

Ivan Sijakovic<sup>1</sup>  
Nebojsa Zakic<sup>2</sup>

*Original scientific paper*

UDC: 005.72:005.74

005.332.3:174-057.16

COBISS.SR-ID 76267273

## Business ethics and organizational changes - The Case of Serbia -

### Abstract

*This paper examines the level of awareness of managers in Serbia about the importance of respecting and applying ethical standards when implementing organizational changes in companies, i.e. business entities. There were 100 respondents that participated in the research, i.e. managers of private companies established after 2003. This research shows the ethical behavior of managers in modern economic and business opportunities in Serbia. It has been found that managers in Serbia are not fully aware of the importance and significance of business ethics for running a business. The research has shown that there are significant differences among managers in the understanding of ethical standards in organizational changes, when viewed through the prism of sex, age, education, as well as the position that managers occupy in the managerial structure of a business entity.*

**Key words:** *business ethics, ethical standards, ethical awareness, organizational change.*

---

<sup>1</sup> Faculty of Entrepreneurial Business and Real Estate Management University "Union - Nikola Tesla" Belgrade, Cara Dušana 62-64. sijakovici@gmail.com

<sup>2</sup> Faculty of Entrepreneurial Business and Real Estate Management University "Union - Nikola Tesla" Belgrade, Cara Dušana 62-64. nebojsazakic@gmail.com

## Introduction

Organizational changes are an important, complex and significant process of adjusting the organization, i.e. business entity, to new circumstances and a new situation. Organizational changes are a series of continuous procedures and processes that lead to changes in the structure of the organization, technological process in the company, the change of products or services and the change of employees (changes *in* employees) in a company or a business entity.

The main goal and function of organizational changes is to improve business results, expressed through greater efficiency, better market competitiveness, flexibility and adaptability to new environmental conditions, as well as motivation and employee satisfaction. In order to understand the importance of organizational changes better, it is necessary to monitor their comprehensiveness, depth, breadth, speed, intensity, content, procedure and manner of implementation, as well as resistance to these changes.

Organizational changes are always a matter of perception, acceptance and attitude of employees towards change, as well as the actions of managers and business owners regarding the manner, type, time and speed of changes in the organization. All this, inevitably, implies the presence of ethical norms in the procedures, manner and goals of organizational change. The wider and deeper the changes, the more significant the presence of ethical norms. This is especially important when it comes to structural changes, marked as a complete restructuring of the company, which involves a change in ownership structure, production methods, number of employees and management style.

An ethical approach in which all employees are familiar with and aware of the ethical dimension of business is important in all forms of business. This is especially true when it comes to changes in an organization. The ethical dimension should be represented in all actions of managers, whether they make decisions about changes or implement those decisions. Every change in companies causes certain ethical dilemmas, because a change requires increased efforts from employees, change of positions in the organization, other types of work and even the loss of employment. If managers are committed to ethical behavior in their work and are aware of the multiple importance of ethics in business, then they will make decisions that will be beneficial to all the employees in a company or an enterprise. Ethical approach is especially important for managers who initiate and plan. Furthermore, the ethical conduct of managers will influence the other employees and raise their awareness of the importance of ethics in organizational changes to adapt to ethical

principles and conditions and bring an ethical dimension to all aspects of communication, both within the company and in relation to stakeholders. Good managerial ethics will create a good business climate, as well as a good basis for employees' support to organizational change.

In this text, we will analyze the situation in companies in Serbia, which have gone through a process of transformation from social and state to private property and from a planned to a market economy. We will investigate whether managers in companies in Serbia have an ethical attitude towards change, whether they are aware of the importance of ethics in organizational change and how ethical their actions are in making and implementing decisions about change.

## **The review of literature**

### **The importance of ethics and ethical behavior in business**

Business ethics is an important element of every company's activity and every business, regardless of their size and type of activity. Ethics implies moral and responsible behavior of all employees in a company. This moral behavior is assessed according to the criteria of what is good, fair, legal and responsible in the behavior of employees both within the company and towards stakeholders, the business surroundings, the environment and society as a whole. Ethical behavior is always measured by the criteria of what is accepted as "good", "correct", legal and "fair" in relation to "bad", "wrong", illegal and "unfair" in an environment and surroundings (Sims: 2003) . When we talk about ethics in business, we always mean the actions, decisions and behavior of all employees and the consequences on the work of the company, as well as the business environment. Behavior that is not in line with ethical norms will always lead to harmful consequences in companies and the business environment. Therefore, ethical behavior implies preventive action of employees according to the principles of high legal, fair and moral standards that will prevent damage and bad decisions in the company due to unethical behavior. One of the preventive instruments that will limit the unethical behavior of employees is a code of ethics that will properly guide employees and show how they should behave in order to avoid unethical actions and harm both the company and the environment.

Research shows that ethical behavior of employees is important for maintaining an organization, its structure, its performance, market competitiveness, and image in a business environment (De Geogre: 2002; Archie B.

Carroll: 1993). Ethical behavior of employees is very important in moments of turbulent changes in the market and in the business environment. If there is no clear ethical orientation that will guide employees, managers and leaders in difficult business times, then they will lose orientation, security and determination in working and running the company and will not understand what is right and what is wrong for it. The company's commitment to ethics and ethical procedures nurtures team spirit and responsibility, which is very important for motivating employees to achieve high productivity and raise overall performance, build openness, integrity and strength of the company. The presence of ethics in every workplace and work task, helps employees to cope more easily with a particular situation in order to assess what is good and what is bad for them and their company (Sims: 2003).

### **Ethical climate**

The respect for ethical principles and ethical behavior of employees creates a favorable ethical climate in companies, which creates the possibility to respect legal norms, as well as "a high level of moral rules and procedures in every workplace" (Drake and Drake: 1988). Ethical climate is associated with a high corporate culture and they are intertwined and conditioned: good organizational culture is a favorable condition for building ethical behavior of employees, in the same way as ethical procedures of employees develop a favorable organizational culture in the company and business entity. Ethical climate is a set of understandings that determine how employees will behave and what ethical attitudes they will be guided by when making decisions. Ethical climate provides the basis for decision-making "at all levels and in all circumstances" (Hunt: 1991). Ethical behavior of employees, especially managers, contributes to better quality management, strategic planning, change management, trust among employees and better flow of information. The good ethical climate in a company contributes to its favorable image among stakeholders, associates, citizens, competitors and all potential customers or clients. A favorable ethical climate presents a key factor for good public relations and reputation in the environment.

### **The role of managers in business ethics development**

Managers have a decisive influence on the development of the ethical climate and respect for ethical principles in companies. Their ethical behavior

“strengthens the coherence and balance of organizational culture, develops trust between individuals and groups” (Sims. 2003) and raises the standard of the company’s overall values. The behavior of managers and the ethical dimension of their decisions present a guidepost to the ethical or unethical behavior of all employees. Employees often follow the actions and behaviors of their leaders and managers. Managers play an important role as “ethical role models in a company and society”, they spread trust in ethical standards, legal norms and fair treatment, both in the company and in the environment (Carroll and Buchholtz: 2003). They encourage and motivate employees to work harder and behave ethically in their relationships with stakeholders and the environment. The ethical behavior of managers has a positive impact on employees and the company as a whole, in that employees will constantly review their behavior and actions, continually asking the question: is it ethical? Is the procedure in this situation ethical in relation to another situation? Am I committed enough to the company and the business? Do I create satisfaction with my behavior among associates and other employees? All of these questions are equally important to managers, owners, and other employees of the company, “when making decisions about their relation to work and employees” (Bolt-Lee & Cynthia E. : 2014). As Sausser (2005), Dunkelberg & Jessup (2001) found, managers and the overall management board are responsible for establishing communication and ethical behavior in companies. They create the climate that clearly tells employees, both old and newcomers, what the ethical rules are. Managers must establish rules and procedures that include penalties and rewards for ethical and unethical behavior in the company.

### **Unethical behavior of managers and owners of companies and the impact of such behavior on organizational change**

The question is why do people behave unethically in practice? What are the causes of unethical behavior of individuals and groups in companies? Are individuals and groups aware that their actions are immoral and that they are harming the company and the environment? The dominance of personal interests in individuals can be one of the causes of unethical behavior. Individuals want to achieve personal financial gain or advance in their careers by preventing others from doing the same. Such behavior of individuals and groups lacks high ethical standards and therefore the realization of their personal interests harms the company or some other business entity. Thus, unethical behavior harms other individuals, groups, businesses and the community. The economic crisis of 2008 and 2009 showed that unethical behavior leads to the

destruction of social fabric by undermining the power of companies in the market and destroying their competitiveness and business capability (Jones: 1991, Brass: 1998). As Tichy and McGill (2003) showed on the example of the American company Enron, the lack of business culture and ethics led to the bankruptcy of the company, which was a surprise for the American business world and a deception for the investors and employees.

The indicators of immoral behavior are when managers cheat employees, when they attribute the work and success of others to their merits, when they accept or offer bribes, dismiss employees for no apparent reason or explanation, when they spread nepotism in hiring and career advancement, or when leaking confidential information and trade secrets to others for money or other compensations (Sims: 2003). Some research (Kheit N., Perrault, Chin and Kheit M: 2009) has shown that there is a gender gap in perception, orientation, and ethical behavior. Men and women experience ethical and unethical behavior differently. Women are more likely to associate good ethical behavior with company success and rewards for such work, as well as greater fear of punishment for unethical behavior.

However, it is not only managers who carry unethical behavior, but also the company as a collective entity. If a company or any other business entity is willing to tolerate unethical behaviors, then it is difficult for an individual to establish a high ethical standard and behave ethically. It is believed that individuals (managers) should possess several characteristics that will enable them to behave ethically in practice. These traits are the following: the ability to identify ethical issues and assess the consequences of unethical behavior; the tendency to seek an opinion on ethical issues and to decide for oneself what ethical conduct means in certain circumstances; they should possess a value system that puts ethical behavior and conduct at the forefront of work and decision-making (Weiss: 2003). These skills are important for managers, business leaders, owners and young entrepreneurs to be able to excel in ethical behavior, to create and impose rules and procedures on ethical relations, communication and behavior (Michael: 2014). Furthermore, such qualities are important for all employees, so that they can respect ethical standards and draw attention to unethical behavior in the company.

Due to the realization of the personal interest of managers and owners, maintaining their high bonuses, workers are often laid off or their salaries and other incomes are reduced in order to reduce costs and increase financial rewards for owners and top managers. A key issue in the ethical behavior of companies and individuals is the knowledge and training of all employees to recognize when unethical behavior, attitudes and actions occur and to know how to eliminate them (Sims: 1994). Immoral actions are not only the result

of individual characteristics of managers and other employees, but also the business climate and organizational culture that exists in the company. If the ethical climate is such that the company's success is measured by profit and results regardless of moral actions, then employees will behave immorally in order to protect their jobs, contribute to the company's success in "Machiavellian" way and advance in their careers. There are companies that reward employees and managers for their business and financial success, regardless of the unethical behavior that contributed to that success. For such companies and other business entities, profit and financial income is the only value that is appraised, encouraged and emphasized. In such cases, employees with high personal moral standards cannot put them into practice due to a lack of "ethical courage" (Sims: 1994) to oppose unethical behavior in the company due to the risk of losing their jobs or being branded by managers or other employees (Schminke: 1998). Employees who have fewer alternatives, less freedom and fewer opportunities, have less "moral courage" and they will adhere to the unethical climate that prevails in the company, while employees who have more alternatives in the labor market will be able to realize their ethical potential and indicate the unethical behavior of employees in a business entity.

### **Business ethics specifics in Serbian companies**

Transitional changes have influenced company owners, employers and managers to pay special attention to reducing production costs during the restructuring of companies and within the process, most often they were working on downsizing the number of employees. This procedure was often not ethically based. Most of the companies that were privatized in Serbia after 2000 were economically and commercially neglected. The sale and privatization process was expected to make these companies more efficient, productive and financially stable and successful. However, this did not happen often. Most of these companies needed restructuring and organizational change. The restoration involved a great deal of organizational change, such as redesigning jobs, strengthening work discipline, entrepreneurial endeavors, applying new knowledge and innovations, new managerial skills and abilities, applying new technologies and the like. All this was supposed to bring better organization, better performance and better business results of privatized companies. However, it was a significant temptation for owners and managers to adhere to ethical principles in such conditions.

As Đurković (2011) points out, “the most frequently used way of fighting for survival on the market by managers in Serbia was cost reduction, most often reducing costs to the detriment of the labor force.” The main lever of this procedure was downsizing of employees through their dismissal. This way of treating employees in many companies in Serbia has led to a high unemployment rate and impoverishment of the population.

The restructuring of a company can be done in various ways, but the managers in Serbia most often resorted to dismissal, although that should have been the last option. The reason for that is their low ethical responsibility, which includes the responsibility for providing jobs (Đurković, 2011). The downsizing was most often motivated by short-term cost savings and managers’ intentions to “get rid” of workers, as they were primarily interested in profits, not recovery and business development. The way in which this was done in many cases was below all human dignity: mobbing, non-payment of wages, poor working conditions dangerous for health and life and the like (Đurković, 2011). Dismissal procedures not only showed the unethical behavior and cruelty of many managers in Serbia, but were often unprofessional, irresponsible and illegal.

Business owners were motivated by acquiring property and pursuing personal interests and managers who were often under pressure from the owners, had no honorable business intentions, nor they were interested in ensuring the normal functioning of the business and its further development. The owners, the companies’ management, did not have the necessary expertise, professional and moral capacities to restructure the companies in a socially responsible way. From an ethical point of view, poorly implemented processes of enterprise reorganization had a negative impact on the perceptions and attitudes of the remaining employees, and thus indirectly on their performance. There has been a loss of trust in the company’s management, dissatisfaction, disturbed interpersonal relationships, demotivation, absenteeism, burnout, insecurity, resistance and a general decline in commitment to the company (Đurković, 2011).

## **Research objective**

This study aims to show the level of ethical behavior of managers in modern economic and business conditions in Serbia. How do managers behave when making decisions, what are their attitudes about employees and what is their perception of the importance of ethics in organizational change in times of economic and social transition? We would like to find out how managers

will react in cases of future ethical challenges when making decisions about working conditions, time spent at work, the relationship between profit and wages, laying off employees for profit, managerial responsibility in making decisions about changes in companies and the ethics during the implementation of the decisions made.

## **Methodology**

The following methodological procedures, instruments and techniques have been used in this paper: a questionnaire, the analysis of the contents of documents, statistical data processing and methods of proving hypotheses.

## **Hypotheses**

Having in mind everything previously said about the relationship between ethics and business, we set 4 hypotheses about ethical standards and ethical behavior of managers of private companies in Serbia, viewed through the prism of organizational change.

H1: Managers in the companies in Serbia have insufficiently clear and strong awareness of the importance of ethics for the successful operation of their companies.

H2: Managers in Serbia are very aware of the importance of applying high ethical standards in the process of defining and implementing organizational changes.

H3: Managers in Serbia prioritize making a profit over ethical issues during the company's operations.

H4: Sex, age, education level and the position influence the attitudes and ethical behavior of managers in Serbia.

## **Research questions**

In order to examine as fully as possible and search for indicators and evidence for previously set hypotheses in an easier way, six research questions have also been raised here.

1. How much are the managers in Serbian companies aware that business ethics is very important for the overall business?
2. Are managers aware that their ethical actions create a good business climate?

3. Do managers in Serbia think that it is important to respect ethical standards in organizational changes in the company?
4. Are managers aware of the damage caused by unethical behavior in organizational changes?
5. What is the attitude of managers towards employees at the time when the company finds itself in crisis?
6. How do managers deal with ethical issues that arise in employees' resistance to organizational changes?

### **Sample characteristics**

In this research, the awareness of managers about the presence and importance of business ethics in companies in Serbia has been examined. There were 100 respondents that participated in the research, i.e. the managers of private companies founded after 2003. The respondents were divided into four age groups (26-35; 36-45; 46-55 and older than 65), then, by sex (43 men and 57 women), by education (43 respondents have a university degree, 24 have a college degree, 20 of them have a master's or magister's degree, 6 have a specialist degree, 1 has a high school diploma, while 6 respondents have a doctorate). When it comes to the position in the managerial structure, the most numerous are first-level managers below managing director (39), managing directors (26), middle-managers (24), as well as 11 lower-level managers. The distribution of the respondents according to the sector in which they work shows that the most represented was the core, primary activity of the company (53), while other managers belong to sectors such as research and development, human resources, finance and accounting, marketing, sales and information technology.

### **Research results**

#### **The importance of business ethics for managers in Serbia**

In our research, we started from the intention to determine the awareness of managers in the companies in Serbia of the importance of business ethics for the success of their companies. To the question *Is ethics important for business operations?* 41% of the respondents has answered that it is very important, 42% that it is important, but not of decisive importance, while 15% think that ethics is "not always important" and 2% think that "it is not impor-

tant at all". If we look at the respondents by sex, we see that 61% of women believe that ethics is "very important" for business, while such an attitude is supported by 39% of men. It is interesting to note that 47.6% of men answered that "ethics is important, but not of decisive importance". Therefore, we can conclude that business ethics is more important for the female managers in Serbia than for male ones.

Looking at the answers to the same question according to age, we notice that those aged 36-45 with 61% support the view that "ethics is very important for business operations". On the other hand, 33.3% of the respondents aged 46-55 answered that "ethics is not always important". It is important to note here that out of 14 surveyed managers over the age of 55, none supported the view that "ethics is very important" in a company's business. It can be concluded that there are significant differences in the understanding of the role of ethics in business, observed according to age.

If we look at the answer to the question "whether ethics is important for the business", depending on the position of managers, it can be noticed that 57.7% of managers in the position of a managing director agree with the statement that ethics is "very important", while it is significantly lower for senior managers (38.4%) and middle managers (37.5%). Senior and middle managers support the view that "ethics is important, but it is not of decisive importance" for the company's operations (Table 2). This attitude is especially characteristic of the lowest level managers (54.5%). Furthermore, the lowest level managers (supervisors) in the company, more strongly than other managers support the view that "ethics is not always important" (27.3%). Here we see that the position of managers significantly affects their understanding of the importance of ethics for business operations.

Observed by sectors, i.e. areas in which managers work, it can be noticed that the sector of predominant activity (production, trade and services) in a significant percentage supports the view that "ethics is not always important" (18.9%), and the view that ethics is important, but it is not of decisive importance (47.2%). This is a rather unpleasant discovery about the attitude towards the ethics of most managers in the Serbian economy. Contrary to this, managers in the human resources and R&D sectors strongly support the view that "ethics is very important". A significant difference can be observed in the understanding of the importance of business ethics among managers in Serbia if viewed through the prism of the sector in which managers work.

## The importance of ethics for managers and business owners

In the research, we wanted to examine whether our respondents consider ethical behavior to be more important for managers or for business owners. Thus, we asked them the question *Is ethical behavior equally important for managers and owners?* Most managers opted for the attitude of ethics as “equally important for both managers and owners” (53%). Some managers opted for the attitude that ethics is “important only for managers” (21%), while some of them opted for the attitude that “ethics is important only for business owners” (23%). It can be concluded that more than 1/5 of managers - our respondents (Table 3), want to transfer ethical actions (non-actions) to the burden of business owners and thus provide an “alibi” to managers.

If we connect the answers to the previous question with the respondents' sex, we notice that the attitudes within the sexes are equal, while a significantly higher percentage of women (58.5%) than men (41.5%) are committed to the view that ethics is equally important for both managers and business owners.

It is interesting to observe the answer to the previous question through the prism of our respondents' age. The respondents aged 36–45 strongly supported the view that ethical conduct was “equally important for both managers and owners” (65.8%), as did the respondents over the age of 55 (57.1%). The other two age groups (26-35 and 46-55) supported this view with 40% (average). These two age groups more strongly than others support the view that ethical behavior is “important only for business owners” (Table 4).

According to the sector in which they work, the respondents also gave different answers to this question. Thus, managers from the sector of basic, predominant activities (production, trade and services) showed a uniform attitude towards all three offered attitudes. With 57.1% they supported the view that ethics is “important only for managers”, then with 52.2% they supported the view that “it is important only for owners”, while 49.1% of them answered that it is “equally important for both owners and managers”. It is interesting to note that managers from the finance and accounting sector (44.4%), as well as marketing sector (42.5%), were more in favor of the attitude that ethics is “important only for owners”, while managers from the information technology sector were most committed to the attitude that ethics is “important only for managers” (57.1%).

## Organizational changes and managerial ethics

Ethical behavior and ethical climate in a company can be best seen if they are viewed through the prism of organizational change. In order to confirm it, we asked our managers if they agree with the notion that their company should *assess whether the defined organizational change is in compliance with business ethics*. We have noted that 40% of the respondents strongly agree with the view that “the company should assess whether the defined organizational change is in compliance with business ethics”; while 30% of them are in favor of a neutral attitude towards this issue. It is encouraging that only 1% of our respondents completely rejected the view that organizational changes should be viewed from the point of view of business ethics (Table 5).

If we look at the mentioned attitudes by sex, we notice that 37.5% of men “strongly agree” with the view that a company should consider the defined organizational changes from an ethical point of view. On the other hand, 62.5% of female managers support this view. The difference was also noticed in the second attitude (“Mostly agree”), because 41.4% of men supported this attitude, as opposed to 58.6% of women. Both sexes are equal when it comes to a neutral attitude towards the ethical dimension of organizational changes (15%). As with general attitudes about the importance of business ethics, so with organizational change, we see that female managers have a greater sensitivity to the importance of ethics in organizational changes than male managers.

Observed by age, we see that of those respondents who “strongly” support the view that defined changes should be viewed from an ethical point of view, 50% of them belong to the 35-46 age group. Younger managers (26-35) support this attitude with 20%, while the oldest group of managers (over 55) supports this attitude with 7.5%.

If we combine the previous attitudes with the positions of managers in the company structure, we will see that of those who strongly supported the view that organizational changes should be assessed from an ethical point of view, 32.5% are senior managers (managing directors), then higher-level managers (42.5%), middle level managers (25.2%), and lowest level managers (2.5%). We notice a significant disproportion in the attitude towards ethics in organizational changes, because middle and low level directors and managers show a low level of ethical awareness when it comes to the attitude towards organizational changes, although they have great responsibility in contact with other employees. While, on the other hand, managers in senior positions show

more ethical sensibility, although their contact with employees is somewhat less than in case of previous groups of managers.

To complete the managers' opinion on the ethical dimension of organizational change, we asked the question *"Are the relevant stakeholders aware of organizational changes and was their opinion on the ethical dimension of that change sought?"* The respondents with 37.6% "Strongly agree" with the view that it is necessary to acquaint stakeholders with organizational changes and ask for their opinion on whether the defined change is in compliance with ethical standards. On the other hand, 41.3% of the respondents have a vague, neutral attitude ("Neither agree nor disagree"), while 4.3% of the respondents do not support the opinion that stakeholders should be consulted on the ethical dimension of organizational change.

The respondents in the age group 26-35 were the most supportive of the "Mostly agree" attitude (27.8%), and the age group 35-46 most clearly opted for the "Strongly agree" attitude (41.6%), while the age group 46-55 more supported the position "Neither agree nor disagree" (27.4%). We notice the tendency of managers in the age group of 35-46 to more strongly support the ethical dimension of business, as well as organizational changes.

When the answers of the respondents are viewed from the position of managers, it can be noticed that only 14.8% of managers in the position of managing director "Strongly agree" with the view that the opinion of stakeholders should be sought on whether the defined organizational change is consistent with ethical standards. This position is most strongly supported by middle-level managers (55.6%), while lower-level managers mostly opted for "Mostly agree" (32.4%) and low-level managers opted for "Neither agree nor disagree". (19.4%).

After the implementation of the defined changes, we were interested in the respondents' opinion on the necessity to assess whether the change was implemented in compliance with the principles of business ethics. Therefore, we offered the respondents the position *"After the implementation of the defined change by all relevant stakeholders, it should be assessed whether the change was implemented in compliance with business ethics"*. This position was viewed as "Strongly agree" by 57.9% of female and 42.1% of male managers. When it comes to age, we noticed that full and partial agreement is most visible among the managers aged 35-46, while the managers over 55 supported only two attitudes: "Mostly agree" (18.8%) and "Neither agree, nor disagree" (17.2%). The managers aged 26-35 and the managers aged 46-55 almost equally supported all four levels of the proposed claim (Table 6). We see that there is a significant difference in the age groups of managers in the responses to the set attitude, as shown by the Chi-Square Tests (Table 7).

When the previous attitude is viewed from the position of manager, we see that 42.1% of managing directors strongly support the one that it should be assessed whether the change was implemented in compliance with ethical standards, while 43.8% of senior managers (one level below managing director) "Mostly agreed" with this attitude, as well as mid-level managers (27.3%). The managers of the lowest level mostly opted for a neutral attitude (24.1%).

### **Managers' awareness of the damage caused by unethical behavior**

In this research, we want to examine whether the managers in Serbia are aware that there is damage in the company's operation if organizational changes are made in violation of ethical standards. The respondents answered the question *"What is the damage from the unethical behavior of managers in organizational changes?"* Three variations of the answer were offered: "The damage is great"; "There may be some harm, but if the goals are achieved, the benefit is greater"; "There is no harm." Most respondents (43%) opted for the answer that "There may be some harm, but if the goals are achieved, the benefit is greater." Within this percentage there are 44.2% of male and 55.8% of female managers. If we look at the distribution within the sexes, it can be noticed that out of the total number of men, this position was supported by 44.1%, while out of the total number of women, this position was supported by 42.1%. It is interesting to note that more women managers than men (but also within the female stratum) supported the view that "The damage is great" from the unethical behavior of managers in organizational changes (Table 8).

When data are viewed from the perspective of age, two characteristic attitudes can be noticed: first, 37.2% of the respondents aged 36-45 is of opinion that damage may occur, but if the goals are achieved, the benefit is greater and second, 36.8% of the respondents aged 46-55 opted for "There is no harm" from unethical behavior in organizational change. It is interesting to note here that by comparing the answers with those received by education level, we notice that 30% of managers with university education support the view that the "The damage is great" from unethical behavior, as well as 50% of Ph.Ds and 60% of master's degree holders. If we compare the answers to the previous question with the position of managers, it can be concluded that 36.8% of managing directors think that the damage is great. On the other hand, 39% of senior managers say that "There is no harm", while middle level managers (37.2% of them) are of the opinion that there can be damage, but if the goals are achieved, the benefit is greater. Thus, one third of managers in

each position support different views on the damage from unethical behavior when implementing organizational changes.

In order to complete the opinion on the damage caused by unethical behavior of managers in organizational changes, we asked the question *“Who pays for possible damage from unethical behavior?”* 48% of the total number of the respondents chose the attitude that “The damage is paid by the company”, 20% of them think that the damage is borne by external stakeholders, while 32% of the respondents could not assess who pays for the damage of unethical behavior of managers. Observed according to the sex of the managers, it is noticed that male respondents in 44.4% of cases agree with the view that “The damage is paid by the company’s staff”, while 55.6% of women support the same attitude. Of those respondents who supported the view that “Damage is paid by external stakeholders”, 75% were women, while men supported this view with 25%. Male managers are the most indecisive in thinking about the damage of unethical behavior, as 51.4% of them could not decide, as opposed to 48.6% of indecisive female managers.

When it comes to the managers’ age, it is noticed that the age group 36-45 clearly supports the view that “The damage is paid by the company’s staff” (55.4%). The age group 26-35 is equally committed to all three proposed attitudes, while the age group 46-55 over, supports (28.2%) the view that “Damage is paid by external stakeholders”. If the obtained data is compared to the position of managers, it can be noticed that 37.8% of the managers in the position of managing director believe that the damage will be paid by the company’s staff, while 17.1% of them cannot estimate who will pay for the damage. Senior managers (55%), as well as middle-level managers (30.2%) most strongly supported the view that external stakeholders should pay for the damage.

Taking into account the current situation in Serbia, we are interested in finding out the respondents’ opinion on what needs to be done in order to achieve greater responsibility of managers in organizational changes. Most of our respondents (both men and women) opted for the attitude of “better business environment”, as a prerequisite for ethical behavior of managers in organizational changes. In the second place there is “ethical education” (21%), in third place is “awareness of social responsibility of the organization” (19%), followed by the attitude of “greater control within the organization” (18%) and finally the least respondents supported the attitude that “good control from all relevant stakeholders” (4%) is needed to achieve greater managerial responsibility in organizational changes. When it comes to the educational structure, 42.1% of the respondents with a university degree are of the opinion that greater control within the organization is necessary to **achieve**

**greater ethical responsibility**, while this percentage is 18.4% of the respondents with college or higher vocational education. Managers with master's and magister's degrees opt (15.4%) for the option "awareness of social responsibility of the organization", while managers with Ph.D. degrees and higher (14.8%) support the view that "ethical education" is necessary for greater ethical responsibility of managers in organizational changes.

### **Profit and ethical issues in organizational changes**

One of the most important moments in the implementation of organizational changes is the way of overcoming the employees' resistance to change. The managers were answering the question *How important are ethical issues in overcoming resistance to organizational changes?* The results show that 67.6% of female respondents, compared to 34.3% of male ones, believe that ethical issues "greatly contribute" to the successful overcoming of the resistance. On the other hand, 57.7% of male, compared to 43.3% of female managers, believe that ethical issues are "irrelevant" in overcoming resistance to organizational changes. Regarding the position of managers, 41.2% of them in the position of managing director and 29.4% of employees in the position of senior manager (first level below managing director), as well as 23.4% of middle managers, believe that adherence to ethical standards greatly contributes to easier overcoming of the resistance to organizational changes (Table 9).

We have checked, through several views, how managers perceive the relation of ethical issues and making profit in a company. 57.2% of the respondents strongly agreed with the opinion that "business success means only big profit", 28.8% of them mostly agreed, while 14% of managers chose a neutral position. It should be noted that female managers were much more supportive of a neutral stance than male ones. Furthermore, the group of the oldest managers (over 55 years old), as well as the group aged 26-35, strongly support (50.2% and 50%) the view that high profits are the most important for business success. When it comes to the educational structure, it is noticed that 66.7% of the respondents with a college or university degree strongly supported the view that "business success means only big profits". The same attitude was supported by 55.3% of managers with a university degree (4 years of study), while as many as 70% of master's holding managers supported the previous position. When looking at the position of managers, it has been noticed that the managing directors strongly support (46.1%) and mostly support (46%) it, while 7.9% were undecided. The strongest support in the form of strong agreement with the view that business success exclusively

implies high profits, was given by the lowest level managers (81.8%). They are followed by the middle managers in company hierarchy (55.7%).

The next position that was offered to the respondents was: *"The only goal of organizational changes is to improve the financial performance of the company."* As many as 51% of the managers (60.5% men and 43.8% women) strongly agreed with this view, while 16% of them (9.3% men and 21% women) were undecided. When viewed through the prism of age, it has been noticed that this attitude is "strongly supported" by most managers in the age group 46-55, while the age group 26-35 is the most indecisive for this attitude (18.4%).

The respondents were offered a position, which is, in a sense, the opposite of the previous two, and it said: *"Business should have a social component"*. Here we noticed the biggest deviation from our expectations, because only 18% of managers strongly supported this position, while 43% of them were undecided and 17% expressed strong disagreement with this position. For us, another attitude is significant, which shows a "hidden" tendency towards the ethical or less ethical attitude of our managers in organizational changes. The position was: *"Dismissal of the employees is the first and the most important measure of the organization when it comes to a crisis."* This attitude was strongly supported by 12% of the respondents and 34% of them mostly supported such an attitude, while 39% expressed partial disagreement and 15% expressed strong disagreement with the mentioned attitude. If we look at the first two levels of agreement with the mentioned attitude, it can be noticed that 46% of our managers, strongly or mostly support the attitude of laying off workers when the company gets into difficulties or crisis. This shows that there is a significant potential for unethical behavior of managers in Serbia in organizational change. Another question can be an indicator of the hidden tendency of unethical behavior of our managers, and that is the attitude that *"Workers are consumer goods, like other consumer goods"*. This position was strongly supported by 9.2% and mostly supported by 24% of the respondents, while 41% of them expressed strong disagreement with this position. Here we will state another position in the search for the ethical dimension of the behavior of managers in Serbia when it comes to organizational changes. We stated to the respondents that *"For successful organizational changes, it is important that employees are satisfied."* Only 9% of the respondents strongly and 48.6% mostly supported this position, while slightly less than 40% were undecided.

## Results and discussion

The research results show that managers in companies in Serbia are insufficiently aware of the importance of business ethics for the success of their companies. If 41% of them answered that it is "Very important", while 15% think that ethics is "Not always important" and 2% think that "It is not important at all", then it is clear that we do not have a strong commitment of managers to great importance of ethics in business operations. We have found that female managers are more committed to ethical standards in business than male managers. Observing the age of the respondents, we have noticed that the age group of 36-45 is more committed to understanding the importance of business ethics than other age groups. It has been found that there are significant differences in understanding the role and importance of business ethics, viewed through the prism of sex, age, education and position, among managers in Serbia.

Based on these results, it can be said that our first hypothesis (X1: *Managers in the companies in Serbia have insufficiently clear and strong awareness of the importance of ethics for the successful operation of their companies*) has been confirmed. The answer to our first research question (*"How much are the managers in Serbian companies aware that business ethics is very important for the overall business?"*) is that the managers in Serbia are relatively or insufficiently aware of the importance of business ethics for the overall business of companies, institutions and other business entities.

In our research, we received an important answer to the question "Is ethical conduct equally important for both managers and business owners?" The answer to this question indicates the possibility of improving the "ethical climate" in business relations in Serbia, because 53% of the respondents say that it is equally important for both managers and business owners. On the other hand, 1/5 of managers believe that ethical practices are important only for business owners or only for managers. From these answers, as well as previous answers on the general question of ethics, it can be concluded that the answer to our second research question (*"Are managers aware that their ethical actions create a good business climate?"*) is the following: managers are mostly aware that their ethical behavior may affect the improvement of the "ethical climate" for doing business in Serbia. In addition, we have also noticed that there are differences in the understanding of the importance of "ethical climate" among managers, if it is observed according to sex, age and position that managers occupy.

“Ethical climate” in a company is the starting point on which the ethical procedures can be seen best, as well as the ethical behavior of managers in time, space, manner and nature of organizational changes. Our research has shown that there is no full awareness of the importance of ethics in this process, because 40% of the respondents strongly agree with the view that “The company should assess whether the defined organizational change is in compliance with business ethics”; while 30% of them are in favor of a neutral attitude towards this issue. The attitude of insufficient ethical awareness of our managers in organizational changes is further confirmed if compared to the position of managers, because we have found that managing directors and middle and lowest level managers show a low level of ethical awareness when it comes to organizational changes, although they have great responsibility in contact with other employees. It should be added that only 37.6% of managers strongly support the view that relevant stakeholders should be acquainted with and their opinion on the ethical dimension of defined organizational change should be sought.

The previously stated views did not fully confirm our second hypothesis (H2: *Managers in Serbia are very aware of the importance of applying high ethical standards in defining and implementing organizational change*), because it is clear from the respondents’ answers that they are not aware of the importance of ethical standards in organizational changes. The answer to our third research question (“Do managers in Serbia think that it is important to respect ethical standards in organizational changes in the company?”) is the following: managers in Serbia are not sufficiently aware of the importance of ethical standards in defining and implementing organizational changes in a company or any business entity.

In this research, we have learned that managers in Serbia are not sufficiently aware that there is damage in the company’s business if organizational changes are made in violation of ethical standards. To the question *What is the damage from the unethical behavior of managers in organizational changes?* most respondents (43%) reply that “There may be some damage, but if the goals are achieved, the benefit is greater”, while slightly more than one third say that the damage is great and 19% of the respondents believe that there is no damage at all. We have supplemented the previous opinion that managers are not sufficiently aware of the damage from unethical behavior in organizational changes by the opinion of the respondents on “Who pays for possible damage from unethical behavior?”, because we have learned that 20% of them believe that the damage is paid by external stakeholders, while 32% of the respondents cannot assess who pays for the damage of unethical behavior of managers.

According to the previous views, we conclude that the answer to our fourth research question ("Are managers aware of the damage caused by unethical behavior in organizational changes?") is as follows: managers are not sufficiently aware of the damage that occurs if ethical standards are not applied in organizational changes.

In our research, we have found that a third of managers support the view that the ethical moment is very important in overcoming resistance to organizational changes, while a quarter of the respondents believe that ethical issues are not important in overcoming the employees' resistance to organizational changes. Other respondents think that ethical issues have a partial significance in overcoming the resistance.

According to these attitudes of the respondents, we conclude that the answer to our sixth question ("How do managers relate to ethical issues that arise in employees' resistance to organizational changes?") is the following: most managers are fully or partially aware of the importance of ethical issues in the process of overcoming employees' resistance to organizational changes. We must add that it is ethically discouraging that a quarter (26%) of managers in Serbia believe that ethical issues are not important in overcoming resistance to organizational changes.

At the end of our research, we checked how our managers perceived the relationship between ethical issues and making a profit in a company. Most respondents agreed that "business success means only big profits". This attitude tells us that there are visible conditions in which managers will give priority to making a profit, even if it is related to the neglect of ethical standards. When we offered the respondents the attitude that "business should have a social component", we noticed the biggest deviation from our expectations, because only 18% of managers strongly supported this attitude, while 43% were undecided and 17% expressed strong disagreement with this attitude. According to these attitudes, we conclude that our third hypothesis has been confirmed (H3: *Managers in Serbia give priority to making a profit over ethical issues during the company's operations*).

The research has shown that female managers are more inclined to adhere to ethical standards when defining and implementing organizational changes and the overall business relations. It has been shown that the 36-45 age group is more inclined to accept ethical standards than other age groups. Furthermore, the research has shown that managers who occupy senior managerial positions have a greater tendency to respect ethical standards in organizational changes. Based on these data, we can conclude that our fourth research hypothesis has been confirmed (H4: *Sex, age, education and position have influence on the attitudes and ethical behavior of managers in Serbia*).

## Conclusion

In our research, we started from the point of view that basic ethics was an important element of the every company's i.e. every business entity's operation, regardless of its size and type of activity. Ethics implies moral and responsible behavior of all the employees in a company. This moral behavior is assessed according to the criteria of what is good, fair, legal and responsible in employees' behavior both within the company and towards stakeholders, the business surroundings, the environment and society as a whole. We have relied on the research that shows that the ethical behavior of employees is important for maintaining the organization, its structure, its performance, competitiveness in the market and image in the business environment.

We have found that we should start from the attitude that ethical behavior of managers contributes to better quality management, strategic planning, change management, trust among employees and better flow of information. The good ethical climate in the company contributes to its favorable image among stakeholders, associates, citizens, competitors and all potential customers or clients. A favorable ethical climate is a key factor for good public relations and reputation in the environment.

We have accepted the position which says that managers have a decisive influence on the development of the ethical climate and respect for ethical principles in companies. Their ethical behavior "strengthens the coherence and balance of organizational culture, develops trust between individuals and groups" (Sims, 2003) and raises the standard of the company's overall values. The behavior of managers and the ethical dimension of their decisions are a guide for the ethical or unethical behavior of all employees. We tried to determine the ethical behavior of managers, but we also searched for the reasons for unethical behavior of managers in Serbia, especially when it comes to organizational changes.

There were 100 respondents who participated in the research, i.e. managers of private companies established after 2003. We have found that managers in Serbia are not fully aware of the importance and significance of business ethics for their companies' business, because 41% of the respondents strongly supported the importance of ethics, while 42% believed that ethics is important, but not of decisive importance in business operations. We have found that the most of the managers who support the importance of ethics believe that ethics is equally important for both managers and business owners.

Our research is based on examining how much managers in Serbia are aware of the importance of applying ethical standards when implementing

organizational changes in a company. We have noted that there is a moderate awareness of the importance of ethical standards in defining and implementing organizational changes.

Our research has shown that there are significant differences among managers on the understanding of ethical standards in organizational changes, when viewed through the prism of sex (women are more inclined to ethical standards), age (age group 36-45 shows the highest commitment to ethical standards), education (managers with a university degree - four years of study have a greater ethical sensibility than other groups), as well as the positions that managers occupy in the managerial structure of the business entity (managers in senior positions, just below managing director, are more inclined to respect ethical standards in organizational changes than managers that occupy other positions).

## Reference

- B.H. Drake and E. Drake, "Ethical and Legal Aspects of Managing Corporate Cultures," *California Management Review* 16 (1988), 107-23.
- A.B. Carroll and A.K. Buchholtz, *Business and Society: Ethics and Stakeholder Management*, 5th ed. (Mason, O.: South-Western, 2003).
- Bolt-Lee, Cynthia E.; Wu, Yi-Jing et al**, *Highlights of Ethics Research: Studies Examine Corporate Compliance Programs, Manager Behavior, Auditor Decision-Making, and Managerial Responsibility for Internal Control*, Journal of Accountancy, June 2014.
- Đurković, Vemić Jelena. "Etička odgovornost menadžera u uslovima svetske ekonomske krize", *Acta Economica*, Vol. IX, No. 15. 2011.
- Ronald R. Sims, *Ethics and Corporate Social Responsibility: Why Giants Fall*, Westport, CT: Praeger. 2003.
- Ronald R. Sims, *Ethics and Organizational Decision Making: A Call for Renewal*, Westport, CT: Quorum Books. 1994.
- R. DeGeorge, *Business Ethics*, 5th ed. (Upper Saddle River, N.J.: Prentice-Hall, 2002).
- Archie B. Carroll, *Business and Society: Ethics and Stakeholder Management*, 3rd ed. (Cincinnati, Ohio: South-Western, 1993), 110-12
- Thomas M. Jones, "Ethical Decision Making by Individuals in Organizations: An Issue Contingency Model," *Academy of Management Review* 16, no. 2 (1991), 366-95.
- Tichy M. Noel and Andrew R. McGill. *The Ethical Challenge*. San Francisco CA: Jossey Bass books. 2003.

- D.J. Brass, K.D. Butterfield, and B.C. Skaggs, "Relationships and Unethical Behavior: A Social Network Perspective," *Academy of Management Review* 23, no. 1 (1998), 14-33.
- J.W. Weiss, *Business Ethics: A Stakeholder and Issues Management Approach*, 3rd ed. (Mason, O.: South-Western, 2003)
- Marshall Schminke**, *Managerial Ethics: Moral Management of People and Processes*, Mahwah, NJ: Lawrence Erlbaum Associates. 1998.
- Hunt J. G. 1991. "Toward a leadership paradigm change". Newbury Park, CA: Sage.
- Sauser, W. I. (2005). Ethics in business: answering the call. *Journal of Business Ethics*, 58, 345-357.
- Dunkelberg, H. & Jessup D. R. (2001). So then why did you do it? *Journal of Business Ethics*, 29, 51-63.
- Keith, Nancy K., Perreault, Heidi R., Chin, Mary, Keith, Megan, The Effect of Gender on the Importance of Business Ethics and Managerial Decisions: A Student Perspective. *The Journal of Research in Business Education*. Volume: 51. Issue: 3. 2009.
- Boyd, Michael W., "Business Ethics for Unseasoned Entrepreneurs: Trends and Concerns for Professionals and Stakeholders", *Entrepreneurial Executive*. Volume: 9. 2014.

## APPENDIX

**Table 1** *Is ethics important for the business of a company (institution)*

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	It is very important	41	41.0	41.0	41.0
	It is important, but not of decisive importance	42	42.0	42.0	83.0
	It is not always important	15	15.0	15.0	98.0
	Not at all important	2	2.0	2.0	100.0
	Total	100	100.0	100.0	

**Table 2** *Is ethics important for the business of a company – manager's position*

Position		Is ethics important for the business of a company				Total
		It is very important	It is important, but not of decisive importance	It is not always important	Not at all important	
Managing director	Count	15	7	4	0	26
		57.7%	26.9%	15.4%	0%	100.0%
Senior Manager, a level below managing director	Count	15	18	5	1	39
		38.4%	46.1%	12.8%	2.6%	100.0%
Middle manager	Count	9	11	(3)	1	24
		37.5%	45.8%	12.5%	4.2%	100.0%
Lower level manager	Count	2	6	3	0	11
		.18.8%	54.5%	27.3%	.0%	100.0%
Total	Count	41	42	15	2	100
		41.0%	42.0%	15.0%	2.0%	100.0%

**Table 3** *Is ethical behavior important for managers and owners (total respondents)*

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid a) for managers only	21	21.0	21.0	21.0
b) for owners only	23	23.0	23.0	44.0
c) both for owners and managers	53	53.0	53.0	97.0
d) I cannot estimate	3	3.0	3.0	100.0
Total	100	100.0	100.0	

**Table 4** *Is ethical behavior important for both managers and owners*

Is ethical behavior important for both managers and owners		Age				Total
		26-35	36-45	46-55	over 55	
a) for managers only	Count	3	10	5	3	21
		13.6%	24.4%	21.7%	21.4%	100.0%
b) for owners only	Count	10	2	8	3	23
		45.4%	4.9%	34.8%	21.4%	100.0%
c) both for owners and managers	Count	9	27	9	8	53
		41.0%	65.8%	39.2%	57.1%	100.0%
d) I cannot estimate	Count	0	2	1	0	3
		.0%	4.9%	4.3%	.0%	100.0%
Total	Count	22	41	23	14	100
		100.0%	100.0%	100.0%	100.0%	100.0%

**Table 5** *Is the defined organizational change in compliance with business ethics?*

Our company should assess whether defined change is in compliance with business ethics		Frequency	Percent	Valid Percent	Cumulative
					Percent
Valid	Strongly agree	40	40.0	40.0	40.0
	Mostly agree	29	29.0	29.0	29.0
	Neither agree nor disagree	30	30.0	30.0	30.0
	Strongly disagree	1	1.0	1.0	1.0
	Total	100	100.0	100.0	100.00

**Table 6** Is defined change implemented in compliance with ethical standards?

After the implementation of defined change by all relevant stakeholders it is necessary to assess whether the change is ethical			Age				Total
			26-35	36-45	46-55	over 55	
5.3.	Strongly agree	Count	4	10	5	0	19
		% within 5.3.	21.1%	52.6%	26.3%	.0%	100.0%
	Mostly agree	Count	10	19	10	9	48
		% within 5.3.	20.8%	39.6%	20.8%	18.8%	100.0%
	Neither agree nor disagree	Count	7	10	7	5	29
		% within 5.3.	24.1%	34.5%	24.1%	17.2%	100.0%
	Strongly disagree	Count	1	2	1	0	4
		% within 5.3.	25.0%	50.0%	25.0%	.0%	100.0%
	Total	Count	22	41	23	14	100
		% within 5.3.	22.0%	41.0%	23.0%	14.0%	100.0%

**Table 7** Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	5.567 <sup>a</sup>	9	.782
Likelihood Ratio	8.654	9	.470
Linear-by-Linear Association	.251	1	.616
N of Valid Cases	100		

a. 8 cells (50.0%) have expected count less than 5. The minimum expected count is .56.

**Table 8** *What is the damage from the unethical behavior of managers in organizational changes?*

What is the damage from the unethical behavior of managers in organizational changes			sex		Total
			male	female	
6.	a) damage is great	Count	15 (34.9%)* 39.5%	23 (40.4%)* 60.5%	38 (38.0%)** 100.0%
	b) there can be some damage, but if the objectives are achieved the benefit is greater	Count	19 (44.1%) 44.2%	24 (42.1%) 55.8%	43 (43.0%) 100.0%
	c) there is no damage	Count	9 (21.0%) 47.4%	10 (17.5%) 52.6%	19 (19.0%) 100.0%
	Total	Count	43 (100.0%) 43.0%	57 (100.0%) 57.0%	100 100.0%

Note: \*percentages in brackets relate to the opinions within a sex

\*\* percentages in brackets relate to the total opinion of both sexes.

**Table 9** *Importance of ethical issues in overcoming resistance to organizational changes*

Position of manager		How important are ethical issues in overcoming resistance to organizational changes			Total
		It contributes greatly to overcoming resistance	To certain extent contributes to overcoming resistance	No importance at all	
Managing director		14 41,2%	7 17,5%	5 19,2%	26 26,0%
	Senior Manager, a level below managing director	10 29,4%	20 50,0%	9 34,6%	39 39,0%
	Middle Manager	8 23,5%	10 25,0%	6 23,1%	24 24,0%
	Lower level Manager	2 5,9%	3 7,5%	6 23,1%	11 11,0%
Total		34 100,0%	40 100,0%	26 100,0%	100 100,0%