

Knowledge Management combined with ethics from business perspectives

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Abstract

La creazione di un sistema di knowledge management all'interno di un'impresa è sicuramente un obiettivo importante. Le organizzazioni, infatti, devono soddisfare molte richieste e prerequisiti per un sistema operativo che possa supportare il management e che possa favorire il successo del business. Il knowledge management è influenzato dalla cultura organizzativa, dalla leadership e dalle attitudini delle persone - e per questo può ostacolare o facilitare il successo del business. Questo significa che le questioni etiche del business devono essere gestite ed i problemi in questo ambito essere risolti. Molte aziende non affrontano le questioni etiche, lasciando i problemi etici al centro dell'attenzione solo nelle relazioni esterne. Un appropriato slogan manageriale ricorda che "prima dobbiamo fare ordine dentro l'impresa": questo significa che occorre fare prima ordine nei processi interni, nei sistemi operativi e gestionali e nelle relazioni umane dal punto di vista dei problemi etici. Il paper affronta i problemi etici delle imprese dalle prospettive dei leader attraverso interviste, focalizzando il tema della condivisione della conoscenza, importante tema etico per le organizzazioni

Key words: business success, ethics, knowledge transfer, trust

1. Introduction

Nowadays the most common type of management is the system of knowledge management, which due to its structure and activity, enables not only individuals but also groups to share and apply knowledge collectively and systematically to achieve business goal (Gyöngyösy 2009). To discover the fact that to keep business competitiveness not only physical but also mental resources are decisive factors. Attention is also aimed at ethical attitude and ethical behavior. Attitude is determined by culture of a nation and it is known the impact of culture is enormous on economic life including behavior, values and norms within an organization (Fukuyama 1995). Awareness of how a culture influences the ethical expectations within a society leads to deeper understanding of other societies (Carroll & Gannon, 1997; Ford, Nonis, & Hudson, 2005;) and respect for differences.

Acknowledgement of employees' roles can be achieved through appropriate business culture. Business morals and ethics reflect business values; the values define the extent of ethics, or eventually also unethical behavior, and so define the dominant business culture. European countries profess traditional values, but are also capable of accepting new values of other cultures to their value system. Adopting such cultures is accompanied by changes in business value system while it is also necessary to discover and accept ethics of other countries. (Barta – Tóth, 2000) In the times of globalization it is important to keep national cultural awareness in order to keep business values and competitiveness and it should not be underestimated.

Unfortunately, very little research has been conducted to examine the relationship between the knowledge management and business ethics but given the rapidly increasing global nature of business and communication, an understanding of differences in beliefs and values about corporate knowledge continues to be of substantial interest (Hatrup et al. 2007).

Managing corporate knowledge can be effective only if it is not only a declared concept, but it becomes an active part of people □ their work habits and culture (Bencsik 2009). After summarizing several theoretical implications, many unanswered questions came up which we decided to test in practice in order to prove or disprove these implications. The results of testing are published on the following pages.

2. Conceptual background

2.1 Business ethics

For decades, business ethics have been a deeply discussed issue but questions focusing on the human behaviour have not been studied a lot. We think that ethical culture may affect the employees' comfort levels and ethical behaviors (Keith et al. 2003).

There is an abundance of business ethics resources on the Internet (see Yetmar 2008) but there is not a lot of information on the relationship of knowledge share and ethics.

The search for a unifying definition of ethics, particularly in the field of management, comes up against the multiplicity of rules of actions adopted and the variety of paths taken by moral conscience (Courrent – Gundolf 2009). It is not easy to summarize these standards. The motivation behind ethical decision-making is often hidden deep within the cultural background of the individual. "*The most important habits that make up cultures have . . . [to do] with the ethical codes by which societies regulate behavior*" (Fukuyama, 1995, p. 35).

It is important to define some basic ideas which served as a background during our research. In our result evaluation we will refer to the following indicators and/or expectations. Economic ethics, as a part of applied ethics, is concerned with business analysis and it also forms practical guidance and directions concerning correct or condemned behavior. The basic principles of business ethics (Csurgó 2002) are:

- credibility which is the key factor in long-term relationships
- reliability
- orientation in long-term relationships which requires honest behavior
- quality concerning not only knowledge but products as well
- reciprocity which is applied to co-workers but also to customers
- foresight, obligingness as each economic activity is also a service to some extent
- good will, willingness to help which show honest behavior
- traditions, preserving values as customs and traditions represent our cultural values
- principle of beauty and aesthetics in relation with human behavior, shape of products and buildings, content of documents
- health and environmental protection, nowadays one of the most common criteria
- respect of one's personality, as understanding the personality of a business partner is an essential factor in the world of globalization
- respect for human dignity which also has to be shown in problematic situations

- fair sporting spirit due to which reaching a target depends on a real performance
- constant innovation as one of the competitiveness criteria
- positive attitude as a source of strength to reach a target.

These ethical principles should be applied to each person involved in business (during external and also internal business contacts). We agree with Moessinger (1996: 105) that “*We can [thus] see in any moral act an attribution or allocation of something (rights, objects, feelings, intentions, etc.) to someone. Specifying this something comes down to sharing [...]*”.

2.2 Ethical responsibility of managers

Actions within organizational contexts should be understood differently as compared with actions performed outside of such contexts (Card 2005). The question explored in this study is how culture, management style and responsibility of managers influence ethical principles of a knowledge management system and its activity.

An organization’s ethical climate, supervisory style, rewards and punishment, norms and values, codes of conduct and policies, expectations, managerial behavior, and socialization are part of an organization’s culture (Ferrell et al. 2007).

An acceptable functioning of a knowledge management system (which is the key element to success), requires the attention of the following processes:

- Forming an effective and cooperating group. (A manager’s task is to monitor the group’s activity, guide it with advice and suggestions and take responsibility for the group in any circumstances.)
- Positive thinking. (It is important to find some positive aspects also in cases of different appeals or failures. In case of a failure it is, e.g. experience, new ideas, new knowledge.)
- Avoiding harmful stress. (Despite the fact that stress also has some beneficial effects, it can cause damage in case it is managed ineffectively.)
- Effective copying with changes. If some changes occur, a manager should take the following steps:
 - choose the correct alternative from all the possible ones
 - forming a strategy and outlining a conception
 - convincing the subordinates that the conception will be successful
 - trusting the abilities of subordinates while fulfilling the conception.

Obviously, there is no clear answer to these questions, therefore it was important to find such instruments and possibilities through which it is possible to answer, even though not completely but at least partially, the above mentioned questions.

3. Related research

Businesses have been mostly dealing with such ethical problems which are connected to perception of the business through external surroundings. In the system of knowledge management the internal ladder of ethical values (in accordance with the above mentioned characteristics) which significantly influences business relations and the superior and subordinate relationships, is much more important.

The primary goal of the research is to evaluate of managers' responsibility and the key research questions are as follows:

- How is it possible to manage ethical functioning of the knowledge management system? (concerning mostly acquiring – taking over – spreading knowledge).
- How can these requirements be recorded in the ethical codex?
- How can they be applied in practice?
- Is it possible to intercept unethical behavior? If yes, how can it be done? (during handing over tacit knowledge)
- Is it possible that we will also witness a purely ethical functioning of a business?

3.1 Methodology

Considering the complex and delicate nature of the subject we tried to put together such an outline of the interview which would offer us the most accurate answers to the above mentioned questions.

Data were gathered by open-ended interview questions and the sample was random and taken from Hungarian managers. The potential respondents were sought from the researchers' own networks. The interviewed business actors operate in the industrial or in the service sector.

The respondents were asked questions about

- their opinions on culture
- trust
- management style
- existence of measures concerning sharing information, applying ethical principles.

The research aimed to have information on respondents' opinion

- on ethical codex,
- on rules and the way they obey
- on existence of knowledge management system and
- on ethical problems observed by them.

Based on these perceptions the study sample consisted of 40 Hungarian managers employed in small, medium sized and large enterprises.

Since the research was to design to reflect ethical problems of knowledge share in internal organizational context, it seemed logical to select to sample managers who were likely to understand the importance of knowledge share.

4. Findings

4.1 Business culture

Business culture shows a surprisingly mixed image. In the field of micro business and small business the following indicators are mentioned:

- trust
- discipline
- obligation
- family
- friendly and/or neutral atmosphere.

On the level of medium and large businesses the most frequently mentioned are:

- moodiness
- distrust
- insecurity
- discipline
- traditions
- family
- effort for high quality
- friendly surroundings.

It can be seen that notions like *discipline* and *family* occur in both cases, but other indicators such as *obeying rules*, *insecurity concerning work position stability* and *business management*, *distrust*, *moodiness*, differ significantly. These factors influence the willingness of subordinates to share their knowledge in a negative way. This can imply that the culture of small business favours the development of knowledge management systems more.

4.2 Management style

In case of business *management style* and inseparability of the method and culture in medium and large businesses: autocratic style together with the democratic one are asserted and according to the situation also the liberal style. We can also notice features of aggressive and manipulative styles. In small and micro businesses the democratic style, laissez-fair and friendly style are more frequently mentioned, but here we can also see insufficient loyalty and missing opportunity to cooperate in the process of decision making. Also in this case, a knowledge management system is particularly supported by the small business management system.

Relationships among subordinates and between subordinates and superiors were defined as positive not depending on the management style or culture. We were not able to acquire more detailed information, but the acquired opinions were mostly positive. Similarly, in the case of each business (not depending on the size or activity) team cooperation was preferred. Its importance was stressed mostly from the point of successful cooperation. This criteria is also one of the criteria used in knowledge management.

4.3 Knowledge sharing

The question of *knowledge sharing* was also focused in our research specially in the case of new co-workers and in every-day business functioning. An interesting fact is that in each business they made it clear that knowledge sharing is a matter of course, without which it is impossible to function. But as we went deeper into implementation of this sharing, we found out that these techniques preserved the level of „good old practice“. So in large businesses when an employee leaves his/her working position, it is staffed by another employee early in advance, so that the process of knowledge sharing can still take place. In some cases we also noticed a comment about calling a mentor. In small and micro businesses, it is the manager who deals with the initial training of a new employee. This shows that the term knowledge sharing is for most employees connected only to handing over explicit knowledge and they do not consider this issue would be deeper from the point of the need to share practical or tacit information.

Regarding *knowledge sharing* it is seen that businesses do not set specific *rules* or *principles*. In the category of used tools, handing over described knowledge can be found in practice. (Our survey did not focus on this issue, but it is necessary to mention that according to long-time research, we can claim a certain progress in this direction, in acknowledgement of the importance of knowledge sharing for the sake of successful business functioning.)

The following techniques are mentioned:

- meeting, appointment, conference, manager dealings
- compulsory training, manager training and handing over the knowledge
- team cooperation
- trainee program in large businesses
- internal trainings
- visiting foreign branches
- following rules of procedure
- recording data electronically, sharing
- brain storming
- best practice
- workshop
- conferences attended by different departments and
- year-end interviews.

Although these practices do not have a positive motivational effect on either large or small businesses, e.g. exposedness during performance evaluation, in case somebody does not at all or in the requisite matter share his/her knowledge. We also acquired answers stating that they do not consider it necessary or they do not use it at all.

4.4 Knowledge management and ethics

Concerning *knowledge management* and *ethics* the critical question is the way of acquiring knowledge which can be summarized by the following answers:

- electronic books, books, magazines, journals, catalogues
- buying know - how
- in-service training, training, professional training, school, self-study
- attending conferences, professional exhibitions, professional forum, expos, lectures, business meetings, goods exhibitions
- regulations, laws, legal background
- new co-workers
- external professionals, external firms, advisors
- trainings, workshops
- seniors, professional communities
- external – internal trainings
- learning from others and
- service (hardware, software), intranet, Internet.

Even in this case we came across answers which clearly refused the need for trainings or new knowledge, i.e. they were satisfied also with the routine. From the above mentioned list it is clear that in knowledge sharing and acquiring there

certain overlap exists and in practice such methods are used where the question of ethics is not relevant.

It is clear and proved by the interviews that managers do not emphasize and do not pay attention to observe problems resulting from employees' behavior. We can claim that the identification of problems with ethical characters does not take place.

After defining the critical factors of knowledge management, we tried to clarify the *meaning of ethics* and its *importance* (*What do they understand by this term, what does it mean in the field of business and economy?*)

We acquired the following answers. Ethics is:

- contentment, trust, recognition
- everything you expect from the others and from yourself as well
- respect human values
- bearing in mind the interest of clients, client orientation
- obeying rules, expectations, legal norms
- moral barriers
- loyalty
- given word
- handshake
- correct, fair manners
- exemplarity
- awareness forming
- cultural development
- respectable, fair salary
- lack of hunting for workforce
- lack of corruption
- honesty, respect towards the others
- integrity and
- correct manner and task solving, etc.

It is proven that this term has several definitions by the respondents but not all the ideas correspond to the thesis known from literature (see Part 2.). On the other hand, it shows that managers live and manage according to different principles. Considering this fact exclusively, it is obvious that homogenous ethical behavior can not be expected by enterprises, since the value system is not identical in all of them.

Managers try to observe ethical principles regarding how to run a business, but measures connected to them are quite simple. Managers decide which regulations, norms, instructions and laws will be fulfilled. The measures within the business are:

- rotation
- alcohol testing
- work description
- forming the value system
- exemplarity
- constant control

- trainings
- basic expectations concerning the process of choosing new workforce
- using of a psychologist and/or a graphologist
- setting up an ethics committee
- taking an oath.

We also came across such answers that there is no need for special attention or methods and/or everything is in the best order.

Ethical codex can be found only in larger businesses, but we also found one micro business which confirmed the existence of an ethical codex. However, this codex does not deal with expectations or rules concerning sharing and acquiring knowledge.

In most cases unwritten rules are obeyed, it is important what you '*inherit*' from your co-workers, or the value system of the manager. Ethical system, in these businesses, refers mostly to security, data security, clothing, business behavior, client service, value presentation, economic responsibility, co-workers behavior, keeping business secret, partners' cooperation and keeping business relations. Applying and observing these principles are controlled by managers.

Except for two businesses, we acquired a negative answer to the question whether already during *handing over knowledge* (acquiring information, sharing, forwarding, help, collective work) the ethical principles were violated. A naive reader might think what an ideal situation it is, but we are sure that these answers result only from not taking into account the real nature of the question and the ethical behavior either. And also the two above mentioned answers differ significantly not only in content but also in the way of their processing. In the first case, a discreet solution with a less serious outcome took place. The second case happened at a financial institution where it resulted in making the employee redundant. The respondents confirmed that they monitor such employee behavior, but violating ethical principles does not take place, therefore there is no need to impose certain measures.

To sum up, the managers think that the enterprise works according to ethical principles and expectations, there is nothing to point out concerning colleague behavior and everything goes at a desired level.

Another question deals with how managers perceive the behavior of other businesses, with opinions on how ethical their behavior is.

It is really surprising that while managers consider the behavior of their own businesses correct, other businesses are evaluated by them quite negatively. It is worth considering that while everybody considers their own business to be ethical, what is the reason that many negative examples come up with this question. We did not receive any positive answers. The answers we acquired had attributes such as catastrophic or extremely rude behavior.

Each of the respondents blames other firms and/or economic conditions for the problems. In most of the cases they complain about constant debts, disadvantageous contracts and offers, incorrect service fulfilling and problems with quality. Most of the businesses see the problems as a matter of course or standard for behavior of other businesses: price cartel, decline of management

standard, knowledge theft, loss of trust, problems in communication, lack of honesty, drive for finances, black labor, fictive invoices, concealed profit, off-shore businesses, payment morals, unfairness.

According to the listed problems we see that the managers involved into the research qualify only the behavior of business partners, but they do not deal with questions inside the businesses. To this question we can only give the answer that strict inspections inside the business might have an opposite effect and can work against correct human behavior, and professional drive can also cause unethical behavior. We asked the respondents to think what should be changed to push the mentioned difficult situation into the right direction, so that business behavior could be considered *ethical*.

Most of the respondents is convinced that exemplary behavior of managers, appreciation of subordinates, political background and change in attitudes, change in economic surroundings, change in legislation are the most important issues. It is worth considering whether they are right. Satisfaction in amount and price good work atmosphere, recovery of the value of honesty, elimination of helplessness, submission of individual interest to public interest, fair market behavior, punishing unethical behavior, rise of employee contentment, change in mentality, strengthening communication and trust are also mentioned by most of the respondents. We think that these factors might be closer to people.

We have received many surprising and even extreme answers in this field. According to one of the extreme answers *'there is no problem, why should anybody deal with it, everything is fine the way it is'*. According to another extreme answer it is 'impossible to describe', the individual concerned also refuses the possibility that something like this can occur. Several managers described it as a form of utopia or illusion, it does not exist, but despite that they will try to describe their ideas. Several of them refer again to external surroundings and see the solution in widening economic and social opportunities. Quoting the answers: 'This is possible with a functioning national economy. First a change of surroundings is necessary: foreseeable, stable economy, clean economy. Businesses do not take advantage of their market position and there is no corruption. It is necessary to change the behavior of large firms. It is necessary to change legal regulations.' Somebody added that 'legal norms include everything, there is nothing to be changed' which is also worth considering that for somebody observing ethical principles is only a legal norm.

Some firms which considered this question as one of their internal matters, tried to give us an answer. Strengthening trust, change in opinions, correct manner, appreciation of employees, conscious behavior, exemplarity, trustworthiness, reliability, accuracy, high-quality work, pro-customer orientation, moral and material appreciation of employees, social responsibility, pleasant business atmosphere, close relationships among superiors and subordinates were mentioned as decisive factors.

Several of them pointed out their opinion according to which 'there are a few ethical businesses but our business is one of them'.

5. Conclusions

The approach of this study was to explore how knowledge management may be linked to business ethics. In advance we supposed that ethics programmes had been implemented by most of the enterprises but these programmes had only served to prevent, detect and/or punish legal violations. We are convinced that organizational ethics means more than avoiding illegal practices.

The results proved that the majority of respondents are familiar with the concept of knowledge management and share the same views that its application is important in business and would like to live in a society where knowledge is not a symbol of power and money. Most companies and managers considered their own behaviour ethical while they thought that business partners behave in an unethical way.

Share or not to share? That was the question. In general, people involved in the research are willing to share their explicit knowledge, but not their tacit one, they would rather keep it to themselves. People want to maintain their position by knowledge retaining and they help each other if they feel, it will be returned. Willingness to help mutually, to recognize the person of knowledge source, safety of position are very important from the view of knowledge sharing. These facts are in harmony with results of our earlier experience that companies do not pay enough attention to support employees' behavior to tacit knowledge sharing. They do not find it important from the view of successful company operation.

The responses of most respondents highlighted that change is needed not only in corporate culture, but also in the value chain of people. People should show more dignity, justice and tolerance towards each other. The most important basic principles of ethical corporate life are reliability, human dignity, respect and credibility. On the other hand, factors such as conservation of values and traditions, maintaining health and the environmental protection are not important enough.

During the research we confirmed our hypothesis according to which people recognize ethical behaviour, they know the rules, but in most critical situations do not act according to these values, but according to the possible consequences of their actions. Although these findings confirm our earlier results of research still much work has to be done for the genuine ethical operation of a company on both sides (employees and employers).

Another notable implication from this research may be drawn from the findings. Entering a company everybody has a particular value structure and attitude toward ethical behaviour but the corporate environment may influence these values and attitudes.

Summarizing experience of the interviews, we can say that we met our expectations concerning the fact that businesses do not sufficiently deal with the issue of internal ethical problems, particularly not with knowledge management, sharing and acquiring knowledge.

We acquired different opinions on the way of perceiving ethics, not mentioning its application or lack. We came to an interesting experience concerning the fact that while every manager is persuaded about managing the business as fair as possible and that ethical principles are observed among employees and employee-superior relationships, there is still certain insecurity present in their answers. By the opportunity to change something, nearly everybody had a clear idea what to do in a different way and they tried to identify the background of possible ethical problems.

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