

KNOWLEDGE MANAGEMENT AND ETHICS FROM THE BUSINESS POINT OF VIEW

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Abstract

The most common type of management nowadays is the system of knowledge management, which thanks to its structure and activity, enables not only individuals but also groups to share and apply knowledge collectively and systematically to achieve business goals. Attention is also aimed at ethical attitude and ethical behaviour. Acknowledging the roles of employees 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 behaviour, and so define the dominant business culture. (McClaren, 2000, Schwab, 1996) 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 cannot be underestimated.

Key words: knowledge management, ethics, ethical behaviour, business culture

JEL Code: D80, J59, O15

Introduction

Managing corporate knowledge can be effective only if it is not only declared concept, but it will become an active part of the people - their work habits and culture. Knowledge management has leads to a staff exchanged the foreground and skills, but this is not so easy. They are the result of education, experiences and opportunities and they are highly property to which nobody can interfere. (Bencsik, 20009) To achieve this, so that workers voluntarily shared their knowledge, the enterprise should first place to allow their employees to develop, to refine and explain the importance of knowledge not only for themselves but also for business. After summarizing several theoretical implications, many unanswered questions came up, which we decided to test practically, in order to prove or disprove these implications. The results of this testing are published on the following pages.

1 Knowledge management and business ethics

In the beginning it is important to define basic ideas, which will be serving as background during the research. It is well known that business people in general, are faced with numerous ethical dilemmas and pressures to compromise their personal ethics to achieve goals. During result evaluation we will be referring to following indicators, expectations. Business ethics, as a part of applied ethics, is concerned with business analysis and it also forms practical guidance and directions concerning correct or condemned behaviour. (Csurgó, 2002) The ethical principles should apply to each person involved in the business (during external and also internal business contact). But businesses (as well as individuals – businessmen) like to use some unethical means.

1.1 Ethical responsibility of managers

Each method used during the research dealt with the question how culture, management style and responsibility of managers influence ethical principles of KM system and its activity. Acceptable functioning of KM system, which is the key element for firm success, requires the attention of the following processes:

- Forming an effective and cooperating group.
- Positive thinking. (It is important to find some positives also in cases of different appeals or failures).
- Avoiding harmful stress, effective coping with changes.

Businesses have been mostly dealing with such ethical problems, which are connected with 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. All these topics initialized the following questions:

- 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 it be practically applied?
- Is it possible to intercept unethical behaviour, if yes, how, e.g. during handing over tacit knowledge?

- Is it possible that we will also be witnessing a purely ethical functioning of a business?
(Macintyre, 1999)

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. The research of practical experience is based on two directions. On the one hand, we were curious how managers perceived their businesses, their activity within them and behaviour of the subordinates. During this research we used the methods of a structuralized interview. In the research we held interviews with 40 managers. On the other hand, we were trying to find out, what can managers rely on in connection with the new young generation of employees, from the point of view of ethical expectations? We put together a questionnaire for university students in order to acquire such information. The survey was conducted with a group of full-time study students who presently are or have been employed and a group of employed extramural study students. This was an important aspect while forming a correct opinion on employee behaviour from the point of view of ethical indicators. 152 students participated in this survey.

1.2 Test of Practical Life

Interview with managers

The respondents were asked questions about their opinions on culture, trust, management style, existence of measures concerning sharing information, applying ethical principles, opinions on ethical codex, rules and the way they are obeyed, on existence of knowledge management system and on problems connected with its observation. In our survey we asked 40 Hungarian, one Egyptian and one Slovak businessmen who fill the positions of managers. A different **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 and/or neutral atmosphere. On the level of medium and large businesses the most frequently mentioned are moodiness, distrust, insecurity, discipline, family, traditions, effort for high quality, friendly surroundings. It is visible that expressions like discipline and family occur in both cases, but other indicators such as, e.g. 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. In the 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, but we can also notice features of aggressive and manipulative style. 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, KM 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. The following questions are trying to research **knowledge sharing** in practice 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 the **case of knowledge sharing** it is not characteristic for businesses to set specific **rules** or **principles**. In the category of used tools, handing over described knowledge can be found in practice. Concerning **knowledge management** and **ethics** the second 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 fore, expos, lectures, business meetings, goods exhibitions, regulations, laws, legal background, new co-worker, external professional, external firm, advisor, training, work shop, seniors, professional community, external – internal trainings, learning from the others, service (hardware, software), intranet and Internet. After defining the critical factors of knowledge management, we tried to clarify the **meaning of ethics** and its **importance**. What do we understand under this term, what does it mean in the field of business and economy? We acquired the following answers. Ethics is: contentment, trust, recognition, what you expect from the others, you should expect from yourself as well, respecting human values, bearing in mind the interest of clients, client orientation, obeying rules, expectations, legal norms, moral barriers, loyalty, given word, handshake, correct, fair manner, exemplarity, awareness forming, cultural development, respectable, fair salary, absence of hunting for work force, absence of corruption, honesty, respect towards the others, integrity, correct manner and task solving, etc..

Extensiveness of this term is clearly visible here, but not all these ideas correspond with the thesis known from literature. (Vide supra) But on the other hand, this extensiveness shows us according to what diverse principles managers live, manage and economize. If we consider only this fact, it becomes obvious that we cannot expect homogenous ethical behaviour of firms, since the value system is not the same in all of them. This fact was proved later. Managers of these businesses try to observe ethical principles concerned with running a business, but measures connected with this are quite mannerist and simple. Managers decide which regulations, norms, instructions and laws will be fulfilled. Other measures within the business are: rotation, alcohol testing, work description, forming of the value system, exemplarity, constant control, training, basic expectations concerning the process of choosing new work force, use of a psychologist, graphologist, setting up ethics committee, taking an oath. **Ethical codex** can be found only in larger businesses, but we also found one micro business, which confirmed the existence of ethical codex in the firm. Nevertheless, this codex does not deal with expectations or rules concerning sharing and acquiring knowledge. In most cases unwritten rules are obeyed, important is what you „inherit“ from your co-workers, or the value system of the manager.

Applying and observing these principles is controlled by managers or people competent for that. 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 that is, but I am sure that these answers result only from not taking into account the real nature of the question, and not from ethical behaviour.

Another question deals with how managers perceive the behaviour of other businesses, with opinions on how **ethical** their behaviour is. It is really surprising that while managers consider the behaviour of their businesses correct, other businesses evaluated them quite negatively. It is worth considering that while everybody considers their business to be ethical, how is it possible that so many negative examples come up with this question? We did not receive one positive answer. The answers we acquired had attributes such as catastrophic or extremely rude behaviour.

Each of the asked respondents blames other firms and economic surroundings for the problems. In more cases we heard complaining about constant debts and that not only in building industry. There often occur disadvantageous contracts and offers, incorrect service

fulfilling, problems with quality. In general, most of the criticism was directed at trade and economic surroundings.

We acquired the following answers. Most of the votes were given to exemplary behaviour of managers, appreciation of subordinates, political background and change in attitudes, change in economic surroundings, and change in legislation. (Compared to the previous one, most of them are convinced that a change from outside is the reason for present situation.) It is worth considering whether they are right. The respondents also mentioned work satisfactory in amount and price as well, good work atmosphere, recovery of the value of honesty, elimination of helplessness, submission of individual interest to public interest, fair market behaviour, punishing unethical behaviour, rise of employee contentment, change in mentality, strengthening communication and trust.

In the end we asked what is their idea of ideal, ethical functioning of a business. What could be done in its favour?

We were given many surprising and even extreme answers in this field too. 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 „impossible cannot be described“, the individual concerned also refuses the possibility that something like this can occur. Several managers described this as a form of utopia, illusion, this 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. Foresee able, stable economy. Clean economy. Businesses do not take advantage of their market position and there is no corruption. It is necessary to change the behaviour of large firms. It is necessary to change legal regulations. There also was the answer „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.

Furthermore, I would like to introduce you, just as a matter of interest, the opinions of two managers representing cultures of their homelands. These opinions were a surprise but also a lesson for us. One of them is **a manager in Slovakia**, a country close to Hungary from the historical point of view and in the way of thinking. The business is a small business according to Hungarian terminology. Family atmosphere is typical for this business together with team cooperation, democratic management style, and the manager makes decisions and

very often in accordance with opinions and impulses from the subordinates. They decidedly support **team cooperation** regardless of the type of work, as according to their opinion, it supports knowledge sharing and make training of new employees easier. Less skilful employees are always helped. No **measures concerning knowledge sharing** are implemented; this behaviour is natural for them. Conscious feeling is based on traditions, is inherited from generation to generation, from father to son. **Ethical codex** does not exist; important is to get the work done. **Ethical business behaviour** means for them that they generate working positions, care for the environment, justice is applied, healthy working conditions, fair market behaviour, listening to employees' opinions during the process of decision making. The second firm is further from Hungary in terms of thinking and geography. It is a **business in Egypt with an Egyptian manager**.

According to its size we classify it into the category of small businesses, when speaking about the entrepreneurial form; it is a limited company with three owners. They have an interesting activity with more different sub-activities. The main activity is catering, which is followed by Internet services, i.e. an Internet café. They also engage in office work and services (copying, interpreting, printing, etc.)

A **friendly atmosphere** is dominant within the firm. The present manager used to be an employee of the firm, whose responsibility is greater now but still the range of his work remained the same. The working time is flexible; a small delay is tolerated and does not cause any problems in the firm. Religious values are very important, time to pray is provided for them also during the working time. In the **management style** there is complete democracy, the employees decide individually about the shifts, who want to work when. In case a problem occurs that nobody wants to work, the manager is responsible for solving the situation. Completely friendly surroundings are dominant here, everybody likes everybody and they help each other. The relationship between the manager and the owners is according to their words „like honey and yoghurt“. **Cooperation** is a natural thing, as well as helping the others. The most important thing for everybody is the common goal; therefore **knowledge sharing** is natural here. Company needs come first before the needs of individuals. In the case of new employees the most important is clarifying the behaviour, accustoming to expectations, then comes work and expectations connected with it. **Measures concerning knowledge sharing** are also freely defined. Not only in this firm, but in the country in general, it is generally accepted that important dealings take place in cafés. If somebody is not present and cannot attend the conference, it is facilitated via the Internet or a mobile phone. **Ethics** is much more

important for them than experience. It means that if somebody would like to work in this firm, but has no experience, it is not a disadvantage, because he/she takes part in training. But on the other hand, if he/she is experienced but cannot behave ethically, he/she has no place in the firm. They certainly have an **ethical codex**. This codex also includes the above mentioned principles. For example, new employee training or regular meetings are the basic principles. In connection with **acquiring information and knowledge**, it is not enough to hear the information somewhere; it is legitimate to look for the source of the information and knowledge. According to the manager's words, it is all based on ethics. Observing the rules and traditions in our country is much stricter than in Europe. (Gyöngyösy, 2009)

The manager finished the interview with the following words: „*What do we want more? I am satisfied with the business functioning, and it is not only me but also the owners, employees and clients*“.

When we summarize this, 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 absence. According to the managers, there are generally good mood, team cooperation, pleasant atmosphere, application of cultural characteristics present, and there is no need for a change. A critical attitude towards external surroundings and other firms is indeed inevitable. We got many answers concerning tools of knowledge sharing, use of methods, observing ethical principles, but this is also only a part of business functioning. 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. When comparing the Slovak firm, the presence of naturally pleasant atmosphere, offering help and sharing knowledge are surprising, together with monitoring internal affairs and putting internal ethical principles first. According to our opinion, it is definitely a lesson for Hungarian businesses. The interview with the Egyptian manager was very interesting for us, because personal experience with Arabic mentality, human behaviour and values showed something else. Moral and ethical values coming from the religion are really applied, which primarily influences the internal values of the firm and the behaviour towards the others. The atmosphere within the firm is really consistent and friendly; they fully observe ethical and

moral values coming from religion. (It would be interesting to contrast these ethical expectations and values with the European ones).

Let us look at how we can answer the questions stated in the beginning of this article.

How is it possible to manage ethical functioning of the knowledge management system? (Especially during acquiring knowledge - taking over – spreading knowledge).

This does not imply from the interview answers. We were not able to identify the systems of knowledge management, while ethical principles did not seem a problem.

How is it possible to capture these requirements in the ethical codex?

No requirements were covered in the ethical codex in any of these cases. Despite the existence of such a document in a firm, it includes completely different business levels within itself.

How can that be practically applied?

According to the above mentioned, it is not possible to answer this question.

Is it possible to detect unethical behaviour, if yes, how, e.g. during handing over tacit knowledge?

The answer could be “yes” or “no”, but as managers do not follow this fact, it is not relevant.

Is it possible that we will be witnessing a completely ethical functioning of a business in the future?

It is worth reading the above mentioned answers to this question. A large scale of doubts came up.

The situation is not very favourable. We proved our thesis, which means that there is still much work waiting for us if we want to form ideal ethical functioning of a business.

The questionnaire survey

The second part of our research is the questionnaire survey. We were wondering what it is to prepare employers about human values, norms of behaviour and thinking. In the questionnaire, we also formulate questions that explore sharing of knowledge, behaviour, ethical values of students. The questions included in the questionnaire, in accordance with the theory, ask for the application of ethical standards in terms of business, culture, knowledge sharing.

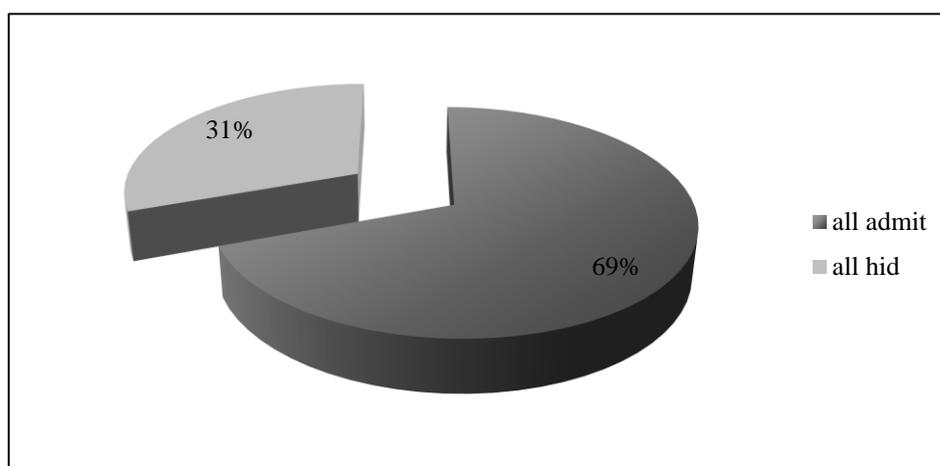
The questionnaire includes questions about the analysis of the relationship of **trust and knowledge sharing**, as well as on the assessment willingness share knowledge among the audience, even among colleagues. Next, we looked at **factors affecting knowledge transfer** as well as revealing factors influencing decision making. We also asked whether the need for

change in their **value chain** to be able to take into account in addition to our interests and the interests of other. The next group of questions dealt with the evaluation of the **ethical principles of business life**, as well as identification of the works undertaken to achieve success. In addition, we analyzed the application of **game theory** and decision-supportive behaviours in the spirit of this theory. We were curious as to whether the decision is preferable to more consideration of consequences, or human values. The results of the research I've highlighted the answers to those questions.

The application of game theory (Mészáros, 2003)

As it has also appeared in the theoretical study of the question of what motivates human behaviour, whether they are real moral and ethical values, or the consequences of their actions, introduce you to analyze this question. As the question we have outlined them so prison dilemma. Participants in the game would be received in the most favourable situation if both denied everything, because then they would receive the least punishment. (Szabóné, 2006) However, since it can not meet and can not agree on tactics to implement them Pareto principle remains the only mutual trust. Up to 69% of respondents, however, admitted to everything, thus exposing his accomplices (see Fig.1.).

Fig. 1: Deciding where theory dilemmas of prison game



Source: own resources

The results of this assessment may be concluded that the consequences of the proceedings in the case of most other people in your favour and trust others. This clearly supports our

hypothesis that despite the consistent formation of culture is characterized by action rather people hope or fear resulting from the consequences of their actions and not the actual values.

Conclusion

The majority of respondents familiar with the concept of the knowledge management and considers it important to its application in business. If there were a choice, I would like to live in a society where knowledge is not a symbol of power and money. Most considered their behaviour to be ethical, but others as unethical behaviour. People create their opinion mainly by endurance ethical conduct that is considered a good or bad based on the proceedings. The results of these questions fully correspond with the results of interviews with managers at the corporate level.

In general, people are willing to share their knowledge explicit, but tacit rather leave you to yourself. Very often want to maintain their position and just their knowledge only for the price of the remedies are willing to help others. For granted in return consider the mutual sharing of knowledge, recognize the source of knowledge, as well as to retain the position.

The responses of most respondents that change are needed not only in corporate culture, but also the value chain of people. People should show to others especially more dignity, justice and tolerance. The basic principles of ethics, corporate life is considered most reliable, human dignity and respect and credibility. On the other hand, factors such as conservation values, maintaining health and the environment were not considered important enough. These same values have also been leaders in responding in a similar sequence and structure.

To achieve the necessary knowledge by 20% of respondents were able to corruption, exert downward pressure getting cracked and information systems, and more than 10% should also committed theft. These moral and ethical issues when talking heads appeared. There were only mentioned two cases of this nature. Students appreciate the behaviour of others especially honesty, loyalty and willingness to help. In determining these values, but instead is dominated by individual interest. This problem is also reflected in interviews with leaders in terms of strengthening the trust and the other of these values. During the research confirmed our hypothesis according to which people recognize ethical behaviour, they know the rules, but in most critical situations are not acting on these values, but on the possible consequences of their actions.

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