

А. Ремишова

*Кандидат философских наук, профессор,
anna.remisova@fm.uniba.sk
Факультет Менеджмента,
Университет Каменского в Братиславе,
Братислава, Словакия*

П. Стахова

*Кандидат философских наук, доцент,
paulina.stachova@fm.uniba.sk
Факультет Менеджмента,
Университет Каменского в Братиславе,
Братислава, Словакия*

А. Бохинска

*соискатель,
alexandra.bohinska@fm.uniba.sk
Факультет Менеджмента,
Университет Каменского в Братиславе,
Братислава, Словакия*

**Восприятие предпринимателями влияния государства
на развитие деловой этики: на примере Словакии**

***Аннотация:** Авторы проводят критический анализ ответов респондентов из четырех фокус-групп, ориентированных на ту практику государства и государственных институтов, которая воспринимается предпринимателями в Словакии как неэтичная и тем самым негативно влияет на развитие деловой этики в этой стране. В статье рассматриваются два вопроса: во-первых, каковы причины критического отношения предпринимателей к государству как органу, ответственному за развитие деловой этики на макроуровне, и, во-вторых, какие конкретные виды деятельности государственных предпринимателей воспринимают как неэтичные с точки зрения развития деловой этики.*

***Ключевые слова:** деловая этика, предприниматели, предпринимательство, неэтичные практики государства, Словакия, фокус-группа.*

***Благодарность:** Эта работа была поддержана Словацким агентством исследований и разработок в соответствии с контрактом № APVV-16-0091.*

A. Remišová

*Cand. Sci. (Phil.), Prof.,
anna.remisova@fm.uniba.sk*

*Faculty of Management,
Comenius University in Bratislava,
Bratislava, Slovakia*

P. Stachová

*Cand. Sci. (Phil.), Assoc. Prof.,
paulina.stachova@fm.uniba.sk*

*Faculty of Management,
Comenius University in Bratislava,
Bratislava, Slovakia*

A. Bohinská

*PhD candidate,
alexandra.bohinska@fm.uniba.sk*

*Faculty of Management,
Comenius University in Bratislava,
Bratislava, Slovakia*

**Entrepreneurs' perception of the influence of the State
on the development of business ethics:
On the example of Slovakia**

Annotation: *The authors perform a critical analysis of the answers of respondents from four focus groups focused on those practices of the State and State institutions which are perceived as unethical by entrepreneurs in Slovakia and thus negatively affecting the development of business ethics in this country. The article examines two questions: firstly, what the causes of the critical attitude of entrepreneurs towards the State as a body responsible for developing business ethics at the macro level are, and secondly, which specific activities of the State entrepreneurs perceive as unethical in terms of the development of business ethics.*

Keywords: *business ethics, entrepreneurs, entrepreneurship, unethical practices of the State, Slovakia, focus group.*

Acknowledgements: This work was supported by the Slovak Research and Development Agency under the contract № APVV-16-0091.

Introduction. An extensive research project «Development of Business Ethics in the Slovak Business Environment», which aims to provide a

theoretical and methodological platform for the long-term development of business ethics in enterprises is carried out in Slovakia between 2017 and 2021. One of the partial goals of the research was to find out what the state of development of business ethics in Slovakia was and what steps had already been taken for the development of business ethics in our conditions. To achieve this goal, among other things, we analyzed the experience of those subjects who are active co-creators of the Slovak business environment and who have first-hand insights. For this purpose, we conducted a qualitative pre-research with four focus groups. The participants of these focus groups were members of business entities active in the business environment and organizations representing their interests, i.e. professional, business and employer organizations operating in Slovakia. This pre-research was an exploration of the current state of business ethics in Slovakia, and it was supposed to provide us with the initial empirical knowledge for the fundamental representative quantitative research on the state of business ethics planned for 2019. The question we were looking to find an answer to in this pre-research was: *What unethical practices occur in the Slovak business environment?* In all focus groups, we observed the same scenario – respondents began to answer this question by first assessing the State (in the unity of its three pillars) in developing business ethics, focusing unilaterally on the unethical practices of the State. In other words, instead of the analysis of unethical practices of businesses toward other businesses or towards their other stakeholders we expected to get, we had to deal with a sharp criticism of the State as an actor of unethical practices. According to our respondents, the State fundamentally affects the quality of the business environment in Slovakia and causes unethical conduct of business entities. The research team got a task to explain the situation and to understand why business entities concentrated on State actions rather than self-reflection when considering unethical practices in our business environment. In this article, we try to solve two research questions (RQs). RQ1: *Why do business entities begin to analyze the state of business ethics with a critical view of State activity?* RQ2: *What specific activities of State institutions do business entities consider unethical, and thus negatively affecting the development of business ethics?*

Theoretical background. We followed three fundamental theoretical bases when examining the attitudes of our respondents and looking for answers to our research questions. First, the development of business ethics takes place at different social levels depending on the central subject of activity. Second, the

development of business ethics in our cultural environment is set in a cultural framework with a strong tradition of institutionalism. Third, the size of an organization is one of the important factors affecting the peculiarities of the development of business ethics in organizations.

The first theoretical basis is the distinction of business ethics at the macro-level, mezzo-level and micro-level. We follow the fundamental works of K. E. Goodpaster (1992), G. Enderle (1993, 1996, 1997), P. Ulrich (1997), A. Ремиљовб (2011) and A. Ремиљовб et al. (2015) when adopting the multilevel analysis of business ethics. Goodpaster refers to this analysis as «the subject-matter of business ethics» (Goodpaster, 1992, p. 112). The primary criterion of this differentiation is to specify the main subject or actor of human activities in human society. The central subjects at the different levels of business ethics are following: an individual at the micro-level, organizations at the mezzo-level and the State with its executive, legislative and judicial bodies at the macro-level. The micro-level of business ethics is represented by individuals as specific subjects acting in the economic sphere. They can carry out a role of an employee, client, consumer, entrepreneur, shareholder, manager, etc. Business ethics at the micro-level is ethics of every individual subject, it does not apply only to managers or entrepreneurs. An organization in any form or structure, be it an enterprise, a multinational corporation, a professional association, a trade union, a non-profit organization, a hospital, a school and so on, holds values, takes conscious decisions, but also the responsibility for its activities at the mezzo-level of business ethics. At the macro-level, business ethics is connected to the activities of the governmental and legislative bodies and the judiciary. These levels are not isolated one from another, on the contrary, they blend together and influence each other. All the three levels are indispensable for the development of business ethics in a country. Each of them is essential, especially from the point of view of the long-term development of business ethics. If one level fails to act in advancing business ethics, another level can substitute it temporarily, but it cannot definitely compensate for it completely. (Ремиљовб et al, 2019)

Such a separation of micro-, mezzo- and macro-level in business ethics is of a significant importance for defining which subject is accountable for the development of business ethics in practice and at the same time, for determining which subject is responsible for the unethical conduct in economy. «The idea that there are three distinct but interrelated levels of business ethics is not only an expository convenience. It suggests that each of the three levels presents appropriate subjects or objects of ethics inquiry. This means that there is some

degree of freedom or discretion assumed at each level, i. e. that the ethical values found at one level are not merely deterministic functions of the other levels» (Goodpaster, 1992, p. 112–113).

The second theoretical basis of our research is the recognition of the institutional tradition in the European intellectual world. Van Liedekerke and Dubbink point out to this trait of the European tradition in their article dedicated to the 20th anniversary of business ethics in Europe: „European culture believes in institutions more than believes in free acting individuals as motor of social change. It does not believe that an individual can structurally act and accomplish things if she acts against institutional logic» (van Liedekerke, Dubbink, 2008, p. 277). This thought tradition influenced the European perception of business ethics and reflections on the main subjects of responsibility for the development of business ethics in economy in a powerful manner. It was elaborated by philosophers such as Marx, Althusser, Habermas and Luhman. We also base our reflections on the opinions of representatives of the institutional theory – North (1991, 2005), Baumol (1990) and Williamson (2000).

Accepting the idea that the size of an organization is one of the factors influencing significantly the nature of the management of ethical processes in organizations (Remiľov6, 2011) plays the third key cognitive role in our research. The size of an organization is an important criterion for our research project. We derive our analyses of business ethics in Slovakia based on this criterion. In addition, the size of an organization is a factor that determines us when creating our models of development of business ethics in organizations. We use definitions from Commission Recommendation 2003/361/EC or Regulation EU No 651/2014 to determine the size of an organization. According to them, business entities are divided into: *natural persons* (sole traders, freelancers, individual farmers), *microenterprises*, *small enterprises*, *medium-sized enterprises* and *large enterprises*. A microenterprise employs fewer than 10 persons and its annual turnover and/or annual balance sheet total does not exceed EUR 2 million. A small enterprise employs fewer than 50 persons and its annual turnover and/or annual balance sheet total does not exceed EUR 10 million. A medium-sized enterprise employs fewer than 250 persons and its annual turnover does not exceed EUR 50 million and/or its annual balance sheet total does not exceed EUR 43 million. A large enterprise employs more than 250 persons, its annual turnover exceeds EUR 50 million and/or its annual balance sheet total exceeds EUR 43 million.

For the purposes of our research, we took the number of employees as the sole criterion for the division of enterprises or organizations, apart from their economic indicators. The classification of enterprises by size is as follows: a microenterprise has 0–9 employees, a small enterprise has 10–49 employees, a medium-sized enterprise has 50–249 employees, a large enterprise has 250 or more employees.

Methods and data analysis. Our investigation had a qualitative character. The main research method used in the given phase was a *focus group*. This qualitative method of data acquisition is used relatively often. It is based on the discussion of participants in a smaller group (at least four participants) chaired by the facilitator. Its aim is to find out the attitudes and opinions of respondents in relation to the research object. Its outcome provides researchers with qualitative information on how respondents understand certain problems or phenomena. Respondents should be people who have knowledge and know-how in a researched area. In our research, we worked with four focus groups and various respondents. One group was composed of the representatives of prominent professional business and employer organizations, the second one of the representatives of enterprises acknowledged as role-models in the field of business ethics and corporate social responsibility by being officially awarded for their efforts in these areas, the third group consisted of the representatives of small and medium-sized enterprises, and the fourth one included the representatives of large companies with an international outreach that operate in our country. Four focus groups were conducted between November 2017 and April 2018. We made sure that each focus group was different, and that the composition of every focus group was varied in terms of the representation of diverse organizations and sectors in order to minimize the risk of «playing» the responses and peer pressure put on respondents.

Focus groups' characteristics. The first focus group (FG1) was composed of the representatives of professional, business and employer organizations (PBEOs). These organizations play an important role in forming the business environment. They substantially influence the development of legislation and have a potential to balance inappropriate government interventions of the business environment and to formulate critical measures in improving the business sector (Ondruš, 2016). They fulfill a wide range of functions towards entrepreneurs: an informative function (they monitor future and current legislation), a function of socialization (they support networking of

entrepreneurs), an educational function (they help with educating entrepreneurs and disseminating up-to-date knowledge among them) and a supportive function (they strengthen the position of entrepreneurs in relation to the State).

FG1 took place in November 2017. A call for research participation was disseminated to 26 PBEOs, the response rate was 26.9% with 8 representatives from seven PBEOs taking part in FG1. The positions of the representatives held in the researched PBEOs were following: two executive directors, one member of the presidential board, two managers of international and governmental affairs, one economist and one spokesman of the respective PBEOs. Based on our estimate, the PBEOs who participated in FG1 represented enterprises employing around 400,000 employees.

The second focus group (FG2) was made up of representatives of businesses that could be seen as exemplary in terms of business ethics. These companies have positive experience in developing business ethics in their organizations. Such businesses were identified through the *Via Bona Slovakia* award winning competition, which is widely acknowledged as one of the most prestigious prizes winning contests for good corporate behavior and responsible entrepreneurship. This award has the longest tradition in Slovakia as it was established in 1998 by *the Pontis Foundation*.¹ FG2 was carried out in March 2018. We contacted 26 organizations, which had won *Via Bona Slovakia* competition between 2014 and 2016. The participation was confirmed by representatives of eight from 8 awarded organizations (AOs), yielding a 30.8% response rate. FG2 consisted of three directors, one member of the board and four managers in PR, HR and corporate affairs. At the time when FG 2 was held, circa 8,400 employees worked in the researched AOs. The AOs operated in social and healthcare services, automotive, food-processing, IT/telecom services, retail and wholesale, consulting and waste processing.

The third focus group (FG3) was formed by the respondents from small and medium-sized enterprises (SMEs). Our decision to choose this group of participants as one of the sources of our information was based on the fact that Slovakia is among the countries with the highest number of SMEs in proportion to total population. Out of the 557,758 active business entities in Slovakia, up to 99.99% of them were SMEs in 2016.² Their economic, social and cultural

¹ <http://www.nadaciapontis.sk/o-via-bone-1> Available online 08082019.

² *Malú a strednú podnikanie v unslach v roku 2016* [Small and medium business in numbers in 2016]. Bratislava: Slovak Business Agency. 2017.

significance for our economy and society is immense – they employ **74.1%** of the labor force in our country and their share in the creation of added value represents **52.7%**.³ FG3 took place in March 2018. In total, 66 business entities were contacted via e-mail. The participation in FG3 was low – six respondents (from 6 organizations) or 9.09% of the addressed subjects. One of six respondents held «two roles» because he acted as both an owner of a small enterprise and as a leading representative of an organization associating SMEs in Slovakia (Slovak Association of SMEs and one-man enterprises, SAMP, bringing together 44 legal and 32 natural persons employing more than 34,000 employees). All respondents were owners of the represented SMEs. The positions held by the respondents in the surveyed SMEs were as follows: four were managing directors, one was managing partner and one director. The SMEs operated in gastronomy, IT, consulting services, trade, and construction.

The fourth focus group (FG4) was made up of leaders from large enterprises (LEs). When it comes to business ethics, LEs are noted for having sophisticated ethics and compliance programs. They have financial and human resources and knowledge for the development of business ethics. In the case of multinational enterprises operating in our country, LEs also dispose of the experience of their parent enterprises. FG4 was organized in April 2018 with six respondents participating (17.14% response rate) from six organizations. The positions held by the respondents in the organizational structure of the enterprises were as follows: two compliance officers, two CSR specialists, one ethics chief officer, one governmental and EU affairs manager, one HR specialist for ethics. The enterprises participating in FG4 employ a total of 22,400 people. They operate in the field of energy, telecommunications, chemical industry, construction, IT, steel industry.

We turned to 153 subjects altogether and a total of 27 respondents attended four focus group meetings. The response rate was 17.65%. The number of people employed in enterprises of our respondents cannot be stated precisely for each FG, as some enterprises are part of several unions. Therefore, the number of employees whose organizations are represented in PBEOs participating in FG1, i. e. approximately 400,000 employees, is decisive for us.

Course of the focus groups. The focus groups were held at the premises of the Faculty of Management, Comenius University in Bratislava between

³ *Malú a strednú podnikanie v unsloch v roku 2016*. [Small and medium business in numbers in 2016]. Bratislava: Slovak Business Agency. Bratislava, 2017.

November 2017 and April 2018, each lasting three hours. Every meeting was moderated by a research team member. At the beginning, the respondents were informed about the intent of the research project and the role of the focus group in this project. Our respondents in all focus groups were notified that our research was focused on the mezzo-level of the development of business ethics, at which enterprises play a key role. We explained to them that we perceived business entities as social actors who are active creators of economic, social, political and cultural conditions in our country. In other words, they co-create the business environment, and are not only passive recipients of political decisions and social processes.

Each discussion was recorded by three research team members individually in order to minimize the loss of information and potential information noise. The three transcriptions were carefully compared, and if any inconsistencies appeared, these were resolved in the subsequent research team meeting. When we had the final transcription of answers of each focus group's participants, we anonymized their personal information. The respondents were identified as R1, R2, etc. Finally, we proceeded to a detailed scientific processing of the content of the material using scientific methods of **analysis, synthesis, abstraction, induction, deduction, generalization, interpretation and hermeneutics**. The scientific conclusions from the interviews in each focus group present our own analytical knowledge of various issues related to the state of business ethics in Slovakia, derived from the opinions of our respondents. This article is based on a synthesis of the findings of the four focus groups. The respondent designation used, for example R1FG2, reflects the respondent's original code as well as its focus group, i. e. this is the respondent R1 from FG2.

Results and discussion. We came to two principal findings based on our comparative analysis and synthesis of answers of the respondents from the four focus groups: 1. when reflecting on the state of business ethics in our country, entrepreneurs are focused on the influence of the State in the development of business ethics in the first phase of their thinking, and only afterwards they proceed to critical self-reflection; 2. we have obtained a list of State activities considered as unethical practices by our respondents that negatively affect the development of business ethics in our society. We derived two main research questions from these results:

RQ1: Why did the respondents critically concentrate first on the influence of the State in the discussion on the state of business ethics in our country?

RQ2: What specific activities of the State institutions do they consider unethical, and thus negatively affecting the development of business ethics?

Solution to RQ1: Why did the respondents critically concentrate first on the influence of the State in the discussion on the state of business ethics in our country? As already mentioned, the research team was surprised that when the moderator asked the question *What unethical practices do occur in the Slovak business environment?*, the respondents in all focus groups started spontaneously listing practices and activities of the State that they considered unethical and negatively affecting the Slovak business environment. Therefore, they transferred the primary responsibility for the state of business ethics in our country to the State (with its three basic powers). In the first phase of the discussion, self-reflection and reflection on the role of behavior of individuals in the development of business ethics fell out of their critical field of vision.

In our view, this is mainly due to three factors: first, the absence of an analysis of the multilevel development of business ethics in the thinking of business entities; second, the factor of dependence on the path taken by the institutions in our cultural environment, so-called *path dependency* within the theory of institutions in the sphere of State influence on economic life, and third, a professional approach to business that is insufficiently complex.

First, a multi-level analysis of business ethics is a necessary theoretical and methodological prerequisite for the long-term development of business ethics in each country. Business ethics has been developed in the long run only in those countries where all three levels have contributed to its development. In our opinion, on the one hand, the primary focus on behavior of the State in the development of ethics is understandable because a democratic State is supposed to act as a role model of ethical behavior and a fundamental creator of conditions for a stable and decent society. On the other hand, the attitude of business entities shows that they have not yet reached the level at which they are able to critically assume the responsibility for their economic behavior in a complex manner. Some of our respondents redistributed responsibility for the development of ethics in the economy by assigning the greatest level of responsibility to the State institutions with their legislative, executive and judicial powers, leaving less responsibility to entities at two other levels, i. e. at the mezzo- and micro- levels. With such an approach, business entities do not require from themselves the same responsible approach to the development of business ethics as they do from State actors. The balance of responsibilities is disrupted, the center of gravity is transferred to the State institutions. This

causes entrepreneurs to underestimate their own level of responsibility for developing business ethics in the business environment, not only in society as a whole, but also in their own organizations.

We assume that the same transfer of responsibilities occurred also in the discussions with our respondents who en bloc assigned the absolutely dominant responsibility for the development of business ethics to the State, thereby accepting a reduction in their share of widespread unethical practices. Many respondents manifested the loss of self-reflection for their own responsibility for the development of business ethics.

Second, the concentration of attention on the activities of the State institutions is also caused by the tradition, which is typical for countries where the socialist social system was built for 40 years. In these countries, central planning had been promoted in all social spheres, including the economy, for decades. The centrally planned economy is one of the characteristic features of a socialist State. Central management decimated individual and collective activity, and thus taking responsibility for one's own actions. In the economic field, if an individual is exposed to directives and authoritarian management for a long time, their personal responsibility decreases. This also applies to the responsibility of collective entities. If the notions of the dominant role of social institutions in society are supported in culture of a country, an atmosphere of expectations that the State institutions can change everything is created. In addition, a social group or individual changes their behavior only when the State creates the conditions for the change. A following pattern of reasoning appears: «I will change when the State changes». or, «If the State wants me to change my social behavior, let it create the conditions for it». In other words, an individual or collective entity a priori expects the State to provide them with a political-legal framework as a prerequisite for their social change. They also await incentives for such a change.

At the time of our research, almost 30 years had passed since the creation of basic political, legislative and economic conditions for the development of a market economy, the country had undergone radical social changes in all areas of society, starting with the establishment of a democratic political system, through the membership in EU, NATO and the Eurozone. One explanation is the *path dependency* factor from the theory of institutions. It explains the dependence on the path that the institutions have already gone through and which they cannot get rid of with a «magic waving». If we have become accustomed in our cultural environment that the State is responsible for everything, then it is logical in a way

that, based on the socio-cultural inertia of informal institutions, we apply this attitude even when official formal institutions have changed.

The third factor we believe to have had an impact on the immediate response of our respondents is the unprofessional and laical view of entrepreneurship in our country and the long-term lack of discussion about entrepreneurship and its values. The transition from a planned economy to a market economy in the late 1980s and early 1990s took place without any professional economic and managerial training of thousands of those who entered the business environment. In general, it was naively assumed that entrepreneurship is an activity that everyone can manage as long as they have the capital and the willingness to take risks, or if they «can play a good game». An ideologically hasty and a professionally and morally badly managed privatization process also played its role in simplifying the essence of entrepreneurship. So far, there has been a lack of a wide professional discourse in Slovakia about the nature of entrepreneurship, its place in society, values it stands for, and its purpose. Similarly, education about entrepreneurship in the media has been missing. Even if the situation is nowadays starting to change (Pilkovč and Holienka, 2017), we assume that a large part of Slovak business entities still does not have the relevant economic, managerial, and even legal or accounting education necessary for the field of entrepreneurship. Many do not realize the value dimension of entrepreneurship. In such a situation, it is realistic to suppose that entrepreneurs either do not accept ethical responsibility for their business activities or they perceive this responsibility in a limited way. This category also covers the unwillingness of many entrepreneurs to accept the fact that entrepreneurship is an activity that must be regulated in democracy and the rule of law. The concept of entrepreneurship as an absolutely free activity of an individual or a group of people, based on private capital, risk appetite and uncontrolled behavior within the business entity, is typical for the development of a market economy in the 1990s, but in many ways it has persisted in our conditions up to the present day.

Solution to RQ2: What specific activities of the State institutions do entrepreneurs consider unethical, and thus negatively affecting the development of business ethics?

In a comprehensive analysis of practices that respondents in all focus groups described as unethical by the State as the main subject for developing business ethics at the macro level, we identified at total 13 such activities in the legislative, executive and judicial fields. Since respondents did not have the

option to choose from predefined options, but their responses were spontaneously and freely formulated, they named the same phenomenon with different expressions, so their answers had to be compared and unified according to their importance. In Table 1, we list the registered unethical practices as found in the responses of individual focus groups.

Table 1

Overview of the unethical practices at the macro level from the point of view of respondents within individual focus groups ⁴

	Unethical practice	FG1	FG2	FG3	FG4
1.	Corruption	x	x	x	x
2.	Intentional abuse of public procurement	x	x	x	x
3.	Unprofessionally prepared legislation and resulting frequent changes in laws	x		x	
4.	Unfair rules for making business	x		x	
5.	Unfair or liquidating tax payments and tax liabilities	x		x	
6.	Provision of special-purpose tax reliefs, incentives and subsidies	x		x	
7.	Succumbing the influence of interest groups on the creation of legislation, strategically important documents and regulation of business at the expense of the public interest	x		x	
8.	Disclosure of information by civil servants on purpose	x			x
9.	Breach of State's own rules	x			
10.	Discrimination against SMEs compared to natural persons and large enterprises			x	
11.	Low law enforcement	x		x	
12.	Non-sanctioning for unethical business conduct and circumvention of the law	x		x	
13.	Unethical practices in local government (manipulation of public procurement, clientelism, corruption, nepotism)			x	

Among the unethical practices of the State, two were dominant – *corruption and intentional abuse of public procurement*, they were mentioned by all focus groups. Two groups FG1 and FG3 pointed out 9 unethical practices. These are: *Unprofessionally prepared legislation and the resulting frequent changes, Unfair*

⁴ The table is created by the authors.

rules for making business, Unfair, liquidating levy and tax obligations, Breach of State's own rules, Succumbing the influence of interest groups on the creation of legislation, strategically important documents and regulation of business, Provision of special-purpose tax reliefs, incentives and subsidies, Purposeful disclosure of information by civil servants/state, Low law enforcement, Non-sanctioning for unethical business conduct. Only once (by FG3) were recorded unethical practices: *Discrimination against SMEs compared to natural persons and large enterprises* and *Unethical practices in local government (manipulation of public procurement, clientelism, corruption, nepotism).*

It has been shown that respondents differ significantly in the extent of perception of unethical practices of the State. Respondents of FG3 composed of representatives of SMEs enumerated the largest number of unethical practices of the State, i.e. 12. These are followed by FG1, composed of respondents representing professional, business and employer organizations, who listed up to 11 unethical practices. The focus groups composed of large enterprises (FG4) and businesses that could be seen as exemplary in terms of business ethics (FG2) perceive considerably less State practices as unethical – FG4 named only 3 unethical practices and FG2 called only 2 unethical practices of the State.

Our analysis has clearly shown that SMEs are the most critical business entities in assessing the impact of the State on the development of business ethics. They perceive a significantly greater number of State failures in creating an ethical environment than large enterprises: SMEs register 12 unethical practices.

There is a big difference in the perception of the position of the State in the development of business ethics among the so-called group of exemplary enterprises and enterprises that have not been rewarded for their pro-ethical initiative. If FG3 composed of SMEs mentions 12 unethical practices and FG4 composed of large enterprises 3 such practices, the rewarded enterprises perceived only 2 unethical practices from the State, namely corruption and public procurement errors. It can therefore be assumed that business entities that are active in promoting business ethics in their own organizations, are either much more benevolent or more objective in assessing the impact of the State on the development of business ethics.

Another significant difference in the perception of unethical practices of the State has been revealed between SMEs and large enterprises: if FG3 with representatives of SMEs reported 12 unethical practices, FG4 comprised of representatives of large enterprises only 3. This situation can be explained in three ways: a) it is possible that the State's attitude towards large enterprises is

indeed more accommodating than that towards small and medium-sized enterprises, b) or that large enterprises have sufficient resources to be better oriented in the tangle of legislative and political interventions by the State, c) where appropriate, the explanation used in exemplary enterprises could be used, that large enterprises are either more benevolent or more objective in assessing the impact of the State on the development of business ethics.

List of mentioned unethical practices. Corruption (1). One of the two most serious problems in the development of business ethics, which was agreed in all FGs, is illegal conduct related to corruption. In the words of one of the respondents: «As far as the state is concerned, it is corruption, shedding money from government contracts». (R1FG2) Corruption, in accordance with the largest global NGO fighting corruption *Transparency International*, is understood as: «*the abuse of entrusted power for private gain. It can be classified as grand, petty and political, depending on the amounts of money lost and the sector where it occurs*». ⁵ The forms of corruption are diverse: it can take the form of bribery, theft, fraud, abuse of discretion, coercion and blackmail, dedicated networking, or protectionism, nepotism and clientelism. Several respondents stated that corruption is a major problem both in top politics and at local, urban and municipal levels. Public money is stolen in cooperation with private companies in the tendering processes, respectively public procurement.

The respondents' opinions on corruption in the State institutions correspond to the position of Slovakia in the ranking of the *Corruption Perceptions Index* (CPI), published annually by Transparency International. The perception of corruption in our country is 50, which is 57th place in the CPI ranking. ⁶ Entrepreneurs' dissatisfaction with the state of corruption in our country is a sign that entrepreneurs prefer to respect the rules of competition and the values of democracy, that they are aware of the negative impact of corruption on the country's economic and political development. Our research has shown that they consider this state to be bad and demand changes from government authorities.

Public procurement (2), along with corruption, is considered by all focus groups to be an unethical practice by the State. It seems as if this institution, created by the State for the protection of common property and the economic handling of public finances, «attracted» unethical and unlawful actions by both

⁵ <https://www.transparency.org/what-is-corruption> Available online 08082019.

⁶ <https://www.transparency.org/cpi2018#results> Available online 08082019.

entrepreneurs and representatives of public and local authorities. According to our respondents, public procurement at all levels is purposefully abused. The respondent's experience is as follows: *«I have experienced several selection procedures where we felt that we were only in numbers. And what can upset me is that the customer [note: the customer is the entity that announced the tender, respectively public procurement] will not give feedback. If the customer does not give us feedback, if we don't win, it's a signal that something is wrong, that he/she does not stand by his/her decision»* (R1FG2). One respondent argued that contracts are sometimes «tailor-made» (R8FG2). A particular risk in public procurement is an unjustified pressure on prices when the State **presses on the price at the expense of the quality** of the procured goods and services. The practice of the respondent R8FG2 of engaging in tenders for state/public facilities has shown that *«firms will offer low prices that they cannot meet. They will last for example for a month, then will stop delivering, because prices cannot be maintained, a tender will be re-announced, the lowest price will win, the same scenario over and over»*. Respondent R3 from the SME focus group (FG3) argues that *«60–70% [note: of entrepreneurs] do not even manage to register for the tender»*. Such a situation encourages the corruption behavior of both civil servants and businesses and leads to the formation of cartels. R2FG4 assessed that *«public procurement is not done with the best people. We would need to include expert commissions and expertise in this process»*.

Unprofessionally prepared legislation and the resulting frequent changes in laws (3). The key issue, which was particularly highlighted by respondents from PBEs and SMEs, was the problems related to the quality of legislation regulating business. Entrepreneurs from these two groups perceive the legislative regulation of business as unprofessional and unfair. Respondent R3FG3 considers legislation to be *«complex and intricate»*. On the one hand, such a valuation of laws is surprising, since many laws and directives regulating business activity are taken from the legislation of the European Union of which Slovakia is a member, similarly to the Eurozone, and must respect agreed contracts. The quality of legislation seems to be problematic in creating a specific business environment, which is determined by the nature of a particular ruling political force. Entrepreneurs often feel that *«these standards are meaningless, illogical, unfair or exaggerated»* (R5FG3).

Poor legislation makes it necessary to amend laws, which creates a particularly difficult situation, especially for SMEs who are not able to register this legislative move, causing them stress and overall resistance to regulations.

Due to the need to stay on the market, they save costs by not complying with certain obligations, procedures, regulations. Respondent R1FG1 stated that *«in some cases it could be wrongly set up rules, that lead to such [note: unethical] behavior»*. Moreover, while businesses have at least some capacity to monitor changes in laws and regulations, self-employed persons have very limited opportunities in this regard.

Unfair rules for making business (4), Unfair or liquidating tax payments and tax liabilities (5) and Provision of special-purpose tax reliefs, incentives and subsidies (6). These are unethical practices that can be called *unfair legislation*. In addition to the fact that the legislation is not well prepared in professional terms, our respondents from PBEs and SME had reservations about the moral aspect of business regulation – they consider it unfair and unjust. They believe that *«legislation, tax burden, levies are not very ethical»*(R1FG3). In their view, too harsh legislative regulation often leads to circumvention and unethical behavior because entrepreneurs *«by circumventing the law and unethical behavior will make their work easier, help themselves financially, or get into contracts, that will save them. If they did business honestly, they would go bankrupt, respectively would be in a more difficult situation»* (R5FG1). Our respondents did not question the need for regulation or the role of the State in setting the political and legislative framework for business activities, however, they had reservations about the content of the legislative regulation. That means legislation should take into account the nature and importance of business. The question of fairness of legislation seems particularly complicated to us because, on the one hand, unprofessional legislation leads to injustice, on the other hand, it is possible that it is a political problem, because economic factors such as the tax burden are more political than professional issue.

Succumbing the influence of interest groups (7). A specific problem of our legislation is, according to respondents from FG1 and FG3, that legislators, respectively the part that has enough votes to pass laws, will succumb to the influence of interest groups in the drafting of legislation, strategically important documents and business regulation, which often go against the public interest. As R5FG2 adds: *«There are many interest groups in Slovakia, and each interest group is trying to push someone else's interests»*. Entrepreneurs perceive the problem that political decision-makers come under the influence of interest groups and adopt laws, directives or measures that are not in the interests of all entrepreneurs, and sometimes even not for the benefit of all citizens of the country. Respondent R2FG1 states: *«The first problem is the influence of interest*

groups on legislative and business regulation, where interest groups are often stronger than entrepreneurs themselves. The second problem is influencing the creation of strategically important documents (e.g. regarding Euro funds) in the State administration».

Disclosure of information by civil servants on purpose (8). The experience of our respondents from the focus groups composed of PBEOs and large enterprises has led to the realization that the law can be both good and fair, but individual failures can be met when it is implemented. *«Political culture, how the rules are set, what is communicated in the society and how the information is published, is also a problem»* (R6FG1). It creates an environment and political culture in which rules can be set up well, but their functionality limits the way in which they are communicated and published. The downward flow of information to business and the public is non-transparent and chaotic: *«Although the rules are transparent, the flow of information is unethical. Benefits arise from information that someone has who should not have it»* (R6FG1). The elimination of problems in this group is immediately linked to the de-politicization of the State administration, its professionalization and the employment of such employees, who are professionally and morally at the high-level, responsible and serve the society, not personal or political party interests.

The State violates the laws and regulations it has adopted (9). Respondents from the PBEOs focus group perceive the State as an unethical role model for entrepreneurs, because it sets ethical and legislative standards in business, but does not follow them. And yet, *«for the entrepreneur, the State is a mirror, a model. If the state that determines the conditions so permits, some entrepreneurs can be torn down. They see how authorities behave and get inspiration»* (R5FG1). Such staff culture in the management and functioning of the State significantly limits the development of business ethics in Slovakia. However, the above-mentioned State practices can also be seen as causes of unethical conduct of business entities. Thus, a State which does not fulfill its obligations (such as non-payment, delay in payments) which it requires from business entities, is one of the causes of unethical business practices.

Discrimination against SMEs compared to natural persons and large enterprises (10). As mentioned above, respondents from SMEs (followed by respondents from PBEOs) were among the most critics of the State in terms of its impact on the development of business ethics in the country. Therefore, it is not surprising that it was them who specifically raised the issue of the quality of the State's relation to small and medium-sized enterprises in our country,

which they consider to be discriminatory. Respondent R1FG3 states: *«As far as the state and legislation are concerned, from the perspective of small entrepreneurs, legislation is made for large companies. But small businesses need other things, the economic efficiency of small businesses is different than that of concern ... The government sees only the State budget, taxes. Small and medium-sized enterprises, family businesses ... make up the gro of the national economy»*. In this context, it is surprising that neither respondents from large companies nor from exemplary companies did perceive the legislation in this way. It is obvious because these business entities perceive the problem from a different point of view, their structure, economic strength, but also their influence in society is different, therefore their experience in the development of business ethics is different, which is described in the literature (Arend, 2013; Lepoutre and Heene, 2006; Moore and Spence, L 2006; Perrini, 2006).

Low law enforcement (11) and Non-sanctioning for unethical business conduct (12). This is a problem of the absence of legal and moral sanctions. A situation in which a person who breaks the law is not punished in a timely and fair manner, and when a person who has been harmed cannot assert rights for several years, creates a situation of mistrust of the judiciary and of the state as a whole. Political and social apathy arises and the positive motivation to conduct business ethically is lost. A particularly serious problem with far-reaching consequences on entrepreneurial behavior is low law enforcement. Respondent R3FG3 sums up his experience of low law enforcement as follows: *«Since 1997, someone has owed us money and we have not had yet a final decision. There is no one wrong in our country, either it is evaluated as a judge's error, as a procedural error, or delays in proceedings. Therefore, I think that the way ... is through the adjustment of laws, standards and also to make it clear that if companies adhere to them, they will get a reward»*.

There are also no sanctions for unethical conduct and exemplary punishment for those who have been guilty. *«We miss a positive example of someone being affected if they did something unethical»* (R1FG2). In the discussion, respondent R4FG2 added that he also perceives that *«we lack exemplary punishment. No one has yet been punished to make others fear»*.

It has been said many times that the State and leaders of the State, as well as politicians, also play a role model for entrepreneurs. If State officials behave illegally and unethically and are not punished for it, the bad signal goes to the business environment and to the society as a whole. Thus the State acts as an unethical role model for entrepreneurs even by failing to fulfill its tasks, does

not adhere himself to the rules applied to entrepreneurs, and provides negative examples on leadership positions in State institutions.

Unethical practices in local government (manipulation of public procurement, clientelism, corruption, nepotism) (13). The respondents from FG1 and FG3 also pointed out the problem of ethical and legal violations, especially in local government. The issue of entrepreneurial ethics in this area of social life is not well understood. However, the experience, especially of small and medium-sized companies, is alarming. There are 2890 municipalities⁷ in Slovakia and, according to one of the respondents, the number of municipalities themselves is a potential warning for the spread of corruption. R5FG2 said: *«At this level, a large number of people are employed... this creates a huge space for corruption.»*.. His company (a model company in our research) took lessons from this and decided not to use either Euro funds or State funds at this level because, along with the bribe, *«it is expensive money for us that is not correct»* (R5FG2).

R6FG3 described in detail the practices in the local government: *«For the past five years I have been dealing with public procurement in village X... There is a limit where there is no need to go through public procurement and only a survey is enough, only three offers are enough. In practice, this matter is very abused. Looking back, the reconstruction of the pavement for 50,000 EUR does not have to go through procurement, assignment and bid, all documents are prepared on one computer. It's hard to prove. I approached companies for my own research, the offers were one third lower. We are on the edge of the law before the municipal elections. For example, driveway, it is divided into 15 orders, because together it is above the limit. It is often not solved. The same companies are still in the local government. Contacts of business owners to people from local government are sufficient. Even if it is resolved, the municipality will be fined and paid from its budget»*. The fact that SMEs point out the ethical errors is not surprising, because they are the ones who communicate with local government representatives and negotiate orders.

Conclusions and limitations. The aim of this article was to find answers to two research questions: First, why did the respondents critically concentrate on the influence of the State in the discussion on the state of business ethics in our country? (RQ1) and, secondly, what specific activities of State institutions do business entities consider unethical, and thus negatively affecting the development of business ethics? (RQ2) It should be noted that it was not our

⁷ http://www.sodbtn.sk/obce/index_kraje.php . Available online 08-08-2019.

goal to determine whether the claims of business entities were true or false. The findings of the analysis of respondents' answers in four different focus groups lead us to the following conclusions:

a) There are at least three real causes that could have led business entities and their representatives in PBEs to favor a critical view of the influence of the State in developing business ethics over self-reflection: ignoring the multilevel level of development of business ethics (1), path dependency (2) and absence of comprehensive knowledge of entrepreneurship both by the State and by the business community (3).

b) In the Slovak business environment there is no purposeful discourse between the business entities and the State (in the unity of its three pillars) on the long-term development of business ethics in the country, and thus there is also no discourse on the voluntary assumption of responsibility for the development of business ethics, both by the State and by business entities.

c) The Slovak business environment perceives the State as a negative model for the development of ethics; that means that the State, by the practices they perceive as unethical, induces unethical conduct by business entities.

d) **Corruption** and especially **corrupt and unethical practices in public procurement** are perceived by all respondents – experts of the Slovak business environment as the greatest unethical practices of the State.

e) Respondents from PBEs and SME are among the most critical of the State's behavior in the development of business ethics. Overall, the biggest critics in this respect are respondents from FG3 presenting – small and medium-sized enterprises.

f) Our idea that the size of the company is one of the factors influencing the perception of ethical problems in the country is confirmed.

g) An active approach to the application of business ethics (role-model enterprises) is one of the factors influencing the perception of ethical problems in the country.

Analyzing the responses of our respondents leads us to the conclusion that a professional discussion on entrepreneurship as a social institution is essential in our country. We cannot ignore the fact that the purposeful creation of a new economic system began in our country 30 years ago. And the change of legislation was the easier stage in its creation. In line with the new institutional theory (North, 1991; Baumol, 1990; Williamson, 2000; Urbano and Alvarez, 2014). We cannot ignore our history and the impact of the informal norms, rules and morals of the period we lived until 1989 (Balóň, 2006; Rich, 1997, Padelford

and White, 2010; Eunni and Manolova, 2013). It can be assumed that many of the objections towards the creation of regulation, raised by business entities towards the State have objective cause – ignorance of the business environment, both on the side of the State and on the side of new business entities, and the site of the academic community. It should be remembered that the market economy in our country began to be built essentially on a green field – with managers and employees who did not have real knowledge of its operation, its pitfalls or strengths. It is for further discussion whether the new State apparatus, which has been changed according to the results of democratic elections, is 30 years enough to handle not only the alphabet of business based on private property and competition, but also its purposeful and systematic building and enforcement of ethical order within it. Other transition countries have encountered a similar situation (Brown et al., 2003; Estrin et al., 2013; Ылур et al., 2000). And academics needed time to absorb new knowledge about economic theories, management, organizational behavior, financial regularities, etc. that they could provide to the government and business environment. Today, the situation is different – there is an economic, cognitive, political, but also cultural platform for a wide-ranging debate about entrepreneurship as a social institution, its importance for the economic development of society, but also about the values associated with its functioning in a democratic society. The State, but also the business entities and academia, already have built enough institutions and organizations that are able to engage in dialogue and seek solutions.

We are aware of certain limits to our qualitative research. In particular, this research was not complex in nature, but had the nature of pre-research. It was a probe that we needed to carry out in order to obtain the first set of knowledge for planned representative research, in which we want to obtain an objective view of the state of business ethics in our country at the present time. The number of respondents is relatively small, but the composition of the respondents was diverse, both in terms of professional representation and areas of making business. The common denominator of all respondents was that they are active creators of the business environment and know it firsthand. The greatest limit of our knowledge presented in this article is the fact that we worked with the category of «perception» among our respondents and not with the category of objective observation. All our findings are part of the cognitive and methodological basis for achieving the main goal of the scientific project: creating long-term systematic development models in our country.

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