

Georg F. Sievers

Success and Ethics

**Implementation and Measurements
of Ethical Principles in Management**

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**Implementation and Measurements
of Ethical Principles in Management
(Monografie)**

Georg F. Sievers, PhD.



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Preface

In public debate the terms *ethics* and *economy* are typically perceived as an oxymoron. Consequently it is suggested that ethical conduct can only be established in the face of economic interests. However, this approach to the topic *ethics and the economy* is precisely for this reason wrong because the modern world is permeated by the economy and a world without economy is (no longer) imaginable. The economy, markets and competition make for more income, prosperity, equal opportunities and therefore ultimately more freedom. Competition is in this regard both simultaneously a programme of efficiency and also a programme of freedom. Therefore it cannot be ethics versus the economy but ethics with the economy.

With this background the question arises as to how based on ethical fundamental ethical values an implementation of ethical principles, is possible in commercial management. In this regard it is significant that the implementation can be measured using suitable criteria in the context of a controlling process in order (a) to assess the success/lack of success of actions and (b) to gain knowledge for the next planning period in the sense of attributing results

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1 Introduction: ethics versus economy

In this chapter the topic of the dissertation is introduced. The relevance of the topic and the gap in research are presented (chapter 1.1) and the current status relating to the topic of the thesis is portrayed in overview form (chapter 1.2). The objective of the thesis is subsequently explained and the key question is listed (chapter 1.3), then the research questions and the hypotheses to be assessed are presented (chapter 1.4). At this point there is also an operationalization of the hypotheses which is detailed further in the course of the thesis. Chapter 1.5 presents the methodological procedure and assesses the latter with respect to observance of scientific quality criteria. The introduction concludes with chapter 1.6 in which the investigative procedure is presented as an overview.

1.1 Relevance of the issue and gap in research

Nowadays the call for the conduct of an organisation to be oriented towards the "values of honesty, justice and integrity" is intensifying.¹ In this regard this conduct is frequently still seen as an end in itself and not as a necessary part of a corporate management strategy. In the age of social change, of an increasingly intercultural opening of society – with the corresponding effects precisely for companies which are active internationally – this no longer appears sufficient.² Globalisation guarantees a new need for values which companies must meet in order to be sustainably successful and attract loyal staff.³ This development shows the *sociopolitical relevance* of the issue. The *academic relevance* of the topic is to be seen in that the opportunities and prerequisites (success factors) of the profitable transfer of ethical values in (personnel –) management in companies have not yet been researched or have only been researched in insufficient depth. This piece of work is designed to close this gap.

Central questions which, with this background, corporate/economic ethics have to face are the effects of employment practices, human rights, environmental pollution, corruption and the moral responsibility in particular of companies which are intellectually active.⁴ In this regard there are definitely differences in an international context between the interpretations which became fundamentally clear in the course of this piece of work in the analysis of the qualitative part of

¹ Holzbaur 2016, p. 134.

² Holzbaur 2016, p. 134.

³ von Rosenstiel 1990, pp. 131–152.

⁴ Dubcová 2013.

the qualitative part of the survey (cf. chapter 4.3.1.2.3). Whilst in the USA a strong individualisation regarding responsibility for ethics is to be found in companies, in Europe social control by society and in Asia responsibility of top management are the focal point.⁵ This therefore means in the USA that the company has to act based on the activities of the individual with respect to ethical issues, whereas in Europe and Asia however it is the government which is addressed in the first instance. An offensive marketing of ethical standards takes place in this regard only in the United States for example through the publication of codes of ethics. Both in Europe and also in Asia behaviour is characterised more through corporate governance regulations and parameters with regard to social questions. In this way the content of rules and regulations are extremely similar. However in the USA the moral assessment of individual actions is the focal point and in Europe however it is issues of social responsibility and in Asia the discretion of the (top) management which is also shown in the fact that American companies focus on the shareholder whereas in Europe and Asia the focus is on the stakeholders.⁶

These different cultural expressions of ethics are to be demonstrated – as indicated – in the course of this piece of work mainly through the qualitative analysis of the survey of experts and through the consideration of differing opinions in Europe and, by contrast, in particular in Poland, the Czech Republic, Slovakia and Hungary the so-called Visegrad countries (cf. chapter 4.3.1.2.3).

1.2 Research status

From the perspective of the available literature an increasingly large significance is attributed to corporate ethics. This development is to be explained by the increased and varied requirements of management, the increase in demands on the part of staff with respect of the company (often manifested in terms such as work-life balance and sustainability) and changing developments in the (corporate) environment which have increasingly significant effects with respect to the influence on values. In an ideal world – according to Karmasin – corporate ethics and the parameters resulting from them would be more or less superfluous, for example rules for the design of an incentive system, rules for consumption, investment, work and dealing with other people.⁷ There would be complete

⁵ Crane and Matten 2016, p. 32.

⁶ Crane and Matten 2016, p. 32.

⁷ Karmasin 2010, p. 276.

transparency of markets and possible egoisms of market players would be non-existent or transferred to the common good.

Then the call by Milton Friedman in 1970 would become reality as he writes 'There is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud'.⁸ But as management in the way it behaves in the 21st-century does not make the shaping of social circumstances, institutions and organisations its focal point but concentrates on individual practice and a high level of benefit orientation then the requirement exists to manifest normative ideas. In this way it is a matter of harmonising the circumstances experienced with the prevailing social situations which are experienced in moral terms. Therefore corporate ethics has to adapt to the changes in social and communicative contexts which again is regarded as a precondition for arguing normatively.⁹

But that also means that companies have a responsibility with respect to human capital such that the employee can carry out his work both happily and well. The digitalisation and flexibilization of the working world and international competition lead to increasing pressure on the staff of a company. Often permanent contact ability is a silent agreement between the company management and the staff which however leads to the fact that the necessary worklife balance no longer exists.¹⁰

1.3 Objective and central question

The objective of the study is to investigate corporate ethics as a competition factor with the aim to examine the preconditions for sustainable transfer of ethical values into corporate practice (commercial [personnel] management) and to develop portable models for the implementation and validation (certification, measurement) of ethical key values. The central question of the study is to find out how the correlation between economic interest and ethical norm orientation can be organised such that the establishment of ethical values in corporate management leads to an increase rather than a decrease in competitive strength (ethics as a factor for success).

⁸ Friedman 2007, p. 287.

⁹ Filipović 2007.

¹⁰ Filipović 2007.

Where are the subsidiaries of your company/your employer located?

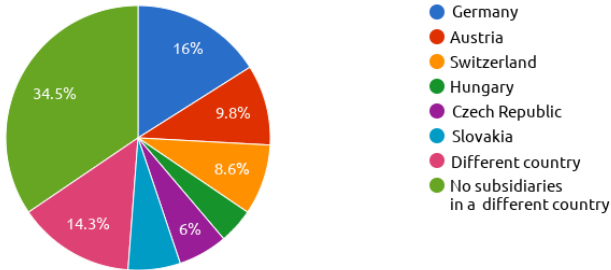


Diagram 11: Countries where subsidiaries are located (Source: Author's own)

In relation to subsidiaries the *Intensity level of business relations with other countries* was posed as a question. Here it is shown that the most intensive contacts are to be noted with Germany (4.1 of five, whereby 1 = *no contact at all* and 5 = *very intensive contact*) and the lowest level of contact/no contact at all was with Hungary. Closely following Hungary (1.6 of 5) are however the Czech Republic (1.8 of 5) and Slovakia (1.9 of 5).

The following diagram shows the distribution as a bar chart and in terms of participant numbers.

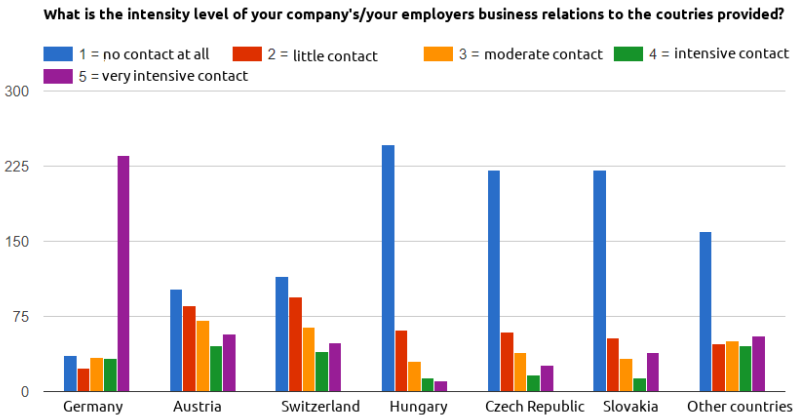


Diagram 12: Intensity level of business relations with other countries (Source: Author's own)

5 Ethics and its measurability in multicultural companies

In this chapter a critical analysis is undertaken as to how the implementation of ethical principles in management can be measured in order, finally, in the following chapter 6, to be able to show concrete methods for measurement. For this purpose, ethics management is analysed as a factor in commercial integration work (chapter 5.1), self assessments and audits are considered critically as typical procedures (chapter 5.2) and obstacles are shown with respect to the measurability in corporate practice (chapter 5.3). The chapter concludes by deducing recommendations for action for the implementation of measurement procedures/the implementation of ethics in companies which are to form the basis for chapter 6 (chapter 5.4).

5.1 Ethics management as a factor of commercial integration work

According to Steinmann and Gerhard the basis for ethical sensitisation in a company is that ethics and efficiency are embedded in the corporate management.⁴¹⁶

In the view of the authors this takes place through *dialogue processes* which focus on a flexible organisational structure, flat hierarchies, and open culture of argumentation, a reward for contradiction and criticism, cooperation and partnership, decentralisation and also a culture of consensus.⁴¹⁷ In this way an integration of thinking and acting in the economy and ethics can take place. Steinmann and Gerhard formulate this as follows:

"In other words, in the long term the 'humane organisation' will become a compelling instruction of economic sense".⁴¹⁸ This is also confirmed by Dietrich who assumes that the management of a company must always be based on ethical principles and the operation based on this is an "economic – social being".⁴¹⁹

⁴¹⁶ Steinmann and Gerhard 1992, p. 164.

⁴¹⁷ Steinmann and Gerhard 1992, p. 164.

⁴¹⁸ Steinmann and Gerhard 1992, p. 178.

⁴¹⁹ Dietrich 1914, p. 104.