

Managerial Ethics—A Tool for Social Crises

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Social progress is constantly influenced by corruption and clientelism. One of the major causes is slow activity from experts on theoretical and practical management. In their decisions, they are not sufficiently ready to react to dynamism of innovations in technical disciplines and current theory and practice in management. Contemporary philosophy of management is based on maximising quantity, expecting to deal with quality in due course. Management is focused on quantitative values and disregards the significance of the unity between quantity and quality. This leads to lack of transparency within management and uncertain efficiency of the decision-making process. Disintegration affects the cooperation between individual production and administration branches. The academic world sees ethics more as a theoretical discipline connected with social sciences. Many companies, however, have begun to realise the need for innovation as part of successful long-term enterprising and creating ethical relationships inside and outside the company. Corruption scandals and increasing economic crime show that it is counterproductive to advance business environment without adhering to moral and ethical principles.

Keywords: managerial ethics, quantitative and qualitative management, consumerism, innovation, clientelism, corruption

Introduction

Decision-making is a vital part of management. Managers make decisions when a previous decision has been overcome by a natural course of things or when it is necessary to deal with a new issue caused either by extrinsic or intrinsic factors. In any case, it is a change of the current status quo which has all signs of an innovation.

Such a situation may happen not only in production or administration but concerns each and every individual who makes choices about themselves or their working environment. Every decision which changes current status quo of a situation or a value creates a positive or negative innovation depending on how it contributes to the issue it deals with. Innovations represent a managerial tool and are significantly connected with the person who creates and realises the change. They involve everyone and are not necessarily reserved to a managerial role.

If we consider a decision-making process a tool for innovations, it is crucial to respect the principles of the innovation theory which demands managerial complexity. Within the decision-making process, the philosophy

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of management requires a unity between quantitative and qualitative values because they increase the efficiency of the decision. This unity is supervised by managerial ethics. It increases the efficiency of implemented innovations. It requires transparency of inventions and after implementation it is called an innovation. Managerial ethics as a system of the unity between quantity and quality applied in the theory and methods of implementing innovations is an elementary prerequisite to overcome consumerism in the society (Dytrt, 2004).

Managerial ethics is a relatively new subject within tertiary education, either not being taught at all or being just a small part of other subjects. On the other hand, companies and public institutions tend to include ethics in their training programmes in an effort to cultivate the behaviour of their employees both in work-related tasks and public relations. This evidence is supported by the rising number of e-learning training courses, increasing demand for training seminars, new managerial posts, corporate ombudsmen, CSR managers, or newly-formed ethics committees.

Ethics is understood as a sign of or contribution to the discussion about theoretical and practical management. However, it is still not considered a necessary innovation in the process of overcoming the rise of consumerism in modern society.

That was the main reason behind surveying the views on broader use and understanding of managerial ethics as part of the research task IGA/69/FaME/10/D Management innovation at Tomas Bata University in Zlín.

Research Methodology

(1) Survey—2,452 respondents (managers and heads in production and service companies, sorted by age, knowledge, and implementation of ethics in decision-making processes).

(2) The results of the survey have been proved in classes, at local and international conferences, and in roundtable discussions.

(3) An important by-product of the research was organising 26 roundtable discussions, arranged by civic association Ethics in management administration. The meetings have been attended by more than one thousand managers, academics, and civil servants. The outcomes have been published and used for further research.

(4) Managerial ethics as an innovation tool has been dealt with and applied in ten Ph.D. dissertations at Tomas Bata University in Zlín.

(5) The results have been published in Z. Dytrt, *Manažerská etika v otázkách a odpovědích (Managerial Ethics in Questions and Answers)* (1st ed.). Brno: Computer Press, 2011, p. 200. ISBN 978-80-251-3344-6. (English version published by Lambert-Germany).

(6) The results have been published also in: Z. Dytrt, A. Gajdůšková, and D. Zadražilová, *Women and Management: Managerial Ethics—Qualitative Management* (1st ed.). Germany: Lambert, 2014, p. 188. ISBN 978-3659229930.

(7) Managerial ethics has become compulsory part of the curriculum at universities in Zlín, České Budějovice, and Pardubice.

Managerial Ethics

Management should be viewed as a system of ethics management which secures the complexity of a decision-making process, respects not only both intrinsic and extrinsic uniqueness of the managed object but consequential decision-making as well. Managerial ethics is not connected with a specific post, it is a tool for

anyone who manages, disregarding whether they manage companies, organisations, or just themselves. Managerial ethics concerns anyone who is aware of the need for sustainable personal life and social development (Bláha & Dytrt, 2003).

The name managerial ethics has been chosen to reflect the role of people and their responsibility in personal and working life. Disrespecting ethical principles in management gives rise to undesirable social phenomena, such as corruption and clientelism, which consequently create quantitative management.

When talking about quantitative management, we talk about decisions and their implementations where the main goal is to reach quantitative values, i.e., values which can be weighed and measured. However, it tells us nothing about the methods and practices employed to reach these goals, whether they have been ethical or unethical because this approach does not consider transparency. We employ advanced computer technology which using economic/technical criteria provides the analysis of the results.

Transparency is part of managerial ethics.

Analysing the results has unearthed the reasons for and causes of insufficient implementation of ethics management in theory and practice.

Lack of interest and even courage when trying to implement qualitative management in theory and practice and its development as part of sustainable social development might be understandable. Qualitative management is much more demanding as far transparency and fighting corruption and clientelism is concerned. That has been confirmed in roundtable discussions.

Humanity is not satisfied with its needs and increases demand for social development. The desire for higher standards of living does not reflect work efficiency. The vast majority of respondents stated that ethical behaviour has positive influence on the performance of the society. It is often noted that the development of the theory of management is not exclusive to managerial or work processes because making decisions concerns everyone at all times. The somewhat vague political climate, the social progress decreases the demand to think and act ethically. Managers fail to motivate their employees towards ethical behaviour.

European space is a place where shared responsibility is demonstrated in a number of forms, which requires the ability to deal with various social trends, such as aging society, low natality, migration, changing values, personal and political responsibility, etc.

The Theory of Managerial Ethics

The interest in ethics goes back in time and the old translation of “morals” is long overcome because morals change with the time. In literature we can find variations on ethics based on the subject it deals with, e.g., in *Complete Guide to Ethics Management: An Ethics Toolkit for Managers* by Carter McNamara (2013), where he divides ethics according the area of focus. Our primary focus is on the main function of management, which is making decisions. If the decision is ethical, its implementation is beneficial.

The quality of management or qualitative management should not be mistaken for the quality of production, which is part of the quality control processes and involves monitoring measurable values of the production or related activities which must be fulfilled during the work process. Qualitative values of management are achieved with ethical parameters which result from respecting managerial ethics applied as part of theoretical and practical management. Qualitative management demonstrates itself on the outside in systematic satisfaction of needs and interests of the society and ethical level of business and competitive

environment. The absence of managerial ethics leads to quantitative turn in social life.

Quantitative philosophy states that quantity transforms over time into quality. This philosophy was promoted by Marx and Lenin because it reflected the technical development and political interests of that period. We can experience that this philosophy had created the space for quantitative management the results of which show it facilitates the use of unethical activities, such as corruption and clientelism: i.e., phenomena which increase consumerist tendencies in the society. We can observe that disintegration is difficult as it influences legislation and politics and does not reflect the impact of qualitative values in management.

The consequences of increasing quantitative management result in disintegration of social development in the social, productive, and public administration area. The current dependence of theoretical and practical management on the development of quantitative values in economic, social, and political phenomena is being influenced by the dynamics of the technological progress. The success of technological progress should stimulate the innovation process in other production areas of the society including administration. The goal is to achieve integrated management of the inner social structure, supported by mutual cooperation of the representatives of each area.

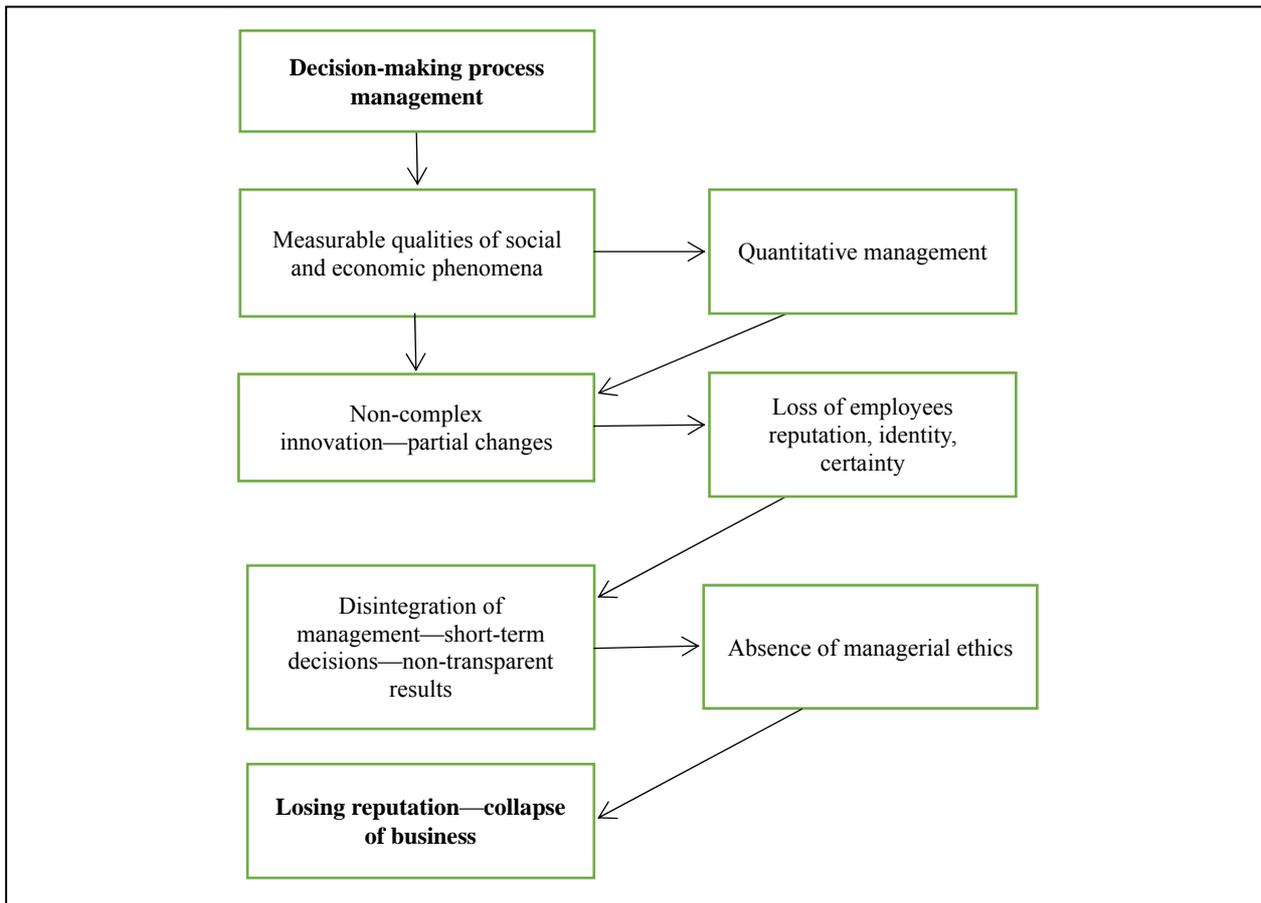


Figure 1. The position of ethics in the decision-making process.

By innovating management in their respective areas, managers could contribute to the integration of economic growth of the society. Obviously, the effort to integrate innovation strategies of technical, economic, and social progress within the management of individual areas would be highly strategic. Integrated

cooperation, especially in applied technological research and other production spheres would contribute to the integration of the social progress. Even just the effort to maintain relatively stable social progress would be a great asset because it would lead to an increased marketing effect of the economy as well as the social and political climate.

Good cooperation is a crucial element in creating a good working climate and satisfying social life. However, it requires a great deal of effort from everyone involved:

- Between the research departments of the Academy of Sciences and individual research departments at universities and other scientific organisations. This would improve the quality of strategic planning on the vertical scale of the society.
- Between scientific and educational institutions. Graduates of these institutions would have better chances of quicker adjustment when entering the work process.
- The cooperation between educational institutions and training is still minimal, therefore facilities of medium and small size have a very limited access to vital information necessary for strategic decisions and marketing planning.
- All levels of education fail to properly educate about the importance of scientific and technological progress and its complex application in social management. We speak about undesirable disintegration of management.

To sum up, team work is important not only for co-workers. It is as important in mutual cooperation between all areas which share the same production interests. Disintegration of management is the result of lack of trust among people and of non-transparent behaviour. Disintegration stimulates quantitative management.

Managerial ethics allows ethical decisions which respect elementary values for managerial activities—the unity between quantity and quality in the decision-making process. Their application requires a sense of managerial ethics and honest behaviour. Living systems are “superior” to non-living systems because they have the ability to think independently. We must refuse the once popular slogan—Everything which is not forbidden is allowed. People have their own will and if they want to they see what contradicts logic and ethical behaviour and as a result they will make the legislation even stricter for themselves.

Management of measurable values with the help of economic or technical indicators has positive benefits. Computer technology supplies fast results and valuable sources for strategic and tactical decisions, as well as for environmental communication. It is hard to predict what consequences the life of the consumerist society will bring. Therefore, prevention using elements of ethics management in everyday life represents a strategic and long-term decision.

Qualitative management opens the door for practical implementation of ethical approaches not only in production, commerce, and administration but also in creation of personal relationships inside and outside of work. It is an inspiring innovation which stimulates the changes in the system of managerial work. As a result, managerial ethics should not be confined only to business or administrative sphere but should be applied in every situation which requires managing.

It is necessary to emphasise that the theory of management is connected not only with professional managerial career. As the key element is the decision-making process, it is inherent to everyone. The amount of ethics and efficiency in decision-making processes is chosen by each of us.

The strength of ethics management lies especially in prevention. That does not, however, say that crises are used as

excuses for previous decisions because they are also caused by bad decisions. When our history is written in the future, I believe historians will not remember technology, internet, or electronic commerce but an unprecedented change in human behaviour. Because for the first time in history a great number of people have a choice. For the first time we are being forced to manage our own lives and we are not ready for it. (Drucker, 1970)

One elementary downside of management is the fact that managers devote more time to managing subsystems and their elements rather than managing the whole. The same situation can be observed when applying new methods of management. Managers typically fail to adjust them to specific conditions of the managed systems. They forget that ignoring progress will pay its price. The more technical development differs from other sciences, the more imbalance there is in the structure of other subsystems.

Individual subsystems of managerial ethics have their own elements (Dytrt, 2006).

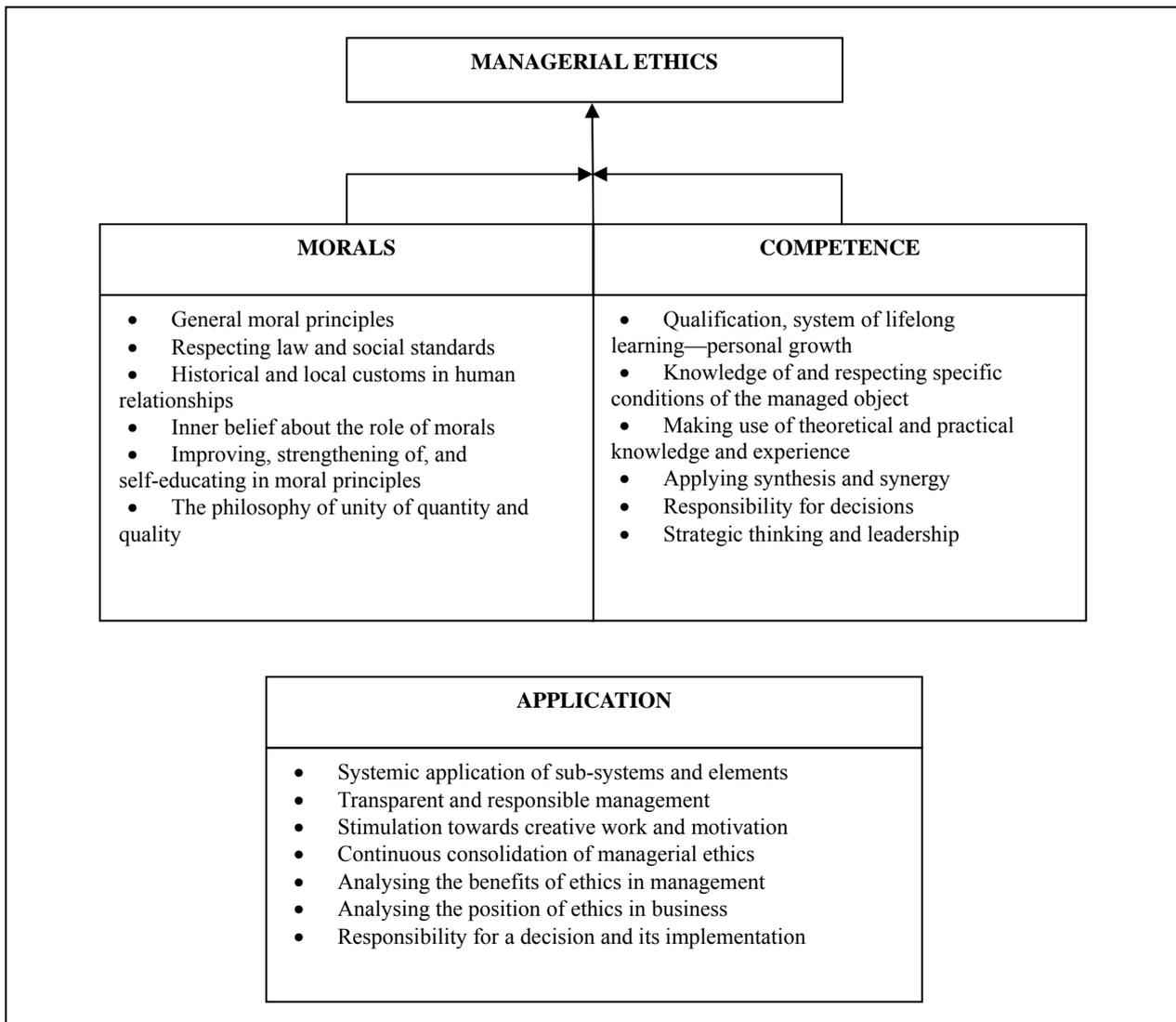


Figure 2. Elements of subsystems of managerial ethics.

Each managerial decision represents a change of the status quo and has therefore characteristics of an innovation which requires adhering to principles of the innovation theory. As a result, managerial ethics views

management as a tool to manage innovation process of a given object. Since not every decision carries the same weight for the object, innovations are differentiated according to their order.

Innovation and Management

Innovations are considered desirable and undesirable changes in theoretical and practical management which have occurred or may occur as a consequence of progress in individual scientific areas or when applied within organisational levels of the society or business. When talking about decisions which change current methods and goals of management, they are considered innovations of current theoretical and practical management. If every change is considered innovation, not every change is necessarily desirable as it might be associated with an undesirable, unethical goal. In such cases, we talk about negative innovations resulting from decisions disrespecting ethical standards and principles. They pave way for consumerist society, which is manifested as a result of quantitative management.

Maximisation of quick or short-term profit based on a slogan “Everything which is not forbidden is allowed” defies qualitative management. Applying ethics in management requires respecting ethical principles in the early stages of planning a strategic decision.

Decision-making processes should be connected with transparent and ethical intentions so that they can fulfil their role in preventing crises and undesirable practises in business. Innovations are products of human creativity and ethics is the only tool to help creativity modify current society. Creative changes can be applied only by people who are deeply involved in the innovation process. Striving towards creative thinking and producing ethical innovations is a prerequisite for qualitative management.

The prerequisite for successful qualitative management is respecting the rules of the innovation theory (Valenta, 1969):

Continuity—As innovations take shape of a sinusoid, positive innovations take up the positive side. Each innovation has three stages: introduction, growth, and moral wear and tear. As a result, innovation process demands continual creation of innovations. The growth phase is when the innovation fulfils the task it had been designed for. Moral wear and tear sets in when the innovation has been overcome by progress and a new innovation must replace it in order to react to different conditions.

Timeliness—The next innovation must be implemented in such intervals that there is no space left for anarchy between the old and new innovation. Each manager’s decision should carry the strength of an efficient innovation. If the new innovation comes too quickly, there is a risk of anarchy in the managed object. On the other hand, if the new innovation comes too late, it creates interregnum. Scheduling innovations is therefore a responsible and ethically challenging task. To maintain continuity of the innovation process, it is necessary to keep track of the impact period and contribution of each change.

Complexity—Partial innovations must be realised as part of a system so that the solution of a given issue is well-balanced and complex. If the issue is dealt with only partially, the effect of the innovation would decrease and could even lead to a financial loss. Complex solutions create an innovation chain of partial innovations. The complexity is both horizontal and vertical.

Consistency—We talk about the evaluation of the innovation effect based on analysis and synthesis. Computer technology does not suffice in this case but must be complemented by an analysis of methods and forms by which the quantitative values have been reached and what their genuine effect was. It is not only because of the plan but also because of social and economic factors. This principle also requires a verification

that all legislative regulations have been formulated ethically.

Mid-20th century saw the rise of innovations in the social/economic and political sphere which would be a reflection of the technical boom. Discussions about the philosophical nature of management appeared. The philosophy which is based on quantitative approach presumes that quantity will transform into quality by itself over time. This philosophy according to recent findings has failed as demonstrated by current high levels of consumerism. Responsible management needs philosophy of management based on the principle of unity between quantity and quality, as pictured below (Dytrt, 2011).

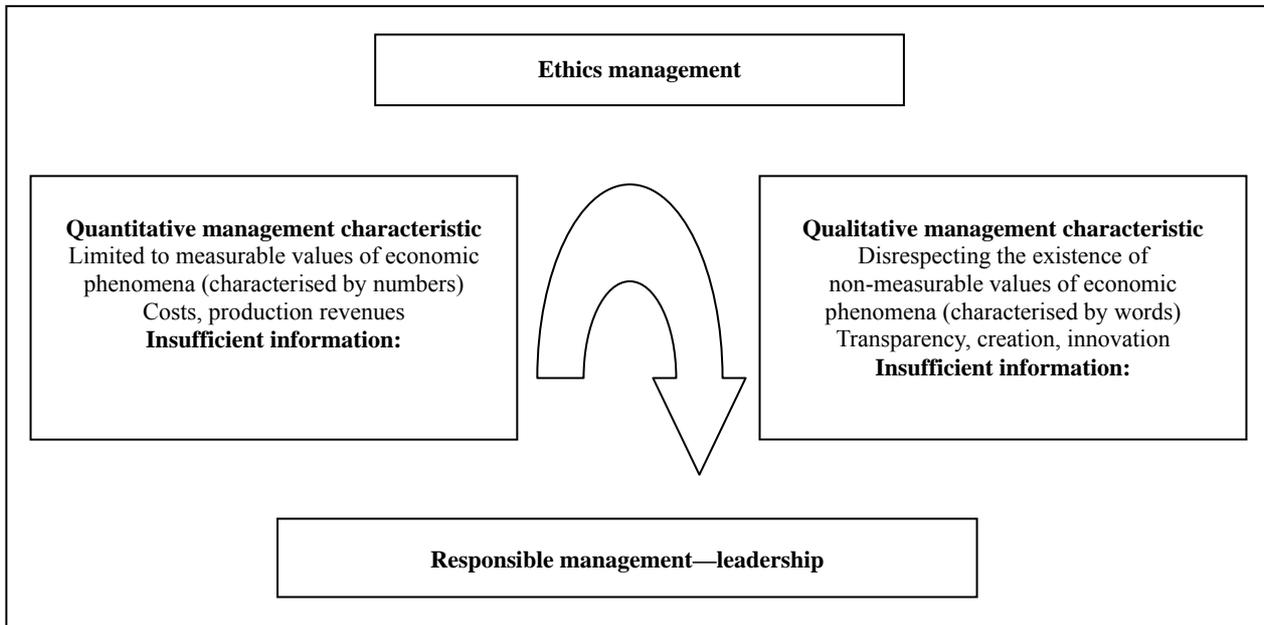


Figure 3. Responsible management.

According to Adam Smith, who is considered the father of modern capitalism, “Justice... is the main pillar that uphold the whole edifice. If it is removed, the great, the immense fabric of human society... must in a moment crumble into atoms” (Wikdate, 2007). According to the economist Milton Friedman, a Nobel Prize winner, it is a matter of the quality of thinking and behaving. Many have misinterpreted Friedman’s ideas that the only goal of business is making profit. Taken out of context, it may seem so, but Friedman also stated that,

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. (Wikdate, 2003)

It means that companies have to fulfil contractual obligations, accurately inform about financial performance, not inflate the quality of products and services they offer and not hide any transgressions of their employees and investors.

Ethical behaviour and decisions are usually a private activity which makes way for responsible behaviour of individuals, business systems, and charitable ventures. In our own conditions, we are faced with retardation of theoretical and practical management, which is obviously lagging behind social demand. The main reasons lie in legislature which does not prevent unethical enterprising and companies themselves are too slow to accept internal regulations which would deal with ethical issues within management and their own business. Various

legislative holes and pressure groups induce dishonest behaviour and theft. These holes cannot be abused and must be fought against.

First and foremost, it is necessary to determine what is called responsible management and which associations it has. In this respect, responsible management should already be emphasised in school education. Responsible management is related to respecting the unity between quality and quantity. It is the basis for qualitative characteristics of theoretical and practical management.

It is true that many people know what not to do yet they keep doing it. The explanation is simple—ethical thinking and behaviour is much more difficult than unethical behaviour. Nonetheless, it is worth the effort because it will pay off in the long term. It adds to ethical and more stable business climate as well as to general satisfaction of everyone involved.

Overlooking and disrespecting the role of ethics and responsibility signifies short-term thinking, underestimating the consequences of such behaviour, resulting in consumerist thinking, behaving, and enterprising.

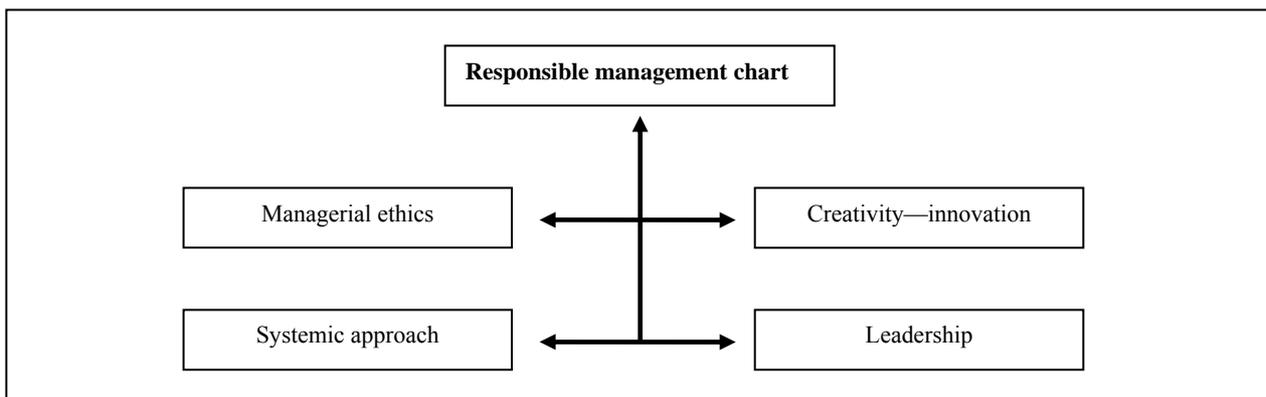


Figure 4. Responsible management chart.

Managers' attention focuses on human resources management. It is expected that successful implementation of a change relies on stimulation and attitude of employees who are willing to take responsibility for the creativity and readiness in their line of work. In turn, top managers have to keep employees informed about their company strategy and the role of ethics management, which is closely related with the effort to fulfil strategic goals. These goals are no longer purely profit-oriented—company's reputation, corporate culture, and competitive advantage are among other goals.

New working relationships between employers and employees are being formed which should have a positive effect on the company. These are ethical relationships whose development in teams must be realised on both horizontal and vertical level. This progress has been brought about by the ownership change. Many owners of companies are no longer owners as many managers have become regular employees. Authoritarian forms of management are no longer efficient because they dampen the creativity of employees and make them feel less responsible for their own work.

Current trends in the market economy require overcoming stereotypes and looking for new methods not only to increase production efficiency but also to deal with competition. In other words, we are dealing that we managed implementation of innovations within the framework of managerial responsibilities and the work relationships.

New relationships in management should be respected at all levels of social management. They should function as an impulse to achieve higher levels of human resources management, to use team work, to increase mutual understanding and economic efficiency. Implementing innovations in human resources management leads to better teamwork, higher efficiency, and existential stability of employees. The process, however, does not occur by itself; it is a result of ongoing leadership training.

Consumerist thinking stimulates chasing after maximisation of measurable values, which can be eliminated by consolidating managerial ethics and respecting qualitative values in our thinking and behaviour.

Conclusion

Educational institutions, which ready young people for the working experience, play an important role in the process of management intensification. These institutions should emphasise the importance of motivation, soundness, and responsibility and that the easy way up exists only in fairy tales. The absence of ethics in the society must be overcome by defining it. Legislature follows to specify the strategic framework of a desired development of legislature in the society. Each individual is unique and expects that legislature defines clear principles of strategic goals which the social progress demands. Such understanding of managerial ethics would greatly enhance the current legislative process. When talking about innovations, we must not focus only on dynamic technological development; technology should be the motivator for implementing innovations in other scientific areas as well.

Economic effect is brought about by only complex innovations, i.e., innovations which change the current state of each factor within the social system which are essential for the production of a managed process without causing the bottleneck effect. Consumerist lifestyle brings uncertainty to current social development. Education and practical management should therefore support ethics in personal relationships and strategies of future social progress and private life.

Companies are aware of the fact that ethics is related to staff loyalty, promotes good reputation, improves corporate culture, and contributes to achievements. Employees can be both strength and weakness of an organisation and companies struggling with understaffing and low unemployment rates look after their employees with the help of ethics.

Cultivating the business environment is essential. The activities of an educational system of a society should promote the basics of managerial ethics so that future managers and businesspeople are ready to face ethical dilemmas not only at work but also in their own lives.

Educational system of a society is a perfect place to build the foundations in order to respect the unity between quantity and quality, so that during the tertiary level of education, graduates will be perfectly ready to succeed in social, professional, and private areas. As a result, much debate focuses on creating a new profile of a teacher whose attitude and educational approach will be crucial for the future of the society.

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