

## DEMOCRACY OF KNOWLEDGE AND MORAL CAPITALISM

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### ABSTRACT

*Science, innovations, knowledge and technology were, and remain at the foundation of the traditional capitalism which is a benchmark or a model of socio-economic life. Access to education and knowledge should lead over the time to a democratization of social relations within a group and also among social groups. The bond between the knowledge-born democracy and the functioning of social systems (e.g. countries, organizations, etc.) depends on the values which the members of the society treasure and the institutions which command formal or informal rules of behavior. The issues regarding the manner in which the tacit knowledge is acquired, processed and spread within an organization and even within a country is still insufficiently clarified in the literature. The reason is that the connection between tacit knowledge and democratization of social systems is directly and indirectly related to the values and the moral conscience of individuals.*

**KEYWORDS:** *conscious capitalism, knowledge management, sustainable business, tacit knowledge*

**JEL CLASSIFICATION:** *M100; P100*

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### 1. INTRODUCTION

The end of the Cold War (1989) gave birth to the conviction that capitalist countries with liberal democratic systems are "gold standards" for the organization of the society. The main reason is that, unlike the central planned economies, capitalist systems have provided economic prosperity for most of their citizens. The economic and social greatness of the West has risen along with the Industrial Revolution (1776) and has flourished during the two centuries after it. This supremacy was particularly achieved through the development of science, innovation, technology, political institutions and certain values of the Western culture. But the global crisis of 2008 has brought into question the very essence of the liberal capitalist economies, mainly because the contradictions and inequalities within knowledge-based capitalist economies have become much more prominent (still the free market remain the benchmark). It has become obvious that some of the financial multinational corporations (MNCs) reinforce their power through innovations based on more and more specialized knowledge. The non-ethic behavior of the MNCs has distort the mechanism of the market and, subsequently, has filled with fear and distrust many people and social groups.

The mass education and the accession to knowledge are only two of the main drivers of democratization of social relations. The field of KM (*Knowledge Management*) reveals that it is not easy to define what the knowledge means. This has direct/indirect implications, we believe, in sociology, politics, management, social sciences and in other area of study.

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Tackling the topic of tacit dimension of human knowledge, Michael Polanyi (1966) has provoked a large body of debates regarding not only the way in which an expert are formed in a certain field of activity but also with regard to the behavior of social groups, the values in the spirit of which a person is educated and the knowledge-born democracy. What perspectives can be seen regarding democracy in the knowledge society and human knowledge?

Through this study we want in essence to emphasize the relationship between knowledge and the democratization that should result in the economies driven by innovation and knowledge.

However, we believe that the analysis of the relationship between knowledge and democracy needs a recourse to KM and further clarification of the distinction between tacit knowledge and explicit knowledge. The reason is that political, organizational and other forms of power are acquired especially through acquisition and exploitation of a set of tacit knowledge by a small group of investors, executives or other economic actors. The direction or the purpose for which the tacit knowledge gained by MNCs are used has become an essential matter in explaining inequalities, hierarchies and social polarization in developed countries. The purpose for which the institutional power acquired through tacit knowledge is exerted depends mostly on the education of the employees and a set of moral rules that should govern the behavior of the various economic actors.

In order to prevent the recurrence of other major crises in the dynamics of capitalist economies (similar to that of 2008) states and governments must identify new ways to exploit knowledge and to promote the ethical behavior of economic actors. Also, public opinion and civil society should determine companies towards an ethical behavior and assumption of social responsibilities.

## **2. WHAT IS NON-ETHIC WITHIN A CAPITALIST SOCIETY?**

Global crisis of 2008 has revealed, as Stiglitz (2010) argues, a deep moral deficit at the foundation of post-capitalist society. The behavior of companies has been driven by profit maximization as a main goal and they have left social responsibilities in a secondary plan. More than any other, companies in the financial sector of the global economy (USA, Europe, Japan, etc.) have acquired during the time extremely specialized knowledge with regard to financial products and services, and by such knowledge they have innovated and have gained a sort of non-legitimate power. In an essay on *the democracy of knowledge*, Innerarity (2013) emphasizes that financial innovations in American MNCs were not the ones who have triggered the global crisis, but the *way in which the MNCs have used these innovations* in the relationship with the investors, the banks and the general public. The theory of KM has identify two main categories of knowledge, namely explicit knowledge and tacit knowledge (Nonaka & Takeuchi, 1995). Explicit knowledge, i.e. those existing in books, manuals, etc., is accessible to all. As opposed to this, the tacit knowledge is a result of the direct experience of people and is born from intuition, non-rational thinking etc. It is obvious, we can say, that the main financial corporations which have directly fueled the global crisis of 2008 have gained their expertise and their financial innovations through the accumulation of tacit knowledge.

During the last decades contradictions and tension have accumulated in all capitalist economies, mainly due to the unequal distribution of wealth and prosperity among social groups.

In the 80s, Peter Drucker (2002) said that a ratio of about 20:1 between CEOs payments and those of ordinary workers would represent the maximum limit of differentiation of the contribution of each category to the performance of the organization. In other words, exceeding this ratio of 20:1 with regard to the distribution of incomes between the main social groups could lead to unethical behavioral models that would threaten the very essence of the capitalist societies.

During the past two decades, the ratio between the incomes gained by the CEO and the ordinary worker has reached almost 400:1 in large American MNCs (Michel & Davis, 2015). Quite a similar situation we could find in large MNCs from Europe, Japan or other industrialized economies even if the gap between the rich ones and the poorer ones is narrower. In Europe, for example, managers win almost 50% of the income of American managers, while in Japan, the weighting is about a third

of the income of the American managers (Chang, 2011). During the 2000s this ratio between CEOs and workers incomes reached a level of about 300:1 in the most performant American corporations (Michel & Davis, 2015); after that the ratio reached its peak-point at 400:1 and then it decreased significantly during the period 2009-2010 (after which the growing trend has returned to its pre-crisis level).

In an analysis of the changes in the social capital in the United States during the last decades, Fukuyama (1999) has discussed about a large rupture in the social order of the main developed countries (a low level of trust, an increased rate of anti-social acts, etc.). The technological advance and the IT revolution have led to a considerable increase of productivity, but at the same time they have changed the structure of the labor force and the type of the relationship among the members of a social group.

To prevent the unethical behaviors of MNCs, specifically those of their investors and executives, it is necessary that businesses become more moral, which means the development of a moral capitalism, as Young (2003) argues.

In the opinion of Wallerstein (2013), we can discuss about a structural crisis that has begun during the 70s in most of the capitalist economies and has caused hierarchy, exploitation and polarization even in those countries that are considered to be democratic. The hypothesis of building a moral capitalism is not based on the idea that the individuals could be perfect (Young, 2003). It is about the fact that certain values that were found on the basis of traditional capitalism (i.e. prudence, moderation, balance, justice, social good, etc.) have altered during the last two centuries of the competition between the West and the East in such a way that the individuals have acted even against their own interest (Burciu & Kicsi 2016).

In the context of what we call the *knowledge society*, as knowledge disseminate and education becomes accessible for the vast majority of individuals, a network-based society should emerge, and the hierarchies and the gap between rich and poor should flatten. Beginning with the XXI century, as Drucker (2001) notes, "the master" has been replaced by "the boss" who is himself, in 99% of the situations, an employee and has his own boss. In other words, the gap between the top of the organizational structure and its basis should narrow as knowledge spreads and labor productivity increases. The realities revealed by the global crisis of 2008 indicates that some social changes have been exactly opposite to the trend associated with the democracy of knowledge. How do we explain this situation? Firstly, this is because, we believe, some of the traditional capitalism values have altered and the profit maximization has become the only goal and responsibility of companies. Secondly, certain behavioral models have imposed, namely those oriented toward rapid gains even with the breaking of some ethical standards. Any individual, as a part of a social group, appeals to his moral consciousness when he relates with the rest of the group. Doing this, he has to choose between good and bad, between right and wrong, as core values which shape the people behavior. The change of realities in the corporate practice at the global level should start with the manner in which the leaders that will manage in the future the various types of companies are educated. Mainly there is a need, we believe, to convince these leaders/managers of the importance of humanistic values as a foundation of businesses in order to reconcile the relationship between the welfare of a group and the social good. The moral conscience of an individual, as Maxim (1999) explains, reflects in a certain level of his maturity and his consciousness and has a universal character, so it transcends the culture of a certain country or people.

The knowledge *per se* remains an essential resource/asset for any type of organization, and for any country in the world. The quantification of access to knowledge and the relationship between them and the level of democracy in a society still are least clarified issues in the literature. According to the World Bank classification, countries such as USA, Germany, Japan, and the United Kingdom are ranked in top positions by the level of knowledge economy development, quantified through KEI and KI. However, in these countries, according to the analysis conducted by Fukuyama (1999), the tendency towards a deterioration of the quality of social capital is quite obvious. The solution to this *de facto* situation of the main countries of the world might be, indeed, a moral capitalism in the

meaning argued by Young (2003) (inter alia, governments should penalize by law the companies that violates a certain set of ethical rules). Other authors talk about ethical behavior and the application of the CSR in business organizations and, more recently, they are talking about conscious capitalism (Mackey & Sisodia, 2014).

However, the degree of trust among social groups and between individuals and institutions/companies can improve during the time through social norms imposed by the state through behavioral models of some leaders and by other instruments such as public pressure, the activity of NGOs, etc. Insofar as the degree of confidence will increase in the various countries in the post-crisis context, we will be able to discuss about a more powerful trend towards individuals sociability and consequently an improvement of the social capital (Fukuyama, 1995).

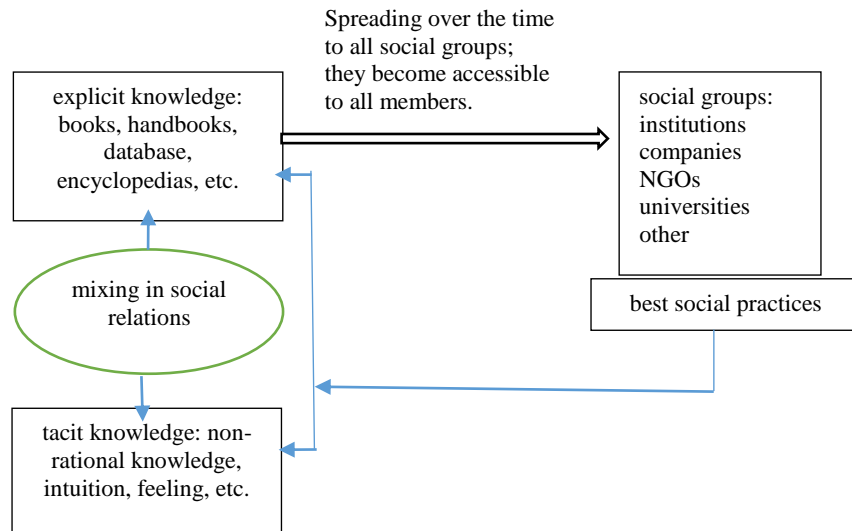
### 3. KNOWLEDGE AS A VECTOR OF DEMOCRACY

When we approach the knowledge in a general sense, we understand that it represents a powerful thrust to democratize the relations among different social groups. The science, knowledge and innovation were essential factors in emergence of capitalism beginning with the Industrial revolution (1776) and up to the present. According to some authors, the "Social Contract" by J.J. Rousseau (1762) has directly contributed to social and political reforms which led to the establishment of democratic systems in European countries. In other words, the Enlightenment through its social and political reforms has promoted freedom of thought, free initiative and dissemination of the knowledge, and so it has fueled social democracy.

When we tackle the knowledge from the KM view, the distinction between tacit and explicit, as it has been drawn by Polanyi (1966), forces us to a deeper analysis of the relationship between knowledge and the democratization of social systems. This is because especially explicit knowledge can be „stored” in books, manuals etc. and can be pass on from one generation to another (it can be quantified, it can be disseminated through the processes of learning, etc.). In other word, the explicit knowledge tend to be spread within social groups practice and it should lead to a democratization of the relationships among members of the groups. As Polanyi argues (1966), the tacit knowledge is of personal nature, intuitive, it cannot be measured and is difficult to be transferred to other persons (the accumulation of such knowledge requires direct learning, direct social relations etc.). In business practice the class of tacit knowledge is, to the greatest extent possible, at the origin of the most innovations/inventions.

Social progress and performance of the firms lie particularly on the accumulation and exploitation of tacit knowledge by employees and different kinds of organizations (Nonaka & Takeuchi, 1995; Collins, 2010). In our opinion, dissemination of tacit knowledge within a business organization as well as from business organization to the whole society remains a less clarified topic in mainstream literature. Leading works on this topic in KM have developed certain models in order to support the understanding of the process by which the tacit knowledge is convert into explicit knowledge and vice versa; in this respect, we could mention the SECI model (Nonaka & Takeuchi, 1995), Model Wiig (Wiig, 2004) a.s. *Per a contrario*, dissemination of explicit knowledge is a continuous process both in organizations, as well as in the relationship between them and society. This idea can be seen in figure 1.

As shown in figure 1, the two classes of knowledge (explicit and tacit) are in a deep interdependence/conditioning; combining or mixing them in social relationships and the conversion of one class into another are two topics that are associated directly with the mechanism of human thinking. There are few explanations of the human mind and the way in which experts are formed in different types of organizations. It is obvious enough, we believe, that during the time the knowledge stored in books, manuals, etc. is passed on the most of the formal/informal social groups /in institutions, companies, universities and others (as we suggested in figure 1).



**Figure 1. Spreading of explicit knowledge in society**

Source: authors' elaboration

The dissemination of explicit knowledge among social groups and/or different countries becomes visible through the imposition of best practices in education, ensuring equal opportunities, enforcing a proper competition among individuals and other aspects related to the democratization of a society.

The dissemination of *tacit knowledge* within a social group, an organization or between different organizations/countries seems to be a much more complicated process. However, this category of tacit knowledge is, we believe, a vector of competitive advantage gained by the company and/or countries. An easy to understand reason for which the tacit knowledge is more difficult or impossible to disseminate among social groups is given by the fact that such knowledge is extremely personal, comes from experience and values in which every person believes. This means a clear distinction between good and bad, between right and wrong, between corporate good and social good. Therefore, we can talk about a democracy of knowledge in a mean developed by Inn rarity (2013). According to this author, the diversity of knowledge will lead to a plurality of actors and scenarios which a country or a social group can follow, and therefore it will lead to a democratization of social relations even if there are new paradoxes in the exertion of political power in a knowledge and innovation based society (Inn rarity, 2013). It is quite clear that he discusses a relationship between explicit knowledge and democratization of social systems.

For the executives with leading positions in MNCs, the construction of the moral capitalism, as Young (2003) claims, requires a voluntary espousal of ethical standards recognized by humanity.

The values cherished by investors, managers and other employees in companies from the USA, Germany, Japan or China lead to distinct models of business (Young, 2003). In the meaning given by Fukuyama (1995), the culture of a nation is a reflection of its ethical habits inherited and transmitted from one generation to another. Therefore, whatever the models/patterns of doing business would be in different countries of the world there is still a set of ethical rules/standards *universally recognized* to which the practice in business organizations relates. We talk about democracy and capitalism with reference to the social systems on which the market economy in countries such as the UK, Germany, Japan, etc. was based. For more than two centuries, innovation, knowledge and technology have supported the economic performance of the Western countries. But there are still opened topics such as the position of some countries like China or Russia in the global competition over the following two decades and implicitly, the type of capitalism in these countries. Beyond this controversy over the global competition, the distribution of wealth in the traditionally

democratic countries (the USA, Japan, European countries, etc.) has become an issue of distinct analysis.

It is to note, we believe, the fact that some of theoretical developments concerning the nature and the future of capitalism have recently occurred in countries with knowledge based economies. So, major works such as the *Conscious Capitalism* (Mackey & Sisodia, 2014) have drawn the attention of leaders in large MNCs, of political decision makers, but also of the public opinion. In 2009 Mackey & Sisodia (2014) have founded the *Conscious Capitalism Institute*, which has become then a non-profit organization, which assumes the role of promoter of this new type of capitalism. *Conscious Capitalism Institute* has postulated some concrete directions in which the companies, the citizens and the public opinion should act in order to strengthen the moral conscience of the business executives. For example, this organization promotes four pillars or doctrines (tenets) as a basis of conscious capitalism, namely goal, leadership, culture and stakeholders (Conscious Capitalism, 2017).

In order to be able to undertake social responsibilities and apply the CSR, a company must gain annual profit. Exploitation of explicit and tacit knowledge within a company lead over time to product/service innovations which will mean a result validated by the market, namely the profit. In other words, in knowledge economy, companies have new opportunities for acquisition and processing of knowledge (using computer networks, telecommunications, the robots, etc.), which means further chances for innovative activity of organizations. The dissemination of knowledge in this new type of economy will not necessarily lead either to the democratization of the relationship within an organization or those from the society. The diffusion of explicit knowledge should lead to the flattening of hierarchies and an acceptable level of democracy within an organization and in the society in general, as we have suggested in figure 1. As regards the tacit knowledge, shall be clarified further issue linked with its acquisition and exploitation intra and inter-organizations. The classification of knowledge in the explicit and the tacit, as a fundamental aspect in KM, has as a result theoretical implications and pragmatic directions of action for organizations and individuals.

At a first sight, there is a contradiction between the rhetoric on the CSR, conscious capitalism (and/or moral capitalism) and the practices of MNCs in different markets. However, the idealism of some statements on the conscience based capitalism (conscious capitalism) seems to be supported by the action of corporations and the leadership in some MNCs; for example, corporations like Google, Starbucks, Tata Group, Eaton, Wegmans have developed over the time organizational cultures based on clear, socially recognized ethical standards (Mackey & Sisodia, 2014). As we mentioned above, there are four pillars or doctrines on the basis of which a capitalism based on the moral conscience of individuals can be gradually built in knowledge society:

- a) *The goal* set by a company and the values on which its mission is based remain essential aspects of its future ethical behavior. In that respect, since 1954 Peter Drucker has stressed the importance of the goals/objectives of a firm in achieving performance and fulfilling its social role (Drucker, 1954).
- b) The group of *stakeholders* to which the firm relates must include customers or consumers and their interests should be placed at the same level of importance as the interests of the founders, shareholders, managers etc.
- c) *Organizational culture* must be based on the moral conscience of the members of the company, which requires compliance with a set of moral rules in the daily practice. Organizational culture is derived from the strategy of the company, organization charts and internal rules governing the daily work. According to Drucker (2008), the management of a company is responsible for the economic performance of the organization, but also for the good of the community in which this company carries out its activity (the good of the community shall mean the commitment for the public good, the acceptance of the values promoted by other institutions, etc.).

d) The management strategies developed by organizations shall be based on a humanist leadership (applied in the service of the community - *servant leadership*), i.e. on the socially recognized values.

There is still a lot of criticism regarding the rhetoric of moral capitalism and/or conscience based capitalism (Hanson, 2011; Thigpen, 2011).

In 2000, under the auspices of the United Nations, it was launched the initiative United Nations Global Compact (UNGC) by which it has been drawn a set of ten principles which must be complied with by the companies that are considered socially responsible (United Nations, 2000). More recently, in 2011, UNGC has launched the concept of *Lead company* (Global Compact LEAD) (United Nations, 2013), to reward companies that take commitments seriously and adopt auditing CSR instruments. In other words, in the knowledge society companies that are socially irresponsible and breach of certain moral rules could be penalized by the market and could reach the bankruptcy.

Access to knowledge for the great majority of individuals from a country should lead to a democratization of social structures. The manner in which the wealth shall be divided in an organization and/or a country condition the future access of individuals to knowledge and economic performance. Therefore, even with regards to the countries considered to be built on democratic systems, on universal suffrage and multiparty, we can see certain inequalities in the distribution of wealth. In a certain sense, such inequalities may affect the individual liberties which have been established under the auspices of the United Nations in the post-war era. The development of a moral capitalism requires new principles on education and individual responsibility. In addition, this implies clear and fair rules on the competition among social groups and particularly a voluntary assumption of social responsibilities by large corporations. As Vogel (2005) argues, assuming the application of CSR by large MNCs would be expected to lead gradually also to an ethical behavior and fair practices of other business organizations.

In essence, the basic ideas promoted by moral capitalism and/or conscious capitalism have been accepted at the global level since the 80s through the adoption of codes of conduct and the application of the CSR by firms. In our opinion, the central element for the improvement of a company's behavior in the market and in the community in which it is located consists in assuming some ethical standards and the annual implementation of CSR. Therefore, building a moral capitalism and/or conscious capitalism remains closely connected to the way in which an individual understands and assumes his responsibility and his behavior in the relations with others.

#### **4. KNOWLEDGE AND ETHICAL BEHAVIOR OF COMPANIES**

The ethical behavior of companies requires a direct involvement of the top managers that lead these organizations, but also of the opinion leaders and other various public institutions in order to support and promote the principles that are underlying the moral capitalism (Young, 2003). In our opinion, we believe that this objective can be achieved through the direct involvement of those who have the power *in the direction of the dissemination of tacit knowledge* within the organizations that they lead and outside them. In other words, the natural dissemination of explicit knowledge in organizations and outside them (about which we have discussed above in figure 1) is not enough for the democratization of traditional capitalism. On the contrary, the dissemination only of the explicit knowledge can promote/support the non-ethical behavior of companies and their orientation only to profit. This can be mentioned given the fact that some of the corporations who had an irresponsible behavior, in accordance with the words of Young (2003), will tend to acquire in time a certain know-how based on the tacit knowledge and which may be used in the selfish related to the interests of a small group of investors/managers. The dissemination of knowledge in a country and/or at the global level should lead to a more and more correct behavior of the MNC.

In order to work what we name knowledge society there is a need for new forms of government that states should use, so it will manage more efficient the knowledge and the economic results that

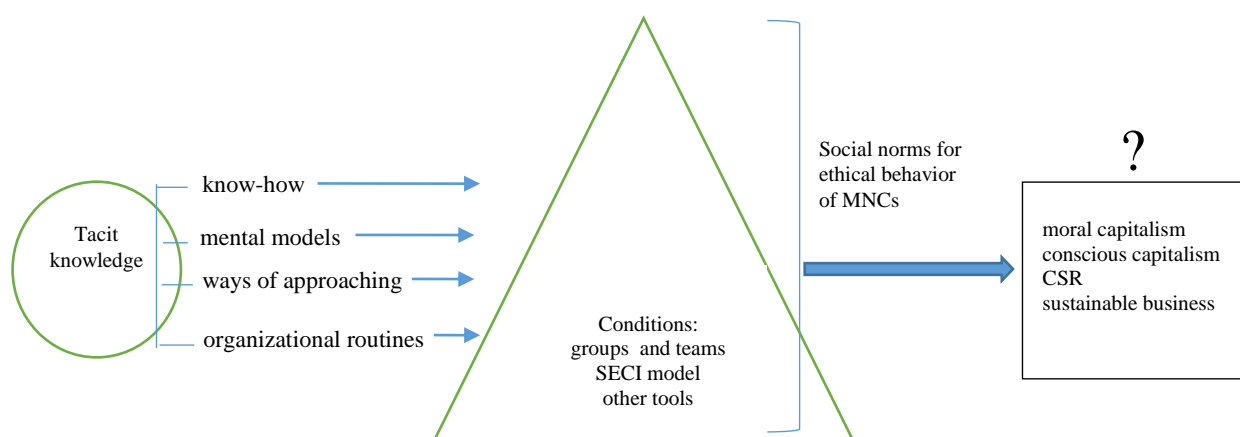
these generate (Innerarity, 2013). In addition, there is a need for forms of ruling that will strengthen the responsibility of the individual and will impose an ethical behavior for investors, managers and employees. This applies social/legal rules imposed by the state regarding the use of knowledge, but also the internal rules that are taken into consideration by each corporation/organization with respect to social responsibility and ethical behavior on the different markets. Given the hypothesis of the existence of both of some general social/legal rules and of certain codes of conduct in the framework of the MNCs, companies should assume explicitly the application of CSR (*Corporate Social Responsibility*), similar with some companies that have a strong reputation in the global economy, according to what Vogel has mentioned (2005). A limited number of exceptions regarding the behavior of the MNCs shows that the accumulation of more specialized knowledge may encourage non-ethical behavior and orientation toward the interest of a group. Knowledge in a certain area or more specialized knowledge and the know-how of an organization rely mostly on the tacit knowledge but the dissemination of the latter in organizations is a more difficult process that has been little understood until the present (totally different from the way in which the explicit knowledge is transferred, as we have shown in figure 1). There are four distinct types of tacit knowledge acquired by companies over the time (Lubit, 2001):

- a) *The know-how* based on technical skills of workers;
- b) *Mental models*, based on how we understand the cause-effect relationship and how we make abstractions;
- c) *Ways of approaching* and solving some complex problems;
- d) *Organizational routines* which refers to the regular behavior for R&D, procedures, innovations, production, marketing, etc.

As it is known, the dissemination of tacit knowledge in any organization encounters many obstacles. Anyway, the dissemination of this type of knowledge presupposes implies their conversion into explicit knowledge. The SECI model proposed by Nonaka & Takeuchi (1995) explains pretty well the tacit knowledge could be converted in explicit knowledge and vice versa when creating a suitable climate for socializing among members, for close relationships in daily practices and the orientation to a common goal. In other words, the process of dissemination of tacit knowledge in an organization requires a suitable leadership and does not take place unless it turns into explicit knowledge. There are several necessary conditions for the implementation of a strategy in KM that encourage the dissemination of tacit knowledge in a company. In the first place, it is mandatory to form groups and management teams that need to be motivated to learn permanently, to develop new relationships in their current activity, etc. Secondly, it is needed a certain type of organizational culture in order to implement SECI which will support the acquisition of knowledge and the innovation activity in the organization. We state that the most important aspect in the dissemination of tacit knowledge is given by the direct learning and the involvement of both, those who transfer certain knowledge, and of those who want to acquire a specific type of know-how.

In Figure 2 we present the necessary conditions that need to be met in order to allow the dissemination of tacit knowledge in an organization. In figure 2, we have emphasized by a question mark the purpose of the use of innovations/inventions developed by a company through the exploitation of tacit knowledge and the participation of knowledge workers. It is quite clear that no matter how good would be a CEO and his team, he cannot develop on his own innovations/inventions that would maintain the competitive advantage of the organization on the long term. In any company, there are needed skilled executives but also knowledge workers in order to maintain the competitive advantage. By the question mark in figure 2 we have emphasized four main issues which have been mentioned by us (moral capitalism, conscious capitalism, CSR and the sustainable business).





**Figure 2. Spreading of tacit knowledge within organizations**

Source: authors' elaboration

Depending on how the company assumes the goals marked through the question mark (in figure 2), it will implicitly focus on a moral or less moral behavior in markets and society. We consider that not the distinction between the four concepts would have a relevant major practice for companies but the goal/mission that an organization takes into consideration. In essence, it is about the ethical behavior of the companies in the markets and in the community and the deliberate assumption of social responsibilities by each business organization. The ethical or less ethical behavior of a firm and the implementation of CSR *rely essentially* on the values that the CEO and his team cherish. This aspect shows that is necessary to refer to the moral conscience for each member of the executive board of a MNC. Through moral conscience, the top management has the responsibility to balance the corporate good with the social good on the long term.

In a wider sense, the purpose targeted by a company is equivalent to the long-term mission that it states publicly. Therefore, the mission of the business organizations and the set of values that include them, have become an essential matter in the knowledge economy. The mission of the firms provides a common goal that should guide the managers and other workers efforts and should be ground on certain humanistic values. The humanist vision of the founders of Apple, as Steve Jobs said (Gallo, 2010), is the one that explains the company's success and performance in the global competition during the last decades. In the knowledge society, as Innerarity (2013) notes, the knowledge is no longer just a simple *economic resource*; during the past two decades the knowledge has become a social resource and, more important, it has become a type of "raw material" that each knowledge worker processes. We believe that it is obvious that the performance needs continuous learning for any knowledge worker in a company or other type of organization. That requires the voluntary participation of each person in the processes of training, qualifications, etc. The processes of learning for any employee is in a direct relationship with the values that substantiates the training/education of a person. Not coincidentally, mental models are one of the directions of action for *learning organization*, according to Peter Senge (2006). The processes of learning by any person/employee lead to the accumulation of explicit knowledge, but sometimes also to the accumulation of tacit knowledge. There is therefore an intrinsic connection among the processes of learning, the accumulation of tacit knowledge, the values a person believes and his ethical or less ethical behavior in the relationship with the others. Therefore, in a society dominated by the knowledge, technologies, IT and disruptive innovations the humanism, philosophy and ethical behavior have become essential reference points to prevent large social conflicts.

We do not have a complete and coherent model regarding the process of transforming the tacit knowledge into explicit knowledge that then are disseminate to other groups/departments within an organization. However, it is quite clear that this process is conditioned by the values of companies'

founders, managers and employees; the process itself has become an essential topic in a growing body of the literature on what we name knowledge-based firm (Burciu & Kicsi 2016).

A company that has an effective strategy in KM manages to increase the stock of tacit knowledge and its conversion (together with the explicit knowledge) in innovations and inventions and to gain competitive advantage. During the time, this process leads to a partial conversion of tacit knowledge in the explicit one which supports the dispersion to other groups within the organization. At the same time, a limited number of experts who may use the tacit knowledge for various purposes are developed. From this point of view, the formal/informal internal rules of the organization and the codes of conduct should entail an ethical behavior regarding the purposes for which the tacit knowledge is used by experts in any type of MNC in the global market. As we have suggested in figure 2, there is a need for social and legal rules entailed by the state and by the public regarding the ethical behavior and the implementation of the CSR by MNCs. According to the facts illustrated in figure 1, the tacit knowledge cannot be separated or disconnected by the explicit knowledge in the process of transformation into inventions and innovations. Therefore, the purpose, the objectives and the mission of MNCs have become essential issues in the post-crisis context. The dissemination of various types of knowledge in a society should lead to innovations, prosperity and democracy. However, it remains an opened topic the way it is realized the dissemination of tacit knowledge within the organizations, but also outside the organization and the purpose of the innovations and inventions based on such knowledge. Young (2003) states that the capitalism develops in different countries in the world depending on the culture or the values of their people and the values influence the behavior of the organizations and the goal followed by companies. When we talk about moral capitalism or conscious capitalism, we reach again to the moral conscience of the decision makers in companies and to the ethical or less ethical behavior of a company for a long period of time.

## **5. WE DO NEED A MORAL CAPITALISM**

The hypothesis of building a moral capitalism and/or conscious capitalism in the main countries of the world may look an illusion from the perspective of individualism found in the world markets. However, the absence of any step in the direction of the acceptance and application of ethical standards in the behavior of the MNCs in the global market may have a disastrous effect even against companies that ignore such requirements. In the context of the global crisis of 2008, some important corporations from the USA, Europe or Asia have reached the bankruptcy (examples: Lehman Brothers, Freddie Mac, Bear Stearns etc. in the USA; Fortis, Hypo Real Estate, Singer & Friedlander in Europe, etc.). In the same context, other companies in developed economies needed a direct support from the state (in 2009, the IMF has estimated that the total costs for the stabilization of the global economy have exceeded 4000 billion USD) (Lybeck, 2011). Therefore, the unethical behavior of some managers and MNCs can have a negative impact on the entire society. What pragmatic solutions may be foreseen? We don't have a comprehensive economic theory in order to understand the way that scientists, knowledge and technologies together influence the economic growth and the behavior of individuals (Canton, 2006). As we above mentioned is quite obvious that innovations and technologies lead to progress and social welfare but the ground on which the wealth is distributed among social groups is not necessarily balanced. Building a moral capitalism or a conscious capitalism can not be fueled without a humanist vision of the strategies developed by medium and large companies. Such a humanist vision requires primarily an ethical behavior of the investors, managers and employees.

The moral capitalism entails, inter alia, a balance with regards to the wealth of various social groups. Somewhat paradoxically, in a post-crisis context the number of those who are very rich has increased significantly in the global economy as compared to the existing situation before 2008. Thus, in 2011, according to the Credit Suisse (Freeland, 2012), the number of the millionaires in dollars has reached almost 30 million people at the global level; at the same time, the number of

those extremely rich having assets of over 100 million, has reached the 84.700 persons. Huge profits gained by multinational corporations, as Löpfe & Vontobel (2012) shows, are based on the low wages of the vast majority of workers. During 2010-2014 a significant share of MNCs profits have been gained in their foreign affiliates and then transferred to the parent company. Moreover, it is estimated that during 2009-2010, 93% of the revenues registered at the global level have returned to the first 1% of the richest people in the world (Freeland, 2012). The behavior of people and firms can improve, according to Young (2003), using means such as the CRT Principles (*Caux Round Table*) in business, namely:

- The company is responsible to its shareholders and all of the other groups of stakeholders;
- The company is responsible for the economic/social impact of its innovations on the environment;
- The organizational behavior must be based on law and confidence;
- The company must comply with a set of recognized moral and social rules.

As we can conclude from these aspects, there is an easy to deduce interdependence between the pillars proposed by Mackey & Sisodia (2014) and the principles of CSR mentioned by Young as a foundation of moral capitalism. In essence, the main concern regards the ethical behavior of firms, the application of CSR and their contribution to the public good. This also implies a voluntarily assumptions of some social responsibilities by each individual and executive in business. In order to acquire, process and disseminate tacit knowledge a voluntary and direct involvement of those who have a certain expertise in the daily relationships with other people in the organization is needed. Therefore, it can be noticed a clear interdependence between the process of transformation from tacit knowledge to explicit knowledge within an organization and the ethical behavior of the members that belong to that organization/group (both processes imply partially a voluntary involvement of the members and a certain involvement that is given by formal/informal rules).

The implementation of the principles of CRT in the daily activity of the firms/companies may be partially enforced by law and social rules. The conformation with certain behavioral rules and certain set of ethical rules depend on the education and values of the investors, managers and employees. Taking into consideration the application of a set of some moral rules in firm's behavior in any market can be beneficial over the time, because that can improve the public image and can support the long-term performance (Vogel, 2005).

In other words, the education and values that are promoted by the founders and managers of some companies have become essential issues in the knowledge economy. These values should be reflected on the long term in the mission stated by a company. Subsequently, the strategy and the organizational structure of certain companies that apply CSR in their daily activity will support directly the acquisition of knowledge and the involvement of the knowledge workers. Therefore, a knowledge based society creates a more favorable context for the ethical behavior of individuals because of the dissemination of explicit knowledge within various social groups. Thus, the diffusion of tacit knowledge in a company but also outside it and the way that this knowledge may contribute or not to the democratization of social systems remains a researchable topic.

This whereas the use of tacit knowledge should be governed by certain rules/laws that would require the achievement of a balance between social welfare and the wealth of corporations. Beyond the year 2000, as Vogel (2005) argues, there has been a more obvious social pressure to influence MNCs to assume publicly the application of CSR (this pressure comes from the public, the consumers, the employees, the investors, some NGOs, etc.). The companies that assume the application of CSR are not necessarily the most profitable in the short term. They could although be accepted faster by the public and this fact would bring larger revenues for the owners in the long term. In 2000 there were over 2000 companies worldwide, which have conducted codes and issued yearly reports regarding the CSR practice (Vogel, 2005). The trend regarding the interest for CSR and the implementation of codes of conduct by MNCs increased over the last decade. There is no

certainty when we speak about values, social rules and the current or future behavior of some social groups.

As it is known, during 2008-2010, *The Capital* by Marx has been reprinted in almost all Western countries, sometimes even in luxury editions. What can we conclude from this *de facto* situation? Some of the effects of the global crisis were reflected more severely on the poorer social groups. Therefore, to some extent we could understand the questioning of some of the principles of traditional capitalism. The ideological dispute between capitalism and socialism seems that it has not been completed as the Cold War ended, according to the anticipation of Fukuyama (1992).

The innovation and knowledge based economy creates wealth and prosperity but it also creates power at the organizational or country level. The way the corporate or political power is gained and used remains a topic of analysis in sociology and political science. The access to education, knowledge and innovations for the majority of the citizens from a country should lead in time to a democracy of society (Innerarity, 2013). The process of democratization does not take place automatically or implicitly within a social group because it depends on the hierarchies that result from the exertion of power. The dissemination of explicit knowledge may take place even in autocratic countries but this dissemination won't lead to democracy.

In order to understand the full relationship between knowledge based democracy and the social progress of a country or organization there is a need for a more detailed research on tacit knowledge, and especially on the way in which this type of knowledge is acquired and disseminated within an organization. We believe that the whole process of creation and exploitation of tacit knowledge, as it is explained so far in the KM literature, has become an issue of great importance for political decision makers and for the managers that lead large MNCs.

## 6. CONCLUSIONS

In a knowledge based society we should witness to a democratization of social structures, to a reduction of disparities between those who have the power and the others and to the flatness of traditional hierarchies. During the past two decades knowledge has become a resource or an asset that can be analyzed from several perspectives (sociology, politics, psychology, economics, IT, KM, etc.). Our point of view has been developed according to KM perspective on knowledge, which suppose a clear distinction between the explicit knowledge and tacit knowledge. In this regard, up to now we know few aspects on the tacit knowledge of individuals, how they think and how they shall filter the major values that will drive their behavior in the relationship with the others.

In order to understand and explain inequalities in the nowadays knowledge economy and knowledge society primarily there is a need to understand the values which the employees, managers, investors and other economic actors treasure. Education, learning and access to knowledge should lead over the time to the consolidation of a most equitable capitalism as regards the distribution of wealth and prosperity among different social groups. It still remains an open topic of analysis and reflection the manner in which the access to the tacit knowledge and the dissemination of it is taking place. The more so the purpose for which the tacit knowledge based innovations/technologies are used remains an aspect that should be governed by some clear social rules known to all members of the society.

Among other conclusions, we want to emphasize that the access of a greater number of individuals to knowledge does not necessarily lead to equality of chances and democracy, even in countries that are considered to be of a democratic tradition. On the contrary, when the social norms favor the orientation of the companies only to gain huge profits during a short period of time major crises and tensions among the social groups which are directly involved in the creation of the wealth in the capitalist countries could be triggered.

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