators corresponding to the »social responsibility« and »efficiency« types of ethical work climate. This factor will be called »social responsibility«, but it should be emphasised that it combines awareness of the broader social impact, which is in the function of achieving the organisation's effectiveness.

With the factors thus defined, we devised dimensions that are the average of the indicators with a high weight on a single factor. Thus, we included an average of 12 indicators in the »friendship« dimension, 11 indicators in the »legislation and rules« dimension, 8 in the »instrumentality« dimension and 6 in the »Corporate Social Responsibility« dimension. These dimensions are consistent with the original typology of the ethical work climate. Like some other authors (Belak and Mulej, 2009; Duh, Belak, and Milfelner, 2010), we were able to empirically confirm the existence of four ethical work climate types in organisations.

We also studied what connects them. The data clearly reveals a fairly positive correlation between the dimensions »friendship«, »legislation and rules« and »social responsibility«, while the dimension »instrumentalism« has a very weak negative correlation with the »friendship«, »legislation and rules« dimensions, while not even being connected with the »social responsibility« type. The greater presence of the »instrumentalism« ethical work climate in the organisation therefore also means a stronger absence of other types of ethical work climates, which is the least favourable for organisations since the presence of this type is also positively related to immoral activity in the organisation (Peterson, 2002, 324). Studies also show this type of ethical work climate is the least desirable in the organisation. In the case of other ethical work climate types, the theory proves a positive influence on moral behaviour, which allows these three ethical work climate types to be regarded as a single, united dimension we dubbed a »positive ethical work climate«.

5.3.1.2 Identification of informal and formal systems

As mentioned, informal and formal systems were measured using a set of indicators developed on the basis of theoretical starting points and the analysis of secondary sources, which in both systems highlight the importance of communication, control, rewarding and sanctioning. These manifest differently in different ways in both informal and formal systems. In the analysis of data on informal systems, we used a set of 6 indicators. To measure formal systems, we employed a set of 8 indicators (see Table 5-2).

Table 5-2: The set of indicators used to measure formal and informal systems

Formal systems	
	In our organisation, there is a formal (officially accepted) Code of Ethics.
	Employees in our organisation are well acquainted with the organisational Code of Ethics.
	Ethics is included in our company's mission.
	For help, we can turn to particular people or organisational divisions when faced with an ethically questionable situation.
	We have regular ethical trainings in our organisation.
	Ethics reporting is part of the formal reporting in our organisation.
	Employees' moral behaviour is formally rewarded in our organisation (for example, by a payment increase, possibilities of career development etc.).
	In our organisation, employees who behave immorally are formally sanctioned.
Informal systems	
	Ethics is an important part of introducing new employees in our organisation.
	In our organisation, employees' moral behaviour is influenced by the attitude of superiors to this kind of behaviour.
	If someone behaves immorally in our organisation, other employees exclude them even if they are not formally sanctioned.
	In our organisation, employees' moral behaviour is influenced by other employees' attitude to this kind of behaviour.
	In our organisation, informal expectations are a stronger tool for encouraging employees' moral behaviour than the established formal rules, processes and procedures.

The instrument's reliability was then tested using the Cronbach coefficient, which measures internal dimensional consistency, which is 0.803 for informal systems and 0.887 for formal ones. This indicates a high degree of reliability of the measurement instrument for both dimensions and we thus used them in the analysis.

5.3.1.3 Identification of a moral manager

The moral manager dimension was shaped by the theoretical concept of moral managers proposed by Treviño, Pincus Hartman and Brown (2000), who distinguish between the manager's personal and professional dimensions. The authors created this concept based on qualitative research, the results of which were presented in various publications, but the measurement instrument itself was not explicitly presented. To this end, we contacted Lindo Treviño, one of the creators of the concept, who provided us with the materials used in their qualitative research and on whose basis the concept of moral manager was formulated.

Table 5-3: The set of indicators used to measure moral management

Moral person	
This mostly applies to managers in our organisation:	
	They are honest
	They have high integrity
	They are trustworthy
	They try to do things correctly
	They take care of the employees
	They maintain an equal relationship and communication with employees and other stakeholders
	They exhibit personal morality
	They act in line with clear values and principles
	They decide fairly
	They take care of society and the community
Moral manager	
This mostly applies to managers in our organisation:	
	They emphasise ethics as an important part of decision-making
	They act in accordance with ethics themselves
	They communicate with employees about ethics and values
	They suitably reward moral behaviour and sanction immoral behaviour

Using both this material and Treviño's recommendations, we quantified the instrument for measuring the moral manager's concept, distinguishing

between the »moral person« dimension which measures the perceived personal characteristics of managers and the »moral manager« dimension that presupposes perceived professional characteristics, functions held by managers as perceived by respondents. Indicators for measuring both dimensions are presented in Table 5-3 (see above).

In view of the obvious multidimensionality of the theoretically studied construct, we also wanted to check the dimensionality of the measurement instrument for which we performed factor analysis with the principal axis method, and then a rectangular rotation. Prior to this, we also checked the distribution of the indicators, which, even for indicators of both dimensions of a moral manager, is quite close to a normal distribution. The values of the asymmetry and kurtosis of the indicators are below the absolute value of 1 or are close to 1, which allows them to be included in the factorial model.

In accordance with the theoretical construct, the factor analysis showed two distinct factors that explain as much as 81.5% of the variability of the model variables, with the first factor explaining 52.28% of the variance and the second factor an additional 29.22%, altogether 81.5%.

One indicator was excluded in the factor analysis since it had similar values for both factors, making it difficult to determine the factor it contributes to. This was the »Managers in our organisation are also acting in accordance with ethics« claim, which refers to the example of moral behaviour given by managers. Considering that this is an important element of the moral manager's function, the measurement instrument for this dimension should be improved in the future. Among the two factors, we have the first factor called »moral person« which includes high weights on indicators that mostly relate to the personality characteristics of managers. Another factor, which we called »moral manager«, has high weights on indicators that refer to the role of managers. Such factors are consistent with the theoretical concept of a moral manager (Treviño, Pincus Hartman and Brown, 2000) and also correspond to the organisational level of ethics management in organisations. At this point, the most obvious connection is the one already pointed out: indicators that make up the dimension of »moral manager« refer to a manager's communication, rewarding and decision-making. This is analogous to systems in ethical infrastructure that also reflect the manager's individual role on the systemic or process level. It is precisely here that what is most clearly indicated is the importance of coordinating the systems and the individual activity of managers: this is at the same time an element in which the moral manager, the individual and moral management meet with the process.

In the continuation of the analysis, we formulated dimensions on this basis, namely, the average of indicators with a high weight on a single factor. For the »moral person« dimension, we took an average of 10 indicators, while we included an average of three indicators in the »moral manager« dimension. There is a very strong relationship between the two dimensions ($r = 0.863$; $p = 0.000$), pointing to the fact it is difficult to distinguish between the two roles of managers. They strongly overlap with each other and, with a larger amount of data, would most likely converge into a single dimension. The relationship between the two identified dimensions indicates a positive connection, showing that the more the respondents consider managers as »moral persons«, the more managers will be rated as »moral managers« in terms of their professional function. This holds important implications for promoting the moral behaviour of managers, as we discuss below.

5.4 Verification of the research hypotheses

The first research hypothesis relates to the development of ethical infrastructures in organisations. To verify the hypothesis, the t-test method for the arithmetic mean was used to verify that the average values of the ethical infrastructure constructs are statistically significantly below the 3.5 threshold, which we had used as the limit value for defining a developed ethical infrastructure. The analysis included dimensions that measure all three elements of ethical infrastructure: four dimensions refer to ethical work climate (»friendship«, »legislation and rules«, »instrumentality« and »social responsibility«), while we also observed the dimensions »formal systems« and »informal systems«.

Initial examination of the individual constructs shows the following: the average value of the »friendship« construct is 3.21 which is statistically significantly below the limit value ($t = -6.08$; $df = 210$; $p = 0.000$), meaning we can confirm this construct is poorly developed in the companies in our sample. The same applies to the mean values for the »instrumentality« and »formal systems« constructs with values of 2.7 ($t = -20.647$; $df = 210$; $p = 0.000$ for »instrumentality« and -13.896 ; $df = 210$; $p = 0.000$) is well below the set threshold of 3.5. These statistically significant values allow us to confirm the assumption that these constructs are inadequately developed in our sample.

A somewhat higher average value is found for the »legislation and rules« (value 3.6; $t = 1,315$; $df = 210$; $p > 0.05$), »social responsibility« (3.5; $t = 0.881$; $df = 253$, $p > 0.05$) and »informal systems« constructs. The mean value for the latter is 3.4 ($t = -1.33$; $df = 253$; $p > 0.05$), but here we

cannot speak of statistically significant values and thus cannot fully confirm the assumption that these are more advanced elements of ethical infrastructure.

Based on these data, it is evident that ethical infrastructures are generally poorly developed in the organisations involved in the survey. Only a small share have developed types of ethical climates that emphasise the importance of employees' work complying with legislation and organisational rules and focus on meeting the interests of stakeholders in organisations (according to the customers and business partners we asked). However, we stress this is an indirect inference and so cannot be generalised to the situation for the entire population. Namely, the survey was carried out on a random sample, which also does not allow for generalisation. Our findings on the ethical infrastructures established by the organisations in our sample point to the underdevelopment of formal systems and informal systems also remain at a low level (that is otherwise statistically not significant). A review of the descriptive statistics permits the inference that both formal and informal systems are relatively weak, indicating the latter are easier to find in the organisations in our sample than formal systems. Thus, the organisations included in the sample may be characterised by on average having no formalised codes of ethics (average score 3.02) or no specific person or organisational unit to which employees can turn if faced with an ethically challenging situation (average score 3.18). Only participation in the missions of organisations was scored significantly higher, with an average of 3.55. However, in the organisations in our sample, we are unable to detect other elements of ethics management: training, formal reporting on ethics and ethical dilemmas, formal rewards that touch on that which is moral and sanctions that are associated with immoral behaviour of employees. Ethics is also not an important component of the way new employees are introduced in the organisations in our sample (average score 3), but the presence of social control in relation to them is noteworthy. Thus, the moral behaviour of the employees of the organisations included in the sample is strongly influenced by the ratio of superior managers (average score 3.57) and other employees in the organisation (average score 3.56). Informal expectations in the sample organisations are a stronger tool for promoting the moral behaviour of employees than the established rules and procedures (average score 3.43). Yet, a negative attitude to employees in the organisation who act immorally can be detected, even if it goes without formal sanctioning (average score 3.62).

Ackerman (1977) describes this state of affairs as the first phase of the institutionalisation of ethics in organisations in which ethics is perceived

to be important but without having been made a reality in the organisation, nor is it given focused attention in the organisation. Ackerman also refers to a second phase encompassing by the underdevelopment of ethical infrastructures in which informal systems and the unsystematic response of individuals and groups to moral dilemmas in organisations are much more stressed in the primary stages of development. Rules, procedures are emphasised in the organisation, but at the same time are considerably influenced by the expectations of informal groups. Therefore, the finding of the »legislation and rules« ethical work climate in the organisations in our sample is not surprising, given that it chiefly emphasises the normative functioning of employees and compliance with existing and established formalities of functioning. This situation is completely in line with the theoretically defined primary developmental stages of ethical infrastructures, and the danger of this situation is mainly seen in the incompatibility of informal and formal systems in an organisation. If informal systems promote immoral activity and behaviour outside the organisation's guidelines, formal systems will have difficulties regulating the latter. Insofar as informal systems are compatible with formal ones, the transition to the next development stages will be made considerably easier.

● On the basis of the above, we can partially confirm the first research hypothesis: ethical infrastructures are poorly developed in the Slovenian organisations in our sample, hence they remain in the first stage of the institutionalisation of ethics (Ackerman, 1977) in which tools for ethics management exist but are not developed.

With the second research hypothesis, we investigated the link between the development of ethical infrastructures in organisations and the moral behaviour of managers. To verify the hypothesis, we used correlation analysis to measure the relationship between variables. Pearson's correlation coefficient was chosen for the measure of connection.

The strongest correlation between the constructs of ethical infrastructure and the moral behaviour of managers is seen in the case of a »friendship« ethical work climate ($r = 0.819$; $p = 0.000$), according to the strength of the connection between the elements of ethical infrastructure and the moral behaviour of the managers, the »legislation and rules« ethical work climate ($R = 0.647$; $p = 0.000$), informal systems ($r = 0.571$; $p = 0.000$), and then formal systems ($r = 0.531$; $p = 0.000$) and ethical work climate »social responsibility« ($r = 0.473$; $p = 0.000$). All constructs of ethical infrastructure thus show a relatively strong positive relationship with the construct moral manager, pointing to the simultaneous importance of these elements in the organisations in our sample in promoting the morals of managers. Interestingly, the correlation analysis showed the greater

contribution of the »friendship« ethical work climate, which is already weak to begin with, as shown in the discussion concerning the first research hypothesis. Therefore, the question of the actual impact of this type on moral behaviour of managers is left to interpretation.

Let us also mention the construct of the »instrumental« ethical work climate that is negatively related to the »moral manager« construct is negatively linked ($r = -0.422$; $p = 0.000$), indicating an inverse relationship between these constructs: the more expressed is an »instrumentality« ethical work climate, the less employees perceive managers as being moral. The data thus help validate already proven and empirically verified findings from other surveys (e.g. Peterson, 2002) showing that the presence of this type of ethical work climate promotes immoral activity in the organisation and consolidates the belief that the presence of egoistic types of ethical work climate in an organisation is destructive in terms of promoting ethics and moral behaviour in the organisation.

From the point of view of observing the role of the entire ethical infrastructure in promoting the morals of managers, the simultaneous relatively strong influence of all observed ethical infrastructure elements is discovered. However, due to the insufficiently manifested differences in the level of developing individual elements of ethical infrastructure and the general underdevelopment of ethical infrastructures in organisations in our the sample, we can only partly confirm the second research hypothesis: the presence of ethical infrastructures in organisations included in the sample certainly constitutes an important factor for stimulating the moral behaviour of managers, as shown by the perceived strong connection between the constructs of elements of ethical infrastructure and the construct of a moral manager. Yet, the differences in the development of ethical infrastructures cannot be empirically confirmed for the given data.

The third research hypothesis examined the link between the elements of ethical infrastructures and individual dimensions of the observed construct of a moral manager. In addition, in this case, correlation analysis was used to observe the relations and, as a measure, we highlighted Pearson's correlation coefficient. However, we found that various elements of ethical infrastructure vary relative to the individual dimension of the moral manager construct. Ethical work climate is more connected with a »moral person«, while the formal and informal systems are more connected with the functional aspect of a »moral manager«. This is evident from the higher values of Pearson's correlation coefficients, which all four observed ethical work climate types show in relation to a moral manager as a person and higher values of Pearson's correlation coefficients that, in

formal and informal systems, are seen in relation to a moral manager as a bearer of professional roles. Despite these differences, it is necessary to draw attention to the very high values of Pearson's correlation coefficients in all of the measured relationships, indicating the simultaneous intensity of the connection between all ethical infrastructure elements at the same time. This is especially true for the correlation between the »friendship« type of ethical work climate and both dimensions of a moral manager.

This result is a valuable important finding for promoting the moral behaviour of managers as it contributes to defining the importance of ethical infrastructure elements in endorsing the individual dimensions of the moral behaviour of managers. While we previously proved with our research hypothesis that elements of ethical infrastructure are an important aspect for promoting the moral behaviour of managers, here we are emphasising that the individual elements of ethical infrastructure operate differently with regard to various dimensions of the moral behaviour of managers: especially for the systemic elements of ethical infrastructures. That is, those elements that refer to formal or informal systems in organisations are considered to be more closely related to the professional dimension of the »moral manager« construct, where the stress is on those elements of action that can be learned and are not so much a personality-dependent trait, as is the »moral person« dimension. At the same time, this does not exclude the relatively strong link between formal and informal systems on one hand and the personality dimension of the »moral manager« construct on the other, but with respect to promoting personality traits in the moral functioning of management, they are most strongly connected with the ethical climate and the »friendship« type of ethical work climate. Such an ethical work climate is most strongly associated with the professional dimension of the »moral manager« construct, which also indicates the strong meaning of a utilitarian-oriented attitude in the companies in our sample, which is typical for this ethical work climate type.

● On the basis of these findings, we can only partially confirm the third research hypothesis: ethical infrastructures are strongly related to both to personal and professional functional dimensions of the moral behaviour of managers, while the intensity of the link between the various elements of ethical infrastructure with the individual dimensions of the moral manager construct varies. The connection between formal and informal systems is firmer in the case of the professional dimension, while the link between ethical work climate is stronger in the case of the personal dimension of a moral manager.

With the last research hypothesis, we tried to help discover the relationships between individual elements of ethical infrastructures in organisations included in our sample. Considering the manifested differences between the »instrumentality« ethical work climate and other ethical work climate types, in this case, we analysed the latter in a single construct, in a positive ethical work climate. In this case, too, correlation analysis was used to observe the relation between individual dimensions.

The analysis showed a positive ethical work climate is moderately positively related to formal ($r = 0.498$; $p = 0.000$) and informal systems ($r = 0.566$; $p = 0.000$). Formal and informal systems are also strongly related ($r = 0.649$; $p = 0.000$). The dynamics of the relations between these three elements in organisations allow for coherent operations. The presence of one system has a positive impact on the other two, given the previously identified role of ethical infrastructure in promoting the moral functioning of management. Based on this data, we may conclude on the consequent increase and favourable influence on the latter. These are elements that constitute an important part of ethics management. Correlation analysis also showed a negligible negative correlation between a positive ethical climate and the »instrumentality« ethical climate ($r = -0.169$; $p = 0.014$). We are not talking about an exclusionary influence, although the presence of one type is relatively independent of the other type of ethical work climate. There is also a weak negative correlation between the »instrumentality« ethical work climate and formal systems ($r = -0.316$; $p = 0.000$); it is also similarly connected with informal systems ($r = -0.331$; $p = 0.000$), showing the relative resistance of this type of ethical work climate to the systemic elements of ethical infrastructure. This can also hold important implications for promoting the moral behaviour of management, as explained in more detail in the chapter below. The analysis is concluded with an interpretation of the last research hypothesis, which we are able to only partially confirm: although it is considered that different types of ethical work climates are related to formal and informal systems of the ethical infrastructures present in the Slovenian organisations in our research, our basic premise is that our egoistic types of ethical work climate are more closely linked to formal and informal systems. It is also not considered that the benevolent and principle types of ethical work climate (in the research recognised as a so-called positive ethical work climate) are more strongly linked to informal rather than formal systems. Our analysis shows a different relation between the systems: ethical work climate is connected with both formal and informal systems insofar as it is dominated by benevolent and principle ethical work climate types. The link between the »instrumentality« ethical work

climate, the egoistic type of ethical work climate and formal and informal systems is very weak. In the presence of such a type of ethical work climate, we may assume the organisation will be characterised by a high degree of weakness in ethical infrastructure and, consequently, a failure to manage ethics in the organisation.

5.5 Discussion of the findings

We started the research by highlighting three goals: (1) to create basic concepts about the development of ethical infrastructures in organisations and their influence on the moral behaviour of managers; (2) by exploring relations between elements of ethical infrastructures to contribute to understanding of the ethical infrastructures concept; and (3) to create a model for promoting the moral behaviour of managers. The subject of ethical infrastructures was observed from the point of view of the role ethical infrastructures play in managing ethics in order to contribute to the institutionalisation of ethics in the organisation. The latter is particularly important since it is a process of integrating ethics into organisational processes, systems and culture, understood as a prerequisite for the organisations to take on the role of a moral agent. In accordance with the autonomous model of understanding the moral behaviour of organisations (Kaptein and van Dalen, 2000), we agree with the assumption that organisations are important members of modern society with concentrated power and influence that goes beyond mere organisational boundaries. As such, they also represent a source of social change and shape ways of living both now and in the future, which at the same time imposes an important responsibility for action which must also include other, not solely economic aspects. The institutionalisation of ethics is one of these.

The development of ethical infrastructures in organisations included in our sample was judged according to Ackerman's (1977) model of the phases of institutionalisation of ethics. In line with our expectations, we concluded that ethical infrastructures are poorly developed in organisations, not only in the sense of the development of processes and systems that constitute ethical infrastructures, but also regarding ethical content which determines the organisation's orientation to ethics management and the formation of ethical infrastructures. Formalised declarations on the ethics of organisations are mostly found in the missions of organisations where the employees do not demonstrate knowledge about them, nor are there any major efforts to encourage a discourse on ethics, training in this field, reporting on immoral activities and all other elements of ethics management, to help with internalising the

importance of ethics in organisations. Knowledge of the current organisational environment in Slovenia indicates improvements to the situation in this field are required from the view of institutional incentives (e.g. increasing engagement of professional organisations in this field). However, the results of our research show such movements are not yet expressed in Slovenian organisations. Even ethical codes in organisations in our sample are not present to a large extent, thus locating the average development of the analysed organisations' ethical infrastructures in the first of the four phases of the institutionalisation of ethics. This situation presupposes a reactive response by organisations in our sample (Rossouw and van Vuuren, 2003), typical of organisations that do not have a negative attitude to ethics, but also primarily see its function in terms of organisational effectiveness, prevention of negative consequences and preservation of the appearance of organisational credibility. These findings are upgraded by the findings of Belak and Milfelner (2011) who established that Slovenian organisations recognise the importance of ethics in organisations but, despite this, are poorly familiar with the elements of ethics management and do not deal with them. In the organisations involved in our research, we also perceive the greater presence of informal systems in ethical infrastructures, which relate to both: (a) the motivation for the moral behaviour of employees as it is evident that informal expectations in the analysed organisations are stronger tools than formal rules and procedures, as well as: (b) the function of social supervision, which includes an employee's adverse attitude to immoral activity, even if it is not subject to formal sanctioning. Such a situation is completely in line with the principle of developing informal systems which, at the time of the creating the organisations, are almost always precursors of the following formal systems in ethical infrastructures. Naturally, the question of how to interpret this situation in Slovenian organisations, as discussed in the survey, also arises from these findings. Berlogar (2000, 223) concluded in his research on Slovenian managers that business ethics are not an obstacle for Slovenian managers in performing their functions and only to a smaller extent make planning and decision-making more difficult, »if there were no situations, environments and stakeholders, expectations and pressures /.../«. This suggests they are actually less autonomous than they might want and should »check each time in each situation how much autonomy they have« (Berlogar, 2000, 224). This, however, presupposes a great deal of integration into a wider, economic and social context, which also influences ethical activities in Slovenian organisations. It would be difficult to define the precise content of such an influence, but it is also quite likely that such orientation is actually due to

past modes of action marked by a community mentality, the solidarity of the collective, equality and other elements to which emphasis on ethical functioning was not needed to such an extent. Given the rootedness of these values, it is not surprising that despite Slovenian organisations' relatively rapid adaptation to the changed circumstances of a market-oriented economy, individualism, a free market and competition, we still perceive only a few changes in terms of altering the perception of ethics. Also for this reason, it is necessary to strengthen the institutional incentives which played a major role in shaping the functioning of organisations in the past and are explained in greater detail later in this chapter.

From the point of view of the design and development of ethical infrastructures, it is imperative to draw attention to the development phases that follow this situation. Among the approaches more often perceived, we see an orientation towards the formalisation of regulations, rules and structures in the organisation aimed at building organisational ethics and, within these frameworks, promoting moral behaviour. However, formal compliance has often become a goal in itself and discourages attention from the actual situation and existing values in the organisation. At this point, various authors (e.g. Falkenberg and Herremans, 1995; Verbos et al., 2007) point to the danger of incongruity between formal and informal systems, which can then have exactly the opposite effect: the focus on preventing immoral action can prevent the enhancement of moral action, and thus it also prevents the organisation from building the ethics of the organisation. The possibilities for this are even greater if, when the formal and informal systems in the organisation are non-congruent, we find the egoistic types of ethical work climate (Victor and Cullen, 1987) that emphasise the interest of an individual or individual groups above the interests of the organisation and the wider community. The results of our research also indicate a weak connection between formal and informal systems on one hand and an instrumental ethical work climate on the other hand, while formal and informal systems in ethical infrastructure are positively related to other prevailing types of ethical work climates in the organisations in our sample. This also points to the important fact that in preventing the immoral behaviour presupposed by the instrumental type of the ethical climate the organisation is actually helpless, which may bring adverse consequences for the organisation, individual stakeholders, or even for broader business and the social environment whose magnitude is even more difficult to control. The response to the resolution of such a situation, precisely due to the stated relationships between the elements of ethical infrastructures, does not

seem to be just a task of ethics management in organisations, but also in the institutional context of organisations. In this book, we presented a wider range of international and national institutional incentives for managing ethics in organisations that we consider positive. Yet, in this context, we draw attention to two shortcomings we consider are preventing any faster development of ethics management in organisations: in addition to highlighting the requirement for organisational ethics, it is essential to include in the existing institutional incentives more concrete elements for encouraging organisations to build a posture that integrates ethics as part of their activities. We are talking about various measures that need to be adapted to the structure and character of organisations, which include both a financial incentive for the process of implementing ethics management as well as training, knowledge sharing, creating community organisations in this field, linking existing initiatives, etc. In the case of such an upgrading of existing institutional incentives, attention must be directed (or even wholly devoted) to those organisations that are undefined or even reluctant to manage ethics. This is not just about organisations with visible impacts on the natural and social environment, but on the wider environment of business, which organisations already knowingly or unconsciously co-create with their presence, thus creating a paradigm for future generations. This idea is also supported by the assumption of sustainability in organisations and the concept of sustainable development.

We already mentioned the weakness of formal and informal structures in organisations involved in the survey. In this, we also checked which types of ethical work climates prevail among the analysed organisations. Among the less represented ones are the instrumental, egoistic type of ethical work climate, the dangers of which we have discussed and which is found, but poorly developed in the organisations in our sample. Also present, but weak, is the »friendship« type of ethical work climate, which emphasises the concern for balancing interests within the organisation. The presence of this ethical work climate type in the is not surprising. In her 19 year-old survey, Berlogar (2000) revealed this kind of utilitarian-oriented orientation of Slovenian organisations. It seems it remains firmly anchored. In accordance with the already noted orientation of Slovenian organisations towards formalisation, the presence of the »legislation and rules« type of ethical work climate, which is otherwise more developed than other types of ethical work climates, is no surprise. At the same time, the »social responsibility« type of ethical work climate is developing to a similar extent, thus not following the full definition of Victor and Cullen (1987), but is a type of ethical work climate in which the parties are exposed to focusing on the interests of the organisation's external

stakeholders (business partners, clients, etc.). At the same time, the emphasis on the effectiveness of the organisation predominates in this type of ethical work climate. This finding is confirmed by the previously reactive attitude of Slovenian organisations in relation to organisational ethics and the assumption that the importance of ethics in organisations is recognised primarily in the function of increasing the added value of the service in relation to direct users, business partners, as an elementary response to perceived expectations (and not necessarily requirements) by identified stakeholders. Further, different levels of connectivity have been found among the identified ethical infrastructure elements in Slovenian organisations: we found a weak link between the »instrumentality« type of ethical work climate and formal and informal systems, and the presence of the remaining types of ethical work climates is not relevant for dealing with the »instrument« ethical work climate type. Conversely, there is a relatively strong positive relationship between formal and informal systems, both individually and positively related to the remaining three identified types of ethical work climate. This result is, on one hand, encouraging since confirmation of the connection between these relations for ethics management opens up a wide range of opportunities for developing ethical infrastructures. These include a range of managerial activities and indicate a high probability of achieving organisational goals. ●n the other hand, it is becoming clear that the perceived characteristics of ethical infrastructures in the analysed organisations are sub-optimal for achieving higher levels of the institutionalisation of ethics in Slovenian organisations. The weakness of the existing formal and informal systems leads to specific types of ethical work climates being exposed which, however, only preserves the reactive relationship of the analysed organisations to ethics.

We have highlighted our own insistence on strengthening the socially responsible practices of organisations and explaining the reasons for the latter. At this point, we note another aspect of the importance of organisational ethics that impacts the internal dynamics and stakeholders of organisations. In the study, we examined the relation between exposed elements of ethical infrastructures and the moral behaviour of managers, measured by the respondents' perception of the personality and professional characteristics of their managers, and we are in the process of establishing a positive correlation between them. Further on, we found that various elements of ethical infrastructure are related to various dimensions of the moral behaviour of management. Formal and informal systems are more closely related to the functional dimension of the moral behaviour of managers, and the ethical work climate with a personal dimension. To this

we also add that the two dimensions in the moral manager construct are strongly linked, showing a firm connection between the two roles. Although the analyses point to two distinct factors on whose basis we formed the above dimensions, these two can probably be converted into a single dimension in the event of a large amount of data being obtained. This suggests an important finding; namely, that none of the personality characteristics of the manager can be clearly distinguished from his role. Consequently, in order to promote the moral behaviour of managers, choosing the right manager based on their personality characteristics is a necessary task even before entering the organisation. Given that ethical infrastructures in the analysed organisations are poorly developed, the connection between ethical infrastructures and the moral behaviour of the managers is nevertheless relatively strong. These findings are all the more important, and with our contribution we affirm the assumption that success in managing ethics with the development of ethical infrastructures that have a high degree of congruence between individual elements of ethical infrastructures inevitably requires a connection with human resources management (Guerci et al., 2015).

In this contribution, we touched upon the elements of the so-called incentive for the moral functioning of management in several places. Here we emphasise the most prominent: in the centre of ethics management is awareness of the distinction between conformity and commitment to organisational ethics (Treviño and Nelson, 1995). The latter also contributes to a greater extent to developing the institutionalisation of ethics in organisations. Achieving this goal relates to awareness of the elements of moral dilemmas (White and Lam, 2000) and the characteristics of ethics itself: it is directly linked to the personality traits of individuals and, as shown in our research, also by managers, thereby understanding the principles of human response on the individual (Kohlberg, 1981; Rest, 1986), group and organisational levels (Roussouw and van Vuuren, 2003; Victor and Cullen, 1988). Morality as part of the personality traits of people in the organisation cannot be prescribed and uniquely directed, while at the same time its development is at least partly influenced by the organisation (Wacquant, 2006). Different authors indicate different starting points for the design of ethical infrastructures that contribute to the enhancement of the moral behaviour of employees, including managers: Treviño and Nelson (1995) speak of moral imagination, Kaptein (1998) emphasises the importance of ethical content, etc. We have already demonstrated our agreement with the above, during the discussion in the book but, despite this, we are unable to offer a model the reader can use to approach the enhancement of the moral behaviour of

managers. We believe this would be damaging for the development of organisational ethics at both the scientific and implementational levels. In the course of addressing many aspects of the enhancement of the moral behaviour of managers and related structures and processes, we have consolidated the position concerning the situational conditionality of moral activity in organisations, which prevents the process of managing ethics and the narrowing of the institutionalisation of ethics into organisations to only a few typological elements. From this point of view, therefore, we highlight only two elements of successful ethics management which, on the way to the institutionalisation of ethics, indicate the following imperatives: (1) the importance of understanding the principles already mentioned in the human response to moral dilemmas, where it is not so much the process of parsing individual situations or psychological processes, which occur in the individual in the face of moral dilemmas, but about their actual response. The challenge here is to achieve consistency between organisational systems and the performance of employees or groups that will respond to these systems in one way or another; (2) the importance of determining the actual state of affairs in the organisation, for which we try to emphasise and understand the organisational dynamics in the concrete situations we are faced with in managing ethics and planning ethical infrastructure. As shown in the book, ethics management has a wide range of tools available that can help direct the moral activity of the organisation, and the choice of appropriate tools depends entirely on the actual situation we are addressing and the organisation under scrutiny.

In addition to presenting the findings, we sought to contribute to the methodological development in business ethics in our research, whereby we exposed our own quantified metric system for measuring the dimensions of a moral manager. It is a two-dimensional construct that emphasises the multiplicity of the role of a moral manager: on one hand, the moral manager defines the characteristics we perceive as his personality dimension (its properties, behaviour and decision-making) and, on the other, it is a functional dimension that includes an example of the manager with his own actions shown outwardly in ways of rewarding and disciplining, communicating about ethics and values inside and outside the organisation. The model's two-dimensionality was also shown by the analysis of our data; however, the latter is not clear that it meets the desired level. In line with the intertwining of formal and informal systems in organisations that reflect the individual characteristics of the roles held by managers, a very high level of correlation is also evident in the applied measurement instrument, i.e. the interlacing of both roles, which also indicates the possibility of them converging into one dimension. The high

degree of connection between these two dimensions shows that the personality characteristics of managers and their functions are strongly intertwined, making it very difficult to distinguish them. Moreover, it is quite likely the construct does not actually express two-dimensionality. In view of this, in further correction of the measuring instrument, the moral manager's construct should be paid special attention. Already during construction of an existing quantified measuring instrument, we encountered a disadvantage mainly reflected in the definition of relevant indicators: in our case, it is primarily an indicator that refers to measuring the role of managers in relation to other employees, that is, the theoretical part of the functional dimension of the manager construct, which turned out to be an indicator of both functional and personal dimensions. In the following, it would therefore be worthwhile examining whether it is merely a methodologically inappropriate indicator, or it points to a modification of the theoretical construct. It is quite possible these qualities in the theoretical construct of the moral manager cannot be placed merely in a single dimension and should be treated as such. If the first is true, this indicates the need for a more detailed methodological treatment of the measurement instrument used. Confirmation of the latter assumes that the moral management concept is much more complex than defined by the currently established model by Treviño, Pincus Hartman and Brown (2000).

CONCLUSION

The book may be seen as a contribution to the theoretical exclusiveness of the findings in the field of ethics management, specifically the concepts of ethical infrastructure and moral management. In it, we have highlighted several theoretical models that relate to both the conceptual classification of ethics and management at the level of the various concepts used on top of the systematic presentation of individual aspects of the topic under consideration: the demonstration of the role of morality in modern approaches to management, the overview of the institutional incentives according to the OECD's principles and guidelines etc. Thus, with these contributions, as well as with the systematic, comprehensive and thorough presentation of the conceptual, theoretical and empirical assumptions of the topic discussed, the book provides a platform of knowledge which, given solid foundations of the scientific approach underpinning it, may also hold great value in terms of practical application. Another feature of the book is that following the analysis of ethics, it moves away from the individual will of individuals in the situational aspect of the study, and instead researches more the procedural and systemic dimensions of organisational ethics that are essential for the enhancement of moral behaviour in organisations. It is precisely at this point that the work is most scientifically relevant by adopting a social and organisational approach to the phenomenon of ethics. We thus believe the book is a good companion for those wishing to discover this area of study and understand the concepts presented as well as an objective tool for both stimulating discussion and guiding the reader, whose understanding we hope to have ultimately increased.

The book delves into the field of business ethics while also being connected with several others like sociology, philosophy, business science, etc., as well as theories of organisation and management. Based on understanding of the relationship between organisational ethics and the moral behaviour of management in organisations, we discussed the role of ethical infrastructures in promoting the moral behaviour of managers. We aimed to offer a new model to the management and organisational sciences that considers the trend of introducing more »friendly« approaches to the managing of organisations, employees and society, while also maintaining the organisation's effectiveness in achieving its goals. In response to this, we developed a systematic overview of existing

knowledge concerning the role of ethics in the organisation, ethics management, the design of ethical infrastructures, and the principles of promoting the moral behaviour of managers. In this respect, we emphasised ethics as the core concept of the organisation's activities, which must be integrated into organisational processes, systems and culture; namely, institutionalised. An important role is played here by moral management, a process that places the moral dimension at the centre of each element of organisational control, including in its demand for effective and successful achievement of goals and objectives, in addition to moral managers who are the bearers of this process in the organisation. We designed the book to contribute to the pool of scientific findings found in this area of study, but we also wished our contribution to be seen as acting as an incentive for thoroughly reflecting on how to add to the institutionalisation of ethics in their organisations in practice. Our work should also be seen as a thorough reflection of practitioners in the institutionalisation of ethics in their organisations.

In spite of the originally planned type or model for promoting the moral behaviour of managers in organisations, which we noted was one of the book's goals, it soon became clear that this assumption was untenable. As stated in the discussion of the results and findings in the empirical part of our contribution, moral action in organisations is situationally conditioned, making it impossible to narrow down the process of managing ethics and, more broadly, the institutionalisation of ethics in the organisation to just a few typological elements. Therefore, a key conclusion made in the book is that success with ethics management and, thereby, the institutionalisation of ethics in organisations is, in fact, the result of proper understanding of the principles of human response to moral dilemmas and the discovery and comprehension of the actual situation in an organisation that we are trying to persuade with ethics management, ethical infrastructure planning and organisational dynamics in the situations we actually encounter. To that end, in the first theoretical part, lessons from business ethics and even philosophy as well as from the theories of organisation, sociology and management were captured, and all other chapters followed this principle. Parallel to presenting these findings, in the first theoretical part we also defined some basic considerations that underpin how organisations orient themselves relative to their own view of the role of ethics. This concerns the importance we attribute to business practices and the role of organisations in shaping business. In the book, we presented arguments for the focus on morality as a vital element of the organisation's activities, and offered a justification for the role of the

organisation as a moral agent which, due to this role in particular, also emphasises the responsibility outside the organisation.

We devoted considerable attention to establishing the moral manager concept seen by Treviño, Pincus Hartman and Brown (2000) as two-dimensional: with a set of the personality characteristics of managers and by determining the professional role of the manager. The concept is, in fact, an answer to the question of the characteristics of managers who are perceived by others (usually employees) as moral. This concept was taken as the starting point for our discussion, but has been upgraded in this volume. Thus, we paid quite some attention to differentiating the relationship of the concepts of a moral, good, successful and ideal manager and, above all, tried to show the different levels of implementation of the concept: individual, group and organisational. Both in this part and throughout the book, we have remained aware that these distinctions are seen in theoretical knowledge, whereas in practice these boundaries are much more blurred. Thus, we find the moral behaviour of managers is determined by the personal characteristics of managers, while the professional dimension of a moral manager at the same time requires the implementation of morality on both the individual and organisational levels. First in the form of the manager's professional development, and second in the manager's activities in connection to the incentive factors at the organisational level. They are transmitted into the ethical infrastructure at the organisational level.

The fourth chapter of the book was more specific as to knowledge of ethics management seen as the management of systemic incentives for the moral functioning of organisations, also including the establishment of formal and informal systemic leverages for promoting and developing ethics and moral activity within the organisation. Apart from presenting the organisations' strategies and approaches to managing ethics and dealing with a set of elements for managing ethics, the chapter highlighted other topics related to ethics management we believe should be considered prior to proceeding with implementation of actual measures to promote ethics and moral behaviour in organisations. The most important considerations are: awareness of the connectedness of ethics management with other organisational processes, the morality of ethics management itself and the elements of manipulation within it, the importance of building up the individual's moral imagination, the organisation's attitude to ethics and the systems that are exposed to it, the role played by management in promoting ethics in the organisations and on the rationale of standardising ethics management approaches. We added to this an overview of institutional incentives for ethics management, both nationally

and internationally. We assess the latter positively in terms of both the dimension of supply and as a matter of substance. However, we draw attention to what we believe is a crucial shortcoming of such incentives: their orientation towards organisations that already regard ethics as important, but not towards those that are neutral or even reject that viewpoint.

In the section on ethical infrastructures, in line with the definition of Tenbrunsel, Smith-Crowe and Umphress (2003), we dealt with those aspects of ethical infrastructure that influence success in ethics management and, consequently, the institutionalisation of ethics. At the same time, using this as a basis we developed our own model of ethical infrastructure, which differs from the mentioned one in the relationship between individual elements of ethical infrastructure: in it, we defend the equal position of all elements of ethical infrastructure that in the previously mentioned model are in a mutually subordinate position. Thus, we assumed that individual elements of ethical infrastructure provide different incentives for the moral behaviour of managers, an aspect we researched in the empirical part of our contribution. We conducted a survey among Slovenian organisations. Based on 345 completed online questionnaires, we found that the analysed Slovenian organisations only have poorly developed ethical infrastructures, namely, they are in the first stage of the institutionalisation of ethics, according to Ackerman (1977) and with a reactive, utilitarian-oriented attitude to ethics and moral work in the organisation. In the ethical infrastructures identified in organisations in our sample, on top of weakly established formal systems, we only perceive the more dominant role of informal systems in promoting the morals of managers, while the types of ethical work climate are both egoistic and benevolent (Victor and Cullen, 1987). In studying the relations between individual elements of ethical infrastructures, we encountered a relatively strong connection between all elements, with the exception of the emphasised »instrumentalism« type of ethical work climate, characterised by a clear orientation to meeting individual interests before organisational interests in the ethical infrastructure and wider, throughout the organisation, which acts destructively. In the continuation of the analysis, we came to the realisation that various elements of ethical infrastructure help stimulate different dimensions of the moral manager concept: the ethical climate is more closely related to the personality dimension, while formal and informal systems are closely associated with the professional dimension of the moral behaviour of the management.

NOTES

¹ The Anglo-Saxon tradition of »analytical philosophy« is largely confined to Great Britain, while in the greater part of Continental Europe the classical Aristotle philosophical orientation and positivistic orientation prevails (Donaldson, 1992).

² The concept of »contradiction« refers to various conclusions about the question of what constitutes ethical behaviour, as interpreted by various ethical perspectives (May, 2006, 21).

³ Many authors have different explanations of the information-age phenomenon, yet they all share a common assumption marked by the emergence of new technologies. Castells (1998, 159) e.g. connects the formation of the information age with the emergence of information capitalism, which should occur when states reach a certain point of economic power, which is strongly linked to the emergence of new technologies. In Japan and the USA, this period is already experiencing a strong boom, while Europe and other continents are lagging behind. According to David Bella (in Lyon, 1998, 3), the information age has evolved from post-industrialism, just as the agrarian period was replaced by manufacturing which was then replaced by the industrial age. In each of the above periods, a new technology (a more advanced tool for craftsmanship, the invention of machines, development of computer technology ...) is »guilty« in a sense. In the case of the information age, the increasing importance of information is, in addition, a major factor. Moreover, as many authors point out, the development of the information society has become an important priority for many countries and the European Union is no exception. In line with the EU's Lisbon Strategy which entered into force in March 2000, due to the emphasis on information and based on this knowledge Europe is declared to become, in global terms, the world's most competitive and dynamic, knowledge-based society by 2020. However, it is becoming clear that this is a goal still requiring much effort, yet the direction remains: the new European strategy in the period before the year 2020 places much emphasis on competitiveness resulting from the enhancement of knowledge, innovation, human potential, etc.

⁴ It is probably needless to emphasise that management is conceptually and in practice deeply rooted in the organisational environment, which is characterised alongside its own complexity by a complicated theoretical frame, full of diverse contributions and conflicting perceptions of the nature, role and meaning of organisations and agents connected to it, processes, factors and phenomena. In this book we are highlighting the key concept of management, interpreted as the process of *»handling the organisation or the work of the organisation, that it effectively and successfully accomplishes the goals it sets«* (Tavčar, 2009, 23) *and at the same time as the group that is implementing that same process*. It is about coordinating tasks and activities with the set goals (Svetlik and Zupan, 2009) through planning, organising, directing, coordinating and controlling (Fayol, 1950) or, put otherwise, through direct control, resource allocation, designing the

organisational structure, work instructions, deciding on important issues, solving conflicts, observations etc. (Mintzberg, 1979). A similar concept, the concept of leadership first appeared somewhere around 1300, but came into practice much later, somewhere in the first half of the 19th century, and in many environments only in the last few decades (Tengblad, 2006, 1439-1440). Bass (1990) emphasises that the concept of leadership contains several dimensions and that the definition of leadership »should be based on the goal that we wish to achieve by defining it« (Bass, 1990, 20). Thus, we can define leadership as the centre of group processes, as a personality trait, as an expression of influence, as a form of persuasion etc., but in this book we will treat it as a conceptually narrower notion than management and above all *as part of the process of managing an organisation, focused on coordinating and connecting interests of the employees (in the broader sense also of other stakeholders) and encouraging employees to contribute to the efficient and effective functioning of the organisation in a common and synergistic way.* It is about understanding and considering the interests and behaviour of people in general, to take into account the so-called soft factors in organisations such as values and needs, interests and expectations, cooperation and trust, creativity and risk etc. (Tavčar, 2009, 451). In the words of Schermerhorn, Hunt and Osborne (2004), management is a process that preserves and further builds stability of the organisation, meanwhile leadership is more focused on those parts of the organisation that promote the organisation's flexibility. In spite of the knowledge and understanding of this difference, the present contribution will be based on both the literature dealing with management and the literature more involved in leadership. There are several reasons for this: as mentioned, many authors dealing with one or both concepts either do not differentiate between them, understand them in a broader sense, or come from a perspective that does not include the term as the central subject of study. Since we are studying the systemic and processual aspects of the implementation of individual concepts, while at the same time examining the subject of the study at the level of individual behaviour, we use articles dealing with both management as well as inputs dealing with leadership, and by doing so we focus primarily on those aspects of the concepts under examination that contribute to understanding of our subject of study, moral management.

⁵ Maslow (1968), the author of so-called motivational theory, differentiated between five levels of needs which for the individual represent the motivation for his/her actions. The author states there are hierarchical relationships between individual needs: first, the ones at the lowest level must be satisfied, only then will the next need, hierarchically positioned higher than the one satisfied become a motivating factor. As the most basic, the author defines physiological needs, then needs for safety and protection, social needs (friendship, love, commitment), the need for respect, self-esteem and reputation and the need for self-realisation and self-assertion (development of independence, creativity...).

⁶ It is a »psychological state in which an individual experiences a sense of vitality as well as a sense of learning at work« (Spreitzer and Sutcliffe, 2007, 75), whereby vitality refers to the possession of a positive feeling, when we have energy for

action, and learning refers to the feeling that an individual acquires through acquiring knowledge, new experiences, skills, abilities.

⁷ Schein (in Mesner Andolšek, 1995, 23) structured organisational culture over various levels: on the first level are products such as existing technology, language and the most visible behavioural forms of employees, while the second level represents the values in the organisation, and at the third level are the basic assumptions that represent the deepest level of organisational culture and are, as such, also the most resistant to change.

⁸ The use of the concepts of »morals« and »ethics« is at this point equated by the author, despite the initial position taken in the book that there is a difference between the concepts, as already explained in the introduction. The subject of this discussion is therefore the individual's morality, in some cases even professional ethics, but for the consistency of the statement of the author's point of view the concepts will be used according to his record.

⁹ The Society for Advancement of Management (1997), apart from taking individual and organisational levels into account, emphasises morality at the level of the profession, society and the international context. We support this kind of definition, but also believe that for the purposes of differentiating the eight concepts, a somewhat looser reference system is sufficient within which it is possible to show the common characteristics and differences of these concepts.

¹⁰ Crane and Matten (2004, 28) add to this a distinction with four elements: (1) the main players in business ethics (in Europe, this role is dominated by the government, trade unions, associations and all those actors that can influence the creation of legislation while in the USA the responsibility is to exert restrictions on the organisations themselves, and the legal system is more lax); (2) guidelines for moral action (in Europe, business activities are defined by agreed legal frameworks, while in the USA ethics codes of organisations or professions are usually determined by ethical codes of practice or organisations); (3) exposed business ethics issues (in the European context, attention is focused in the broader framework of business and social issues, that are noticed with regard to this; in the USA, attention is usually focused on inappropriate functioning and immorality in individual situations (decision-making)); (4) exposed stakeholders: European business ethics includes among the major stakeholders a wider range of stakeholders, such as the general public and the local community, while in the USA attention is primarily focused on the value of the action of organisations for their shareholders and, only after that, for all other stakeholders.

¹¹ The model is adapted for a 3-year period, depending on the feedback in implementing a specific business practice.

¹² The author uses the term »customer«, pointing out that the model exposes a broader concept of the customer that distinguishes between: (1) external clients, that is product and service clients, and (2) internal customers, including employees, suppliers, other business partners, shareholders and wider society, the organisation's environment (Martín-Castilla, 2002, 126). It is perfectly clear that these are different stakeholder groups, which is why we use (in our opinion) the more appropriate concept of »stakeholders«.

¹³ Whistleblowing is a practice whereby an employee informs the public or informs a competent (state) institution about the immoral behaviour of their organisation, for example, violating human rights, causing unnecessary damage, illegal activities, acting contrary to the purpose of the organisation and other immoral activities (Duska in Werhane and Freeman, 2014, 542).

¹⁴ While education refers to acquiring the necessary knowledge or wider, as a »planned and lengthy process of developing an individual's knowledge, skills and habits that can be used in all areas of life« (Svetlik and Zupan, 2009, 481), training is understood as a »process, with which we develop the individual's abilities that he needs in performing precisely determined work within a certain activity « (Svetlik and Zupan, 2009: 483).

¹⁵ It is also worth noting here that use of the concepts »ethical reporting« or »ethical review« is inappropriate because, by incorporating the adjective »ethical«, it appeals to the ethical quality of reporting/auditing and thus changes the meaning of the concept. For this reason, in our opinion, it is more appropriate to use the concept of »reporting on or reviewing ethics«, and we also insist on in this discussion.

¹⁶ Berlogar also mentions employees as one of the key stakeholder groups, but we are deliberately excluding them here in order to focus the discussion at hand.

¹⁷ In this context, we will use terminology also highlighted by the examined documents and institutions, but we would like to remind the reader that our attention is concentrated on studying, above all, those elements of the subject which provide an important reference framework for the establishment, development and maintenance of ethics management in organisations.

¹⁸ Here, it is important to point out the differentiation between the two concepts we have mentioned in this part several times: when it comes to ethical infrastructure, we refer to formal and informal system types of leverage that help promote and develop ethics and moral behaviour in the organisation. Institutionalisation of ethics is understood as a wider definition of the process of integrating ethics into organisational processes, systems and culture, where ethical infrastructure is just one of the elements of ethics management, which enables us to integrate ethics more thoroughly into the organisation in the longer term.

¹⁹ We are talking about organisational communication, which is considered to be characterised by many definitions and that it is interwoven with a large number of diverse concepts that characterise communication activities in the organisation. Among the better attempts to delineate these concepts is the contribution of Podnar and Kline (2003, 69) who define organisational communication as a discipline focused on studying various communication phenomena within the organisational context and is therefore limited to the internal environment of both profit and non-profit institutionalized.

²⁰ Kreps (1990) distinguishes four levels of communication in the organisation: (1) personally conducted at the individual level (communication with oneself, for the purpose of interpreting and coding messages); (2) interpersonal interaction between two individuals; (3) communication in (small) groups, among three or more people who strive to adapt to their environment and achieve common goals; and (4) communication between groups that emerge within a social system

composed of interdependent small groups that, with the division of labour, are trying to achieve a common goal (Berlogar, 1999, 62-63).

²¹ The concepts of organisational climate and organisational culture are complex and subject to many attempts by various authors at a definition, often at the expense of excessive generalisation and thus reducing the complexity of the two concepts. Bearing in mind the afore-mentioned limits, below we present only two of the numerous definitions of the organisational climate and organisational culture, with the aim of differentiating these concepts from the ethical work climate under consideration. Therefore, the organisational climate refers to the »established way of thinking, communicating and functioning of the organisation as a community« (Podnar, 2011, 58). It is a kind of atmosphere that employees feel and notice when they are in contact with the organisation. The organisational culture is, in principle, deeper, referring to the »learned product of group experience, the deeper level of basic assumptions and beliefs that are common to members of the organisation and who work on an unconscious level and are a fundamental self-evident mode of perception of oneself and of their environment« (Mesner Andolšek, 1995, 21). There is a connection between the two concepts, one that is most easily illustrated by the metaphor of the icy mountain: if the peak of the iceberg is the organisational climate, there is much more lying below the surface: several levels of organisational culture, which also determines the organisational climate.

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