In the age of intellectual capital, the most valuable part of jobs has become the essentially human tasks: sensing, judging, creating, and building relationships. Far from being alienated from the tools of his trade and the fruit of this labour, the knowledge worker carries them between his ears. (Stewart, 1997)

Abstract

This paper deals with management tools like conflict analysis and ethics auditing. Ethics auditing is understood as an opportunity and agreement to devise a system to inform on ethical corporate behaviour. This system essentially aims to increase the transparency and credibility of a company’s commitment to ethics. At the same time, the process of elaborating this system allows us to introduce the moral dimension into the company’s actions and decisions, thereby completing a key dimension of the production, maintenance and development of trust capital.

Conflicts in organizations are directly or indirectly caused by violation of ethical principles. Both conflict analysis and ethics auditing help to lower the number of conflicts.

In the first chapter we give an overview of different ethical management instruments. In the next chapters the ethics auditing process and conflict analysis as a management tool are described. Also their use in managing organizations plus raising levels of motivation and effectiveness is shown.

**JEL Classification numbers: M10, M14**

**Keywords:** business ethics, corporate social responsibility, ethics, ethics auditing, conflict, conflicts analyses, social audits, social reporting, organizational effectiveness.
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1. Introduction

The borders between countries are vanishing in today’s world. Therefore while communicating with other peoples and nations one can not rely only on his/her own country laws. Many international ethics organizations and unions have set their goals on creating universal ethical principles that could create a common base of ethical and moral norms. This has become inevitable for every country and organization and comes along with the globalisation process.

Globalisation is characterized by an increasing movement of goods, services, capital, ideas and people across national borders, and a growing number of socio-economic-environmental problems which require co-operation among several countries. It is important to note that the term globalisation goes far beyond economics problem.

A lot of ethical questions arise at this point. For every organization it is essential to be competitive, sustainable and profitable but at the same time ethical, responsible for its employees but also for the society and company owners.

21st century has brought a new view on organizations and the whole economy. A new type of economy – knowledge economy has risen. To understand the new business reality we need new beliefs from new radical economy experts (Edvinsson 2003).

Spanish professor García-Marza Domingo (2005) of the University of Jaume I believes that we need a totally new approach to business ethics. We have to move from consequence-based ethics to deontological and procedural ethics. Moral dimensions should be statute-based organizational action plans that enable fair treatment of different parties interested. An ethical organization should map their borders of responsibility and find a middle way that satisfies the expectations of all parties interested. One of the possibilities for doing that is ethics auditing that evaluates achievements in that area and fulfilment of duties.

In managing organizations and understanding success two concepts have become important – devotion and free will. Most top managers agree with the long-standing statement that a company’s main asset is its personnel. But, at the same time, people who work in these companies do not usually feel that decisions and management policies support that approach. Much more likely they notice that the company is being run by profit-orientedness and cutting costs.

The problem is that the employees do not fit into the financial statement’s “asset” part. One cannot conduct business deals with them as one wishes, their input is individual and changes (and depends on motivation and environment) and they cannot be evaluated by traditional financial rules (Mayo 2004). Managers fill in statements only about financial and physical resources and leave the most important resource – people – out of the analyses and reports. The main common goal of management of organizations, managers and specialists is to increase the sustainability, competitive strength and also the value of the organization. The key problem of these tasks is the human being and his/her knowledge, his/her will to solve these tasks as the only one creating value.
Estonian organizations have made great efforts to increase competitive strength and therefore also sustainability. One important factor in improving is supposed to be increase in productivity. But this is only one side of the coin – more and more attention should be paid to the organizational value creators – the employees. This is especially important in Estonian business environment where we see lack of qualified workforce more than lack of work. In the long run those organizations that value their employees, contribute to their development and include them in decision-making will succeed.

In the conflict study carried out in 1998-2007 by the Ethics Centre of the EBS (Estonian Business School) including 4000 conflicts, the main causes and ways of solving conflicts are shown. The study also shows that people who leave the organizations due to unsolved or hidden conflicts mainly belong to highly skilled workforce.

All Estonian businesses aim to improve the standard of living or quality of life for the citizens of the Republic of Estonia. Prosperous economy classically means high and growing economic productivity and high return on business investments. However, today productivity is only one measure of efficiency, mainly dominating commodity markets. Commodity markets will remain, no doubt, but their relevance in the structure of branches of the economy is bound to decrease. In the modern global economy productivity is understood as a quantitative output creating familiar things for mankind. Therefore, the capability of Estonian business to „make it“ depends increasingly on added value that buyers in global markets can measure and sense in reality and for which they are prepared to pay more (Karjus 2001). Societies and organizations operating inside them have to be comparable and evaluable on the global scale and therefore it is important that Estonian organizations also take statements and reports about ethical and responsible behaviour into use.

Business ethics and organization’s social responsibility play an important part in many regulations and strategies as part of the policy of the European Union. As a member of the EU, Estonia will have to comply and follow these rules sooner or later. In the Lisbon strategy the goal is set to raise remarkably the competitive strength of the economy and the social cohesion of entrepreneurship by 2010 (Rääsk et al. 2005-06).

There are several reasons why ethical evaluations about companies’ activities have become valuable – pressure of the society, need to manage risks, obligations between interested parties and the continuously rising awareness of the consumers on responsible entrepreneurship and commerce. In autumn 2000, CSR Europe carried out a consumer study in 12 EU countries in order to identify the relative importance of socially responsible production and commerce in their buying decisions. 70% of the European consumers say that a company’s commitment to social responsibility is important when buying a product or service, and 44 % would be willing to pay more for products that are socially and environmentally responsible (Treuher 2006).

In the Estonian Human Development Report of 2007 it is shown that 23.9% of Western-European citizens have boycotted the purchase of some products while in Estonia the same number is 4.2% (Heidmets 2008).

Evidently it is only a question of time when the social awareness of the Estonian society reaches the level of Western Europe. This is also another important sign about the need to pay more attention to the social and moral aspects of production and commerce.

Today eleven out of the world’s top 20 industrial firms are Japanese and they have an enviable reputation for product quality, customer satisfaction and employee loyalty (Sillanpää 1998).
In a study conducted by Kotter and Heskett, it was found that over an eleven year period, large established U.S. companies which gave equal priority to employees, customers and shareholders delivered sales growth four times and employment growth eight times that of “shareholder first” companies (Wheeler and Sillanpää 1997).

In the Estonian business environment and also in broader society attention has been drawn to socially responsible entrepreneurship through campaigns and scandals. An example of this is the reform of the State Forest Management Centre and employee layoffs that followed it (Karnau 2008, Jalast 2008). International attention was also obtained by unethical treatment of employees by the biggest shipping company of the Baltic Sea, Tallink (Rihma 2006). Systematic approach is hard to find in this field although in other part of the world several methods have been introduced in order to evaluate economic success as well as ethical behaviour towards interested parties.

Ethics auditing and conflict analysis enable to draw more attention to the segment of interested party or area that is the most critical or important for the company at the moment. At the same time it gives a full overview of the organization. Other ethics instruments are either resource-consuming (work, time), bounded into tight frames or long (GRI, SA8000 and others) and do not enable to evaluate a narrow area in depth.

In this article an overview of most common management instruments is given. These instruments have been successfully used in countries with developed economies and Estonian organizations should think about implementing them also. The main emphasis in this article is placed on ethics auditing and conflict analysis. These methods show most clearly the ethical and value based viewpoints of organizational management.

The next step could be working out an ethics auditing system suitable for medium-sized and large Estonian capital based organizations and using conflict analysis that is based on conflict studies for increasing the competitive power of the organizations.

Consistent use of ethics auditing presents the organization an internationally comparable ethical analysis that should increase the credibility of the organization in the eyes of foreign partners and other interested parties.

2. Short Overview of Ethical Management Instruments That Have Been Used

The development of ethics auditing can be associated to the beginning of drawing up organizations’ global reports Global Reporting Initiative (GRI).

GRI was first started in 1997 in Boston where supportive framework for composing reports and also for their later evaluation was worked out. Global reporting is one of the most common and widespread self-evaluation methods as it includes self-evaluation reports through different interested parties. It includes three dimensions: economic, social and environmental (so-called Triple Bottom Line analysis). Today there are more than 1000 organizations in the world that compete with each other with GRI reports worldwide. Other instruments of an organization’s social responsibility – certificates, indices, evaluation instructions (ISO standards, SA8000 (Social Accountability) AA 1000S (AccountAbility), ASPI (Advanced Sustainable Performance Indices)) – concentrate mainly on one field only (Rosthorn 2000).

Social Accountability 8000 (SA8000), based loosely on BS5750/ISO9000 thinking, is an attempt to create an international standard for human rights in the industrial context. The need for progress in human rights management is evident from
the reported abuses notably, but not only, in the garment and footwear trades. SA8000 deals with management systems, child labour, forced labour, disciplinary procedures, rights to collective bargaining and association, working hours and compensation (Rosthorn 2000).

These reporting initiatives are characterised by, amongst other things, great variations in reporting methods and content. US-based Coalition for Environmentally Responsible Economies (CERES) is this year attempting to grapple with that very diversity through its Global Reporting Initiative (GRI) to crystallise the independent reporting styles that have grown up around the world. GRI will aim for a form of “triple bottom line” by covering economic returns to shareholders, social responsibility and environmental protection. Businesses can, and some do, benefit from the variety of external and internal assessments of management activity a General Business Ethics Audit (GBEA) offers.

Experiences of GBEA’s in Europe and Asia show that the auditor is able to identify the nature of business risk. A more experienced business ethics auditor working together with informed managers may be able to quantify the size of that exposure. The risk analysis leads to a consideration of the business processes which have given rise to the risk exposure. GBEA is an instrument for better management of the profitable business survival issue (Rosthorn 2005).

A rather more precise instrument devised to support Chairmen, Audit Committees and fund managers is the Business Ethics Strategic Survey (BESS). BESS is immediately communicative to the CEO (Chief Executive Officer) about the fund manager’s expectations for the manner in which the business will be conducted and the required ethical robustness of the CEO’s strategies.

In many academic papers ethics and behavioural codes are considered as tools of ethical management. Ethics codes are an explicit manifestation of the commitments taken on by the company to each of its stakeholders, together with the basic values that orientate its activity (Domingo 2005).

In Estonia one can mainly encounter ethics codes around professional alliances and unions on account of which the business entity about to join the union will have to obey the ethics code immediately. But often those kinds of codes are fictive. According to the valid law regulations Estonian companies are obligated to have internal work rules, but these do not have to include ethical moral norms.

Several examples can be brought where the company does have an ethics code, but in reality the management practices are opposite to the principles stated in the code. An example of this is the leaving of managers of Skanska EMW from their employer and starting their new successful construction company (Brinkmann 2007).

Conflict analysis can also be considered as a new instrument for evaluating an organization’s ethics level (Virovere et al. 2002). Conflict as a research tool has been chosen because it is a very informative phenomenon for revealing an organisation’s general status. The impetus for our research was the fact that many conflicts in Estonian organisations are either poorly managed or left unsolved. Conflict studies are based on more than 4000 conflicts gathered by the Ethics Centre of EBS. Results of the studies are presented in many bachelor and master theses and most important of them are following Gurova, (2007), Sergo (2001), Dapon (2003).

The reason why ethics has obtained so much attention these days is due to the speed at which our society is developing. One force that influences a company’s actions is its value policy. Wheatly (2002) says that the vision and values actually affect behaviour. A person’s ethics and beliefs are clearly shown in the values. The values of
the top manager and owner create a base for organizations credibility. Trust is a value that business relationships are built on.

In every organization only those values that the top management embraces and accordingly behaves are adopted. A research conducted in Estonia (in the EBS Ethics Centre) shows that both vision and values in our companies are often formal, unfamiliar to employees and not followed.

The moral credibility of an organization shows which interested party’s interests the company tries to fulfil most and how to balance conflicts of interests (Kaptein 1998). Many ethical problems for multinationals and companies trading far from their home base arise because of differing value systems: ethical audit will enable a company to establish clear guidelines about the limits of acceptable behaviour which are consistent world-wide, while recognising, where appropriate, local societal differences.

3. Ethics Auditing as a Management Instrument

Ethics auditing has changed a lot and perfected compared to its predecessors, social auditing and GRI. Still, ethics auditing is almost in its early age and there is a lot of room for growth and its real efficiency is partially undiscovered.

Values are the base of an organization and if attention is drawn to values it enables the management to create an organization that is sustainable and great in any sense. Ethics auditing reports serve as a good information base for new partners and other parties interested.

Ethical auditing is a process which measures the internal and external consistency of an organisation's values base. The key points are that it is value-linked, and that it incorporates a stakeholder approach. An ethical audit begins internally, with a review of paper, processes and people, carried out by certain ethics officials who come to the company to audit it. The findings of the audit are then tested with stakeholder groups, to ensure that the values base is one which is shared by, or at least acceptable to, all its key stakeholders (Carmichael et al. 2008).

Managers of companies realize the clarity and transparency of financial strategies for investors, quality of services for clients, importance of current and future employees in order to be a valued employer.

Ethics auditing topic has been discussed very thoroughly by Muel Kaptein, professor of the University of Erasmus of Netherlands. His book „Ethics Management. Auditing and Developing the Ethical Content of Organisation,” which was first printed in 1998, is the only book dealing so deeply with ethics auditing.

Ethics auditing gives an organization a possibility to look into itself through an ethics prism and find clarity in its value system.

Ethical auditing can:
1. clarify the actual values to which the company operates;
2. provide a baseline by which to measure future improvement;
3. learn how to meet any societal expectations which are not currently being met;
4. give stakeholders the opportunity to clarify their expectations of the company's behaviour;
5. identify specific problem areas within the company;
6. Identify general areas of vulnerability, particularly related to lack of openness;
7. learn about the issues which motivate employees.

Ethics auditing goals are doubled – it is intended for accountability and transparency to stakeholders and it is intended for internal control, to meet ethical
objectives of the organisation. One task is to give the company a possibility to follow its ethical behaviour over years and find the issues that still need to be worked on. There are several reasons why it is beneficial for a company to audit management from the ethical aspect. The following are the most important of them (Carmichael et al. 2008). Ethics auditing is a good tool in international business relations. While operating in different countries and cultures one needs to consider differences that cultures bring along. Different cultures may start to distort already accepted values inside an organization. Therefore it is important that the same standards apply in different countries. An international organization has to implement its values and moral norms in all regions identically. To create trust in an organization the reports have to be comparable and evaluable on the same grounds in different organizations. Another problematic area in international business is human rights and work-related practices (use of child labour, racism, work environment, environmental protection etc). Therefore the consumers have a kind of power over producers and distributors by protesting against goods and not consuming the goods of certain countries or producers.

A 1995 poll of 30,000 consumers in the UK showed that one out of three had boycotted stores or products in the past because of concerns about ethical standards, and six out of ten were prepared to boycott in the future. Almost two out of three of those surveyed were more concerned about ethical issues now than five years ago. Analogical pressure groups obtain more and more power in the society. There is not much help to be expected from PR people because in case of problems interest groups can create a lot of publicity in the whole society (Carmichael et al. 2008).

One of the greatest benefits of the ethical audit is that it assists the company to scan the environment to identify the issues which are most likely to provoke action by pressure groups. This gives an opportunity to react very fast to conflicts or possible threat of rising conflicts. While moving towards quality insurance value-based relationships with suppliers play an important role. The quality of raw materials, timely fulfilment of orders, trust plays a crucial role. In contrast to social auditing, which aims primarily at measuring the social impact of a company on its environment, the ethical audit from the outset is value-linked. It measures the "ethical climate" of a company by analysing the values on which the organisational actions are based and by testing the moral quality of these actions against values that should be taken into consideration (Carmichael et al. 2008). It is important to debate which interest groups to include in the auditing process and with which proportion. Usually the outer interest groups involved are:

1. Shareholders,
2. Clients,
3. Suppliers,
4. Broader community.

A lot depends on the specification of the company’s area of operation and it is clear that more important interest groups are under more serious attention during the auditing process.

More common problems that are focused are – safety of products, environmental protection, relations between employees. Ethical reporting system should gather information systematically and also describe that process, depending on organization’s values. All notions are fixated and taken into account while putting together the next year’s action plan.

No doubt it is necessary that values are also controlled by taking into consideration the company’s economic success and vitality. Ethical and social values have to rely on economic considerations; otherwise the company is not sustainable
It is important to emphasize that the approach to ethics auditing has to be broad and comprehensive because the auditing process can depend on several methods and usually includes the whole company from the beginning to end. Still the audit enables us to analyse in depth an area or interest group that is most important for the company at the moment.

4. Conflict Analysis as a Managerial Instrument

As the authors started their research, gathering and analysing conflicts, offering training and consulting at EBS with the aim to improve management and to create a motivation system for Estonian companies, several problems arose. A subsequent research was carried out in order to discover how to change the main problems in motivation and job satisfaction. Motivation and job satisfaction have a relevant effect on the productivity and effectiveness of the company. These problems are derived from the effects of the post-soviet society, on the one hand, and from a lack of experience in new management paradigms, on the other.

The history of research on organizational conflict could be said to be dominated by two questions: How can a conflict be suppressed by organizations and how can conflicts be used productively by organizations.

The conflict study carried out in EBS shows that many conflicts in our organizations have been left unsolved or have been solved by using power over the employees and they have often left the company (Virovere and Liigand 2002). Also, an analysis of profits of companies carried out by Maris Lauri (2007), a macro analyst of Hansapank Markets, showed that owners have benefitted more from added value than the employees.

In the study carried out by the authors, remarkable attention is paid to the productive conflicts in companies. By solving these so-called productive conflicts it is possible to raise the effectiveness of the company and repair the ethics level of the work environment.

The hypothesis we set were the following:
1. Conflict provides an overall picture of an organisation.
2. Management decisions originate from positions of power and are not directed at the organisation’s success.
3. A reason for the conflicts is violation of ethical principles (Virovere et al. 2002).

Next a typical conflict example is given. This conflict happened in a production company that produces machinery and industrial details. The company got into serious difficulties because of losing the Russian market share and was in desperate need of restructuring. The management tried to implement a new payment system: before an employee was paid 5000 kroons, now his wage was reduced to 4500 kroons and if the employee’s work showed good results it was possible for him to get up to 6500 kroons in a month. That caused a serious conflict between the employees and the management. Some workers had been in that company for decades and nothing like this had ever happened to them before. The workers were told that the management has to make changes because they needed to keep up with the competition and also the workers get paid now according to the results of their work. Instead the management should have tried a different approach and explained thoroughly what was going on with the enterprise and where they were heading. In this company the workers didn’t feel part of a team. They only got paid and did their work. But if the change was absolutely
necessary the management should have taken action before implementing the new wage system. That created anger and disbelief in the management.

If the conflict analysis method had been used it would have become clear that the employees were not included in the decision making (which is an ethical violation), they did not know about the goals and vision of the company. It also shows that drawbacks in business caused their salary to be sacrificed first. Therefore we can see a big picture of culture and management style of the organization presented by only one conflict.

Rüttinger (1980) defines conflicts as states of tension where two or more parties try to implement agendas that are actually or perceived to be different while knowing about the other party’s opposition. Hence we can draw a conclusion that a conflict by its nature does not support collaboration and therefore decreases an organization’s effectiveness.

Conflict is something that is not welcome in a company’s internal climate, but it is inevitable still. Several authors in the book ”Using Conflict in Organisations” claim that conflicts can enhance individual achievement, the quality of group decision making and the productivity in organisations. Conflicts can bring underlying issues out into the open, sharpen a person’s insights into interests and goal and pave the way for more optimal integration of seemingly opposing interests. Managing through conflict can be used to create a better environment inside the company but only when the conflicts get solved (De Dreu and Van De Vliert 1997).

In the analysis we assumed that conflicts as tools are characterised as follows:
1. Conflicts are inevitable;
2. Conflicts will not solve themselves nor will they disappear;
3. Every unsolved conflict creates new conflicts;
4. Conflict is a status indicator.

In addition to the main characteristics of conflict three important aspects can also be brought out: conflict is always related to relationships, there are several parties in a conflict and there is a problem or main question that has caused the conflict. Therefore we can assume that a conflict will not take place when people are not in relation with each other and they have no interaction.

In the 1950s when dealing with conflict became popular a conflict was defined in a little bit more scientific way – a conflict is a fight for values and an attempt to achieve special status, power and owning assets, while opponents’ goals are to suppress their rivals, damage or eliminate them (Coser 1956). According to this conflict definition, a conflict is associated to somebody’s will to damage somebody, therefore a conflict is seen as something that has to do with aggression and somebody has to win and somebody has to lose. This definition emphasizes the thought of limited resources as a source of conflict or a feeding ground for a conflict.

Hocker and Wilmont (1985) defined a conflict emphasizing the interdependence of parties involved – a conflict is a communication process between two individuals who are dependent on each other and both sense mutually discrepant goals and intrusion into reaching their goals.

Siimon and Türk (2003) have defined causes of conflicts due to organizational distinctions as follows:
1. Limited resources and their distribution
2. Interdependency
3. Difference in goals
4. Different viewpoints
5. Managerial mistakes
6. Unclear status
7. Communication problems
In the authors’ opinion this list can be divided into two big sub-groups: causes of conflicts due to interdependency and due to limited resources.

For example, managerial mistakes and different viewpoints would not create conflicts if the parties were not dependent on each other. Also, all listed causes may belong to either one or the other group or both sub-groups at the same time.

5. Joint Utilization of Conflict Analysis and Ethics Auditing

Conflicts do not solve by it selves. Conflicts can be forestalled by guessing possible causes, but they cannot be avoided. Running away from a conflict does not make the cause of the conflict disappear and the conflict will arise sooner or later anyway. Furthermore, in the hiding stage the conflicts expand and unsolved conflicts create new, more serious conflicts (Virovere et al. 2005).

It may be quite difficult to define the span of conflicts. Small conflict is considered to be a difference in opinions but this fact does not make solving of them less important. First of all, small differences may refer to a broader base of conflict. Secondly, if unsolved differences cumulate they may create a bigger conflict only because they have remained unsolved and differences turn into conceptual disagreements (Siimon and Türk 2003) or personal antipathy. It is also advised to investigate small conflicts whether they hide some bigger contradiction – a conflict may exist in a hidden form without the involved parties acknowledging it to themselves.

Also, the parties involved in a conflict may appear in a hidden form. If there are two clearly visible participants in a conflict it is quite certain that in the case of in-group conflict the bystanders are also divided into pro and against parties. This phenomenon becomes especially important in the case of organizational conflicts because it makes it very difficult to define the span of the conflict and therefore solving of the conflict also becomes more complicated.

If we look at a conflict as a problem we can open the essence of the conflict through a common definition of problem: a problem is the distance between the desired situation and the present situation. Because conflict between people always includes at least two involved participants and each of them has their own view of the desired and the present situation we can say that the conflict has as many dimensions as it has participants. Therefore the span of a conflict can be specified as the sum of the size of the problem perceived by both parties. In order to evaluate the intensity of the conflict one should also take into consideration the importance of the conflict for the parties involved and also the importance of the parties themselves, their power and potential to fight for their cause.

Conflict analysis and solving should include all the parties involved in the conflict. While solving the conflict the interests of all parties should be considered at the maximum level to bring along reaching of consensus and acceptance of the decisions by everyone involved.

Ethics auditing enables to discover hidden conflicts in their generation phase and bring out the real contradiction. During the audit one can evaluate the level of ethics used in solving the conflicts and discover if and how much the principle of equal treatment has been applied.

Based on the auditing it is possible to work out action plans based on deontological ethics (balance or rights and responsibilities for all parties involved).
Conflict analysis is consequence-based, but ethics auditing enables managers to forestall destructive conflicts.

As the desired situations of the participants in the conflict can be incompossible or distinctive it has to be considered while evaluating the intensity of the problem how possible it is to match the desired situations of the participants with each other. The prerequisite to successful solving of a conflict is the clear formulation of the problems by all parties involved because how we see a problem is the problem (Covey 2004).

Kaptein (1989) has brought out six important aspects of auditing to which attention has to be paid in the auditing process:
1. an audit’s arrangement characteristics
2. indicators of behaviour
3. processing of measurement results
4. solving dilemmas
5. individual characteristics
6. evaluations of situation.

Ethics auditing and conflict analysis both enable to get information from the following areas of an organization: possible threat of conflict with different interest groups, unequal treatment, possibilities for solving dilemmas, contradiction between fixated norms and real behaviour, discrepancy between organizations’ real and desired goals.

In addition, conflict analysis only enables us to get information on motivation retarding factors and problems associated to structure and management, collaboration hindering factors and quality of decisions.

It is important to note that ethical auditing is a comprehensive and integral approach: integral, because it combines different approaches with different methodologies and comprehensive, because it takes the entire organisation (including its environment) into consideration with all the different perspectives that prevail in different functional areas.

6. Conclusions

In the opinion of van Vlierti (1997) the common goals of using management instruments have to do with raising the quality of managerial decisions and reaching consensus while making decisions that in turn leads to wider acceptance of managerial decisions by the group members.

Globalizing business environment demands an organization competing in the international market to use one or another report of ethical or socially responsible entrepreneurship. The authors of this article believe that ethics codes, GRI, SA 8000 and other similar managerial instruments are very labour-intensive for managers. The results that are gained are less objective and have smaller applied value. They may give international comparability but the benefits in order to improve the company’s own results are small. This includes the threat that the reports are fulfilled only formally.

Although several other management instruments that were described in the first chapter and enable to raise a company’s ethics level, competitive power and effectiveness exist the authors believe that the most effective tools are ethics auditing and conflict analysis. Auditing is essentially a forestalling and referring to problems activity, analysis deals with investigating the consequences.

Ethics auditing has forestalling power and conflict analysis enables to evaluate the organization. Both ethics auditing and conflict analysis are the indicators of the present situation and shows the issues that need to be changed. The results of auditing
are recommended to the management not punishing. Conflict analysis can be carried out by a member of the organization itself, a manager for example. If a manager were competent is doing the analysis he/she could be more operative in solving conflicts. But it can also be done by including help from outside of the company. It is also more operative method that ethics auditing. Ethics auditing could be done once a year or over one year period.

Research done by previously referred EBS Ethics Centre show that in Estonian organizations 60 – 70% of conflicts remain unsolved. That means that the opportunities to deal immediately with bottlenecks inside the organization are left unused. Conflict analysis should bring the possibility for the members of an organization to learn to solve conflicts. This would increase the collaboration between members of the organization and improve the ethics level or work environment.

Both conflict analysis and ethics auditing enable to lessen the number of conflicts, amend the reputation of a company and therefore raise its effectiveness and sustainability.

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