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WHY A SPECIAL JOURNAL ABOUT CORRUPTION IN ORGANIZATION NOW?

Over the last few years the issue of corruption has attracted renewed interest both among scholars and policymakers. Today corruption is acknowledged to be a key factor in preventing development in large areas of the world, and accordingly a vast array of projects and tools have been developed to fight effectively against and to build a strong organizational system of immunity to corruption. I think the right time for this special journal has come for several reasons.

First, the study of the effects of corruption in the workplace has become one of the 21st century’s most exciting and burgeoning fields of research. Corruption and its variants have been studied across a number of disciplines, including psychology, sociology, economics, law and political science. Corruption in organization has been examined by management scholars who perceive it from the 'micro' point of view (at the individual/group level of analysis), the 'macro' point of view (at the organizational/industrial/national level of analysis), the wide-ranging point of view (across the system), the long-term point of view (over time) and the deep point of view (looking for an in-depth understanding of corruption).

Corruption is also a construct that is multilevel and can be understood as being created and supported by social and cultural interaction. As a result, an ongoing dialogue on corruption permeates the levels of analysis and numerous research domains in organizational studies. Thus I see a major opportunity and necessity to look on corruption from a multilevel and multicultural perspective.

Second, in the global society of the world today where organizational boundaries are becoming increasingly transparent and during the Global Crisis, which has been rooted in unethical and corrupt behaviour of large corporations, a deeper understanding of corruption, its forms, typologies, ways to increase organizational immunity and the best practices how to fight against corruption that are particularly significant and can also uncover it means that individuals, groups, organizations and
whole societies can be used to sustain a sense of purpose, direction, meaning and the right way for creating a moral frame for the ethical behaviour in the world of flux.

Third, there is a growing pressure in the field of organizational studies and management to formulate theories that stimulate thinking of corruption, to change understanding of the phenomenon and, what is the most important, to carry out actions that produce valued outcomes (understood as the way for increased immunity to corruption in organization).

This is the right time for this special journal. This special issue of “Organization & Management” is based on extracts from a book “Organizational Immunity to Corruption: Building Theoretical and Research Foundations” edited by Agata Stachowicz-Stanusch. This book is addressing a wide range of topics about corruption in 32 chapters across 3 levels of analysis (understanding corruption, ways to increase organizational immunity to it and best practices/cases how to fight against corruption), this book brings together a number of leading scholars from all over the world. That makes it possible to look on corruption from a multilevel and multicultural perspective. This exciting book provides an authoritative and comprehensive overview of organizational corruption. It is an essential reference tool to carry out further research on corruption in organization. This book uncovers new theoretical insights that will inspire new questions about corruption in organization; it also changes our understanding of the phenomenon and encourages further exploration and research. This book was designed to achieve the following four goals:

1. To develop a multilevel and multicultural perspective on understanding corruption and a way to increase organizational immunity to it;
2. To provide individuals and groups with ideas, concepts, resources and the best practices that will support their attempts to create a moral frame for ethical behaviour of individuals in organization and organizations themselves.
3. To present corruption as a multidisciplinary, multilevel and multicultural field of inquiry.
4. To provide a foundation for building a community of numerous leading scholars from all over the world, of various disciplines, in all stages of their careers and to share their knowledge and experiences in understanding corruption in organization.

We believe that scholars of organizational studies are responsible not only for generating and disseminating knowledge about corruption but also for delivering practical solutions for business organizations to create the common wealth (Gioia, 2003). Such visionary aspirations cannot be achieved with corruption being an element of our everyday life.

This book will be published under the auspices of the Katowice Branch of the Polish Academy of Sciences in Q1 of 2010.
MAIN DILEMMAS OF MANAGEMENT SCIENCES

It comes with some satisfaction that nowadays, in 2007, it is almost common practice that the term “management sciences” is used, first of all one should feel satisfaction about the fact that this name is to be found in the official classification of sciences. It was relatively not so long ago that one talked about “the teaching of organisation and management” without noticing any logical fallacy in it – everybody, or almost everybody, follow Fayol in saying that organising is one of the functions of management. At the beginning of the process of the Polish political transformation, being the first by choice to preside the Committee of Organisation and Management Sciences at PAS I suggested to adopt the term “management” instead of “organisation and management”. This suggestion was not welcome with enthusiasm then. Its opponents adduced the Polish tradition which advocates the name “organisation and management”. I hope that the present correction of the name will have a lasting character. The remains of the old terminology in the names of some of the chairs and institutes, PAS committee, TNOiK (Scientific Society for Organisation and Management) as well as periodicals names may be presumed as a relic of the history of our sciences, just like “economy of industry”, “economy of an enterprise” or “economy of circulation”. It is good that we are talking about management sciences using the plural. It emphasises the multitude of sources and currents in those sciences and its current substantial internal differentiation.

Modern management sciences are – to put it figuratively – like the Vistula river which many other smaller rivers, brooks and streams flow their waters into. In the wide bed of its waters at its estuary in the Baltic there are waters of its many tributaries: the rapid Dunajec, a bit calmer San, even lazier Bug and the Narew. Management sciences have adopted and are still adopting many elements from other sciences which, however, do not lose their identity.

* Professor PhD h.c. Stanislaw Sudoł, Nicolaus Copernicus University in Toruń, Manager College in Warszawa.
I consider management as science whose output is socially useful knowledge in the form of regularities in economic or social activity or theories which explain a particular area of reality and/or – by providing designs for application – help to rationalise this reality. Economic development or – in a wider context – civilisation’s development increases the demand for the products of those sciences because as a result of the occurrence of many circumstances (which may be in short described as the increase of the complexity of the world) management becomes more and more difficult. The experience of the most gifted managers alone is not enough nowadays. Management has now become one of the most important elements of development. It would be difficult for anyone to call this fact into question.

However, management is also a practical activity, i.e. a conscious and purposeful human activity whose aim is to improve the present economic and social reality. Beside the knowledge gained on the basis of generalising on many case studies – the completion of those actions in specific situations requires definite rules and methods as well as the ability to undertake management enterprises by big and small teams of people. In practice certain management rules have been applied since the beginning of time, since the onset of the first complex team efforts. It can be easily said that the seven wonders of the ancient world and the Great Wall of China or the amazing Mayan and Aztec constructions would not have been erected if it had not been for the skill of management. Great masses of people took part in their creation and substantial material resources, technology being at a very low level, were used. Management is perceived as some kind of art, understood as ability, mastery resulting from talent, intuition, knowledge and practical experience. Ross A. Webber\(^1\) writes that knowledge (science) without ability (art) is useless, and even dangerous, whereas ability (art) without knowledge (science) means stagnation and inability to pass achievements onto others.

Management sciences are – according to communis opinio doctorum – very young sciences, not only in relation to exact sciences and natural sciences but also in comparison to most other social sciences, with all the consequences. It is almost a hundredth anniversary of these sciences\(^2\) now, which in comparison with many scientific disciplines is a very short period\(^3\) of time. It is because of the young age of management sciences that many even basic categories, notions and regularities have still a “soft” character – they have different formulations and there are many elements not proven by scientific methods, untested statements or even ones which are impossible to be tested. There is too much subjectivity. It is very easy to construct “new management

\(^2\) The year 1903 is considered as the date of the birth of management sciences. It is then that F.W. Taylor’s elaboration \textit{Shop Management} was published.
\(^3\) I do not think it wrong to associate the beginning of management sciences with the works of the classics of scientific organisation of work and management – as Alla Leszczyńska writes in her likeable article (\textit{Ponownie kilka słów o zarządzaniu}, \textit{Przegląd Organizacji} 2006, No 7–8), who sees the beginning of those sciences in old eras, because it was already then that organisational and managerial actions were undertaken and described. However actions and their descriptions alone, without theoretical reflection, are not science yet.
Main dilemmas of management sciences

Theories”, which lack in satisfactory verification, so they can be treated as hypotheses at best. The essential mediocrity of elaborations is often camouflaged by sophisticated vocabulary and pretentious scientific jargon. Also, one cannot but notice the appearance of fashions to deal with certain problems. This situation was most dramatically described by Harold Koontz in 1961 and then after twenty years in 1980 when he spoke of the jungle of the organisation theory4. And in 2000 it was described in a rather ridiculing manner by popular journalists from “The Economist” John Micklethwait i Adrian Wooldridge5. It is necessary then to continually raise the scientific standards (rigours) of management sciences, both in the accumulation of knowledge and in research methods. It is the scientific circles themselves that should take care of that. Nobody will do it for them. That situation does not concern only Poland.

The level of exactness, certainty, scope (universality) and durability of statements (rules) in management sciences (similarly to other social sciences)6 is lower than in exact and natural sciences, which results not only from the fact that they are so young but also from their nature and history (this science was not started by scientists but by practicians). This may be expressed as below.

1. Objects of management research are not changeless in time. Quite the contrary, they transform with time and because of changes of conditions. Hence the statements concerning management are less durable, get older faster, become outdated. As a result the scope of applicability of the solutions to certain problems as recommended by management sciences is limited in time.

2. Nowadays those objects differ to a large extent depending on the level of technological and socioeconomic development. Consequently, the scope (reach, universality) and validity of scientific statements in this discipline is smaller7.

3. As opposed to exact and natural sciences, where quantitative problems prevail, in management research to a large extent qualitative factors have to be taken into account. This results from the fact that in management processes one deals with attitudes of humans, who are driven not only by rational considerations but also by emotions, which are difficult to measure8.

6 A. Grobler asserts that “social regulations lack in the universality which characterises the natural order. They are in force only in certain social conditions” (A. Grobler, Metodologia nauk, Wyd. Aureus – Wyd. Znak, Kraków 2006, p. 230).
8 I took it from Jadwiga Majchrzak that the scope of qualitative factors included in research distinguishes management sciences from natural sciences (Techniki badawcze w pracach doktorskich z zakresu zarządzania,
4. A factor which to a great degree diversifies objects of management sciences, as well as the criteria for the assessment of their statements, is the cultural dissimilarity of nations and societies which follow different values. This circumstance also limits their universality.

5. Certain conceptions and management methods are differently assessed by people depending on the historical period. Take the change of assessments concerning management style and charismatic leadership as an example.

6. Management styles and statements of management sciences used in practice are influenced by socioeconomic ideologies. A meaningful example is the problem of employee participation in management.

7. Statements of the sciences in question are verifiable on the basis of repetitive experiments in a very limited manner.

8. Management sciences, as belonging to applied sciences, do not only aim to interpret the differentiated and changeable reality (diagnostic function) but also, and perhaps above all, to shape it, to formulate instructions for practice (projection function). To a large extent it gives them a normative character.

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9 S. Chełpa points out that the limited validity (adequacy to reality) of management sciences results to a large degree from the fact that those sciences are developed mainly in the area of the western civilisation (regardless of its certain differentiation) and therefore those statements are not adequate in other civilisation (S. Chełpa, *Metodologia nauk o zarządzaniu – problemy dyskusyjne*, in: *Nowoczesne zarządzanie. Koncepcje i instrumenty*, p. 46).


11 Unlike most authors J. Kurnal puts organisation and management theory among theoretical sciences, not the applied ones (J. Kurnal, *Zarys teorii organizacji i zarządzania*, PWE, Warszawa 1970, p. 96–97).

12 M. Przybyła writes: "Just like any other science, management theory has three important functions. They are:

- the descriptive function, it aims to describe the examined object, problem, phenomenon or events in as much detail as possible. Through the realisation of this function answers to the following questions are sought: what is what? what kind is it? what depends on what? It is the first step in the exploration of the examined phenomenon.

- the explicative function whose aim is to adduce motifs, reasons for the occurrence of the examined phenomena, explaining them and interpreting them. This function aims then to find the reply to the question: why is it so?

- the predictive function aims to define anticipated situations. This function aims to answer the question: how should it be?"

13 H. Witczak points out rightly that in management "the normative element, decision element (the way it should be) dominates the cognitive element (the way it is)." (H. Witczak, *Naukowy status nauki o zarządzaniu*, in: *Nowoczesne zarządzanie*, collective work edited by M. Trocki i S. Gregorczyk, op.cit.)
9. Management sciences statements are assessed to a lesser degree on the basis of their relation to reality. It is their utility that attracts a greater degree of attention\(^1^4\). This means that verification of management sciences statements is achieved through their utilisation (practical implementation).

It is due to the fact that the main function of management sciences, as belonging to applied, practical sciences, is the projection function, i.e. formulation of recommendations on how to improve the management process, that a question arises: can they also fulfil the cognitive function, analogically to the exact and natural sciences. Information technology professor Wojciech Cellary presents a strongly negative position on this matter. He stated that “it is a methodological error in the field of management sciences to seek cognitive results. In the field of management sciences there are no laws ruling reality because reality remains to be constructed. There exist methods of reality construction”\(^1^5\).

The above position is extreme and unilateral. In order to be able to suggest improvement in management those sciences have to describe the existing management processes, differentiate their kinds and types as well as examine the factors that influence them\(^1^6\). Whether an organisation is managed in one way or another depends on many factors: the level of the socioeconomic development of the country, the political, social and economic system in the country, the foreign relations of the country and its organisation units, the level of education, culture and mentality of the population, historical experiences of the whole country or its regions and many other circumstances. One cannot say that particular management solutions are exclusively attributed to the managers who freely, or even arbitrarily, implement certain type of management without taking all these circumstances into consideration. Management is part of social reality and it reflects many social factors where certain regularities are present, which can be and should be examined, as is done by sociologists, social psychologists and political scientists\(^1^7\).

\(^{15}\) W. Cellary, Metodologia nauk o zarządzaniu z perspektywy inżyniera, in: Podstawy metodologiczne prac doktorskich w naukach ekonomicznych, op.cit., p. 29.
\(^{16}\) A. Podgórecki writes, “practical sciences (management sciences being part of them – S.S.) are characterised by such stages as: description of the present state of the matters and its assessment, description and assessment of the intended results, description and assessment of the suggested schemes, assessment of economic adequacy of the change of the present state of the matters at the price of the scheme, description and assessment of the realised results” (A. Podgórecki, Charakterystyka nauk praktycznych, PWN, Warszawa 1962, p. 125).
\(^{17}\) P. Banaszyk, by including management sciences in designing sciences, ones which solve construction problems, points out that the formulation of construction and design solutions has to be forestalled by
Hereby I would like to challenge the commonly accepted clear (strict) division of sciences into theoretical and practical (applied) ones. The function of the former would be to recognise (to acquire) the truth, making it possible to understand the existing reality (cognitive function), the latter would only create foundations for rational activity, construct rules and procedures allowing for alteration (improvement) of reality (pragmatic and projection function)\(^{18}\). Admittedly, in some sciences it is the cognitive function that dominates and in other it is the projection function but it is probably in all the scientific fields and disciplines that those two functions are inseparable. Moreover, the resources of theoretical scientific science are processed into the resources of practical knowledge, thus leading to its practical application. For example, the main aim of medicine is to provide pharmacological and surgical treatment as well as to alleviate pain but in order for it to be able to do those tasks it must conduct thorough examinations of the human organism and of the factors influencing its condition\(^{19}\). On the other hand, if we take technical sciences – then in order for them to be able to give instruction on how to build houses, bridges, machines and computers, they cannot only rely on research of other sciences such as physics, chemistry or biology but they must do their own engineering research on statistics, material endurance and production processes. A third example, sociology recommends practical rules of cohabitation on the basis of the rules of social life that it has recognised.

A rebellious suspicion emerges then that the division of sciences into theoretical ones and practical (applied) ones is nowadays an anachronism\(^{20}\).

Practical considerations (the layer of practical knowledge) dominate in management sciences. They aim to construct recommendations and practical directives on how to make management better and more rational, which brings appropriate social gains. However, they must also include theoretical considerations (the layer of theoretical knowledge)\(^{21}\), which concern the general conditions and rules of implement-

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18 Practical science – according to T. Kotarbiński – is the kind of science which mainly involves projection. (T. Kotarbiński, Elementy teorii poznania, logiki formalnej i metodologii nauk, wyd. II, Wrocław 1961, pp. 447–448).

19 K. Krzeczkowski wrote on this matter: “it was as early as a century ago that surgery was only art, craft, guild, it had nothing to do with medicine; yet today it is the most exquisite expression of modern medicine and it does not lose anything of its practical character” (K. Krzeczkowski, O stanowisko nauk praktycznych, in: Polityka społeczna. Wybór pism, Polski Instytut Służby Społecznej, Łódź 1947, p. 31).

20 This suspicion is further confirmed by M. Grabski’s statement: “...the mutual influences among the branches of basic and applied sciences and technics, which not so long ago were quite distant from one another, are now so strong that they cannot be set apart or differentiated – they are part of one coherent whole, and one cannot evolve without the other. It is in many fields that differentiating between basic and applied research is an artificial construction" (M. Grabski, Między rządem i nauką – źródła konfliktu, „Nauka” 2006, No 4, p. 31).

21 “Management science... is a cognitive activity to the same extent as it is a pragmatic one” (L. Sułkowski, Epistemologia w naukach o zarządzaniu, PWE, Warszawa 2005, p. 18).
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tation of all management functions. Without such a theoretical foundation, without learning about the very complex economic, social, natural and technical reality in which organisations function all the designs proposed by those sciences would not use the previous experience in management (such experience requires order and assessment, which means it has a cognitive character) and they would err with voluntarism. Without theoretical knowledge practical knowledge would be very shallow and superficial.22

It seems appropriate to make a closer analysis of the very complex problem that a relation of scientific activity, aiming at increasing knowledge, to practical activity (practice) is. W. Pytkowski’s statement23 that for science theory has a triple significance – fertilising, screening and verifying – is accepted here without question. If we do take into consideration the needs of practice then we have to punctuate several circumstances stated below.

- The relation between theory and practice is inseparable. “...as a matter of fact theory stems from practice. Practice confronts theory with questions but on the other hand, theory requires from practice to be implemented in real life”24. No science, whether it be theoretical one or practical one, can replace practice. Practice without science would have to rely only on the method of trial and error.
- There is, at least in a shorter perspective, a discrepancy between the aims of science and practice: the main aim of science is to describe reality, while practice is focused on utilitarian aims. Science seeks objective laws in a given area of reality while practice expects effective instruction and formulas on how to solve specific problems.
- Scientific research ought to deal with problems which are rudimental to a given area of practical life, and avoid “trifles” casually brought up by practice. It is right to point out that almost always it leads to impoverishment of science and it undermines the position and authority of scientists.25

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22 Let me refer to J. Trzcieniecki here: Sciences whose development continually oscillates between theory and practice are prone to lose their status of being a science as a result of too much focus on the area of practical implementation. Such a science turns into a set of separate detailed regulations of a limited applicability, it falls into pieces which are more and more specialised and complex. Division of knowledge and lack of theoretical generalisations lead to complete atrophy – reduction to a collection of techniques whose applicability is limited (J. Trzcieniecki, Wykład doktoranta: nauka organizacji i zarządzania – garść refleksji, „Organizacja i Kierowanie” 2005, No 3).

23 W. Pytkowski, Organizacja badań i ocena prac naukowych, PWN, Warszawa 1981, p. 25. Inseparability of management sciences and practice is expressed in Ł. Sułkowski’s statement which says that “a certain commune of researchers and practicians which has the possibility to derive from many discourses” has come into being in those sciences (Ł. Sułkowski, Perspektywa interpretatywna w naukach o zarządzaniu, in: Nowe kierunki w zarządzaniu przedsiębiorstwem – celowość, skuteczność, efektywność, wyd. cyt. p. 140).

24 Ibidem, p. 25.

Research undertaken in applied sciences should be aimed at creative solutions of problems which will have some significance in a less or more distant future. Focus of research on present day needs only is shortsightedness which contributes neither to science nor to practice. Among other things it leads to hastiness in research and hurrying researchers by practice. Besides, because research is not conducted early enough in relation to the deadline, when its results are needed, it is often out of date and inadequate for practice.

Research in management is influenced by the actual condition of management practice. Progress in this practice enhances research while its low level hampers it. This influence can be seen in the fact that the level of management sciences is the highest in the countries with highly developed economies, especially in the USA. One can even talk about americanisation of management sciences.

In the area of relations between science and practice important is the scope, the method and the form of delivery of the results to practice. Descriptive and explanatory statements of management sciences, in order for them to be useful in practice, have to be translated into understandable and clear practical directives. When formulating those directives, apart from scientific research results, practical experience of people who have a real influence on particular elements of management, especially managers, should be taken into consideration. A direct advisory participation of researchers is also essential when implementing research results.

One can probably acknowledge A.K. Koźmiński’s opinion that nowadays, when immaterial goods (knowledge, talent, name, reputation) and the phenomenon called “intellectualisation of management” are becoming the basic development factor, science is closer to economic practice than it used to be.

I am fond of J. Zieleniewski’s opinion about a blurred boundary, in some cases, between scientific research and activities of a practical character, that “many not routinised engineering tasks have all the basic characteristics of scientific activity”. In particular it concerns the participation in implementation of research results in practice. J. Zieleniewski speaks of engineering tasks but it can also be easily referred to activities concerned with implementation of ideas in the field of management.

An analysis of these circumstances confirms the belief that science separated from practice would only be art for art’s sake. However, a practician who does not have backing in a scientific outlook on the nature of reality is helpless in the face of ever...
changing conditions. It must be added that the above facts relate to management sciences to a serious or even great extent. And it has to be stated that those facts often escape the attention of those who articulate subordinate role of science in relation to the needs of practice.

It is sometimes posited that management sciences theories should have a practical character. A practical theory posit is in fact preposterous. Theory is not supposed to be practical but authentic, describing and explaining the present economic and social reality in the most accurate way, having a general character, i.e. be adequate in relation to a large area of things and phenomena, as well as have a lasting character, not a passing one. “Practicality” of a theory in management sciences may only be accepted as an ability to transpose it into directives for practical action.

It is said that a characteristic feature of management sciences is the fact that they do not have a scientific paradigm which has been hitherto widely accepted in scientific circles or several paradigms at their disposal which would determine a dominant scientific approach in the discipline and which would unite all currents, trends and schools occurring in them. It is upsetting to many researchers and is a source of doubt or scepticism about the future of management sciences.

P. Płoszajski and Ł. Sułkowski are probably right in saying that management sciences are at a pre-paradigm stage of development. P. Płoszajski also calls this phase an empirical, gathering stage as opposed to the theoretical, explanatory stage, when management sciences become better developed and then have well-established theories at their disposal.

When discussing questions concerning paradigms in management sciences one cannot ignore the opinions according to which such paradigms do exist but they are undergoing an evolution appropriately to the changes in the business environment and in organisations themselves.

Although so far such rudimentary statements have not been clearly articulated by management sciences researchers, and neither have methodological conclusions which could be accepted as paradigms, I do not think that one cannot find in literature some formulations which could become “canons”, basic rules of management,

29 One can have the same attitude towards the idea of “unity of theory and practice” in relation to management sciences.
31 Ł. Sułkowski, op.cit., pp. 52–53.
32 A. Szpaderski suggests in his erudite article to use the term “prescientific” instead of the term “pre-paradigm” (A. Szpaderski, Postulat prakseologii jako teorii podstawowej dla nauk organizacji i zarządzania. Przykłady zastosowań, “Organizacja i Kierowanie” 2006, No 2).
and with time to pretend to the role of paradigms. Below we present several examples of such formulations:

- Activity of an organisation (e.g. a company) cannot be considered without taking its relations with the surrounding environment into account for they have a big influence on whether is is successful or not.
- The basic condition for an organisation to survive in turbulent circumstances is its flexible adaptation to them.
- The older an organisation is, the more formalised is its behaviour and the less flexible it is.
- Between the rules of centralisation and decentralisation there should be observed a rule of compromise: decisions concerning development and strategy ought to be tied to the highest level of management, and operative decisions ought to be dealt with at lower levels – it is required by organisation balance.
- In every organisation a rule of optimal span and extent of management should be observed.
- An organisation cannot function properly without an effective system of communication of various parties with the surrounding environment and within the organisation itself.
- Leadership talent and skills that managers possess influence the success or lack of it in an organisation to a large extent.
- One factor that has a large influence on the effectiveness of an organisation is culture, and in the time of common globalisation it is essential that rules of multicultural management are observed.

It needs to be noted, however, that an opinion questioning the sense of searching for a paradigm in the science of organisation and management does exist.34

Certain authors35 point out rightly that social sciences, including management sciences, cannot rely, like exact and natural sciences, on stable “natural laws” (although these change too)36, which means that the “laws” of the former are to a larger extent limited in time and space. Searching for “eternal truths” in management sciences is a utopia.37

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36 A. Grobler, speaking generally about theories in science, claims that one normally thinks of “formations evolving in time, whose formulations are historically unstable, susceptible to verification and modifications” – A. Grobler, op.cit., p.187.
37 Representatives of natural sciences, the Americans A. Sokal and J. Bricmont state aptly that social sciences should not blindly imitate natural sciences. They should draw an inspiration from what is best in the
In order to improve the position of management sciences some of their exponents postulate:

- that one basic and coherent theory of those sciences should be formulated
- that one basic research method for management sciences should be established

They believe that fulfilment of those stipulations will lead to an integration of the present approaches, currents, trends and management schools.

It is an extraordinarily complex problem. On the one hand, statements which result from research confirmed by other scientists are considered as scientific. English physicist J. Ziman writes: “facts and scientific theories must go through a period of evaluative examinations and tests conducted by other competent people and have to turn out to be convincing enough to gain a nearly unanimous acceptance”... science “works for as broad a unanimity of rational beliefs as possible”\textsuperscript{38}.

On the other hand, however, in every scientific field, even in the oldest and the firmest ones, there are many coincident theories explaining certain problems and very often they are completely, or at least to a large extent, contradictory. Motivation theories are an excellent example here. It is also pointed out that very complex phenomena are impossible to be explained within one theory\textsuperscript{39}. Besides, scientific theories evolve and sometimes they even become rejected. Over time some scientific statements and theories are replaced by others\textsuperscript{40}. That is why philosophers say that man cannot discover the full truth, they can only pursue it and get closer to it. The following statement seems to be close to reality: reaching general agreement is usually preceded by a period of quite a boisterous confrontation of scientific positions\textsuperscript{41}. This seems to particularly concern all the social sciences, including management sciences. Let me quote P.F. Drucker’s opinion on that matter: “... very quickly we come to the conviction that one theory of organisation and its one perfect structure need to be created”\textsuperscript{42}.

Also, diversity of research methods is nothing negative. Quite the contrary, it is a resource that every field of study should value and develop even further. It is un-

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\textsuperscript{40} Let me quote a typical statement by R.G.A. Dolby: “...although on every occasion science eliminates old mistakes, increases precision and scope of knowledge, it also undergoes revolutions now and again as a result of which seemingly unshakable dogmas are overturned” (Niepewność wiedzy. Obraz nauki w końcu XX wieku, Amber, Warszawa 1998, p. 5). Further on the author points out that new theories, being incomplete, are easy to overthrow and therefore perhaps they should not be refuted right from the start (p. 231).

\textsuperscript{41} Let me quote the great German philosopher M. Heidegger: “Sciences endeavour to gradually eliminate contradictions which always occur in theories and in observed facts” (M. Heidegger, \textit{Zasada racji}, Wydawnictwo Baran i Suszyński, Kraków 2001, p. 29).

understandable that in the first stage of its development, or during its youth years, every scientific field of study borrows research methods from the older, fully developed ones. Over a period of time it creates its own, original methods of scientific enquiry. Depending on the kind of scientific problem different research methods are used, those created within the discipline’s own domain as well as those taken from other disciplines and adapted to fit the “peculiarity” of management sciences. Such a state, defined as pluralism of research methods, is something completely normal. The stipulation that every science should use only its own methods is groundless and unreal. It is a utopia.

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Main dilemmas of management sciences


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Abstract

The paper is focused on basic cognitive problems of management science. Methodological pluralism is the main approach, but creation of one single paradigm of management in the future is not excluded.

**Key words:** management paradigms, management methodology
Introduction

The Darwinian theory of evolution is a fundamental, consolidated philosophy and methodology of biological sciences that deserves to be called a paradigm. However, early attempts to use the paradigm in social sciences are rather unsuccessful. In the 19th century, the “survival of the fittest” became a synonym for Herbert Spencer’s social evolutionism, which the next generations of intellectuals associate with discrimination, or even with the ideology of Nazism\(^1\). In the 20th century, social interpretations of Wilson’s sociobiology, which reduced the humanities and social sciences to biological and genetic foundations, were received with indignation. Similarly, the assumptions of Richard Dawkins’s memetics were met with quite significant scepticism\(^2\). It seems, however, that in the face of an extremely dynamic development of empirical research based on the evolutionary paradigm, which allows the explanation of numerous behaviours of organisms including human beings, Darwinism deserves a second chance to gain significance in social sciences. Many contemporary scientific disciplines offer this new approach. These disciplines include: evolutionary psychology, sociobiology, cognitive science, primatology, artificial intelligence or neuroscience. By combining experiences in studying human behaviour taken from social and humanistic disciplines with the paradigm of evolutionism and contemporary methods of brain cognition, research in social sciences may become much

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more dynamic\(^3\). Transferring evolutionary paradigm to social sciences is an essential cognitive condition that allows developing this interdisciplinary alliance. In psychology we observe fast development of this approach, called evolutionary psychology, which at the same time is a response to critical opinions on orthodox sociobiology\(^4\). Controversies related to applying evolutionism in cultural sociology and anthropology are considerably larger. From the perspective of management sciences it seems that the evolutionary trend studies are very distant from the problems of an organisation, after a more profound analysis it becomes clear, however, that adopting evolutionary explanations influences the functioning of all sciences studying human behaviour (behavioural sciences).

The purpose of the article is to outline the perspective of the influence of contemporary evolution concept on social sciences, management in particular. It covers searching for sources of the processes of organisation and management in the biological and social specificity of the homo sapiens species. Darwinian inspirations allow better understanding of people's actions in organisations\(^5\).

**Neoevolutionism vs. human behaviour**

The theory of evolution related to natural selection and sexual selection was developed by Carl Darwin. It points at the fundamental mechanism of species' adaptation to environmental conditions by means of an accidental, accumulated change. The theory of genetic endowment was created later and it made it possible to coherently explain the mechanism of reproduction and genetic change (mutation)\(^6\). In 1964, William D. Hamilton described the evolution theory from the perspective of spreading genes, pointing not only to the reproduction of genes by having offspring, but also to the bonds between relatives\(^7\). It allowed for the explanation of kin altruism, which was common in nature. In the seventies of the previous century, Robert Trivers proposed evolutionary theories explaining reciprocal non-kin altruism, the concept of parental investment and conflict between parents and children\(^8\). In

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1975, Edward O. Wilson published a book entitled *Sociobiology. The New Synthesis*, which described the condition of contemporary evolutionism, that allowed correct interpretation and forecast of behaviours in biological world⁹. The last chapter of the work, describing the application of the concept in human behaviours, however, raised huge controversy. First and foremost, it included hypotheses, and not the results of empirical research, which triggered attacks not only from ideological positions, but also from the methodological ones. The concepts of explaining human behaviours in the evolutionary perspective were taken up by evolutionary psychology and owing to intensive research carried out through the last three decades, it was possible to create a coherent evolutionary theory of human behaviour based on the evolutionary paradigm¹⁰.

The assumptions of neoevolutionary synthesis combine the concept of natural and sexual selection with the idea of genes’ replication¹¹:

1. Natural selection of behaviours assuming that in a long-term perspective of the existence of homo sapiens, structures and behaviours favouring individual survival of the representatives of species lived on, while impractical structures and behaviours gradually disappeared (excluding the behaviours granting reproductive advantage).

2. Sexual selection of behaviours assuming that in a long-term perspective of the existence of homo sapiens, structures and behaviours increasing the chances of individual reproduction survived, even if they were impractical from the point of view of the survival of individuals¹².

3. Module-based concept of the mind assuming that in the course of evolution, specific “software” serving the solution of many problems related to survival and reproduction (adaptation) such as avoiding predators, selection of food, establishing social contacts and friendships, helping the kin, caring about children, communication with others, pursuit of domination, identifying social frauds, sexual behaviours etc.¹³, has developed in the brain of a human being, and earlier in the brains of other species.

4. Theory of genes’ egoism, which states that genetic reproduction and spreading one's own genes, which may be achieved by having offspring and by supporting

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the reproduction of relatives, i.e. those based on a common genetic element\textsuperscript{14}, remains a fundamental motive for the actions of individuals.

5. Kin-related mechanisms of development resulting directly from the assumption of genes’ egoism and explaining the issues of taking care of children, parental investment and kin altruism.

6. Man’s social nature, which is inscribed in evolutionary mechanisms, as most problems with adaptation are resolved inside a group and by a social group. Ensuring food supply, sexual selection, caring about children, communication and domination – all these elements are social activities, which proves that a human being is naturally prepared for social life, which of course does not mean that social mechanisms develop independently on a genetic basis and do not require socialisation.

7. Assuming the existence of differences between genders, which are a natural consequence of biological and social differentiation, as well as of differences between men and women in the sphere of sexual behaviours, perceptions and emotions related to different roles they have had in gathering and hunting communities through millions of years of species development.

Contemporary neoevolutionism has become a dominating paradigm in biological sciences that leads to coherent and verifiable explanations of human behaviours. The assumptions of natural and sexual selections and the egoism of genes allow for the understanding of the specific nature of social behaviour of human beings, and they are a challenge for the humanities. Several scientific disciplines, such as evolutionary psychology, sociobiology, neuroscience and cognitive science, situated somewhere between biology and social sciences, develop on the basis of the neo-evolutionary paradigm.

**Applying neoevolutionism to management**

Evolutionism may serve as a basis for explaining many collective behaviours of people, which are a foundation for the processes of organisation and management. Thus, it is worth looking at potential applications of this paradigm and to set out further directions for research as part of management sciences\textsuperscript{15}.

Studies of the neoevolutionary trend, applied to organisational activities in the economic aspect, point to significant restrictions of the rationality of decision-making processes that result from “human nature”. Man is a “vehicle of genes”; he inherits


\textsuperscript{15} See L. Sułkowski, *Paradygmat neoewolucyjny w naukach o zarządzaniu*, „Przegląd organizacji” 2009, no. 3.
mechanisms of environmental and genetic coupling, which serves genetic replication, which in turn means that “human nature” is not endlessly flexible and cannot perfectly observe the rules of rational development of an organisation. Conscious and rational decision-making processes are merely the “top”, youngest part of the human brain, whereas, as neurobiological research proves, decisions are made on many levels of the brain, often in the blink of an eye and on the basis of very limited information. Evolutionary justification of these decisions was a stake related to organism survival (e.g. instant fight-or-flee responses). Thus, in human actions we often deal only with conscious rationalisation of behaviours that are hidden in the layers of unconsciousness and that are called intuition or subconsciousness. Man’s cognitive apparatus, which has evolved in the environment full of natural threats, is not a mechanism of fully logical and rational decision-making. Perceptive and interpretational illusions and stereotypes that draw the real model of decision-making further from the ideal of rationality and logics play a significant role in the functioning of a human being.

The evolutionary paradigm starts to permeate social sciences, which is manifested in the dynamic development of evolutionary psychology and sociobiology. What are the possibilities of applying this paradigm to management sciences? They cover a broad scope of social problems based on an evolutionary foundation, such as:

1. biological roots of organising,
2. evolutionary restrictions of rationality,
3. natural sources of the structure of power,
4. competition between individuals, conflict and fight for domination,
5. leadership in an organisation,
6. learning,
7. group and organisational bonds,
8. risk taking,
9. communication,
10. sexual behaviours,
11. evolutionary conditioning of the culture of societies and organisations.

1. Biological roots of organising

Processes of organising are rooted in human nature. Most activities we perform have a social and organised character. Man as a social creature is shaped by bonds

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and interactions with other people. It means that an organising function, which enables and optimises collective actions, emerges in the evolutionary process. In order for it to exist, a person must have motivation and skills that allow for group work. In collective work, they are transferred upon an individual in the process of primary socialisation by the family and a small social group. Assimilation of values, attitudes and models is carried out naturally, among others by imitation and conditioning. Solving basic life problems related to finding food (hunting or gathering), finding a shelter or taking care of children by a primitive group requires cooperation. On the basis of earlier evolutionary mechanisms of domination, cooperation and conflict, group leadership, making key decisions in terms of selecting proper solutions thus allowing for survival and reproduction, emerges. The organising function acquires greater meaning when the individual and the group deal with less routine tasks, tasks that lack ready solutions available in the set of standard cultural patterns. Creative mechanisms, whose development was an immense evolutionary cost, are activated here. Owing to flexible, non-routine organising, leadership and creativity, the social group of homo sapiens is capable of solving the most complex survival problems, even in the most difficult and unstable conditions. No wonder that it populated the entire globe so fast, e.i. in evolutionary terms.

2. Evolutionary restrictions of rationality

Behavioural economy is a discipline dealing with restrictions of economic actions rooted in the evolutionary nature of man. The research programme carried out since the 1970's until today by Amos Tverski and Daniel Kahneman, Colin Camerer, Richard Thaler, Paul Slavic, Thomas Gilovich and others concentrates on illusions and cognitive errors rooted in human nature. It has contributed to describing several universal cognitive biases that are based on evolution. It seems that some of them play a significant role in human resources management. “Representative fallacy” indicates that in situations that require statistical estimations, people use a limited number of heuristics that lead to inability to adequately assess event probability. “Availability fallacy” consists in assessing probability and generalisations only on the basis of examples to which there is easy and immediate access. For instance, estimating the probability of a plane crash in relation to other accidents will be considerably

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22 Ibid., p. 163.
exaggerated due to the overrepresentation of information on plane crashes in mass-media23. “Hindsight bias” is a tendency to interpret the past, making unconscious, selective use of the memory and explaining past events so that they fit in the present knowledge24. “Confirmation bias” consists in searching only for the information that complies with one’s beliefs and rejecting the data that could contribute to rejecting them25. “Endowment effect” indicates that the value of an object in one’s possession is subjective – for the owner it is usually far higher than for a potential buyer26. Sources of the biases described above lie in the evolutionary nature of man’s cognitive apparatus. Natural adjustments are related to an adequate assessment of small numbers, whereas probability is an abstract category that a human being cannot understand intuitively. Adaptation to life in a small group is also a generalisation on the basis of available examples. The tendency to confirm opinions is more difficult to interpret, it seems, however, that it is based on a mechanism of emotional support of the decisive effect. A decision made should be consequently implemented, or it ceases to be functional. Another evolutionary source of the “confirming effect” may be the strengthening of social group’s identity and individuals’ identification with the community, which results in the aversion towards foreigners. The “endowment effect” and aversion towards losses are probably related to restricted material resources that enable survival and reproduction in a primitive group. Evolutionary restrictions of rationality presented above will have a significant impact on management.

3. Natural sources of the structure of power and hierarchy

Power and social hierarchy do not occur only in the world of people; they are also present in the kingdom of animals. If by power we understand the possibility to impose one’s own will upon other individuals, all primates and many other animal species have such a possibility. Hierarchy, biologically reflected in the “pecking order”, is a static reflection of a recognised structure of power. Power and hierarchy play a special role among social species, as they place the leader not only in the position of a dominating entity, but also a decision-making entity, who imposes his will not upon individuals, but upon the entire social group. The consequences of such decisions are far more significant, as they concern all community members. What about

the emergence of power and its legitimacy? Natural order assumes the domination of the strongest one, on the other hand, however, chimpanzees commonly establish coalitions that grant power to the most socially agile individual or even to a group. In order to carry out long-lasting organising projects, from the functional perspective it was essential not only to select the centre of power but also to ensure its stability.

4. 

Competition between individuals, conflict and fight for domination

Competition, conflict and fight are inseparable elements of exercising power. They have the most sophisticated forms among social species. Competition is related to limited access to resources and to individuals’ unrestricted need to survive and to reproduce. Thus, we may observe fight and conflict both among individuals and coalitions inside a social group. The complexity of competitive processes and conflicts forces one to make an effort to perform an analysis on many levels related to the issues of organising and of social games. Thus, competition is a mechanism of perfecting individual and collective actions that, in order to win in a social game, encourages to use conflict, fight and even cooperation.

5. Leadership in an organisation

Leadership, or the emergence of an individual who makes decisions and who imposes it on a group, is also not an exclusive feature of the homo sapiens species. It is a functional solution allowing an efficient use of the organising function. However, developing the criteria of leadership emergence and maintenance, usually based on authority, is essential. In the case of people, authority, being a measure of social respect and of group members’ readiness to succumb to the will of an individual, is not a measure based only on physical strength. Although domination in the physical sense might have existed in the species’ past, and although unconsciously and presently it may be a condition favouring authority, the ability to cooperate with a social group based on communication and the impact of a social model (an ideal leader, image, reputation, respect) remain more important. Evolutionary study of leadership and power are still at a preliminary stage and they mostly cover seeking mind modules that interfere with these social processes. Summing up, the features of leadership rooted in the past of the species include:

- Leadership lies in the biological nature of man, who is a social creature endowed with the most developed cognitive apparatus leading to unavoidable development

of the complexity of groups and to the emergence of problems of establishing comprehensive structures of power and multi-level hierarchies.

- Leadership is beneficial both to group members, as it ensures social order and favours the coordination of team activities, and to the leader, providing him with material benefits, reproductive advantage and symbolic gratification.
- Leadership is like a social game, which involves tension between: leader’s pursuit of autocracy and group's pursuit of participation, individual's and community's interest (sacrificing an individual), as well as between rivalry and cooperation of group members.
- Leadership has become one of key social mechanisms that make it possible to create big and complex social groups such as societies and states.
- The leader becomes a source of identification to its advocates. He is a symbol of the group, unifies it and builds group identity, clearly selecting group members from the environment.

6. Learning and creativity in a social group

From the point of view of management sciences, processes of learning and getting to know reality are crucial. They are related to the development of a cognitive model which allows solving problems. As a relatively advanced study of evolutionary psychology on the processes of learning proves, as a species we possess a cognitive apparatus that has evolved to solve concrete, open problems related to survival and reproduction, while theoretical mind is merely a side effect of functioning in an unstable environment that requires creativity. This turbulent environment is mostly one's own social group, which grants people immense possibilities, but at the same time it forces them to cope with changeability, unpredictability and creativity. Among numerous interesting studies of man's cognitive processes determined by evolution one can for instance point to the syndromes of fast learning on the basis of aversive and biological foundations of conditioning and the specific character of learning in the processes of primary and secondary socialisation.

7. Group and organisational bonds: Kin and non-kin altruism

Explaining the establishment of group bonds, mostly kin bonds, has become one of the first problems of contemporary applications of evolutionism in social sciences. According to Hamilton's, Williams's and Trivers's studies, genetic community is the cause of developing kin bonds. It also means that the strength of a kin bond is directly

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proportional to genetic proximity. In social sciences, it is obviously a valuable explanation not only from the point of view of family-oriented sociology, but also of the issue of nepotism in society. The interpretation of non-kin altruism is more problematic. Why are individuals ready to share with other, genetically alien individuals? Experiences coming not only from evolutionary psychology studies, but also from ethology provide explanations in this case. Vampire bats are ready to share the blood they have gathered with unrelated individuals to save their mates from certain death by starvation. They do it because the promise of reciprocity tells them to. The social group expects reciprocity from the individuals who receive help. Social species have also been endowed with developed brain modules that serve to identify and punish frauds who do not want to return favours. Studying the specific character of social bonds is very important in management as they find reflection in organisational bonds. Nepotism is a culturally universal mechanism, which may manifest itself in the development of family businesses and in creating family cliques in enterprises and public organisations. Non-kin altruism also occurs in organisations and it is a basis for cooperation between people.

The mechanisms for identifying and punishing social frauds are a foundation of social game in every type of organisation. Thus, proper modelling of organisational processes requires reference to the evolutionary interpretation of social bonds.

8. Taking risks in a social group

The tendency to take risks seems a little paradoxical from the perspective of evolution, however only considering the survival of individuals. If we look at it from the point of view of reproduction, evolutionary explanations become coherent. Taking risks, especially by males, is a method of strengthening the reproductive process, particularly for the individuals occupying non-dominating positions. When the alpha male achieves the highest reproductive results, determination of other males to take risks increases. In the case of social species such as humans or apes, this risk does not have to relate only to physical, individual confrontation, it may be related with creating a coalition. In the case of people, it is combined with the possibility of symbolic confrontation, showing advantage in terms that from the social point of view are crucial. Taking risk frequently has a demonstrative aspect, which consists in showing advantage and discouraging to take up confrontation in the case of sexual rivalry or attack in the event of demonstration in front of a predator.

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The tendency to take risks in management is one of the most essential features of the dynamic world of organisations. Entrepreneurship is readiness to take the risk of developing a new undertaking. Financial and life-related risk is an inseparable feature accompanying the activities of a manager and an entrepreneur. Ascertainment of the fact how deeply the tendency to take risks is rooted in human nature is very interesting.

9. Group and organisational communication

Accumulation of knowledge and output is a condition for enduring change and development of a human society. It is possible on a greater scale owing to the processes of communication. We observe the beginnings of these processes in birds, mammals and particularly apes. The language able to transfer complex and abstract ideas, however, is probably an exclusive domain of the human species and it originates from the connection of social development with brain specialisation. The author of the nativistic concept of language, presently developed by evolutionary psychology\(^{32}\), is Noam Chomsky\(^{33}\). Human ability to learn a language and the way to use it has probably evolved from a simple system of voice signalling, which later started to serve to transfer emotions and ideas, as well as to describe reality. Next to the verbal communication system, a module of fast non-verbal communication, including, among others, mimics and gestures\(^{34}\), developed probably a little earlier. Language, being a sophisticated symbolic system, was also a positive stimulus for the integration of a social group and for a change and creation of more developed groups and societies. Due to the absence of material traces, it is very difficult to analyse the evolutionary influence of language development on the human species. However, it might have been one of the causes of the great shift, which led to shaping the homo sapiens species as it looks today\(^{35}\). Language is a key binding agent of every social group or organisation and a basis for creating a culture. It is often perceived as obvious, which resulted in the fact that its role has only been noticed in relation to comparative intercultural studies\(^{36}\).


10. Masculinity and femininity

Evolutionary psychology has clearly proved that there are differences between men's and women's cognitive apparatuses and that they result from evolution. Motoric differentiation resulting directly from physiological and hormonal differences is obvious. The most important cognitive differences, however, are related to the skill of spatial orientation, mathematical and linguistic abilities. Emotional differences, on the other hand, refer to distinctions in the popularly accepted “theories of the mind”. In social sciences based on a culturalistic vision, a dogma of political correctness, consisting in eliminating differences between men and women on the basis of biological foundations, reigned. Empirical studies carried out as part of evolutionary psychology, however, allow for observing such distinctions, which, although not fundamental, may be significant for certain aspects of social functioning. That is why management sciences should perhaps consider organisation in terms of mutual influence of relations between genders and analyse the process of directing and organising taking men's and women’s preferences into account.

11. Evolutionary conditioning of the culture of societies and organisations

Culture may be understood as a symbolic system including a set of beliefs, standards and patterns transmitted socially between individuals. Language is the carrier of culture, and cultural transmission makes it possible to accumulate knowledge and output of a society. With reference to culture, some evolutionary questions remain valid, such as whether culture is an adaptation increasing the chance of individuals’ survival, an indirect product of the development of other evolutionary structures (e.g. language and communication) or a side product, which has negative impact on the survival of individuals. Presently, an evolutionary theory of culture has not been formulated. There are some hypotheses, such as memetics, that point to analogies between evolution in a biological sense and change in a cultural meaning, these still are, however, concepts at an early stage of their formulation or testing. Basic studies

carried out on the basis of neuroscience give hope for finding fundamental brain mechanisms that reflect cognitive processes related to the creation of the phenomenon of culture\textsuperscript{43}. Michael Tomasello is convinced that human cognitive apparatus is based on a cultural foundation, which makes it possible to accumulate the output, identify with the community, learn, communicate and develop abstract thinking and creativity\textsuperscript{44}. Culture is a key notion in social sciences. Sociology, cultural anthropology, social psychology, history and other disciplines consider culture as a core concept. In management sciences there is a key notion of organisational culture, which derives from understanding culture in humanistic sciences. The explanation of biological mechanisms of cultural transmission will probably be a ground-breaking achievement for all disciplines that refer to its theory, and it will undoubtedly contribute to better understanding of the complexity of the organisational culture and related notions, such as organisation's identity or image.

Evolutionary explanations of social processes are not merely hypotheses. They are the theories verified by empirical research that remain compliant with the basic assumptions of the neoevolutionary paradigm. The methodology applied in studying evolutionary psychology, sociobiology and neuroscience refers to both traditional tools of social sciences (survey studies, comparative studies, observations and qualitative techniques), and brain study techniques (e.g. PET) and behaviour of animals, which were earlier applied only in natural science.

**Examples of applying evolutionary inspirations to management**

“Human nature” having its evolutionary roots growing from the past of the human species and other species that had preceded it, by activities of man finds reflection in numerous management domains. It concerns HR management, organisational behaviours, organisation sociology and theory of organisation or marketing.

The theory of organisation based on evolutionary assumptions takes the structure of needs and the evolutionary construction of man’s cognitive and emotional apparatus into account. It means, among others, that in all motives of action we must look for a hidden agenda in the form of strengthening individual’s position and physical or symbolic reproduction. Contemporary society, group and organisation are perceived through the perspective of a million years of experience of anthropoids in gathering and hunting groups. Thus, the needs of people, their phobias, representations,


stereotypes, metaphors and emotions are rooted in that space and time. Although contemporary people use high technologies and the most abstract knowledge, in the emotional sense they remain troglodytes.

The search for evolutionary inspirations for the development of organisational structures refers to the concepts of power and hierarchy. Paths of spontaneous development of organising processes and self-organisation, as well as the crystallisation of power and authority, may be searched for. At the present stage of cognition, the influence of evolutionary conditioning on the establishment of formalised structures seems difficult to be clearly specified. Power and authority, however, are fundamental actions deeply rooted in the human mind and founded on a biological basis.

The strategy of organisation, however, refers to the concept of planning and game. Together with the development of mind abilities, the human species has obtained the possibility to plan the future and computative skills to play multi-variant games that allow the calculation of profits and selection of optimum solutions. Strategies chosen collectively or by leaders influence the entire community, which proves that there are some profound, often unconscious decision-making mechanisms. One of the poorly studied mechanisms that plays a great role in management is making a decision according to one’s intuition. Antonio Damasio claims that the symptoms of intuitive decisions are the somatic and emotional reactions of an organism, e.g. a concern related to an excessively risky variant is manifested with fear and stomach cramps. Many authors suggest that decisions are mainly made in an unconscious manner, in the blink of an eye, while our conscious interpretations remain merely post factum rationalisations.

The processes of directing are related both to fighting for domination in a group and to abilities to build coalitions and communicate. Seeking psychological and social profiles of alpha individuals, leaders and coalition leaders, as well as describing the dynamics of the interplay between these individuals and the group, is an interesting challenge. Yet, leadership is a dynamic process, related to the team profile and to the nature of the task. On the other hand, however, it is immanently connected with the leader’s characteristic features and his relations with the group. The difference between “male” and “female” management styles may result from differences in the structure of the cognitive and emotional apparatus.

HR management refers to the theories of recruitment, motivation and development, which are based on an overrationalised vision of human nature, which is close to the assumptions of a *homo oeconomicus*. Yet, as brain studies prove, numerous de-
cise processes remain outside conscious control, which requires a revision of the
HR management theory\textsuperscript{47}.

We may point to several assumptions of formulating a marketing theory that re-
spects the discoveries of neoevolutionism. Firstly, all human behaviours have evolu-
tionary origin. They may result either directly from evolutionary construction, such
as the need to eat highly caloric food or from sexual competition, or they have been
subject to certain modifications, e.g. the need to compete and fight has presently
assumed a symbolic form instead of a physical one. Secondly, evolutionary expla-
nations refer to the functionality of human behaviours in a primitive community.
Today, the same behaviours may have impractical features. For instance, man's in-
clination to drink alcohol may be a consequence of searching for ripe fruit with the
highest content of sugar and ethanol, in which the fermentation process has begun.
Thirdly, among the features influencing human behaviours there are adaptations, but
also indirect products, or even accidental effects. Adaptations evolved and favoured
survival or reproduction in natural conditions. Indirect products were created on
the occasion of functional solutions, but they neither bring forward any solutions
favouring survival nor are functional (e.g. a navel). Accidental effects are not func-
tional either, they may have a varying, individual character (e.g. eye colour)\textsuperscript{48}. The
analysis of studies based on a neoevolutionary paradigm from the point of view of its
application to marketing leads to interesting results. First of all, it proves that under
extremely complex patterns of human behaviours there is a coherent evolutionary
concept, which may explain it. Furthermore, it restricts the problem of cultural rela-
tivism that makes it impossible to use similar ideas in various communities, point-
ing to universal values that have evolutionary roots, such as needs and emotions.
The explanation of a number of human behaviours exceeding the \textit{homo oeconomicus}
perspective is an interesting consequence of studies conducted as part of the neo-
evolutionary approach. Seemingly irrational and illogical actions often comply with
the structure of needs and with the specific nature of human nature's evolutionary
construction\textsuperscript{49}. Marketing as a discipline based on sciences dealing with human be-
haviour, at the same time strongly connected with the market practice, have gradu-
ally discovered heuristics which allows effective impact on man.

Many evolutionary explanations also make it possible to better understand the
psychological and social foundations of the effect of money (e.g. risk factors, specu-
lating on the stock exchange, economy, wastefulness etc.). Darwinism, supported by
reliable studies of the brain, even allows to obtain knowledge that is useful in strategic

\textsuperscript{47}S.M. Colarelli, \textit{No Best Way. An Evolutionary Perspective on Human Resource Management}, Praeger,


\textsuperscript{49}Por. R.H. Frank, \textit{The Economic Naturalist. In Search of Explanations for Everyday Enigmas}, Perseus
management. Planning, sense of time and tendency to take risks have their biological foundations in man's cognitive and emotional apparatus and they served to increase the chance of survival in a primitive society.

Various problems and subdisciplines have emerged among the above mentioned examples. It seems that evolutionary thinking may be an interesting and universal interpretative basis that allows more profound understanding of behaviours of individuals and activities of social groups and organisations.

**Conclusion**

Table 1 presents an attempt to interpret relations between man’s evolutionary nature and a social group’s nature that result from it, which leads to the characteristics of the organising process. It does not include all elements of evolutionary psychology theory because studies of certain aspects of human behaviour in the context of management are very limited.

Evolutionism opens new horizons to sciences. It is possible to re-interpret a number of phenomena of organisation and management from the perspective of a description of social human nature rooted in the evolutionary process:

1. Theory of organisation should take the influence of human and evolutionary characteristics of a social group on the management process into account.
2. Organisation is also a coalition of cooperating individuals connected with social bonds of evolutionary nature.
3. Important motives of organising include: willing to reinforce power and individual influences, improving the status and pursuit of symbolic reproduction.
4. Strategic, structural and cultural organisational processes have their roots in evolutionary concepts.
5. Many subdisciplines, such as HR management, marketing, strategic management or even finance may use the results of studies of evolutionary sources of human behaviour with the purpose of developing models of man’s economic and organisational activities.
Table 1. Nature of an individual and a social group versus the characteristics of the organising process in the light of the neoevolutionary paradigm

<table>
<thead>
<tr>
<th>Nature of an Individual</th>
<th>Nature of a social group</th>
<th>Organising process</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social nature of an individual</td>
<td>Spontaneous emergence of a social group: communication, power, structure and bonds</td>
<td>Spontaneous emergence of organising processes: leadership, plan, motivation</td>
</tr>
<tr>
<td>Kin altruism</td>
<td>Strong kin bonds, coalitions between kin and relatives Parental investment</td>
<td>Culturally universal influence of nepotism on organising</td>
</tr>
<tr>
<td>Mutual cooperation with the unrelated</td>
<td>Alliances and coalitions between the unrelated with the purpose of achieving a joint advantage</td>
<td>Creation of an organisation understood as a purposeful social group aiming at the completion of a joint project.</td>
</tr>
<tr>
<td>Natural sources of the structure of power and hierarchy</td>
<td>Spontaneous emergence of power, structure and hierarchy putting the social group in order</td>
<td>Informal structure, followed by formal structure and hierarchy, are intuitively understood and accepted as natural order.</td>
</tr>
<tr>
<td>Pursuit of domination, fight and conflict</td>
<td>Fight for domination and conflict are immanent features of a social group and intergroup relations (e.g. war)</td>
<td>Pursuit of domination, fight and conflict are a source of intraorganisational competition and they drive rivalry between organisations.</td>
</tr>
<tr>
<td>Sexual selection</td>
<td>Drive to reproduction and striving for the selection of sexual partners with the highest possible evolutionary value</td>
<td>Hidden meaning of sexual motivations in competition processes between individuals in organisations</td>
</tr>
<tr>
<td>Leadership, exercise of power</td>
<td>A leader or coalitions of leaders emerge naturally and pursue consolidation of power</td>
<td>Leaders are recognised, gain or lose authority and legitimacy, and can make decisions on behalf of the group</td>
</tr>
<tr>
<td>Learning, innovation, resourcefulness, creativity</td>
<td>Solving open problems in an unstable environment (also the social one) requires creativity and is an advantage in a group</td>
<td>Entrepreneurship, which combines intellectual potential with organisational attitude and activity, is a manifestation of creativity and innovation in management</td>
</tr>
<tr>
<td>Cognitive processes – selective memory (people, faces, narrations)</td>
<td>Adaptation to act and organise inside a small group, in which knowing people is of personal character</td>
<td>The effects are: limited management range, greater entrepreneurship of small groups and bureaucratic tendencies of larger organisations</td>
</tr>
<tr>
<td>Planning the future</td>
<td>Social decisions and strategies for the survival of the group taking the future into account</td>
<td>The process of formal and informal planning of group action variants and monitoring their implementation</td>
</tr>
<tr>
<td>Group and organisational communication</td>
<td>Language community results in: strengthening bonds and the possibility to accumulate and transfer group knowledge</td>
<td>Communication is a key aspect of organising, leadership and management, both from the point of view of organisational identity and process coordination</td>
</tr>
<tr>
<td>Evolutionary conditioning of culture</td>
<td>Spontaneous emergence of culture on the basis of a communicational community in a group</td>
<td>Spontaneous emergence of organisational cultures and cultural patterns of management</td>
</tr>
</tbody>
</table>

Source: own study.
Neoevolutionism must not be treated as a solution to all cognitive problems of social sciences. On the contrary, we are unable to answer a large number of questions arising as a result of applying the evolutionary paradigm to human behaviours. For instance, why aren't people slaves of genetic reproduction in their behaviours? An attempt to combine study results and interpretations taken from social disciplines with the evolutionary way of thinking and study results from natural sciences, such as biology, genetics, ethology, information technologies and neuroscience, seems to be an epistemological solution. I hope that such a combination will allow to solve even the most complex cognitive problems concerning man’s world, which so far have been an exclusive domain of social sciences and the humanities.

Universality is the basic value of the evolutionary paradigm, newly discovered in social sciences, because it may be a basis for describing man's behaviours from different points of view, irrespective of affiliation to different disciplinary discourses. Evolutionary inspirations are of interdisciplinary nature. Universality and interdisciplinarity do not mean the will to eliminate detailed disciplines from scientific discourse. Evolutionary paradigm may serve as a basis for deliberations on many detailed problems and it seems that there is no point in assuming a reductionist position that limits the description of human behaviours only to biological interpretations.

Another value of the evolutionary paradigm is the empirical methodology of research, allowing the diagnosis and description of the state, as well as the construction of models and forecasting changes. Applying recent results to studies of brain and behaviours, sophisticated mathematical apparatus and creative association of interpretations taken from various sciences make it possible to develop research that so far has been an element of indirect studies to a scale that was unknown in social sciences. Thus it seems that management, similarly to other social sciences, has a chance to better understand human nature, which we will find in a number of fields of interest in our discipline. Processes of management, leadership and execution of power, communication, conflict and cooperation, as well as relations and differences between genders cannot be explained without a reference to evolutionism. A new paradigm, which can be defined as neevolutionism, has accumulated a number of studies and theories creating a coherent image of man in an environment from the point of view of social sciences.

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Sułkowski Ł., Paradygmat neoewolucyjny w naukach o zarządzaniu, „Przegląd organizacji” 2009, no. 3.


Abstract

The purpose of the article is to outline the perspective of the influence of contemporary evolution concept on social sciences, management in particular. It covers searching for sources of the processes of organisation and management in the biological and social specificity of the homo sapiens species.

Key words: evolutionary management, neoevolutionism, evolutionary psychology, evolutionary economics
OPINIONS OF ENTREPRENEURS AND MANAGERS ON MANAGEMENT IMPROVEMENT IN ENTERPRISES OF DIFFERENT SIZE CLASSES

Preliminary notes

During the years of 2007–2008 we completed a research project aimed at evaluating opinions of entrepreneurs and managers representing small and medium enterprises located in Lower Silesia with regard to various aspects (prerequisites, scope, results) of improvements in the management system. Similar research, as far as the object and aims are concerned, was conducted during the years 2005–2006 in the following environments: independent scientists, consultants and entrepreneurs and managers of big enterprises, located in eight selected voivodeships. In this case study we refer to the results of a survey conducted at that time among businessmen and managers (the results were published in „Przegląd Organizacji” issue 10 of 2006). We treat these results as a reference point for the above mentioned results, later research in small and medium enterprises (SME). By such collation and comparative analysis of the results of studies from all size classes of businesses, we can observe an opportunity to enter the discussion on the specificity of management and problems related to it in the small and medium enterprises sector (or the lack of them). This is our main intention of this work.

* Professor Jan Lichtarski, Chair of Economics and Enterprise Organization.
** Professor Czesław Zając, Chair of Economics and Enterprise Organization.
Previous and postulated scope of research

We started the research with general assessment of abilities and inclination of businesses to apply the scientific achievements related to management, issued by respondents representing these businesses. The result of this research, presented in Fig. 1 shows that approximately 80% of businessmen and managers in all three size classes of enterprises evaluates the aforesaid feature relatively high. Quite small share of low and very low evaluations in the group of medium businesses (9,09%) draws attention, in comparison to big enterprises (22,86%) and small ones (15,21%). The lack of extreme rates, i.e. very high and very low, in the group of small size businesses, is also worth noticing.

The result of the response to the question about the tendency of changes in ability and inclination to implement scientific achievements in management in an enterprise, looks particularly favourable (Fig. 2). According to the opinion of a prevailing number of respondents in each of the research group of enterprises, it is on the increase and stable. Comparable indications of a decline in the tendency of the said abilities and inclinations by respondents in the group of big enterprises (12,86%) and in the group of small ones (13,04%) as well as the complete lack of indications of a decline of this tendency in medium businesses should be noticed.

Figure 1. Ability and Inclination of an enterprise to apply the scientific achievements in management

Source: own work
The next part of the research regarded an identification of the types of projects previously undertaken by enterprises (previous tendencies) concerning management improvement and the assessment of needs in this area. The respondents were given a compilation of preferable types of undertakings. These were marked with successive letters of the alphabet. Such 'operation' allowed us to accumulate results. Compilation of undertakings included:

a) Ordering of structures and organizational bylaws,
b) Increasing flexibility of organizational structures (e.g. implementation of task type structures, etc.),
c) Improvement of management in selected, traditional resource areas (such as fixed assets; tangible and financial current assets; staff),
d) Improvement of management in selected, traditional functional areas (such as delivery; manufacturing; sale; investments; R&D; etc.),
e) Improvement of selected (single) components of management process (planning; motivation; control),
f) Implementation and development of strategic management,
g) Implementation and/or development of more general cross-sectional methods of management type: management by objectives; controlling; logistics,
h) Implementation and/or development of pro-quality orientation and methods of quality management,
i) Implementation and/or development of marketing orientation methods applicable to it,
j) Implementation and/or development of HRM orientation,
k) Implementation and/or development of knowledge management and learning organization model,
l) Implementation and/or development of value management,
m) Implementation and/or development of process orientation (including project management),

n) Implementation and/or development of network systems (including virtual ones),

o) Modification of features of organizational culture,

p) Other (what) ……………………………………………………………………………

q) I don't have an opinion in this matter.

Graphical and numerical compilation of the results in the three analysed size classes of enterprises is presented in Fig. 3, Fig. 4 and Fig. 5.

**Figure 3. Tendencies and needs in the selection of types of undertakings used for improvement in enterprise management (small)**

Source: own work

**Figure 4. Tendencies and needs in the selection of types of undertakings used for improvement in enterprise management (medium)**

Source: own work
Identification of previous tendencies indicates the domination of traditional enterprises, oriented on management improvement, in all three size classes of analysed enterprises i.e.:

a) Ordering of structures and organizational bylaws,

b) Increasing flexibility of organizational structures (e.g. implementation of task type structures, etc.).

c) Improvement of management in selected, traditional resource areas (such as fixed assets; tangible and financial current assets; staff),

d) Improvement of management in selected, traditional functional areas (such as delivery; manufacturing; sale; investments; R&D; etc.),

e) Improvement of selected (single) components of management process (planning; motivation; control),

Indications on some elements of modern approach (f, g, h, i, j) should also be noted, though they are not very explicit. Among them, there are also the least explicit ones, the mostly recommended in contemporary literature on management science, directions of activities improving an enterprise (m, n, o, k, l).

The needs of undertaking the said actions generally correspond to the above recognized tendencies relating to the use of traditional undertakings which improve management. The respondents also indicate the needs to undertake modern actions: (f, i, j) in small enterprises (i, k) in medium enterprises and (f, g, h, i, j, k) and even (l, m, n, o) in big enterprises. Some of these needs are emphasized relatively explicitly (h, i, j).
Prerequisites (motives) of actions improving management and obstacles accompanying them

Responses in reference to prerequisites of undertaking actions which improve management are presented on Fig. 6. They concerned a set of the following motives set by us:

a) Need to solve particular practical problems,

b) Aiming at increase of competitiveness (by costs reduction, increase of efficiency, etc.),

c) Care for the outside (including marketing) image of a company,

d) Care for personal prestige and professional promotion,

e) Agitation activity of consulting companies,

f) Fashion for a specific conception or method of management,

g) Other reasons (what)

h) I don’t have an opinion in this matter.

Figure 6. Main prerequisites of undertaking and introducing changes
Source: own work

Entrepreneurs and managers in all size classes indicate the first three among the motives mentioned.

The number of indications within particular motives is formed on a relatively similar level. An exception are the indications of respondents representing medium enterprises regarding the motive a (100%), and indications of respondents in the group of big enterprises with regard to motive b. Care for personal prestige and professional promotion also is of some importance to managers and small and medium entrepreneurs (d) which was expressed by 18.18% of studied individuals. It appears
to be justified from the point of view of the size of these two groups of enterprises. Generally, they do not admit being influenced by irrational factors (e, f).

In the course of the research we also tried to identify the sources of ideas and initiatives for the implementation of changes oriented on management improvement. The range of available answer options presented to the respondents covered:

a) Executive workers
b) Medium level managers
c) Representatives of top executives
d) Owners
e) Representatives of supervisory bodies or institutions
f) Representatives of economic partners (suppliers, recipients, financial institutions, etc.)
g) Consulting companies
h) I don’t have an opinion in this matter.

The structure of responses to the above question is presented in Figure 8. The results show that the top executives were indicated the most frequently – (as much as 82.86% of indications in the class of big enterprises) and owners (as much as 72.73% indications in the size class of medium enterprises) as a source of changes improving management. A much smaller number of indications was observed among junior executives (47.14% in big enterprises and a little above 36% in small and medium enterprises) and executive employees (33.70% in small enterprises). Representatives of supervisory bodies and institutions as well as consulting companies present a very weak position in this compilation.
In order to recognize the forces which, according to the respondents, hinder the initiation and the implementation of changes in an enterprise, the following set of answers was suggested:

a) Managers’ overloading with current duties
b) Lack of financial means
c) Fear of reluctance among the staff
d) Insufficient knowledge and managerial skills
e) Lack of a real necessity to implement changes
f) Other reasons (what)
g) I don’t have an opinion on this matter.

The structure of answers obtained during conducted research is shown in 8. The structure shows that, according to the respondents, the main obstacles hindering the implementation of changes in all study groups are:

d) Insufficient knowledge and managerial skills,
b) Lack of financial means,
a) Managers’ overloading with current duties.

A relatively high level of indications about fears of the events of reluctance among staff (c) should also be noted, however, only among the respondents representing big enterprises (47,14%). In all study groups of enterprises insufficient knowledge and managerial skills were indicated the most often as a block of change. This severe self-assessment of managerial competence of respondents is, as it seems, justified. In our opinion, a very low evaluation of the importance of other causes of changes which improve management in all three size classes of the studied enterprises, is also realistic.

![Figure 8. Main forces hindering and initiating implementation of changes in an enterprise](source: own work)
Assessment of ideas, modification projects as well as efficiency and productivity of implementations

A major aspect of changes is the methodological rationality of their preparation and implementation process, and then the efficiency and productivity of implementations. Because of the limited content of the survey used in the research, we managed to cover these complex issues only in a small scope. We asked the respondents about the scope and character of project assessment, giving them three possible options of responses:

a) In all stages of their development (by dominating persons) rather briefly, intuitively, generally,
b) In earlier stages briefly, but in later ones more in detail and professionally,
c) In all stages in detail and professionally,
d) I don’t have an opinion in this matter.

The responses received are presented in Fig. 9.

![Figure 9. Evaluation of ideas and project of changes](source: own work)

The decisive dominance of answers b in the group of medium and big enterprises and its small advantage over the other answers indicates a moderately correct practice procedure in this scope. We hope that it constitutes a satisfactory protection against making more serious mistakes at the preparation of changes.

In order to illustrate the level of success (efficiency, productivity) of performed changes, we asked if undertakings performed to trigger changes in management:

a) End in complete failure (ineffective implementation, lack of effects),
b) Generally end in only a partial and temporary success (after some time the previous state returns),
c) Generally end in partial and permanent success,
d) Only in a small part end in full success,
e) Generally end in full, permanent success,
f) The level of success is different and depends on the level of complexity and difficulty of an undertaking
g) I don’t have an opinion in this matter

Figure 10. Effects of undertakings performed to trigger changes
Source: own work

The structure of answers to this question is reflected by Fig. 10. The results show that the dominant answers are f and c of the respondents representing enterprises of all size classes as well as answers d (medium enterprises) and b (small enterprises). These answers suggest a moderate, diversified level of the success of undertakings. According to us, this indicates the need for strengthening managers’ efforts to improve the efficiency and productivity of implementation.

Assessment of the value of scientific achievements and cooperation with scientific and consulting environment

Application values of scientific achievements should be considered as one of the more important factors influencing the introduction and the results of changes within the area of enterprises’ organization and management. With regard to quantitative and qualitative richness of these achievements, its vast diversity, dissipation,
various methods and techniques, different language, etc., the use of these achievements in management practice may encounter some problems. Therefore, we asked a question concerning the evaluation of its applicability. The answers received are presented in Fig. 11.

**Figure 11. Evaluation of application values of scientific achievements in marketing**

Source: own work

**Figure 12. Evaluation of professional approach and operation effectiveness of consulting companies**

Source: own work
Respondents in all enterprises studied groups rated application values of scientific achievements in management favourably. These achievements were generally considered as average and high (in at least 80%) in all the size classes of the studied enterprises. One of the conditions of efficiency of the scientific achievements application in the sphere of organization and management is the professional approach of consulting companies. Its evaluation performed by the respondents is presented in Fig.12. This evaluation is not so favourable as the previously presented scientific achievements' assessment, due to the fact that the professional approach and efficiency of consulting companies is rated high by as much as 14, 13% of the respondents (small enterprises). It is, however, still a moderately good evaluation, considering a relatively high level of medium assessments in all groups of enterprises. The option of “no opinion” is chosen surprisingly often, especially in small and medium companies.

The last question of those asked to our respondents – entrepreneurs considered their readiness to cooperate with representatives of scientific environment. The answers obtained are presented in Fig. 13.

![Figure 13. Entrepreneurs' readiness to cooperate with representatives of scientific environment](source: own work)

These show that unconditional readiness to cooperate with scientists is indicated by over one third of the respondents in small and medium enterprises. Such readiness, but on condition of obtaining calculable benefits, is reported by nearly half of the respondents in both of these groups of enterprises and almost three fourths (72,86%) of the respondents in big companies. Such a result may be considered satisfactory for the people of science.
Final remarks

The conducted research provided quite complex and diversified image of the scale and directions of the previous, postulated activities aiming at the improvement of management systems in enterprises operating on the Polish market. The study result is also the picture of predispositions, some features of the progress and also the consequences of these activities seen with the eyes of entrepreneurs and managers.

All generalizations, for many reasons such as e.g. necessary simplifications and unavoidable imperfections of the research process, limitations of its representativeness, etc., are difficult and risky. However, it seems that there is a possibility of formulating a few highly reasonably anticipated conclusions which are not always consistent with colloquial opinions on the studied area of activity.

And so, for example, it occurs that entrepreneurs and managers tend to notice an opportunity of support in solving various problems vital for the companies’ existence and development in organizational activities. They mostly seem to have a quite balanced and rational opinion regarding predispositions and possible results of these activities.

Respondents are aware of the risk of partial failures in the process of changes in management systems, but scepticism, or the fear of making changes because of the threat of limited efficiency of implementations, is not expressed explicitly in their attitudes. The aforesaid opinions and attitudes imply that the will of their further introduction prevails quite explicitly.

Though, the most important conclusion seems to be that both on the side of prerequisites, object and also the progress and consequences of change processes in management systems it is difficult to notice vital, systematic differences between enterprises of different size classes. In view of these results the SME sector does not have a profound individuality, the one that would justify the search for separate theories, methods and tools of management for this class of enterprises. The conclusion might be different or less emphatic if microenterprises (1–9 employees) were differentiated. These were our intentions, but due to the mistakes of a large part of the respondents in the identification of the company size, they were abandoned.
CO-OPETITION IN NETWORK RELATIONS BETWEEN BUSINESSES

Introduction

The characteristic features of the last two decades of the twentieth century and the first decade of the twenty-first have been significant and sudden changes in the surrounding environment. The response to such strong turbulences of the environment is among others expressed in corporations seeking new competitive advantages and trends of development of their relations with competitors. The competitors’ tendency to form cooperative relations by establishing co-opetitive relations has been one of the new phenomena observed during this period. Co-opetitive relations are defined as streams of simultaneous and interdependent competition and cooperation relations between competitors keeping their organizational separateness. This paradox causes that at least two independent sides cooperate in order to achieve mutual benefits while they continue to be competitors. The complexity of the phenomena of cooperation and competition results from simultaneous implementation of two contradictory logics of relations between businesses: trust (the common interests) and conflict (contradiction of demands, confrontation). Therefore, we have a paradoxical situation in which the competing parties must trust each other, be involved in cooperation and share information, experience and risk of the cooperation. Thanks

* The Authoress is an associate professor at the Chair of Management in Economy at the Warsaw School of Economics in Warsaw.


to this, the sides will be able to integrate their activities so as to achieve expected benefits and realise individual strategic goals.

In literature dealing with management, co-opetition is a phenomenon that has been examined to a relatively little extent. It is mainly considered in relations between two sides – as the simplest model of relations between competitors. Nevertheless, progressing globalisation (of the world economy, sectors and corporations), aggravation of competitive conflicts (hyper-competition symptoms) as well as the growth of technological involvement in an ever increasing number of sectors have resulted in a dramatic growth of costs of businesses’ functioning. The growth of costs of business activity has become so severe that firms are unable to function on their own. At the beginning companies decided on a simple form of competitive cooperation (bilateral) to create with time multilateral, i.e. network, relations.

Recently the phenomenon of co-opetition has been becoming more common and more important not only for the strategy of enterprise development but also for relations between competitors, rules of how to play in sectors and the development of world economy. Co-opetitive relations are becoming an indispensable element of a market game.

Theoretical foundations of companies’ co-opetition

Processes and phenomena appearing while forming and shaping co-opetitive relations have been undertaken by researchers in a number of theoretical concepts, among which the key ones are games theory and the theory of transaction costs.

A.M. Brandenburger and B.J. Nalebuff’s PARTS concept is one of fundamental works dealing with co-opetition in games theory. A.M. Brandenburger and B.J. Nalebuff show that the co-opetition phenomenon is mainly stimulated by corporations seeking sources of increasing added value defined as the difference between value created by all participants and value created by all other players. By moulding both vertical and horizontal relations into so-called value net, organisations attempt to gain the greatest advantages (so-called “pie”).

Despite competitive phenomena, thanks to relations in the value net, the “pie” to be shared grows, which results in defined and measurable advantages for all players.

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Co-opetition in network relations between businesses

(a nonzero-sum game). Thus they attempt to maximise their added values as the difference between the size of values captured as a result of activities in the system of relations and values achieved outside the game\(^5\).

In the world literature dealing with management sciences, the issues of co-opetition are dealt with through the prism of transaction cost theory. In the light of the above concepts co-opetitive relations belong to extremely risky. These transactions are burdened with considerable costs resulting from opportunistic behaviour, the necessity to coordinate activities and low level of mutual trust, a result of the competitive nature of cooperation\(^6\). The necessity to generate specific assets (both tangible and intangible) for the purposes of various cooperative relations between competitors and the need to create a security system against opportunistic behaviour generate additional costs which in effect may lead to the failure of the whole system. The risk of failure is relatively high, for co-opetitive relations are treated as a specific type of hybrid relations encumbered with a high risk of deceitful parties’ dealings caused by their very characteristics (direct competitors).

In literature dealing with management sciences co-opetitive relations are considered from two perspectives: competitive and cooperative. The competitive perspective draws both from the achievements of researchers in the field of strategic management (M.E. Porter, G. Hamel and C.K. Prahalad) as well as marketing management (N. Borden and P. Drucker)\(^7\). Co-opetitive relations are formed in order to achieve the most favourable competitive position in the sector and gain additional advantages which would be impossible to achieve but through inter-organizational correlation.

Also the cooperative perspective draws from research and theoretical achievements in the fields of strategic management (F. J. Contractor, and P. Lorange, K.R. Harrigan and J.L. Badaracco) and marketing management (K. A. Borg)\(^8\). In the

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cooperative perspective mainly the appearance of advantages resulting from cooperation between companies is accentuated. These advantages mainly arise as the effect of synergy, scale and scope and become the main reasons why companies cooperate.

Companies’ co-opetition in the network system

Network co-opetition arises when more than two sides are engaged in competitive cooperation forming network structures. Co-opetitive network relations emerge mainly in the so-called co-opetitive sectors, i.e. such sectors where functioning and growth of competitors are conditioned by mutual co-opetitive relations, thus creating co-opetition. Co-opetitive sectors among others include aviation (civilian services), airplanes (production), ICT and banking. They are characterised by simultaneous existence of technological advancement, susceptibility to globalization and symptoms of hyper-competition. One should also notice that co-opetitive network relations more and more frequently appear in sectors in which there exist only two out of three main characteristics of co-opetitive sectors.

Intra-network co-opetition

Co-opetition between companies may develop both within network relations as well as between whole network systems. In case of intra-network co-opetition apart from numerous co-opetitive relations, there also exist internal competitive relations. Relations inside three global alliances in the sector of passenger air services are an excellent example of infra-network co-opetition. Each of the systems has been created as a result of various cooperative relations among indirect or direct competitors, thus creating a constellation. Despite strong competitive relations, members of network relations willingly take advantage of the code-sharing system, which among others allows for harmonizing flights offered by all alliance members, and marketing agreements (common frequent flyer programmes or common promotions).

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Constellation is a system of co-opetitive relations (usually strategic alliances) made between independent enterprises competing with each other in their own or similar sectors both for clients and new members of the system. S.G. Lazzarini, The Impact of Membership In Competing Alliance Constellations: Evidence on the Operational Performance of Global Airlines, „Strategic Management Journal” 2007, Vol. 28, pp. 345–367.

Co-opetitive relations may exist in different types of networks. Companies' co-opetition is most frequently established in balanced and predominated networks. Balanced networks usually occur as a result of forming cooperative relations by independent competitors. A.-P. de Man points to diversity of co-opetitive relations resulting from the character of competitive relations among players in a balanced network\(^1\). There exist three basic types of co-opetition: direct, indirect and asynchronous. Direct co-opetition is formed by members of the network system who are simultaneously direct competitors. Indirect co-opetition arises when also indirect competitive relations are present in the system; while the system of competitors' relations which apparently appear in an appropriate sequence is asynchronous co-opetition. A company teaches its partner who later becomes its competitor. It should be noted, however, that according to the accepted definition of co-opetition the third type may be taken into account if the sequence of relations between co-operation and competition is of illusory character and their activities do not differ merely by the power of actions.

On the other hand in predominated networks, where one company (or several) plays the central role and the remaining ones are its satellites, co-opetition among companies may be both horizontal and vertical in character. Horizontal co-opetition exists among direct competitors who directly and actively compete with each other; whereas vertical co-opetition arises when companies play a double role towards each other, that of competitors and suppliers. Such a situation is illustrated by computer firms, which simultaneously compete for customers and supply components for their products.

Together with the appearance of co-opetitive relations among competing sides in network relations, the so far existing position of strength is shaken. Within competitive behaviours of other entities in the network system other cooperative relations are formed, which causes the effect of intra-network diffusion of co-opetitive relations. Factors of intra-network co-opetition include: importance of position in the network, structural autonomy and density of the network\(^2\); whereas flows of assets (e.g. money, technology, equipment or organizational abilities), information (gained from related companies and concerning their competitive behaviour, strategies and resources) and status (power, strength, legitimization of position in the structure)\(^3\) are stimulators of arising co-opetitive relations.

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The key position of an enterprise in network relations is seen through the prism of number and importance of relations in which it participates. If a company performs a central role in the network system and is engaged in inside co-opetitive relations of strategic importance, then it has at its disposal better access to assets, information and the appropriate status\textsuperscript{14}. Intra-network co-opetition formed with key players stimulates diffusion of these relations to players of lesser importance in the network system\textsuperscript{15}.

Structural autonomy is related to the so-called structural holes resulting from lack of direct relations within network relations\textsuperscript{16}. The more autonomic companies are, the lesser the probability of their competitors reacting to formed co-opetitive relations is.

Structural equivalence concerns similarity of relations between network members. Assets, information and status flow in a similar way. In identical systems competitors show little willingness to compete and cooperate.

The density of the network is related to the intensity of correlations among players in the network\textsuperscript{17}. In a dense network the flow of assets and information is fast. Co-opetitive relations are usually formed in networks with varied network density as flows of assets, information and status are varied. Moreover, in varied networks forming co-opetitive relations causes that it is necessary to create next ones.

The above mentioned factors have a significant impact on competition and co-opetition relations among members of network structures. In a situation when competition relations begin to dominate, the network members are more interested in a mutual fight and atomization of the whole system. Thus, they will attempt to loosen their relations. On the other hand if co-opetitive relations become predominant, there is a danger that the network players will become solely interested in cooperation, which may result in their becoming satellites of their cooperating entities while heterogeneous resources will not be used in the best way possible over a longer time horizon\textsuperscript{18}.

The intensity of co-opetitive relations appearing in the network depends on the intensity of competitive and cooperative relations among its members. The intensity of competitive relations is connected with how frequently they occur among mem-

bers of a given network structure as regards the total number of possible competitive relations.

Research conducted by T.-H. Chien and T.-J. Peng has proven the consistency of dependence relations of intensity of co-opetition occurrence in the network on frequency of forming competitive and cooperative relations. In their research in the stimulator sector the members of the network competed to win tenders to produce simulators, which they did cooperating with each other within the framework of outsourcing agreements. Similar conclusions were drawn by S. Hertz and L.-G. Mattsson and also by Ø. D. Fjeldstat, M. Bercerra and S. Narayanan who indicated correlation of the growth of intensity of competitive and cooperative relations in network structures, which in effect have an impact on how intense co-opetition inside the network is.

It also should be noted that within network connections co-opetitive relations may cover a diverse area of the system. On account of diversity among members of the network, their character and importance, co-opetitive relations may cover connections specified in the definition of competitive cooperation. This implies that co-opetition may cover both the whole network as well as its part. Relations in Euros-mart are an example of fragmentary scope of co-opetition within network structures. Euros-mart is an association of a network character which gathers manufactures of the so-called smart cards, main suppliers (e.g. producers of chips, semi-conductors, magnetic sensors and biometric elements), academic centres and other organizations related to production or use of these cards. Due to significant diversity of Euros-mart members, two groups of intra-network relations can be observed, those among smart card manufacturers and their suppliers (diagram 1).

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19 The research mainly concerned identification of competitive and cooperative relations in the stimulator sector creating network structure in Taiwan. The network includes 13 firms (3 home-based and 10 foreign) which manufacture simulators for aviation (both military and civil), tanks and artillery, simulators of ships, nuclear power stations and computer war games to be used by the army. All network members compete among one another for completing a project for particular simulators and then cooperate within subcontractor agreements. The projects are sporadic but of considerable values (each worth some 3 million USD). Despite the necessity to have at their disposal a substantial fleet of machinery and specialized staff, most of the players are able to realize the project on their own. However, the cost of its realization will be significantly lower if competitors who have at their disposal specific resources (well-qualified and specialized staff, specialist equipment) are included. The research covered 22 contracts concluded in the years 1995–2002. T. – H. Chien, T. – J. Peng, Competition and Cooperation Intensity in a Network – A Case Study in Taiwan Simulator Industry, “The Journal of American Academy of Business” 2005, Vol. 7, No. 2, pp. 150–155.


Since there are competitive relations both between card manufacturers and also between their suppliers, the competing sides have decided to form co-opetitive relations, mainly to reduce the costs of operations, join forces for the benefit of R&D and introduce new technological standards and better diffusion of benefits resulting from cooperation.

Similar fragmentation of co-opetitive relations may be observed in clusters, a specific type of networks. In a geographically limited but multi-sectoral network system there may be a number of co-opetitive relations among companies which are connected by various relations characteristic of this type of networks.

**Inter-network co-opetition**

Inter-network co-opetition occurs mainly in conditions of strong competition for technological standards\(^2^2\). Both competitors and their suppliers, who within inside co-operational and co-opetitional relations create defined technical and technological standards, are participants of network systems. The network established in 1989 by a system of agreements among the following corporations: Nokia, Ericsson, Motorola and Psion known as Symbian OS\(^2^3\) provides a good example. This network

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\(^2^3\) In 2007 the Symbian network was formed by: Nokia (47,9%), Ericsson (15,6%), Sony Ericsson (13,1%), Panasonic (10,5%), Siemens AG (8,4%), Samsung (4,5%). Source: www.symbian.com.
structure was formed among others to develop standards in the field of cordless operating systems used mainly in mobile telephony.

The Symbian network competed against another network structure created around Microsoft Corp. Both network systems competed for technical and technological standards in the field of portable cordless operating systems. Competitive relations between both networks were directed at expanding the area of the standards they had introduced; to this aim they engaged new firms as next members of network structures.\(^{24}\)

In 2003 we witnessed cooperation between the competing networks in order to synchronise systems functioning in Symbian and Microsoft equipment. Thanks to the license agreement with Microsoft, mobile phones of the Symbian network producers may among others receive electronic mail and other personal data from Microsoft system (diagram 2).


\(^{24}\) In 2007 the Symbian network celebrated its successes as the leader on the market of cordless operating systems serving 71.1% of the whole market, while 6.6% fell to Microsoft. Nevertheless Microsoft is the world leader on the market of programming and other operating systems. Source: www.symbian.com.
Despite the agreement in the field of compatibility of data transmission systems, both networks remain in strong competitive relations. Similar co-opetitive relations among networks of innovators can be seen in pharmaceutical and biotechnology sectors as regards searching for solutions to such illnesses as cancer, AIDS, heart diseases or endocrinological, neurological and other illnesses\textsuperscript{25}. Inter-network co-opetition also exists in such sectors as chemicals, automobile, semi-conductors or telecommunications\textsuperscript{26}.

Co-opetition among companies in network systems may simultaneously appear at the level of intra-network relations and also among groups of firms. Competitors forming the network structure remain in co-opetitive relations. The Symbian consortium consisting of direct competitors, namely Nokia, Ericsson, Siemens AG, Samsung, Sony-Ericsson and Panasonic, is such an example. For its founders co-creating the Symbian network does not collide with performing strictly competitive activities. At the same time the network of companies may successfully compete for a customer against another constellation of firms. As regards relations with the network created by Microsoft Corporation, Symbian carries out the strategy of co-opetition.

**Conclusion**

Co-opetition in network relations among enterprises is an extremely complex phenomenon in contemporary economic practice. Multitude of factors influencing the character and dynamics of development of companies’ co-opetition and multilateralism of relations among parties cause that important cognitive barriers for this phenomenon appear. At the same time an analysis of forming co-opetition in network relations among enterprises points to faint recognition of competitive cooperation. It primarily results from insufficient theoretical and research exploration of both the co-opetition phenomenon itself and the process of forming network relations among firms. Recent research of different research centres in the world is fragmentary in character, if not partial. Dynamic development of network relations is becoming both the cause and the result of enterprises’ co-opetition. More and more firms function and grow within various network relations, which causes the necessity to consider co-opetition both in infra- and inter-network dimension. Moreover, creation and development of co-opetition, its diffusion within the framework of network relations have become an integral element of building and implementation of development strategies of companies – members of the system. Diversity of different


network types and variability of intensity of factors interacting within network relations result in a wide range of co-opetitive relations which require predetermined behaviour on the part of the involved parties. Therefore an urgent need for more profound research on the phenomenon of co-opetition in network relations arises, both in theory and application.

**Bibliography**


Abstract

In the contemporary business world co-opetition plays a significant role in the relations between competitors. Co-opetition occurs not only between two competing sides but also in network relations. It may develop both within network relations and also between whole network systems. In the intra-network co-opetition the position of the companies depends on several factors: number and importance of concluded relations, access to strategic assets (tangible and intangible) and status. Intensity of intra-network co-opetition depends on the intensity of competitive and co-operative relations among its members. The inter-network co-opetition emerges mainly in the context of fierce competition for technological standards (e.g., Symbian vs. Microsoft). Co-opetition between network systems of the companies may appear both at the intra-network and inter-network levels. Dynamic development of network relations becomes both the cause and the result of enterprises’ co-opetition.
1. Situation of Knowledge Management Systems in Polish Companies

In the Knowledge Economy, knowledge is the most valuable asset and the only source of sustainable competitive advantage. Increasingly what organizations know determines the degree of business success.

The question we need to face now is how to turn the vision into reality?

In the year 2004 KPMG consulting company has prepared the survey, which was than implemented in 121 organizations, which have shared their experiences in a field of Knowledge Management. Taking into account knowledge management’s importance in modern management and the evolving Polish marketplace, the subject justly deserves a full examination.

In the year 2008 there was another research conducted by KPMG. The main objective of the research was the comparisons of the state of knowledge in Polish companies in 2004 vs. state of knowledge of Polish companies in 2008. The part of data of KPMG reports have been verified by authors in Polish automotive industrial plants.

The KPMG reports have create 5 groups of awareness of knowledge (see figure 1) in Polish companies:
1. Knowledge Chaotic – There is no connection of strategic objectives of the company with knowledge management. The use of knowledge is accidental and informal.

** Justyna Sciborek M.Sc., Warsaw University of Technology, Poland.
2. Knowledge Aware – There are some experimental projects of knowledge management conducted in the company. Managers are aware of the need of more intensive use of knowledge in the company.

3. Knowledge Focused – It is easy to see the connection of procedures and tools used in knowledge management and the profits which the company has.

4. Knowledge Managed – Organization has implemented procedures and tools of knowledge management but still meets technological or the cultural barriers.

5. Knowledge Centric – Knowledge Management is an integral part of operational processes and the knowledge resources have a reflection in the companies’ values.

Figure 1. State of knowledge in Polish enterprises in 2004 vs. 2008
Source: elaborated by authors based on KPMG reports.

The figure 2 presents the level of implementation of selected Knowledge Management tools in Polish industrial plants.

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2 Ibidem.
Conclusions:

- Companies, which have implemented the computer system dedicated for KM and KM tools obtain better financial results measured by ROCE in comparison to those companies who haven't done it yet.
- Companies that have implemented KM systems have weighted averages ROCE about 4% higher than the competitors who haven't implemented KM systems.
- The companies who haven't implemented Knowledge Management systems are more sensitive in the connection of actual world economic crisis and its results. It will be also more difficult for them to reach an optimum when the crisis ends.
- Unfortunately over the 5 years after the first research, which was conducted in 2004 by KPMG, the level of Knowledge Management in polish big enterprises didn't approve in 2008, moreover it gets worse.
- Today over 70% of examine companies located in Poland are in the lowest level of knowledge usage.

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4 M. Strojny, *Knowledge Management in Poland 2008*, KPMG Research, op.cit.,
5 M. Strojny, *Knowledge Management in Poland 2004*, KPMG Research, op.cit.,
The majority of exanimate companies still doesn’t have the strategy of knowledge management and any formal praxis and procedures in the scope of knowledge management. Moreover the companies don’t use tools dedicated to KM.

The companies in Poland have quite big costs connected with ineffective way of use of knowledge resources and information’s. KPMG estimates that the loses are about 45 000 PLN for one employee per year.

Let see the two examples of polish enterprises, which have already implemented some KM tools, how KM is used in polish enterprises and what should be done to improve knowledge management sharing and knowledge management systems. One of the most important steps of improvements is creation of CKO position in order to improve whole KM system.

2. Knowledge Management in selected company – Company A

First the description of Knowledge Management in Company A, one of the biggest consulting companies in Poland has been done. It will be possible to compare:

- What more could be done to improve Knowledge management systems?
- Is Chief Knowledge Officer position needed?

First step to implement the KM in the Company A was the creation of the strategy, which has allowed making the changes in the organization. KM was implemented to:

- Improve the incomes and profits
- Improve the level of satisfaction by employees

The creation of KM system in the Company A consisted of the following steps:

- Dragging of awareness – showing how important is KM to the company and what can be reached by the implementation. Workshops for the employees to break the defiance’s for the change.
- Analysis of needs – Audit of Knowledge strategy – strategy planning has helped to define the opportunities and treats of implementing the KM
- Initiation – changes in the organization culture and implementation of new technologies connected with KM
- Measurement and Monitoring – of knowledge capital and intellectual capital

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6 M. Strojny, Knowledge Management in Poland 2008, KPMG Research op.cit..
8 Ibidem.
After two years Company A has created KM system. There were two main functions of this system:

- Conferences – exchange of knowledge and opinions, discussions
- Library – all data about customers, methodology, workshop materials

During the time of changes and implementation of KM there was a problem of opposition of employees to the change:

- Psychological barriers
  - Natural opposition to the change
  - Protection of own business and position and the misgiving of one way sharing of the information
  - Unwilling of having the additional work
  - Limited needs of self – development
  - Lack of initiative
  - Inability of winning the knowledge
  - Lack of courage to share the opinion
  - Anxiety of making a mistake and the consequences of it
  - Lack of courage to ask for a help are advice

- Technical barriers
  - Inability to use new technologies
  - Incomprehensible codification of knowledge and the freedom of interpretation
  - Overwork

- Financial barriers
  - Costs of education

What can be done to avoid all those problems or at least to cut down the consequences of them? During the time of changes, it is very important for the employees to get clear information’s what is going on. It is also quite advisable to let people participate in the process of changes. The creation of the position of Chief Knowledge Officer would be very recommended. It should be a person who would be aware of meaning of Knowledge Management but on the other hand this person would prepare the changes in such way to cut down the problems with employees.

Chief Knowledge Officer should be a person who can combine Knowledge Management with Human Resources Management. The role of CKO in the process of changes should be the role of coach, who will help people to understand the problem, who is able to prepare people to change their way of thinking.

CKO should also teach people to share the knowledge and to work in-group. His role is to make the knowledge from tacit to explicit. Also he should be able to estimate the training needs of employees.

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9 Ibidem.
3. Knowledge Management in Company B

Second company, which was investigated, was the Company B, which is a leading designer and manufacturer of high performance uncooled IR photodetectors and high quality optoelectronic devices\textsuperscript{10}.

The main competitive advantage of Company B is knowledge because its product is very complicated. The figure 3 presents the Knowledge Management structure in company B\textsuperscript{11}.

![Knowledge Management Structure in Company B](image)

**Figure 3. Knowledge Management in Company B**
Source: elaborated by autors based on A. Błaszczyk, J. Brdulak, M. Guzik, A. Pawluczuk\textsuperscript{12}.

It was easy to find the elements of Knowledge Management in Company B, which influence effectiveness of company activity and what comes with Human Resources management. Employees of Company B had much autonomy in their work. It was possible to share a knowledge, ideas about the rationalization of product or technology but it was impossible to store it. All ideas have been discussed on content – related meetings what give an opinion to the employee about his or her ideas. Such system causes creativity of employees. Strategy of the company is always discussed with the employees. Strategies of Knowledge Management in the company have been created on the strategy of whole company. What can be done to improve Knowledge Management Processes in Company B? As in Company A a creation of Knowledge Officer position can be very useful. First of all CKO this time can play a role as coach. For such company as B the most important thing is to have well educated employees, who are willing to develop and share their knowledge. The aim of CKO would

\textsuperscript{10} www.vigo.com.pl
\textsuperscript{12} Ibidem.
be to recruit such people, make a good motivation system and than create a information system to store the knowledge of the employees and to stop fluctuation of knowledge.

4. How to improve a Knowledge Management in Companies A and B?

All problems, which were described, can be solved by implementation of Chief Knowledge Officer position in those companies. The leader such as CKO can influence or manage an organization's culture. It isn't easy, and it cannot be done rapidly, but leaders can have an effect on culture and climate. Navas outlines some specific steps CKO can introduce:

- Leaders should pay more attention to form an organizational culture. Where people start to believe that the substance of a recommendation is less important than the way it is presented\(^\text{13}\).

  CKO as a leader of the group should show the meaning of Knowledge Management. It is said that, people try to behave in such way as the leaders do. The role of CKO would be to eliminate crisis and to help employees to understand the meaning of Knowledge Management.

- The important role of CKO in Company is deliberate modeling, teaching, and coaching.\(^\text{14}\) CKO as a coach has very difficult role to play. Changing mentality is almost impossible and it takes incredibly much time. On the other hand Knowledge Management can be implemented and can develop only if people want to share the knowledge and exchange experience.

- The CKO should design criteria for allocation of rewards and definition of employees status.\(^\text{15}\)

  Criteria for recruitment, selection, promotion, retirement and excommunication. One of the powerful ways of changing an organization's culture and climate is through the type of people brought into, retained, and advanced in the organization.\(^\text{16}\)


\(^{14}\) Ibidem.

\(^{15}\) Ibidem.

\(^{16}\) Ibidem.
5. The role of Chief Knowledge Officer in Polish companies

Polish companies should improve its Knowledge Management system. The most important point, which should be done is the introduction of the CKO position into the organizational structure in Polish companies in order to:

- limit of opposes to the changes
- train people to share the knowledge
- work out the path of training workshops for employees
- coordinate of fluctuation of knowledge
- prepare a system for information storing
- assure a better communication among employees
- increase in innovation, connected with knowledge exchange
- make more effective recruitment process, which is connected with management awareness’ about employees needed.
- coordinate of all employees ideas by using CKO position
- increase of employees potential; knowledge of others can lead to new ways of thinking.

It was shown that it is also very useful to find the best position for the CKO in the company structure. An aim of introducing CKO position in the company structure is to give him or her the autonomy. The Board should remember that the CKO is the person who should be incredibly creative, who is open and likes to work with people. The main role in the conception of CKO in Polish companies is to gain the knowledge from employees and capture it in the company structure and hopefully it will be done with the time in all companies.

Bibliography

Abstract

This paper presents the results of investigation of selected problems concerning Knowledge Management implementation and CKO position in different companies. The analysis is a result of several observations in polish enterprises and it has been supported by some information conducted by KPMG consulting company sources. The paper presents also a preliminary proposal of the characteristics of CKO position in polish companies and the role, which he has to play in polish enterprises according to the common organizational culture.

The findings of this research are following:

b) The most important problems related to KM in polish companies,
c) The problems related to the conception of CKO position in a company

The limitations presented in this research are following:

a) Knowledge Management is the concept developed in Western Countries and it seems difficult to implement in polish companies because of the different organizational and social culture of polish enterprises and labor.
b) The concepts related to Knowledge Management have been frequently misunderstood in polish enterprises because of poor employees training and educational program.

The future research will concentrate on the development of a methodology of implementation of Knowledge Management in polish companies.
Corruption immunity based on positive organizational scholarship towards theoretical framework

Introduction

This paper reveals a link between corruption and identity based on positive organizational scholarship (POS). Firstly, it explores the concept of corruption, after which the concept of positive organizational scholarship and identity shall be presented. Finally, the author concludes by building a frame of the organization’s immunity to corruption based on corporate and organizational identity.

Corruption is a widespread phenomenon that has existed from the earliest times and is prevalent everywhere, both in poor as well as in rich countries. It was Confucius who said that authority seduces human beings and that it ruins them (Łętowska, 1997). In the 1500-year-old Talmud, over 100 of the 613 commandments intended to regulate the daily conduct concern business and economic affairs (Ashforth, Gioia, Robinson & Treviño, 2008). Over two thousand years ago, Kautilya, the minister of a Hindu king, described this phenomenon in Arthashastra (cf. Lewicka-Strzalecka, 2001). In ancient Babylon and Egypt, corruption was prevalent within the judicial milieu. Furthermore, in the Greece of Solon and Pericles, the high level of public morality was a form of protection against the development of corruption (efficient systems of control of public persons were applied). In Rome, corruption affected province governors, owners of manufactories, leaseholders of mines as well as tax collectors. Bribers appeared in the deepest parts of hell described by Dante and

* Agata Stachowicz-Stanusch, Associate Professor Silesian University of Technology Faculty of Organization and Management Department of Management and Marketing.
Shakespeare also indicated venality as the aspect of human nature. The temptation of bribery that the organizing committee was faced with also influenced the localization decision of the Winter Olympic Games in 2002 to be held in Salt Lake City. It is also present among members of the European Commission. In the 1990s, corruption was also the cause of collapse of the governments of Italy, Brazil, Pakistan and Congo Democratic Republic. It was also the reason for the dismissal of President Suharto from Indonesia. The list of such international examples is endless and many can be found also in the Polish\textsuperscript{1} field. However, despite corruption being a timeless temptation and everywhere prevalent, its level and scope are very diverse. The omnipresence of corruption – its apparent or true-totalitarianism – is linked to its wide variety of forms. Corruption can be compared to a virus or bacterium, which is immune to various remedies, occurs in untypical places and takes various forms. However, the medical metaphor which compares corruption to cancer seems more pertinent. This metaphor is derived from the fact that like cancer, it takes on many different forms and often leads to the destruction of the entire organism in which it develops; however, there are instances where it can be overcome and prevented.

The notion of corruption is hard to define as it can be analyzed on different levels and its variants have been studied across a number of disciplines, including psychology, sociology, economics, law and political science with the use of a variety of theoretical perspectives. These perspectives include principal agent models, social networks, ethical decision-making frameworks, models of corporate crime and normalization of corruption (see: Pinto, Leana & Pil, 2008). While these various approaches have provided a rich body of literature on corruption, such diversity has also made it difficult to generate testable hypotheses regarding the nature, antecedents, and consequences of corruption (Simpson, 1986). According to Ashforth \textit{et al.} (2008) corruption is associated with unethical behavior, antisocial behavior, dysfunctional deviance, organizational misbehavior and counterproductive work behavior. Following them, “corruption implies a willful perversion of order, ideals, and perhaps most importantly, trust” (Ashforth \textit{et al.}, 2008: 671; see also: Mallinger, Rossy & Singel, 2005; Stewart, 2007; The Hungarian Gallup Institute, 1999). Corruption in literature is considered in relation to existing models of negative organizational behaviors or focuses on static individual traits and behaviors along with various factors (individual, interpersonal and group-level) that influence them. Moreover, corruption is characterized dually – as a state (due to it being attributed to individual predispositions) and as a process (because corrupt behavior can spread to other individuals, aggregate into collective conduct, transform into a characteristic feature of particular organizations, become systemic and “infect” entire industries or even nations).

\textsuperscript{1} An analysis of corruption in Poland will be presented in the further parts of the paper.
Management scholars have examined corruption on individual and organization levels (see: Pinto et al., 2008). The individual analysis level associates corruption with individuals or small groups and the factors influencing them are the following predispositions: lack of integrity (Frost & Rafilson, 1989), moral identity (Aquino & Reed, 2002), self-control (Marcus & Schuler, 2004), empathy (Eisenberg, 2000), low levels of cognitive moral development (Treviño, 1986) or even a diagnosable psychopathology (Babiak & Hare, 2006; Bakan, 2004; Levine, 2005). Nevertheless, these factors can also be understood in a wider sense as the limits of human cognitive capability and information processing capacity (that results, e.g., in the failure to recognize the moral nature of situations or the human tendencies to disengage moral standards (Ashforth et al., 2008). Moreover, the above factors not only influence individual behavior but also that of the entire group and organization (or on a higher level, even that of the whole system) and have an impact on the behavior of particular person (resulting from the processes of social learning and information processing as well as of unethical organizational climates and cultures) (Ashforth et al., 2008).

The most characteristic for the individual level are not only the objectives of those who are involved in corrupt acts (as particular agents may act individually on behalf of an organization and engage in corrupt practices even if they do not directly benefit from them), but the limitation of analysis with the lack of linkages between individual corrupt behaviors and corrupt networks, systems and environments. The internal locus of attribution suggests that corruption can be eliminated only if organizations can uproot and remove corrupt individuals (Ashforth et al., 2008).

Taking into consideration a wider insight into corruption, it is obvious that it is influenced not only by actions of the members of an organization but also by organizations as a whole – their culture (norms and values), systems and structures, as well as stakeholders or networks within which the organization operates. According to assumption that better systems will produce better behavior, organizations have begun to develop formal systems designed to prevent unethical and illegal behavior – systems including senior executive oversight, codes of conduct, communication and training programs, anonymous reporting systems and clear disciplinary measures for misconduct. Although such formal systems can help prevent unethical behavior, research suggests that they can also be easily decoupled from the organization’s daily life (Ashforth et al., 2008). Organizations can adopt a “check-off” approach. Therefore, a formal ethics infrastructure does not guarantee a corruption-free organization. Thus, what is required? How can we build an organization’s immunity to corruption?

The organizational approach explicitly attends to how corrupt practices and activities become institutionalized within organizations – becoming “part and parcel of everyday organizational life” (Brief, Buttram, & Dukerich, 2001: 473). The organizational behavior perspective indicates that corrupt behavior within organizations
is strongly influenced by situational factors. Depersonalized roles in particular have become the reality of organizational life, hence, corrupt actions can become institutionalized in situationally defined role identities. Identities strongly influence and motivate behavior, including ethically significant behavior, thus, people who are normally well-meaning, can end up engaging in corruption while fulfilling their organizational roles (Misangyi, Weaver, & Elms, 2008).

Organizational behavior research suggests that corrupt or unethical behavior in an organization can be reduced or eliminated by cultural change within organizations that involves both formal and informal elements. On the other hand, the difficulty of stopping corrupt activities that have become embedded within daily routines have lead some scholars to suggest that corruption “is best handled through prevention” (Ashworth & Anand, 2003: 39) and identity is perceived as an important factor in preventing corruption.

Positive organizational scholarship (POS) – the treatment for pandemic corruption in an organization

Having analyzed the presented material from the research on corruption on the individual and organization level, it is possible to conclude that focus has been restricted to discovering intra-organizational and human factors that generate unethical and corrupt behaviors for too long within the management sciences, especially within organizational behaviors. Too much energy has been spent on researching the possibilities of controlling, preventing and combating corruption. Nevertheless, it cannot be denied that the results of such studies have made an undeniable and invaluable contribution to understanding corruption, discovering its mechanisms, types and dimensions, etc.

However, looking at the practice of management and the numerous corruption scandals in this field as well as research results, it cannot be definitely stated that it is known how to prevent corruption, especially better and more efficient prevention. Some scholars have even suggested that current managerial theories actually contribute to unethical practices (Ghoshal, 2005). Positive organizational scholarship can suggest ways of addressing such problems and perhaps preventing them; organizations grounded in virtuous and ethical actions fostered by individuals and collectives may be less vulnerable to corruption (Dutton & Glynn, 2008).

Hence, the very process (phenomenon) of corruption cannot be changed but the perspective from which it can be observed and studied can be altered and greater effort can be made to understand and strengthen an organization’s immunity to the global pandemic of corruption.
It can be asserted that a better and more accurate perspective of research on corruption prevention precisely constitutes positive organizational scholarship. Like the “old” institutional theory, which focused on the value-based aspects of leading and organizing (Selznick, 1957), positive organizational scholarship takes a normative stance and returns to core questions about how organizations can be sites of human and collective flourishing. Positive organizational scholarship is a broad framework that seeks to explain behaviors in and of organizations. It focuses explicitly on the positive states and processes that arise from, and result in life-giving, optimal functioning or enhanced capabilities or strengths. The core aspects of the positive organizational scholarship perspective are: 1) concern with flourishing; 2) a focus on the development of strengths or capabilities, and 3) an emphasis on the generative, life-giving dynamics of organizing (Dutton & Glynn, 2008).

The emergence of the positive organizational scholarship perspective in the early 21st century can be explained by a number of factors, including an observed shift of applied social sciences away from deficit-based to more strengths-based approaches, a return to organizational fundamentals and optimism in the wake of highly visible and significant organizational scandals, notably that of Enron, and focus on healing, compassion, re-engagement, resilience and hope in the face of tragic events like 9/11 (Dutton & Glynn, 2008).

This new approach to organizational science has been inspired by many intellectual disciplines including appreciative inquiry (Cooperrider & Srivastva, 1987) and community psychology (Jahoda, 1958). Positive organizational scholarship also reinvigorates ideas from humanistic psychology (Maslow, 1968) that laid the foundations for the field of organizational studies as well as classic organizational theory (Weick, 1979) with its emphasis on the inherently social, contextually-embedded and dynamic processes and structures associated with states and activities of and in organizations.

However, the most widespread influence comes from positive psychology. Both positive organizational scholarship and positive psychology urge scholars to focus not only on improvements from “negative” states (such as illness or corrosive relationships) to normal states (such as mental health and helpful relationships), but also from normal states to extraordinary ones (such as thriving and life-giving relationships). This shift in explanatory focus from negative→normal towards normal→positive reflects a common concern that current theories are limited by a focus on explaining how individuals, groups and organizations move from below normal to normal states, which may be very different from explaining how individuals, groups and organizations move from normal to above normal, or positively deviant states (positive deviance as above normal, extraordinary states that are good, honorable, or virtuous). In broad terms, positive organizing refers to generative dynamics in and of organizations that enable individuals, groups and organizations on the
whole to flourish. Focusing on the positive does not mean excluding the negative (Walsh, Weber, & Margolis, 2003). It is clear that negative forces are not excluded in the study of positive organizational scholarship.

On the organizational level, flourishing may be indicated by creativity, innovation, growth, resilience, thriving virtuousness or other markers indicating that a collective is healthy and is performing on an “above normal” or positively deviant range. Positive organizational scholarship also focuses on the development of individual, group and collective strengths that represent forms of individual and collective excellence. A positive organizational scholarship directs attention to generative (e.g. life-building, capability-enhancing, capacity creating) dynamics in organizations.

Therefore, the dynamics of positive meanings assist in explaining how individuals, groups and whole organizations construct and institutionalize meanings that facilitate the functioning of individuals (in their work as a vocation, changing their relationships with work colleagues, emphasis on positive distinctiveness of social group membership) (Roberts, 2005) and collectives (as shared positive meaning, built, e.g., around collective valuing of the whole person and the valuing of expressing one’s humanity help explain the activation and mobilization of compassion). Cultivating positive meaning about the self in organizations can direct people toward more optimal states of functioning and can be a collectively shared construction among unit members that foster flourishing. It can also alter the connection between people, provoke positive emotions and foster interactions that elevate functioning and capability (Dutton & Sonenshein, 2007). Moreover, research on individual and organizational identities lends further evidence on the impact of positive meaning on flourishing and strength-building. Through positive identity, people are able to construe possible selves in ways that foster the accomplishment of tasks, motivate and enable desirable career progression. Composing a positive identity is argued to foster well-being by better equipping people to socially construct jobs and situations to better fit their strengths (Dutton & Glynn, 2008).

On the other hand, interest is apparent in organizational identity literature on how the attractiveness of an organization’s identity impacts outcomes such as levels of employee commitment and cooperation (Dutton, Dukerich, & Harquail, 1994). The positive meaning that organizational members impute to their collective can foster certain forms of flourishing by heightening levels of cooperation. Organizations also impute positive meaning through a statement of “corporate purpose” that integrates business and social needs so that it places the organization in its own environment, among its stakeholders. A statement of corporate purpose is a powerful message for employees and customers – this is who we are and what we stand for.

Furthermore, the dynamics of positive emotions are keys to understanding human flourishing in and of organizations as they refer to shorter-term states of felt
activation of individuals or collectives that are associated with “a pleasantly subjective feel” (Fredrickson, 1998). Hence, studies directly and indirectly support the idea of the effects of positive emotions on creativity (Amabile et al., 2005), patterns of group interacting in problem solving tasks (Rhee, 2006) and levels of cooperation in negotiation (Carnevale & Isen, 1986).

Positive organizational scholarship also involves positive relationships between people that are marked by mutual, positive regard, trust and vitality, it focuses on such relationships and their functions (e.g. task accomplishment, career development, sensemaking, provision of meaning and personal support) and has unearthed possibilities for explaining different forms of flourishing in and of organizations (Dutton & Sonenshein, 2007).

Looking at the organizational immune system from the positive organizational scholarship perspective it can be suggested that this is the proper way to prevent corruption in an organization. The hope is held that organizations, which manage their positive identity, and have been grounded in virtuous and ethical action by individuals and collectives can be less vulnerable to corruption (Cameron, 2003; Sonenshein 2005).

An increasing interest in values has been observed over the last decades among researchers examining organizations as well as among the employees of organizations. The existence of “core values” or “common values” that can be identified is a characteristic of an organization which has achieved success (Peters & Waterman, 1982; Collins & Porras, 1994; Geus, 2002; Jacobs & MacFarlane, 1990; Kotter & Heskett, 1992). Such were the key elements of organization management (Anderson, 1997; Blanchard & O’Connor, 1997; Stachowicz-Stanusch, 2007; Nohria & Ghoshal, 1994) as well as the source of a high level of organizational involvement and individuals’ morality (Kristof, 1996; Posner, Kouzes, & Schmidt., 1985; Turnipseed, 1996).

Nowadays, virtues have become topics of serious thought and examination among organizational researchers and progressive companies that are exploring their role in creating new, more holistic, healthy and humane work environments (Manz, Cameron, Manz, Marx, 2008). The concept of virtue has been defined in a variety of ways in literature on the subject but mainly as a link to meaningful life purpose (Becker, 1992) or as a principle that ennobles human beings (Eisenberg, 1990). For example, in early Greek culture virtue was associated with personal health and flourishing (Nussbaum, 1994) and everything, which leads to health, happiness, transcendent meaning and resilience in suffering (Ryff & Singer, 1998). Virtue has also been defined as an attribute of personal character and possesses cognitive, affective, volitional and behavioral characteristics (Peterson, 2003). Virtuousness can be understood as internationalization of moral rules that produces social harmony (Baumeister & Exline, 1999) and can be examined as a study of capacity, attributes
and reserve in organizations that facilitate the expressions of positive deviance among organization members (Cameron, 2003). Virtuous organizations “move individuals toward better citizenship, responsibility, nurturance, altruism, civility, moderation, tolerance, and work ethic” (Seligman & Csikszentmihalyi, 2000: 5). Many researchers have reported (see: Cameron, Dutton, Quinn, 2003; Manz et al., 2001, 2003, 2004, 2006) that virtuous organization leads to the development of human strength and healing, cultivates extraordinary individual and organizational performance; leads to flourishing outcomes and the best of the human condition; and fosters and enables virtuous behaviors and emotions such as compassion, forgiveness, dignity, respectful encounters, optimism, integrity as well as faith, courage, justice and wisdom.

Managing Positive Corporate and Organizational Identity

The ways of considering the question of identity in relation to organizations are various and research on it may be conducted on different levels: particular entity (being a member of an organization), social groups (which constitute organizations) or the whole organization (Brown, 2001). Nevertheless, numerous authors have drawn analogies from some of the concepts used to describe humans to endow organizations also with identity by drawing generally from psychology in the application of metaphor analysis. Such analysis is used in order to describe complex ideas and abstractions in a more comprehensible terminology, as well as for conjectural reasons (Vella & Melewar, 2008). However, disadvantages of the metaphorical approach have also been found as using human and social psychology for explaining organizational science may create distortions in views and limit understanding.

Hence, J.P. Cornelissen (2006) suggested classifying various approaches to the metaphor of “organizational identity” and distinguished six basic research traditions: organizational communication, organizational behavior, cognitive framing, institutional theory, discursive psychology, and social identity. For this arrangement, three dimensions were used, such as language (extent to which organizational identity is determined by the language used by organization members), behavior (extent to which shared values, used practices or existing artifacts constitute coherent organizational identity) and cognition (extent to which the way of perceiving an organization by its members influences the organizational identity).

These research traditions do not necessarily appear in their basic shape as practice researchers often tend to combine different approaches.
Moreover, the metaphorical analysis of the identity of an organization gives rise to a certain confusion among researchers. It is therefore necessary to make a distinction between notions like organizational identity, corporate identity as well as corporate identification.

Sustainable, competitive advantage, as the Holy Grail in strategic management and practice may be built by managing how an organization is perceived as well as its corporate identity as a holistic construct enveloping most salient aspects of organizations is an important avenue to achieve this (Vella & Melewar, 2008). Corporate identity is a distinctive and defining characteristic of an organization. It is an expression of the organization’s sameness, distinctiveness and centrality that is rooted and most evident in the behavior and verbal reports of organizational members (Rafaeli, 2000; Gioia, Schultz, & Corley, 2004; Hatch & Schultz, 2004; Elsbach & Kramer, 2004). Albert and Whetten (1985) argued that the distinctive features of an organization are characterized by those organizational attributes that are central (central character), distinctive (key differences) and enduring (the unchanging nature of an entity) (Balmer, 2008; Stachowicz & Stachowicz-Stanusch, 2008).

Later, empirical studies (Stachowicz-Stanusch, 2004) found that organizations that have survived for long and outperformed their competitors have a homogeneous and intense identity, which at the same time is complex and abstract enough to survive over time. Corporate identity has to be simultaneously loose and tight coupled for it to survive long and can be a source of competitive advantage (Jeyavelu, 2006).

Discovering and defining corporate identity management makes general statements about the central characteristics (core values) of an organization. These characteristics constitute the set of meaning that management wants employees to use in viewing, describing and relating to an organization. The key differentiation between organizations lies not in the general core values statement (many companies have very similar or nearly the same core values) but in the effectiveness of transmitting the chosen corporate identity to employees and other stakeholders. The instrumentarium for corporate identity and management of transmission to employees and other stakeholders is Management by Values (MbV).

Management by Values is a process of managing corporate identity and transferring the organization’s core values from one management generation to another by taking over responsibilities resulting from core values and their protection in the name of and for the benefit of the organization and its members through their institutionalization in a morally positive manner (Stachowicz-Stanusch, 2007). The development of particular phases (stages) of Management by Values has been presented in Table 1.
Table 1. The characteristics of Management by Values process phases

<table>
<thead>
<tr>
<th>Management by Values phase</th>
<th>Phase component</th>
<th>Characteristics</th>
</tr>
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<tbody>
<tr>
<td><strong>Discovering core values</strong></td>
<td>Description of core values</td>
<td>Values should be discovered by the owners, senior management, managers of organizational units and employees. The discovered values should be: authentic, shared, constant, few, guaranteeing the development of individuals and the organization</td>
</tr>
</tbody>
</table>
|                           | The definitions of behavior | • the organization level  
• the organizational unit level  
• the employee level |
|                           | Formulating the declaration of core values | The definitions of desirable behaviors should concern the organization level, the organizational unit level, and the employee level. The declaration of core values refers to customers, shareholders, local communities as well as partners. It should be clear, fascinating, triggering pride among the employees, arousing interest  

The recipients of messages concerning core values are: employees, customers, shareholders, local community, as well as partners. The communication tools include: declaration of core values, involvement of top management, language, internal publications (posters, newsletters, brochures), myths, stories, tales, culture patterns and models, symbolism (architecture, physical, status symbols) |
| **Development of core values** | Communicating core values | Involves:  
• Creating organizational structure with clear division of responsibility and power for the implementation of a given core value  
• Creating standards for the purpose of measuring the degree of core value implementation in each activity of the organization  
• Creating systems for the purpose of achieving a high level of core value implementation in order to regularly monitor the degree of core value implementation.  

Comprises:  
• Recruitment (cultural adequacy of a prospective employee)  
• education (brochures, letters, recording company history)  
• training (teaching competency skills indispensable for the implementation of particular core values)  
• explaining core values (declaration of core values, formal and informal talks, training and informative programs, audio-visual materials)  
• motivating (formal rewards – promotion, bonuses, informal rewards – praise, letters of recognition, certificates, diplomas)  

Regular monitoring of core value implementation level through checking compliance between employee behaviors and the behavior patterns assigned to core values |
|                           | Implementing core values | Supplementing core value sets or changing their definitions that result from e.g. a merger, alliance, changes in the organization environment, development, organization expansion, the atmosphere of distrust and hostility, cynicism and pessimism inside the company |
The objective of positive corporate identity management (through Management by Values) is to acquire a favorable corporate image and consequently a positive organizational identity among employees so that, in the long run, this can result in the acquisition of a favorable corporate reputation, which leads to employees displaying positive behavior toward the organization (Vella & Melewar, 2008) as organizational identity can influence individual behavior but also individual behavior can influence the organizational identity (Huemer, Becerra, & Lunnan, 2004).

Mark Twain once said, “It is curious that physical courage should be so common in the world and moral courage so rare” (Lennick & Kiel, 2005: 214).

The development of corporate identity as well as its effective Management by Values, does not guarantee an organization to be free from corruption and unethical behaviors. Numerous cases of vulgarization of this process (sects, mobs) are known from managerial practice. Undoubtedly, core values may be cultivated in a morally negative, neutral as well as positive way.

Dutton et al. (2008: 242) say that employees who identify strongly with the organization have a close psychological attachment that results from “adopt[ing] the defining characteristics of the organization as defining characteristics for themselves.” Because an individual’s self-definition is closely tied to his or her perception of the organization’s definition, the avoidance of action that is deleterious to the organization, such as corrupt behavior, is a matter of self-identity preservation. I should note, however, that if a member perceives the interest of the organization to diverge from those of outside stakeholders, strong identification may more effectively control corruption against rather than on behalf of the organization – a consequence included in descriptions of the “dark side” of organizational identification (Lange, 2008).

The formal, ethical infrastructure as well as its external mechanisms, cannot protect a company from corruption. Each regulation, formal system, as well as knowledge itself, has its limitations. Within the process of ethical and moral decision making (behaviors of an individual and organization) and beyond those limitations, there is only and as much as a human being with his/her knowledge experience, character, value system, moral and social intelligence, etc. Hence, it can be supposed that in order to manage the positive identity of an organization, emphasis should be placed on the company’s morality development (through moral competences development of managers and employees and a high level of implementation of the Managing by Values process) as well as on responsibility and respect toward the law and external regulations. No institutional reforms or internal infrastructures and systems will guarantee a good, moral and law-abiding state or company. The wrong culture as well as the wrong customs will pervert even the best institutions or systems sooner or later. The problem is that, despite it being relatively easy to change, improve or correct the infrastructural dimension of an organization, it is hard to reduce the risk caused by the human factor as it has its roots in culture. Although the culture of a company is
resistant to changes, it is imperative to try to do this because despite the diagnosis of a contemporary corporation by J. Bakan (2004), good people are able to change bad enterprises but they need to possess the capacity and skills to do so. It appears that corruption and scandals are not caused by lack of intelligence but by lack of wisdom or virtue (Tang, Chen, & Sutarso, 2008: 258).

Honesty, a willingness to do the right thing and rules assimilated at home or at school alone are not sufficient to make proper moral decisions. Predicting which actions shape economic and social order and to what degree not only depends on moral sensibility and intuition but must also be based on sound knowledge (Lewicka-Strzalecka, 2008) or on managers' own experiences (Mintzberg & Gosling, 2002).

We cannot assume that a manager will shape his/her capabilities only in relations with family or friends. The role of education on the academic level is also crucial as this is where the future manager, apart from gaining abilities to create business plans and balanced scorecards, should also form his or her moral, social and emotional competences. Hence, for over 10 years the role of various kinds of intelligence used in enterprise management has not been declining but has been strengthening, as can be seen on the example wherein three international conferences (Spain, United Kingdom, Republic of South Africa) were organized in 2007 during which leaders of global corporations (such as American Express or Hewlett Packard) presented their achievements in measuring, developing and managing moral and emotional intelligence (Gardner, 2001). A contemporary manager is not only an expert, but he or she's rather a wise person, who is not only mentally efficient but who is also able to distinguish between good and bad solutions since wisdom is highly connected with the ability to perform an accurate appraisal of what is possible, desirable and what is not appropriate. Hence, it can be may concluded that wisdom as an individual characteristic is the capability to accurately recognize correct values and to conduct, in accordance with them, the process of searching for the best solutions (Nęcka, 2003).

The most important skills for our collective sustainable well-being are moral competency skills; skills that allow us to honor the moral principles of integrity, responsibility, compassion and forgiveness.

Capitalism is not fundamentally an immoral and selfish system. It has been and may continue to be a flourishing economic system provided that people abide by the rules. What rules?

Adam Smith's rules are as follows: “Tell the truth. Keep your promises. Be responsible for your actions. Treat other as you would like to be treated – with compassion and forgiveness” (Lennick, Kiel, 2006: 11). And be wise.

Only under such conditions will a manager be able to develop the positive corporate identity and cultivate core values in a morally positive way as well as effectively manage the organization with the aid of Management by Values.
Positive corporate identity is communicated through Management by Values to employees and other stakeholders. The critical point for the future ethical and legal behaviors of employees as well as of the whole organization is the way of interpreting the behaviors and actions of an organization by its employees.

As pointed out before, organization identity largely refers to how members perceive, think, and feel about their organizations and is “assumed to be a collective, commonly shared understanding of the organization's distinctive values and characteristics” (Hatch & Schultz, 1997). Organization identity is built by employees as a meaningful relationship between them and the organization in order to answer the questions of “who we are” (Vella & Melewar, 2008), while corporate identity is a managerial viewpoint and signifies the role of management in discovering, developing and communicating the vision, core values, mission through a Management by Values process. Thus, “managers must expose and present these elements effectively to all organizational members (corporate identity) while attuning themselves closely to how all members perceive, think, feel and behave towards their organization (organizational identity)” (Vella & Melewar, 2008: 4). Indeed, it can be stated with conviction that the way employees interpret the organization's behaviors influences their tendency to positive, ethical and legal behaviors through their positive organizational identity and positive identification.

Making sense of what an organization represents or cares about is never an easy task. Organizations are complex organisms with rich histories and diverse activities that challenge the members’ capacity to make meaning out of what the organization does and why it matters. Organizations behave and act in a specific way and members punctuate and interpret its actions to better understand their organization. One way in which members infer what an organization stands for is by parsing and interpreting organizational actions in response to specific events. Interpretations of organizational actions modify how members conceptualize the organization. Members interpret organizational actions based partly on their interpretation of the kind and degree of virtuousness of actions. “Virtuous organizational action” is the perceived exercise of collective behavior that indicates the organization is following core values that lead to some form of moral or ethical betterment (Rhee, Dutton, & Bagozzi, 2006: 3). Organizations vary in the virtuousness of their actions and these organizational qualities make a difference for financial performance.

There is evidence to suggest that positive organizational identity and members' identification with and attachment to their organization partly result from the perceived virtuousness of organizational actions. In other words, if an organization conducts in accordance with its core values (walking the talk), and its behaviors are perceived by employees as humane, just, courageous (see: Solomon, 1993; Cropanzano, Byrne, Bobocel, & Rupp, 2001; Worline, Wrzesniewski, & Rafaeli, 2002), it influences their positive organizational identity (positive meaning that organizational
members impute to their collectives), which results in an increase of positive behaviors towards the organization’s positive word of mouth recommendations, an increase of ethical and legal behaviors of employees and of positive emotions of organization members and in the virtuous self-constructs of members (Rhee et al., 2006; Houghton, Gabel, & Williams, 2008).

An organization’s action is “walking the talk”, while the positive corporate identity (core values) involves cultivating and managing by the Management by Values process in a morally positive way. Organizational action is humane when it involves helping and caring oriented toward organizational members or a larger society, through which they feel the worth of their existence and takes place when the organization treats its members with a dignity and respect that is based on moral and ethical reasoning. Moreover, courageous organizational action is one voluntarily taken by the organization in pursuit of “what is right” regardless of the risks it faces, which brings social well-being and moral betterment (Rhee et al., 2006).

When an organization is characterized by the attributes described above, it has met all the conditions for it to be able to build an effective immune system to combat corrupt behaviors.

The main purpose of the paper was to attempt to answer the question: How to increase immunity to corruption?

The answer propounded in this study is that connecting organizational identity with positive organizational scholarship constitutes the key to understanding and building the respective system. The presented research draws from research on identity and positive organizational scholarship to argue that an organization can build effective immunity to corruption through developing and consequently managing positive corporate and organizational identity, which creates the moral frame for legal and ethical behavior of the organizational members and of the organization itself.

Figure 1, presented below, reveals the posited the model of an organization’s immune system capable of protecting against corruption based on positive corporate and organizational identity.
Corruption immunity based on positive organizational scholarship...

Figure 1. Conceptual framework for organization’s immunity to corruption based on positive identity

Source: Author’s study

Environmental foes, industry identity, rational culture, professional subculture, market conditions

cultivating core values in a morally positive way

Management

Positive Corporate Identity

delivering

delivering

Employees

Positive Organizational Identity

increase

Members’ positive emotion

members’ virtuous self-constructs

Members’ virtuous behavior

a tendency to positive moral and ethical behaviors

Positive Corporate Identity

high level of moral intelligence
- honesty
- responsibility
- empathy
- forgiveness
- wisdom

discovering core values as a symbolic construction for corporate identity

Management by Values

development of core values
institutionalization of core values
redefining core values

increase

positive meaning (members—collectives)

interpreting organizational behaviors as
- walking the talk
- humanity
- justice
- courage

Organization’s flourishing (creativity, innovation, growth, resilience = positively deviant state)
Conclusion

As presented in the paper, consequent management of positive corporate and organizational identity through management by wisdom and moral intelligence can create the frame for immunity to corruption (Tang et al., 2008).

Productivity and profit are consistent with virtuous behavior. Therefore, the author strongly believes that the combination of positive corporate and organizational identity (created by interpreting organizational actions as virtuous), with positive leadership can instill values, meaning and purposes in organizational life and help managers know they are not just the “cutting stone” but the “building cathedrals” in a process of organizational immunity to corruption. The road to organizational immunity to corruption is a very important but also a slow process, as in the example of the Cathedral of Notre Dame in Paris, it took 182 years to build this structure (Tang et al., 2008).

Thus, strong core values, goals and action plans are imperative and the combination of “head”, “heart” and “soul” will constitute the groundwork for competitive advantage in business world.

Bibliography


Management education as a corruption mitigation tool

Unquestionably, alleviating the severe economic consequences of corruption for society is a contemporary critical issue; though impending global crises also stem from other sources such as a neglect of ecological sustainability (Wankel & Stoner, 2008; Stoner & Wankel, 2008) and the growing economic divide of rich and poor nations (Wankel, 2008; Stoner & Wankel, 2007). Organizations and society recognize that corruption in business must be mitigated. This realization leads employers to demand that business schools meaningfully train students in ethics. However, the perception that business school curricula still do not adequately cover ethics is widespread even among leaders of business schools (Nicholson & DeMoss, 2009).

Yet it is clear that many business schools around the world are not grounding their curricula on a foundation of ethics (Krehmeyer, 2007). Rather, it has been found that fifty-six percent of MBA students reported having cheated in their classes (McCabe, Butterfield, & Treviño, 2006). Such unethical behavior when brought by graduating students into business has affects all other parts of society profoundly (Shin & Harman, 2009).

As MBA programs proliferate, the emphasis on integrating ethics education into graduate business curricula actually is diminishing. Cornelius et al (2007) suggest this is because MBA programs are reducing the number of required courses to be more competitive, and ethics happens to be one of the key casualties. Also, the

* Charles Wankel, Ph.D., Associate Professor of Management, St. John’s University, New York; Honorary Vice Rector of the Poznan University of Business and Foreign Languages.
stakeholders of business schools seem to be accept superficial inclusion of ethics in degree programs rather than plumb more deeply to assure that it is meaningfully and thoroughly included. There is an inadequate number of faculty in business schools as they exist qualified to skillfully incorporate ethical issues into their teaching. That is, many case studies have ethical implications that might not be focal in the mind of functional experts who might focus marketing or financial or economic or strategic issues to the determent of importantly bringing in ethical ones. Indeed, Cornelius et al (2007) found that business faculty include ethical dimensions of the course topics only to a meager extent in their curricula and largely do not restructure their courses to make ethical implications integral to the courses.

Business students are generally not brought to see that in their careers their might well be a connection between ethical business behavior and success for themselves and their businesses (Luthar & Karri, 2005). Maintaining the moral high ground in intensively competitive markets has been found to be mired in many difficulties when consumers and suppliers, as well as competitors, are very proactive (Grant, 2008; Hosmer & Bordelon, 2006; Henderson, 2007).

The myopia and corruption that ultimately led to the global recession sparked by ethically untenable actions in American financial institutions at the end of the first decade of the 21st century (Peters, 2009) is but one additional indicator of this need (Sauser, 2004). Unfortunately, research has confirmed that business students have a propensity to engage in unethical behavior, greed, and Machiavellianism (Tang, 2008). Many business students predicate their orientation towards acting unethically on the misguided perception that doing so is in harmony with the norms of their peers (Wilson, 2008). Therefore, changing these norms while they are still in the group situation of a business degree program might be wise. The openness to value change of business students in the post-recession moment should be seized as a time for realignment of ethical values of their cohort. The more streamlined organizational situations that graduating students might enter with lower than previous profitability levels might be in businesses more receptive to reducing their involvement in corruption (Campbell, 2007). Although not everyone believes that ethics is something trainable, it is imperative to attempt to do so (Colson, 1999).

**Integrating ethical dimensions into business curricula**

Organizations and societies recognize that ethically and socially responsible behavior is a crucial underpinning of good business practice. This realization is leading employers around the world to expect and demand that business schools train students in ethics and social responsibility. Research, however, is mixed on how well
business schools are responding to these pressures. Nicholson & DeMoss (2009) assessed the perceptions of curriculum coordinators (e.g., department chairs, program administrators) on the level of inclusion of ethics and social responsibility in specific business programs and majors. They found that there is a perceived deficiency in the degree of integration of business ethics and social responsibility into various business disciplines. Christensen (2007) found that 84% of top MBA programs require an ethics component in their curriculum. Many of them have it as a stand-alone course or one combined with sustainability issues. Other leading business programs apply ethics and social responsibility issues across their curriculum. Ethics education is migrating from being in a course focused on related issues to being integrated across the undergraduate and graduate curricula (Cornelius, et al, 2007).

One approach is to integrate business ethics only into the core functional courses rather than all courses in a program. This has the advantage of limiting the number of faculty instructors who need to be mentored in teaching ethical issues (Baetz & Sharp, 2004). Of course, there is a literature on ethical issues associated with each of the functional areas taught in business schools. For example, there is a large literature on ethical issues associated with managing information technology. This suggests that it might be best to provide training in incorporating ethical dimensions into teaching by department, rather than have a one-size-fits-all school-wide instructional training program (Taylor, Moynihan, Mcwilliam, & Gresty, 2004).

## Role models and authority figures

Students at undergraduate and graduate levels need to emulate the positive, constructive behavior seen in their role models and authority figures. In order to do so, they need to observe faculty members consistently engaging in trustworthy behavior. It is counterproductive to see faculty members employing unethical behavior, such as: not keeping their posted office hours, being arbitrary and subjective in grading assignments, slighting their teaching responsibility in favor of private consulting, gossiping to gain political advantage, openly discussing students’ performance and records, plagiarizing the work of their students, skipping meetings, or adding colleagues as coauthors despite that person’s possible lack of a corresponding contribution to the endeavor (McKay, Kidwell, & Kling, 2007).

In similar manner, authority figures and captains of industry must serve as models of appropriate business behavior. Simple, compelling directives often serve as guidelines that both employees and students of business need. For example, management’s proclamation of a list of “do’s and don’ts” might be largely ignored by organizational members. There are, however, powerful psychological tendencies associated with the directives of authority figures (Milgram, 1974) rooted in Freudian and
Jungian byways of the mind. Students should understand that, rather than companies \textit{per se} being guilty or not guilty of unethical conduct, the specific managers and others who carry out the conduct in the name of the organization are the ones who will be held culpable (Field, 2006). An entire industry need not suffer at the hand of unscrupulous members.

**Value of an ethical corporate culture**

People working in organizations find themselves in corporate cultures. These are micro-cultures of industries, localities, and national economies, and those in turn are components of the global business culture. Thus, thinking that one can succeed in changing an organization's culture given its ongoing dynamic interaction with other cultural forces on occasion must be tempered. In most cases, being ethical is perceived by customers, governments, suppliers, potential job recruits, and communities as quite a valuable and important characteristic (Waddock & Graves, 1997). Therefore, the creation of an ethical corporate culture that is reflected as such in transactions with stakeholders is important and valuable (Baker, Hunt, & Andrews, 2006). Indeed, rather than acting oblivious to the wider values and norms of their work contexts, people in organizations are cued by the values and expectations of the people there (Bandura, 1977). Many have reported on the development of ethical corporate cultures. Modalities for engendering such a situation include role modeling and the explicit development and communication of corporate policies regarding the rewards and punishments that might be expected by those who are ethical or unethical in an organization.

**Dialogue, role play, games, action learning, and site visits to promote value change**

Since a corporate culture is largely a reflection of the shared values of the members of an organization, changing the values of those entering into organizations is one way to spark organizational culture change in the future. One technique used to foster value change is the creation of a Socratic dialogue within a supportive learning environment. Such a dialogue can foster the identification and testing of the assumptions and beliefs of learners and also illustrates inadequacies in superficial thinking about ethical problems. Students can learn how to create an “internal checklist” that allows them to examine their beliefs and enables them to better prepare to evaluate arguments about the acceptability of certain corrupt practices. Such a technique might occur in a classroom setting using structured role play. Morrell
(2004) provides teaching agendas with suggestions on how to employ Socratic dialogues in teaching business ethics and examining language structures and practices (Sims, 2004). Students might be sensitized to the social unacceptability of corporate crime in classroom discussions with their peers. It should be made apparent that it is socially unacceptable to be involved in any form of corporate crime (Sliter, 2007).

Another approach, also employing role play, would be grounded in game theory. Millennial students often come with extensive experience in role-playing games, such as Dungeons & Dragons, Legend of Zelda, Final Fantasy, and World of Warcraft, which would provide a ready enthusiastic core cadre for games structured around such ethical issues as the “Prisoner’s Dilemma” (Gibson, 2003).

Also, it is possible to have a more improvised role play leveraging experiences of instructors and students through a reflexive critical action learning (Hartog, 2004). Beyond classroom role playing, learners can work in real-world projects where deeper levels of concern can be developed, such as service learning projects (Nielsen, 2001; Vega, 2007; McCarthy, Tucker, & Dean, 2002). Approaches to clarifying the on-occasion horrendous negative consequences associated with unethical business behavior have included required visits by MBA students to prisons, where they interviewed white-collar criminals (Merritt, 2004). Business schools should undertake practical projects whereby students work with companies in helping them to develop ethical approaches to business (Wankel & DeFillippi, 2005).

**Rewards and motivating ethical behavior**

The incentive-compensation system of organizations is well-known for motivating behavior. Indeed, rewards and punishments motivate all creatures (Skinner, 1972). Often, though, managers are perplexed that behaviors they find dismaying are burgeoning despite reward regimens. That is, they reward one behavior while expecting the repetition of another ethical standard (Kerr, 1975). For example, they might reward an increase in sales while hoping for an increase in ethical treatment of customers. Examples of how adherence to high ethical standards and expectations resulted in bountiful career successes should be included in management education. It should be pointed out that the more subtle benefits of whistle-blowing are often the personal satisfaction of being someone of high integrity who has made a positive difference in the world.
Raised legal sanctions are leading to more strong corporate compliance and ethics programs

The annual cost of business crime in the United States is about a trillion dollars (ACFE, 2008). The costs of security and litigation are also huge. The level of criminal activity affecting business might not be starkly apparent to most people. Companies of all sizes are targeted for such crimes as money laundering, intellectual property theft, and embezzlement. The reality is that the United States Chamber of Commerce reported business ventures of less than $5 million in sales will be 35 times more likely to become victims of business crime than more prominent larger firms (Bressler & Bressler, 2007).

Employee fraud is a threat that companies should not ignore. In the U.S., the Association of Certified Fraud Examiners (2006) estimated that $652 billion was lost to employee fraud in 2006. And according to the American Management Association more than 20 percent of all business failures in the U.S. are the direct result of employee theft (Barnes, 2006). One can assume that to a great extent ethical behavior in business is fostered by the publicity given to vigorous investigations of and draconian measures taken against business malfeasance (George & Lacey, 2006).

One of the most notable attempts to create a widespread international anti-bribery legal structure is the OECD’s “Convention on Combating Bribery of Foreign Public Officials in International Business Transactions,” which makes it mandatory for signatory nations to take action against firms found to have bribed public officials of a foreign country (Celentani, Ganuza, & Peydro, 2004). The legal approach of making individuals in companies rather than just the companies themselves liable has proven to be effective in many cases. The argument of German military people at Nuremburg that they were “just following orders” is not considered a defense in present-day corporate contexts (Schönherr, 2005; Field, 2006).

In the United States, the passage of the Sarbanes-Oxley Act of 2002 was aimed at curbing what was seen at the time as extreme corporate malfeasance. In conjunction with that, the associated federal sentencing guidelines were amended. The United States Department of Justice (DOJ) modified its prosecution policies putting forth the Principles of Federal Prosecution of Business Organizations (also known as the Thompson Memorandum), which was later revised as the McNulty Memorandum. The combination of these efforts were meant to combat conflicts of interest, foster independence in decision-making by businesses, and showcase the need for businesses to implement strong compliance and ethics programs. These efforts have been judged to be incredibly successful and have had a powerful impact on corporate governance and compliance. In the four years following the passage of the Sarbanes-Oxley Act, more than 200 chief executive officers, company presidents, and
chief financial officers had charges brought against them by federal prosecutors. More than 1,100 convictions or guilty pleas were entered in white-collar criminal cases (Imperato, 2008).

**How business fraud is committed and how it is detected**

Wells (2001) gives the example of defrauding a company by creating ghost employees on the payroll, falsifying wages, and commission schemes. Business students should be aware of forensic accounting and what software and tools can be utilized to uncover fraud (Jackson, 2004). Students should be made aware that Sarbanes-Oxley legislation includes provisions that provide employees with additional whistleblowers protection, and they should be encouraged to speak out when they witness behavior that would elicit further fraud investigations (Yormark, 2004). Students should be made aware that managers need not do forensic investigation themselves but rather they can outsource to audit firms or investigative agencies investigations of fraud (Wells, 2003). Students should be taught, however, the importance of not mishandling or forgetting to maintain evidence that they might inadvertently come upon. There are also certain behavioral cues that can signal that someone is more likely to commit business fraud. The best identifying factor of someone committing fraud is if they live outside their means. This is a fairly common-sense way of identifying someone involved in a fraud scheme. After all, if someone is driving a car that is worth ten times their annual salary, chances are they have found a new source of income, which could possibly be fraud. There are other cues that are also fairly obvious; for example, someone with an addiction problem is much more likely than someone without one to commit some kind of fraud. An employee with extensive financial problems will be more prone to fraud than one living within their means (ACFE, 2008). Other examples are not as obvious, such as refusing to take vacations or going through a divorce. Nevertheless, they are factors that increase the odds of someone committing fraud.

**Who commits business fraud?**

Many students in business programs are naïve as to who is perpetrating fraud and corruption in business and government. They should be sensitized to the fact that it is well established that business fraud is germane to modern business. Ideally, they should be instructed in methods of detecting fraud and corruption such as forensic accounting. In addition to methods of detecting fraud after it has happened,
there are also ways of profiling before the fact who will be the most likely to commit fraud. There are numerous cases of both men and women perpetrating acts of fraud, but this is one situation where there is not equality between the genders. Men greatly outnumber women in committing acts of fraud. A possible explanation for this phenomenon has to do with the disparity of men to women with senior and executive positions. Those with more senior positions in organizations have an easier time overriding or side-stepping the internal monitors that detect fraud, and thus are facilitated in their schemes. In the U.S., cases of fraud are, by and large, committed by individuals working alone. When more than one person is involved, the sum taken tends to be much larger, sometimes multiples of a solo fraudster (ACFE, 2008). In the U.S., those who commit business fraud also tend to be middle-aged. The frequency of acts of fraud among those between the ages of 41 to 50 greatly exceeds the incidences of fraud committed by people of any other age bracket (ACFE, 2008). The reasons for this fact are uncertain. A likely cause could be that people of that age bracket occupy positions of high authority in the company, and so they have more opportunities to engage in fraud.

Business students should be instructed that besides age, sex, and gender there are other factors that affect the probability of committing business fraud, such as occupation. An employee's profession has great bearing on whether he or she is likely to commit business fraud. For example, an accountant is more likely to defraud an organization than any other type of employee (ACFE, 2008). This is most likely due to the easy access accountants have to both an organization's funds and its financial statements. The access to the financial statements allows accountants to cover their tracks after committing fraud.

Although, as we emphasize elsewhere in this report, ideally executives should be paradigms of integrity setting the values of the corporate culture where they ought to be, the reality that students must grapple with is that executives and members of upper level management are also likely candidates to commit acts of fraud. Like accountants, they have access to their organization's funds and financial statements. They also wield great amounts of power and authority (ACFE, 2008). For this reason, they are more likely to get involved in schemes of corruption than other professions.

Education is another factor in the likelihood of an employee becoming involved in schemes of fraud. Where one might think that the more highly educated someone is the less likely they are to commit fraud, quite the opposite proves to be true, at least for the amount stolen in the schemes. People with an undergraduate education tend to steal more than twice as much as perpetrators with a high school education. A person with a graduate level education is likely to steal more than twice as much degree in a fraud scheme as someone with undergraduate (ACFE, 2008). This makes it all the more compelling for ethics to be an important element of business education.
What students should know about fraud?

We are moving from a business epoch in which corporate crime was not regarded by society to be as serious as other kinds. The expensive accounting scandals of unprecedented proportions brought people to this realization. People now see more of a connection between the diminution of their personal assets and the illegal manipulation of information and funds by corporate criminals. In the United States, significant accounting frauds included Enron, WorldCom, Bernard Madoff, and Tyco. The media coverage of these scandals showed law enforcement to be insufficient or at times bumbling. Having students examine cases involving such scandals with a focus on who did it and who the victims were can be highly useful to clarify the ethical issues and importance of these situations (Sliter, 2007).

A June 2009 *Harvard Business Review* article (Kramer, 2009) emphasized that one of the difficulties that business students and practitioners should be alerted to is not to be overly trusting but rather to be critical when provided with information in negotiations and other business transactions.

Zgheib (2005) investigated the extent of three principles of ethics—utility, justice, morality—in ethical decision making by managers in addition to their personal attitudes towards them. In a study at the American University of Beirut, morality was found to be the overriding ethical characteristic used, particularly by graduate business students. Students should be sensitized to the fact that, in today's legal climate, they have personal risk when investigations into corrupt acts are underway in their companies (Business Credit). Even when a manager is not under oath, such as Martha Stewart in talking to federal investigators into securities violations, it is possible in the United States to still be guilty of a felony (obstruction of justice) because misleading investigators impedes the government’s clarification of other crimes. Additionally, students should be made aware of the deterrent value of supporting prosecution of those found to be guilty of fraud cases in their businesses, since Larimer (2006) reports that only 30% of fraud cases in small businesses and not-for-profit organizations will be prosecuted.

Students should also understand that corruption can be sponsored by organized crime gangs or syndicates. In some countries, there are referred to as “mafia” in a generic sense. Businessmen in Russia in the 1990s concluded that organized crime controlled nearly everything, and that 90% of the police were corrupt. Although many businessmen gave in to hiring mafia to protect them, others realized that crime groups had no interest in coming out of the scrutiny of law enforcement (Serio, 2008). Students must be mentored on how to enhance corporate resiliency in the face of body blows from corrupt groups and individuals. Curricula should discuss reducing risk management surprises by better fraud and corruption risk assessment.
techniques, the importance of instituting continuous controls monitoring and transaction monitoring in organizations, preparing in advance for fraud and corruption investigations and remediation, having the oversight of the organization determine the roles of various parties in fraud and corruption risk management activities. The relationships among boards of directors, audit committees, senior managers, and staff in the process of fraud risk management should be clarified. Fraud and corruption are highly problematic in organizations, as they can quite readily set off a chain of events resulting in grave financial and reputational losses (Bishop & Hydoski, 2009).

Students should readjust their mindsets and behavioral habits by following seven basic rules: (1) Know yourself—Students and classes should work under the guidance of faculty on interpreting the clues they receive in doing business as to the trustworthiness of the source(s) of information. In the second decade of the 21st century, it is appropriate and normal to create extensive social connections across platforms such as LinkedIn and Facebook. Rather than avoiding connections, which are generally needed to be a 21st century businessperson, it is best to learn indicators in the information provided in social networking platforms that someone is worthy of trust, such as recommendations. (2) Start small—Engendering trust among employees for the company should be developed by letting them take home equipment when they need to without a lot of red tape; universities might role model this for students with their equipment. That would send a strong message that the university trusted students and would display how, in their later careers, they might display trust to their employees. (3) Have an escape plan—Students should be taught to include escape clauses to disengage from collaborations that are unethical. (4) Send strong signals—Students should be disabused of the notion that everyone will find their trustworthiness obvious; rather they have to send out signals that they are trustworthy and will not tolerate that trustworthiness being abused. They should deter potential predators who are on the lookout for potential victims who might be sending weak and inconsistent cues. If their trust is misused, they should retaliate strongly and quickly as a signal. (5) Recognize the other person's dilemma—Students should understand that others might be anxious about trusting them, and must be sensitized to the need to reassure others to the extent to which they can trust the students. (6) Look at roles as well as people—Students should look at the positions and the structures in companies those positions are nested in, but at the same time realize that even in largely ethical companies, people might not follow the larger corporate culture. Even leaders or persons of power must be trusted on the basis of history of sustained personal contact. Sometimes this contact might involve relatively impersonal interactions, but that is not a problem. Indeed, personal relations can sometimes interfere with coming to understand appropriate levels of trust. (7) Remain vigilant and always question—As former President Reagan was wont to say, “Trust, but verify!” That is,
even when you are dealing with someone you trust, it is best to follow due diligence in being appropriately vigilant.

The value of case studies

Case studies are a good supplemental vehicle for enabling students to develop the critical apparatus requisite for grappling with corruption-related pitfalls. Specifically, cases can facilitate the development of deductive, inductive, and critical reasoning skills (Falkenberg & Woiceshyn, 2008).

Reviewing such case studies enables learners to consider pivotal moments when key individuals face decisions that carried their firms across thresholds of ethical decomposition. Learners can get the opportunity to stand in the shoes of Ken Leigh and other key players in these scandalous corruption scenarios as they ponder how to handle their own developing scandals. In studying the cases of corporate scandals, they can reconsider the tactics adopted by those who did not resist and develop alternatives for resisting (Sims & Felton, 2006). In Enron, was Sherron Watkins right to take her concerns to Leigh, or should she have taken her case elsewhere? Studying cases makes it clear to students that ethics in the real business world comes enveloped in practical considerations that unfortunately can make going along with corruption seem smart. Cases provide future business leaders with practice in maintaining their ethical bearings in the face of complexities and actions of varying political viability (Arbogast, 2007). It will become clear to students studying cases of corporate corruption that internal managerial and financial integrity—that is, corporate ethics—is not mere window dressing but essential for business success. In actual situations ambitious managers at all levels are confronted with great incentives to deviate and evade controls. What they must do is be proactive with counterstrategies reflecting “trust, but verify.” One useful case study of a young focused salesman with determination and common sense who fought for integrity in business is “Adventurous Business in Costa Rica or Persistence Pays” (Mueller, 2006). Students interested in learning more about the accounting frauds and resulting scandals associated with companies including Enron, Tyco, Parmalat, Worldcom, and others may find the following case studies interesting: (Healy & Krishna, 2008) (Shein, Haines, Horstmann, Kaulfuss, Koester, Koo & Landin, 2008) (Gilson & Villalonga, 2007) (Woo & Lau, 2007) (Hawkins, 2005) (Kaplan & Kiron, 2004), and (Pillmore, 2003).

Corruption is a topic that transcends a framing based on the American experience. Business corruption in the global marketplace is an increasing menace to organizations (Olsen, forthcoming). There are a number of models grounded in American perspectives (e.g. Liedtka, 1992; Mallinger, 1997; Piper, Gentile, & Parks, 1993). Others attempt to transcend that with a broader global perspective accounting for
ethical situations not encountered in the United States (e.g. White & Taft, 2004; McCann, Lam, & Chiu, 2001; Nkomo, 2003; Gichure, 2006; Curry & Thach, 2007; Al Bawaba, 2006). Ideally, instructors might attempt to connect with learners in particular cultures by using a pedagogical vehicle attuned to favored media in that culture. For example, in Japan a creative approach might employ anime films or manga comic books to provide quasi-case narratives involving issues of corruption (Gerde & Foster, 2008). Corruption is a major issue for managers working in emerging markets. Corruption happens in complicated and multidimensional ways, further complicating managerial and business risk in a global business environment (Ginocchi, 2008). In developing countries, the World Bank provides much financing. If it finds corruption, it intervenes or withdraws its commitment, sometimes even blacklisting the country. Case studies of countries’ battles to control corruption in both the public and private sectors are provided in “Corruption in International Business” (Eicher, 2008). One assumption is that business ethics in practice differs widely across nations due to cultural and religious differences. The key religious principle across all religions is the “golden rule”; however, the extent of corruption seems to vary widely among Catholic countries, for example, perhaps suggesting that religion does not mitigate it (Ruhe & Lee, 2008).

Transitional economies such as Poland may experience more substantial impacts during global financial debacles. Therefore managers there might be assumed to have greater pressures to attain performance goals through untoward actions than their counterparts in more deeply rooted economic systems (Christie & Geis, 1970). The implication is that business ethics norm inculcation is something that might wisely be incorporated throughout business school curricula in such nations.

The place of morality in school and in the business world

While behavioral models, case studies, critical analysis, and skill sets such as Socratic thinking can illuminate the issues of corruption, the question arises: Can ethics and morality be taught in school? Morality in business ultimately involves a personal choice. Therefore, no amount of teaching will ensure that all students of business ethics in a university setting will ultimately behave ethically. Educational experiences that highlight the moral ambiguities and uncertainties occurring in actual and, to a certain degree, corrupt business and government systems can help by providing frameworks and skills for them to clarify and resolve moral dilemmas (Falkenberg & Woiceshyn, 2008). The requisite skills might include a clarified understanding of their core personal values, an ability to more accurately make sense of changing environ-
ments, an analytic grasp of both short- and long-term consequences of actions, and a practical facility in applying moral principles and values (Sims & Felton, 2006).

The issue is not whether a business professor can stand in front of a group of students and talk about ethics, but rather whether the teaching of business ethics can be deployed in such a way that it is an effective bulwark against the corrupt snares in actual business and government contexts (Falkenberg & Woiceshyn, 2008; Felton & Sims, 2005). The notion should not be that some students are unteachable as far as their ethical orientation or lack thereof, but rather that some instructors in some business schools fail their students in not teaching business ethics in a transformative way (Koehn, 2005).

An approach that helps address the need to consider corruption globally is a global online business ethics course. Painter-Morland, Fontrodona, Hoffman, & Rowe (2003) describe a tri-continental online business ethics course that they have successfully used to facilitate cross-cultural debate on ethics and corruption in an international arena. Large companies deploy online training in a dozen languages and focus on nuts-and-bolts compliance issues, emphasizing, “If you do this, you go to jail.” Companies employing such techniques include Cigna Corp., Primerica Financial Services, Rohm & Haas, and Unisys (Brubaker, 2003).

Key corruption and fraud topics for students to be sensitized to in management education

It is important for students to understand how fraud is committed and detected in business contexts. Among topics to be emphasized are:

- Corruption and fraud have an enormous impact on the profitability of all businesses both large and small, and regardless of type, location, or industry. The impact that corruption has on individual businesses is quite large, with the typical American business losing 7% of its annual revenue as a result of fraud. This figure becomes much more impressive when considering the repercussions on the United States economy of 14.196 trillion dollars, where 7% equates to around 994 billion dollars lost to fraud in 2008 (ACFE, 2008).

- Fraud is committed largely under three different categories: asset misappropriation, corruption, and fraudulent financial statements. Among the three types of fraud, asset misappropriation constitutes around 90% of all cases (ACFE, 2008). Asset misappropriation occurs whenever a company’s funds are misused or misdirected. This type of fraud is perpetrated most often by lower-level employees. Asset misappropriation can run the gamut from very simple methods, such as a cashier pretending to ring up a customer and pocketing the money from the transaction, to more elaborate schemes, such as adding people to a payroll who
do not work for that company. These are just two examples, though asset misappropriation can occur in many other different forms as well. While asset misappropriation is the most common form of business fraud, it is also the least costly of the three (ACFE, 2008).

- Corruption involves people using their influence in business dealings unethically, and often illegally, to benefit themselves or some other party. This form of business fraud, unlike asset misappropriation, usually occurs in more senior executive positions and is much more costly to the company (ACFE, 2008). Examples of corrupt business fraud schemes include taking bribes or involvement in extortion.

- The last form of fraud, financial statement fraud, is the form that occurs least often, but when it does occur it inflicts the greatest cost to the victim company. Financial statement fraud is so detrimental because it does not just involve removing money from an organization's bank account. It is a form of fraud that usually makes the company appear more profitable than it really is via reporting false numbers on their financial reports (ACFE, 2008). This kind of fraud cannot last forever as the true value of a company invariably comes out sooner or later. The lost shareholder capital from this type of fraud is completely debilitating to even the largest of companies. Two great examples of financial statement fraud can be seen in the cases of Enron and WorldCom. Both of these companies had very large amounts of investor capital, as well as large educated workforces, yet could not withstand the damage done by financial statement fraud (ACFE, 2008).

- There are myriad ways for businesses to fall victim to acts of fraud, so it is very important that they maintain methods of detecting and preventing fraud. One might think that in our modern age, in which a new technological marvel is unveiled seemingly every day, businesses with all their wealth and resources would have extremely technical and sophisticated methods of identifying fraud. Yet to this day the most common way for a business to discover fraud is by getting tipped off. Tips, however, cannot be depended on as a method of curbing business fraud. This is because tips are largely uncontrollable. Whether or not an organization is tipped off to fraud is at the discretion of the tipster. By offering rewards to whistleblowers and offering anonymous tip hotlines, businesses are able to influence tipsters, but it is still not a controlled method of detecting fraud (ACFE, 2008). Fortunately, there are several methods currently available for preventing fraud that work quite well that are not dependent on the whims of tipsters. One of the more successful of these methods is conducting surprise audits and instituting job rotations as well as mandatory vacations. Companies that have used surprise audits and job rotations report incidences of fraud up to 66% less than companies that did not use them (ACFE, 2008).

- Another one of the most common ways for a company to discover fraud is to simply happen upon it by accident (ACFE, 2008).
Conclusion

Wood, Logsdon, Lewellyn, & Davenport (2006) used the term “global business citizenship” to describe the thought processes and actions that they hope would be represented by future managers. The great challenge of vastly reducing the large-scale corruption that plagues our world actually is energizing. In places where corruption is worst, the opportunities for reducing it are all the greater. Also, the concern for addressing imminent environmental catastrophe and the green movement bolster a culture of social responsibility and business integrity among young business students and practitioners. Thus, it is ultimately an optimistic posture that indeed corruption can be mitigated by extensive ethical education of business people and, more broadly people in all professions.

Bibliography


THE CONCEPT OF CORRUPTION: MORAL AND POLITICAL PERSPECTIVES

Introduction

Corruption can be defined as the use of money or gifts to get certain kinds of benefits and advantages. Corruption is used by enterprises, organizations, individuals or state institutions to obtain a certain goal. Corruption is often a mechanism of power and domination. Corruption is defined as controversial, illegal and unethical because it is an act that goes against or challenges established and well-defined conceptions and laws of justice (Rendtorff, 2009). Corruption can be present at all levels of society, in the private sphere, in the public sphere, in the sphere of enterprises and corporations and a high level of corruptions indicates often a society with little trustworthiness. It is generally presupposed that corruption will lead to the destruction of trust and stability of society and that corruptions destroys the possibility of a healthy and good society. A society with corruption is a society without trust and integrity and in this sense a society with no justice or fairness. In this sense with Alain Etchegoyen we may define corruption as a “theater of operations where the state and democracy are the only certain and sure victims” (Etchegoyen, 1995: 17). Accordingly, the social and political implications of corruption are important. Corruption attacks the fundamental political and social structures of a just society.

In this essay, we can say that I propose a phenomenological and hermeneutical investigation of the different dimensions of the concept and reality of corruption. I would like to discuss three dimensions of the concept of corruption in order to understand the role of corruption in contemporary society at the national and

* Jacob Dahl Rendtorff, Roskilde University Department of Communication Business and Information Technologies Denmark.
international level. Firstly, I will begin by a clarification of the conceptual dimensions of the concept of corruption and relate this definition to the conceptual history of the idea of corruption. Secondly, I will on the basis of the conceptual definition of corruption address the moral dimensions of corruption and discuss how to deal with corruption within the framework of ethics and moral philosophy. Thirdly, I will address corruption as fundamentally an issue of political justice and about the basic political structures of society. Corruption is in this sense one of the most important dangers to have a fair and just society and therefore, we have to take seriously the combat against corruption in order to defend democracy. Finally, in conclusion, I will sum up this conceptual, moral and political theory of corruption. I will present the possibilities of overcoming corruption and propose the idea of moral and political integrity at the individual, organizational and institutional level as the most important way to establish a defense against corruption.

The concept of corruption

What is corruption? How can we see corruption in the history of philosophy and social sciences? What is the meaning of corruption in ethics and business ethics? It is true that corruption more is a reality of society that destroys our humanity that a mere theoretical construct. We have many stories of corruption from the totalitarian societies of Nazism, Fascism and Communism in the 20th century (Arendt, 1951). It seems like corruption is an integrated part of the totalitarian domination and during the 2. World War Nazi-Germany used corruption to manipulate corporations and people in occupied territories to abandon their country in favor of the enemy. It is characteristic for the traitor that he or she is given certain advantages by the enemy so that he or she cannot resist abandoning personal political or social ideals in favor of following the offers of the enemy. In this sense, corruption also goes deep into the soul of the traitor and we can say that the existential dimension of corruption is that one is willing to sell one-self and ones ideals for money, privileges or goods. This is why corruption is the opposite of personal integrity because the person destroys his or her personal integrity for the benefits offered by the enemy. But corruption also destroys the integrity of the one who offers the corruption. Accordingly, we have two elements of the corrupt relation that imply the individual, organization or institution that uses corruption to obtain certain goals one the one hand and the individual, organization or institution that abandon themselves to corruption on the other hand. What is characteristic for these two important actors of the relation or operation of corruption is that the state or society or the third of community is excluded in order to focus exclusively on the advantages of the implied individuals, organizations or institutions in the corrupt relation.
In political and social philosophy corruption is a very fundamental concept. It signifies destruction, death and degradation of a community (Etchegoyen, 1995: 40). If we go back to the theory of degradation of society in Plato’s political philosophy we see that a movement of corruption and decay is very fundamental to the movement of degradation of society from ideal state to tyranny. Aristotle also has a theory of corruption where he argues that we have movements of life and creation in society as opposed to movements of corruption and degradation. In this sense corruption is a danger for the good life in between friends in community because it destroys the mutuality and trust that is implied in enduring friendship (Aristotle 1928). In the theory of government of Montesquieu corruption is also present as a danger to the republic (Montesquieu 1748). The appearance of the corrupt relation may lead to the destruction of the principles of independence between legislative, executive and legal power of the state. Therefore, it challenges the unity of the republic and may lead to the breakdown of the state into a totalitarian society dominated by pure instrumental power in opposition to wisdom, fairness and justice. The power of corruption is dangerous because the parts of corruption will be put into a relation of mutual dependency based on destruction of fairness and justice.

Corruption is related to the fundamental structure of society because it deals with the social exchange of goods in society. Corruption is therefore central to political economy of society and it is related to the structures of gift-giving, of recognition and of economic exchange of a specific society. But in this sense corruption is also the negation of established structures of social exchange in a specific society and this is why corruption is so dangerous for democracy and political economy of societies. Being the negation of positive structures of exchange, merit and social development, corruption is a model of destruction and dissolution of society. We can say that corruption represents nothingness, an opposition within the positive social and economic structure of the relations of justice and gift-giving. If bribery is used to get a specific social advantage or product the relation of the free and fair competition at the economic market is suspended by an act of buying privileges which otherwise should be acquired by free choice. The corporation that uses bribery is in this changing its identity from being an acceptable actor at the economic market into a subversive agent that undermines the accepted social structures of sellers and buyers (Etchegoyen, 1995: 42). What happens, strangely enough, is that the role between buyer and seller in reversed so that the corporation is no longer uniquely the seller but also the buyer because it uses money or goods to sell its products or to be allowed to get into a specific market. At the same time, the buyer is now becoming seller because money is used by the corporation to get the right to sell products at the market. This destruction of roles is destructive for the ideals of free competition on a fair market, because the established roles of buyer and seller are suspended and exchanged.
We can therefore say that corruption is a fundamental threat to a liberal market economy. Corruption is linked to destruction, deconstruction, dissimulation, inversion, sabotage of the established rules of social exchange and of presupposed roles of buyers and sellers. With this we can perceive a vicious circle and negative mechanics or inflator corrupt economics where more and more bribery is needed to be allowed to sell specific goods and services at specific markets. The negative circle of corruption creates closed markets where it is impossible for other actors to intervene without following the contradictory logic of bribery. At the same time, increased corruptions eventually disseminates into the political system that will be suspended by the increased dissolution manifested by the logic of bribery.

The morality of corruption. Why is it morally wrong?

But why is corruption morally wrong? We have seen economists who argue that although there is a confusion of traditional categories of buyers and sellers there may be economic advantages to informal economies of corruption order to make societies work. We may call this a kind of negative “creative destruction” so why should we be so critical towards corruption as destruction of society when there may be evolution in the kind of dissolution that we find in corruption and bribery? The possible acceptability of such economic arguments for the social and individual advantages of corruption where companies may facilitate economic exchange by use of bribery and political actors may make keep their power and influence by the use of such instruments of bribery makes it very important to demonstrate the moral and ethical problems of corruption and bribery.

We can here emphasize the importance of ethics and responsibility of individuals and institutions in society. We can here say that both the one who is using bribery and the one who accepts bribery are responsible (Etchegoyen, 1995: 70). It is important to emphasize that corruption is a double relation between the two parts. Only if somebody agrees to accept bribery it is possible to bribe somebody. Also in order to accept a bribe somebody is needed to offer the bribe. We can say that a fundamental moral responsibility of democratic actors is to resist offering or accepting bribes. It is in this sense that there is a link between responsibility and integrity because the individual integrity is dependent on this ability to resist entering into the vicious circle of corruption.

At the same time as corruption will not appear if someone resists offering a bribe it will not appear if the bribe is not accepted by the one to whom the bribe is offered. It is a matter of integrity never to accept a bribe (Rendtorff, 2009). It is in this sense that the combat of corruption is fundamentally linked to moral responsibility.
of individuals. If we have a society where the background mentality and morality of individuals is based on a healthy skepticism towards bribery and a sense of justice with regard to social exchange as well as a proud refusal of being bought for social services, we have the foundations for avoidance of corruption.

From the perspective of existentialist philosophy (Sartre, 1943) corruption can be considered as based on a false self-promotion, a kind of egoist ethics where the individual in order to get social privileges contaminates the social relation by denying accepted structures of social exchange. We can say that the individual is making the social relation into nothingness. The competitive relationship is suspended in order to promote personal liberties and personal advantages. From this perspective, it is not wrong when the devil sometimes is represented as the one who challenges individual temptation to abuse his or her power in order to get satisfaction of individual desires. However, we may also say that even from the standpoint of this egoism we can perceive problems with corruption because it is a negation of self. Therefore, the individual cannot with sincerity accept the corrupt relation and corruption is therefore denied and it appears as an act of bad faith of negated self-consciousness. In cases of escalation of the vicious circle of corruption this existential self-negation is even more present because the corrupt individual is submitted to the power of the situation and the self cannot escape from this lie to one-self.

Indeed, the great traditions of ethics in Western philosophy are also quite severe with the concepts of corruption and bribery. We have already mentioned the view of Aristotle that corruption belongs to the decadence and decay of community. In the light of Aristotle's ethics we can emphasize how the vision of the good life with others in political community is based on real mutuality, generosity and sympathy (Aristotle, 1928). The virtues in Aristotle's ethics presuppose the excellence of the individual and the estimation of this individual as a wise and good person who acts for the benefit of the good of community (Solomon, 1991). Corruption has no place in this kind of ethics because it does not belong to the virtues but it is a vice that destroys the coherence and organic unity of community. Corruption has no place in Aristotle's concept of justice where justice is defined as the virtue of giving treating equal individuals and cases equally.

We can perceive the same refusal of corruption in the moral philosophy of Immanuel Kant (Bowie, 1999). In his practical philosophy Kant emphasize the importance of moral duty, sincerity and the need to obey the moral law (Kant, 1838). Moral duty has nothing to do with pleasure or personal interest but has absolute status. Always to tell the truth is an important aspect of the categorical imperative of obeying the moral law (Kant, 1838). Moral imperatives are universal in the sense that you should always act in the way that you action can be made into a universal law for everybody else in the same situation. Corruption and bribery are actions that suspend the absoluteness of moral duty of in the categorical imperative, because they are
actions related to personal benefit with not universal content. Therefore, there can be no justification of corruption and bribery from the perspective of Kantian ethics.

But what should we say about utilitarian or consequentialist ethics (Singer, 1979)? Would it be possible to find a justification of bribery and corruption within this kind of ethics? I don’t think so. Although an immediate consequentialist argument would be that corruption is justified in order to avoid greater negative consequences for example in situations of torture or war etc., it is not possible to conceive of all the consequences of corrupt practices so there can be no general consequentialist justification of corruption although there may be situations where corruption is needed in order to avoid a greater evil. What about the war situation where offering a prison guard money can save innocent human beings? Here, principles seems to be subordinated the need to help fellow human beings. But these extreme situations are exceptions that are moral dilemmas where good people are confronted with evil-doers who are irrational and such situations cannot be used as foundations of general ethical argument. So there is really no ethical justification of corruption.

Political dimensions of corruption

We have seen that corruption is difficult to justify from the perspective of morality and ethics. But what does corruption really mean for a democratic society? How can we really justify that corruption is so damaging for the cohesion and stability of society and is it really possible to overcome corruption and reintegrate individuals, organizations and institutions in a good political community?

We can emphasize that corruption is as much a danger to the good society at the level of political governance as it was a danger to the fairness of the market economy with private business corporations as main actors (Rendtorff, 2009). The challenge of political corruption is the fact that absolute power corrupts. It has always been the case when some individuals or groups of people have acquired absolute power that they have turned the state into a somewhat corrupt unity and in this sense they have betrayed the ideals of a good and just society that they often argued for at the outset of their government.

We can in this context argue that political power without ethical responsibility ends in corruption. Political officials need integrity in order to resist the temptation of corruption. With this view of integrity we can argue that strong powers without this kind of responsibility are facing the danger of becoming a corrupt power. When we have strong power to make decisions we also have the danger of corruption (Etchegoyen, 1995: 123). The virtue of integrity involves the wholeness, unity and strong moral character of the individual. A politician with integrity is a person, who sticks to strong moral principles and who cannot be bought by gifts or other
kinds of support. A politician with integrity is able to act with “political morality” as defined by the legal scholar Ronald Dworkin who argues that integrity is an essential virtue of the good judge and good legal system. Integrity involves protection of rights and principles as essential to public institutions (Dworkin, 1986).

In politics there is a close link between integrity and justice and this is basis for avoiding corruption. If we apply the concept of justice of John Rawls (Rawls, 1971) we can emphasize that justice as it is supposed to based on an original position where individuals select principles for their future society being behind the “veil of ignorance” not knowing their own particular position in that future society is a very good example of the close relation between justice and the fight against corruption. The principles of basic political rights founded on the veil of ignorance exclude the egoist struggle for personal privileges that are not founded on fairness and fair distribution to the members of society. So the universality and impartiality of the principle of justice with regard to protection of individual rights is essential for the exclusion of corruption from the good political community.

When we consider corruption as a danger for the just society we can also argue that corruption is a threat to democracy. Political corruption and bribery of politicians and public officials represent a challenge to the democratic unity of society because individuals are not getting privileges on the basis of merit, transparency or universally valid criteria, but rather in terms of their own power and ability to bribe the political system. This personal unfair search for power is in danger of bribing the public system.

It is in this context that we with Montesquieu and Dworkin can speak of the importance of the separation and balances of power in order to justify the protection of the transparency and fairness of democracy community. Montesquieu speaks of the danger corruption of government where the republic moves from wisdom to personal advantage (Montesquieu, 1748). This is the end of virtue and we face corruption as the end of good government. In contrast to the corrupt society, the democratic republic is built on justice and fairness as principles of justice. According to Dworkin (Dworkin, 1986) the doctrine of the balances of power is important in order to ensure the integrity of the political system and of the public officials because the balances of power mean that there is no absolute power and therefore we can avoid the corruption of the absolute power.

So without these virtues of separation and balances of power we face the danger of corruption in the republic society. Without proper checks and balances as well as conceptions of fairness and justice corruption will be a danger to the institutions of the republic. In this sense we can point to the importance of democratic institutions in a society as the most efficient way to avoid corruption. This may also be the reason why democratic societies are the most active in formulating legislation forbidding any kind of bribery and corrupt practices. We can for example mention the US Foreign
Corrupt Practices Act from the end of 1970s that was very severe in ruling out any kind of bribery by US private and public institutions at home and abroad (Rendtorff, 2009). This was done in order to avoid the strong corrupt of the state system.

However, we still face the challenges of corruption in private and public systems of democratic states. We can mention different attempts to bribe judges, police or public officials in order to gain personal advantage by individuals. Or we can mention immoral activities of corporations contributing to lobbying of government ministers or government officials in order to promote their interests or give private enterprises better contracts as the basis for collaboration with states. We can also mention international movement of capitals where corporations in contrast to established rules still act with corruption like practices for example when dealing with new contracts on foreign markets. Here we face the danger of international manipulation with powers of governments in different countries.

So we can only be very critical towards the danger of corruption in political communities. This becomes even harder when we face the grey zone between mutual sympathy and friendship between individuals leading to services and help to each other and acts of bribery. Of course many actions of sympathy and friendship are good for society. We do not want to rule out the ethics of friendship in order to avoid bribery. However, transparency is important because together with responsibility and personal integrity this can help to draw the line between friendship services and destructive corruption. Moreover, it is important for a community to be able to deal with cases of corruption in an integrative way so that we can overcome destruction. This is the case for a politics of amnesty where corrupt individuals or organizations after having experienced a proper punishment and anger are offered the opportunity to be reintegrated in political community.

Conclusion: Responsibility and Integrity as Essential in Business Ethics and Ethics in Politics

In conclusion, we can emphasize that corruption is fundamentally based on the lack of individual responsibility and integrity. We have to search for a good ethics and politics of avoiding corruption. Here we find basis in the strong Western traditions of ethics and political philosophy. Responsibility signifies the ability to conceive actions in a universal perspective according to the moral law. In this sense responsibility is closely linked to integrity. The concept of integrity expresses an ancient republican virtue of citizenship and it can be promoted to indicate the commitment of individuals or corporations to be virtuous and faithful to their obligations towards social and political community (Rendtorff, 2009). The concept of integrity is also an essential concept in business ethics because it expresses the virtue of civic commitment of
corporation and its members. In this sense the idea of integrity is a common virtue for business and politics in order to socially destructive practices of corruption and bribery that change the good community into totalitarian lack of freedom.

Bibliography


PREVENTING CORRUPTION THROUGH SPIRITUAL LEADERSHIP IN ORGANISATIONS

Spiritual Leadership: An Introduction

Spirituality and leadership were considered poles apart: one, a realm of intangible ideas and emotions; the other, a practical area of scientific inquiry. Spirituality historically has been rooted in religion though it represented different schools of thought with underpinnings of faith. In a meta analysis, religion was predominantly associated with formal/organizational religion, while spirituality was more often associated with closeness with God and feelings of interconnectedness with the world and the living things” (Zinnbauer, Pargament & Scott, 1999). “Spirituality is broader than any single formal or organized religion with its prescribed tenets, dogmas and doctrines” (Zellers & Perrewé, 2003). However, the current use of spirituality in business and in the workplace is mostly not associated with any specific religious tradition as a lot of people share indifference towards religious values. Such attitudes have been criticized and it has been argued that religion is an essential part of most people’s lives and they depend on religious values and beliefs in both personal and public actions (Carter, 1993).

Despite the fact that it is difficult to develop depth in spirituality without a religious foundation; spirit, spirituality and even ‘the corporate mystic’ have received considerable attention in recent years. A strong case for spirituality has been made by Ohmann (1970) in his classic ‘Skyhooks.’ People have been found to seek spiritual guide in many societies. But in a pluralist society with no dominant religion, no

* Radha R. Sharma, Professor Organisational Behaviour & HRD Management Development Institute, India.
single religious tradition can claim its hold on spirituality. Hence, spirituality in the workplace generally is not tied to a specific religious tradition.

There are common values of humility, charity, veracity and vision which are found in all religions (Smith, 1992). Researches on cross-culturally effective leadership traits and behaviors suggest some attributes and practices associated with spirituality have global appeal; these are optimism, trustworthiness, justice, win-win problem solving, encouraging, motivating, communicativeness, excellence-orientation, confidence building, honesty, dynamism, team building and dependability (Den Hartog et al., 1999). The nature of attributes reveals that followers universally seek out a leader with positive attributes such as integrity and concern for others. On the other hand, characteristics for which there were wide variations related mainly to social or cultural behavior rather than spiritual behavior. These characteristics were reported to be sensitivity, ambition, independence, risk-taking, autonomy, conflict avoidance, cunningness, directness, elitism, individualism and formality (Den Hartog et al., 1999). However, there was agreement on the characteristics of both ineffective as well as effective leaders. Seven out of eight of the universal negative characteristics were “ruthless, asocial, irritable, loner, egocentric, non cooperative, dictatorial” (Den Hartog et al., 1999). These attributes are contrary to the positive spiritual values of integrity and humility and are not consistent with the spiritual practices of treating others with respect, compassion and appreciation. This intercultural research indicates that spiritual leadership does not confine to a particular culture and can impact other cultures as well.

Is there Spirituality in Leadership in Organisations?

As spirituality and capitalism were treated apart; business leaders felt that clergy were totally out of touch with reality (Nash, 2001). However, a growing body of evidence from studies on effective leadership indicates that these fields are much closer than has previously been thought. A review of literature reveals that there is consistency between the values and practices emphasized in many different spiritual teachings and the values and practices of leaders, who are able to motivate followers, create a positive ethical climate, inspire trust, promote positive work relationships and achieve organizational goals. These spiritual values and practices, if adopted by leaders, allow them to achieve organizational goals such as increased productivity, lowered rates of turnover, greater sustainability and improved employee health. Researches indicate that people have intrinsic motivation to acquire knowledge and derive meaning in their work and be recognized for their inputs to the group performance (Giacalone & Jurkiewicz, 2003).
Spirituality in effective leadership expresses itself in the embodiment of various spiritual values such as trust, integrity, honesty, humility, openness, compassion and in the demonstration of spiritual behavior such as expressing concern and caring, listening responsively, appreciating the contribution and reflective practice (Reave, 2005). There is perceptual difference and sometimes conflict between the values and practices emphasized in spiritual leadership and those required for success in business leadership. However, the research shows that there is considerable agreement about the elements of success in both the fields. Scholars in the field of spirituality at the workplace have found many connections between spiritual values and practices and the measures of leadership success. Leaders in spiritual organizations have been shown to score higher on measures of leadership effectiveness than leaders in other settings (Druskat, 1994). The attributes of spiritual leadership that make a leader effective have been described below:

**Attributes/Values exhibited in Spiritual Leadership**

**Vision.** Vision has been associated with leader’s behavior such as advance planning, goal clarification, task focus as well as with value congruence (House, 1977 and Rafferty & Griffin, 2004). But vision, as part of spiritual leadership, involves careful treading as the notion of the leader coming down from the pedestal to share a vision with the group may encourage personal vanity and isolationism. Leaders need to articulate an inspiring vision but it is the action (ethical behavior, respect and compassion shown to others) that matters and not the words themselves.

Another challenge could be that the “value equivalence” created by the leader might mean that everybody should better fall in line with the leader’s vision and values. The issue is that only “performance consistent with the vision will be rewarded” (Rafferty & Griffin, 2004), emphasizing conformity rather than creativity, individuality or innovation. As spiritual leadership theory emerges, it is including the need for a “visioning process” (Fry, 2003) that reflects requirements for legitimacy for both leader’s influence and followers’ empowerment. A collaborative process, rarely mentioned in transformational theory, seems more in harmony with respect for others, an important spiritual value.

**Altruistic goal or work as a calling.** Spiritual leaders demonstrate a commitment to higher goal (instead of profit) or self-gratification, a sense of personal mission. ‘Calling’ is described as the experience of transcendence where a person derives meaning in life through service of others or through mastery of competence for self actualization (Pfeffer, 2003). Collins (2001) argues that truly exceptional leaders are able to “subjugate their own needs to the greater ambition of something larger and more lasting than themselves.” This sense of a greater purpose or work as a calling can inspire and sustain business leaders in difficult times.

It is also important to examine not only the leader’s ability to inspire and motivate others, but also the leader’s own motivation and goals. Thus it is imperative
to find out whether a leader is trying to manipulate others to fulfill personal goals or whether he/she is pursuing the good of the whole (Bass & Steidlmeir, 1999 and Howell, 1988).

Researches have related spiritual motivation to improvements (in follower motivation and satisfaction), group productivity and performance outcomes and to the leader’s own motivation. Many leaders attribute the origin of their own transformational behavior to an experience that is often described in spiritual terms. A research project was designed to explore the moment of transformation by consultants who had successfully supported organizations in the process of change (Neal, Lichtenstein and Banner, 1999). The study revealed that the “cause” of the transformation described by all the leaders was in spiritual terms as “grace,” “magic,” or “a miracle” implying the influence of a Higher Power.

The effect of spirituality has been demonstrated by Conlin (1999) summarizing an interview with Kris Kalra, CEO of BioGenex (a medical-lab technology firm) who had become a workaholic, depriving himself and his employees of family time and enjoyment. He said, “I realized we were living in a completely material world. The higher purpose was being lost.” Realizing this he focused on spiritual studies, in particular, the Bhagavad-Gita for three months. After this experience his attitude changed and on resuming work he developed new respect for others’ ideas which resulted in developing 12 new patents and increase in sales (Conlin, 1999). It is noteworthy that his spiritual retreat revitalized his shaky business.

**Character and integrity.** Character is the examination of the quality of integrity which Fry (2003) defines as ‘walking the talk’. Based on a three decade research on a large sample Hendricks and Hendricks (2003) have come up with a leadership theory which begins with integrity and concludes with “when people operate from integrity, personal and professional well-being accelerates tremendously.” Followers tend to look first at who a leader is (Pfeffer, 2003).

Honest communication with self and others is essential for integrity in order to promote internal and external consistency with truth. Honesty has been considered as a component of integrity by Elm (2003) and equivalent by Fairholm (1997). Wagner-Marsh and Conley (1999) have identified honesty with self and others as essential for success in maintaining a spiritually based corporate culture. Honesty with self also includes self-awareness. Dickson, Den Hartog and Mitchelson (2003) while reviewing cross cultural studies have mentioned two studies (Shipper et al., 2003; and Rahim et al., 2003) that also yielded self-awareness to be related to leadership effectiveness. The GLOBE study of leadership prototypes has reported honesty to be one of the few positive leadership traits that have received universal endorsement (Dorfman, Hanges and Brodbeck, 2004).

Relationship between spirituality and creativity in the workplace as an extension of the study of workplace spirituality has been explored. Fry (2003) has included
creativity in the theory of spiritual leadership as the leader’s promotion of the values of excellence and fun in the workplace. Spirituality encompasses character, motivation and behavior providing an integrated way of examining leader values and practices.

**Conscience and values.** Conscience is also referred to as inner voice. The conscience and values are often derived from religious teachings or from a spiritual sense of connection with a Higher Power. It is found that transformational leader’s commitment comes from the leader’s own conscience and internalized values (Bass, 1998). Thus transformational leadership requires mature moral development (Kuhnert & Lewis, 1987). It is important for leaders and followers to know oneself, respect others and their beliefs, be trusting and follow spiritual practices of prayer, meditation, yoga, reading inspirational literature and writing spiritual texts (Kurth, 2003).

**Charisma.** Charisma involves being a role model for beliefs and values and articulating ideological goals with moral overtones (Weber, 1947). Charisma encompasses a wide range of ideas such as respect, trust, and admiration for the leader’s ethics as well as the leader’s extraordinary capabilities (Bass, 1998). Transformational leadership is composed of charisma, inspirational motivation, intellectual stimulation, and individualized consideration (Bass, 1985 and 1998). Studies have shown that transformational leadership is correlated with effectiveness (Bass, 1998) but this does not single out personal magnetism as the most important dimension of effective leadership.

Charismatic leadership has been described as “a fire that ignites followers’ energy and commitment producing results above and beyond the call of duty” (Klein & House, 1995). Charismatic leadership theories focus upon the element of charisma and its effect upon follower’s self-concept (Shamir, House, & Arthur, 1993), follower’s perceptions of the leader’s extraordinary identity (Conger & Kanungo, 1998) or follower’s higher-order needs (Bass & Avolio, 1993 and Conger, 1999). Despite problems with the theoretical definition of charisma, there is no doubt about the effectiveness of transformational/charismatic leadership which has been demonstrated in many studies (Den Hartog et al., 1999 and Fiol et al., 1999). One analysis of over one hundred empirical tests demonstrated positive effects on followers and organizations (Den Hartog et. al., 1999 and Fiol et al., 1999). However, some researches yield that when followers focus upon the identity and extraordinary qualities of the leader instead of upon their own development as individuals, they can become passive and dependent. It has been found that followers of charismatic leaders tend to be immature, indecisive individuals with low self-esteem (Yukl, 1999).

Howell (1988) found that charismatic leadership does generally evolve in individualistic cultures. In the spiritual arena, charismatic leadership has been found to be associated with cults and some researchers have expressed concern about this type of leadership being used to develop “corporate cultism” (Tourish & Pinnington,
2002). As this type of charismatic leadership requires dependent followers, researchers have noted that it is most effective in times of change or crisis when followers feel most confused (Northouse, 2001) thus its success is often situation-dependent. Charismatic leadership is also difficult to sustain because much depends upon the magnetic personality of the leader; thus there are problems with succession and institutionalization of the culture that the leader initiates (Conger & Kanungo, 1998 and Yukl, 1999).

Trust. Trust in the leader has been found to be related to satisfaction with the leader (Dirks & Ferrin, 2002) similarity between followers’ beliefs and the leader’s beliefs and unquestioning acceptance of the leader is the result of trust (House, 1977). Trust has been found to be important not only to follower’s perceptions but to measurable organizational outcomes. Meta-analytic study by Dirks and Ferrin (2002) revealed a clear relationship between trust and different measures of organizational performance. Trust was found to have a significant positive correlation with worker job satisfaction, job performance, organizational commitment, and turnover intentions.

Humility. Humility is the manifestation of spiritual values in a leader which has also been found to be related to leadership effectiveness. This relationship is based on the ability to accept negative feedback, a crucial quality for managers who need to know what is really going on in their firms. Thus individuals with high opinions of themselves have been found to be most unreceptive to criticism or negative feedback (Bushman and Baumeister, 1998). Another study revealed that individuals with high self-esteem were “more likely to irritate, interrupt and show hostility to others” (Colvin et al., 1995).

Using the method of comparing self ratings with ratings by others, Atwater, Roush and Fischthal (1995), Van Velsor, Taylor and Leslie (1993) found that lower the ratings of leaders for themselves, the higher were the ratings by their followers for them (Fleenor, McCauley, & Brutus, 1996). Also, followers perceived managers who overrated themselves to be less effective (Van Velsor et al., 1993). These findings indicate that high self-esteem would severely limit the ethical, diplomatic, and interpersonal skills of leaders (Den Hartog et al., 1999).

Concern for others. This attribute refers to a leader’s response to the individual needs of followers through behaviors such as talking to them as friends, demonstrating patience with mistakes, including others in decisions, showing sensitivity to followers’ feelings individually, among others (Shamir et al., 1998). Individualized consideration, a component of transformational leadership (Bass, 1985 and Bass, 1998) is significant to spiritual leadership. Under the construct of altruistic love Fry (2005) has suggested a model which encompasses kindness, compassion, patience, acceptance and appreciation for both self and others. Kouzes and Posner (1999) and Rafferty and Griffin (2004) have separately examined the leader behavior of providing
praise or personal recognition. Leaders are expected to attune to the follower's needs for spiritual survival by motivating them through basic values of charity, humility and veracity in the service of followers and relevant others (Smith, 1992).

**Motivation of followers.** Leaders who emphasize spiritual values are often able to awaken a latent motivation in others that has been found to increase both their satisfaction and productivity at work. Mitroff and Denton (1999) found that many people desire to find various avenues to express spirituality in their work. Leaders who view their own work as a means of spiritual growth have also been shown to increase organizational performance (Himmelfarb, 1994). Those who are able to help workers express their spiritual values through their work are also likely to be more effective in achieving workers' job satisfaction. Paloutzian, Emmons and Keortge (2003) report, “when work is seen as a calling rather than a job or as an opportunity to serve God, work-related strivings take on new significance and meaning” (Davidson & Caddell, 1994, Novak, 1996 and Paloutzian et al., 2003). Emmons, Cheung and Tehrani (1998) found, “individual differences in spiritual goals predicted well-being more strongly than any other category of striving that has been studied, exceeding those for intimacy, power or generativist goals” (Emmons, 1999).

One of the emotions 'happiness' has been found to be associated with an optimal experience labeled by Csikszentmihalyi (1990) a 'flow state,' in which the individual is effortlessly immersed in an enjoyable activity. He found that “the activity most often associated with flow experiences was work,” with flow occurring “more than three times as often in work as in leisure” (Csikszentmihalyi, 1982; Csikszentmihalyi & LeFerve, 1989). Taking a clue from these findings, encouraging people to bring more of their spiritual values and goals into their work is expected to increase their level of personal satisfaction (Dehler and Welsh, 1994) as the flow state is associated strongly with both work and spirituality. Thus spirituality is a powerful source of motivation and happiness for followers.

**Evolving a Framework for Spiritual Leadership**

An analysis of the extant literature and intensive literature review presented above has provided an insight into the dynamics of spiritual leadership. Based on the same the following model for spiritual leadership has been evolved which will be examined in part II of the paper with the help of a case of spiritual leadership of a corporate conglomerate which has sustained its growth based on spiritual leadership for about a century.
The conceptual model of spiritual leadership presented in figure 1 envisages that a leader’s attributes and values of truth, integrity, character, compassion, conscience and humility accompanied by practice of self discipline, simplicity, individualized consideration, community service, openness to faith and reflective practice lead to some impact on the followers in the form of personal outcomes like well-being, self transformation, enhanced motivation, enhanced commitment and ethical behavior and practices. These can also lead to group outcomes in the form of devotion to duty, enhanced satisfaction, enhanced performance and group productivity. Several researches cited above indicate that leaders succeed due to idealized influence of the values/attributes and practices and their pursuit of transcendental or altruistic goals. Thus transcendental goals and idealized influence act as moderators in personal and organizational outcomes in the conceptual model of spiritual leadership. The conceptual model is being tested with the help of a case of spiritual leadership from a corporate conglomerate in India.

Case of JRD Tata

Jehangir Ratanji Dadabhoy Tata (JRD) was born on July 29, 1904. He joined Tata Sons as an apprentice trainee in 1925. After his father’s death he was inducted to the Board of Tata Sons, the Group’s flagship company at the age of twenty two. He had a passion for flying and was the first Indian to get license of commercial flight in 1929. At the age of thirty-four, he became the Chairman of Tata & Sons, the largest industrial group in India in 1938. Popularly known as JRD, he is respectfully remembered as a doyen of Indian industry for his various contributions to the development of Indian industry and aviation. For his excellence in business and management he is referred to as ‘chairmen’s chairman.’ When he took over the group there were only
14 enterprises and half a century later when he handed over on July 26, 1988, Tata & Sons was a conglomerate of 95 enterprises (including start ups or those in which they had controlling interest). JRD was a visionary who could foresee the future. He visualized about indigenously developed vehicles and it was during his time that TELCO now called Tata Motors was born. He supported a number of initiatives like a full-fledged R&D department, in-house development of gear box technology which facilitated entry into passenger car market.

During his life spanning 89 years (1904–1993) JRD Tata served the industry with impeachable values and principles and received a number of coveted awards: Padma Vibhushan in 1957 for his remarkable contribution to the aviation industry, the Guggenheim Medal for aviation in 1988. Also, JRD Tata was awarded India’s highest civilian honor in 1992, the Bharat Ratna, a rare award to be received during one’s lifetime in recognition of his selfless humanitarian endeavors. Another coveted award bestowed upon him was the United Nations Population Award for his relentless efforts towards initiating and successfully implementing the family planning movement in India, much before it became an official government policy.

The attributes of spiritual leadership of JRD that led to prevention of corruption and organizational growth have are described below.

**Spirituality.** “Business as a spiritual pursuit” encapsulates the philosophy and the ethos of JRD and the Tata group. To quote “(In Tatas) we have retained the fire of idealism and in its glow we have come to recognise that no wealth or power can be more valuable than our dignity; no loss or profit can be more critical than the loss of our credibility; no skills or qualifications can substitute the integrity of our character” [1].

**Community Service.** Apart from expanding the business, JRD gave considerable importance to community service through large scale philanthropy and community development initiatives. Under the direction of JRD a full-fledged Community Development and Social Welfare Department was established under the Personnel Division at Tata Motors in 1966. To drive the several initiatives, Community Development Centres and Bustee Vikas Samities (community development committees) were set up in each bustee. Also, volunteers were recruited and were imparted four month training on cleanliness, health and hygiene, along with training for developing co-operation and living in harmony to deal with interpersonal and intercultural conflicts. Another cause close to JRD Tata’s heart was the popularisation of the concept of small family. Females in the community were trained in skills like cooking and sewing to improve their life and a perceptible change was observed in the in the communities gradually.

Thus one finds that Corporate Social Responsibility at Tata organisations is based on the philosophy of ‘giving back to the community.’

*“The cycle is thus complete; what came from the people has gone back to the people many times over.”* – J.R.D. Tata [2].

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**Preventing corruption through spiritual leadership in organisations**

- **No. 1/2010 (139)**
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**Altruistic Goals.** JRD was motivated by altruistic goals that are evident from the various contributions made by him without any selfish motive. In order to promote talent among the bright youth who had the potential but did not have adequate means to support their education; JRD Tata financed their higher education abroad. In 1932 JRD established Sir Dorabji Tata Trust as its trustee and took personal interest for over five decades to ensure that it achieved its goals effectively. Under his stewardship, this Trust established the Tata Memorial Center for Cancer, Research and Treatment, Bombay in 1941 which was Asia’s first cancer hospital and it continues to pursue its triple objectives of treatment, research and education with excellence. The Trust also founded other institutions of national importance viz., the Tata Institute of Social Sciences (TISS) in 1936 and the National Center for Performing Arts later.

For facilitating scientific and technological advancement of the country JRD founded Tata Institute of Fundamental Research (TIFR) in 1945 and served as a member of Atomic Energy Commission of the Govt. for years. After Indian independence in 1947 JRD Tata launched Air India International as India’s first international airline in 1948. Indian Government appointed JRD as Chairman of Air-India and a Director on the Board of Indian Airlines, a position JRD served for 25-years. All the above activities were not connected with his business goals yet he devoted time, effort and funded these for altruistic goals which exemplify his spiritual leadership.

**Compassion.** Even as Chairman, Tata Steel, a large business enterprise JRD did not put business interests over interest of employees. This is evident from his initiation of a program of closer “employee association with management” in 1956 to provide workers a stronger voice in the affairs of the company. He pioneered the system of developing ‘employee welfare schemes’ in corporate India and steered the principles of an eight-hour per day work, free medical aid, workers’ provident fund and accident compensation schemes, which were later adopted as statutory requirements in India. Under JRD’s aegis, Tata Steel instituted a practice in 1979 according to which a worker is deemed to be “at work” from the moment he leaves home for work till he returns home from work. Hence the company is financially liable to the worker if any mishap takes place on the way to and from work.

His compassion is reflected in his statement, “If I have any merit it is in getting on with individuals according to their ways and characteristics. At times it involves suppressing oneself, it is painful but necessary. To be a leader you have to lead human beings with affection” [1]. He believed in inspiring others for performance and not demanding it. “As Chairman, my main responsibility is to inspire respect.” JRD was an expert in managing human resource. At his behest, Tata Steel became one of the earliest companies in India to have a dedicated human resource department [1].

**Humility.** JRD is described as self-effacing, modest, warm, wistful and endearing person who did not like media attention. His humility enabled him to constantly learn and to explore ceaselessly as his thirst for knowledge never quenched. He was so
inquisitive that whenever he gave a lift to children in his car on their way to school, he enquired about the curriculum in school, with a view to get a perspective of the future. “He touched power but remained untouched by it” [1].

JRD was never after honours and social recognitions but his dedication and work for the community, industry and the country brought him many laurels. His modest response to being considered for India's highest civilian award, ’Bharat Ratna’ is reported to be “Why me? I don't deserve it. The Bharat Ratna is usually given to people who are dead or it is given to politicians. I am not prepared to oblige the government on the former and I am not the latter” [2].

**Individualized consideration.** JRD believed that one of the major responsibilities of a leader was to motivate others, provide individual attention and inspire respect. He was quick to spot talent and provided supportive climate to flourish their potential. He is credited with developing entrepreneurs such as Homi Mody, Ardeshir Dalal, Jehanghir Ghandy, Russi Mody and Darbari Seth. The conducive environment in Tata organisations developed scientists and professionals of international repute viz., Homi Bhabha, leading lawyers like J D Choksi and Nani Palkhivala and economists such as John Matthai, A D Shroff and D R Pendse. JRD was also a thorough professional and a considerate leader. As one of his executives, Darbari Seth, once remarked, “Mr. Tata was able to harness a team of individualistic executive, capitalising upon their strengths, downplaying their differences and deficiencies; all by the sheer weight of his leadership.”

**Integrity and Self discipline.** JRD’s stressed on values, ethics, character and on quality and innovation; he walked the talk. According to him “If you want excellence, you must aim at perfection.” ……A company, which uses the name Tata shares a tradition...”He impacted not just minds but the soul of all people. His humility, humanness, warmth, sincerity, welfare of others at heart and lack of desire for limelight have made him a legend. JRD lives on through his guiding principles [6].

The 5-guiding Principles of JRD have been:

- No success or achievement in material terms is worthwhile unless it serves the needs or interests of the country and its people and is achieved by fair and honest means;
- Nothing worthwhile is ever achieved without deep thought and hard work;
- One must think for oneself and never accept things at their face value and slogans;
- One must forever strive for excellence or even perfection, in any task however small, and never be satisfied with the second best;
- Good human relations not only bring great personal rewards but also are essential to the success of any enterprise.

JRD Tata has become a legend who has touched the lives of countless people, rich and poor, managers and workers and has become the embodiment of the principles
and philosophy of the House of Tatas. JRD stepped down from his position as Chairman in 1991, to hand over the baton to Sri. Ratan Tata.

Table 1 presents characteristics/attributes of spiritual leadership along with analysis of JRD's attributes with relevant examples to provide evidence of his spiritual leadership which has prevented corruption, created a conducive environment for employees to achieve personal growth aligned with organizational growth.

Table 1. Analysis of Attributes of Spiritual Leadership

<table>
<thead>
<tr>
<th>Virtues/Attributes in Literature</th>
<th>Examples of Attributes of JRD Tata</th>
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<tbody>
<tr>
<td>Altruistic goal or work as a calling. (Pfeiffer, 2003). Collins, 2001) Bass &amp; Steidlmeir, 1999 and Howell, 1988</td>
<td>“Corporate enterprises must be managed not merely in the interests of their owners, but equally in those of their employees, of the customers of their products, of the local community and finally of the country as a whole.”</td>
</tr>
<tr>
<td>Intrinsic motivation. (Giacalone &amp; Jurkiewicz, 2003)</td>
<td>One must forever strive for excellence or even perfection, in any task however small, and never be satisfied with the second best.</td>
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<tr>
<td>Character and integrity. ‘Walking the talk’ (Fry, 2003); (Hendricks and Hendricks, 2003); (Pfeiffer, 2003).</td>
<td>He was a person of high integrity.</td>
</tr>
<tr>
<td>Honest communication. (Elm, 2003); (Fairholm, 1997); (Wagner-Marsh and Conley, 1999)</td>
<td>No success or achievement in material terms is worthwhile unless it is achieved by fair and honest means</td>
</tr>
<tr>
<td>Conscience and values. (Bass, 1998). Transformational leadership requires mature moral development (Kuhnert &amp; Lewis, 1987).</td>
<td>Benefits of the profits of many of the companies in the Tata group are channeled back to the people through major philanthropic trusts.</td>
</tr>
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</table>

The analysis reveals that spiritual leadership promoted by the legendary JRD Tata has not only paid rich dividends to the Tata group of companies but has made it one of the most respected business group in the world. Even though JRD Tata left this world years ago, his spiritual leadership based on his principles of truth, compassion and service to humanity are extremely relevant in today’s social and political environment nationally and internationally. Organizational leadership programmes can be modeled on the attributes of JRD Tata so that organizational today can imbibe spiritual values and ethical practices with the belief that these build organization to last. JRD’s case based on spiritual principles can be included in business school curriculum for papers on Business Ethics, Organizational Behavior, Business and Society or corporate Governance. Qualitative analysis of literature and content analysis of writings on JRD Tata have provided sound conceptual model of spiritual leadership.
Conclusions and Directions for Future Research

Spiritual leadership as a theory is still in nascent stage due to conceptual contradictions often perceived between spirituality and leadership. Besides, literature on spirituality is not available in consolidated form and it is spread across various disciplines viz., religious studies, psychology, communication, human resources and business studies. Also, there is need for developing and standardizing measurement tools for spirituality (Giacalone & Jurkiewicz, 2004). The paper has endeavored to present similarities and differences between spirituality and leadership and after integrating these concepts, has evolved a model of spiritual leadership based on the qualitative analysis of literature and life and work JRD Tata, a highly respected leader of a corporate conglomerate. The tenets of his exemplary spiritual leadership based on values, ethical conduct, idealized influence, individualized consideration and transcendental goal could form part of development of leaders in the corporate world as the corporate world needs ethical leaders more than ever before to prevent corruption and promote integrity. The spiritual leadership model can be tested by future researchers in other cultural contexts.

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PREVENTION AND IDENTIFICATION OF ORGANIZATIONAL CORRUPTION

Introduction

Both individual and systemic in nature, corruption pervades organizations in developing and industrialized countries. More than the behavior of an individual, corruption infects groups, organizations and industries like a virus. Left unchecked, corrupt individual acts can spread to other individuals and magnify in scope, eventually transcending individuals and groups and become embedded in organizational cultures and industry (Ashforth, Gioia, Robinson & Trevino, 2008). However, an economic-based approach that focuses on self interest, market liberalization and formal regulative structures to explain and remedy corruption neglects the role that normative and cognitive structures play (Misangy, Weaver & Elms, 2008). Moreover, an organizational behavior perspective that emphasizes normative and cognitive aspects of corrupt behavior by focusing on culture, structure, and cognition within organizations fails to consider a larger institutional and stakeholder perspective that also influences individual and organizational behavior (Misangy, Weaver & Elms, 2008). For instance, an economic-based approach assumes that corruption is an opportunistic response for gain and discretionary power, explaining why corruption is assumed to best circumvented by curtailing discretionary power and/or incentives. Empirical evidence regarding this approach, however, is inconclusive. For instance, market liberalization policies, e.g., mass privatization, used in transforming some ex-Soviet bloc countries have failed to eliminate corruption and even lead to different forms (Misangy, Weaver & Elms, 2008). Organizational behavior is normally limited to an emphasis on organizations. Individuals and organizations belong to organizational and wider institutional environments and cognitive communities. Organizational

* Li-Hwa Hung, is an Assistant Professor at the Department of Business Administration & Graduate Institute of Business and Management, Ching Yun University in Jung-Li, Taiwan.
behavior accounts of corrupt behavior tend to neglect such embeddedness. For instance, although private enterprises might have replaced state-run ones, post-transition economies for private enterprises could witness a transition from stealing from the state to stealing from a company (Misangy, Weaver & Elms, 2008). The inability to identify the causes of corruption and how to prevent it makes it impossible to make corporate culture transparent. Despite the apparent rise of corruption in recent years, academia seems to lag behind the media in analyzing the origins and recommending cures. Although responsible for providing more detailed analysis, academia has failed to elucidate the scope and depth of corruption (Ashforth, Gioia, Robinson & Trevino, 2008). Therefore, an effective approach must be developed to prevent and identify organizational corruption.

Based on the above, we should develop a prevention and identification approach for organizational corruption from an institutional-stakeholder perspective (Doh & Guay, 2006) by examining and comparing economic and organizational behavior perspectives on explaining and remedying corruption. The proposed approach can integrate economic and organizational behavior approaches in a larger institutional-stakeholder environment. To do so, corporate corruption behavior can be prevented by a strong and well-enforced state regulations in place to ensure corporate behaviors ethically, particularly if the process by which these regulations and enforcement capacities were developed was based on negotiation and consensus building among corporations, government, and the other relevant stakeholders. Corporate corruption can be reduced by a system of well-organized and effective industrial self-regulation in place to ensure corporate behaviors rightly, particularly if it is based on the perceived broader industrial crisis and if the state provides support for this form of industrial governance. Corporate corruption behavior can be identified if there are private, independent organizations, including NGOs, social movement organizations, institutional investors, and the press, in their environment who monitor their behavior and, when necessary, mobilize to change it. Corporate corruption behavior can be diagnosed if they are engaged in institutionalized dialogue with unions, employees, community group, investors, and other stakeholders (Campbell, 2007).

As anticipated, the proposed prevention and identification approach organizational corruption from an institutional-stakeholder perspective can influence corporations by constraining their behavior—that is, by discouraging them through rules and negative sanctions or punishments from acting in corrupt or unethical ways. The effectiveness of state regulation and industrial self-regulation may be affected by stakeholder monitoring. Indeed, scholars of stakeholder theory, corporate governance, and corporate social responsibility have intimated that the monitoring of corporate performance by stakeholders is an important factor that increases the likelihood corporations will behave in anticorruption ways (Campbell, 2007). However, institutions can enable as well as constrain action. Institutions can entice actors
to behave in certain ways through the use of more positive incentives, rewards, and other mechanisms. The proposed prevention and identification approach organizational corruption from an institutional-stakeholder perspective use the stakeholder model as a central paradigm for business and society field. The approach is built on an integration of the stakeholder concept, economic concepts (agency theory, transaction cost economics, and team production theory), insights from behavioral science, and ethics. It focuses on the contracts (relationships) between the firm and its stakeholders and posits that trusting and cooperative relationships help solve problems related to opportunism. It implies that behavior that is trusting, trustworthy, and cooperative, not opportunistic, will give the firm a competitive advantage (Jones, 1995).

The Phenomena and causes of Corruption

Black's Law Dictionary defines “corrupt” as “spoiled; tainted; vitiated; depraved; debased; morally degenerate. As used as a verb, to change one's morals and principles from good to bad.” (Black, 1979). The authors obviously did not think highly of those who are corrupt. They further define corruption as “an act done with an intent to give some advantage inconsistent with official duty and the rights of others, The act of an official or fiduciary person who unlawfully and wrongfully uses his station or character to procure some benefit for himself or for another person, contrary to duty and the rights of others” (Black, 1979). Anand, Ashforth and Joshi (2004) suggest to refer to “misuse of an organizational (or subunit) gain, where misuse in turn refers to departures from accepted societal norms” (p.40).

Anand Ashforth and Joshi (2004) mentioned how employees perpetrating corrupt acts engage in “rationalizing tactics” - describing their actions in such a way that they do not appear to be unethical at all and how newcomers in unethical organizations are subject to specific socialization processes that lead them to accept the prevalent activities as normal. Taken together, rationalizations and socialization practices allow perpetrators of unethical activities to believe that they are moral and ethical individuals, thereby allowing them to continue engaging in these practices without feeling pangs of conscience. Indeed, the rationalizations and socialization tactics mediate the tension between societal norms and corrupt practices, creating a local reality that recasts unethical acts as justifiable if not laudable (Anand, Ashforth and Joshi, 2004).

Rationalizations often capitalize on the inherent complexity, ambiguity, and dynamism that pervade organizations. Rationalizations can be invoked prospectively (before the act) to forestall guilt and resistance or retrospectively (after the act) to ease misgivings about one's behavior. Once invoked, the rationalizations not only
facilitate future wrongdoing but dull awareness that the act is in fact wrong. Indeed, if the rationalizations become a shared resource in the organization’s (or industry’s) culture, they may pave the way toward defining the practice as “business as usual – the way things work” (Anand, Ashforth and Joshi, 2004).

In any organization or submit, corruption can continue only if newcomers also start exhibiting the behaviors. Researchers examining corruption in organizations have found that there exist potent socialization tactics by which newcomers are induced to accept corrupt practices. This is often done in conjunction with the rationalizing tactics. As with rationalization, socialization is an integral and often beneficial organizational process. Newcomers learn about an organization’s culture and ethical norms and obtain operational knowledge through a variety of socialization processes in the organization. However, just as rationalization is a tool, so too is socialization, one that can be instrumental in perpetuating unethical behavior. Thus, while organizations need to ensure that they have effective socialization tactics, they also need to be conscious of how socialization can be used to perpetuate undesirable practices (Anand, Ashforth and Joshi, 2004).

Rationalization and socialization are the processes through which corruption can become routine and carried on as a normal business activity. If the two processes become embedded in an organization, they can have a devastation effect for several reasons. First, because rationalization and socialization are mutually reinforcing, the unethical practices associated with them can become entrenched. Second, because the two processes make the practices appear less unethical, the organization may not be aware that it is engaging in unethical practices, and its ethical checks and safeguards may fail to detect them. Finally, if external agents do expose the unethical practices, the organization is likely to stonewall and deny the accusations because the practices are so entrenched and have been rationalized away. This in turn almost always magnifies the problems and losses associated with corruption (Anand, Ashforth and Joshi, 2004).

The proposed approach can demonstrate that research of and policy on corruption have moved beyond examining merely the interaction of individual thought and action within organizations, and beyond a reliance on market liberalization and legal accountability, to a more complex dynamic of institutional phenomena that collaborate to prevent and identify corruption or mitigate corruption.

**Perspectives on Corruption**

Research and practice regarding corruption have been dominated by two alternative frameworks. An economic-based approach that focuses on self interest, market liberalization and formal regulative structures to explain and remedy corruption
neglects the role that normative and cognitive structures play (Misangy, Weaver & Elms, 2008). An organizational behavior perspective that emphasizes normative and cognitive aspects of corrupt behavior by focusing on culture, structure, and cognition within organizations fails to consider a larger institutional and stakeholder perspective that also influences individual and organizational behavior (Misangy, Weaver & Elms, 2008).

**Economic Perspectives on Corruption**

From an economic perspective, corruption generally is defined as the misuse of a position of authority for private or personal benefit (Doh et al., 2003; Misangy, Weaver & Elms, 2008; Shleifer & Vishny, 1993), where misuse typically constitutes a breach of legal norms (Johnston, 1986). Misangy, Weaver & Elms (2008) suggest that corruption is expected to occur where (1) there is control over economic benefits and costs and, thus, the potential for economic rents – that is, profits (e.g., as a result of government regulation), and (2) persons in positions of authority have discretion over the allocation of such benefits and costs (Misangy, Weaver & Elms, 2008). Corruption, by this account, reflects rational, self-interested behavior by persons using their discretion to direct allocations to themselves or to other social actors who offer rewards in return for favorable discretionary treatment. This economic-based approach assumes that corruption is an opportunistic response for gain and discretionary power, explaining why corruption is assumed to best circumvented by curtailing discretionary power and/or incentives. Empirical evidence regarding this approach, however, is inconclusive (Klitgaard, 1988). In short, an economically oriented approach suggests that corruption is minimized by fostering one or more of the disciplinary effects of market efficiency, government regulatory structures requiring accountability and transparency, and enforcement of punitive structures that make corruption illegal (or that render its perpetrators incapable of accreditation, in the case of self-regulating industries and professions; Shleifer & Vishny, 1993).

This approach considers the removing of excessive formal governmental regulative structures is the panacea for reducing corruption. This approach suggests that if abolish the state, then abolish corruption. Empirical evidence regarding this approach, however, is not encouraging. For instance, market liberalization policies, e.g., mass privatization, used in transforming some ex-Soviet bloc countries have failed to eliminate corruption and even lead to different forms (Misangy, Weaver & Elms, 2008).

Moreover, a common approach attacking corruption is through the imposition of added regulative and punitive structures (Ivancevich, Duening, Gilber, & Kono-poske, 2003; Klitgaard, 1988). For example, governmental “omnibus” programs have been used to fight corruption in transition economies. These programs focus on
increasing transparency and accountability and on strengthening and enforcing penal codes. Such compliance-oriented regulative changes also appear to be ineffective at curbing corruption (Misangyi, Weaver and Elms, 2008).

**Organizational Behavior Perspectives on Corruption**

Organizational behavior research on corruption and ethics focuses on controls occurring within organizations and on the normative and cognitive impacts of the social situations that inform and influence behavior in organizations.

Thus, corruption is understood as reflecting an array of interacting individual and situational factors within organizations and as including breaches of moral principles or social norms, in addition to legal norms (Ashforth & Anand, 2003).

The organizational approach explicitly attends to how corrupt practices and activities become institutionalized within organizations. As Ashforth & Anand (2003) have described the process, leaders might sanction or authorize corrupt behaviors, explicitly or implicitly, by imposing reward structures that promote corrupt practices or by condoning or ignoring such practices when they occur. As a result, corrupt practices become routinized and habitual and, thus, institutionalized within the organization.

Misangyi, Weaver and Elms (2008) indicated two implications of organizational behavior research on corruption. On the one hand, this research argues that corrupt or unethical behavior in an organization can be reduced or eliminated by cultural change within the organization, involving both formal elements (e.g., reward systems, formal ethics initiatives) and informal elements (e.g., changed leader behavior), so that organization members identify with and commit to high standards of behavior (Trevino & Weaver, 2003; Weaver & Trevino, 1999). On the other hand, the organizational behavior framework also indicates the difficulty of stopping corrupt activities that have become embedded within daily routines. Corrupt behavior how deeply embedded can become within an organization and within the normative and cognitive framework that guide organization members’ thoughts and actions.

In summary, the organizational behavior perspective on corruption offers a richer portrait of the sources and cures of corruption than does a purely economic account focusing on incentives, monitoring, and discipline. Organizational behavior is normally limited to an emphasis on organizations. Individuals and organizations belong to organizational and wider institutional environments and cognitive communities. Organizational behavior accounts of corrupt behavior tend to neglect such embeddedness. For instance, although private enterprises might have replaced state-run ones, post transition economies for private enterprises could witness a transition from stealing from the state to stealing from a company (Misangyi, Weaver & Elms, 2008).
Institutional-Stakeholder Approach to Prevent and Identify Organizational Corruption

Institutional Theory

Institutional theory is concerned with how organizations seek legitimacy within a given environment and attempt to become isomorphic with these environments (Dimaggio and Powell, 1991; Tolbert and Zucker, 1996). Doh and Guay (2006) indicated that neo-institutional theory has suggested that organizations and their strategies are substantially influenced by the broader institutional settings in which they operate, and shaped by the institutional legacies that reflect the culture, history, and polity of the particular country or region.

As Keim (2003) reports, North (1991, 1994) argues that institutional settings can be divided into three related categories. Formal institutions are the constitutions, laws, policies, and formal agreements that citizens of different locales create. Informal institutions are the behavioral norms and mental models of individuals who may have different cultural heritage or religious or political beliefs, or who may reside in different geographic areas. Within any institutional setting, organizations form to advance collective interests, often with the objective of having these interests codified as informal practices, formal rules, or both (Doh and Guay, 2006).

Stakeholder Theory

Stakeholder management is focused on those interests and actors who affect, or in turn are affected by, the corporation (Freeman, 1984). Through identification, evaluation and assessment of stakeholders and stakeholder relationships, firms can best navigate the public and private strategic environments in which they operate, and in so doing, account for the range of relationships, responsibilities, and interaction in their strategy formulation and implementation (Cummings and Doh, 2000). Stakeholder theory seeks to systematically address the question of which stakeholders do and do not require management attention through evaluation of relationships between organizations and stakeholders based on exchange transactions, power dependencies, legitimacy claims, or other claims. (Mitchell et al., 1997). Stakeholders affect a company’s efforts to influence and benefit from favorable public policy through the political advantage process (Cummings and Doh, 2000), and to use different types of influence strategies depending upon the nature of the stakeholder relationship (Frooman, 1999).
Mitchell et al. (1997) developed a theory of stakeholder identification and salience based on managerial assessments of stakeholders’ possession of one or more of three relationship attributes: power, legitimacy, and urgency. According to Mitchell et al. (1997, p. 865), a party to a relationship has power ‘to the extent it has or can gain access to coercive, utilitarian, or normative means, to impose its will in the relationship’. Legitimacy is defined as ‘a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions’ (Mitchell et al., 1997, p. 865), while urgency is reflective of ‘the degree to which stakeholder claims call for immediate attention’ (Mitchell et al., 1997, p. 867).

It should be noted that not all researchers agree on the importance of stakeholders, and that stakeholder theory has been criticized on both theoretical and empirical grounds. Williamson (1993), the father of transaction cost economics, has argued that agency problems are aggravated when managers act on behalf of non-shareholder stakeholders; that is, the direct principle-agent relationship between owners and managers is distorted with the addition of other stakeholders to the equation. Specifically, Williamson and Bercovitz (1996) suggest there is no place for non-equity stakeholders on boards if directions and such constituents should be instead relegated to boards of advisors. A more frontal assault on stakeholder theory has been launched by Sternberg (1997), who suggests that stakeholder theory is intrinsically incompatible with all legitimate business objectives and undermines basic property rights and corporate responsiveness. Nonetheless, we find that stakeholder theory provides important insights into the ways in which firms and their managers interact with NGOs, governments, and other actors (Doh and Guay, 2006).

Instrumental Stakeholder Theory

Jones (1995) attempted to offer an instrumental theory of stakeholder management by arguing that a subset of ethical principles (trust, trustworthiness, and cooperativeness) can result in significant competitive advantage. He suggests that three core assumptions in management and economics describe the relationship between the modern corporation and its environment: (1) firms have relationships, called contract, with many stakeholders; (2) firms are run by professional managers; and (3) firms exist in markets in which competitive pressures influence behavior but do not necessarily penalize moderately inefficient behavior. He reviews and summarizes both agency and transactions costs perspectives on contracting and point out the failures that can occur when key variables do not perform efficiently and in consort, as summarized above in our review of agency theory. Jones (1995, p412) suggests, however, that in addition to the technical solutions offered to the agency problem de-
scribed above, 'there is another way to reduce opportunistic behavior, however – the voluntary adoption of standards of behavior that limit or eliminate it.'

Drawing new inferences from classic economic and institutional theory, Jones contends that honest, trusting, and ethical relationships result in positive reputation effects and minimize opportunism, as contracting parties interact and grow to depend on the reliable behavior of their business partners. Importantly, this voluntary but genuine trust-building further reinforces positive response, and serves as a constraint to opportunism. People who are honest, demonstrate personal integrity, do not lie, cheat, or steal, and honor their commitments are clearly moral in nature and are desirable partners for a large range of economic relationships.

**Institutional Conditions**

Campbell (2007) indicated during the 1980s and 1990s, government deregulation created an environment where U.S. corporations began to take more liberties and act in more unethical ways than they would have otherwise. For example, 1990s' financial deregulation created savings and loan crisis, the Enron debacle, the U.S. accounting frauds, and other corporate scandals (Stiglitz, 2003). And the Parmalat scandal caused by Italy's feeble stock market regulation (Economist, 2004).

With globalization, firms move investments and production from one regulatory regime to another. The threat of capital disinvestment has long been an important concern for regulators at subnational levels of government in advanced countries that may mitigated the imposition and enforcement of more stringent corporate regulations (e.g., Crenson, 1971). Because national governments do not want to loss local investment, production, jobs, and tax revenues, they are forced to ease business regulations (e.g, Ohmae, 1990, 1995).

Certainly, the presence of regulations of the state will monitor corporate behavior and enforce these regulations when necessary. The fact that external actors, such as environmentalists, unions, consumers, and other stakeholders, participate in creating and enforcing effective state regulations and monitor these regulatory processes (e.g. Campbell, 2007). We therefore propose:

*Proposition 1: Corporations will be more likely to act ethically if there are strong and well-enforced state regulations in place to ensure such behavior, particularly if these regulations and enforcement capacities were developed by which the process based on the negotiation and consensus building among corporations, government, and the other relevant stakeholders.*

In fact, sometimes the most effective means of facilitating increased corporate social responsibility is through corporate peer pressure (Martin, 2003:98). Industries recognize that regulation is not always the responsibility of the state. Thus, industries
often establish their own regulatory mechanisms to ensure fair practices, product quality, workplace safety, and the like by setting standards to which their members are expected to adhere.

Recently, this sort of activity has taken on a global dimension. Campbell (2007) determined that new organizations, such as Transparency International, which is support by sixty-four corporation from the United States and other countries, have been created to help reduce corrupt business practices around the world (Porter & Kramer, 2003:40).

Such self-regulation by industry association is often linked to the state. Sometimes this sort of activity is encouraged and authorized by the state so that the state can displace its own regulatory responsibilities on to these private associations (Campbell, 2007). Sometimes industry moves toward self-regulation to reduce state regulatory intervention. To protect the industry from itself, sometimes corporations develop self-regulation because they fear that state regulation is insufficient. Therefore we argue:

Proposition 2: Corporations will be more likely to act ethically if there is a system of well-organized and effective industrial self-regulation in place to ensure such behavior, particularly if corporations perceive the threat of state intervention or broader industrial crisis and if the state provides support for this form of industrial governance.

Indeed, scholars of stakeholder theory, corporate governance, and corporate social responsibility understand that the monitoring of corporate performance by stakeholders is an import factor that increase the likelihood corporations will behave ethically (Aguilera & Jackson, 2003; Driver & Thompson, 2002; Mitchell et al., 1997). Thus, the effectiveness of state regulation and industrial self-regulation may be affected by stakeholder monitoring.

Moreover, legal institutions are particularly important in facilitating this sort of dialogue between corporations and stakeholders. In this regard, the literature on stakeholders and the literature on corporate governance are particularly helpful because they paid much attention to these institutions and how they vary across – nationally (e. g., Aguilera & Jackson, 2003; Roe, 2003). Therefore we propose:

Proposition 3: Corporations will be more likely to act ethically if they are engaged in institutionalized dialogue with unions, employees, community groups, investors, and other stakeholders.

Conclusion and Implications

Given the limitation of economic-based perspective and organizational behavior perspective on explaining and remedying corruption, we attempt to develop a prevention and identification approach for organizational corruption from an
institutional-stakeholder perspective. Corporations are more likely to act ethically if they have strong state regulation, collective industrial self-regulation, NGO's and other independent organization that monitor them, and a normative institutional environment.

Some implications remain. First, corruption is a dynamic process, it is difficult to stop the corrupt activities that have become embedded within daily routines, thus most scholars suggest that corruption “is best handed through prevention (Ashforth & Anand, 2003:39). Secondly, newcomers in unethical organizations are subjected to specific socialization processes that lead them to accept the prevalent activities as normal. Moreover, Fligstein (1990) found that corporate executives’ approaches to managing their firms depend in part in the sorts of training they received in business schools. Therefore, for both corporate executive's and newcomers, it is important that business schools should incorporate courses on business ethics into their curriculum (Vogel, 1992).

Bibliography


CRIMINAL ORGANISATIONS AND CORRUPTION IN ITALY

Introduction

Corruption is a commonplace phenomenon inherently coupled with the traits of the collective endeavours, and constantly diffused in the human society regardless of political regime, typologies of institutions, presence of public or private corporations.

Starting from the 80’s, a great amount of research has been done on the causes, consequences and the impact of corruption from the economics discipline perspective. Such studies have mainly inferred hypothesis and conclusions drawing on desk analysis that have been relying on aggregate macro-economic data. Of course corruption is very much difficult to be studied more in depth, because of the lack of first-hand empirical observations.

Campos and Pradhan (2007) state that the presence of high level of corruption determines serious problems for economic and social development, not only for developing countries. They claim that high levels of corruption influence negatively the role and the functioning of public institutions, local governments, authorities.

The research carried out by Rose-Ackerman (1997) shows that corruption produces negative effects on economic development, and at the same time can be considered a symptom of a serious social crisis. A high level of corruption is strictly connected with a low degree of economic development, less investments (public and private), lower levels of trust, weaker economic context, stronger and more serious social conflicts, and finally, less competitiveness.

* Paolo Canonico, assistant Professor University of Naples Federico II, Italy Department of Management.
** Stefano Consiglio, Full Professor University of Naples Federico II, Italy Department of Sociology.
*** Ernesto De Nito, assistant Professor University of Magna Graecia Catanzaro, Italy Department of Law and Public Organizations.
**** Gianluigi Mangia, assistant Professor University of Naples Federico II, Italy Department of Management.
Mauro (1995) carried out an empirical cross-section analysis in 67 countries using the corruption index elaborated by the Business International, concluding that there is a negative relationship between corruption and the ratio between investments and GDP.

Mauro’s results appear perfectly coherent with Knack and Keefer (1995) and with Brunetti, Kisunko e Weder (1998:369) who found that corruption can be interpreted as a variable that determines the quality of the political institutions within a country.

The paper is articulated as follows. We depart by carrying out a critical analysis of the corruptive phenomenon, through the identification of three main different levels of analysis. Then we proceed in the explanation of the purpose of the paper and description of methodology adopted. After that, we analyse the entity and the density of corruption in Italy, also referring to the relationship between criminal organizations and corruption. Finally, we propose some concluding remarks on the systemic traits of corruption in Italy.

The Understanding of Corruption:
Three Main Levels of Analysis

Being a multi-faceted yet elusive phenomenon, corruption has not received much attention in management studies in the past, as major bulk of the available research on corruption is related to the economic or sociological dimensions. Due to several big financial and economic scandals (see, Worldcom, Enron, Parmalat), the corruptive phenomenon has becoming a relevant topic in the managerial literature (see for example Academy Management Review, n° 33, 2008).

A vast theoretical debate has taken place among social scientists on the definition and framing of corruption: such effort represents undoubtedly a really stimulating and challenging task as many aspects do not appear so clear and understandable.

Following the scheme presented in the introduction to special topic forum of Academy of management review (2008, n. 33) devoted to the analysis of corruption, we can distinguish three main levels:

- the micro level;
- the organizational level
- the context level.

The micro level refers to single individuals that can be considered as bad apples (e.g., Brass, Butterfield, & Skaggs, 1998; Trevino, 1986).

From this point of view, Anand, Ashforth, and Joshi define corruption as “departure from accepted societal norms” due to the need to pursue either individual or organizational gain (Anand, et al., 2004: 40). Windsor states that corruption can
be considered as a failure of moral regard for the public interest or the commonwealth in favour of illegitimate personal interest” (Windsor, 2004: 141). At this level of analysis, corruption can be related to the ideas of fraud, white-collar crime, employee deviance, corporate and organizational illegality (see Baucus and Near, 1991; Daboub et al., 1995; Payne, 1980; Robinson and Bennett, 1995; Rossouw, 2000; Szwarzkowski, 1985).

As Alpaslan et al. (2008) state these definitions suggest that “corruption” implies deviance from moral values, and raises questions about the morality or values of individuals, groups, organizations that engage in corruption.

The second level, that can be defined as the macro-view, implies we have to look at the organization as a “bad barrel” (e.g., Baucus & Near, 1991; Brief, Buttram, & Dukerich, 2001; Hill, Kelley, Agle, Hitt, & Hoskisson, 1992; Lange, 2008).

The contemporary presence of individual and organizational issues characterizes the definition given by Lange, who says that corruption can be defined as: “the pursuit of individual interests by one or more organizational actors through the intentional misdirection of organizational resources or perversion of organizational routines” (Lange, 2008: 710).

As Luo states adopting an organizational perspective on the corruptive phenomenon is important for two reasons (2004: 120). First, organizations represent together with civil servants the most important players in the game. The second reason concerns the fact that organizational corruption, or the corruption realized by an organization cannot be simply condemned by arresting one person: you cannot arrest an organization.

The context perspective acknowledged that corruption presents different characteristics depending on the context and on the cultural features of each country. The main consequence is that it is really difficult to build up a single general definition.

In a recent article (2007) Mark Granovetter defines corruption by referring to elements of “destruction of integrity in the discharge of duties by bribery or favour”. In particular, he extends the notion of duties (originally coupled with the public sector) to a much broader extent, including private individuals that may act as “corrupted”, and entailing all abuse of the trust and formal responsibility someone has undertaken by virtue of a position held in some organization or social context. In his analysis he deals with the issues that may help explaining the presence of corruption in society. He refers to the inescapable link between corruption and manipulation of norms in any social context, and on the ability of social network manipulation that corruption entrepreneurs have in effectively altering the administration of economic activity.

In recent years, in fact, a number of studies have been claiming that corrupt behaviour seems to be caused by traits that go beyond the control of the single individual or firm.
In literature we find divergent opinions regarding the role of corruption within a social, cultural, and economic area. Some authors who think that corruption is everywhere the same phenomenon, without any concrete relationship with the context (Banfield, 1975). Following this stream of research, we can state that when we consider the essence of corruption we do not have many differences between different countries such as Germany, Greece, Denmark and Italy.

On the other side, we have many other authors who say that, on the contrary, social and economic characteristics represent a fundamental variable to explain the real features of the corruptive phenomenon (Shleifer and Vishny, 1993). Furthermore, Herrera and Rodriguez (2003) distinguish two main typologies of corruption in relation with the context. They use the expression “organised and structured corruption” to define the case of countries in which even the corruptive phenomenon presents a high degree of predictability. If you want to have a licence (for example) you have to pay a fixed amount of money; but if you respect this rule you will have what you need, without further problems.

Herrera and Rodriguez (2003) identify a second group of countries (a second typology of corruption) where there is not a high degree of predictability. It means that the amount of money you have to pay in order to have the licence you need (just an example) can vary; furthermore, it is also possible that even corrupting civil servants you do not have what you paid for. In this case, Herrera and Rodriguez (2003) say that corruption is disorganised and definitively not structured.

Following this stream of research we state that there is a strong relationship between the main features of the context and the corruptive phenomenon.

Cartier-Bresson (2002) identifies five main elements: the presence of natural resources that can be exploited; the rare and scarce availability of public goods with fixed and regulated prices; the low level of wages for civil servants; the high level of public intervention in the economy, the presence of a transition period in the economy.

Beyond the classification proposed by Cartier-Bresson, we think that in order to analyze and assess the influence and intensity of corruption it is also necessary to consider the role of organized crime. The corruption's phenomenon in many countries is closely connected and affected by organized crime.

The Purpose of the Paper and the Methodology

The main objective of the work consist in understanding the links between organized crime (Mafia, Camorra, Ndrangheta) and the phenomenon of corruption in Italy.
In our opinion it is impossible, especially in the Italian system, to analyse in-depth the corruptive phenomenon without considering this important dimension. Corruption, in fact, is not just a matter of single person or organization behaviour.

Applying our analysis to Italy, we claim that a systemic stance should be taken in order to fully grasp the complex intertwining of the corruptive phenomenon with the legal economy in such country.

In this view, our aim consists in showing that corruption is not conceivable as just a simple tool used by firms in order to gain competitive advantage. In our opinion corruption should be considered as a way to understand the relationship between criminal organizations and economic, social and institutional system.

We investigate the relationship between criminal organizations and corruption, departing from a clear-cut evidence: in the Italian context, the attention devoted to entrepreneurial mafia is not equivalent to a significant amount of studies carried out on this phenomenon by management scholars. Despite the fact that criminal firms account by far for the highest turnover in the country, the existent analysis of such reality have been proposed mainly by sociologists, public attorneys and economics scholars.

If we wish to understand the functioning logics of a great stake of economic activities in Italy, organized crime should be at the core of any realistic discourse. Of course this is not to say that Italian economy simply overlaps with crime, but still a general claim is that such phenomenon cannot be merely ignored. By the way, such broad statement holds true also at an international level, even if with different and more evasive contours (Varese, 2001).

Considering the difficulty and the novelty of the topic, on the methodological side we decided to articulate the research into two different phases. In the first one, in order to better frame the phenomenon we carried out a set of non structured interviews to a group of experts. We interviewed 2 judges, 2 public officers, 2 military officers. Each single interview was organised in order to give the expert the possibility to express his own point of view on the topic. We made the interviews never alone; at least two of us were involved. Our aim was to understand the internal functioning of criminal systems in terms of the use of corruption. Each single interview lasted more or less 1 hour.

In the second phase, we proceeded with an extensive and systematic analysis of secondary sources, relying on judiciary acts and specialised press articles. These typologies of data are inevitably the most powerful in order to understand the systemic implications of corruption in Italy.

1 All the experts interviewed have a professional background which is fully consistent with the purpose of our research. At this stage, due to privacy reasons we are not allowed to disclose their names.
The Corruptive Phenomenon in Italy

In Italy the most important database is represented by official statistics and data collected by ISTAT and by the “Alto commissariato per la corruzione in Italia”\(^2\).

The reliability of this statistics include several biases. The first one stems from the fact that people (in particular, in certain zones and territorial areas and for particular typologies of crimes) do not like to make a formal charge, asking for the intervention of police forces. On the other side we have to take into account that judges and police forces are able to discover and to punish only a fraction of the total corruptive phenomenon. It means that we should distinguish the “corruption that come to light” and the “real corruption”. Davigo and Mannozzi (2007) define this bias as “black figure”. They also analysed the corruption in Italy until 2002. Until the end of the 1980-s the trend appears stable and steady. At the beginning of nineties, we register a significant growth of the intensity of corruption. In this period the gap between real and apparent corruption decreased, for several social and political reasons (e.g. a higher degree of trust in the institutions).

In the Italian law the general corruptive phenomenon can be distinguished in a set of different typologies of crimes:

- corruption tout court;
- embezzlement;
- abuse of authority;
- graft.

A survey conducted by the Alto Commissariato per la Corruzione in Italia, in Italy for the period 1996–2006 shaws there were:

- corruption tout court: 6603 crimes
- embezzlement: 4737 crimes
- abuse of authority: 4634 crimes
- graft: 2579 crimes

About the 35% of the total amount of crimes is represented by corruption crimes; the embezzlement represents the 25%, the abuse of authority the 24%, and the graft about the 14%.

\(^2\) Website link: http://www.anticorruzione.it/site/ArtId__505/355/DesktopDefault.aspx
The “Osservatorio per la Corruzione in Italia” conducted a survey also on the number of charges in the period 2004–2008. It is important to underline that in 2006 there was a significant growth in the number of charges.

It is interesting to go broaden the analysis distinguishing different typologies of crimes, following the Italian law scheme.
<table>
<thead>
<tr>
<th>Art.</th>
<th>Crime</th>
<th>n.</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>640 bis</td>
<td>Truffa per il conseguimento di erogazioni pubbliche</td>
<td>5912</td>
<td>31,08</td>
</tr>
<tr>
<td>323</td>
<td>Abuso di ufficio</td>
<td>5189</td>
<td>27,28</td>
</tr>
<tr>
<td>316-ter</td>
<td>Indebita percezione di erogazioni a danno dello stato</td>
<td>2663</td>
<td>14</td>
</tr>
<tr>
<td>314</td>
<td>Peculato</td>
<td>1326</td>
<td>6,97</td>
</tr>
<tr>
<td>322</td>
<td>Istigazione alla corruzione</td>
<td>962</td>
<td>5,06</td>
</tr>
<tr>
<td>353</td>
<td>Turbata libertà degli incanti</td>
<td>602</td>
<td>3,17</td>
</tr>
<tr>
<td>317</td>
<td>Concussione</td>
<td>593</td>
<td>3,12</td>
</tr>
<tr>
<td>319</td>
<td>Corruzione per atto contrario ai doveri di ufficio</td>
<td>505</td>
<td>2,66</td>
</tr>
<tr>
<td>356</td>
<td>Frode nelle pubbliche forniture</td>
<td>467</td>
<td>2,46</td>
</tr>
<tr>
<td>355</td>
<td>Inadempimento di contratti di forniture pubbliche</td>
<td>269</td>
<td>1,41</td>
</tr>
<tr>
<td>316-bis</td>
<td>Malversazione a danno dello stato</td>
<td>224</td>
<td>1,18</td>
</tr>
<tr>
<td>318</td>
<td>Corruzione per un atto di ufficio</td>
<td>91</td>
<td>0,48</td>
</tr>
<tr>
<td>316</td>
<td>Peculato mediante profitto dell’errore altrui</td>
<td>78</td>
<td>0,4</td>
</tr>
<tr>
<td>320</td>
<td>Corruzione di una persona incaricata di un pubblico servizio</td>
<td>60</td>
<td>0,32</td>
</tr>
<tr>
<td>319-ter</td>
<td>Corruzione in atti giudiziari</td>
<td>36</td>
<td>0,19</td>
</tr>
<tr>
<td>354</td>
<td>Astensione dagli incanti</td>
<td>33</td>
<td>0,17</td>
</tr>
<tr>
<td>322-bis</td>
<td>Peculato, concussione, corruzione, e istigazione alla corruzione di membri degli organi delle comunità europee di funzionari delle c.e. di stati esteri</td>
<td>9</td>
<td>0,05</td>
</tr>
<tr>
<td></td>
<td>Totale</td>
<td>19019</td>
<td>100</td>
</tr>
</tbody>
</table>

Figure 3. Number of charges, typologies of corruptive crimes in Italy 2004/2008 (Alto commissariato per la corruzione in Italia)

In Italy there are also many differences among regions and territorial areas.
Criminal organisations and corruption in Italy

As shown in the previous table, Sicilia, Lombardia, Campania and Calabria present the highest number of charges for corruptive crimes. At the same time, in relation with the number of inhabitants Basilicata, Valle d’Aosta e Calabria present the highest ratio (crimes/inhabitants).

In the last column in the previous table, the number of charges is related with the number of civil servants. Trentino Alto Adige, Molise, Calabria and Basilicata present the highest ratio crimes/1000 civil servants. In particular, the Trentino Alto Adige Region is reported to be the region with the highest corruption ratio (almost the 400% of the national average).

Criminal Organizations and Corruption

The relationship between criminal organisations and the theme of corruption is easily represented by figures and by the industries in which criminal organisations are typically involved. Analysing the figures reported in the previous tables, we can state that corruption represents one of the most important industries in Italy. Every year, all the criminal organizations gain more than 130 billion Euro and earn almost 70 billion Euro. It is definitively evident that criminal organizations are particularly efficient in exploiting their investments.

The commercial branch in the holdings controlled by the different typologies of criminal organizations (Camorra, Sacra Corona Unita, Ndrangheta, Mafia) exceeds
a turnover of 92 billion euro, accounting for approximately the 6% of the Italian GDP.

Every day, a very huge amount of money changes its owner, moving from legal activities to illegal ones, or to activities controlled by criminal organizations.

As it is stated in the SoS Impresa report (2008), it is simple to look at the Mafia as the first and most important organisation in Italy with a total revenue (estimated) of 130 billion Euro. More than 24 billions come from the commercial and entrepreneurial activities. The Italian Antimafia Commission [Commissione parlamentare di inchiesta sul fenomeno della criminalità organizzata mafiosa, 2008] and the Italian Commissioner on corruption in public administration [Alto Commissario per la prevenzione e il contrasto della corruzione e delle altre forme di illecito nella pubblica amministrazione, 2006] in two reports have provided a list of the main domains of economic activities in which corruption and criminal firms are more evidently intertwined: public works, waste management cycle, healthcare, financial services.

For instance, in public works the corruptive practices are strongly related with the technical and political mediation ensured by a number of intermediaries that may play a role in the awarding of the tendering. Such actors may be seen as the linking element between public administration and criminal firms and thrive on the inefficiencies of the technical departments within the municipalities. In a case referred by Vannucci (2008), in a Sicilian municipality a cartel of criminal firms, all assisted by the same private consultant, was reported to be in control of the distribution of public works. Such firms were able to exert an influence on the way in which tendering procedures were designed. In particular, it was proved that all these firms were regularly contacted before they presented their projects in order to predetermine in advance the offer that could allow an unfair remuneration and a 25% bribe to be divided among local politicians. Even before the expiration of the deadline for presenting the offer, all deals were settled and a consensual agreement was found, able to satisfy the firms, the politicians and the intermediaries.

The economic impact of criminal activities is underlined by the conclusive findings of the Italian Antimafia Commission (2008, p.13): “The picture conveyed by the President of Confindustria [the national association of industrial entrepreneurs] confirms the necessity to steer away from the current courses of action if we want to avoid the risk of handing a large amount of Mezzogiorno [Southern regions of Italy] economic system to mafia”.

This vision does not fully explain the overall picture of the country, because it seems to miss the fact that more and more criminal firms are at work in the most developed area of the countries, such as the Northern regions, as it is showed by an increasing amount of data (De Stefano, 2008).

In Italy 170 local Municipalities involved in Mafia affairs were dismantled in recent years as a result of a proved contiguity with criminal organizations (sciolti per
mafia): this is a very significant fact that shows the interconnection among political, economics and criminal power.

We need to refer to such criminal economic ‘system’ in order to understand its economic and social role, its degree of pervasiveness in the whole country. It is useful then to understand where the illicit money is invested, relying on the fact that criminal firms follow the same imperative of capitalistic economy: their income are invested in the most profitable and stable business opportunities. Illegal enterprises have proved over time to be flexible and proactive, reacting abruptly to every change in the business and political environment and still to remain covered and operate undisturbed. The main feature of recent evolution of criminal firms is the fact that they more and more operate as legal businesses.

One of the most interesting points refers to net of relationships among different typologies of actors.

If we focus our attention on how criminal firms and organizations gain the financial resources they need, we can underline several main points (Fantò, 1999; Arlacchi, 2007):

a) the accumulation of a very huge amount of money through the most different criminal activities;
b) the financial resources created through criminal activities are used both to guarantee the survival of the criminal organization (they have to pay people who work for them) and to increase their influence on the other side of economy, doing money laundering;
c) after the money laundering process, money is definitively invested in new perfectly “clean” economic activities.

It means that, analysing the whole criminal phenomenon it could be impossible to distinguish in a very clear-cut way legal from illegal behaviours and firms. What we have in Italy nowadays is a set of firms that use resources that stem from criminal activities, but that definitively operate respecting the law and in a perfectly legal market. Adopting and organizational perspective on the issue, it emerges that criminal firms are just a temporary tool used by criminal organization in order to increase their power, to grasp money, but also to have a presentable face.

Conventional businesses are seen by criminal firms as an elective domain in which investing illegal profits. This is made possible by a substantial detachment between the capital raised and the criminal actors that have achieved illegally such accumulation. The border between legal and illegal economies are then blurred and may even disappear. The criminal firm is able to launder illegal profits by means of clean companies that operate regularly on the market. By doing so criminal firms avoid primary detection of investigators since they appear as clean in the light of constraining anti-mafia regulation.
Roberti (2008) reports that, in addition to the traditional approaches operated by criminal clans to conceive the identity of the actual entrepreneurs that operate apparently in a regular manner (the “prestanome” or “man of straw” way of doing), it is useful to consider that more refined strategies are being used. In particular, he refers to a progressive aggregation of the control of multiple businesses under the criminal domain, in order to diminish conflicts among clans, increase contractual power of the criminal organization, and obtaining economies of scale and scope.

“For example, the Camorra firms in the Province of Caserta have been organized in various cartels according to the type of activity for instance cement supplying firms; those active in the field of extraction and soil supply; those engaged in land reclamation schemes. Indeed, if the criminal activity appears as a legal enterprise and operates according to the rules of the market, this is because the rules of the market make no distinction between a legal firm and its real owner (between the possessor of money and its origin). The lack of a clear demarcation line between the legal and criminal spheres makes it difficult to identify the subjects operating in the economic circuits and above all to focus on their divergent interests. It is true that the traditional criminal firm, which was identified with the 'business-camorrista', has been replaced by the new legalized firms that often do not need to employ the threat of intimidation of the criminal organization to which they belong; the power of money, which they have in abundance, is sufficient. This has allowed criminal firms to secure significant slices of the legal market” (Roberti, 2008: 47).

Fantò (1999: 58) describes the tripartite relationship (typical of the ’90s) among politicians, entrepreneurs and criminal actors as an interdependence mechanism in which each pursues peculiar goals:

- politicians are interested in electoral consensus and in being recognized as unavoidable mediators;
- entrepreneurs are initially separate from the criminal actors but then subcontract to criminal firms relevant amounts of work;
- criminal actors are interested in participating to the public works through the subcontracting mechanisms.

In such a context each player has his convenience in cheating and having a corruptive attitude.

In particular many apparently legal firms tend to exploit criminal organisations and politicians in order to achieve a variety of purpose. Establishing a closing alliances with such actors allow firms to have access to new markets, to exploit workforce at minimum wages, to obtain smooth trade union relationships diminishing internal bureaucratic problems, and in sum to be more efficient saving on many cost items (external procurements, salaries, etc). On the other hand the advantage that criminal organisations derive from having a positive relationships with appar-
ently legal firms are related to money laundering diversification of activities, having ultimately the chance to exert a full control over many territories.

Politicians need criminal organisations and firms in order to broaden their consensus and obtain illicit sums of money.

In addition, at the end of the '90s the criminal organizations have begun to play a central role in the corruptive mechanism of public works.

An interesting point that deserves to be analyzed is the issue of public tendering procedures that end up under the control of criminal organizations. A commonplace phenomenon is the interorganizational network purposely built by criminal organizations in order to be stay hidden and still be able to take advantage of the public money. In particular, a number of judiciary acts have revealed that often a system of interconnected firms is established to submit similar tenders; this behaviour gives the idea of a competitive mechanisms at work among formally independent private companies, that in reality operate under the same direction, and subsequently share the overall work to be awarded adopting the subcontracts mechanism.

Criminal firms hence have directly overlapped with entrepreneurs and politicians, following the same progressive identification among legal and illegal economy.

In particular, public works allow criminal firms not only to earn profits related to the value of such contracts, but are also a powerful mechanism to set up extra-balance sheets funds, eluding the legal limitations to subcontracts, escaping the stringent constraints of safety on work legislation, and ultimately hiding increasing amount of revenues. These funds are more and more central in the sharing of business profits among apparently legal firms and criminal clans. Such earnings are of course levied on public money and ultimately on taxpayers. This is achieved through increase of initial price granted by politicians and by public managers, through money anticipation on advance payments for ineffective work in progress, and massively through issuing false invoices, particularly frequent in the construction industry for those stocks which are difficult to check.

Conclusions

Corruption in Italy presents a key issues for understanding many of the relationships in the world of business. Using similar words to those put forward by Zuckerman in his review of Callahan’s book (2004) we could say that Italians have implicitly condoned a cheating culture, and that we are “not only cheating more, [but] feeling less guilty about it” (2006). In this article we claim that
1) within the business system is much more complex to understand where the is the line between the legal and illegal dimension. As Riccio stated the Italian mafia is not anymore to consider as the Anti-State but as something perfectly coherent with the spirit of our society. On the contrary of the State, Mafia can provide money, rules and profits in a real effectiveness way.

2) the dimension of corruption in Italy is not simply to interpret and to analyze: the micro and macro view (Ashforth et al., 2008) are not the right key to explain the whole phenomena; the only way it is to look at the entire dimension including social, economic and cultural value. In this sense the role of the criminal organisations is a part of a network in which many actors play an important role in order to get their own goals.

In our opinion, looking at corruption in Italy it is not so relevant to analyze the single corruptive episode or the single organisation. It is much more useful to go in depth at the whole system. This perspective implies a logical consequence: to prevent corruption rules are needed, but they are not enough. Political choices may conflict with the fight against corruption. When we use the expression political choice, we refer to all the institutional organisations that play an important role in the economic and social system: government, political parties, local authorities, unions, etc. The question is: who really want to change?

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IMPLEMENTATION
OF ENTERPRISE MANAGERIAL TOOLS IN PUBLIC SERVICES BASED ON THE EXAMPLE OF THE CADASTRE INSTITUTION

1. Introduction

Public administration is an organisation which includes 2478 commons, 314 counties, 65 urban poviats, 16 marshal offices and 16 voivodships (regional councils), 17 ministries, 509 governmental units, supreme and central offices [5] as well as a great number of organisational units subordinate to voivodes and self-government agencies such as voivodships, poviats and communities. There are also court organisational units1 (Fig. 1). Around 380 thousand people are employed in the public administration [17, table 12 (35)]. It is the largest organisation in Poland. The administration provides services for (and on behalf of) the society, and as such is a social organisation.

* Prof. Bogdan Nogalski PhD, University of Gdańsk, Department of Management Institute of Organisation and Management.
** Adam Klimek MSc, Doctoral candidate at the Department of Management Uniwersytet Gdański.
1 Prime Minister “is official head of government administration employees” and “supervises local governments within the regulations and methods described in the Constitutions and the acts”. Besides “local government is supervised in legal respect” and “the agencies supervising the activity of local government units are Prime Minister and voivodes”. See Constitution of the Republic of Poland, articles 148, 171. Public administration agencies are: ministers, central government administration agencies, voivodes, other local government administration agencies acting in their behalf or on their own (dependent or independent), local government unit agencies. See Act for the code of administrative procedures, Article 5 (consolidated text Dz.U z 2000 nr 98 poz. 1071 ze zm.).
The efficiency of the public administration is low. It is shown in scientific publications, opinions of the World Bank, results of public opinion polls and in press releases [13]. The attempts to improve the effectiveness of the public administration, which have been made for the past 20 years, have not resulted in the desired outcome. The major part of the responsibility for the described failure lies in the restrictions on the organization and management tools implementation resulting from the fact of the ongoing discussions as to the adequacy of such managerial tools utilisation in public administration as which would be utilized in a commercial enterprise [6].

The necessity of improvement of the administration effectiveness is obvious and not under dispute. At present more and more opinions can be seen that the implementation of commercial managerial tools as they are understood by the commercial enterprises is necessary\(^2\). Fully agreeing with such beliefs we will present a proposal for implementation of commercial entities managerial and organizational tools in the area of land ownership rights protection\(^3\).

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\(^2\) In government documents such as Raport POLSKA 2030 (Report POLAND 2030), or Program Operacyjny Kapitał Ludzki (Operational Programme Human Capital) the role of the implementation of organisation management instruments is stressed, and process approach in particular. See M Boni, Raport POLSKA 2030, p. 308 www.polska2030.pl; Ministerstwo Rozwoju Regionalnego, Program Operacyjny Kapitał Ludzki. Warszawa, 2007, p. 69.

\(^3\) Protection of ownership rights is a constitutional responsibility of the state. See Constitution of the Republic of Poland, Article 21.
2. Ownership protection instruments

Poland needs legal order in land regulations and quick access to information authorised by the state about boundaries of properties. Easily available and reliable (authorised by the state) registers which include ownership claims and the scope of ownership rights on a given land are necessary. Using the data, all kinds of public administration agencies and courts make decisions in as far as ownership rights (land register), local plans, taxes, land management, subsidies for farmers, environment protection, forestry, emergency services, etc. This information is also used by insurance companies, banks, notaries, public assessors, agents and investors. According to introductory research more than 360 acts refer to such notions as “land”, “land registry”, “cadastre”, “real estate”. In most European countries it is the institution of cadastre\(^4\) in close co-operation with a mortgage institution (e.g. in Poland, Germany, and Austria with land registers) which deals with those issues.

3. Irregularities in the land registration process

In Poland there are more than 30 million plots. They are numbered and filed in registers and displayed on maps. The problem is that we do not really know where the boundaries of those plots are – determining where they are is a tedious process requiring searches in sets of documents and often measurements. Currently in Poland lands are registered in poviat geodesy and cartography offices, whose agents are starosts (heads of big cities)\(^5\). Figure 2 shows a diagram of geodesy and cartography service and the position of starosts. The position of the service within the structure of public administration is shown in Figure 2. Starosts, whose tasks are performed by poviat geodesists, are independent. They are only controlled by Voivodship Inspectors for Geodesy and Cartography Supervision\(^6\).

Poviat administration updates maps and registers using compilations (and they are of various quality) prepared by private geodesic companies. A community agent

\(^4\) Cadastre should currently be understood first of all as an instrument ensuring legal order on land and together with land registers as an instrument protecting ownership rights. More in: Improvement of functioning …. Currently cadastr is often perceived as a fiscal instrument.

\(^5\) Geodesy and cartography service includes: Major Geodesist of the State and Voivode as geodesy and cartography supervision as well as Voivodship Marshal and Starost as geodesy and cartography administration. See Act for geodesy and cartography law, Article 6a (consolidated text Dz.U. z 2005 nr 229 poz. 1954 ze zm.).

\(^6\) Read more about the condition of the organisation and its crisis in: Zmiany strukturalne w służbie geodezyjnej i kartograficznej. moda czy konieczność?, XIII Konferencja Naukowo – Techniczna z cyklu Kataster Nieruchomości, na temat: Kierunki modernizacji katastru nieruchomości z punktu widzenia pełnionej funkcji, Kalisz 2008.
takes part in the process of drawing boundaries who (on an owner’s motion) approves the division plan (prepared by a geodesist) or is in charge of demarcation process (a geodesist being commissioned to do that). Those actions may take months. Entries in registers and maps are made as part of physical and technical activities without any decisions being issued or parties being informed. A court is informed that an entry concerning a land has been made. The court does not make any note of it in registries for reasons that will be presented further on in the explanation to Figure 3. Entries concerning rights are made in registers on the basis of notarised acts which are submitted by notaries public.

Courts make entries on a party’s request and using notarised acts submitted by notaries public as well as documents prepared by the land registry which are attached to those acts. The entry is made by the power of verdict. The party is informed about the entry and may raise an objection against it. The office which has already made the entry on the basis of the notarised act is also informed about the verdict. It is not, however, informed about a rejection of the entry. Those processes have been presented in Figure 3. An important difference between the procedures in both in-

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7 It was as early as the beginning of 1970s when entries were made on the basis of a decision. A party was informed and could raise an objection against its contents. In this manner the entry would attain a probative value.
Institutions is the fact that land registries meet the requirements of a public register, registers and register maps, however, do not meet those requirements⁸.

A starost also undertakes remedial actions. One of them is the so-called modernisation of land and building registers. It is commissioned to a private institution which examines documentation, prepares cataloguing on location and, when necessary, takes measurements and runs the procedure which legally binds the information⁹. Those actions do not contribute to meeting the requirements set to public registers, entries do not attain probative values and the reliability of the information gathered during modernisation is low¹⁰. Besides, a starost is obliged to check the entries in registers for their conformity with the compiled documentation¹¹.

Among current problems concerning registration of land the most important ones are¹²: in respect of information quality – low reliability of the entries in registers in

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⁸ Lack of characteristics of a public register makes it impossible to use the information included in registers in a number of administrative, civil and legal actions. In particular, it does not allow to benefit from remote access to computerised registers and maps. An exhaustive study on public registers, and in particular on conditions that have to be fulfilled by them can be found in: T. Stawecki, *Rejestry publiczne*, Wydawnictwo Lexis–Nexis, Warszawa 2005, pp. 28–30.

⁹ This process has the characteristics of an action.


¹¹ So it is the legal regulations themselves which present lack of trust in the entry procedures.

¹² An illustration of problem identification has been presented in the form of a tree of problems in: B. Nogalski, A. Klimek, *Kataster i jego system jako nowa instytucja racjonalizująca organizację i zarządzanie*
land register maps, lack of conformity of land registers and land registries, low quality of the information submitted in geodesic documentation. In respect of organisation – lack of appropriate entry procedures, in particular lack of entry validation, imperfect co-operation with land registries, lengthy procedures in commune offices concerning divisions and demarcations, differences in procedures among particular poviat, lack of co-ordination of operations among starosts, ineffectiveness of remedial actions or ineffective use of available resources.

4. Conception of changes in the main processes

In the suggested model of processes\(^{13}\), two basic institutions are part of the ownership protection system: cadastre and land registries. Just as ownership registration is the domain of land registry courts, the registration of the scope of rights on a given land (rights limits) should be the domain of the specially appointed institution of cadastre. Those institutions should be co-ordinate and equal, and they should complement each other (Figure 4).

\(\text{Figure 4. Institutions for the protection of ownership. Registration process}^{\text{13}}\)

Source: based on preliminary works of WOPSIN.

\(^{13}\) A process is a set (a sequence) of repeated actions carried out as a result of an external customer's action (in particular on a client's request, as a result of a notification from another institution, in reply to a client's query) until the result of those actions has been delivered to the customer or until the case has been closed ex officio.
The system is complemented by two other institutions: certified surveyor (an institution which currently is not in function in Poland) and notary public. The certified surveyor plays an important role in the ownership protection system. By analogy to the role of the notary public who is responsible for the correct transfer of ownership and for the preparation of the documents used to make an entry in the land registry, the certified surveyor should make all the measurements and prepare the documents used to make an entry in the cadastre.

A remedial process is also necessary. The need for such a process was discovered in 1993 on a pilot area in Pomorskie voivodship (WOPSIN)\textsuperscript{14}, the then administrative region of Wejherowo. It rose because it became clear that co-operation between both registers is only possible if the main identifiers have been synchronised: those of the owners (competence of the courts) and those of the plots (competence of institutions). EU experts expressed the same opinion in 2006 [4, p. 51]. The remedial process must take that fact\textsuperscript{15} and the necessity to classify cadastre as a public register into account.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure5}
\caption{The construction of the cadastre and synchronisation of registers (the remedial process)}
\end{figure}

\textit{Source: based on preliminary works of WOPSIN.}

\textsuperscript{14} This process was implemented. Its eight-year functioning brought very good results – in all registries the object of ownership was tagged with land and building register identifiers, and the correspondence of the identifiers was raised to the level of over 90\%. See also: A. Klimek O. Dzięcielski, \textit{Ocena zgodności danych ewidencji gruntów z księgami wieczystymi w:} Wojewódzki obiekt pilotowy prac nad systemem informacyjnym o nieruchomościach, red. Nikel M.E., Klimek A., Starostwo Powiatowe, Wejherowo 2003.

\textsuperscript{15} Working within government competences, incredibly expensive IT systems have been created. The belief was that computerised entries in land registers and land registries will make co-operation between them possible (PHARE project 2000 “Construction of an Integrated Cadastre System” and further projects). Such actions only attest to their authors’ ignorance and to their lack of respect for public funds expenditure.
In the course of the process entries in registers and in land and building registers, the documents of the national geodesy and cartography supervision and land registries and files are examined (Figure 5). An entry is made by the power of decision and a party is informed of its content, against which an objection can be raised. Entries which raise doubts are tagged with a warning.

5. The scope of the changes versus management instruments

Due to the scope of the organisational changes in administration two groups of transformations must be prepared: those which are implemented within the existing legal regulations and those which go beyond the existing legal regulations. The changes made within the current legal regulations are relatively easy to implement because there is a possibility of their gradual modification. In case of the changes which go beyond the current legal regulations the situation is completely different. The procedures of the changes must take into account the fact that an organisational change can only be implemented after the law has been amended. What is important then is to make sure that the statutory regulations are of a general nature. Regulations issued within ordinances are more detailed. Those should be prepared after the effectiveness of the actions has been tested on pilot areas. It is a major difference which has a significant influence on the process of changes in administration16. In practice it means that the implementation of changes going beyond the current statutory regulations must be prepared with utmost care, it cannot be subject to passing influences and it cannot be carried out in a hurry17.

6. Selection of instruments

In view of the presented conception the following organisation management instruments have been presumed the most useful in the operation of restructuring of the processes and planning organisational structures:

- re-engineering (RE) – a concept of a rapid and radical re-planning of strategic, customer valid processes as well as affiliated systems or procedures and the organisational structure in order to optimise the work process and the productivity of work organisation [9, pp. 26–27].

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16 In a business company formalisation is an element of the final stage of the change process (freezing).
17 It is different nowadays. The Seym passes laws which they know that are faulty.
Lean Management (LM) – a conception which gives people on all levels of organisation the abilities (knowledge) and possibilities to participate in a regular elimination of mismanagement\(^{18}\) through re-designing of the process and improvement of the connections and communication among work posts [3, pp. I–16].

Mass Service Theory (MST) – a tool which allows to estimate the amount of time spent in queues and the time necessary to process queries, especially when combined with LM type of tools [15].

Apart from that, instruments which are associated with the following conceptions are expected to be used:

- benchmarking (BM) – a method which has a comparison with and learning from others at its core [2, p. 502].
- organisation resources analysis (ORA) – examination of an existing organisation to see if it is possible to assess the cost of building and functioning of a new organisation.
- legal regulations analysis (LRA) – examination of the possibility to influence the functioning of other state institutions and assessment of potential benefits.
- measure of activity effectiveness (MAE) – presenting the number of visits in offices, time spent in offices and queries completion time [15].
- marketing (MAR) – it allows to gain social acceptance of the implemented changes.

Because of the character and scope of the changes presented in the conception the leading instrument should be re-engineering. The remaining instruments and tools should be used at the time and in the scope described in the method of implementation of the changes\(^{19}\).

The above mentioned instruments have been presented in Table 1 which shows at what stage of the change process their implementation is anticipated and to what purpose. Below a short characteristics of those stages has been presented. And so:

1. **the preliminary stage;** this stage is ended by a decision about starting research and planning from the appropriate agent (in this example it should be the Council of Ministers). Therefore at this stage the need for and the scope of the changes should be explained and expected benefits as well as an initial cost assessment should be presented;

2. **the research and planning stage;** this stage is ended by a decision accepting the direction of the changes and initialising legislative work. Therefore, at this stage one must precisely describe the mission, aims, megaprocesses\(^{20}\), megastructures\(^{21}\),

\(^{18}\) Or an activity which does not bring any added value.

\(^{19}\) Elements of research on the methods of the implementation of the changes have been presented in: B. Nogalski, A. Klimek, *Usprawnianie funkcjonowania …*.

\(^{20}\) Megaprocesses are processes which involve more than one organisation.

\(^{21}\) As distinct from the notion of structure, which refers to the basic organisational unit (a single office), the notion of megastructure refers to the whole organisation which includes offices at various levels.
and the influence of the innovations on other state institutions. One must also assess cost-effectiveness, prepare a method of implementation of the changes and a general plan of action. These jobs should be entrusted to a dedicated team. At this stage there should be prepared a marketing strategy whose aim would be to gain social acceptance of the changes;

3. **the design and implementation stage**: at this stage processes and structures are designed and a plan of action is prepared. They are all verified on pilot objects. As a result legal solutions at the level of ordinance are compiled, and later on statutes and codes of practice. Activities done within the processes, posts, teams and basic structures are described in detail. IT tools are created. The staff is trained. This stage is ended when the processes are started countrywide. At this stage also other instruments should be used, in particular those concerning the reaction of the public to the changes.

4. **the operation stage**: at this stage an assessment of the efficiency of the organisation is made. Processes are improved (as far as it is possible without changing the law).

5. **Conclusion**

“Although there are many programmes for changes, there are only two very different aims which bring about the initiative for the change: *necessity of a rapid improvement of the economical situation or necessity to improve the efficiency of the organisation*. The professors of Harvard Business School M. Beer and N. Noria coined the terms “E theory” (economical approach) and “O theory” (organisational approach) to describe the two basic aims” [8, p. 20]. Administration is the kind of organisation which requires improvement of efficiency, so the choice of actions and instruments should be based on organisational approach. The bulk of instruments applied in restructuring of business enterprises will prove to be useless in administration, especially those used in the economical approach. Implementation of organisation and management instruments in public administration, used in the organisational approach, is an inexorable condition for its improvement. Without them administration will not reach the level of efficiency expected by the society.

To sum it up, the present work showed proposals for the implementation of the instruments for the construction of one of the most important instruments of the state – protection of land ownership rights. In the re-organisation of the public administration particularly important should be the instruments based on processes (i.e. re-engineering and lean management), whose focus is on customer service.
## Table 1. Utilisation of the instruments in implementation of the change process

<table>
<thead>
<tr>
<th>Instrument</th>
<th>Implementation stage</th>
<th>Research and planning</th>
<th>Design and implementation</th>
<th>Operation</th>
</tr>
</thead>
</table>
| RE         | Preliminary          | - Identification of dysfunctions and needs  
              - Identification and assessment of megaprocesses  
              - Identification and assessment of megastructures  
              - Conception of megaprocesses  
              - Conception of megastructures  
              - Conception of mission, goals and tasks  
              - Expected benefits  
              - Preliminary assessment of costs  
              - Acceptance of the conception by an appropriate organ  
              - Organisation of a dedicated change team  
              - Organisation of a detailed method of the implementation of changes and a plan of action | - Design of megaprocesses  
              - Megastructures  
              - Implementation structures  
              - Passing the law (statutory formalisation of the changes) | YES | YES |
| LM         |                      | - Identification of processes  
              - Examination and analysis of processes  
              - Measurements of processes | YES | YES |
| MST        |                      | Measurement of the processes | YES | |
| BM         |                      | Examination and analysis of structures, tasks and megaprocesses in other organisations. | | |
| ORA        |                      | Examination and analysis of resources | | |
| LRA        |                      | Examination of laws (processes and structures) | | |
| MAE        |                      | Establishment of measures | YES | YES |
| MAR        |                      | Strategy design | YES | |
| Other      |                      | | YES | YES |

Source: own work.
Bibliography

Abstract

The efficiency of the public administration is low. It is shown in scientific publications, opinions of the World Bank, results of public opinion polls and in press releases. The attempts to improve the effectiveness of the public administration, which have been made for the past 20 years, have not resulted in the desired outcome. The major part of the responsibility for the described failure lies in the restrictions on the organization and management tools implementation resulting from the fact of the ongoing discussions as to the adequacy of such managerial tools utilisation in public administration as which would be utilized in an enterprise [a commercial institution].

The necessity of the administration effectiveness improvement is obvious and not under dispute. At present more and more opinions can be seen that the implementation of commercial managerial tools as they are understood by the commercial enterprises is necessary. Fully agreeing with such beliefs the elaboration presents a proposal for the implementation of commercial entities managerial and organizational tools in the area of land ownership rights protection.

[19] Ustawa kodeks postępowania administracyjnego (tekst jednolity Dz.U. z 2000 nr 98 poz. 1071 ze zm.)
[20] Ustawa prawo geodezyjne i kartograficzne (tekst jednolity Dz.U. z 2005 nr 229 poz. 1954 ze zm.).
Introduction

The current financial crisis poses serious challenges for the design and implementation of policies and development strategies in countries that are in the process of building technological and production capabilities. The global downturn of economic activity will negatively impact investment, production and employment also in developing and catching up economies. The impact of the crisis on firms’ behavior and on the real economy is not neutral with respect to the characteristics of the macro- and microeconomic structure and its technological specialization. Accumulated human capacities, technological capabilities and the specialization of the production structure shape the response and the way out of the crisis of different economies.

In 2007 representatives of the OECD member countries called to develop a strategy to strengthen innovation, increasing productivity and the potential for long-term growth and development were already pressing policy objectives. The economic context has taken a dramatic turn for the worse, with the financial crisis having spread to the real economy, bringing a steep drop in growth and millions of new unemployed.

Nowadays, as the crisis continues to unfold around the globe, the development of the OECD Innovation Strategy has taken on even greater relevance. Innovation...
will be one of the keys to accelerating recovery and putting countries back on a path to sustainable growth. The crisis itself poses a number of serious risks and challenges to the innovation economic system. Getting the policies right is vital. Today’s exceptional economic stimulus measures represent a unique opportunity for public policy to foster innovation. By providing the incentives for innovation-related investments, and accelerating activities for which barriers may have been otherwise too high, governments can help lay the foundations for a greener economy and durable growth. If this opportunity is handled effectively, countries could be reaping the benefits for decades to come.

The financial crisis which started in 2007 has triggered a global economic downturn. This has resulted in at first falling economic growth rates followed by a real economic decline in many countries. The financial and economic crisis is expected to have an impact on the innovation expenditures of firms by both limiting the availability of capital and by reducing demand for innovative products.

There is an emerging view that the global economy may be at a turning point, leading to a shift in paradigm. This is indeed an era of transition. The current crisis is the latest in a series of important phenomena which continue to transform modes of production and consumption and drive the search for new and more sustainable routes to value creation. Over the past decade, globalisation and the emergence of new and diverse players have continued to accelerate, opening up new markets and opportunities, but also requiring new strategies to benefit and to stay competitive. One result has been a change in the geography of innovation, with a more complex division of labour across cities, regions and countries. Changing demographics throughout the world has also been driving the need for innovation. In OECD countries, dealing with an ageing workforce calls for new responses, be they restructuring, migration, upgrading of skills or outsourcing.

Against this backdrop of transformation, the 2009 Interim Report is an important step towards developing an OECD Innovation Strategy for the 21st century. It examines the contribution of innovation to growth, and to addressing key global challenges such as climate change, health, food security and economic development. It takes account of the new landscape and dynamics of innovation: the important

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3 The 2009 EU Industrial R&D Investment Scoreboard (EC, 2009c) shows that growth in R&D spending for the top 1000 EU companies has slowed down from 8.6% in 2007 to 7.8% in 2008. But despite the decline in growth performance in 2008, the full effects of the crisis on R&D spending are only expected to show up in 2009 due to a delayed effect of the crisis on R&D (and innovation). The Scoreboard data cover companies’ R&D spending in the fiscal year 2008 and “[i]n the last part of this reporting period, the world economy entered into a strong financial and economic crisis... Some of the effects of the crisis are already reflected in these company results, namely on indicators such as sales, operating profits and market capitalisation. However, the full effects of the crisis, especially on R&D, tend to lag and are not yet captured in this Scoreboard” (EC, 2009c).

innovation policies in the financial crisis

linkages between traditional and new forms of innovation; its changing geography; and the challenges of governance. In examining these shifts, the report pinpoints the areas where the policy framework may need to be reassessed, or new policies and indicators developed. Specific attention is given to the foundations needed to enable innovation, including human capital, entrepreneurship, research institutions and universities, knowledge markets and infrastructure, among others. Analysis underway will result in a set of policy principles to harness innovation in the 21st century.

Innovation – the introduction of a new or significantly improved product (good or service), process, or method – has long been viewed as central to economic performance and social welfare, and recent empirical evidence has confirmed the links between innovation and growth.

Innovation entails investment aimed at producing new knowledge and using it in various applications. It results from the interaction of a range of complementary assets which include research and development (R&D), but also software, human capital, design, marketing and new organisational structures – many of which are essential for reaping the productivity gains and efficiencies from new technologies. These “intangible” assets have become strategic factors for value creation by firms. Their role in the economy has become as important as that of tangible assets, accounting for 5 to 12% of GDP.

Better accounting of the intangible capital which drives innovation is important in furthering our understanding of the patterns and sources of economic growth. Adding it to the standard growth accounting framework changes significantly the analysis. For example, R&D expenditures and intensity have been found to have a significant effect on per capita GDP growth. And estimates for several OECD countries show that intangible investment more generally accounts for around 20 to 25% of labour productivity growth. The OECD is working with the international research and statistical community to produce a better measure of investment in innovation and its impact at the macroeconomic level.

Innovation and global challenges

Just as globalisation has made the world a “smaller” place, there is an increasing realisation that many of today’s pressing challenges know no borders and cannot be tackled by a single country – global challenges require collective responses. The ability to address increasingly urgent issues such as climate change, health, food security and poverty depends on stronger innovation and new forms of international cooperation.

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5 Knowledge@Wharton (2008), Why an Economic Crisis Could Be the Right Time for Companies to Engage in “Disruptive Innovation”, November 12, 2008, http://knowledge.wharton.upenn.edu
collaboration. Effective enabling mechanisms are needed, and the OECD is working to identify policies, frameworks, and governance mechanisms that can accelerate scientific and technological progress and diffuse innovation as widely as possible.

Different global challenges naturally call for different approaches to support scientific and technical co-operation. Nevertheless, some common strategies are emerging. These include greater involvement of the private sector, non-governmental and philanthropic organisations, and other stakeholders in the innovation process; building greater capacity for innovation in developing countries; devising new financing mechanisms which provide incentives for global and local innovations; and experimentation with mechanisms that enhance technology transfer to developing countries.

Climate change is one of the biggest challenges of our time, and one which can only be solved collectively. Innovation can reduce the economic costs of climate change by putting economies on growth paths that are less greenhouse gas-intensive. While this requires major progress in development and deployment of key technologies, there is evidence that innovation in climate change mitigation technologies is accelerating. Better use of existing knowledge and technologies, across sectoral boundaries, also offers important opportunities to address this and other global challenges.

A wide range of policy actions will be needed to mobilise innovation to address climate change. Setting a price for carbon emissions (whether through tradable permits or a carbon tax) and the provision of targeted R&D support for mitigation technologies by governments can be particularly effective in inciting innovation in climate change mitigation technologies. The concept of eco-innovation is being applied by several OECD governments as a way of meeting sustainable development objectives. More generally, in order to encourage innovation, it is important to provide a stable and long-term policy horizon for investors. This is particularly important for “breakthrough” technologies with a long planning horizon. And, in order to realise reductions in emissions in a cost-effective manner, developing countries need access to mitigation technologies and an incentive to adopt them. Ongoing work at the OECD is examining these issues.

Likewise, innovation can be better mobilised to propel development and prosperity in the poorest regions of the world. In the agriculture sector in particular, innovation can be a key driver of poverty reduction in rural economies. Policies also need to provide affordable access to communications technologies, especially broadband Internet, which is vital to accessing knowledge and can trigger local innovations, boosting rural development beyond agriculture. Improving rural productivity also requires significant investments in basic infrastructure including transportation, rural energy, and irrigation. There will be little progress without these foundations.
Stimulating entrepreneurship and facilitating private sector development in developing countries should be high on the agenda, as they can promote the autonomy needed to turn opportunity into prosperity. These are important investments, which need carefully tailored incentives and risk-sharing mechanisms supported by government. Donors can play a critical role in priority setting, but also in terms of operations and implementation. To make this happen, links between development policy and innovation policy need to be established, and coherence between the two strengthened.

In recent years, the notion of innovation has broadened. In particular, interest has grown in non-technological forms of innovation – for example organisational changes, marketing and design – and their contribution to productivity growth. This interest reflects a growing appreciation of the interaction between – and complementary nature of – technological and non-technological forms, particularly in terms of wider application and adoption of innovations.

The focus on non-technological innovation has been most prominent in the services sector, which now accounts for more than 70% of GDP in OECD countries. Indeed, empirical evidence shows that innovation in this sector takes different forms than in the manufacturing sector. Services firms innovate through informal R&D, the purchasing and application of existing technologies, as well as the introduction of new business models.

"There is a growing recognition that innovation encompasses a wide range of intangible activities, in addition to R&D. Efforts to improve measures of such innovative activity, or show that R&D needs to be supported by a complementary range of other investments, are still underway. Nevertheless, it is already clear that investment in intangibles is as important as tangible investments in machinery, equipment and buildings.

Moreover, the understanding of the innovation “cycle” has grown. The links between policies to enhance investment in the creation and application of knowledge and new technologies, and policies that provide incentives for innovation through to the tail end of the innovation cycle, e.g. in supporting demand for innovative goods and services, are increasingly recognised.

The contribution of entrepreneurship to innovation is unique. Innovation often occurs through entrepreneur’s exploration of new markets, ideas and opportunities. New companies are created to exploit technological or commercial opportunities which have been neglected by more established companies and bring them to market. In 2005, half of business R&D in the United States was conducted by companies that were less than 25 years old. A policy environment that fosters the startup and growth of new firms is therefore critical to allow innovation to flourish.

Furthermore, networked innovation processes, underpinned by the spread of broadband Internet connections, enable a much larger participation in the innovation
process, opening it beyond the realm of corporate R&D laboratories to users, suppliers and consumers in the public, business and non-profit sectors. Tapping into this source of ideas offers a potentially important new source of innovation and enhances the influence of market demand on innovation.

The wider range of actors now involved in the innovation process underscores the need to develop “soft skills” that equip people to work in multi-disciplinary and multi-cultural problem-solving teams. Innovation also involves the capacity to adapt, or to retrain following the introduction of radically new products and processes. Therefore, it is important to ensure that educational institutions, as well as vocational education and training programmes, equip younger people and graduates with flexible and broad skill sets to accommodate the changing nature of innovation.

Community engagement is also important in the uptake of innovation. In many countries, the public is demanding a role in decisions relating to the adoption of new technologies, particularly when these challenge strongly-held values. The backlash witnessed against new technologies such as genetically modified foods is just one example of the role and influence of communities. Early-stage engagement with the public can play a key role in the acceptance of innovations, and can influence the applications derived from new technologies.

Drivers of public attitudes towards new technologies and innovative processes – including perceptions of risks and benefits – therefore need to be understood by technology developers and policy makers.

These and other changes in the innovation process present a challenge to existing national policy frameworks, many of which remain primarily focused on strengthening public research and on providing incentives for market participants to invest in research. A shift towards fostering a wider range of innovation activities is needed. Understanding how important such new forms of innovation are, how they interact with each other, and what factors drive them is the key to developing appropriate policies.

Improving the measures of innovation is critical to provide new tools for policy making and evaluation. The OECD and the research community are working to develop a new set of indicators to examine the broader notion of innovation and its link to economic performance and growth. This will require additional collection and use of internationally comparable data at the firm level, as well as a better understanding of currently unmeasured factors in the innovation process.

Complexity of innovation processes

Just as the notion of innovation has broadened, innovation processes have become more complex and interactive. The production and commercialisation of significant
innovations such as the discovery of the transistor, the invention of antibiotics or the introduction of organisational changes in the workplace has never been a simple or risk-free task. But there is a now a more explicit recognition that the process of innovation is not merely a linear progression from scientific research to discovery, to technological improvements, to finished products and diffusion.

The complexity and costs of engaging in innovation – in particular at the frontier – have risen. Increasingly, innovations are achieved through the convergence of different realms and technologies (e.g. social sciences, microelectronics, engineering and life science technologies). Such innovations promise new added value but are risky, since business models are uncertain, costs are high and new potential competitors emerge in a very fluid business environment. Thanks to decades of trade liberalisation, markets have become more globalised, opening new opportunities, as well as intensifying the level of competition. Product life cycles have also shortened or are under pressure – owing to more intense and global competition and continued technological progress. This is forcing companies to innovate more quickly and develop products and services more efficiently.

These trends have had several impacts on the innovation process. First, innovators have narrowed their focus to those elements where they believe they have a competitive advantage. While science and innovation activities still tend to cluster in particular locations or around certain institutions, other regions are increasingly emerging as a hub for innovative activity.

Second, confronted with intense global competition and rising R&D costs, companies are increasingly collaborating with external partners. The aim is to stay abreast of developments, expand their market reach, tap into a larger base of ideas and technology and get new products or services to market before their competitors. Suppliers and customers are among the most sought-after innovation partners. These networks and ecosystems are increasingly global.

As the practice of “open innovation” spreads, new forms of knowledge sharing and exchange between firms, individuals and institutions are growing. These collaborations are giving rise to “knowledge markets”. Using a number of different mechanisms and platforms, buyers and sellers can pool or trade data, information, contacts and know-how.

Steering markets toward innovation and attracting outside investment also depends on an effective and balanced intellectual property regime. All of these mechanisms help to enable the use, sharing, or exchange of information and knowledge.

All of these developments call for individuals and institutions to adopt a more “open” and flexible approach to innovation, where collaboration and competition coexist in the innovation process. For governments, it implies a coherent and interdisciplinary set of policies to foster innovation.
Innovation for the creation and diffusion of knowledge

The capacity to innovate in this dynamic environment depends on many factors, including the infrastructures and institutions that support the creation and diffusion of knowledge on the one hand, and the demand for innovation on the other. On the supply-side, this includes educational institutions that support the formation of human capital, and research institutions and universities, which play a key role in the creation and diffusion of basic knowledge.

Although business funds a greater share of global R&D in comparison to government, public support for longer-term fundamental research in universities and public research organisations remains critical. It is key to developing new scientific and technological knowledge that can lead to innovations to benefit the economy and society. By nature, this type of research has a long time horizon and uncertain returns. Indeed, while business has reduced its investments in basic research over time, it continues to rely on public research for important knowledge spillovers that can trigger innovation.

On the demand side, market-based institutions, consumers, and entrepreneurship and new firm creation play an important role. But capacity for innovation also relies on linking mechanisms that help match supply and demand, as well as scientific and technological infrastructure and platforms built around general purpose technologies (GPTs), such as information and communications technologies (ICTs), and especially the Internet.

A new and potentially huge driver of innovation is emerging: the demand for processes and technologies to address environmental and sustainability challenges. The search for innovative responses in these areas is likely to grow sharply in the coming years, driving new investment and further exploration of resource and energy-efficient technologies, renewable energies, new business models and crosssectoral application of ICTs, biotechnologies, nanotechnologies, and others.

Complex market and societal needs often require multidisciplinary, innovative solutions. This calls for more systemic application and diffusion of existing innovations, but also more international and interdisciplinary research and development at the technological frontier. These developments have implications for governance, international collaboration and the mix of skills needed, as well as the costs and risks of engaging in innovative activities.

Governments not only play the role of “rule setters”, but are increasingly a central innovation actor playing within those rules. Demographic pressures, burgeoning demands, higher public expectations and ever-tighter fiscal constraints mean that the public sector is seeking innovative solutions to enhance productivity, contain costs
and boost public satisfaction. The “innovation imperative” is therefore equally strong for the public sector itself. Governments can also contribute to creating demand for innovation through public procurement.

**Coordination of the innovation processes**

In this increasingly complex and shifting landscape for innovation, developing an effective governance strategy requires coordination at the local, regional, national and international levels, across a wide range of actors and government ministries – Science & Technology, Trade, Competition, Communication, Environment, Health, Foreign Affairs, Employment and Education.6

Yet, achieving co-ordination and coherence is a difficult challenge. Coherence involves not only co-ordination of simultaneous policy actions, but also an evaluation of their possible interactions with policies aimed at other objectives. For example, supporting the growth of young dynamic firms require close co-ordination between innovation and entrepreneurship policies. Likewise, a closer integration of policies fostering innovation and a cleaner environment can help guide economies towards greater sustainability. In many cases, innovation policy remains compartmentalised in different departments and agencies that face obstacles to co-operation.7

In developing their innovation policies, governments also need to consider the need to adapt to the evolving needs of actors in the innovation process over time. Putting in place mechanisms that enable learning and policy development can help ensure that government is effective and efficient in meeting the needs of society in the field of innovation.

The challenge is therefore to adjust the way innovation policies are designed and implemented to ensure they respond to the new landscape. Changes in the way we innovate; the pace of innovation; the need for better risk management tools; the pressures of globalisation, both organisational and in governance; and the growing expectations of civil society, beg the question: are the public policy instruments in use today “right” for the job? And how can approaches be tailored to country specificities: the level of economic development, economic structure and institutional setting? A systemic but flexible strategy is needed to enable governments, firms and individuals to harness innovation for better economic and social outcomes8.

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Policy agenda

Key elements of such a policy agenda include the following9.

1. **Enhanced collaboration and knowledge exchange**
   Innovators today increasingly collaborate with external partners, including suppliers, customers and universities, to tap into new knowledge, expand their reach or share risks and costs. Policy can facilitate such collaboration, which is increasingly global, for example by lowering barriers to international knowledge flows and by encouraging the development of knowledge markets.

2. **Stronger platforms for innovative activity**
   Innovation today relies on networks and institutions that support the creation and diffusion of knowledge and help link the supply of innovation to the market. The Internet and related ICTs are arguably the most important platform for innovation today, enabling flows of knowledge and linking innovators around the world. Policy needs to ensure a competitive environment for the development of these and other technology platforms, with broad access for users. Moreover, while business accounts for the bulk of investment in innovation, government support for longer-term fundamental research remains essential in creating the seeds for future innovation.

3. **Policies that tap into the global system and build on local strengths**
   Innovation today is a global undertaking, in particular for multinational enterprises, but is built on local strengths. Drawing the benefits of the globalisation process for national and local economies requires policies that enhance the attractiveness of national and local economies for innovation, e.g. in improving frameworks conditions, strengthening universities and building local networks.

4. **Policies that prepare citizens to participate in the innovation economy**
   In addition to traditional science and technology skills, the competencies that are needed for innovation today have widened to include management, leadership, marketing and business skills, as well as creativity and collaborative and team-working skills. Innovation today crosses borders, mixes disciplines and involves a wide range of actors. Policy makers need to ensure that education and training systems deliver the right mix of skills and competencies needed for innovation, which will require reforms in curricula, vocational training systems and adult learning.

5. **Policies that foster entrepreneurship**
   Entrepreneurs are key players in both the supply and demand for innovation. They also help generate competitive pressures on incumbents, forcing them to innovate. Policy can foster entrepreneurship by facilitating the entry, exit and growth of firms, for example in lowering administrative and regulatory barriers, improving bankruptcy regimes and easing access to finance.

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6. Policies that facilitate international co-operation and technology transfer

Innovation can play a major part in addressing global policy challenges, such as climate change, health and food security, as well as poverty. Responding to these challenges will require global solutions and stronger international co-operation. More effective mechanisms for this collaboration, and for the diffusion of innovations as widely as possible, must be developed. Co-operation in research and the development of effective solutions are among the key actions that policy can take to address these challenges.

7. Enhance the efficiency of policy

Governments have a wide range of policies in place to foster innovation. Improving the design of these programmes, e.g. in using competitive processes or public-private partnerships, can help enhance their effectiveness and increase value for money. Evaluation is essential to improve policy making, and this depends on improving the availability of data and the development of indicators that reflect the complexity of the innovation process.

8. Foster innovation in the public sector

Government is increasingly a key player in the innovation process. New approaches and new technologies, such as e-government, can help solve problems and improve how services are delivered by increasing responsiveness and improving efficiency and transparency.

9. Create the right framework conditions

The development of innovation policies needs to be supported by conducive “framework conditions” – sound macro-economic policy, competitive markets, smart regulations, openness to international trade and foreign direct investment, a supportive tax climate and a healthy financial system. Government plays an important role in setting these conditions. At the same time, the challenges for innovation policy differ across countries, and policy advice will need to be tailored to the specific needs of each country.

10. Based on good governance and strong political leadership

Given the importance of innovation for core policy objectives, and the broad range of policies needed to foster innovation, it is clear that innovation has become a central pillar of government policy. Political leadership in advancing the innovation policy agenda and good governance at all levels of government are therefore of key importance.

These broad principles will be developed over the coming year and complemented with detailed policy guidance that can help underpin the development and implementation of effective, whole-of-government policies for innovation.
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OECD based on Eurostat, CIS-2006 (April 2009) and national data sources.


Abstract

The current financial crisis is forcing many companies to rethink their innovation strategies and their approach to technology management. The almost automatic response to the crisis has been to increase the efficiency of their innovation processes. By downsizing R&D departments, making the innovation processes more lean and focusing more on incremental innovation projects with a more secure payoff. However, while this approach may increase the performance of the company for the short term – it may also inhibit the long term performance of the company. This paper shows that governments should complement its wide range of stimulus packages to combat the economic slowdown by adopting some long-term macroeconomic measures. It has indeed adopted proactive fiscal and moderately loose monetary policies and launched large-scale investments to enable the economy to recover faster, and taken steps to push for optimization of the national economic structure. But it should ensure that its interventions to rescue the reeling market should not go against market principles. The paper ends with the principles of policy agenda prepared by the OECD which can show the possible the way out of the crisis of different economies.
THE DEVELOPMENT OF ECONOMIC KNOWLEDGE IN THE ERA OF MODERN INFORMATION AND COMMUNICATION TECHNOLOGIES (ICT) APPLICATION

1. Introduction

The 20th and the 21st centuries are the periods of the common use of modern information and communication technologies (ICT) in organizations, enterprises, among ordinary people, as well as in state administration, and in nearly all aspects of everyday life. In the era of information society, the use of network technologies is in a sense becoming a necessity in order to achieve the efficiency growth and to achieve competitive advantage among the enterprises themselves, as well as among the countries. Figure 1 shows a model indicating the factors responsible for the IT industry success.

![Figure 1. Model of IT Industry success factors, [1, p. 8]](image-url)

* Barbara Siuta-Tokarska PhD, Cracow University of Economics, Department of Economics and Enterprise Organization.
It is worth noticing that the use of the new ICT technologies may refer to many aspects of human life, and their application may not only make our life easier, improve it, but it sometimes proves to be so essential that the proper functioning of the society without the new ICT technologies becomes hardly possible. Table 1 shows selected examples of ICT R&D as solutions to pressing global socioeconomic challenges.

**Table 1. Examples of ICT R&D as solutions to pressing global socioeconomic challenges, [2, p. 97]**

<table>
<thead>
<tr>
<th>Health care</th>
<th>Environmental challenges</th>
<th>Transport and mobility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health-care management, patient files, health database, clinical information systems;</td>
<td>Energy-efficient ICT for data centers and internet infrastructures;</td>
<td>Traffic monitoring and control systems;</td>
</tr>
<tr>
<td>Telemedicine, remote health monitoring, drug delivery using RFID and biosensors;</td>
<td>ICT for energy-intensive industries;</td>
<td>Personalized traffic information;</td>
</tr>
<tr>
<td>Detection of adverse health events, early warning systems;</td>
<td>Digitization and digital delivery of goods and services;</td>
<td>Driver assistance systems using sensors, embedded systems and augmented reality technolo-gies;</td>
</tr>
<tr>
<td>Remote surgery using hepatic interfaces, virtualization and advanced network technologies;</td>
<td>Pollution monitoring using adaptive sensor networks;</td>
<td>Software optimization for freight route planning;</td>
</tr>
<tr>
<td>Data mining in medical images; Bioinformatics and biomedical computing;</td>
<td>Improved product design for recyclability;</td>
<td>Sensor and satellite-based navigation and positioning systems;</td>
</tr>
<tr>
<td>Collaborative networking and grid computing in medical research, stimulated surgeries</td>
<td>Tracking waste streams using sensors;</td>
<td>Adaptive safety systems using RFID;</td>
</tr>
<tr>
<td>Independent living and social inclusions</td>
<td>Environmental information systems for decision makers, businesses, citizens</td>
<td>Teleworking solutions</td>
</tr>
<tr>
<td>Accessibility of ICT solutions for the young, the elderly impaired users;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improved usability through advanced software and hardware interfaces – for example, natural language control, brain-computer interfaces;</td>
<td>Remote, sensor-based detection systems connected to geo-spatial information systems;</td>
<td>Command-and-control systems;</td>
</tr>
<tr>
<td>Mobile monitoring, detection of adverse health events through sensor-based and wearable computing;</td>
<td>Mobile ad-hoc networks for immediate disaster relief;</td>
<td>Real-time language translation;</td>
</tr>
<tr>
<td>Smart home technologies to assist elderly and chronically ill patients;</td>
<td>Interoperability of observation and monitoring systems;</td>
<td>Surveillance robots, such as unmanned armored vehicles (UAVs);</td>
</tr>
<tr>
<td>Adapted online services to assist administrative tasks</td>
<td>Holistic warning systems integrating disaster-specific solutions</td>
<td>Augmented reality systems to assist decision making in theaters;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sensor-based threat detection – for example biochemical substances;</td>
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<tr>
<td></td>
<td></td>
<td>Electronic warfare – example radio frequency jamming;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Combat simulations using immersive virtual reality technologies;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mobile ad-hoc networks in theaters</td>
</tr>
</tbody>
</table>
The development of economic knowledge in the Era of modern information technologies

Thus, we can find the application for the ICT in numerous aspects of everyday life of people, organizations and societies. Undoubtedly, apart from obvious conveniences one gets by taking advantage of the ICT accessibility, it is also possible to use these technologies for economic reasons connected with obtaining financial profits (in the narrow sense), as well as in the wider sense, concerning economy itself. Economy as a science also tries to keep up with the changes that appear in our reality and to explain them within certain definite theories and cause and result relations. Getting to know these theories and their evolution over the centuries is the base for understanding the rules and the possibilities for the use of modern information and communication technologies in today’s world in the light of economic sciences.

2. Economy as a scientific discipline

According to the division of sciences accepted by OECD (Organization for Economic Co-Operation and Development), we can distinguish the following kinds of sciences [3, pp.1–9]:

- natural sciences, including: mathematics, computer science and informatics, physics, chemistry, Earth and environment science, biological sciences;
- engineering and technical sciences, comprising: civil engineering, electrical engineering, electronics, IT engineering, chemical engineering, mechanical engineering, material engineering, medical engineering, environmental engineering, environmental biotechnology, industrial biotechnology, nanotechnology;
- medical sciences and sciences concerning health: general medicine, clinical medicine, medical biotechnology and health sciences;
- agricultural sciences, such as: farming, forestry, fishery, animal science, dairying, veterinary sciences, agricultural biotechnology;
- social sciences, including: psychology, economy and business, pedagogy, sociology, law, political sciences, social and economic geography, mass media and communication;
- humanities, such as: history, archeology, languages and literature, philosophy, ethics and religion, art.

As it results from the above classification of sciences, economy is ranked among social sciences which, together with natural sciences, create so called “the core of empirical sciences” [4, pp.183–185]. The very word „economy” is a combination of two Greek words: “oikos” meaning “house” and “nomos” meaning “law”. Undoubtedly, economy is a scientific discipline dealing with the social process of management [5, p.118]. It is divided into various schools and trends. This division results, among other things, from the fact that the subject of economic studies is not homogenous and we can distinguish at least several sections in it [5, p.118]. According to the
criterion of the studied objects’ size, economy deals with both households and enterprises, which is the grasp in the micro scale, as well as with enterprises in macro scale, national, regional economies, and the global economy. By the criterion of the level of the studied objects’ development in national economies, economy distinguishes developed, developing and underdeveloped countries [5, p. 118]. In accordance with the criterion of the regulation mechanisms used in a given economy, we can talk about centrally managed economies, capitalist (market) economies and mixed economies. “Constant changes of the studied economic processes pose to economy (and other social sciences) challenges which are unknown to natural sciences” [5, p. 118]. It is the consequence of the way certain phenomena are explained in these scientific disciplines. In natural sciences, evolution is the theory explaining the past, and in economy it is the product of evolution that is the subject of the research. Therefore, we can admit that for social sciences (including economy), evolution is not the past but rather the present, and the subject of the research undergoes constant evolution [5, p. 118]. But despite typical variability of the research subject in the time and spatial dimension in economic sciences, it is nevertheless possible to formulate conclusions which are laws and this proves its universal value (for example, supply and demand law) [6, pp. 250–251]. We can therefore question the division according to which social sciences (economy included) fall into two categories: ideographic (descriptive) sciences and nomothetic sciences (i.e. formulating laws) [7, p. 1].

The fact that the research methods that are used in economy are not homogenous, results, among other things, from the occurring changes which appear very quickly with reference to managing societies. The changes are connected, among others, with the scale of production (starting with individual craft production to long-run production), as well as the organizational forms in the scope of conducting business activity (from sole trader units, through private partnerships, limited liability companies, joint-stock companies, and finishing with multinational businesses), and also the market structures (from free market structures to monopoly and oligopoly).

Some experts in the history of economic thought track the beginning of economy in the 16th century Mercantilism (so-called merchants’ capitalism), whereas others in the 18th century Physiocratism [8, p. 31]. However, already in the antiquity and in the Middle Ages people deliberated ethical consequences of conducting business.

The idea of Mercantilism was shaped after the great geographical discoveries, which was connected with the primary capital accumulation, creating institutions connected with trade development (stocks, insurances in the sea transport, the beginnings of the economic jurisdiction), as well as with the increasing economic freedom [9, p. 265]. Its representatives, A. de Montchrestien (who introduced the idea of political economy), J. Colbert (the finance minister at the court of Louis XIV King of France), T. Mun (the head of the East India Company) and W. Petty (the founder of economic statistics) claimed that the wealth of the country is connected with the
The amount of ore gathered in this country and the adverse trade balance is the factor which favours its gathering. This evokes customs protectionism and acts in favour of supporting domestic production, the development of colonialism, as well as influences social preferences to decrease the demand for imported goods [9, p. 265].

In the middle of the 18th century another trend in the economic thought developed. The trend was called Physiocratism. Its founder, F. Quesnay, created an economic table illustrating flows among different sectors in economy [8, p. 32]. The Physiocrats introduced the first complex vision of rules concerning the proper functioning of economy, based on so-called pillars of natural order: personal freedom, economy freedom and respecting the law of ownership [7, p. 2]. The Physiocrats were the first supporters of the laissez-faire trend in economy and created the foundations of liberal economy [10, p. 163]. In the period of the Great Industrial Revolution in England, a new classical school in economy was created. This school was considered to be the first scientific theory in economy. The theories concerning the ideas of Mercantilism and Physiocratism are thought to be the so-called pre-scientific phases in the development of economy. A. Smith, the founder of the classical school, was the author of the book entitled *An Inquiry Into the Nature and Causes of the Wealth of Nations* published in 1776. In the book he recommended that the state should not influence economic life and restrict its role to the defence and security functions. His views were then developed in the first half of the 19th century by D. Ricardo, who, among others, proclaimed the theory of international trade (the comparative cost theory), and so-called Ricardian equivalence, according to which increasing public expenses may lead to the reductions in the private sector expenses [7, p. 3].

In the second half of the 19th century, the neoclassical theory in economy was formed. The theory was critical towards the classical one, especially in relation to the idea of free market and full liberalism. According to the neoclassical theory, these ideas were justified in case of rich countries but not in case of the underdeveloped ones [7, p. 4].

In the middle of the 19th century, one of the most important, so-called heterodox trend, Marxism, was also formed. It criticized the capitalistic economy of those days. Simultaneously with Marxism, a historical school in economy was developing in Germany. It denied the output of the classical economy, opposed the idea of freedom in economy and propagated protectionism.

In the last decade of the 19th century, three more new schools appeared. The schools laid the foundations for the contemporary economy. Those were: The Austrian (psychological) school, the school of Lausanne (the mathematical one), and the Anglo-American one (neoclassical). It was at that time that the theory of consumption was created (H.H. Gossen, K. Menger – the Austrian school). A. Marschal from the neoclassical school formulated the theory of production and L. Walras and V. Pareto, representing the school of Lausanne, created the general equilibrium theory.
In the twenties and thirties of the 19th century, E. Chamberlin i J. Robinson created the theory of imperfect competition, which explained the results of the concentration processes caused by the second technical revolution from the end of the 19th century [5, p. 119]. Their theory played an important role in shaping the way of thinking about markets, the market regulation processes and competition [5, p. 119].

The Great Depression in 1929 brought about huge negative consequences in numerous countries of the world. The effects of that crisis were, among others, the decrease in production in many countries by 40%, and multi-million unemployment which strained trust of ordinary citizens, as well as economists and politicians, to the rules of market regulations [5, p. 119]. On the basis of the hitherto prevailing social discontent and pessimism, a theory by J. M. Keyens as formed, presented in 1936 and entitled *The General Theory of Employment, Interest and Money*. Keyens suggested combining the market as the regulation mechanism with active macroeconomic policy of the state [8, p. 174]. The theory opposed the output of the neoclassical school in economy but it was the Keyens' theory that dominated economy and the macroeconomic policy of many countries after II World War [7, p. 8]. Only the stagflation evoked by the petrol shock in 1973 caused criticism towards this theory because it could not properly explain this phenomenon and made economists open to the new economic trends.

The seventies of the 20th century brought opening to the theory of monetarism, whose founder was M. Friedman who postulated the limitation of the state activity, decreasing state interventionism and supporting the supply instead of controlling the demand [5, p. 120]. The monetarism theory found its practical reflection in the economic policy of the USA in the times of R. Reagan's presidency, and in the U.K., when M. Thatcher was the Prime Minister.

In the eighties of the 20th century, a new classical macro-economy developed. Its founders, T. Seargent and R. Lucas, criticized the Keynesian trend and the state interventionism referring to the microeconomic justifications in theory.

The criticism made the Keyens supporters justify their views again, which, when verified, based on the theory of imperfect competition, giving the beginning to the Neo-Keynesian trend.

In numerous scientific dissertations and specialist elaborations, the orthodox neoclassical and Neokeyesists' analysis [11, p. 42] are rejected. Also the dominating trend of the economic thought, so-called radical trend, may be used for a special kind of argumentation and formulating conclusions in economy. However, the economic theories formed after the World War II have their roots in the pre-war tradition, or even in the methodological assumptions formed in the 19th century [7, p. 9]. Both the world economy and the economic theories are still facing challenges related to new economic and civilization trends and social ideas of the contemporary world, such as, for example [12, p. 3]:

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the shaping of so-called new economy and information society,
globalization processes and increasing civilization and income inequalities in the world,
the influence of cultural differences, as well as the ones which result from pluralism of world-views on the patterns of microeconomic behaviour and social and economic development models.
Thus, contemporary economy must still analyze, describe new economic phenomena, and assess their influence on economic processes.

3. ICT as an important element of the development of contemporary economies and its predication in economic theories

The technological changes which have taken place since mid-seventies of the 20th century are sometimes called the Second Industrial Divide [13, p. 5]. The most important ones are the innovations connected with the new technologies in informatics and telecommunication, called ICT (Information and Communication Technology). The ICT has a great influence on today's economy because it causes great changes both in the production sector and in the service sector, bringing about changes in banking, information transfer, mass media, consulting and advisory sector, as well as in education [14, p. 55]. The changes also concern gathering and creating knowledge as a base for building competitive advantage in economies, also based on the use of the modern information and telecommunication technologies. According to this conception, we can distinguish five main branches of economy, being of greatest importance in this scope. These are [15, p. 10]:
- high technology industries with the greatest level of B&R expenses;
- education and subsidiaries of B&R;
- education, especially university education;
- specialist business services;
- informatics-related service sector.

The contemporary world economy is somehow dependent on modern technique and technology development because they influence the level of the development of the economic growth in a given country. Economic theories, keeping up with changes in economy and describing certain relations, try to show the right way for those who make decisions concerning the economy.

Theoretical basis for the causes of the diversity in economic development could be explained, for example, by so called neoclassical models and endogenous growth models. The neoclassical theories concerning production functions and output
capacity show that the product diversity in relation to one working person is an effect of the quotient of assets divided by employment and the differences in total productivities of production factors, and also from the fact that the total factor productivity should be higher if the level of human capital and the economy innovativeness level are higher, and also if the sector structures of the created product are more modern [16, p. 51]. The neoclassical models of the economic growth point out that on the balanced growth path the rates of economic growth will be higher if the rates of investment in both the real and human capital are higher, and if the capital input-output coefficients are lower [16, p. 52]. In turn, the endogenous growth theory suggests that it is possible to increase the long-term rate of the economic growth permanently as a result of external effects (connected with the technological progress) [16, p. 52]. Nevertheless, it is necessary to intensify high income rate investments (i.e. the investments concerning costs in technical knowledge and research, as well as human capital), and also relatively high preferences concerning future consumption.

It is also worth mentioning so-called new growth theory having its roots in the works of P. Romer and other researchers who, following the works of other economists, such as Joseph Schumpeter, Robert Solow, have proposed a change to the neo-classical model by seeing technology (and the knowledge on which it is based) as an intrinsic part of the economic system[17]. His theory has several important elements [17]:

- "knowledge is the basic form of capital and economic growth is driven by the accumulation of knowledge;"
- while any given technological breakthrough may seem to be random, Romer considers that new technological developments, rather than having one-off impact, can create technical platforms for further innovations, and that this technical platform effect is a key driver of economic growth;
- technology can raise the return on investment, which explains why developed countries can sustain growth and why developing economies, even those with unlimited labour and ample capital, cannot attain growth. Traditional economics predicts that there are diminishing returns on investment. New Growth theorists argue that the non-rivalry and technical platform effects of new technology can lead to increasing rather than diminishing returns on technological investment;
- investment can make technology more valuable and vice versa. According to Romer, the virtuous circle that results can raise a country’s growth rate permanently. This goes against traditional economics;
- Romer argues that earning monopoly rents on discoveries is important in providing an incentive for companies to invest in R&D for technological innovation. Traditional economics sees "perfect competition" as the ideal”.

The empirical data show that the theoretical hypotheses assumed during the research are true as far as the positive influence of ICT on business performance and
growth is concerned. Numerous analyses of the economic growth indicate three remarkable effects: “first, as a capital good, investment in ICT contributes to overall capital deepening and therefore helps raise labour productivity. Second, rapid technological progress in the production of ICT goods and services may contribute to more rapid multifactor productivity (MFP) growth in the ICT-producing sector. Third, greater use of ICT may help firms increase their overall efficiency, and thus raise MFP. Moreover, greater use of ICT may contribute to networks effects, such as lower transaction costs and more rapid innovation, which will improve the overall efficiency of the economy” [18, p. 36].

Figure 2 shows 10 out of 134 countries in which the NRI (Networked Readiness Index) indicator is the highest. The indicator characterizes the country development in the ICT technologies and informs about the readiness of the countries to use the network, teleinformatic technologies [19].

![Figure 2. The countries with the highest NRI indicator in the years 2008–2009 [2]](image)

The data from Fig. 2 show that the highest NRI indicator appears in Scandinavian countries and in other distinguished industrialized countries.

Despite the positive influence of modern technologies on national economies throughout the world, achieved by stimulating the economic growth and development, one cannot forget about dangers and threats connected with these technologies. Table 2 depicts chosen negative and positive aspects of using ICT.
### Table 2. Chosen positive and negative aspects of using ICT technologies, [20, pp. 171–197; 21, 22, 23]

<table>
<thead>
<tr>
<th>Specification</th>
<th>Negative Influence</th>
<th>Positive Influence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Psychological</td>
<td>Too frequent use of ICT may lead to emotional and interpersonal distempers, computer games and Internet addiction, as well as exposing children and young people to harmful mental stimuli (physical and verbal violence and erotism in computer games and on the Internet). It may also weaken the will-power and personality, especially in case of children and young people.</td>
<td>Computers and the Internet may contribute to reinforcing the sense of self-worth by strengthening the self-belief in one’s abilities and skills, and they can develop cognitive processes. Some computer games may develop personality.</td>
</tr>
<tr>
<td>Moral aspect</td>
<td>The possibility to get uncontrolled access to demoralizing and dangerous information.</td>
<td>Computers and the Internet may positively influence shaping moral attitudes of children and young people by exchanging views with other people and shaping positive ethical and legal attitudes towards respecting the intellectual property, data security and confidentiality, and others.</td>
</tr>
<tr>
<td>Social aspect</td>
<td>Restricting the peer contact, being anonymous on the Internet give the possibility of immoral behaviour, gradual disappearance of family tights, which leads to loosing the possibility to upbring children and young people, gradual disappearance of social tights leading sometimes even to severing relations with the family and the environment.</td>
<td>Educational computer games help in the educational process by developing independence or helping to search for necessary information. The computer and the Internet are also the source of entertainment.</td>
</tr>
<tr>
<td>Intellectual aspect</td>
<td>Information shock; information is ill-suited to the age and the children’s perception possibilities, the intellectual development is hindered.</td>
<td>Computer games may improve strategic thinking and problem solving. They also may develop certain skills.</td>
</tr>
<tr>
<td>Physical development aspect</td>
<td>Spine disorders and sight problems connected with too frequent computer use, long exposition to radiation outside and inside (mobile phones, computer television sets), reluctance towards active relax in the open air.</td>
<td>Computer games may improve the psychomotor skills.</td>
</tr>
<tr>
<td>Legal aspect</td>
<td>Crimes against confidentiality, integrity and accessibility of data and computer systems; crimes connected with the use of the computer (computer frauds and fakes), computer crimes committed in relation with the content of information being its subject; crimes against intellectual property.</td>
<td>Quick and full access to legal regulations, possibility of faster crime detection (also crimes connected with the use of the computers)</td>
</tr>
<tr>
<td>Political aspect</td>
<td>Informatics makes political life more distant and less transparent. Politicians can more easily manipulate the public opinion.</td>
<td>The use of ICT supports direct democracy—the public opinion can control the consistency of politicians’ behaviour</td>
</tr>
<tr>
<td>Financial and economic aspect</td>
<td>On the part of the state</td>
<td>On the part of the state</td>
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<tr>
<td></td>
<td>The decrease in the income and profits of enterprises in the scale of the country because some products are counterfeited. The income decrease may stop the salary increase. It may also result in the smaller number of workplaces and slower development of enterprises. The taxes paid are also lower so the general income in the national economy also drops. The profits from selling counterfeited goods are the source of money for the world of crime. The economic growth of the country is decreased by blocking the access to new technologies as a result of breaking copyright laws. Cyber terrorism-crackers acting for their own ambition or political reasons or paid by terrorists.</td>
<td>The development of modern technologies in economy supports innovativeness and new solutions, and has positive impact on the economic growth. It also increases productivity and effectiveness. The costs are also lower when ICT are used. These technologies are also used in the state defence and security systems.</td>
</tr>
<tr>
<td></td>
<td>On the part of the creator/enterprise</td>
<td>On the part of the creator/enterprise</td>
</tr>
<tr>
<td></td>
<td>Gets lower remuneration; Lack of copyright protection is a discouraging factor; Enterprises are reluctant to create their own local software versions; The danger of monopolization. (standardization of the used software and technologies); Polarization of markets; Decreasing number of workplaces in enterprises; Digital divide on the enterprise level; Lack of international legal regulations defining the rules of functioning of the new economy in the global area; Spam i.e. unwanted information imposed by advertisers. Disinformation, Internet pages are not updated on time; Frustrations and the constant feeling of being tired evoked by losing the possibility to rest after coming back home from work; The growing danger of losing the information confidentiality.</td>
<td>More modern and better security systems and programmes protecting copyrights; The decrease in the costs of sale, storage, supply and distribution; Lowering the marketing costs (for example, the possibility of finding new markets and business partners on the Internet and lowering the fixed costs of the enterprise by employing teleworkers); New possibilities for the enterprise development (employing people living outside the company location, so-called offshoring); The possibility of functioning on many markets at the same time; The possibility of quick vertical and horizontal communication in the enterprise nearly for free; Better quality achieved by increasing competition and better access to it by customers; Changes in the organizational culture (aiming at permanent development of all employed workers); Possibility of working and making financial operations 7 days a week, 24 hours a day;</td>
</tr>
<tr>
<td></td>
<td>On the part of the purchaser</td>
<td>On the part of the purchaser</td>
</tr>
<tr>
<td>Takes the risk of purchasing a defective product; Resigns from additional benefits (the warranty and service rights, etc.).</td>
<td>Modern ICT may support consumer protection.</td>
<td></td>
</tr>
</tbody>
</table>
Table 2 contains some information concerning the use of ICT in the contemporary world. ICT may have both positive and negative influence on the life of a human being, society and the whole human population in the global aspect. It should be emphasized here that Table 2 comprises only chosen aspects of ICT influence on human life and that new kinds of influence are still being discovered.

4. Conclusions

1. Modern ICT constitute one of the main factors of the development of enterprises, large organizations, national economies and the whole world economy. ICT make it possible to get information necessary for their proper functioning in a quick and easy way.

2. ICT are commonly used in nearly all aspects of human life, beginning with education in childhood, and ending with the help to get the specialist information in the adult life.

3. ICT evoke radical changes, both in production and in service sector, as well as in banking, information transfer, mass media, advisory and consulting or education. These changes have a huge influence on building competitive advantage in economies, mainly in such sectors as: high technology industry, education and subsidiaries of B&R informatics related service sector, as well as education, especially university education, or specialist business services.

4. ICT support faster development of all branches of science, also economics, where quickly gathered and processed by appropriate offices current statistical data is the base for making synthetic conclusions in the appropriate research institutes and organizations, which supports the development of science, enterprises and national economies.

5. The world economy and theories formulated in economy must still keep up with the new civilization and economic trends and ideas of the contemporary world, such as, for example, so-called „new economy”, the society in which fast access to information is a necessity, globalization processes and increasing social and economic inequities, cultural differences or those resulting from different philosophies of life, and their influence on microeconomic behaviour patterns and models of social and economic development.
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Bibliography


Abstract

The paper presents selected views and economic theories considering the influence of up-to-date information and communication technologies. Both positive and negative consequences of this influence on various aspects of the life of the man, the society and the whole country were indicated. Moreover, appropriate conclusions in this scope were formulated.

**KEY WORDS:** economy, scientific disciplines, ICT, development, knowledge
The Committee mission

To stimulate the growth of the organizational and management sciences in Poland and to promote among other scientific and practitioner circles the accomplishments of Polish organizational and management ideas and their creators.

The Committee aim

- to represent the scientific community of organizational and management sciences, to interact with other sciences, boards and other bodies of Polish Academy of Science, government bodies and international organizations dealing with the problems of organization and management
- to stimulate the quality of scientific institutions and members of the community forming the society of management sciences
- to actively influence young researchers, local scientific communities and practitioners
- to integrate the community of Organizational and Management Sciences
- to involve the Committee in cooperation with international community
The Warsaw School of Economics was founded in 1906 by August Zieliński as Poland’s first university of economics. SGH is a well-known university not only in Poland but also abroad. It is here that the creators of the Polish route “from a plan to the market” were educated.

SGH graduates continue to be present in the highest economic and political positions in Poland. They are members of the Polish Parliament, European and global institutions. They hold managerial posts in Polish and international companies and institutions.

Over 15,000 students study at SGH. This number includes about 6,500 full-time students and about 5,400 part-time students. Moreover, 2,700 students participate in postgraduate courses and 1,200 students study for doctoral degree.

SGH offers three degrees of undergraduate/postgraduate studies as well as a variety of postgraduate courses including 2 MBA programmes. Along with teaching, research is the most important objective of the SGH. Research topics are selected to support the teaching process and enhance educational standards of the academic staff. Research activities are conducted in Collegia, institutes and departments and cover a wide range of current issues of a significant impact on theory and practice.

The international co-operation is an important element in enhancing its research and development of educational methods. The School has traditionally been open to exchange of knowledge, educational and research experience with abroad.

The international character of the School is increasing as various organisational units of the SGH and its employees now maintain international contacts and co-operate with more than 150 foreign universities. The School’s academic teachers participate in international academic conferences. The School takes part in almost a hundred research projects conducted in co-operation with foreign centres. SGH is a member of CEMS, the Global Alliance in Management Education and Partnership in International Management consortium.