

THE PROFESSIONAL ETHICS OF SLOVENE MANAGEMENT IN LIGHT OF GLOBALIZATION PROCESSES AND HISTORICAL HERITAGE

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This article examines the problems of modern Slovene management in the context of the history of management in Europe and the adoption of management models and theories from the US. The purpose of the article is to identify the key characteristics of management and its relationships with other social actors in the context of shaping the image of the modern Slovene manager as a person required to take responsibility for ethical decisions. Taking into account various factors which influence the structuring of European management, the paper briefly presents theoretical and practical methods for studying professional ethics in management.

1. INTRODUCTION

Organizations, be they for profit or not, are an integral part of society. All their activities are taking place in the environment, which can be conceptualized as a complex network of individuals and organizations, interacting with the organization. Thus, the assertion that a high degree of social and ethical responsibility, and not just business success, is expected from top management, could be supported¹.

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¹ "This is where the very relevant need for professional ethics comes in. This relevant need is so pressing and unavoidable that it in fact calls for a separate legal code of ethics in certain areas. Such code of ethics is very useful for even the most independent and well-educated individuals as it in a way relieves them of personal responsibility and provides support for the decisions they make. It simplifies the decision-making process, thus making their lives easier." (Trstenjak, 1996:8).

It is essential to have knowledge of the humanistic sciences and an awareness that the whole of a person's life fluctuates constantly and periodically. This is also characteristic of social movements which renew society and create conjunctures of the economies of different nations. Through these movements, societies change and mutually interact; each society as an ordered environment has an influence on its members, particularly on the organized units in society and economic subjects. In all societies, from the most primitive to the most developed, in capitalist and in other kinds of socioeconomic systems, it is necessary to coordinate or regulate relations among institutions and especially to manage the production processes. This principle raises the question of how to remain faithful to values originating from antiquity while subjected to constant change.

Socrates once said: *"People commit evil doings not for the cause of evil, but because of ignorance. To do well, one must know what good is..."*². However, when contemporary experts wish to give advice to managers, they claim: *"The circumstances in which the managers' work is changing so quickly and so profoundly, that we cannot learn anymore from past experiences, how we could today, let alone tomorrow, ensure business success"* (Micklethwait & Wooldridge, 2000, p. 11).

These two seemingly contradictory statements open up new lines of thought and point out the new continuous responsibility of managers to integrate these two ideas into a modern and fresh point of view, which will encompass the right basis for action, and they bring forth the idea that *"the manager has to be eager for knowledge and learning"* (Micklethwait & Wooldridge, op. cit.).

Society, families and individuals have been institutions tending to maintain social stability. On the other hand, the contemporary organizations need to be capable of changing constantly and developing new knowledge, which commonly creates ground for conflict. Innovative organizations and their management induce the conflict between elements of stability and triggers of economic/social change. In such a dynamic environment, the social responsibility of managers, i.e. their responsibility to all stakeholders, becomes an ever more important element for commercial success (Hočevár & Jaklič, 1999, 32.). Here, the question arises as to whether such demands toward leaders existed throughout the history, regardless of the type of society, or is the rapid

² <http://bs.wikipedia.org/wiki/filozofija>

pace of change in the business environment that has placed these issues at centre stage, particularly given the greatly intensified competition.

2. MANAGERS IN THE MODERN SOCIETY

2.1. Contemporary challenges to management

As most developed economies are being wrecked by the current financial crisis and the mounting problems of unemployment, economic recession, environmental issues, etc., a feeling of uncertainty and a well-grounded fear of change is gripping humanity. Alvin Toffler, in his famous book *Future Shock* (1975), says: “*We rush full speed into an unknown future which is not the least bit rosy. What we need in order to solve this problem is 'historical memory'*”.

All of these challenges faced by the contemporary economies/societies have been induced by the ‘international’/global triggers. Globalization, as both a trigger and an outcome of the previously mentioned changes, did not occur on its own, but, rather, represents the result of a long-term liberalization related to the movement of capital, people and information. Although such liberalization enables the growth of the international exchange of merchandise and services by decreasing the common costs of exchange, it also increases the effectiveness of non-economic activities.

These developments in the business environment require organizations to adapt by developing the *learning organization model*, which is able to deal with the challenges of the modern society. The characteristics of such an organizational model should meet the following environmental challenges:

- Competition on the markets is continuously increasing, by emphasizing lower paid work force and lower costs.
- The pollution of the environment is still a consequence of economic activities – it is also expected that the ecological demands of the world’s population will be also continuously increased.
- The strengthening of international markets causes long-term lowering of prices and services to the advantage of the poorer class of the population.
- As a consequence of exploitation of national resources, rationalization and global saving for the preservation of natural sources and energy are encouraged, as well.

Innovation is definitely the answer to the given demands. It can be found in all historical situations, especially at turning points, but in contemporary

organizations, innovation should be integrated into the functioning of each kind of organization and all levels of management. Only successful organizations are capable to develop functioning based on learning and ethical treatment of all stakeholders, which should be supported by investments in new technology, satisfied customers, healthy competition as the foundation for continued development, and, most recently, by strong links with the scientific community.

The new doctrine of management also brings forth the awareness that the essence of management should not be reduced to the idea of managing human potentials: in addition, the quality of managerial and corporate governance processes should be emphasized, as well. The contemporary management focuses on high-quality decisions made by professionals, supported by the modern organizational structure (Možina et al, 1994, 75).

However, the managerial decisions are not directed merely toward increasing the success and development of business processes: they must also bring about personal satisfaction to the stakeholders and contribute to the well-being of the society as a whole. Thus, managerial decisions and the operation of the organization must be based on ethical decision-making. The following quote clearly illustrates the tremendous importance of ethics in everyday life: *“Ethics stem from the values of people, from that which means most to them; values are closely tied to a person’s understanding of the world and the place they have in it. This is the domain of philosophy, and ethics is practical philosophy. Philosophy is the spiritual backbone of our civilization and in one or another form it is as old as civilization itself”* (Možina et al, 1994).

As many examples from history attest, lack of morals and ethics in the business world, and simultaneously in the society of which the organizations are an integral part, can erode a democratic political culture, as well as a market economy.

2.2. Modelling the modern management process

A modern model of managing an organization is directed toward the successful realization of the intended strategies and demands a proper organization of a company. Models used in contemporary practice originate from different forms of organizations which were developing throughout business history. The most common one is the hierarchical model, in which all the organizational entities are subordinate to the higher level of management, except for the top management. It can be found in all historical eras since the formation of the first civilizations. In this context, managerial processes are

rationally planned and implemented in order to carry out the preconceived objectives (see Figure 1). In such a process, “one person coordinates the activities of other people with the purpose of achieving high quality goals that the other people working alone could not achieve” (Jaklič, 2002).

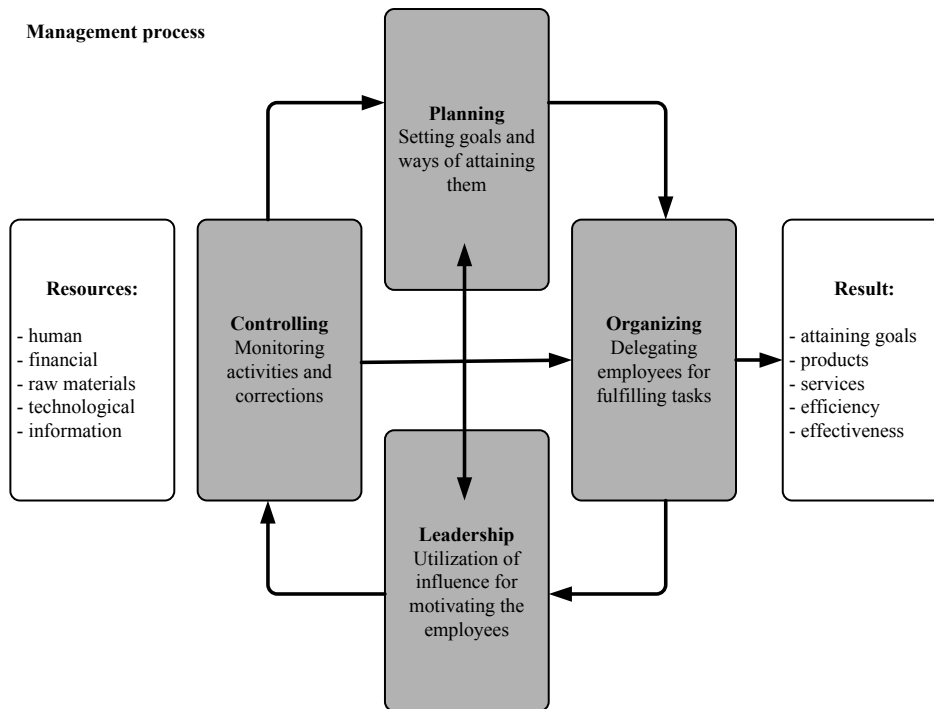


Figure 1. The rational management process (Daft & Marcic, 2001, 5)

Thus, management can be viewed as a specific “tool”, placed in the hands of a qualified individual, but it should not be forgotten that this individual is also given a tremendous responsibility for the well-being of all the stakeholders connected to his or her organization. On the other hand, if the rational foundations of the system do not include ethics, managers, as a decision-making elite, do have the right to perceive themselves as “rulers” of the economy. Examples of such “rule” in the area of management at the macro level can be seen in how multinational corporations conduct their business. As Adam Smith (1970) himself believes, the state should not be imposing any sort of limits to free trade in order to stimulate the *laissez-faire* economics to grow and thrive. However, such an approach, defined in practice by free trade agreements,

reduces or even eliminates social rights acquired and expanded during pre-globalization times.

2.3. Ethics as a component of the managerial processes

As indicated previously, the interests of contemporary multinational businesses might be confronted to the traditional notion of inclusive democracy. Therefore, management, both as a new profession and an institutional form (Kovač, 2004, 11-12), needs to adapt its behaviour to liberal democratic practices. Simultaneously, management is expected by the majority of society to cope with the transition processes, which are present in all modern economies, and not only in “new Europe”, including Slovenia. However, the capacity of organizational response to change should be accompanied by the good organizational culture. This means that the traditional model of management should now incorporate a whole range of values, beliefs and behavioural norms shared by members of the organization, as well as by the wider society.

Much of the literature clearly confirms such a viewpoint. For instance, in the “*The Confidence Gap: Business, Labour and Government in the Public Mind*,” Lipset (1983) provides a classical viewpoint for explaining democracy and linking it to the stage of modernization of a given country. His indicators and findings confirm that countries with a higher average level of socioeconomic development in the presence of general prosperity are, as a rule, more democratically oriented. As the goal of a modern global society is the introduction of democracy at all levels, it is also expected from managers to honor the social consequences of their actions and act as “corporate citizens”.

Ethical problems originate mostly from conflicts of interest within, as well as between the primary interest groups, and from relations with the secondary interest groups. Ethical problems become apparent in, for example, sexual harassment, excessive rewards for management, bribery, invasion of privacy of the employees, conflicts in business dealings abroad, advertising, attitude toward the natural environment, relations with the government and politics, disclosure of accounting data, etc. (Jaklič, 2002, 283). The organizations which successfully follow the guidelines of business ethics will develop a more ethical environment that protects the integrity of an individual and, consequently, increases productivity. Better results become possible as employees feel psychologically secure and all the employees, including the management, feel protected - this is why they are more likely to protect the interest of others.

Modern business is becoming increasingly more global, with multinational corporations becoming major players in the field. Their business practices and distribution of goods and services reshape national economies. In addition, it is at the level of multinational corporations that today's business ethics run up against the overexploitation of natural resources, the role of corporations in producing the greenhouse effect, the destruction of the rain forest and other environmentally unsound practices. For this reason, many actors conclude that the positive development of management in the era of globalization is no longer possible. However, there are ethical alternatives to the maximization of profit at any cost (Conroy & Emerson, 2008; Galit, 2008). Nevertheless, a new discipline of *business ethics* has already become a powerful tool in the hands of responsible managers. The field of ethics starts with an assumption that the business ethics must be viewed as an investment for the long run. The time frame has important implications in ethics as the increased profit is expected to come from the future dealings with appreciative customers, employees, suppliers and other economic agents. However, if the business leader does not expect to continue to do business with those individuals in the future, the long run payoff may not be captured (Hattwick, 1984).

Initially, business ethics analyzed problems and difficulties in the area linking economics and ethics, although its contemporary developments emphasize the role of individuals in achieving ethical behaviour, especially those in managerial positions. Its significant limitation can be found in the individualization of society, which can be traced back to the Enlightenment. As a person becomes more individualized, his or her experience is being more personal, which diminishes the influence of social norms to the individual, while personal decisions and efforts gain in importance. In this context, professional ethics is gaining importance as the decision-makers are often left to their individual perception of justice in judging whether they act rightly and honestly. In addition, there is a synergetic effect related to ethical behaviour: a person who is accustomed to behaving honestly in his/her profession influences the common ethical consciousness of all members of the organization and the entire society.

3. PROFESSIONAL ETHICS IN SLOVENIA

3.1. Transition period in Slovenia

The society of the future will be a society which strives for integration at all levels, especially economic ones. Theoretical discussions and practical examples of macroeconomic policies of different countries show that there are

less and less alternatives available for leading the macroeconomic policies, especially in small countries (Jaklič, 2002, 31). Additional limitations in managing macroeconomic policies are presented by the global financial market, which penalizes excessive national budget deficits.

Slovenia today, like many other countries in the world, might be described as being "*in transition*". Perhaps the word "*transition*" itself has become a synonym for a particular state of a society or a nation caused by discontinuous, but profound changes of the social order in politics, economics, and property rights. Slovenia started this process with an unstable and stagnating economy, which has, over the past 10 years, gone through the processes of stabilization and implementation of radical changes in terms of market behaviour, innovation, organization and human resource management. All these changes have been based on privatization, more or less based on traditional assumptions of classical liberalism and unrestrained pursuit of profit. After the period of privatization, Slovene managers planned new strategic directions and tried to diversify the production in order to penetrate into the most demanding international markets and specialized market niches. The general idea of "*transition*" toward a developed market democracy has led to the acceptance of Slovenia as a full EU member. However, this has also had negative consequences, such as the additional limitations to macroeconomic policy management.

In any case, these changes, taking place in Slovenia for more than a decade, are very similar to those in other countries of Central and Eastern Europe, once characterized by the socialist order. As they represent radical social changes and a systemic transformation of society, such a course of change represents a special challenge to managers. In addition, gradual integration into the EU has brought Slovenia, as well as other countries, toward the complete exposure to the global economy with the free flow of goods, services, capital, technology, ideas and, in part, people. Slovenia, just like similar countries, has developed its response to these challenges from the examples of Western societies and, as a result, also adopted the existing "benchmarking" strategies in the fields of management and social development.

3.2. The new era for management in Slovenia

Previously described processes dictate the development of leadership oriented toward organizational learning, which implies the productive use of knowledge applied to one's own environment. In Slovenia, in a very short time, the heads of enterprises were replaced and managerial positions became

occupied by modern experts who are not burdened with the past and who have acquired additional expert knowledge at international schools of management.

However, the emerging social changes demand a special responsibility of management toward the stakeholders, which requires attention to be paid to the professional ethics at all levels of management. Only the holistic and integrated approach can provide a complete picture, which can increase the understanding of management and incorporate its ethical component. In this manner, the ill-judged adoption of models from other countries, with different historical and cultural backgrounds that are not suited to the Slovene context, can be avoided. Nevertheless, the business model of global competition is applicable to the Slovene companies as well, although its considerate implementation should prevent any segment of society, including management, from “ruling” over the other actors, as well as enable balanced social development.

Small countries are usually relying on the intellectual capital of its people, one of the major sources of competitive advantage (Donaldson, 2007, 30-31), but it could be also added, along the lines of Darwin’s observation, that it is not the smartest or the strongest that survive, but the ones most responsive to change. Thus, the right organizational model for the Slovene management should foresee the development of a learning organization, which achieves a completely open model with the relevant values and sense of social responsibility. According to the world expert on the reputation of companies and managers, Charles Frombrun, who has been interviewed by the business journal *Manager*: “Build your reputation on emotional attraction. (...)I have observed that the reputation of a company is stronger if values rather than personalities are joined” (Frombrun, 2005).

4. CONCLUSIONS

The problem of developing professional ethics of Slovene, as well as other managers could be, probably, reduced to the philosophical values from the age of enlightenment, which include:

- tradition of reason (using natural goods for the good of people);
- tradition of political freedom (the foundation of democracy)
- tradition of subjective freedom (the ability of the individual for ethical freedom);
- tradition of humanism (an individual is a creative personality with the right and the ability to express his/her complete potential;
- tradition of equality (all are equal before the law);

- tradition of human dignity (the foundation for the struggle for human rights) and
- tradition of social justice (the community has a moral obligation to help members in need).

These values should support and guide all who are seeking social development since the support for ethical decision-making should be built into the foundations for the future of our society.

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**PROFESIONALNA ETIKA SLOVENSKEG MENADŽMENTA U SVJETLU
GLOBALIZACIJSKOG PROCESA I POVIJESNOG NASLJEĐA**

Sažetak

Ovaj članak proučava probleme modernog slovenskog menadžmenta u kontekstu povijesti europskog menadžmenta i prilagodbe američkih menadžerskih modela i teorija. Svrha ovog članka je identificirati ključne karakteristike menadžmenta i njegove odnose s ostalim socijalnim sudionicima u kontekstu stvaranja slike modernog slovenskog menadžera kao osobe od koje se zahtjeva etička odgovornost za odlučivanje. Uzimajući u obzir različite faktore koji utječu na strukturiranje menadžmenta u Europi, u ovom se radu ukratko prikazuju teoretske i praktične metode za istraživanje profesionalne etike u menadžmentu.

