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## MANAGING ETHICS IN ORGANIZATION – FOCUSING INNOVATION IN CREATING ETHICAL ORGANIZATIONAL CULTURE

**Abstract.** The aim of this article is to emphasize the importance of managing ethics in organizations of various kind with emphasis on creating ethical organizational culture. We consider diagnosing of current and desired organizational culture, identification and clarification of organizational values, as well as training and development of employees in moral organizational values and other ethical issues, which should lead toward moral development of organizations and its members. Our aim is to reason necessity of diagnosing organization culture, identify and clarify organizational moral values, create ethical strategy based on recommendations from diagnostics and reason demand for new profession and position in Slovak organizations – an Ethics Officer.

**Keywords:** innovation; Ethical Organizational Culture; Managing Ethics; Training and Development; Ethics Officer

## ZARZĄDZANIE ETYKĄ W ORGANIZACJI – KONCENTRACJA INNOWACJI W TWORZENIU ETYCZNEJ KULTURY ORGANIZACYJNEJ

**Streszczenie.** Celem artykułu jest podkreślenie znaczenia zarządzania etyką w organizacjach różnego rodzaju, z naciskiem na tworzenie etycznej kultury organizacyjnej. Rozważamy diagnozowanie bieżącej i pożądanej kultury organizacyjnej, identyfikację i doprecyzowanie wartości organizacyjnych, a także szkolenie i rozwój pracowników pod kątem moralnych wartości organizacyjnych i innych kwestii etycznych, co powinno prowadzić do moralnego rozwoju organizacji i jej członków. Naszym celem jest określenie konieczności diagnozowania kultury organizacyjnej, identyfikowanie i wyjaśnianie wartości moralnych organizacji, opracowanie strategii etycznej opartej na zaleceniach diagnostyki i popytu na nowy zawód oraz pozycję w słowackich organizacjach urzędnika ds. etyki

**Słowa kluczowe:** innowacja; etyczna kultura organizacyjna; zarządzanie etyką; trening i rozwój; urzędnik ds. etyki

## 1. Introduction

Albert Einstein said that the world that we have made by the level of thinking we have been capable of thus far creates problems that we cannot solve at that same level of thinking. “Thus, organizations will increasingly require leaders to challenge people to think and act in new ways to reflect on and question their own deeply rooted assumptions, and ultimately confront the unexamined premises which have shaped the history of their enterprise. (Weber, 1998, p. 364) Finding new, economically, but also morally effective ways in which to lead our organizations will probably be one of the biggest challenges for the leadership of the new post-crisis era.

The winner of the Pulitzer Prize and National Book Award, James MacGregor Burns, said that the crisis of leadership today is the mediocrity or irresponsibility of so many of the men and women in power. Mediocrity, according to him, lies in the intellectual level. According to Burns, we know far too little about leadership. In his masterpiece of 1979 he asked the following questions: Is leadership simply innovation – cultural or political? Is it essentially inspiration? Mobilization of followers? Goal setting? Goal fulfilment? Is a leader the definer of values? Satisfier of needs? If leaders require followers, who leads whom from where to where, and why? How do leaders lead followers without being wholly led by followers? However, he asked these questions over three decades ago. The contemporary crisis shows that leadership is really one of the most observed and least understood phenomena on earth, requiring more attention than it garnered in the past. There are so many things about leadership that we have to explore. Much has been written about leadership, yet scholars trying to understand the phenomenon have paid little attention to its moral and ethical dimension. We will try to emphasize the importance of managing ethics in organizations, diagnosing and changing organizational culture, ethical congruence and the meaning of vivid organizational moral values for creation of ethical organizational culture. Such culture will consequently create more responsible and more successful organizations in this post-crisis era.

If leaders set organizational moral development as one of their main goals they must commit to diagnosing their current organizational culture, concentrating on identification and clarification of their organizational moral values. The best way for leaders to demonstrate their effort to create morally responsible organizations is to make these values a vivid part of their organizations. This has a direct impact on creation of ethical organizational culture. Leaders become serious role models only when their followers witness that they act congruently with their organizational moral values. Ethical congruence is the key for any serious change in organization.

## 2. Organizational Culture

Organizational theorists are often concerned about the definition of organizational culture. “It was not until the beginning of the 1980s that organizational scholars began paying attention to the concept of culture.” (Cameron – Quinn, 2006, p. 16) This idea of culture has been particularly useful for understanding and differentiating between work organizations and behavior of people in them.

“It's a way of differentiating one organization's “personality” from another. The organizational culture expresses shared assumptions, values, and beliefs and is manifested in many ways, including formal rules and policies, norms of daily behavior, physical settings, modes of dress, special language, myths, rituals, heroes and stories. To assess and understand an organization's culture requires knowledge of the organization's history and values, along with a systematic analysis of multiple formal and informal organizational systems.” (Trevino – Nelson, 2017, p. 158)

L. Trevino and K. Nelson's (2017) definition of organizational culture partly answers an important question. Why was organizational culture ignored as an important factor in accounting for organizational performance? Most people in Slovak organizations are unaware of their culture. However, their understanding of organizational culture will help them to know why the things in their organizations are as they are.

Therefore, we consider creating ethical organizational culture as one of the key roles of organizational leaders. We further consider managing organizational culture toward ethical organizational culture by the use of organizational moral values as another of the most important challenges in Slovakia. K. Cameron and R. Quinn (2006) write that most of the scholarly literature argues that successful companies – those with sustained profitability and above-normal financial returns – are characterized by certain well-defined values.

We suggest that before leaders will decide to take the first step toward creating ethical organizational culture they need to understand the current state of their organizational culture. “Most organizational leaders and observers now recognize that organizational culture has a powerful effect on the performance and long-term effectiveness of organizations. Empirical research has produced an impressive array of findings demonstrating the importance of culture to enhancing organizational performance.” (Cameron – Quinn, 2006, p. 5) Change in organizations is pervasive because of the degree and rapidity of change in the external environment. “The conditions in which organizations operate demand a response without which organizational demise is a frequent result.” (Cameron – Quinn, 2006, p. 7) K. Cameron and R. Quinn write that the rate of technological change associated with this informational explosion has created an environment intolerant of the status quo. In spite of the fact that change has become the only constant in organizational life, organizational leaders must be

careful when setting new directions. As we suggested above, leaders need to know what the current state of their organizational culture is before they start with serious change.

### 3. Diagnosing organizational culture

There are many tools and methods that have been used to diagnose organizational culture. We argue for the competing values framework in the process of diagnosing and changing organizational culture. We have practical experience with this organizational culture assessment instrument and we find it very effective and reliable.

#### 3.1. Competing Values Framework – The Organizational Culture Assessment Instrument

“It has been used in more than a thousand organizations that we know of, and it has been found to predict organizational performance. Its intent is to help identify the organization’s current culture. That’s step 1. The same instrument helps to identify the culture that organization members think should be developed to match the future demands of the environment and to opportunities to be faced by the company. That’s step 2..”(Cameron – Quinn, 2006, p. 23)

The purpose of this instrument is to assess six key dimensions (see Figure 1) of organizational culture:

1. Dominant characteristics,
2. Organizational leadership,
3. Management of employees,
4. Organizational glue,
5. Strategic emphases,
6. Criteria of success.

1.	Dominant Characteristics	Now	Preferred
A	The organization is a very personal place. It is like an extended family. People seem to share a lot of themselves.		
B	The organization is a very dynamic entrepreneurial place. People are willing to stick their necks out and take risks.		
C	The organization is very results oriented. A major concern is with getting the job done. People are very competitive and achievement oriented.		
D	The organization is a very controlled and structured place. Formal procedures generally govern what people do.		
	<b>Total</b>	<b>100</b>	<b>100</b>

<b>2.</b>	<b>Organizational Leadership</b>	<b>Now</b>	<b>Preferred</b>
A	The leadership in the organization is generally considered to exemplify mentoring, facilitating, or nurturing.		
B	The leadership in the organization is generally considered to exemplify entrepreneurship, innovating, or risk taking.		
C	The leadership in the organization is generally considered to exemplify a no-nonsense, aggressive, results-oriented focus.		
D	The leadership in the organization is generally considered to exemplify coordinating, organizing, or smooth-running efficiency.		
	<b>Total</b>	<b>100</b>	<b>100</b>

<b>3.</b>	<b>Management of Employees</b>	<b>Now</b>	<b>Preferred</b>
A	The management style in the organization is characterized by teamwork, consensus, and participation.		
B	The management style in the organization is characterized by individual risk-taking, innovation, freedom, and uniqueness.		
C	The management style in the organization is characterized by hard driving competitiveness, high demands, and achievement.		
D	The management style in the organization is characterized by security of employment, conformity, predictability, and stability in relationships.		
	<b>Total</b>	<b>100</b>	<b>100</b>

<b>4.</b>	<b>Organization Glue</b>	<b>Now</b>	<b>Preferred</b>
A	The glue that holds the organization together is loyalty and mutual trust. Commitment to this organization runs high.		
B	The glue that holds the organization together is commitment to innovation and development. There is an emphasis on being on the cutting edge.		
C	The glue that holds the organization together is the emphasis on achievement and goal accomplishment. Aggressiveness and winning are common themes.		
D	The glue that holds the organization together is formal rules and policies. Maintaining a smooth-running organization is important.		
	<b>Total</b>	<b>100</b>	<b>100</b>

<b>5.</b>	<b>Strategic Emphases</b>	<b>Now</b>	<b>Preferred</b>
A	The organization emphasizes human development. High trust, openness, and participation persist.		

B	The organization emphasizes acquiring new resources and creating new challenges. Trying new things and prospecting for opportunities are valued.		
C	The organization emphasizes competitive actions and achievement. Hitting stretch targets and winning in the marketplace are dominant.		
D	The organization emphasizes permanence and stability. Efficiency, control and smooth operations are important.		
	<b>Total</b>	<b>100</b>	<b>100</b>
<b>6.</b>	<b>Criteria of Success</b>	<b>Now</b>	<b>Preferred</b>
A	The organization defines success on the basis of the development of human resources, teamwork, employee commitment, and concern for people.		
B	The organization defines success on the basis of having the most unique or newest products. It is a product leader and innovator.		
C	The organization defines success on the basis of winning in the marketplace and outpacing the competition. Competitive market leadership is key.		
D	The organization defines success on the basis of efficiency. Dependable delivery, smooth scheduling and low-cost production are critical.		
	<b>Total</b>	<b>100</b>	<b>100</b>

Fig. 1. The Organizational Culture Assessment Instrument

In the Figure 1, the left-hand response column for the instrument is labeled “Now”. That means that respondents are rating their organization as it is currently. After these responses are finished respondents complete the “Preferred” column. Respondents' responses will provide two independent ratings of their organizational culture – current one and one as they wish it to be in five years.

### 3.2. Scoring the Organizational Culture Assessment Instrument (OCAI)

From our practical experience we can say that scoring the OCAI is very easy. “It requires simple arithmetic calculations. The first step is to add together all A responses in the “Now” column and divide by 6. That is, compute an average score for the A alternatives in the “Now” column. Next, add together all B responses and divide by 6. Repeat this computation for the C and D alternatives.” (Cameron – Quinn, 2006, p. 7)

Organizational researchers discovered that most organizations develop a dominant cultural style. “More than 80 percent of the several thousand organizations we have studied have been characterized by one or more of the culture types identified by the framework. Those that do

not have a dominant culture type either tend to be unclear about their culture or emphasize the four different cultural types nearly equally.” (Cameron – Quinn, 2006, p. 46) Cameron and Quinn state that particular types of cultures form certain values, assumptions, and priorities which become dominant when organizations address challenges and adjust to changes. These dominant cultures help the organization remain consistent and stable as well as adaptable and flexible in dealing with the rapidly changing environment. Figure 2 illustrates the competing values of leadership effectiveness, and organizational theory.

<b>Internal Focus and Integration</b>	<b>Flexibility and Discretion</b>		<b>External Focus and Differentiation</b>
	Culture Type: CLAN Orientation: COLLABORATIVE Leader Type: Facilitator Mentor Team builder Values Drivers: Commitment Communication Development Theory of Effectiveness: Human development and participation produce effectiveness	Culture Type: ADHOCRACY Orientation: CREATIVE Leader Type: Innovator Entrepreneur Visionary Value Drivers: Innovative outputs Transformation Agility Theory of Effectiveness: Innovativeness, vision, and new resources produce effectiveness	
	Culture Type: HIERARCHY Orientation: CONTROLLING Leader Type: Coordinator Monitor Organizer Value Drivers: Efficiency Timeliness Consistency and uniformity Theory of effectiveness: Control and efficiency with capable processes produce effectiveness.	Culture Type: MARKET Orientation: COMPETING Leader Type: Hard driver Competitor Producer Values Drivers: Market share Goal achievement Profitability Theory of Effectiveness: Aggressively competing and customer focus produce effectiveness.	
<b>Stability and Control</b>			

Fig. 2. The competing values of leadership effectiveness, and organizational theory  
 Source: K. Cameron and R. Quinn

Each quadrant in Figure 2 was named to distinguish its most notable characteristics (clan, adhocracy, market and hierarchy.) K. Cameron and R. Quinn emphasize that these quadrant names were not randomly selected, but they were derived from the scholarly literature that explains how, over time, different organizational values have become associated with

different forms of organizations. Figure 3 illustrates the competencies and the leadership roles in the competing values framework.

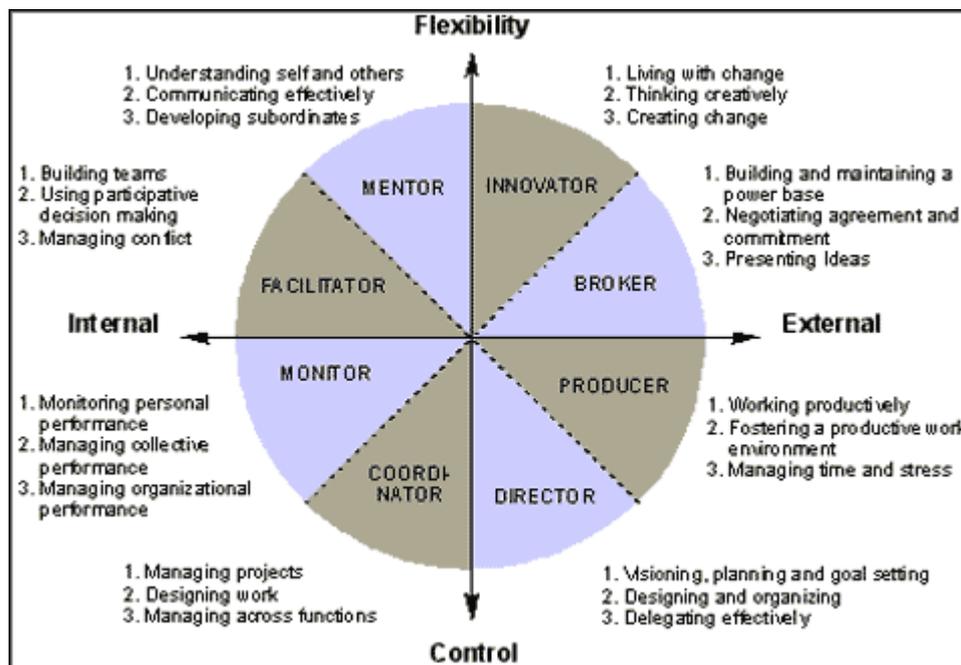


Fig. 3. The competencies and the leadership roles in the competing values framework  
Source: National Institute for Public Education in Hungary

#### 4. Culture development

K. Cameron and R. Quinn (2006) did several research studies on Competing Values Framework and the results show that the new or small organizations tend to progress through a predictable pattern of organizational culture changes. They argue that in the earliest stages of the organizational life cycle, organizations tend to be dominated by the adhocracy quadrant – without formal structure and characterized by entrepreneurship. “They are largely devoid of formal policies and structures, and they are often led by a single, powerful, visionary leader. As they develop over time, they supplement that orientation with a clan culture – a family feeling, a strong sense of belonging, and personal identification with the organization.” (Cameron – Quinn, 2006, p. 53) In this early phase employees follow their leader and tend to act in accordance with the model behavior they observe. K. Cameron and R. Quinn came to the conclusion that in this phase of organizational development the leader is considered to be a role model, who sets the moral tone of the organization. K. Cameron and R. Quinn emphasize that potential moral problems and dilemmas in an organization frequently arise, as the organization grows. “It eventually finds itself faced with the need to emphasize structure and standard procedures in order to control the expanding responsibilities.” (Cameron –

Quinn, 2006, p. 54) We suggest that organizations supplement this statement with such standards and procedures that will enable organizational moral development.

## 5. Towards ethical culture development

We agree with L. Trevino (2017) who writes that we can think about the ethical culture of an organization as a “slice” of the larger organizational culture that represents the aspects of organizational culture that affect the way employees think and act in ethics- related situations. “In terms of how we've been thinking about ethical decision making, you can consider ethical culture to be a significant organizational influence on individuals' ethical awareness, judgment, and action, along with the individual differences and other influences.” (Trevino, 2017, p. 158) According to L. Trevino, most employees are at the conventional level of cognitive moral development, meaning that they are looking outside themselves for guidance about how to think and act. “Ethical culture is a source of a good bit of that guidance and can influence employees to do either the right thing or the wrong thing.” (Trevino, 2011, p. 158) For better understanding we use L. Trevino's illustration of ethical organizational culture (see Figure 4). It visualizes the purpose and role of the ethical culture which is crucial for the creation of effective organizations in Slovakia. The word effective has two meanings here. Not only economy.

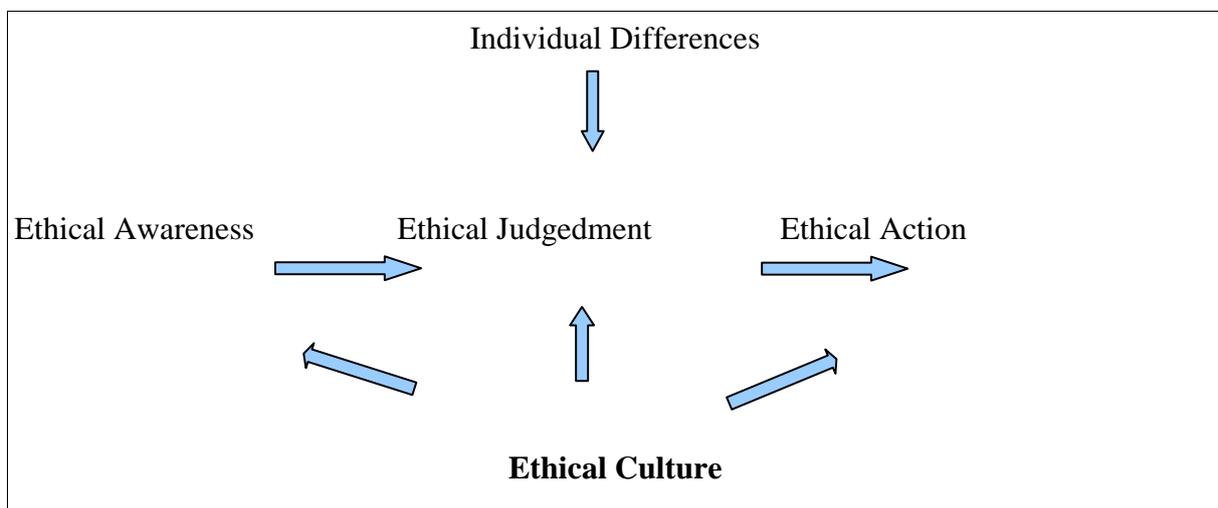


Fig. 4. Ethical organizational culture  
Source: L. Trevino

We agree with L. Trevino who says that ethical culture is created and maintained through a complex interplay of formal and informal organizational systems. “Formally, executive leader communications, selection systems, orientation and training programs, rules, policies and codes, performance management systems, organizational structures, and formal decision-

making processes all contribute to creating and maintaining ethical culture. Informally, heroes and role models, norms of daily behavior, rituals, myths, stories, and language indicate whether the formal ethics-related systems represent reality or are a facade.” (Trevino, 2011, p. 161) Figure 5 depicts that all of these influence ethical and unethical behavior and alignment among them is particularly important.

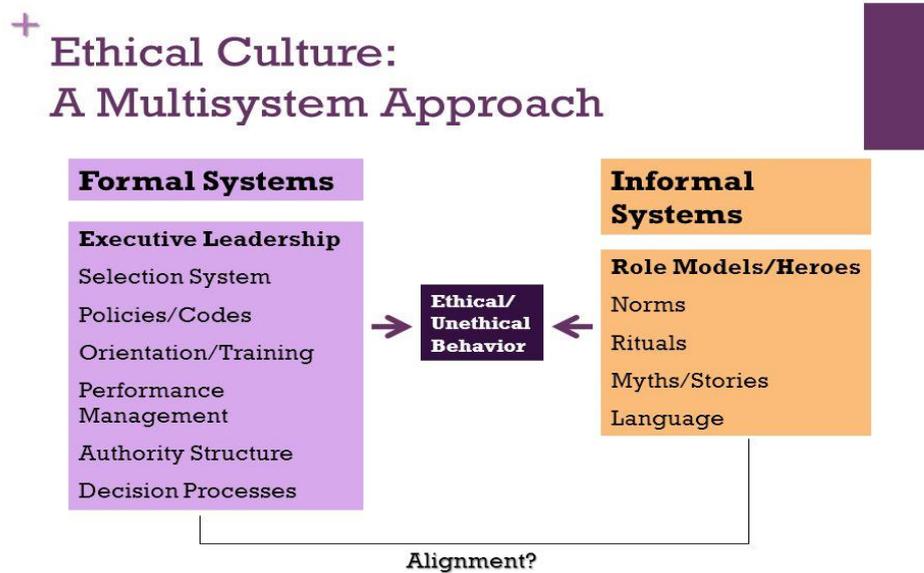


Fig. 5. A Multisystem Ethical Culture Framework

Source: L. Trevino

Creating and sustaining a strong ethical culture is the key to creating an organization that supports people making good ethical decisions and behaving ethically every day. There are so many forces and factors that lead people to take ethical shortcuts. But when all relevant organizational systems are pushing people in the same ethical direction, ethical failure is much less likely. According to our practical experience we consider the role of organizational leaders and their cooperation with Ethics Officers as crucial for development of ethical organizational culture.

## 6. Suggestions

In the last part of this article we propose some suggestions for creation ethical organizational culture in organizations of various kind in Slovakia, which are based on our practical experience, from consulting as well as on the theoretical study of relevant literature from the field of organizational theory, organizational leadership, ethical leadership, organizational ethics, business ethics and organizational culture.

We consider the commitment of leaders to be moral leaders in organizational improvement and moral development as crucial. There is no substitute for leaders' congruent behavior and

actions. If all stakeholders see that leaders behave and act congruently with all principles and norms which they formally declare, they will serve as real role models. Such moral behavior will enhance and support all ethics initiatives which will consequently lead toward the creation of morally responsible and long term economically successful organizations.

At the same time, we would like to emphasize great need for establishing new position in organizations of various kind in Slovakia – Ethics Officer. The role of Ethics Officers is irreplaceable in organizations. Real situation in Slovak organizations is that most ethics initiatives are delegated to HR managers. The biggest problem is that HR managers do not have professional competencies in solving ethical issues and do not have knowledge how to implement ethics into organization. Profession of Ethics Officers is not formally acknowledged in Slovak praxis and there are no real positions of Ethics Consultants or Ethics Officers in Slovak organizations. Based from genesis of this profession in the US we fully recommend to create legislative support for creation of this position as a fully acceptable profession.

## **7. Conclusion**

We started this article with Albert Einstein's words that the world that we have made by the level of thinking we have been capable of thus far creates problems that we can't solve at that same level of thinking. His words are especially true in this post-crisis world. Organizational life before the crisis was characterized by moral cynicism and poor ethics. This crisis is rather a moral crisis of modern capitalism and crisis of moral values. In 1932 Tomáš Baťa said following words on economic crisis in 1920's and 1930's: The reason for the crisis is moral poverty. The turning point of the economic crisis? I do not believe in any turning points that happen just by themselves. The term that we got used to call economic crisis is just a different name for moral poverty. Moral poverty is the reason, economic crisis is just consequence. There are many people that think it is possible to save the economic decline by money. I am threatened by the consequence of this mistake. In the situation where we are now, we do not need any brilliant twists or combinations. We need moral attitude towards people, work and public property. Not to support bankruptcy, not to make debts, not to waste values for nothing, not to discriminate workers..... we need to do what helped us to grow after the war period and that is to work hard and to save and to make work and saving more effective, demanding and more honest rather than laziness and wasting. It is necessary to overcome the crisis of trust, however with technical, financial or credit actions it will not happen. Trust is very personal and it can only be restored by moral perspective and personal examples.

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