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Requisitely holistic ethics planning as pre-condition for enterprise ethical behaviour

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Abstract
Purpose – Ethical behaviour of enterprises can be attained only by planning of ethics. The purpose of this paper is to show the need for the business ethics planning, to disclose the need for the requitaly holistic planning of enterprise ethics, and to offer the concept of the requitaly holistic planning of enterprise ethics.

Design/methodology/approach – The research cognitions on the importance of ethical core values, enterprise culture, ethical climate and informal as well as formal measures of business ethics are discussed and argued in application of the dialectical systems theory. The various research insights are used and applied in concluding concept of requitaly holistic planning of enterprise ethics.

Findings – For successful implementation of the ethics program or plan, it is important that the program is internalized by all enterprise’s stakeholders. The paper shows that credibility and ethical behaviour of an enterprise can be achieved only through requitaly holistic planning of enterprise ethics.

Practical implications – This paper gives us the insights in the state of the importance and interconnection between ethical core values, culture and ethical climate as well as informal and formal measures of business ethics in relation to enterprise ethics implementation. The present research paper also has important practical implications since it shows the importance of the requitaly holistic planning of enterprise ethics in a sense of sustainable development of enterprises as well as enterprises’ long-term success.

Originality/value – The available literature does not provide for a similar research or concept of requitaly holistic planning of enterprise ethics. The paper also models the interconnection between core values, culture, climate and informal as well as formal measures of business ethics in order to understand the importance of enterprise ethics.

Keywords Cybernetics, Business ethics, Organizational culture, Organizational planning, Systems theory

Paper type Research paper

1. Introduction
Enterprise ethics is both a broad and specific topic. As such, it also concerns the wider public, not solely enterprises and entrepreneurs, which is clearly demonstrated by recent well-known occurrences of various enterprises’ fraud and manipulation of their functioning. Such behaviour usually causes dissatisfaction of the parties involved, scandals, and may even lead to the enterprise’s bankruptcy (for historical review of business ethics research see Robertson (2008)). Unacceptable behaviour of influential
persons and organizations, especially enterprises, has obviously grown so big and crucial, that, e.g. European Union (Commission of the European Communities, 2001) has found it necessary to pass an official document of corporate social responsibility. The latter is defined as a voluntary honest rather than abusing attitude and action of enterprises toward their co-workers, business partners, broader society and natural environment. Thus, it is about ethics and strategy.

2. Ethical behaviour in enterprise functioning

Several discussions and researches support the importance of considering the ethical behaviour in enterprise functioning. Some authors even argue the linkage between ethics and world financial crisis in 2008 as a consequence of the neoliberal neglecting of the requisite holism behaviour concerning innovation (Mulej et al., 2009a). The above-mentioned crisis can be, therefore, considered as a reason for innovation of planning and management within the strategy including (corporate) social responsibility and requisite holism of human behaviour (Mulej et al., 2009b). Therefore, the innovative planning, necessity and complexity of creative cooperation aimed at innovation can be considered as a way out from the 2008-crisis (Mulej et al., 2009c, d). Enterprises are part of our lives and economies in which they co-create the circumstances of the economic, social-political, ecological, technical-technological, legal, cultural, supply and sale markets’ and personal environments. This is the reason why enterprises are increasingly obliged to incorporate ethical orientation in their functioning. Business ethics is also taught at many faculties and universities, although we cannot refer to the existence of universal business ethics (Kajzer, 2004). Consequently, authors we closely studied (Steinmann and Löhr, 1991; Homann, 1994; Ulrich, 1997; Kajzer, 2004) due to their focus on problems of business ethics, have different opinions and comprehension of the fundamental instruments and levels (micro, mezzo, macro) at which enterprises should be guided towards contemporary ethical functioning and towards the awareness of it as one of the most important factors of the long-term success of an enterprise. By ethical behaviour only the enterprise can obtain the status of a credible and a trustworthy partner, which in a long-run ensures the enterprise’s success. Credibility (Belak, 2002, 2003) is also that very fundamental characteristic of an enterprise without which the enterprise cannot introduce and realize its business ethics.

Since, we cannot refer to one model which would uniformly embrace the topic of enterprise ethics, it is even more difficult for academics as well as practitioners to clearly define whose responsibility enterprise ethics actually is, and to what extent. This also raises relevant questions: must enterprise owners (shareholders) and top management really consider the interests of other enterprise stakeholders (see also Lamberti and Lettieri, 2009)? Can an enterprise be successful in the long run if its only goal is profit? What is the role of society and the broader environment in enterprise functioning and vice versa? What is covered before profit is calculated – are indirect consequences, such as destruction of the natural preconditions of human survival included and are they fully? If not, ethics of interdependence and requisite holism are not considered and all of us are in serious danger.

In this contribution, we argue the importance of the impact of the enterprise key stakeholders (that is owners and top management) in the business ethics planning and implementation. The main argument we make is: when the key stakeholders of an
enterprise support and enforce the modern ethics by core values they will importantly influence the planning of such type of enterprise culture and climate that will support and enable the planning and implementation of informal as well as formal implementation measures concerning business ethics. Therefore, the modern enterprise ethical behaviour demands conscious and positive attitude towards the planning of enterprise core values, culture, ethics, norms and climate in a way that stimulates the desired achievement of business ethics. Based on this argument the concept of the requisite holistic planning of constitutional elements as well as measures for the implementation of enterprise ethics is proposed and presented here.

3. Economic framework for innovation of ethics today

By contemporary ethics we refer to ethics of interdependence of humans as mutually different specialists including nobody’s right to abuse other humans and nature. We see it as being in accord with the French revolution’s triple motto – “freedom, equality and brotherhood”. The latter is repeated in the USA Constitution to which the current economic practice opposes (Goerner et al., 2008; Brown, 2008; Korten, 2009; Taylor, 2008). So does the prevailing economic theory stressing gross domestic product GDP as the basic measure of economic efficiency and effectiveness rather than human wellbeing and happiness. Stiglitz (2009) reports about a new international effort to design new criteria to be added to GDP, which measures only the market quantity. This GDP used to be acceptable in the industrialization phase of humankind: until 1820 the economic growth rate used to be 3 per cent per 1,000 years, industrialization made it grow to 5,500 per cent (55 times) in less than two centuries (Stiglitz, 2009). Over the six decades following the Second World War, the world-wide population grew 25 times and consumed seven times more of natural resources, while the Planet Earth was unable to grow; this made it depleted increasingly and rapidly, which means that we humans are ruining our preconditions of survival as the current civilization (Božičnik et al., 2008; Ecimovic et al., 2002, 2007; Ecimovic and Mulej, 2008; Stern, 2006, 2007).

The interdependence of knowledge and VCEN (i.e. circular synergy of values, culture, ethics and norms) as shown by Mulej (1974, 1979, 1992, 2000) and Potočan and Mulej (2007) makes ethics crucial for survival and future of the current civilization of humankind. In other words: if ethics of interdependence does not come to prevail, children and grandchildren of the current adult humans may receive a dying Planet Earth rather than a viable and livable one. One may even no longer speak of the developed and developing countries, but exclusively of the self-ruining ones (Taylor, 2008).

Thus, innovation of ethics from cherishing the short-term and one-sided selfishness to ethics of interdependence has become a crucial economic and therefore also political and managerial topic. Given the critically influential role of enterprises, innovation of ethics should begin to take place and flourish in enterprises, first of all. Neither governments nor individuals can attain much with an entrepreneurial support; in addition, there are world-wide multinational enterprises, but no world-government to dictate them (Harris, 2008; Martin, 2006).

4. Enterprise core values

In society, values help to define people’s “core” feeling and related thinking: what they love, hate, or are just indifferent to (Hunt et al., 1989). In an enterprise, values serve to
convey a sense of identity to its members, enhance the stability of its social system, direct a manager’s attention to important issues, guide subsequent decisions by managers, and facilitate commitment to something larger than self (Deal and Kennedy, 1982). Enterprises show that values of society influence enterprise values and the other way around (Potocˇan et al., 2008).

Hood (2003) argues that ethical orientation of an enterprise is revealed through the formal and explicit activities of business life on a daily basis. The basis of these activities is outlined by enterprise’s accepted procedures and policies. A formal statement of the enterprise’s ethical stance is a means through which the values and ethical orientation of the enterprise are transmitted to employees. In author’s findings, values are the point at which the individual intersects with society (Grunert and Scherborn, 1990). Hood (2003) classifies values in terminal values (desirable end-states of existence) and instrumental values (modes of behaviour or means of achieving the desirable end-states). He divides terminal values further into social and personal values on one hand, where on the other hand instrumental values further fall into morality-based and competency-based values. Social values include items such as freedom, equality and world at peace, while morality-based values include items such as politeness, helpfulness, affection and forgiveness. Personal values include factors such as self-respect, broadmindedness, and courage, and competency-base values include items such as logic and competence. Hood (2003) defends the opinion that enterprise success can be controlled and focused by maintaining and examining the enterprise’s ethical orientation through creating the underlying enterprise’s values. Further, Hemingway and Maclagan (2004) prove that enterprises’ ethical behaviour depends on formal adoption and implementation of enterprises’ ethical programmes, which can be considered as the result of and associated with the changing values of individual managers.

In the context of enterprise ethics, it is very important that organizations provide a modern moral environment for employees. Various authors (Knights and O’Leary, 2006; Molyneaux, 2003; Morrison, 2001) developed the term ethical leadership: development of a specific value or set of values is important for enterprise’s success including integrity, prudence, courage, temperance and justice. Morris et al. (2002) argues that core values of every organization need to reflect their ethical content. Thommen (2003) proposed the categorization into three dimensions of an enterprise’s credibility (responsible, communicative and innovative behaviour) considered as the “highest” value. Marrewijk (2004) finds that for the enterprise’s success the enterprise’s core values including order, success, community and synergy are relevant. These four core value systems have further strong relation with enterprise culture and enterprise climate. About ethical leadership and organizations read McCann and Holt (2009).

García-Marzá (2005) argues that there are interests common to all stakeholders, which in order to be satisfied demand a specific orientation in management decisions and actions. Considering this, the author proposes basic or core values that represent the corporate constitutional framework, responsible for establishing the basic rules for subsequent definition of relationships and strategies among various groups (enterprise stakeholders). In his opinion, if we eliminate any of these values, a dialogue will no longer represent a process of reaching agreement but will become a mere strategy or compromise, where the final outcome is decided by the more powerful side. So-called ethical core values (García-Marzá, 2005; Hunt et al., 1989) help to establish and
maintain the standards that delineate the “right” things to do from the things “worth doing” and from other types of behaviour. The right ethical values influence individual’s choices and lead to actions which every organization supports. Some authors (García-Marzá, 2005; Hunt et al., 1989; Brown, 1999) believe that when the (modern) ethical values of an enterprise are widely shared among its members, the enterprise’s success will be enhanced.

5. Enterprise culture
Enterprise/corporate culture is a multifaceted construct. Various authors define it differently. Goffman (in Brown, 1999) focused on the observed behavioural regularities in people’s interactions, Homans (in Huczynski and Buchanan, 2007) discussed the norms that evolve in working groups, Ouchi (2007) stressed the philosophy that influences organizational policy and van Maaren (in Huczynski and Buchanan, 2007) emphasized the rules for good understanding in an organization. More recently, enterprise/corporate culture has been defined as encompassing the assumptions, beliefs, goals, knowledge and values that are shared by organizational members (Belak, 2003; Deal and Kennedy, 1982; Huczynski and Buchanan, 2007; Ouchi, 2007; Schein, 1983, 1985, 1992; Schwartz and Davis, 1981).

Various types of enterprise/corporate cultures have been identified – related to the dynamic nature of the industry concerned (Gordon and DiTomaso, 1992) and to the size of the organization (Gray, 2003). Several classifications have been proposed, the most often cited being those of Schwartz and Davis (1981), Deal and Kennedy (1982), Hofstede (1990, 1998a, b, 2000), Schein (1983, 1985, 1992), Sathe (1984) and Cameron and Quinn (1999). Hofstede (1983) proposed that enterprise culture could be classified by comparing the degree of individualism versus collectivism, the apparent power-distance metric, the tendency towards uncertainty avoidance, and the bias between masculinity and femininity. Kets De Vries (in Huczynski and Buchanan, 2007), on the other hand, opted to derive his classification from characteristics of the prevailing mentality: a paranoid culture (a persecutory theme), an avoidance culture (a pervasive sense of futility), a charismatic culture (everything evolves around the leader), a bureaucratic culture (depersonalized and rigid), politicized culture (leadership responsibility is abdicated).

In Thommen’s (2003) opinion, an enterprise should emphasize its culture as much as to bring it into accordance with the enterprise’s vision and strategy. Thommen (2002) differentiates between strong and weak enterprise cultures. An enterprise with a strong culture is the one with a high level of values and high-norms anchoring, a high level of agreement, as well as high-culture compatibility between enterprise and the environment of its functioning.

6. Ethical climate
Ethical climate concepts remain popular as a means of understanding the right-brain-based ethical atmosphere in enterprises. For the purpose of our discussion, we will use ethical climates as identified by Victor and Cullen (1988). In their opinion, an institutional normative system can be considered as an element of culture, although enterprise culture is more comprehensive and includes the patterns of behaviour, artefacts, ceremonies and special language. Observers of organizational
ethical climate discuss only those organizational norms that concern practices and procedures with ethical consequences in only a segment of their organizational culture. Victor and Cullen (1988) describe the enterprise climate as perceptions that “are psychologically meaningful moral descriptions that people can agree characterize a system’s practices and procedures”. Further on, the authors argue that the prevailing perceptions of typical organizational practices and procedures that have ethical content constitute the ethical work climate. In their opinion, ethical climate is conceptualized as a general and pervasive characteristic of an organization, affecting a broad range of decisions. Ethical climate therefore “informs”/influences members of the organization what one can do and what one ought to do regarding the treatment of others. The authors believe that climate types represent perceived norms of an organization or group with an ethical basis. The critical impact of leadership on ethical climate and employee behaviour is argued in a research by Mulki et al. (2009). The importance of enterprise ethical climate and the change of ethical climate over the enterprise life cycle stage is argued in a research by Belak and Mulej (2009).

7. Informal and formal measures of business ethics implementation
Informal measures play an important role in the socialization process, in which “other employees” or people, co-workers, etc. play a major role as “sources of, or references for” ways of thinking, feeling, perceiving, and evaluating, and as an audience which may be physically present or absent in any interaction, but towards which actors orientate their conduct (Casell et al., 1997). Mechanisms of informal control may include a social dimension through which superiors regulate the behaviour of subordinates, or employees regulate the behaviour of their peers through daily interaction in compliance with the enterprise’s norms or values. Adam and Moore (2004) argue that informal measures such as the social norms of the enterprise may reflect the enterprise’s values and rules of ethics. Enterprise members may be coerced by other group members, peers or superiors, to conform to the social norms. If not, they risk disapproval, or even rejection. In such a way, the social group exerts pressure on the individual to conform to the norms – but only to a limit. Different relationships (e.g. between co-workers, superior versus team, superiors and subordinates, etc.) may develop in the frame of non-formal meetings such as coffee breaks, lunches, sport, etc. We can see that informal social norms play a crucial role in forming the enterprise’s social order (Adam and Moore, 2004).

On the other hand, managers have a strong impact on the behaviour of their employees. This informal measure is labelled “the example set by the manager”, which is part of the formation of manager-subordinate relationships. The example set by the manager may be the tool advocated by the enterprise philosophy. “The role model” is also one of the roles that managers are expected to perform, since they can set the example for “proper and desirable behaviour” for their employee to imitate. Some of the informal measures of enterprise ethics implementation are shown in Figure 1.

According to Adam and Moore (2004), the enterprise can employ diverse mechanisms of control, ranging from documents that specify the ethical code of conduct, and are used in the course of training; through the evaluation of employees’ performance; up to enforcement procedures. Some controls (e.g. those used in selection and recruitment routines) appear early in the process of evaluating candidate’s actions and attitudes. The three routines of formal measures (recruitment, selection and
Informal measures of business ethics implementation
- Manager concern/role modelling
- Candid ethical communication between managers and employees
- Ethics as a topic of employees conversation
- Communication of stories about ethical employees

Formal measures of business ethics implementation
- Institutional measures
  - Vision
  - Core values statement
  - Mission statement
  - Code of ethics
  - Compliance manual
  - Business ethics standards and indexes
  - Membership in various associations and networks concerning ethics

- Human resource measures
  - Job descriptions
  - Comprehensive criteria for selection of employees
  - Ethics training and education
  - Evaluation of employees ethical behaviour
  - Whistle blowing
  - Anonymous ethics telephone
  - Reward and penalty system

- Structural measures
  - Ethics committee
  - Consulting service
  - Ombudsman
  - Ethics advocate
  - Ethics audit in enterprise
  - Influencing and co-creating the legislation to the topic of enterprise ethics

Source: Derived from Belak (2009, p. 39)

Training) are very important in the process of employee socialization, which takes place in the first year of their membership in the organization (Adam and Moore, 2004). The importance of formal measures of business ethics implementation is supported also by Sims and Keon (1999) who argue that such measures are important forms of communicating enterprise’s expectations concerning employee decision making. This high importance is ascribed to the formal measures of business ethics implementation especially due to the researches on correlation between formal measures and performance (Morris, 1997; Verschoor, 1998; Ye, 2000; Fang, 2006); they revealed that enterprises with well developed formal measures of ethics implementation recorded better performances.

The enterprises that stress ethics have better images and reputation and yield higher long-term interests. The researches showed that employees’ ethical awareness and decision-making intent influence the company performance, while in the absence
of “official” ethics, individuals tend to promote their self-interests at the expense of others in the enterprise when resources are unevenly distributed. Some of the formal measures of business ethics implementation are also shown in Figure 1.

Figure 2 shows the constitutional elements and measures of the requisite, holistic enterprise ethics implementation. In order to behave ethically, the enterprise must “posses” ethical core values, culture and ethical climate defined as the enterprise ethics’ “constitutional elements”; the enterprise must dispose with informal and formal measures of enterprise ethics implementation too. We argue that the achievement of these “conditions” should not be regarded as a result of a mere incident but should result from the requisite, holistic planning of core values, culture and ethical climate as well as of informal and formal measures. The concept of the requisite, holistic planning is discussed in the next chapter.

**Figure 2.**
Constitutional elements and measures of holistic enterprise ethics implementation

**Source:** Derived from Belak (2009, p. 38)
8. Planning of core values, culture, climate and informal as well as formal measures of business ethics

Mulej and Kajzer (1998) introduced the distinction among fictitious, requisite and real, i.e. total holism. Very few practices in nature, production, etc. are simple enough to be well understood and mastered with a single viewpoint/profession/interest. Normal events, natural, entrepreneurial, social and other processes need a synergetic network of viewpoints to be so; if the latter include all crucial and only crucial viewpoints, one attain the “dialectical system” and hence the requisite holism. It enables work without crucial oversight and without avoidable effort. The real, i.e. total holism includes totally all attributes, that can be perceived if totally all viewpoints, their relations and resulting synergies are considered; this level of holism normally reaches beyond human natural capacities. The latter fact is the basis for humans professional, geographical, biological, etc. specialization that allows for deep enough individual insight into a single part of the existing reality on one hand, and requires interdisciplinary creative cooperation of mutually different specialists on the other hand. Every planning must consider this natural law in order to not commit crucial oversights and resulting failures all way to nature destruction and world wars.

Thommen (2003) pointed out that an enterprise’s ethical behaviour can be achieved only by complete enterprise conversion. We argue that this conversion should take place at all hierarchical levels of the enterprise’s management and governance process. Based on the concepts of integral management (Belak, 2003; Bleicher, 2004) these levels are the political or normative one, strategic and tactical/operative (or operational) management level as shown in Figure 3.

The idea of an ethical enterprise strongly depends on enterprise’s key stakeholders – owners and top management. It embraces the activities of ethics and credibility initiation in an enterprise’s vision, enterprise’s policy (defined by Belak (2002, 2003) as the mission, purposes and fundamental goals), strategy, and finally in the processes and structures needed for the realization of this idea. The process of the development and realization of ideas is based on Kajzer’s basic concept of transforming ideas into realization (shown in Figure 4).

Planning, organizing, directing and controlling are defined as the basic functions of governance and management process (Belak, 2002). They are of the great importance in the whole process of the realization of the idea of an ethical enterprise. In this contribution, we limit our discussion to the function of planning of the holistic enterprise ethics. First, the idea of an ethical and credible enterprise should be manifested by the enterprise owners in its policy that is based on the vision of an ethical enterprise as shown in Figure 5. Its mission, purposes and fundamental goals should be defined in accordance with its vision to be an ethical and credible enterprise. According to Bleicher (1994), the vision of such an enterprise must be supported by the enterprise’s responsible policy and philosophy. We should emphasize that the enterprise’s policy strongly depend on the enterprise owners’ (and top managers’) values and norms, which are expressed by enterprise culture (Rüegg-Stürm, 2002; Belak and Duh, 2004). Stated policy strongly influence manager’s decisions on whether to act ethically or unethically and affects the enterprise’s ethical climate (Schweper et al., 1997).

At the strategic management level the process of planning the strategies and the strategic allocation of resources take place for realizing the vision, mission and goals of
Figure 3. Framework of holistic enterprise ethics implementation

Source: Derived from Belak (2002, p. 40)

Figure 4. From development to realization of ideas

Source: Kajzer (1997, p. 144)
becoming an ethical enterprise. The enterprise top management holds the main responsibility for making decisions on strategies and strategic allocation of resources (as shown in Figure 5). It is top management’s responsibility to find the most appropriate strategy for realization of the vision, mission and goals to be an ethical enterprise.

This leads us to the question of corporate governance and different value perspectives (shareholder and stakeholder value perspectives). We could argue that both perspectives are at some point correct. The enterprise’s long-term success depends on the successful harmonization of the stakeholders’ interests (Orlikof and Totten, 2004). If the enterprise’s vision and enterprise’s policy, influenced and created by the owners, are not in the interest of all stakeholders, the latter will simply not participate in the future business activities. Therefore, it is in the owners’ main interest to consider the interests of all stakeholders, which would consequently result in the enterprise’s ethical behaviour.

For successful implementation of strategies, it is of great importance to develop an ethics program by defining the activities and the responsible performers as well as needed resources of these activities for successful implementation of such program. The purpose of such ethics program is to make strategies action oriented. The responsibility of implementation of such ethics program lies also at the operational management level (as shown in Figure 5).

In order to successfully realize the planning process at all hierarchical levels adequate planning instruments should be developed among which especially planning methods are of great importance (compare with Belak, 2002, 2003). Whether these should be completely new methods or some of the existing methods could be adopted (proposed by different authors, e.g. Bleicher (2004), David (2008), Hinterhuber (2004), Kajzer et al. (2008) and Wheelen and Hunger (2009a, b)) should be theoretically as well as empirically studied in the future. The institutional dimension within the
proposed concept of holistic planning model describes the responsibilities of different stakeholders within the enterprise (that is owners and managers) regarding decision making in the planning process as well as experts and other co-workers that are in accordance with enterprise owners and managers responsible for enterprise ethical implementation and behaviour.

9. Conclusions

To achieve the optimal effectiveness level of business by ethical behaviour, the initiated measures of business ethics should never be implemented as isolated tools, but only in the frame of a full and complete ethics program (Thommen, 2003). The initiated business ethics measures have to be correctly adjusted and coordinated, as well as integrated, in a common business ethics concept, program or plan. An enterprise’s top management can be considered as the “agent” responsible for harmonization of stakeholders’ interests (as well as different cultures); therefore we argue that formulation and implementation of an ethics program strongly depend on top management. In our opinion, the top management can also be considered as the executor of the enterprise’s culture (values and norms initiated by the enterprise owners), which represents one of the most important elements in the context of an enterprise’s ethical behaviour.

For successful implementation of the ethics program or plan, it is important that it is internalized by all (especially internal) stakeholders within the enterprise (owners, managers on all management levels, experts and all other co-workers). We have shown that credibility and ethical behaviour of an enterprise can be achieved only through requisitely holistic enterprise planning (as shown in Figures 2, 3 and 5). It should be implemented from top to bottom, starting with the enterprise owners’ values that influence enterprise’s vision and enterprise’s policy (Thommen, 2003) and to the fundamental (basic) – realization process and in all of its own pores incorporated also in enterprise environment. One of the important argumentations of the present paper is also that the proposed concept of the requisitely holistic planning of constitutional elements and implementation measures of enterprise ethics has a major impact to the environment of an enterprise functioning and vice versa.

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Further reading


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