

BUSINESS ETHICS AND THE SOCIAL CORPORATIVE RESPONSIBILITY

PhD Matei Şimandan

“Aurel Vlaicu” University of Arad, Romania

Faculty of Economical Sciences

Abstract:

This article approaches a current theme for the economical and business organisations in Romania, confronted with the demands imposed by a functional market economy. The first part discusses the aspects proposed by the application of a code of good practices in the field of business and the necessity of forming certain ethical behaviours in this field. The following section focuses upon the social corporative responsibility from the perspective of business ethics, with distinct reference to the way in which they function in advanced economies. The following part discusses the means of receiving and implementing certain codes of ethical conduct and of comparative responsibility at the specific of Romanian economy. Through the comments and conclusions formulated, the article suggests certain ideas which could contribute to the improvement of the study programs of the students at faculties with economic profile in our country.

Key words: ethical behaviour, organizational culture, social responsibility, interested groups, social performance.

1. Business ethics and the levels of approaching it

As a form of applied ethics, business ethics incorporates the array of moral rules and regulations which regards the conduct of agents in the economical and business activity, both at an individual and collective level.

Ever since it emerged, business ethics has generated some of the most controversial debates. One direction of this debate regarded the way in which the way is which one has created the junction between the philosophical concepts of general ethics in the field of economy and business, and, respectively, the confluence of business with ethics. From this point of view, theoretical research consecrated the concept of “business ethics”, which reveals the association between the ethical endeavour and the practical field of the economic life and business. Starting from this statement, business ethics refers to that motion within the economical organization which proposes the construction of a system of ethical regulations under the form of certain codes of ethical conducts, which envisage both the level of management structures and that of the employees (cf. Crane and Mattern, 2004; Crăciun, 2005; Morar, 2006; Şerban, 2012).

If, in the first case, the obligation of the corporate managers as employees of the stock owners have the duty of serving latter, without getting involved in community projects, in the second case social responsibility constitutes a moral notion which incorporates both elements of individual ethics (honesty, reciprocity, mutual interest, use etc.) and the existence of certain moral

availabilities which should characterize the functioning of corporations as economical and social entities.

Another direction of debates focused upon the terminology used within business ethics. This time, the foreground saw the emergence of aspect connected to the distinction between ethics, as a field of moral and philosophical reflection, understood as an array of rules and regulations which regulate the social behaviour of individuals. In R.C. Solomon's interpretation (2006), for instance, one talks about the individual character of the moral in relationship to the social norms which regulate human behaviour as opposed to what is good and what is bad. This approach leads, on the one hand, to the analysis of certain types of morality and immorality separately, the study of business practices, clarifying uncovered suppositions from an ethical perspective in the sphere of businesses or the extension of the regulations and principles of ethical behaviour at the level of economical entities such as the corporations. On the other hand, the enterprise mentioned above stimulated the preoccupations regarding the regulating aspect and the array of regulations which ensure the functioning of every social action. Thus, while the regulations base themselves on collective values and criteria which regulate individual and group actions, the regulation consists in stating the rules which satisfy the need for organization, regulation and leading of the process of accomplishing objective socio-economical purposes.

The third direction of debates regarded the levels of approach and functioning of ethics in business. After a careful observation of the practices which are developed in the sphere of business, Bowie and Duska (1990), Mullins (2002), Etzioni (2002), Crane and Mattern (2004), Crețu (2012) and others distinguish the following levels of analysis:

- The micro-economical level, a level which includes the rules of reasonable exchange between, with a reference to a decent salary, fair negotiation, a fair price practiced within the exchanges, obtaining mutual advantages among all the parts involved in the exchange etc.;
- The macro-economical level, a level which includes the problems referring to the principles of social law and justice: the legitimacy of power, the means of organizing the relationship between different social classes and categories, the system of citizen liberties and duties, the means of organizing and functioning of market economy, the system of distributing goods and services among the members of society, regulations regarding the aid of economically and socially disadvantaged people or the degree of legitimacy of the state's interventions in the economical and business environment;
- The mezzo-economical level, a level which is associated to the ethical problems of businesses within the corporation, as well as regarding the role of the corporation in society and the role of the individual within the corporation.

One important distinction in this respect is that referring to the social corporative responsibility, which regards the following levels: the unique responsibility of the businesses to generate profit and of maximizing the value of their stock, the moral responsibility regarding all the people who contribute to the consolidation of its profits and activities; the social corporative responsibility, which refers to the sum of social responsibilities (economical, moral, judicial,

ecological etc.) which a corporation sets (cf. Etzioni, 2002; Crane and Matten, 2004; Crăciun, 2005).

The fourth direction of debate is based on the categories of problems which make the object of analysis of ethics in business in relation to the economical system of the current capitalism.

Among these issues, we can enumerate, on the one hand, the determination to distribute the resources correctly according to merit, effort and performance and the aspects which regard the right to property, recuperate invested capital, the reward for the risks assumed by the investors. On the other hand, we are talking about the conflict between different values (correctitude, equity, welfare, personal safety, productivity, merit, efficiency) in the situations of choosing certain alternatives or in the case of moral dilemma, when one has to choose the smaller of two evils.

If we had to systematize these debates, we should remember the following principle ideas:

- The idea of incompatibility between business and ethics, translated in the terms according to which the companies have to comply only with the rules established by the judicial system and to follow the obtaining of advantages of an economical sort as opposed to their competitors. This concept also starts from the idea that ethics and business have nothing in common and that there are no responsibilities in business. The incompatibility between ethics and business is given by the context according to which the business is considered a competitive game and an action strategy promoted in a business field, while the ethics of business is a contradiction of terms, since it only has relevance at the level of individual morality, and not at that of economical competition and business.

- The idea of social responsibility of businesses to make a profit in the limits established by the law, business ethics equals with the contract obligations of the managers as opposed to the owners, any altruistic attempt to social responsibility on behalf of the managers representing an illegitimate appropriation from the resources of the stock owners, the increase in the costs of the business and the dilution of the purposes (cf. Friedman, 1995). In such an interpretation, the social responsibility of a business is that of increasing the profits in the conditions in which the rules of free competition are respected, without fraud or fraud. On the other hand, the managers responsibility of increasing the profits has both a legal nature (incorporated in the set of judicial laws, rules and regulations), as well as a moral one (the moral duties of the managers regarding the owners of the business).

- The idea according to which “every business organisation has a social responsibility and a moral duty to all the groups which influence and are influenced by its economical and commercial activity” (Etzioni, 2002, p.263). Also entitled the “stakeholders” theory, this is a deontological approach, namely the firm has certain obligations regarding the internal groups (employees, employers, stakeholders, managers) and regarding the external groups (consumers, distributors, creditors, the business environment, the local community, governmental institutions etc.) At the same time, one should also keep in mind the argument that the firms have moral duties not only as regards the owners, but also regarding other groups, the companies, firms and corporations behind a social creation which ensures the entrepreneurs with the legal framework of competition and the guarantee of certain rights in whose return the demands of the participating groups are justified from a moral point of view.

The idea of corporative social responsibility, by which the obligations of a corporation are extended to the level of the entire community, not solely at the level of the groups. Which bring their contribution to the profits of the company. Mullins's conception for insurance, is that, although the main responsibility is business is that of making a profit, there are ethical limits or constraints to what can actually be done in business (...). The right to pursue the creation of profit is not limitless (...) The social responsibility of businesses result from the interdependence between the organizations, society and the business environment in general (Mullins, 2002, p. 142). What is important to note in this context are two aspects: one can talk about a pragmatic approach of the social responsibility (in the way that the business organisations assume enhanced social responsibilities to earn in terms of image and to increase their long-term profits) and a deontological approach of it (the companies have the duty to assume responsibilities apart from those of making a profit, without expecting anything in return from the society).

Given the practical importance of the last type of relationship between ethics and business, I will consecrate the following section to the aspects referring to the corporative social responsibility.

2. The corporative social responsibility from the perspective of ethics in business

Intensive and extensive studies have consecrated the theory of C.S.R. as a new form of governing in the field of economical and business organisations. The literature of speciality attributes different meanings to this theory, and the formulations constituted around it promote numerous ideas, often divergent. For instance, the European Union (2011) offers a special attention to the conceptual developments and the practical implementation of the C.S.R., seeing it a concept by which the companies voluntarily integrate social and ecological aspects, the economical and social role which the companies should have in the current context market by an economic crisis and the globalization of businesses, the need that the economical and business organizations should harmonize the profits with the problems connected to the social and ecological responsibility, understanding the C.S.R. both as a moral duty regarding the interest groups from the interior and exterior of the company, and as an initiative voluntarily assumed by the companies to attain the economical and social objectives to the use of the society.

Nobody can miss the fact that the C.S.R. involves the following social obligations which a company has to study:

- Economical – the main responsibility of every business organisation is to produce the goods and services required by society to sell them with an acceptable profit, the generation of an economical increase and creating new work places, keeping a high efficiency level and acquiring a competitive position on the market;
- Legal – which reflect the demands of the society regarding the performance of the basic activities of the company in a framework which is regulated by clear laws and rules, whether they concerns local and national requirements, or the supply of goods and services which respect the legal demands;
- Ethical – the demand to action according to moral norms, to prevent disparagement of the ethical norms in the development of the economical activities, to meet the moral and ethical

expectations, to recognize the corporative integrity and to assume an ethical behaviour (fairness in front of the consumers and the employees, honesty in front of the partners of the company etc.);

- Voluntary – concretized in social initiatives without being determined by economical motivations imposed through judicial or ethical regulations, as is the case of organizing certain training programs for the development of partnerships which lead to the improvement of the quality of community life, the involvement of employees in charitable activities, contributions to the development of educational and artistic institutions, assistance for different groups which militate for community causes etc.

Put together, the aspects mentioned above implicitly contain the reasons for the involvement of companies in actions of social responsibility. In short, I am referring to the pragmatic reasons (the companies assume responsibilities and get involved in social projects in order to gain fame, to consolidate their public image, to obtain a competitive advantage in relation to the other economical actors), deontological reasons (the company feels obliged to get involved in social responsibilities and ethical behaviour, because the society is the one which wakes the economical, commercial and business activities possible) and of social pressure (the economical and business organization is forced by the structures of society to assume social responsibilities and to be receptive to the demands of the local or national community (cf. Kotler and Lee, 2005; Dăianu and Vrânceanu, 2006; Iamandi and Filip, 2008; Crețu, 2012).

Of course one doesn't notice the lack of the critical aspects regarding the more limited role of the C.R.S, the main aspects brought into discussion here by Bowie and Duska (1990, p.34-39) being that the obligations of the companies to do good cannot be extended over ascertain threshold; solving certain problems of a social order could lead to the impossibility of obtaining profits by the companies, in the economical and social practice there is not a moral authority which can define the social needs and their hierarchy; the stockowners will be reft by a part of their rightful incomes, because part of these will be allocated by the managers according to moral criteria; the company which will highlight the practice of the social corporative responsibility could reach the situation of a competitive disadvantage as opposed to the other companies where such a responsibility is practiced in a limited way.

The first conclusion which can be drawn from this enumeration is the plea for a realistic relationship between ethics and business. In the end, the purpose of business is to generate profit, the enhanced social responsibility of a company mixing up its social obligations with the actions of an ethical or moral type, no matter how generous they are. This seems to be the main reason which led to the elaboration of certain codes of ethical conduct meant to guide the decisions oriented to the groups which are affected by the activity of the company and to the primordial interests of the society.

The second conclusion refers to the operationalization of the social corporative responsibility, namely the identification of the most frequent practical manifestations of the social corporative responsibility and of the tools to which it resorts to in order to achieve the targets set. A good example in this respect is represented in a recent paper by Kotler and Lee (2005), who highlight the social corporative initiatives in which the activities of the company materialize to support causes of a moral type and to achieve the responsibilities assumed in this direction. I am

referring to: drawing attention upon a social problem and organizing a campaign of raising the public's awareness, the commitment of the company to donate a part of its profits to support a social cause, involving the company in the conservation of the environment, financial or material donations, charitable causes, volunteering etc.

Having reached this point of the analysis, the fundamental problem posed is the way in which one elaborates the instruments to measure, communicate, monitor and reward the performance associated to the social corporative responsibility. In other words, we are talking about establishing certain standards used by the companies to incorporate the values typical to ethics in business (codes of conduct, management standards) and defining the ethical procedures, aspects which I will approach in the following section.

3. The codes of ethical conduct and the social corporative responsibility

An important role in the restructuration which is taking place in the business and economical organizations is held by the codes of ethics and of corporative conduct. As it could be noticed in the discussion above, between the two types of codes there are numerous interferences, the codes of corporative conduct assimilating numerous elements which define the codes of ethics in business. Without the fear of making a mistake, I consider that the codes of ethics themselves have generated an extension towards the social corporative behaviour, the latter constituting itself in practical means of reification of certain procedures, norms and rules of an ethical type.

Given the importance of these codes, the economical and academic environment in Romania are preoccupied with the assimilation of certain principles of ethical and corporative conduct typical to societies which are advanced from an economical and institutional point of view. Quite eloquent in this respect are the works of some Romanian authors who, by valorising the experience existing at the European and North-American level, have elaborated comparative analyses referring to the content and array of rules which must define the codes of ethical conduct, the elements of organizational culture, the possibility of taking up certain standards of corporative behaviour and their adaptation to the specific of the economical structures in our country, the way in which an organization can get involved in causes of a social type, the initiatives which regard financial, material and service donations associated to charitable causes, the institution of responsible corporative practices and others.

Starting from these analyses, authors such as: Crăciun, 2005; Morar, 2006; Iamandi and Filip, 2008; Gănescu, 2011; Pup, 2012; Şerban, 2012; Didire, 2012 and others formulated numerous suggestions regarding the knowing of the ethical values and standards in the business environment, the consolidation of the positive experiences practiced within the companies, the actions developed to inform the partners about the principles which they respect in the production of goods and services, the role of the mass means of communication in the formation of the public opinion, the necessity of instituting a system which monitors the good corporative practices, the extension of the training methods of the students and the businessmen for the application of the norms of ethical conduct in the business and economical organizations etc.

Doris Şerban's study (2012) is in my opinion extremely suggestive in this context; in their papers she proposes a set of themes and guidelines of a code of ethical conduct taking after the

model of a program of business ethics elaborated by the Commerce Department of the USA. From this document one should retain the following ideas which constitute the main axis of a code of ethics in the business environment in our country:

- Establishing certain principles in personal and professional relationships with the following guidelines: developing businesses in the limit of the available limits, avoiding violence as a method of accomplishing success in the business; avoiding corruption, making efforts in order to earn reputation, integrity, competence and excellence.

- Cultivating trust as the basis of the relations between the management and the stockowners, with a focus on the transparency of decisions, respecting the rights of the minority stockowners, open communication with the stockowners regarding the audit reports, supplying correct information regarding the state of organization; serving the interest of the organization and those of the stockowners.

- Respecting the relationship with the employees regarding the work legislation, the health and safety of the workers, the remuneration and promotion of the employees without discrimination, consulting the employees on the work conditions and relationships, not getting involved in the activities of the syndicate, transparent procedures regarding the payment of the wages, the allocation of the bonuses, the criteria of promotion etc.

- Relationships with the business partners structured around the demands of respecting the contract commitments and clauses, the availability for negotiation and compromise in case of business conflicts, respecting the rules of the law and the judicial entities with the role of regulation, the commitment for a loyal competition, as well as promoting partnership relations with the suppliers and clients.

- Relationships with the community, centred on receptivity to the preoccupations of the local population, respecting environment regulations, getting involved in initiatives of community interest, promoting adequate means of communication and tolerance regarding the people belonging to different cultures, races, faiths or from other countries, preventing ecological risks etc.

- Relationships with the activities which mainly regard the payment of all the taxes and contributions owed according to the existing law, obtaining all the authorizations, licences and approvals necessary for the development of different forms of businesses, establishing transparent procedures regarding the transactions conducted by the organization with the governmental authorities, ensuring conformity with the national and international codes of transaction with the state, the fair payment of a legitimate supplied service to prevent bribery, corruption and fraud.

- The transparency has among its guidelines the need of a fair registration in the accounting documents of all the financial documents, establishing independent audit systems meant to prevent fraud, bribery and corruption, elaborating a complete information policy regarding the strategic objectives and policies of the organization, elaborating operative reports on the events with significant effects upon the organization, the employees and other stakeholders (the interested groups).

- Forming and developing an organizational culture meant to ensure the conformation to the ethical standards and practices, a theme which incorporates the dissemination with the company of a code of conduct for the employees, their permanent training in order to comply with the ethical

norms and the sanction of their infringement, creating an infrastructure for the application of the ethical norms, developing clear policies and programs for the implementation and application of the stipulations included in the codes of ethical conduct.

It should be understood that the application of these requirements is confronted with numerous obstacles and difficulties connected to the strategies promoted by the firm, the characteristics of market functioning, the degree of trust of the investors, the public policies; or the position the market, as well as the aspects referring to the size of the capital, the access to capital, the compensation system, the behaviour of the consumers, the level of the profits, the influence of the risks generated by the different forms of the current economic-financial crisis.

4. Discussions

Seen from theoretical perspective, the orientation towards a responsible social behaviour of the firms involves the identification of the real and perceived obstacles, such as: the need for continuous adaptation to the changes which take place in the social economical life, the fact that the planning and implementation of certain means of action involves time and investments, the fact that the benefits brought by a certain practice or instrument of the corporative social responsibility is not very obvious, the lack of resources in the case of smaller firms, the lack of useful information and examples about what others had done, the need to delimit the activities envisaged by the corporative ethical behaviour and the extent of its manifestation.

Rightly, one poses the question of the extent to which one can talk about ethics in business and a responsible social conduct of the organizations in Romania. The following characteristics are extremely important in this regard:

- The transition from the collective property to the private property in the last two decades took place through the application of the judicial laws and by political considerations and less based on social rules and economical means. For this reason, the culture of businesses of a corporative type is hardly now being constituted, the ethical codes mainly regard aspects connected to the public image of the organizations, and the cases of sanctioning the moral deviations are extremely rare.

- The capitalism in our country was especially adopted for geopolitical reasons and by the national strategies, the type of culture, the mentalities and behaviours differing from the developed countries in Western Europe. Typical to the capitalist system in Romania is the lack of capital, and by privatization, most of the organizations have passed into the property of foreign organizations.

- The management of multinational companies is based on set norms and regulations established in other cultures and economical and social structures. If in their originating country the companies respect the „rules of the game”, outside these countries the ethical codes of the companies are sooner applied out of the need of synchronization with the spirit of the age. Although assumed by the companies, the business ethical codes are adapted by the multinational companies which are interested in promoting their strategies in the countries where they have extended their activity.

- Imported from the USA and the EU, the corporative social responsibility imposed itself as a trend and less as the result of being aware of the need of the social involvement of the organization. Moreover, if in the Occident the corporative social responsibility envisages actions without the involvement of the state, in Romania the social responsibility sooner falls on the state (support for the disadvantaged people or from the marginalized categories, the low wages of multinational companies, the discrimination of certain social categories which cannot be considered future clients, the domination of the agricultural sector in the economy of the country etc.).

- The corporative social responsibility is applied by tipping the balance by the multinational companies which have transferred their corporative culture at the local level. It happens quite often that some actions of the multinational companies with programs of corporative social responsibility are framed among the laws of sponsoring, while their actions are actually investments in marketing and advertising.

Starting from aspects such as the ones signalled above, Maxim (2006), Gănescu (2011), Dindire (2012) and others feel that at the level of Romanian firms, the development of an ethical and responsible social behaviour should take into consideration the following generally valid stages:

- A preliminary evaluation to determine the position of the organization on the learning curve of the responsible social behaviour and building a strategy to „fill in the gaps and to develop other segments” (Maxim, 2006, p.201).

- Developing strategies by which the company slowly passes to concrete actions connected to the ethical behaviour. The succession of the actions starts from the simple introduction of the code of corporative behaviour within the actions of the company to the monitoring and evaluation for a given period.

- Involving the interested parts from the inside and outside of the firm and promoting a permanent dialogue with them, in order to understand and affirm the values and principles of the company, as well as the set of estimated benefits on the long term.

- The evaluation of the economical, social and environmental performances in order to elaborate the policies of social corporative responsibility. On this basis, one establishes the contributions which can be brought to the community, the level of the costs for the company, the clarity of the project objectives (what one wants to obtain, what costs can be employed, who the beneficiaries are, what economical and social results one estimates to obtain etc.).

- Communicating the initiatives and results of the social corporative behaviour to the public. Although this enterprise is often ignored, in a strategic way, the actions developed represent marketing techniques and an adaptation method of the company to the requirements of the market.

5. Conclusions

Apart from the suggestions formulated above, we should also take into consideration the following conclusions with a general value for the companies which develop their activity in our country. Firstly, by adopting a responsible social behaviour, the firms differentiate themselves from the competition, they obtain a position of competitive advantage, they assimilate the business ethical values and practices from the area of the European Union, and they integrate more easily in the system of global economy and bring a more consistent contribution to a durable development.

Secondly, we should take into account the fact that in the process of European integration, we cannot ignore the effects of the economic recession and of the financial crisis, the insufficiency of material and human resources and the identification of the main means by which a firm can act in the field of the responsible social behaviour (corporate volunteering, involvement in community causes, sponsoring, conservation of the environment, the increase of the value of human resources etc.).

Thirdly, one imposes the need of forming human resources by programs of university studies of BA and MA starting from the idea according to which the constitution of human capital should become a key factor of business organizations, in accordance with the directions of the new economy which functions in the current European society.

References:

1. Bowie, N.E., Duska, R.F. (1990), *Business Ethics*, Second Edition, New Jersey: Prentice Hall Inc.
2. Crane, A., Matten, D. (2004), *Business Ethics. A European Perspective*, Oxford: University Press.
3. Crăciun, D., (2005). *Ethics in Business: A Short Introduction*, Bucharest: Academy of Economical Studies.
4. Crețu, R.F. (2012). *Methods and Practices of Corporate Governance*, Bucharest: University Publishing House.
5. Dăianu, D., Vrâncianu, R. (2006). *Ethical Frontiers of Capitalism*. Iași: Polirom.
6. Dindire, L.M. (2012). *The Elements of Influence of the Organizational Behaviour in the New Economic Paradigm*. Journal of Theoretical and Applied Economics. Vol.XIX. No.4 (569). pp.16-32.
7. *** European Commission. *A Renewed EU Strategy 2011-2014 for Corporate Social Responsibility*, 25.11.2011. p.6. http://ec.europa.eu/enterprise/newsroom/c/_getdocument.cfm?doc_id=7010 (Apr.3, 2012).
8. Etzioni, A. (2002). *Monochrome Society*. Iași: Polirom.
9. Friedman, M. (1995). *Capitalism and Freedom*. Bucharest: Encyclopaedic Publishing House.
10. Gănescu, C. (2011). *The Social Responsibility – An Element With Multiple Implications Upon the Image and Performance of Contemporary Companies*. Journal Managements Strategies, No.3 (13).pp.23-32.
11. Iamadi, I.E., Filip, R. (2008). *Ethics and the Corporate Social Responsibility in International Affairs*. Bucharest: Economical Publishing House.
12. Kotler, Ph., Lee, N. (2005). *Corporate Social Responsibility: Doing the Most Good for Your Company and Your Cause. Best Practices from Hewlett-Packard, Ben & Jerry's and Other Leading Companies*. New Jersey: John Wiley&Sons.
13. Maxim, A. (2006). *Social Responsibility and Durable Competition*. Annals of „A.I.Cuza” University of Iași, Tome LIII. pp. 198-205.
14. Morar, V. (2006). *Business Ethics: Rationality, Reciprocity, Responsibility*, Bucharest: The Academy of Economical Sciences.
15. Mullins, L.I. (2002). *Management and Organizational Behaviour*. (6th edition). London: Prentice Hall.
16. Pup, A. (2012). *Ethics in Business and the Competition in Romania. PhD Paper*. University of Oradea.
17. Șerban, D. (2012). *The Contents of a Business Ethics Program*. Munich. E-Publishing. <http://mpira.ub.uni-meuchen.de> (May 2, 2013).
18. Solomon, R. (2006). *The Ethics of Business Relations*. In P.Singer (coord.). *Treaty of Ethics*. Iași: Polirom. p. 385-395.