

ARE SLOVAK SMES READY TO TAKE RESPONSIBILITY FOR THE DEVELOPMENT OF BUSINESS ETHICS?

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Our research project



Development of Business Ethics in the Slovak Business Environment
No. APVV-16-0091



Project time frame July 2017 – June 2021



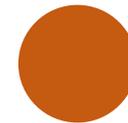
Funded by Slovak Research and Development Agency



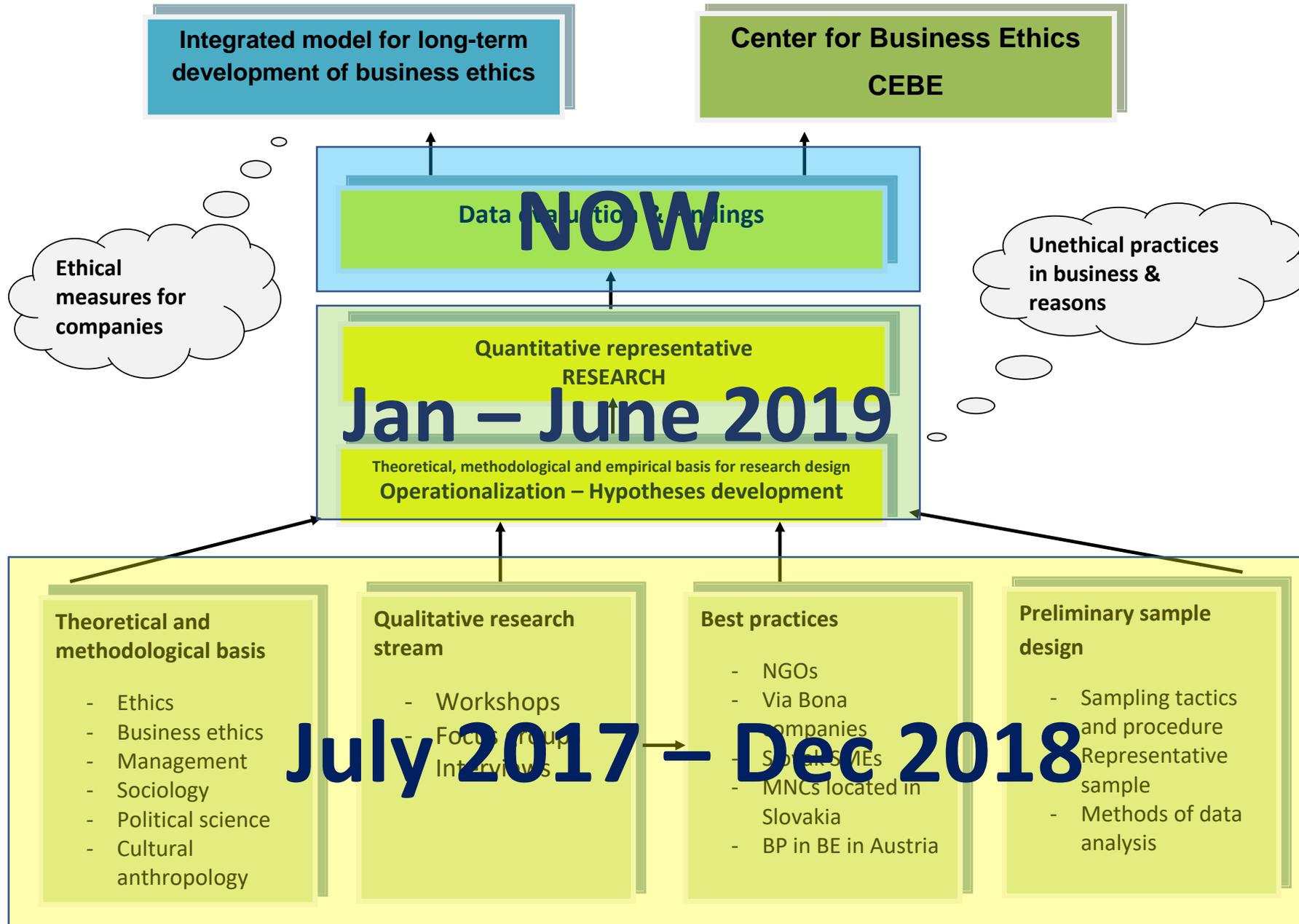
Mission: To provide Slovak companies with an integrated system of application of business ethics in practice

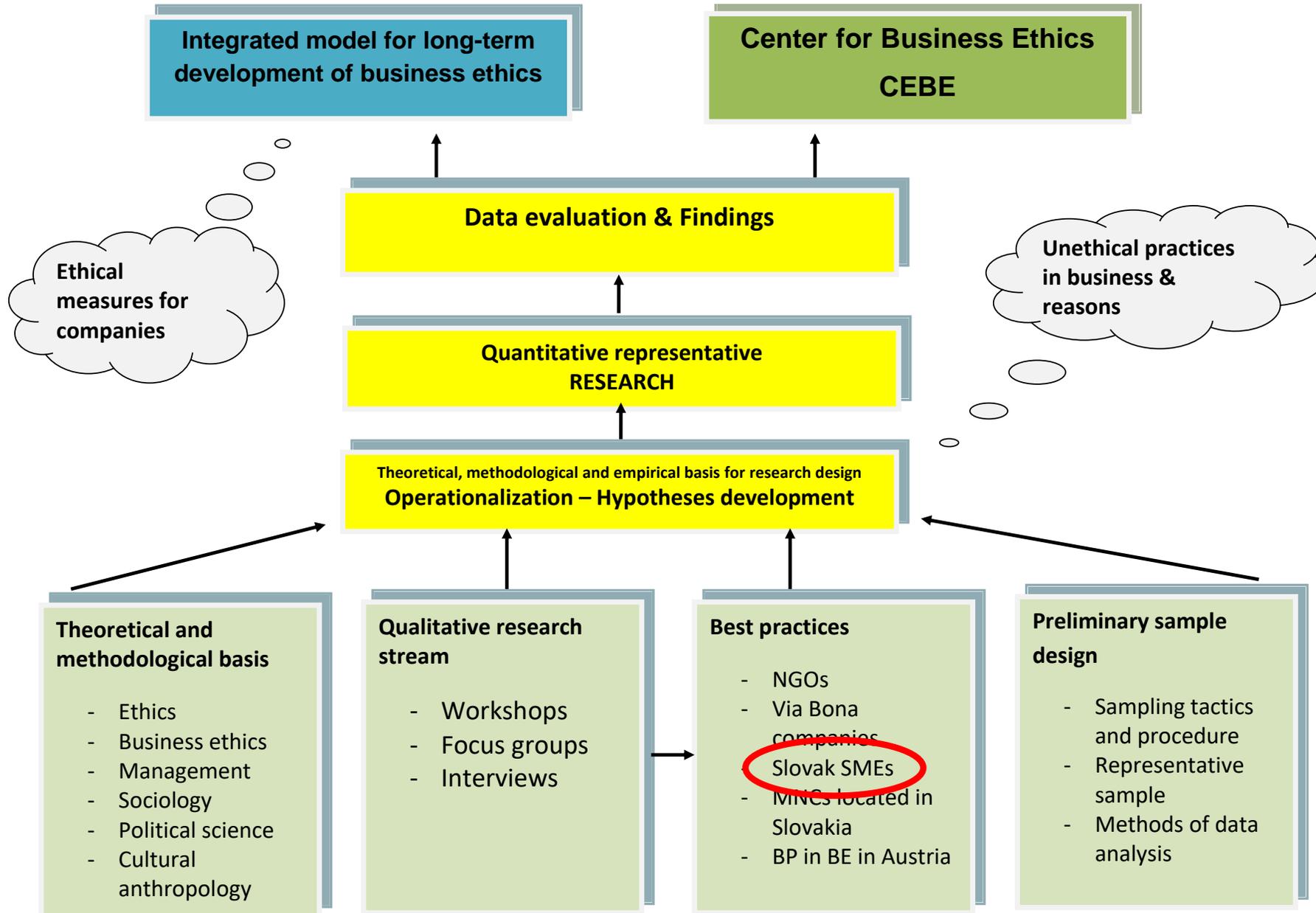


Models specified for micro, small, medium and large companies

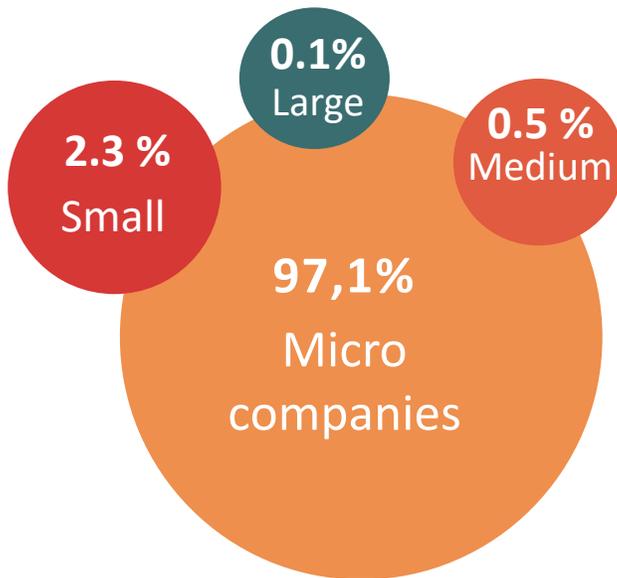


Deliverables for both academia and business with long-term effects





SMEs in Slovakia



- Slovakia belongs to the countries with the highest number of SMEs per capita
- SMEs account nearly for 99.99% of all business entities

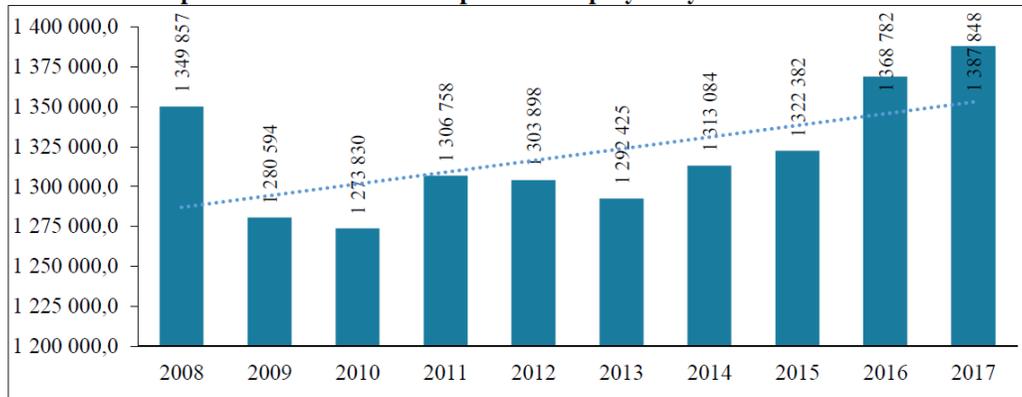
SMEs employ 74.1% of the workforce in Slovakia

SMEs' share in value creation is circa 52.7%

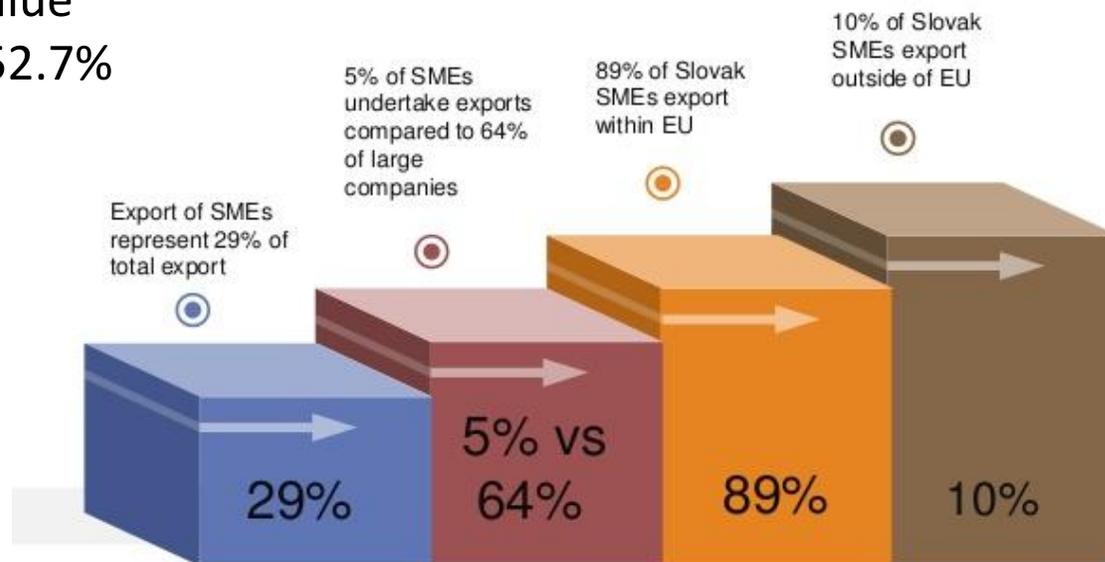
Internationalization of SMEs

Source: The Ministry of Economy of the Slovak Republik

Chart 7: Development of the number of persons employed by SMEs in 2008-2017



Source: SBA based on SOSR data



Methods & Procedure



Focus group with subsequent qualitative data analysis



The call for participation forwarded to 66 entities, final response rate 9.1%



Participation criteria: To work as SME top manager/owner and to be active in a business (employer/vocational) association



Four participants were statutory directors of their companies, one respondent was managing partner and another one was a company director



Service sector companies est. 2003 – 2013, construction, management and business consulting, administrative and office services, catering

Focus group inquiries



What are the best practices in the development of business ethics in SMEs from your point of view?

What do you use in your company in order to create an ethical workplace?

What practices do you think are the most useful in this respect?

What works well for the ethical development?



Which factors condition the development of ethics in SMEs from your viewpoint?

When (under which circumstances) would you be willing to introduce ethics into your company?

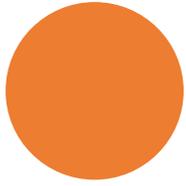
What hinders your company in ethical development?

BEST BUSINESS ETHICS PRACTICES IN SMEs

Clusters	Categories	Examples - Quotes from transcripts
<p>1. Upholding the ethical leadership at the top of companies</p>	<p>1.1 Manager/owner exhibiting ethical behavior, being ethical authority and role-models for others</p>	<p><i>“It is a cliché, but it is simple. You need to begin from yourself. It is about small decisions, personal decisions, for example, “I want the payment on an invoice and not in cash ” (R6).</i></p> <p><i>“The boss needs to lead employees by his own example” (R1).</i></p>
<p>2. Maintaining fair and balanced relationship towards employees</p>	<p>2.1 Fostering an ethical relationship with employees</p> <p>2.2 Rewarding ethical behavior and disciplining unethical behavior</p> <p>2.3 Fair employee compensation based on the performance</p>	<p><i>“My firm is on the market for 28 years, probably we wouldn’t survive, if we would behave differently [badly], people are employed for many years, and this testifies to something. We try to behave ethically toward our employees” (R3).</i></p> <p><i>[It is important] to reward ethical and punish unethical behavior, such an initiative is needed in society” (R2).</i></p> <p><i>[You need to] “compensate based on the performance. If a person has done a good job, he needs to be rewarded accordingly” (R2).</i></p>
<p>3. Focusing on quality checks & control</p>	<p>3.1 Control of the quality of results/work outputs</p>	<p><i>[We] “should not pull down the prices at the expense of quality. It is necessary to cope with the problem of quality reduction only to keep the prices low. ... Quality needs to be controlled (R2).</i></p>

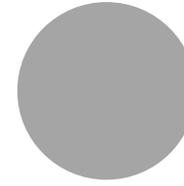
FACTORS CONDITIONING DEVELOPMENT OF BUSINESS ETHICS IN SMEs

Clusters	Categories	Examples - Quotes from the transcripts
1. Principled “Law & Order” approach at the societal macro-level	1.1 Profound change of the public procurement process	<i>“Circa 60-70% of small businesses are not even be able to sign up for public procurement on time [because of non-transparent rules]” (R3).</i>
	1.2 Improved tax administration policies	<i>“If tax costs increase, there is also a greater incentive to circumvent them, leading to even more control, and this loop to be cut” (R6).</i>
	1.3 Improved legislation regulating the SMEs in general	<i>“The legislation is designed only for large firms” (R1). “Laws need to be adopted systemically ... now we are drowning in it” (R6).</i>
	1.4 Greater law enforcement	<i>“... law enforcement needs to be increased“. ... There is no respect for the courts. Someone has owed us since 1997 and did not received any final decision yet” (R3).</i>
2. Methodical application of rewards and punishments to (un)ethical companies	2.1 Strict disciplinary actions against unethical actors in business	<i>“If we read in the media that somebody did something and went through it with no harm, it has a negative impact on society. We need draconian punishments for corruption” (R6).</i>
	2.2 Zero tolerance for unethical practices of businesses towards customers	<i>“If the saleswoman is being disrespectful, the second time the customer should not come. This is how the unethical entrepreneurs will be sorted out” (R1).</i>
	2.3 Introduction of motivational benefits for ethical companies	<i>“Legislation must include benefits for companies, which behave well”. “To behave ethically, it must pay off to the companies” (R2).</i>
3. Development of the broader societal mindset	3.1 Ethics education at schools	<i>“The challenge for the education system is spread an idea that those who will behave unethically... will be condemned at the end” (R4).</i>
	3.2 Influence of mass media	<i>“Social opinion is made by the media. See what is there [in the media]. We have two to three professional journals, otherwise only tabloids” (R1).</i>



What works best for SMEs in ethics management?

- Ethics in SMEs is highly dependent on strong leadership, owner-manager's moral authority and ethical tone at the top in the company
- Respondents did not link ethics with any common forms of formalized ethics institutionalization – No ethics training, code, vision, mission, etc.
- Respondents showed lower interest in systematically applying ethics in the internal environment in SMEs



What should be done so SMEs would implement ethics?

- Respondents condition the ethical development in their businesses by a massive change of state institutions, public administration and legislation, and of the society in general
- No changes within the companies, or in the owners-managers' attitude were suggested
- SMEs in our sample did not consider themselves responsible for ethical development at the company level nor in the wider business environment

Some closing quotes...

- “Small companies take it as it goes, they don’t have any rules.” (R5)
- “The legislation is designed only for large firms.” (R1)
- “The entrepreneurs are constantly at fight, they fight with the tax office, with the municipalities, with the employees.” (R3)
- “To behave ethically, it must pay off to the companies.” (R2)
- “The state is omnipresent, but the entrepreneur does not perceive the feeling of reciprocity. I don't get anything back for my taxes.” (R5)

THANK YOU FOR ATTENTION

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Economy and Business
Conference 2019, Burgas