DARK SIDE OF BUSINESS AND MANAGEMENT IN FUNCTION OF ECONOMIC (UN)DEVELOPMENT

MRAČNA STRANA POSLOVANJA I MENADŽMENTA U FUNKCIJI EKONOMSKOG (NE)RAZVOJA

„For economic success it is extremely important the ability of effective blocking the individual, groups, organizations and institutions to make damages and evil!“

Author

ABSTRACT

Key problem in economic development represent so called dark side of business and management. Under dark side of business and management is meant the abnormal, dysfunctional, subclinical, but socially pathological, criminal and unethical aspect of business and management, which can not be thought only as rare, exceptional or isolated phenomena, but part of normal community and everyday individual, group, organizational, institutional (social) behaviour. Dark side of business and management constitutes numerous real phenomena which are represented by behaviours in interpersonal, business, institutional or social system and can be classified into numerous appearance forms. Without knowing not only for economic development positive but also negative, dark sides of business and management it is not possible substantially to understand the barriers which arises in economic development.

The purpose of this paper is to enlighten the influence of dark side of business and management on economic development by identifying its obstructive factors in Republic Croatia (RC), but also in broader international sense by means of the knowledge which about this phenomena exist in the real business world throughout the planet.

The aim of this paper is on the basis of existing researches about different appearance forms of dark side of business and management and identified obstructive appearance forms (from institutional corruption to the individual dark behaviors) explore its impact on economic (un)development and also to give the basic solutions for reducing the dark side of business and management on the functional level.

By the insight and synthesis method it is determined predominat harmful potential impact of dark side of business and management on economic development. Also it is determined the lack of basic and management knowledge about particular specific appearance forms of dark side of business and management what needs new researches in this area.

Key words: dark side of business and management, obstructive factors to economic development, economic development and stagnation, human resource management.
SAŽETAK

Ključnu poteškoću u ekonomskom razvoju predstavlja tzv. mračna strana poslovanja i menadžmenta. Pod mračnom stranom poslovanja i menadžmenta misli se na abnormalne, disfunkcionalne, subklinički patološke, kriminalne i neetičke aspekte poslovanja i menadžmenta, koji se ne mogu smatrati nekom rijetkom, iznimnom i izdvojenom pojavom, već dijelom normalne zajednice i svakodnevnih pojedinačnih, organizacijskih, institucijskih (društvenih) ponašanja.

Mračnu stranu poslovanja i menadžmenta čini brojni niz stvarnih pojava i ponašanja u interpersonalnom, poslovnom, institucijskom ili društvenom sustavu koji se mogu klasificirati po brojnim pojavnim oblicima. Bez poznavanja ne samo pozitivne već i negativne (mračne) strane poslovanja i menadžmenta nije moguće suštinski razumjeti zapreke koje se javljaju u ekonomskom razvoju.

Svrha ovog rada je osvijestiti važnost mračne strane poslovanja i menadžmenta za ekonomski razvoj i da se istraže njegovi ometajući čimbenici na području Republike Hrvatske (RH), ali i širem međunarodnom smislu kroz znanja koja o tome postoje na svjetskoj razini. Cilj je rada da se na temelju postojećih istraživanja različitih pojavnih oblika mračne strane poslovanja i menadžmenta te utvrđenih opstruktivnih pojavnih oblika (od korupcije do psihopatskih individualnih ponašanja) istraži njihov utjecaj na ekonomski razvoj te da se ponude osnovna rješenja za suočenje mračne strane poslovanja i menadžmenta na funkcionalnu razinu. Metodom uvida i sinteze utvrđen je prevladavajući snažan štetni potencijal mračne strane poslovanja i menadžmenta na ekonomski razvoj. Također je utvrđen nedostatak osnovnih i upravljačkih znanja o pojedinim specifičnim pojavnim oblicima mračne strane poslovanja i menadžmenta što zahtijeva nova istraživanja na ovom području.

Ključne riječi: mračna strana poslovanja i menadžmenta, opstruktivni čimbenici ekonomskom razvoju, ekonomski razvoj, ekonomska stagnacija

1. Introduction

Stagnant economic behaviors (thematic treated as antisocial/countermoral or asocial/amoral behaviors in business) usually are treated as deviant organizational behaviors (Samnani, 2013), or in broader sense dark side behaviours in business and management (Petar, 2005). The appearance of dark side of business and management in the scientific literature and sources can be classified e.g. as:

a) corruption/bribery, organizational crime, fake/prank;
b) misuse of power and position, intimidation, blackmail/extortion, aggressiveness and violence, dark side of business leadership;
c) management by fear and stress, impression management, stupidity management;
d) plagiarism/falsification, lying, cheating, spin (manipulative stories), exploitation of the victim (naivee, honest or simply the victims which do not fit in existing often pathological climate and culture);
e) workplace bullying, ostracism, workplace maltreatment (e.g. sexual harrasment), discriminations by different foundations;
f) dark use of inteligence, creativity, learning in unethical and criminal (social harmful) purpose;

1 Because of numerous sources which treat dark side of business and management issues, in this paper they are not all mentioned because this will overfill the limited number of pages in this edition.
g) dark project, technological or innovation management;

h) individual deviant and unethical behaviors: ambition, greed, carierism, revange, machiavelianism, narcissism, psychopaty, sadism, fixed ideas, paranoia or similar subclinical but socially harmful psychological states;

i) other appearance forms of dark side of business and management e.g. whistleblowing, rumours etc.

Dark side of business and management is extremely dangerous for little and medium entrepreneurship because there is a great possibility of obstructing him from different factors (individual, situational and systemic). Namely, strong dark side which exist in some socio-cultural matrix practically can block projects, development programs, entrepreneurship, innovations, production, export and key economic variables, without each is impossible to achieve entrepreneurial and economic development with new jobs, employment and development creation. The purpose of this paper is to enlighten the influence of dark side of business and management for economic development in a manner to explore its obstructive factors in the Republic Croatia (RC), but also in general throughout the world by means of synthesis the dark side knowledge which exist in the business and management world. The aim of this paper is on the ground of different appearance forms of dark side of business and management and defined obstructive factors explore its impact on economic (un)development, and give the solutions for diminishing the dark side of business and management on acceptable, functional level.

Decreasing dark side of business and management on a functional level is seen as key (unavoidable) activity in economic development on different level of aggregation (small, middle and large entrepreneurship), so its impact on the economy in the whole (on transition economies but also on the economy of every country in the world) is meaningful.

2. Obstructive factors for economic development in Republic Croatia (RC) and undevelopmental dark side of business and management in the general review

When it is discussed about obstructive factors in the arising of developmental economic projects and innovations it is resumed that there are the four (N=4) main obstructive causal factors (Švarc, 2011):

a) Economic factor: privatization by „empty shell“ pattern, destroying industrial researches, loosing technological competences, weak financial support to research and development. Here is obvious the cause in dark side of business and management of RC which enabled such undevelopmental economic scenario. About possible economic stagnation cause which is settled into purposely creating dependent economies of transition countries from the imperial neoliberal economic powers write Santini 2014 according Berger 1995 „[...] the decision about national economic policy are now defined outside the country and on the benefit of others. National economy is „biased“ because its direction dictate external needs, not its indigenous logic. National initiative is strangled often until the grade of „industrial infanticide“- i.e. domestic industrial development is stopped in the interest of foreign initiative which dominate over national economy. Finally, autohton population is pauperised, with exception of so called comprador class – local groups which become the trustee of foreign initiative. In other words, undevelopment of the „Third world“ is not the state which is antecedent of international capitalism arrival in this countries, but rather the state which this international capitalism produces, and this namely necessarily.“

b) Way of thinking: neoliberal economic model (only market is important - not the supporting institutions and culture), conservativism, lack of oppenes towards new. Beyond neoliberal
economic model which nowadays range on numerous criticism, a part of critics is related to the cultural factors, i.e. irresponsibility of deliberation and behavior in RC (Kulić, 2009a,b).

c) Unappropriate public administration: lack of learning, absence of vision and development strategy (never knows how is needed to develop RC), lack of professional competences, irrationality, noncooperative culture, weak selfinitiative, weak task delegation, inertia syndrom, syndrom „do not produce waves“ behavior, „bureau-pathology“ (Horvat, 2002; Županov, 2002). Also it is noted the disproportion between number of employees in public administration and its efficacy.

d) Socio-cultural factors: unmodernity (industry decreasing, science decreasing, growing the traditionality), corruption, opportunism, distrustfullness, lack of „entrepreneurial spirit“, weak managerial competences. This cause refer us to the consequences of different appearance form of dark side of business and managment.

If we consult the general world research about economic development and wealth and poverty causes of different nations than we can conclude that in this area is known:

a) Culture is key (un)development factor of economic development. Culture is possible describe by means of numerous characteristics. Concretely, cultural characteristics of undeveloped, i.e. stagnant business-economic activity are as follow (Bogdanović, 2011: Landes 2003):

- inefficient, inability of government, bribe, crip and corruption, as „normal“ social phenomenon;
- incentive blockade, falsity cultivating (pretending, lying, „spin“), encasement into himself;
- domination of irrationality where the most important are ideology and motive, not important are reality, facts and the truth;
- insecurity of entrepreneurship (key dependance from above and lateral decisions)
- obedience feelings, vanity satisfy, spiritual homogeneity, intrigue, animosity, weakness, despair;
- directionality on general, common, abstract, unclear/vague, unprecise, unaccurate, the main communicative leverage is vagueness - manipulation;
- society institutions are averse to entrepreneurs;
- general disdain toward entrepreneurs (distorted perception that entrepreneurship is criminal and moral unappropriate activity, attitude „entrepreneurs are robbers“)
- entrepreneurship based on peculiar individuals, not system characteristic which is institutionaly supported;
- mercantil- service - touristic, not production-creative strategic orientation;
- commitment to richness, laziness, extravagance, affectation, nonintegrity, dowdiness and squalor;
- static, rigid, under-employed society (high unemployment, but even employed people have not enough job, so they are unproductive), society in „intellectual cage“, changes difficult vivify, enthusiasm is seen as „madness of enthusiast“;
- unconception; nonimaginativeness, unflexibility, rigidity;
- unratonial resource usage, existing resources and capital is poorly used.

2 E.g. private entrepreneurs need to ask during the employment political parties and local government about suitability of each candidate (example of some environments in Republic Croatia) for employment in their firm.
b) Disability of mutual cooperation. About 75% of projects collapse although there are all needed resources (material, human, financial, information-organizational) because people are disabled to cooperate (Sršća, 2008). The key factor here is distrust. Possible cause of this is existence of some or more appearance form of dark side of business and management, which in people create suspicion and fear to be faked and burgled, and so they pay high attention not to be victims of people who want to manage them for their own goals, but also others psychological factor, e.g. jelausy (Ozimec, 2001).

c) Corruption as world economic-business and developmental problem. Research about corruption shows us that this is transition but also world business-economic phenomena (Budak, 2005& 2014). It is known that corruption is greater problem for small and middle enterprises, whereas large enterprises and multinational companies (MNC) by means of corruption can buy public officers and politicians and so achieve extraprofits in little undeveloped countries. Especially is the role of so called „comprador class“ which serves to the interest of big capital (Berger, 1995).

d) Developmental, entrepreneurial behavior demotivated because of unappropriate awarding and punishing. In transition countries entrepreneurial innovation passivity or dark entrepreneurial motivation (for example destroying the enterprises for building terrain sale) can be mostly attributed to awarded deviant (dark) behaviours, and punishing positive entrepreneurial production oriented and creative behaviour. So in diligent work, entrepreneurship, innovations, initiative, enthusiasm is not seen as the possibility of good and successful life, but this possibility is seen in deviant behavior. So, to provoke entrepreneurial and innovation activity there is needed that people clearly see that creative entrepreneurial activity is beneficial and that by means of creative, not deviant entrepreneurship they can achieve better life.

e) Undermined psychological capital. Psychological capital as strategical resource which create competition advantage (on individual level it refers on: selfefficacy assessment, optimism, hope and hardness on stress/failure) is positive connected with entrepreneurship and success of new business venture, but it is negative connected with reproachingly control and higher level of organizational/institutional antisocial behavior. Also higher level of stress do not support the psychological capital development which is key for higher level of creativity and development (Newman at al., 2014.). In transition countries psychological capital is not on higher levels exactly because of dark side of business and management attendance on different levels.

f) Power, leadership relationship and economic activity. Numerous individual, group, organizatonal/institutional/business and social deviant behaviors just become the subject of systematic researches. Some of dark business and manager behaviors are in favor to easier achieving the interest and profit of strong on damage the weaker ones. Such behavior have almost negative organizational results, but with some exceptions. For example it is shown that the most efficient leaders in crisis conditions are such a persons which suffered from some kind of mental illness and personality disorders (Spain at al., 2014), although mentioned authors quote that about this fact so far never has written more, and what is known is not deeper investigated, although in the history is known that to the economy can be in favor specific behavior of pathological leaders.3

3 Adolf Hilter with his team (e.g. Albert Speer) created unhuman (dark) but extremely efficient organization and economy in relatively short time after the 1.World War. His dark technical innovations have great influence on the development of war and other technology, e.g. rockets V1 and V2, chemical industry, crematories, medical inventions. Also he introduced dark but efficient social solutions for undesired nonarial race, bringing trail system in the function of their elimination and segregation (e.g. coerced sterilisation according law) (TV transmission Trail in Nürnberg, 1961.). Similar dark economic examples historically are partial seen also by other nations, but as is known to the author the dark side of economic development in not enough nor systematically researched and there is also missing public sources about this issues.
Resume about existing knowledge in the topic of dark side in business and management which can be derived from this short review is that the culture of imprudence and irresponsibility is mainly responsible for such economic state in RC (Kulić, 2009; 2014), and the cause of such state can be located exactly to the domination of dark side of business and management. High level of vitiateness (one of existing forms of dark side of business and management) in the transition countries can be explained as cause of dependent economy (political-economic causes), where domestic „compradores“ (elite who implement the institutional politics of international capital relationship) because of his own survival create „gray economy“ which is not directly subjected to the social-darwinistic rules of game (competition in all areas) which promote World bank, MMF, USA (Lasić, 2014; Santini 2014).

3. Impact of dark side of business and management on business-economic activity

The causes of stagnation/nonprosperity of undeveloped economies can be mostly attributed to the dark side of business and management which can and need be studied on different levels of aggregation (society, organizations/institutions, groups, individuals), but also in the context of individual, situational and systemic variables (Zimbardo, 2007).

On microeconomic level inferior business results show enterprises where rule bad organizational climate (bad psycho-social work conditions), deviant organizational behavior in different appearance existing forms, bad/unappropriate business leadership to the business and organizational situation, in general all systems and situations which disturb personal creative and organizational growth and development and this are the known facts.

The researches about management and leadership derailment (Furnham, 2010) which are the key factor of economic activity, showed that such failure can be attributed to dark side of business and management. The failure of the most of started business and economic important projects arises in spite of the fact that all the necessary resources were available (material, financial, human, information-organizational what refers to the conclusion that because of some reason people were not capable to create team harmony and cooperate together (Srića, 2008), i.e. they are not able to create needed cohesion and team harmony (Goleman, 1997a; 1997b), or management has destroyed the created ones. Such failures are of course in human component (human is the most important economic factor), and can be attributed to the presence of some of the existing appearance form of dark side of business and management, which do not accomplish the general agreement/consensus by what is cooperation and dedication to mutual goals limited or even suspended. Without collectiveness the organizational and economic success is not possible, and to achive them is needed the consensus for which is crucial the trust. The trust between people is unpossible to achieve in the condition of dark side of business and management domination. Pasiveness and people demotivation to which bring dark side of business and management domination, can be settled into the causes of motivation explanation i.e. get a hold in negative models and directions towards deviant behaviors in the environment because they are awarded, so by means of such behaviors are achieved social or other benefits (Pastuović, 1999), or in complex explanation which introduce variables of individual, situational or systemic diapason (Zimbardo, 2007).

For destructive state of business-economic system there are needed three basic structural factors (Furnham, 2010):
- destructive entrepreneurship, management/business leadership;
- susceptible employers;
- affected environment and technology.

As it is known to the author about the impacts of total dark side of business and management (by every appearance form and on different level of aggregation) on economic activity (also by appearance forms) so far there do not exist systematic reacheur activity (exist only partial) not even meta-analitic studies.

4. What can be done in effective blocking the negative effect of dark side of business and management

To provoke and sustain economic development because of omnipresent appearance form of dark side of business and management as protective rules are eligible:

a) Awareness. It should be aware of strong and active presence of dark side of business and management. If the people are not aware about its presence, there is a great danger to become a victim (on individual, group, organizational or sociocultural level).

b) Learning. Without better knowing dark side of business and management at least by basic, and ideal about all existing appearance forms it is not possible the successful business and economic activity, and limited is also creative innovative activity (knowledge based economy).

c) Ethical choice. Ethical choice should base on awareness and knowledge of dark side of business and management. There are three possible options:

- Adaptation to the environment reality. This means functioning in the borders of „art of possibility“, or aware passivity.
- Acceptance the rule of the game of dark side of business and management (acceptance and obedience to existing philosophy of dark side of business and management) – it is not prosperous for general economic development, and at the same time represent unethical answer.

The only one ethical answer compatible to the moral imperativ is option of ethical (prosocial) choice. Zimbardo (2007, in chapter 16) cite ten suggestions for individual resistance against unacceptable influences based on the social psychology principle which can and need to apply on dark side of business and management in the context of challenging it. Paraphased they are:

1. **Confess the mistake.** The mistake of judgement results with mistaken decision. It is better to confess and change the direction of behavior than persevere in behavior which is harmful for individual, group, organization or society. This is individually based moral imperative.

2. **Think before acting/have always an active, awake mind.** Do not enter mindless without critical thinking into new situations. Do not tolerate hurry in his own actions, abort simple solutions for complex individual, group, business or social problems. Support critical thinking.

3. **Do always from the position of personal responsibility.** On undesired dark social influences people are more resistant if they consider his own responsibility. The good strategy is to imagine himself on trail and at the same time have valid arguments, not
the typised arguments like „I only follow the commands“ or „Everyone behaved like that (unmoral)“.  
4. **Underline own individuality, unique talent and way of thinking.** Anonimity and secrecy give boost to the possibility of dark side of business and management, decline human cohesion and its resistance possibility. This creates the conditions for dehumanisation/deindividuation what is fertile soil for all forms of dark side in business and management (especially for workplace bullying and sadism).  
5. **Respect fair authority/power, but resist against unfair authority/power.** In every situation in business there is to differentiate the authority/power because of its competence, wisdom, seniority, special achievements which deserve respect, from unfair authority/power which command obedience without cover. Authority of pseudo-leaders, false prophets, extremely self-confident people, unscrupulous self-promotors which need to submit the critical evaluation. Also it should resist to the authority/power which do not deserve respect. On this way it is diminished uncritical obedience, self-proclaimed leaders which priorities are not in our best interest.  
6. **Appreciate the group acceptance but not by dependance cost.** It is extremely important to know when follow the group norm and when to refuse it. It should be willing and prepared to fight his independence without of social isolation consequence which such behavior can provoke. The pressures like „Be team player“, „Sacrifice his morality for team good“ often are undefendable. If this is the case find another group which will support your independence and promote your values. There is always the possibility of another, different and better group.  
7. **Be careful in interpreting the messages/informations which you receive.** Do not be allured and cheated with messages which emphasise what the sender of message will and what with this information will achieve.  
8. **Have omni-time perspective.** Do not make decision only for one moment, do not lose omni-time perspective of moral decisions and behaviors, make the right thing which is according the criterion of the past and future correct.  
9. **Do not sacrifice your personal, civil or business freedom for security which is illusion.** Refuse to be manipulated so that you involve into activities which are totally moral strange to you because of security promise. Refuse to dany your freedom or even smaller right or smaller part of your freedom because of security promise, becose the sacrifice of rights/freedom is real and urgent, and security is outlyng illusion. Promises of personal and national security for the cost of collective low, privacy and freedom sacrifice is the step into dark side of business and management.  
10. **It is possible to resist unfair system.** Individuals can change systems agreeing with the risk whistleblowing against corruption or constructive work to transform it. In situation where informations, awards and punishments are under control it is possible that it is needed to move. Resistance can demand the authority help, advisers, journalists or patriots. Hero act can challenge unfair system, and the best way is creating the group which make resistance, minimum of three people in group make power which do resistance against dark side of system.  

To combat and limit dark side of business and management on functional level all peple (on individual, group, organizational/institutional, national level) who strive to the better economy&society, it is needed to personaly empower the people. Even with empowered people the combat against dark side is permanent process, just as is the permanent battle against good and evil. With the awareness of dark side of business and management it is maked important step in the right economically and socially desired direction, in the direction of potential emancipation of managers, politicians, enterpreneurs, innovators, experts all the
people from the dark side in business and management. So can be created an prosper economy and society much more easier.

6. Conclusion

Dark side of business and management has important, often crucial impact on economic development, and it is present in numerous appearance forms on different levels of aggregations (macro, mezo, micro level). Some of them are: corruption/bribery, organizational crime, fake/prank; misuse of power and position, intimidation, blackmail/extortion, aggressiveness and violence; dark side of business leadership; management by fear and stress, impression management, stupidity management; plagiarism/falsification, lying, cheating, spin (manipulative stories), exploitation of the victim; workplace bullying, ostracism, workplace maltreatment (e.g. sexual harassment), discriminations by different foundations; dark use of intelligence, creativity, learning in unethical and criminal (social harmful) purpose; dark project, technological or innovation management; individual deviant and unethical behaviors: ambition, greedy, carierism, revenge, machiavelianism, narcissism, psychopathy, sadism, fixed ideas, paranoia or similar subclinical but socially harmful psychological states; other appearance forms of dark side of business and management e.g. whistleblowing, rumours, etc. Knowing concrete appearance forms and its preconditions, influences and consequences it is possible to prepare strategies and answers on the dark side business-economics challenges. Awarenes about the problem of dark side of business and management, learnig about them, people empowerment and ethical choice are meaningful answers against dark side of business and management domination. If the strategic answer is moral imperative i.e. uncompromised doing good and appropriate things than the economic system can be changed through given ten (N=10) meaningful answers according the suggestion of Zimbardo (2007). For limiting the dark side of business and management on functional level, managers, politicians, entrepreneurs, innovators, experts, but also all the people who strive to the better society, enterprise, group, individuals need to combat permanently against the dark side in business and management, in the same way as it is permanent the combat between good and evil.

REFERENCES AND RESOURCES


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