THE RISKS OF ETHICAL CREDIBILITY: INNOVATIONS IN COMPANIES MANAGEMENT

Abstract. The qualitative social changes experiencing in this millennium are characterized primarily by globalization and the internationalization of economic processes. These changes require creating innovation approaches to corporate management to lead to companies’ better economic results and thus provide them with a competitive advantage. Today, companies must respond quickly to the needs of the external and internal environment, be in close contact with customers, and support internal business activity. The paper aims to assess and evaluate selected companies’ ethical credibility in Slovakia based on the research conducted at the Technical University in Zvolen. The results of the research evaluate the risks of ethical credibility in selected companies in Slovakia. The authors build the desired way of behaving and acting of all stakeholders. As a bearer of ethical-moral norms and principles, corporate culture comes to the fore as an indisputable factor in the success of a company in the competition, which acquires a global platform. The currently ongoing economic transformation process creates such conditions for companies’ activities, which require a significant increase in their activities’ efficiency and improved customer needs satisfaction, which causes the need for radical changes. The changes concern in particular, how business entities react to their internal or external environment. Risk is a term that refers to an uncertain outcome with a possible adverse condition. Risk means a threat, a potential problem, the possibility of failure, damage, loss or destruction. Risk expresses a certain degree of uncertainty, i.e. the probability of achieving a result different from the expected result. Examples of minimizing the risks arising from the unreliability and distrust to employees could improve work efficiency, interpersonal relationships and work ethic, and the work environment.

Keywords: ethics, risk, ethical credibility, enterprise, procedure algorithm, research.

Introduction. The Slovak economy’s basic orientation is to continue building a market economy as a means of achieving qualitatively new living conditions for people in the broadest sense of the word. Special attention is focused on society’s economic side, which is related to the issues of economic policy formation, or complex of interrelated systemic, institutional, ownership, legislative measures. The economy is inevitably based on the business activities of several independent and competing economic entities.

Business and competition are activities that people as consumers and customers carry out, manage, and consume their results in products and services. There are formed various kinds of relationships between customer and manufacturer, customer and entrepreneur, entrepreneurs with each other, etc.

These relationships have the character of feedback. Because they cannot be patterned into strictly prescribed bonds, everyone cannot be programmed into a chess piece. They also cannot be left out. Therefore, in addition to the explicitly economic point of business, i.e. profit-oriented, there is something else related to the long-term orientation of the «success» of an entrepreneur and a company. That is ethics as an integral part of the business.

Literature review. Ethical credibility and its current understanding. In manufacturing companies, reliability and trustworthiness are very important for the proper functioning of the whole company. It is necessary to start from the concept and considerations of «good name», arising from the trustworthiness and direction towards the good life. An integrative and basic concept is reputation. It is a central concept of Western moral thinking that has both a theoretical and a practical dimension. It is receptive, e.g., as a part of ratings in terms of social prestige, the designation of companies and institutions with their value preferences focused on citizens' interests, care for the quality of their services, and access to citizens or various actors. In practical ethical thinking, it stands to emphasize the practical application intention of these concepts and principles.

Creating the credibility of any entity allows it to assert itself in the wider social environment better. All actors working to build credibility are aware that credibility means being accepted, recognized, preferred. It is also recognizing the customer, the citizen, stakeholders, public interest, and social well-being. In principle, it is an activity focused on social good, the good life, which also completes the ethical mission. However, it necessary to meet the ethical parameters, ethical commitment, and conviction.

On the other hand, it worth noting that purposeful forms of building credibility carry high risk and may damage the overall perception of credibility. Any form of credibility creation can make sense if an ethical intent drives it. It is also important that it be supported by individual ethical ambition and a systemic form of ethical support. Perceiving it in complex dimensions and impacts is an important condition for its recognition (Fobel, 2019; Kuzior, 2016).

Ethical credibility is based on ethical values, which can also be called ethical principles. Ethical principles incorporate the characteristics and values that most people associate with ethical behaviour. Corporate culture and its ethical values are directly determined through managers' behaviour and actions. Josephson Institute (2010) identifies 12 following basic ethical principles for Business Executives presented with their brief characteristics:

1. Honesty: ethical executives are honest and truthful in all their dealings.
2. Integrity: ethical managers demonstrate personal integrity and the courage of their convictions. They always act credibly, principled, honourable, and upright. Besides, they will fight for their beliefs.
3. Promise-keeping and trustworthiness: ethical executives are worthy of trust. They make every reasonable effort to fulfill the letter and spirit of their promises and commitments.
4. Loyalty: ethical executives demonstrate fidelity and loyalty to persons and institutions by friendship in adversity, support, and devotion to duty.
5. Fairness: ethical executives as a fair person manifest a commitment to justice, the equal treatment of individuals, tolerance for and acceptance of diversity. They are open-minded and willing to admit they are wrong and, where appropriate, change their positions and beliefs.
6. Concern for others: the ethical executives are caring, compassionate, benevolent, and kind; help those in need, and seek to accomplish their business objectives in a manner that causes the least harm and the greatest positive good.
7. Respect for others: the ethical executives demonstrate respect for the human dignity, autonomy, privacy, rights, and interests of all those who have a stake in their decisions. They are courteous and treat all people with equal respect and dignity regardless of sex, race or national origin.
8. Law-abiding: ethical managers abide by law, rules, and regulations relating to their business activities.
9. Commitment to excellence: ethical managers pursue excellence in performing their duties are well informed and prepared, and constantly endeavour to increase their proficiency in all areas of responsibility.
10. Leadership: the ethical executives are conscious of the responsibilities and opportunities of their position of leadership and seek to be positive ethical role models by their conduct and by helping to create an environment in which principled reasoning and ethical decision making are highly prized.
11. Reputation and morale: managers seek to protect and build the company’s good reputation and the morale for its employees.

12. Accountability: ethical managers acknowledge and accept personal accountability for the ethical quality of their decisions and omissions to themselves, their colleagues, their companies, and their communities.

Organizational ethics experts (Fobel, 2013; Habek and Wolniak, 2016; Habek and Villahoz, 2018) wrote about a professional and ethical approach, such as systematically introducing ethics into the organizational environment in companies should be based on considered and sensitively developed ethical programs. They indicated the significant contribution of an ethical program in preventing unethical behaviour and creating a positive reputation combined with credibility and goodwill.

In the paper, Rendtorff (2012) investigated organizational, ethical, and economic integrity. Thus, the ethical view contra the economic view – a virtue or a workability concept of integrity. There is the confrontation the ethical view with the economic view of integrity. Thus, the basic dilemmas and problems of integrating integrity, economic performance, and strategy were discussed. It is argued that integrity is the most important concept for dealing with ethics in a paradigm of economic performance and instrumental agency. Moreover, it is emphasized that the function of integrity in the development of economic strategy deals with the importance of integrity as a fundamental principle of business ethics to build a good strategy and company’s economic performance.

In the article Petrovic (2017), the author deals with the correlation between scientific knowledge and ethical credibility. This researcher pointed out the importance of scientific connection, especially social research and ethical postulates, which we use to regulate procedures. The findings indicated that a growing number of scientific institutions aim to protect their academic credibility from compromise by harmonizing their research with the institutions’ ethics committees’ ethical rules.

Meslin et al. (2015) examined the relationships between industrial and university researchers. They proposed a framework of principles and benchmarks for «ethically credible partnerships» between industry and academic health centres. In assessing ethical credibility, the authors relied on 9 principles: academic freedom, conflict of interest policy and management, intellectual property, data sharing, effective governance, protection of human subjects, publication, social, scientific, and industrial value, transparency. They note that managing conflicts between academia and industry requires a new prescribed approach that will balance between the perceived benefits of cooperation and broader risks, including reputational risks.

Lafferty et al. (2002) published a study in which they propose a model of the combined impact of companies and supporters’ credibility. Researchers assessed the credibility of companies and speakers and their attitudes toward ads and brands, and their intention to purchase the advertised product. The results confirmed that the dual trust model partially predicts and explains advertising effectiveness for these dual sources of trust.

Balunova (2016) dealt with the importance of ethical credibility in business. The author stated that today’s ethical credibility is an important factor of economic prestige and business success. Besides, professional assistance in creating ethics is regarded as an essential part of building the institutions’ credibility and good reputation. This paper used the credibility and reputation as synonyms. According to Balunova (2016) and Simanova and Gejdos (2016), the degree of credibility depends on the extent to which the company could deal with matters beyond its control (external events, competitor failure, or poor supply chain management). All these factors harm the value of management’s reputation and perception. In the conclusion of the published study, the author stated that credibility could be managed with certain ethical tools and professionally. These procedures depend on the organization’s management, whether it is perceived as an active part of its policy or seen as a secondary and unimportant medium. Moreover,
the paper notes that businesses need to pay due attention to building a reputation for credibility, which is the right path to success (Balunova, 2016).

It is worth stating that the managers’ ethical credibility is based on these ethical principles and is based on personal, interpersonal, and organizational approaches. Ethical credibility is often associated with corporate credibility, stakeholder trust, and corporate culture. A significant part of scientific sources is devoted to ethical credibility. In turn, most of them are articles from the field of medicine, journalism, or education. However, the publication on credibility in manufacturing companies is relatively rare.

Risk in a company and risk management. Risk is a term that refers to an uncertain outcome with a possible adverse condition. It means a threat, a potential problem, the risk of damage, the possibility of failure, damage, loss, or destruction. The international standard states that the risk expresses a certain degree of uncertainty, i.e., the probability of achieving a different result from what is expected (ISO 9001:2015). According to Gozora (2000), business risks are divided into production, technology, business, financial, exchange rate, political, and social risks. Risk management is a systematic process in which risk is identified, analyzed, and the optimal way of managing it with minimal cost aspects and respecting the entity's systemic goals is also defined. Risk management is increasingly recognized as a department dealing with the positive and negative aspects of risk. In general, the role of risk management is to protect business owners. Therefore, it detects, and analyses risks, addresses risks, manages the process of managing them and evaluates risk situations. One of the tasks of a manager is to manage and control the risks that occur in practice. Risk management requires an experienced manager with extensive knowledge. It is important to focus on essential issues, be in close and regular contact with all internal departments, use effective analytical tools, be proactive and innovative, have good intuition, and make the right decisions (Chovancova, 2008). The role of a risk manager covers:

- risk identification and assessment;
- choice of insurance;
- complaint procedure;
- loss prevention;
- ensuring safety (Chovancova, 2008).

The qualitative social changes experienced in the new millennium, which are characterized primarily through globalization or internationalization of economic processes, force new corporate management approaches. It would lead to better economic results of the company and provide a certain competitive advantage. Corporate culture, as a certain bearer of ethical-moral norms and principles, comes to the forefront as an indisputable factor in the success of a company in the competition, which acquires a global platform. The current ongoing process of economic transformation creates such conditions for the activities of organizations that require not only a significant increase in the efficiency of their activities, but also improved customer satisfaction, which raises the need for radical changes, especially to respond to business entities to their internal or external environment.

Today, companies must first and foremost be able to respond quickly to the needs of the external as well as the internal environment, be in a close relationship with the customer, support internal business activity, strive to build the desired behaviour and actions of all involved (Fobel, 2019).

Risk management (Figure 1) could be defined as any set of activities performed by an individual or a corporation to mitigate the risk that arises in its area of business. It is a process in which the management entity seeks to prevent existing and future risks and proposes solutions that help eliminate the effects of adverse effects and seize the opportunities for positive effects. If any company wants to succeed in the competition, it must have good management. To do this, it necessary to know the risks that accompany conducting business (Belan, 2015).
Risk management is a strategic approach that ensures the identification of risks, their assessment, and the ability to prevent them. A coordinated approach to risks increases the company’s competitiveness and profitability (Belan, 2015).

The risk management process takes place in the following phases:
- risk identification;
- risk analysis and assessment;
- addressing risks, deciding on their solutions, and taking measures;
- remaining risks;
- monitoring and evaluation of the risk management process (Belan, 2015).

Risks in ethical credibility. Risk identification is probably the most important task of an entrepreneur, a risk manager. Making a mistake in identifying the risks to which a business is or would be exposed means that the entrepreneur would not choose the most appropriate alternative and prepare for risk management (Sebek, 1996). It aims to determine the extent to which an organization is exposed to the uncertainty resulting from possible adverse effects. This paper looked for answers to questions such as what can happen, why it can happen, and how and when it can happen (Chovancova, 2008). An example of minimizing the risks posed by unreliability and distrust of workers could be the work efficiency improvement, interpersonal relationships, work ethic, protection of the environment, remuneration, and motivation.

Methodology and research methods. This paper examined a critical reflection on the current situation against the background of the COVID-19 corona crisis and the latest trends in applied ethics (especially in business ethics and professional ethics) focusing on the analysis of the ethical environment in selected production companies in Slovakia. The contextual approach (specifics of the moral-value environment in Slovakia) on a sample of 21 manufacturing engineering companies operating in Slovakia was analyzed. The companies ranged across medium-sized companies with 49 to 249 employees. The respondents got an anonymous questionnaire with 12 closed and three open questions, which focused on companies’ ethical (unethical) environment perception. One of the respondents’ first questions focused on the number of years they worked in a manufacturing plant. Figure 2 demonstrates the graphical illustration of the responses.
An equally important issue was the question of the age of the employees. Most respondents from the addressed manufacturing companies were aged 26 to 40 years (38.1% of responses). The second group of respondents was employees aged 41 to 50 years (33.3%). The group of respondents who are 50 years of age and older was 23.8% of employees. The smallest group were respondents who were 18 to 25 years old (4.8%).

Based on the determined age structure of individual production companies’ employees, we found that more than 38% of employees have been working in the company for more than 10 years, while only 14.3% have been working in the company for less than 2 years. The remaining 47.6% of employees work in the company from 3 to 10 years. Therefore, it is worth stating that the respondents are well acquainted with their companies’ corporate culture and have sufficiently experienced its practical impact.

Perception of ethical credibility was addressed in questions No. 5-15. The research findings show that the addressed manufacturing companies have clearly defined rules of conduct in the workplace, preventing the occurrence of risky situations and conflicts in the workplace. Another finding was that 66.7% of respondents know whom they should approach if they witnessed or were directly involved in a violation of ethical principles in their company. The last question was aimed at examining the employees’ opinion on their superiors’ behaviour towards them as subordinates. Findings from this question could be divided into three groups. Thus, the first consists of respondents who have a positive opinion (42%), 47% of respondents have a neutral opinion on the superiors’ behaviour, and 11% of respondents have a negative opinion on superiors’ behaviour.

In conclusion, it can be stated that in the addressed manufacturing companies, ethics is a part of the management of the company. In most cases, companies have a certain standard and procedures for dealing with ethical issues. Thus, employees know with whom and how to deal with adverse situations in the workplace. On the other hand, we state that it is still necessary to pay attention to manufacturing companies’ ethical environment because we also learned from the questionnaire about several negative experiences of employees, either with managers or incorrect behaviour in encountered situations.

**Results.** Based on research and analyses, we have learned that some manufacturing companies have sufficient ethical credibility, correctly set principles of conduct in the workplace, and penalties for violating ethical and moral principles. They also have established codes of ethics, and their employees know with whom and how to deal with relevant situations that might arise in the workplace. In these manufacturing plants, employees also know whom they should approach if they witness a violation of ethical or moral principles or witness a violation of the work or safety rules at the workplace. The ethical environment and rules of conduct established in the workplace maintain employees to feel comfortable.
and safe in the workplace. Employees who are comfortable in the workplace are positively motivated to perform the required work and do not have to worry about the job, or do not have to worry that their superiors would bully them or expose them to unethical situations. These findings reflect a positive situation in practice.

On the other hand, some results of the questionnaire indicated the necessity to strengthen ethical credibility in manufacturing companies to minimize the conditions for risks of ethical credibility in the workplace. Other findings showed that some manufacturing companies do not have an established code of ethics. However, if they do, employees have no experience with it. Some employees expressed that they do not have to deal with problems they want to solve in the workplace because they do not know whom to turn to in this situation. In some cases, it was found out that superiors do not behave according to the manufacturing company’s rules. This result can be considered negative because such behaviour could discourage the moral behaviour of employees. As superiors should present moral support and behaviour models and help deal with dishonourable workplace situations, creating ethical credibility is very important.

Manufacturing companies mostly work on the process principles, i.e., they have established processes. They have determined these processes based on the needs of production and process management in the company. Each component of these fixed processes also has its risks. Risks can never be eliminated, but risks can be mitigated and limited to the minimum level by setting ethical principles. All processes in a manufacturing company should be based on ethical principles.

**Conclusions.** Since ethics is a unique and exclusively human issue, it is ubiquitous, whether in individuals’ behaviour and actions and in various organizational structures. It can be perceived positively as well as negatively. Ethics, ethical behaviour, and conduct cannot be forced. Indeed ethical behaviour should be based on an integrated value system (Kuzior, 2014) that does not allow a person to behave unethically or use ethics just because of momentous reasons for personal benefit. True ethical behaviour should spring from the individual’s moral value system’s internal commands and should be based on ethical credibility that has stated standards and rules of conduct regarding employees and the company.

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Ризики втрати довіря: інновації в управлінні компаніями

У статьї висвітлено особливості та проблеми впливу глобалізації та інтернаціоналізації на розвиток економічних процесів. Поточний процес економічної перетвореності вимагає від компаній застосування радикальних змін в управлінні та впровадження інноваційних методів управління для забезпечення високого рівня ефективності діяльності та задоволення споживчих потреб. Авторами наголошено на необхідності застосування нових підходів ефективного управління, що сприяє підвищенню рівня економічної ефективності діяльності компаній та зростанню конкурентоспроможності її переваг на внутрішньому та зовнішньому ринках. Корпоративна культура є основою ефективного управління, що сприяє підвищенню ефективності діяльності компаній та забезпеченню конкурентоспроможності.

Слова: ефективність, конкурентоспроможність, ефективне управління, корпоративна культура, економічна ефективність, товари, продукція, ризики, ефективність, довіра, ефективний менеджмент.

Ключові слова: ефективність, конкурентоспроможність, ефективне управління, корпоративна культура, економічна ефективність, товари, продукція, ризики, ефективність, довіра, ефективний менеджмент.

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