

# THE ROLE OF BUSINESS ETHICS AS AN ACADEMIC SUBJECT

CHRISTINA ANDREEA MIȚARIU

CHRISTIAN UNIVERSITY "DIMITRIECANTEMIR" TIMIȘOARA, christinamitariu@yahoo.com

## **Abstract:**

*Business ethics attracted public attention with the degradation of values at the end of the 1970s and it became an academic discipline in the early 1980s. White collar delinquency has proved to be a worrying phenomenon, be it fiscal fraud, eluding the law or fraudulent use of unlicensed IT programs. Ethics has appeared as a natural consequence of modernity and out of the conviction that economic liberalism needs "breaks". A possible lack of these "breaks" would cause serious damage. As Rousseau stated, Romans practiced virtue for a long time, yet when they started to study it all was lost. The same may be said about business ethics. At present, company ethical issues are so complex and imply such contradictory parameters that idealism should be put into a perfect balance with pragmatism. Business ethics is the basis for the formation of responsible behaviours, it projects a sense of justice and it builds the company's reputation. It is a way to make the personnel and the clients loyal and it presupposes complying to the law and respecting various norms, being the basis of any type of business.*

**Key words:** *Business ethics, responsible behaviour, norms, business.*

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Business ethics is a relatively new academic subject aiming to clarify the issues of moral nature that frequently occur in the activity of economic agents from a capitalist society. Broadly, ethics is the basis on which all our relationships are built. Specifically, it sums up the ensemble of rule that we apply in the relation with the employer, the employees, the colleagues, the clients, the subordinates, the providers or the other competitors. The main purpose of ethics is not the relations we have with other people, but the quality of these relations, *the strings* that pull them together.

Business ethics has become a concern in many areas of the world, as a reaction against the immoral practices with negative effect on society, but also as the awareness of the need to comply with the moral rules in the economic field as well as in the everyday life. Mainly the Greek ethics and morality set vital connections between moral kindness and beauty, thus starting the basics of European ethics, aesthetics, thinking and behaviour. The purpose of the ethical undertaking is morality.

Ethics' mission is not only to expose the theoretical aspects of morality, but also to constitute a real practical guide in directing and improving society's moral life. Ethics role is to help people and institutions make the right decisions about what they should better do, on what criteria to base their choices and which are their moral motivations in their actions. Some consider ethics, as a science, does not have utility because it has a normative feature aiming at the people's behaviour, without the ability to really influence a real conduct. *Schopenhauer* considered that one could not become a moral person only by simply knowing moral concepts, as well as one could not be an artist only by knowing aesthetic principles or a poet by knowing poetry. One does not become better just by simply knowing ethic principles, but this acquired knowledge can certainly help him/her to protect from the bad things one may cause others or himself/herself. Generally, ethics aims at finding the truth, setting the moral sources, at exposing the moral deeds, analysing the ethical sense and the moral conscience, shaping the moral ideal, distinguishing between good and evil, etc.

The acceptance of the human rights as an essential aspect of morality, political development and personal and community prosperity does not represent a consensus among theoreticians. The Marxists, for instance, attack these issues from the relativist and social progress perspective. They insist more on the positive ones (the right to work, to paid leave) and operate with other categories of other universal rights, based on the principle of dependency of the rights on the development of the production relations and the abolishment of private property (the liquidation of exploitation and inequality among people).

The frequent objection against the rules frame focused on the person's rights refers to the fact that it accentuates selfishness and the lack of responsibility towards the others. In other words, we may state that the individualism promoted by liberalism is unethical. However, such an objection cannot be sustained. It is wrong to consider that the liberal individualism focused on rights is incompatible with responsibility, when each right that a person has is limited by the same right of another person. *Each person's freedom has only one limit: another person's freedom.* **The central issues** of morality are the following:

- What should one do (what would be better, right, correct, and honest)?
- How should one judge the others and oneself?
- How should one treat the others and allow to be treated by the others?
- What purposes are worth to be pursued in life?
- What is the best way of life?
- What kind of a person should one be?

Thus, the role of ethics is to help people make the correct decisions on their actions, to build a set of stable principles and to become aware of the moral motivations in the actions they carry out.

**Business ethics represents the basis of forming responsible behaviours**, designs integrity and builds company reputation. By helping to build the loyalty of the personnel as well as that of the customers of a business, it represents more than the compliance with the legislation.

Many times, the ones that see the relation between ethics and the world of business from the outside, as simple audience of the economic life, are sceptical regarding the promotion of the "business ethics" concept, mainly because they determine an incompatibility between the two concepts. From a simplistic perception, morality and the business world are in an antagonistic relation, where values like honesty, loyalty, hard work, altruism cannot be associated with greed, cynicism, selfishness, corruption, hate for the laws and people.

This type of perception is preserved by a certain type of ignorance, sometimes intended, of those who label all the entrepreneurs as being dishonest, corrupt, selfish, insensitive and especially "shamefully rich", without even trying to understand that no all the business people belong to this category and that many of them unfold a very stressful and responsible activity. Unfortunately, *mass media* maintains these clichés, giving the public sensational news and stories, with strange characters, huge frauds, plundered banks, scandalous bankruptcies, suspicious privatisations, fake tenders, tax frauds, dangerous products for consumers' lives and health, ecological calamities, etc. It is also true that nowadays Romania offers many such scandalous stories. Corruption has reached alarming shares and the millionaires' top praises many large estates that have been acquired under more than suspicious conditions. A research performed by the World Bank shows that 51% of the Romanian companies offer bribes in order to ease their business, this being a very high percentage compared to the companies of the other states from Central and Western Europe, where this percentage is around 20%. The conclusion would be that, under these circumstances, almost 4% from the annual revenues of the companies represents money directed to bribery.

Thus, the endeavours of a large number of anonymous entrepreneurs are even more important in such a climate, who strive to do honest and profitable business, which offer work places and regularly pay the taxes to the state budget.

That is why the solution for overcoming the economic and political crisis of Romanian society is: the return to the healthy moral values and their promotion in all the social environments and through all the means available. In Romania, the first reform that had to be done was not the political and economic reform, but the moral reform through the promotion of a healthy value system with a high moral and ethical standard. Currently, the strategy promoted by the political force in order to overcome the economic crisis should take into account this interdependence between the moral and economic environments.

P.V. Lewis defines business ethics as being *"that set of principles or arguments that should govern the business conduct individually and collectively"*. According to Lewis' conception, business ethics delimits its issues at the level of the moral conduct rules, which show the economic agents what they should and should not do in their specific activity.

Another interesting definition is given by Laura Nash who claims that business ethics *"is the study of the manner in which personal moral rules apply to the commercial activities and company purposes"*, and Andrew Crane identifies business ethics with *"the study of the business situations, activities and decisions raising problems related to what is good and what is bad from a moral point of view"*<sup>1</sup>.

David Murray, in his study *"The 7 Essential Values. The SMEs and their beneficiaries"* identified 7 essential values that a company should consider, through its managers and its employees, in order to ethically unfold their activities, as follows: **consideration** - *towards the others*, **supervision** - *in order to preserve the ethical standards*-, **creativity** - *in saving resources and protecting the environment*-, **client service** - *as good as possible*-, **correctness** - *towards the providers, the beneficiaries, the hired personnel, the associates, the community*-, **transparency** - *eliminating the lie in the communication with the partners, the clients, the providers, the hired personnel, the state bodies*- and **interdependence** - *towards the community one lives in and unfolds the activity"*; as well as 12 moral challenges in the business life: *"appreciating labour dignity, good business relations, impeccable client services, the morality of the purchases, of the competition, treating the personnel with dignity and respect, the fair remuneration of the personnel, the compliance with the laws, the protection of the environment, unfolding business activities without the use of bribes, the preservation of business honesty, survival in case of major changes"*<sup>2</sup>.

Inevitably, questions like the following occur eventually in the mind of each individual: *"Why should one be moral?"* and *"What does it mean to be moral?"*. The majority of the authors concerned with the ethical aspect consider that in order to be moral in all one does, one has to fulfil only two conditions:

- firstly, one has to know what to do or, in other words, one must have the necessary judgement to differentiate without failure good from evil;
- secondly, one has to be willing and able to act according to the ideas created related to good and evil.

It is understood that good is the basic pillar of ethics, as well as that the practical shape of good implies the presence of other values such as *justice, courage, honesty, friendship, kindness, altruism*, etc. However, the theoreticians separated into opposed teams when they tried to answer questions such as: *what is good and evil? what is*

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<sup>1</sup>Crăciun D., Morar V., Macoviciuc V., *Eticaafacerilor*, Ed. Paideia, București, 2005, p. 12.

<sup>2</sup> Murray, D., „Cele 7 valori esențiale. IMM-uri și beneficiarii lor”, within the international conference "Business Quality and Integrity", October 1999, Tg. Mureș, supported by "OSANA" Foundation.

*justice? what is courage? honesty? when and to whom should one shown friendship, kindness or intransigence?* All these difficult questions are primordial in ethics and their solution implies philosophical reflection - the only instrument one has in order to identify and solve as well as possible these essential issues of each rational individual.

Starting from one of the fundamental questions: *"Why should one be moral?"*, we remind that Aristotle claimed that the development of ethical virtues was in the benefit of each of us, because only the virtues, specific for the virtuous person, led to a true and deserved happiness - the purpose or the supreme good of human existence.

From a utilitarian perspective, morality is in everyone's benefit because the moral decisions and deeds lead to maximum happiness (pleasure) of many people. Aristotelianism proposes a **teleological approach**, based on good = happiness as a final absolute purpose. The utilitarians give a consistent vision, according to which what matters in the ethical evaluation of our deeds is not the intentions that have generated them, but only the results that they have.

Immanuel Kant's theory differs entirely from the previous ones. In Kant's conception, whatever the benefits, the consequences of our deed do not have any moral value if they are the effects of accidental gestures or if we commit them animated by selfish reasons and intentions.

**For Kant, the intention and not the consequences of the deed counts in order to set its moral value.** Nevertheless, what kind of "intentions" are these? The individuals are driven by all types of motives and pursue a great variety of purposes. Which of them is truly valuable from a moral point of view? **Aristotle and the utilitarians claim that the supreme purpose of all the people is happiness**, but each understands happiness in his/her way, according to his/her native qualities or flaws, education, family and social environment, life experience and, last but not least, luck or bad luck.

Kant does not deny at all the natural tendency of individuals to be happy or their right to try to obtain it. He criticises the fact that a moral theory and practice may be built on the tendency or natural inclination of individuals to pursue happiness.

As logic and mathematics are not built on the observation of the concrete manner of thinking of different individuals, but only deductively, starting from obvious principles, **ethics cannot be a description of what different concrete individuals think and believe *de facto*, but it must clearly justify a coherent rule system that any person, as a rational being, should understand, accepting the need to practice them.**

Konosuke Matsushita (the creator of Panasonic brand) stated at the beginning of the 20<sup>th</sup> century that: *"The mission of the business person is to conquer poverty, to free the society from promiscuity and should bring well-fare. Business and production have the purpose of enriching not only the shops and the factories of the respective company, but also the entire society."* He stated that the company was forced to obtain profit because part of it was allocated to the company through the payment of taxes and fees; thus, it is the businessperson's duty, as a citizen, to obtain a reasonable profit. Nevertheless *"the reason of business is, of course, to make available good quality products and at reasonable prices in order to meet the needs of consumers. This point of view is representative for the modern vision regarding company responsibility"*<sup>3</sup>.

Social responsibility is considered as being the strong obligation of a company, beyond its legal obligations or the ones imposed by the economic restrictions, to aim at long-term objectives that are useful for society. The company is considered responsible not only towards the owners (shareholders), but also towards to the clients, the

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<sup>3</sup>Popa, I.; Filip, R., *Management internațional*, Ed. Economică, Bucureți, 1999, p. 257.

providers, the employees, the governmental bodies, the creditors, the local communities, the public opinion.

The famous British author, Elaine Stainberg, emphasised that "*business ethics is not a temporary trend*"<sup>4</sup> and justified this opinion through the fact that the influence of private companies on the entire society had never been stronger. Similar to the western countries, in Romania, the privatisation programs have made numerous enterprises in the property of the state for a long period comply with the efficiency and profitability requirements of the private sector. The morality of the measures taken by the managers (massive firing, unfair remunerations of different categories of employees) has been strongly debated by the public opinion, raising strong debates on the essential objectives that must be considered by the commercial enterprises: do these aim at the general well-fare of the society or serve first of all the interests of the shareholders? The collective public mentality has significantly changed in the last decades. If initially, the philanthropic actions of business people were purely voluntary and according to each one's generosity, in the last two decades this aspect has entered the sphere of mandatory actions, bearing the name of "social responsibility".

The increase of the interest in the business ethics is determined by the change of the business nature from the last decades, in the context of globalisation. Through the cross-border opening of a large number of companies, new problems implicitly occur that are more complex, considering the multinational and multicultural context.

Currently, the universities have included in their curricula business ethics courses, inspired by the American textbooks and focused on the studied specialties.

Business ethics appeared around the middle of the '80s, as an academic subject, as well as a practical field of interest. Its academic maturity is proven by the numerous course, publications, journals, professional or educational associations. The first business ethics department was founded in The Netherlands, at Nijenrode University, The Netherlands Business School, in 1984; after which numerous other courses were initiated all over Europe. The European Business Ethics Network was founded in 1987, and in the first 7 years, it gathered over 500 members from the academic and practical fields. The first academic research centre was created in 1987 at the London University – Institute of Business Ethics (IBE).

Between the European ethics and the North American one there are many similarities from the "thematic" point of view, the most debated case belong to the fields: environment management, human resources management, product quality, marketing practices, financial products, accounting techniques, commercial transactions etc. A special attention is also paid to the organisational culture, the moral climate and the development of the codes of conduct (ethical).

There are also differences between the two areas, especially regarding the manner of understanding and solving the ethical issues. In Europe, the individual's responsibility in a dispute situation is analysed together with the collective one, the social being better emphasised (in fact a feature of many national economies in the European countries).

The interest in business ethics has increased very much in the last few years, partly due to the influence of the United States, but also to the numerous corruption scandals or the ones related to the failure to comply with the social responsibilities of certain companies.

As an academic subject, business ethics is currently studied at all the *business* schools, inspired from the American books and the European reality. In addition, it is also present in the doctoral and master study programs.

The institutionalisation of the business ethics acknowledgement was achieved through the setup of the first business ethics and social responsibility department in

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<sup>4</sup> Sternberg, E., *Just Business. Business Ethics in Action*, Little, Brown&Co London, 1996, p. 26.

1993, at the London Business School. The same university also has a research centre in the field of business ethics. Numerous religious circles and institutions play a very important part in the promotion of business ethics, such as the Christian Association of Business People, the Jewish Institute for Business Ethics or the "Faith in business" Anglican church program.

Cambridge University also has a Centre for Business Ethics and Public Sector. The Management Institute, which cumulates almost 70000 individual members and 800 companies, drew up a new "Code of Conduct and Managerial Practical Guide" in 1993. A recent research performed by IBE on a sample of 500 large companies showed that almost 40% of them have a code of conduct.

From the experience of the last century, we may easily notice that the crazy pursuit of fast economic profits leads, most of the times, to disastrous consequences and that, in the absence of ethical principles, science may produce beneficial miracles for humanity as well as disasters with enormous consequences.

Only through an accurate diagnosis of the problems and a mature assumption of responsibility, we may pursue a more civilised, more humane and respectable society, where the sufficiently solid business environment may develop in order to allow the future generations to look confidently into the future.

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