

# THE MODELS OF THE ETHIC CODES AND THE SPECIFIC OF THEIR APPLYING IN SOME DEVELOPED COUNTRIES IN THEIR INTERNATIONAL BUSINESS

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## **Abstract:**

*Along with increasing of employees and turn-over it appears the necessity of formal and official regulation of the behaviour in the company. Though it is called Code or not, it is a unilateral juridical act given by a leader or Administration Council for a business firm.*

*At the international level, the organizations know the important of the ethic behaviour. So, the majority of the company with export-import activities created their own ethic code which establishes how the employees and managers behaviour correspond the values of organization.*

**Key words:** *ethic, the ethic code, the ethic in business, the moral well*

**JEL Classification:** M20

## **1.1. What is the ethic Code?**

By historical and cultural reasons, the Americans and the Japanese were the first who imposed the ethics codes for the firms, companies or different callings. Their contents are different by the European ones for the American juridical system reasons and the communitarian Japanese spirit. At the end of the 20<sup>th</sup> century in concordance with a study elaborated by the Centre for Business Ethics, there are given the next results beginning with Fortuna 1000 sample: 93% by firms had an ethic code in USA; in the same period, 77% by firms are guided after an ethic code in Japan while in Europe 50% from the big company are leaded by the “ethic texts”- 71% in Great Britain, 62% in France, 35% in Germany<sup>1</sup>.

The ethic code is a written document which refers at the values, norms and behaviour of the employees of the enterprise or the company which must follow them<sup>2</sup>. In a tacit way, especially in small groups and in the firms with a small number of employees, there is an informal level of the ethic understanding and a moral consensus between the fellows about the “minimum moral” in behaviour.

A synthetic concept accepted by the English, Americans, Germans, Japanese and French specialists is: the ethic code is a written document what enounces and enumerates the values, norms and types of conduits which enterprise, firm or company want to see applied both in indoor and outdoor.

I think that a thing what must be considered permanently in an ethic code projection must be its functionality and its efficiency. One side, the ethic code must be operable and easy to use. It must be created like an instrument of decision for each level of decision, from a simple employee until the members of the Administration and Stockholders Council. In the second, the applied of the ethic code must be visible in the real results. The ethic code must let a trace! But that, ethic will be considered a caprice, an inutile thing; a lost of time, a lost of the human resources, or, worse, something undesirable. An ethic code bad constituted can compromise the professional ethic idea or ethic in business.

<sup>1</sup> Jerome Ballet și Francoise de Brz, *L'entreprise et l'éthique*, Editions du Seuil, Paris, 2001, p. 372

<sup>2</sup> I concordance with the organization, these rules have evocated names: The ten commands – Renault

## 1.2. The role or the functions of the ethic code in business

The principal functions of an ethic code are:

### 1. A component of the organizational culture:

The ethic code formulates in written the ideals, values, principles and moral norms considered desirable in institution, and in the same times it promotes and cultivates these values inside the members of the institutions. Another scope of the ethic code is to create an adequate moral climate in the institution.

The scope of the code and the ethic is to create an adequate medium for developing the people and to evolve their professional activities.

Also, the code must formulate a hierarchy of the important groups of interest: it must be imagined to defend the interests of all the groups and the beneficiaries, the shareholders interests, of the managers and the administrative system, of the employees, of the institution in its ensembles; the person is put beside the institution in the conflicts between him and the institution. The first it must put: the fundamental rights of the human, dignity and psychological integrity of the person and then the image of the institution. The ethic code is oriented through the needs of those whose interests are sustained.

### 2. Instrument of decision

Since adopted moment, the ethic code becomes a reference in taking the decision beside the law and rules.

So, it must eliminate the ambiguities, it must determine a order of priority for conflicts between the ethic principles or in case the conflict between the ethic principles and laws or inside rules, it must determine clearly the sanction for errors, it must be known by the certified groups, it must make public on the institution web-site and promote and define at the employees level (through trainings, debates, workshops or seminars etc., in concordance with the institution dimension and culture).

### 3. Instrument for prevent and solve the moral conflicts (the instrument of decision in management of the conflicts and of the crisis)

In this scope the ethic code must identify all the groups of interest and possible conflict rapports between these, it must identify the sources for the moral conflicts (the different situations of interest conflict, absence of communication, situations which created the abuses etc.) to eliminate or to offer the instruments for solving the conflicts, it must offer some concepts-instruments well defined which can permit to identify the conflict relations and to diagnose the ethic conflicts.

### 4. The management instrument of the human resources

The ethic code must function like a decisional instrument beside the rapports between the institution and employee; must guarantee the rights and equitableness in: employing, promoting, rewards, eligibility, access at the funds and resources.

### 5. The marketing instrument

An efficient ethic code must action not only in concordance with the people (groups) inside the institution but in concordance with the rapports between institution and other ones.

## 1.3. The model of ethic codes in business

In a study realised in period of 2001-2004, called “**Management**”, a French magazine, over some global groups, it was identified “*The top of 10 management instruments*”. In this top, the eighth position is kept by the ethic codes, the most efficient instruments for orientation of the employees’ behaviour.

The results of this search demonstrate the importance of the ethic codes for efficient the activity. Using in the current mode, the ethic codes permit to the managers to identify these undesirable compartments and to correct them.

The ethic code has a major impact over the behaviour in the organisation and over the taking the decisions<sup>3</sup> because:

- It orients the employees to solve some problems and shows the character of their actions beside the received sanctions when the ethic code is violated;
- It permits the groups to function on the moral standards base.

The deontology code establishes what is good and what is wrong for controlling the employees' behaviour. So that it is a possibility to develop a strong organizational culture based on the correctitude and responsibility besides the employees, clients and society.

At the international level, the organizations know about the importance of the ethic behaviour. So that the majority of the export – import companies create the ethic codes which fix the measure when the employees and managers' behaviours correspond to the organization values.

For example **Matsushita Electric** created since 1933 a behaviour code based on the next value:

1. contribution at the general welfare through a sustain work;
2. correctitude, harmony and cooperation; aspiration for progress; difference and the modesty; accord with the natural law;
3. the gratitude spirit.

The **Ericsson** Company gives a form to the future of the mobile communication and a wide-range Internet, being a leader in the technology. With assuring the innovation solution in more than 140 countries, the Ericsson Company helps to create the most powerful communication companies in the world. The business ethic code has the next points:

1. A letter from the President
2. Our guide principles
3. Our responsibility for executing the precognitions
4. Inform about the rules contraventions
5. Treating respectfully the employees and protect the human rights
6. Respect the laws, rules and regulations
7. Communication and information about the financial details
8. Tackling the interest conflicts
9. Protection and using of the company goods
10. The information protection
11. Protecting the environment
12. Our collective obligation in quality of the responsible citizens

**The ethic of the European management** is the science what treats the behaviour and the conduit of the human<sup>4</sup> which activate in an organization frame, especially of the managers. These can be analysed from points of view of three sciences: Sociology, Management and Ethic.

Beginning with the second half of the 20<sup>th</sup> century appeared in the Occidental Europe a new tendency in the development of the society: enter the standards and the ethic norms in management. Although, in some European organizations still take place unethical actions like corruption and graft. So that, the activity of recruiting the employees and the managers do not follow only choosing the well trained people but and with distinguished abilities and with an immaculate moral.

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<sup>3</sup> **Lewis C.W., Gilman S.C.**, „*The Ethics Challenge in Public Service – A Problem Solving Guide*”, Jossey-Bass, A Wiley Imprint, San Francisco, USA, 2005, p. 192

<sup>4</sup> **Petrescu I.**, "*Management european*", Ed. Expert, București, 2004, p. 57

**The Ethic in USA** During the '70s, 11% by the biggest American firms were involved in graft actions, malversation, the illegal contributions, tax evasion. Though, the American society is characterised through existing some legislative packets well realised which sanction the unethical behaviours. Also, the American enterprises are those which give a more importance to the ethic norms and to their respecting, fixing the conduit codes to be respected by all the employees.

Between all the ethic systems, the utilitarian theory characterised the American business people<sup>5</sup>. The utilitarian judges and action after the largest utility which can be produced (the best for the most number of people). So, a correct action is that what produces the largest profit or a net advantage than any possible action.

Roger B. Smith, was a president and executive manager at the General Motors, and affirmed "to practice the ethic means a good business"<sup>6</sup>.

**The Japanese Model** is individually beside the others because it becomes from the Confucianism philosophy which is essence of Japanese managers thinking and behaviour. It promotes the value and: harmony, loyalty, rightful, behaviour based on the polite and discipline.

The principle of the harmony and justice are in the business ethic through the communitarian mentality which presume the faith of the firm staff to format a great family, and the leader is considered a father. The loyal obedience and listening represent the central values in the professional and management ethic. The professional promoting is in concordance with the personal loyalty and age in work but and more and more professional virtues.

Comparatively with the American and European model, the Asiatic model is characterised by<sup>7</sup>:

- *a great distance beside the power* (each has his place in society, the equality of the role, the dependence between the people);
- *a powerful avoid of the incertitude* (needing of consensus, interest beside the security, an interior impulse for industry)
- *a weak individualism* (the first, involving the people in the organization is moral, the organization influences the welfare of its members);
- *an accentuate masculinity* (the roles are defined clearly, dominating the men, the performance is important).

Searching about **the business ethic in the Romanian firms** was realised rarely. So, we can identify a series of the elements what characterised the Romanian society and, especially, the economic business.

In Romania it is difficult to say that is an ethic in the business, because many times were evidence corrupted actions and frauds in business with the state. Also, the corruption is spread at all the levels and affects the image of many state or private institutions. There are often the situations when the Romanian firms do not respect the foreign or Romanian partnerships and they do not respect the contractual obligations. Also, it was demonstrated that through the unethical practice of some dubious contracts, the Romanian private firms and their managers or leaders of the state institutions obtained a lot of money or different goods, affecting abroad the image of Romania.

A small number of Romania firms are consciences about the importance of organizational culture and the ethic to obtain economical performance and in the difference beside the concurrencies. Less applied an ethic code in different

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<sup>5</sup> Ionescu Gh. Gh., "Cultura afacerilor. Modelul american", Ed. Economică, București, 1997, p. 207

<sup>6</sup> Charles T. Horngren, Gary L. Sundan, William O. Stratton, Howard D. Teal – "Management Accounting", Editura, Prentice Hall Canada Inc., Ontario, Canada, 1996, pag. 21,23

<sup>7</sup> Ionescu Gh. Gh., Toma A., "Cultura organizațională și managementul tranziției", Ed. Economică, Bucharest, 2001, p. 129

appeared situations. So that, there is not an accentuate preoccupation for creating behaviour codes in the organizations.

Generally, the private firms, leaded by the trained and interested managers, intensified the efforts for creating an ethic medium and for leading the business after the moral values and norms. The transnational firms, through branches opened in Romania, are distinguished for the interest for organizational culture, the ethic in business, the managers and employees' behaviour, the correct practice for recruiting the staff and for motivating and awarding them.

It is necessary to make some measures for cultural changes. The acclimate process at the market economy leads at a great diversity of experience at the organizational and managerial level.

Nowadays, many Romanian managers miss the following characteristics: the managerial knowledge, the market knowledge, the ethic values and behaviours. It must accentuate the developing of the managerial abilities and trainings, like key-factors for assuring some successfully organizational changes.

The Romanian managers must to consciences that the start point for fixing the ethic behaviour is the organizational culture, through are transmitted the information about the desired ethic climate. The firms which are characterised with a positive and powerful ethic climate fixed the clearly desires for its members. So, there are characterised premises for increasing the impact of the organizational culture in the performances.

In the society life is a close interdependence between the subsystems which form it – political, economical, social and moral. So, in the transition process the Romanian economic crisis coalesce with the moral crisis.

So, the solution to exit from the economical and political crisis of the Romanian society is represented by the returning at the moral values and their promoting in all social medium through all the ways. In Romania, the first reform which had to be done was not the political and economical one, but it must be done the moral reform through promoting a system of values with a high moral and ethic standard. In present, the strategy promoted by the political forces to gain on the economical crisis should consider this interdependence between moral and economical medium.

Owing to a set of questions applied at around of 20 firms from Câmpulung Muscel, having 100 respondents, I concluded about the immoral actions in the business, about the actions which must lead those firms or maybe the Romanian business to the ethic standards.

The immoral actions practiced in business:

- Express the critical opinion for the other companies – 22.86%
- Covering the work mate errors – 34.29%
- A differential recompense of the staff – 34.29%
- Expressing the critical opinion for the proper company afore the other exterior people – 51.43%
- Using the resources of the organization in the personal scope – 71.43%
- Recruiting or selection the staff on the family or friendly reasons – 74.29%
- Minimizing the work mate performances – 77.14%
- Assuring the information about the company where they work – 91.43%

The majority who answer at my questions are from the departments responsible for elaborating and implementation the ethic strategy (management). To get up the ethic standard of the business, the respondents of the questionnaire indicated necessity at an ethic code so that to regulation the managerial practice.

The actions for getting up the ethic standards of the company:

- Existing a position in the company – (the ethic officer) – 5.71%
- An ethic code for regulation the management practice – 74.29%
- The staff participation at making the decisions – 37.14%
- Reducing the pressure over the staff – 28.57%
- Including the ethic in the business like a theme for managers trainings – 74.29%

The searches in the business clearly evidence the majority of the firms are “in the running after the profit”. This kind of vision presumes and assumes the disaster consequences after the unethical actions. This is the reason to appeal to the ethic code by the numerous firms so that to assure regulation of the activity and the behaviour both for the company managerial group and for its employees to evolve a good organization activity.

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