

# INTERNATIONAL BUSINESS ETHICS IN THE PRESENT ECONOMIC CONTEXT IN ROMANIA AND WORLDWIDE

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**Abstract:** *The controversies regarding the ethical concept acquire new valencies in the global business environment, because the cultural factors are very important; which is ethical in one country may not be ethical in other country, this is why understanding the set of values from that specific country is of capital importance. Applying the business ethics principles becomes much more difficult in the global business environment, characterised by a rough competition. Notwithstanding the approach, I think that we all agree that profit is the moving force of every company; thus the key to success lies in finding and equilibrium between this and the business ethics principles.*

*The global interdependencies represent an essential factor in the international business environment, creating pressures upon the managers in order to adopt positive attitudes regarding issues of ethics and social responsibility, economic development of the states and ecological aspects.*

*Addressing the issue of ethics in business today is very common, not only theoretically but also practically. Even if the society in which we live, the dynamic and volatile economic environment, dominated by the competition put a lot of barriers to those who guide themselves in daily life or in business by the principles of ethics, there are many "survivors" who do not step aside and demonstrate that ethics is a necessity and, moreover, it is profitable.*

**Key words:** *global business environment, ethics, corporations' responsibility, Romania*

**JEL Classification:** *M10, M14*

## 1. THE NOTION OF INTERNATIONAL BUSINESS ETHICS

Quintessence of a civilized society, *ethics* is the foundation upon which we build all our relationships. It represents a wholeness of norms and values which define behavioral rules and social models, moral principles which include cultural or religious ideals, providing instruments in order to elaborate respectful judgments. Ethics refers to the language, to the ideas and to the methods which give the individual the ability to make moral decisions.

It is true that it is not easy to adopt mature and ethic reasoning and judgements. The daily reality and his facts are not always clear, and the ethical principals or criteria which need to be used do not always have the agreement or the consent, not even form the specialists. For most of the business people, ethics seems to be something subjective, without any shape. The behavior and the statements may, of course, contradict themselves, so that we may say sometimes about a corporation that, in spite of the renowned ethical code it shows, the strategies it applies unveil its real convictions<sup>1</sup>.

The culture and the ethos of a community are vector and sources which supply the behavior. They define, in the area of maximum objectivity of the economics, the limits and the boundaries, that is why, the quality and the functionality of the norms and values which regulates the communitarian environments are the support of the production and of reproduction of a certain model of conduct and behavior in business. Of course, structures and institutions, norms and regulations, especially of juridical type, and which are required to promote those existential values which are compatible with people's expectations, are created in a society. But the market economy is an open competition, whose purpose is the profit. Thus, as a consequence of the extended applicability of the ethical theories beyond the general space of the "human action", the ethics in business or the business ethics deals with the analysis from a moral point of view of the way in which the economic actors (the companies, the shareholders, the employees, the buyers, the providers, etc.) act.

Business ethics is a particular form of ethics which refers to the behavior of the economical agents, of the employees, of the owners and of the managers. They also call it the "ethics of the economy", which determine the scopes and the norms to which are submitted the purposes of the private and public economic activities. The business ethics refers to the settlement of a balance between the economic and social performance of the company.

Business ethics is the study of business situations, activities and decisions where problems arise regarding what is morally good and bad. R.T. De George, an outstanding writer in this field defines the business ethics as "the ethic perspective, either expressed by the behavior, or explicitly expressed, of a company or of a business

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<sup>1</sup> „Business ethics” – Prof univ dr Dan Craciun, Ed. ASE, Bucharest, 2004, p.2

person". De George situates the business ethics at the level of a simple description of what an economic agent really does or state, according to certain ethical considerations<sup>2</sup>.

Business ethics supposes the control of the company's behaviour so that it can be set within the company's values, also called "managerial values". Business ethics supposes making decisions and assuming their impact upon the shareholders as well as upon the managers, employees, clients and local community. Of course, a small number of studies have perceived so far the business ethics as a management tool.

Even if ethics may be different for each society, most of the tests regarding the making of the ethical decisions that have been well established in the West are relevant in Romania, too. It is quite clear that business ethics differs at national, regional and cultural level, therefore the international business ethics are also relative. The multinational corporations which operate in Romania – should they be obliged to maintain the high standards or if it is ethical for these companies to adopt local actions: multinational corporations should maintain those standards, this attitude being in fact a method to increase the local standards. It is important that a company can maintain constant image and business actions. In the present context, a company cannot be a world leader if its standards decrease whenever possible.

Albert Carr states that "Business is a competitive action, which resembles more to the poker game than to the normal relationships between people. Therefore the purpose of the game is to win and, as long as the acceptable rules of the games are obeyed (rules which are completely different from the ethical regulations which support the cooperation and care towards the others, his behaviour is correct."<sup>3</sup> The example of many companies easily underline the fact that by respecting the most elementary ethical norms, a company may have higher benefits, and on a longer term, that if they exclusively follow the fact to only obtain profit. Not all that is immoral is illegal and this is where contradictions come from. Business ethics refers to the interpersonal relationships at work or between contestants, these relations being difficult to regulate by law. The advantages obtained from somebody else's work, not being reasonable with the subalternates or unfairly drawing the attention of an employee, all these are ethically criticable actions, but sometimes they are ignored by the Law.

The controversies regarding the ethical concept acquire new valencies in the global business environment, because the cultural factors are very important; which is ethical in one country may not be ethical in other country, this is why understanding the set of values from that specific country is of capital importance. Applying the business ethics principles becomes much more difficult in the global business environment, characterised by a rough competition. Notwithstanding the approach, I think that we all agree that profit is the moving forces of every company; thus the key to success lies in finding an equilibrium between this and the business ethics principles. On my opinion, the "golden rule" might be: "Do as you would like the other person to do", or, as the "categorical imperative" of Kant: "Behave as if the action undertaken by you were to become a universal law for the behaviour of all those who find themselves in these circumstances". The moral principle and the obligation of a company are maintained; the difference is to be found only in the shape they acquire given the different circumstances".

The business ethics means to introduce other norms than the legal ones into the everyday decisions and the management strategies. A company is socially responsible if it takes into account not only the interests of the shareholders, but also the interests of all the groups affected by its activity. Therefore, business ethics mean cost. Business ethics mean spending differently some resources which are strictly calculated for economic efficiency. Business ethics cost: money, human resources and time, expertise, opportunities, as well as investments or development. More than this, business ethics and their most visible shape, the social implications of companies, are options which are not determined by the law. Under the classical form of the corporatist philanthropy, under the regulated form of the donation and sponsorship or under the modern form of the programs of corporate social responsibility (CSR) integrated into the management strategies, the social implications of the companies was for a long time seen as a more or less necessary cost, a luxury of the big corporations.

## **2. THE IMPACT AND THE IMPORTANCE OF THE ETHICS OF THE BUSINESS ETHICS IN THE WORLDWIDE ECONOMIC CONTEXT**

The growing interest towards the business ethics is determined by the change in the nature of the business in the context of the last decades, when the globalization process increased considerably. The companies are more and more international, complex and dynamic than they have ever been. As a consequence, new problems appear, and the certainty of the values and norms of the local business environments are replaced by the relativity of a multinational and multicultural context, where the criteria of the moral correctness rapidly differ and modify. Therefore, even the older problems become more and more difficult to solve, and the business must bring into discussion certain values and principles which are considered to be implicit so far.

The growth in the importance given to the business ethics is also explained by the changes suffered from the strategies and structures of the corporations. Recent trends in managerial theory and practice, as well as *total*

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<sup>2</sup> De George, R.T. *Business Ethics*, 3rd edition, New York, MacMillan, 1990, p.8

<sup>3</sup> *Harvard Business Review* 46, January-February, 1968, pp. 143-53, articolul "Is Business Bluffing Ethical?" [http://home.earthlink.net/~dockstader/PHIL/carr\\_IsBusinessBluffingEthical.html](http://home.earthlink.net/~dockstader/PHIL/carr_IsBusinessBluffingEthical.html)

*quality management*, and the processes of restructuration and resizing of the top companies lead to the leaving aside of many traditional strategies regarding the economic processes. The authority and the decisional responsibility spread to all the hierarchical levels of a company, therefore the complexity of the ethical problems must be accessible to each employee. Lately we can speak about a new branch of the industry which studies, analyses and applies the ethics in business. The ethical evaluation of the investments of the multinational corporations is very popular and has a lot of influence in their management decisions, and companies such as McKinsey or Price WaterhouseCoopers are now very much considered for auditing and monitoring in the field of business ethics.

### **2.1. The impact of globalisation on business ethics**

Firstly defined as de-territorialisation of the economic activities, globalisation is quite relevant in business ethics, at least under three aspects – cultural, legal and the one regarding the responsibility of the corporations which operate in the international markets.

#### ***Cultural aspects***

Corporations are more and more actively involved in the markets of other countries and of other continents, being suddenly confronted with new and various ethical requirements, sometimes even contradictory. The moral values settled on the “home” markets can be brought to discussion right after one corporation enters a foreign market. For example, the attitudes in Europe regarding the racial diversity and the two sexes are very different from those of the Middle East countries. But such differences do not appear immediately at the contact between radically different cultures and civilisations.

Here is one of the contradictions of the globalisation: on one hand, globalisation makes regional differences to lose their importance, supporting the apparition and the spreading of a homogenous “global culture”. On the other hand, eroding the geographical distances which separated the cultures and the civilisations, globalisation underlines the economic, political and cultural differences between them, many times generating confrontations.

#### ***Legal aspects***

The juridical problems appear because of the fact that, when economic transaction loose contact with a certain state territory, the governments of those states cannot keep control upon them. The laws of a national state are applied only on the territory of that state. When a company leaves the territory of its country and its assets are moved, for example, in a third world’s country, the legal underground is totally different. As a consequence, managers cannot use the law as an exclusive basis when they have to evaluate the correctness of their decisions.

As the business ethics start where law ends, the deterritorialisation increases the need of ethical principles in businesses, because the economic activities are not under the control of the national government anymore.

#### ***Corporations’ responsibility***

A short attentive look on the global activities shows us that the big corporations are the actors which dominate the global scenery. The multinationals have in their possession the main media channels, which highly determine our way of information and entertainment; they provide the global products; they pay the salaries of a huge number of employees and they pay (directly or indirectly) a big part of the taxes and fees which allow the operation of the governments. As a consequence, we could say that multinational companies are more powerful than many of the world’s governments.

Therefore, the more deterritorialised are the economic activities, the less will they be controlled by the governments of the national states and the less are they submitted to the democratic control of those affected by it. This is why, lately, the request for a democratic responsibility of the multinational corporations becomes more and more noisy, being associated to the antiglobalization protests.

#### ***Implications of the sustainability in business ethics***

Given this wide range of expectations towards the business world, defined by the triple balance of sustainability, clear implications on the business ethics can be differentiated. Ethical problems, such as closing a factory, strange marketing techniques or industrial pollution, needs for a wide variety of aspects to be considered. Nevertheless, to attain sustentability in each one of the three domains, and, more than that, in *all of them* simultaneously, remains a remote dream for now. We must admit that we cannot be sure about the existence of some products or of a whole sustainable industry. Nevertheless, in the context of the increasing use of the concept of sustainability by the governmental institutions, the big corporations, the ONGs and the academic environments, it is possible and important to assess the actions of the business ethics at least from the perspective of their *potential* to contribute at the growth of the sustainability.

The opening of the markets, the globalisation and the increasing competition mean that the companies must take more and more responsibilities, offering more quality, better working conditions and social benefits for the communities. On the other hand, this plus of ethics and responsibility, on a long term, transforms into prestige, loyalty of the employees, and of the consumers towards the brand. We may thus say that the free market creates the ethics, while the visionary companies and innovative managers find business opportunities and ways to profit in these new types of responsibilities expected by the companies. The new advantages of the free market, the

opening of the markets, the globalisation, the extension and the expansion of the business, the access to the technology, it creates new forms of ethics. The new forms of ethics, as the tools of the ethical management, the ethical standards, the ethical codes, the reports of corporate social responsibility or social etiquette, generates prestige and social capital transforms into opportunities of sustainable development and profit on a long term.

The competitive advantages for the multinational corporates now depend, undoubtedly, on the country they develop the activity in. If we have in view the existence of a *global industry*, then, undoubtedly, the competitive position of the companies from a certain country will be significantly affected by the position held by them in other countries. Under the circumstances of a *global industry*, the companies must integrate their activities into a network coordinated according to the global criteria. This integration includes also the transfer of managerial know-how in the present context of the worldwide economy. The managerial know-how includes knowledge and managerial experiences characterized by dynamism, complexity, modernism taken from other cultures and adapted to the concrete conditions by the managers which must prove to have suitable theoretical/methodological competencies<sup>4</sup>.

A massif international transfer of managerial knowledge implements the progress of management's knowledge contributing to the development of the scientific management. The know-how transfer in management had as an object, until recently, American and Japanese managerial practices which became renowned from the technical literature in the field due to their detailed presentation and analysis, and due to the intensification of the international changes and cooperation. The continuous deepening of the international work sharing, the international specialization of the national economies, the formation of the world economy, the technical-scientific revolution, as well as the major changes that take place in the contemporary economy determined, over all, the enhancing and the diversification of the international interdependencies in all the fields. The intensification of the business internationalisation determined the growth of the complexity of the managerial process and the manager's interest in taking over the knowledge and the managerial methods from the developed countries<sup>5</sup>.

## 2.2. The importance of the business ethics

The global interdependencies represent an essential factor in the international business environment, creating pressures upon the managers in order to adopt positive attitudes regarding issues of ethics and social responsibility, economic development of the states and ecological aspects. Although there are many conceptual overlapping between ethics and social responsibility, the essential differences stand in their horizon and in the level of application. While ethics refer to individual decisions and behaviour, social responsibility has much wider sphere, it aims at company's decisions which affect a bigger number of people.

While the social-economical interdependencies are growing, it is more and more real the necessity of worldwide corporate culture – the integration of the business environments where the companies operate. Although it is very difficult to implement a code of ethics and morality valid in all the countries, the existence of guidelines in this field is very important. Presently, there are two multicultural approaches of these aspects: the ethnocentrism and the ethical relativism. The ethnocentrism supposes the application of the moral principles in the original country. The ethic relativism supposes the adoption of the moreal codes of the countries where implementation takes place. Both approaches have defects and they generate value conflicts, because the cultural differences make the social responsibility and ethics to be defined very differently in each country.

The programs for the support of business ethics *encourage the team work and increase the employees' efficiency*. The trainings and the seminaries organised around this topic have the role to *align* the attitudes and the behavior of the member of the organization with the "official" ones. The discussions (or at least the disponibility to have a discussion) referring to the values of the company and of the mode in which they affect the beliefs / opinions of the employees contribute to the constitution of an open, upright environment and of the feeling of belonging to the community. At their turn, they have a positive effect upon the motivation and performance of the employees.

The programs of ethics *contribute to the professional development* of the members of the organization. The employee "equipped" with the suitable "ethic device" will have a realist image about himself and the company, and he will find the inspiration to solve the ethic dilemmas that might appear in a certain moment. The *Training* in business ethics *supports the legality of the company's procedures and of the employees' actions*. Business ethics may function even as a mechanism that "inhibates" the illegal actions of the organisations and of their members. This means less money "invested" in trials.

Business ethics contributes to the *management of some values which stand at the base of the quality management and strategic planning*. The effort to align the values of the employees with those of the company's, to develop politics and procedures according to them is useful also in other essential fields of the organization. They support the quality management, which focuses mainly on the organizational trust, performance, product and services quality and *feedback*. Moreover, a good management of the business ethics

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<sup>4</sup> Comănescu, Mihaela – *European Management*, Ed. Economică, București, 1999, p.166, 112

<sup>5</sup> Farmer, Richard – *Advances in International Comparative Management*, Vol. 1, Ed. Jal, PressGreenwich Connecticut, London, 1984

may constitute a strong pole for the medium term and long term strategies of the company (cost reduction, expansion in other markets, etc.).

The ethic behavior *promotes a strong public image*. A company which, in its actions, is worried about the ethical size of the business will have a positive public image. The individuals, be them boys, candidates or members of the community where they develop the activity, will have an impressive image according to which those organizations were giving an equal importance to people and profit and they are making all the personal effort to operate as correctly as possible. This image will be a positive influence both for the image of products and services, and for the *brand* of the company. On a long term, business ethics *contributes to the moral evolution of the society*. Many of the immoral behaviours, considered as unacceptable some decades ago, More than that, people *believe* that these attitudes are immoral (part of these being discriminations of any kind). Companies have surely contributed to this change, these attitudes being thus disavowed and prohibited. Organisations take advantage from the moral evolution of a society, as they can develop their economic activity in a cleaner and more previsible environment.

Therefore, although it is part of the “immaterial” assets, business ethics may have a direct or an indirect effect on the company’s profit. They influence, define and motivate the actions of all the “players”, no matter if they are manager, employee, client or member of the local community.

### **2.3 Ethics within the companies**

When we talk about ethics in a company, we must have in view all its dimensions:

- personal ethics;
- the ethics of the individuals as members of the organisation (reaching a goal by obeying the internal regulation);
- the ethics of the organisation (rules, habits, standards for reaching the goals) and
- the ethics of the company in its relationships with the external environment (providers, clients, competitors, mass-media, society in its whole, the natural environment).

These dimensions are interrelated and influence each other; an organization cannot be ethical if its members do not a behavior that can be qualified as such; moreover, an organization that promotes moral principles, by institutionalizing a set of rules of conduct, will not tolerate individuals that violate these rules or moral values. Moreover, practice shows that compliance with moral principles within the company is extended also to its relationships with the external environment. Organization strategy itself may reflect its position in terms of ethics; the ambition of a high level of professional ethics, is inseparable from the ambition of a high level of economic efficiency and investment in progress; sometimes, the demands of ethics in business may change the chosen strategy. Therefore, we can say that a highly effective strategy provides the means of an exigent practice of ethics and viceversa. Strategy and ethics go hand in hand at the organization level.

This brings us to the conclusion that ethics is profitable; it must be seen as an investment of the organization, especially on medium and long term. It does not preclude profit, but only profits unfairly obtained illegally and / or immorally. Ethical quality of the company and its staff depends largely on the skills and leadership ability of its managers. Ethics must accompany the whole process of decision making in all its stages. Octave Gelinier known management theorist, proposes to implement a "test of ethics", with three questions:

- Is it legal? Will this decision violate the law or the internal rules of the company?
- Is this decision fair to all stakeholders, on both short and long term?
- Will I feel proud of this decision? But what if my family knew about this decision? But what if it were public? <sup>6</sup>

The ethical behaviour may be a surviving problem for the organisation, as well as one of responsible working system. Ethical behavior in business can be both a matter of survival of the organization as a living and responsible individuals. To raise the level of business ethics, ethics should be institutionalized, blended with the objects of the company. This means actually placing ethics, in principle and explicitly, in everyday business life. This can be done in one of the following ways:

- company specific policy or a code of ethics;
- an ethics committee composed of board members;
- a management development program that included ethics.

Company codes are the simplest means of ethics institutionalisation and they are found in many cases. Most responsible organisations actually combine these methods, thus encouraging and supporting ethical behavior within their relationships with the outside.

The existence of a code of ethics is not a guarantee that employees of a firm will adopt an ethical behavior, but it may reflect a culture of appreciation and reward for ethical behavior. Some codes are just some general policy statements that set an ethical behavior for all employees. Others give detailed rules for appropriate behavior in business and launching procedures for monitoring, and they explicitly reward such behavior. However, we appreciate that simplicity is one of the characteristics of a good ethical code; the more complicated, the less expected results.

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<sup>6</sup> Octave Gelinier, *Ética de los negocios*, Madrid, Espasa Calpe – CDN, 1991

- The actual implementation of ethics in the organization by the code of ethics involves four major processes:
- a) training employees to recognize ethically difficult situations and to interpret the code accordingly;
  - b) conduct regular supervision of employees;
  - c) assessment of decision processes and outcomes in terms of ethics;
  - d) a system of measures that rewards correct behavior and punished him who does not meet standards.

Whatever the method of internal organization is, in order to respect the principles of ethics, each company will have to take into account the specific field of activity, the experience, the internal culture and its own strategy and the personality of its leaders. In substance, the institutionalization of ethics depends on all these factors.

#### **2.4 Importance of the ethics for the managers of the big companies**

Business has undergone essential changes in recent decades, completely altering the idea of commercial enterprise, by using the opposition closed/opened company.

The Traditional Company is a closed company, the economic equivalent of a medieval castle in the center of which one can find executive directors and managers who decide when and how to react in front of the changes outside the firm, that is to the competitors's action, to changes in the governmental regulations, to macroeconomic trends. Traditional business, driven by strong and authoritarian leaders, is a world which prevails the evolutionary principle of survival of the stronger by eliminating the weaker<sup>7</sup>.

A modern company has highly mobile and permeable borders in a competitive environment in which "the struggle for survival" is actually an opportunity to identify new opportunities, new types of businesses and partnerships, products and innovative and competitive services. The new concepts of the business environment are the management oriented to the groups which are co-interested, Business Network, ethic management, corporate social responsibility, sustainability, social entrepreneurship, overall corporate civic sense:

To a great extent, the transformations of modern management are determined by a single bet: the management objectives do not only aimed at the investors' interest, but also he interests and expectations of all so-called co-interested groups, groups who may be affected by decisions that may influence the evolution of companies or companies on a long term. Thus, strategies and principles of the big companies include not only the owners or shareholders' interests but also those of customers, employees, the communities and society in general, not only of the legal requirements, but also ethical standards, volunteer.

A manager's obligations derive from the cooperative nature of the business, and from the common values and mutual understanding of the associations in which transactions occur. In many cases, cooperation is obvious. A manager may carry out work only because shareholders, superiors, colleagues and employees cooperate with him, and the values shared by all of them, on which their cooperation relies, all these are considerations that he must keep in mind when speaking about his decisions.

It is somewhat difficult to prove that a businessman has certain obligations also to customers, suppliers or even to competitors, as in these cases we are somewhat aware of the competitive nature of relations between them, which, anyway, seem somewhat external. It is true. These relations *are* external. *There is* an adversarial element in negotiations with suppliers and customers, and competitors *compete* with each other. But negotiations would not take place if there were not a surplus of the cooperatists to be negotiated and nobody will do business with me only for my benefit. You cannot propose someone a business based on the idea that only you want to take advantage from it, the proposal may be attractive only if the partner may be expected to receive some profit. Therefore, the offer must show potential pluses for business partners, taking into account their needs and wishes. The one who wants to be a man, with whom others want to do business, must present himself to the potential partners as an entrepreneur willing to offer some services they need, and for this he should look upon himself from outside, ensuring that the proposed deal is attractive from their perspective. The role of a businessman in society is defined by the services he provides to others. They provide the criteria by which one may conclude if he does a good job with his play, and these criteria generate the obligations towards the people he wants to do business with.

It seems understandable that a businessman has certain obligations towards customers and suppliers, as it is concerned to ensure their reliability, relying on the fact that they themselves will be interested to buy goods, namely to provide goods and services they need. But how argue that a businessman has certain obligations to the competitors also? It's hard to understand as long as we remain prisoners of the common perception of competition as a ruthless war and as a zero sum game, in which the gain of one means the loss of another. However, the duty to be honest and fair is valid both in sport and business. Even if there is a natural object of interest, as long as each competitor is trying to win, even at the expense of rivals, there are different styles of competition, and we have a strong intuitive sense of what is called fair play or, conversely, fault or dirty play.

It is all right to provide a better product or service at a lower price. But when British Airways obtained by computer fraud the names of the passengers who planned to fly, planes rivals Virgin phoned offering similar services at lower prices, the public was rightly outraged, condemning unfair competition. Rockefeller has

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<sup>7</sup> Josef L Badaracco, *Business Ethics: Roles and Responsibilities*, McGraw-Hill Professional Publishing, 1994

eliminated all significant competitors in the market, selling at *dumping* prices. He would have been an honest and able competitor if, after eliminating competition, lower prices were maintained, proving the fact that he is a better producer and marketer. Rockefeller was discredited at once, establishing a true monopoly market, prices immediately rose immensely. Some time ago, many British people bought the newspaper *The Independent* only to upset the billionaire Murdoch, who tried to take out the newspaper from the market by selling *The Times* at a loss.

Faith in ethical principles is not an option. Regardless of the position held within a company or the kind of person you are, ethical principles should underpin all actions of a businessman. Especially in management position, the ethics of a manager who proves it in internal or external relations, it is automatically reflected in the image of the company whose employee he is. Situated in a management position, the manager must realize that he is a role model for the team under him, and for the rest of his colleagues. The standards a manager requires depend on how he "leads" himself based on his own values, character, integrity and honesty. Thus he manages through his example, and his behavior should be same as the one that he pretends and expect from the people around him.

Honest and efficient businessmen no longer doubt that *good ethics is good business*, taking (for whatever reason) the responsibilities and obligations towards an increasingly wide spectrum of *stakeholders*: their employees, customers, suppliers, creditors, local communities where they are located, or the environment. But, until recently, these ethical arguments and moral rules have limited the validity and applicability only at domestic level, being considered with too little or no relevance at all in the sphere of the international business enterprises.

Ethics in international business has in view a code of conduct morally acceptable of the *people* with decision-making and executive powers, which are on different hierarchical stages of a company operating not only in the domestic field but also in other countries.

One of the defining characteristics of the evolution of management on an international scale, in the second half of the twentieth century, is the tendency to pass from internationalization to the globalization of economic life. This trend is part of a century-old historical process, which took place gradually:

- in the field of trade relations (the expansion of world trade),
- for investments abroad (internationalization of production) and
- in the field of business organizational structure (the internationalization of the firm).

In the late twentieth century, under the pressure of a strong complex of forces of economic, technological and political type, the internationalization process entered a new stage, namely the emerging stage, of the development of a global economy, based on a system of transnational interdependent in trade, production and in finance.

This "new world economy" is characterized by:

- a new technological base;
- the extension and the relationships;
- change the balance of forces in economic and political-military plan;
- new way of defining the relationships between national and international.

The issue relating to the position of business firms in relation to the social environment where they act, operates with the following concepts:

a) *Professional ethics*

Managers pay special attention to the moral significance of company shares and to the consequences on society. Professional ethics is focused on the moral reflection and has as a reference the behavior of firms or individuals within the firm.

b) *Social responsibility of business*

This means that decisions should be taken in accordance with certain standards and they must lead to favorable effects on those interested in business activity.

c) *Social sensitivity of the firm*

This concept is defined by developing decision-making processes that orient the business practices for adopting a socially correct behavior (through managers' deontology and their collaborators).

Encompassing and concluding the professional ethics, the social responsibility and sensitivity, we reach the social politic of the firm which defines *the behavior of business firms* expressed by:

- *relationships and interactions which are established between companies and internal and external, domestic and international social environment, including: shareholders, employees, customers, suppliers, state bodies, competitors;*
- *problems arising from business actions or interactions between business and the environment or ambient office. These problems vary in time and space, in terms of values and organizational relationships, which involves solving their long-term;*
- *company's ability to diagnose a problem, to establish alternatives for solving it and to resolve it before it becomes pressing;*

- *norms and values (criteria) for evaluating the company shares* - are used to assess, judge and evaluate company behavior as: ethical, responsible, sensitive, good, fair, legal, in harmony, not damaging, etc.
- *the goals set in the context of a given problem* - having in view, on the one hand, the impact on the company's shares and, on the other hand, the impact of shares on the social environment;
- *adopting decisions* - includes information and setting of goals and remedies that will lead to achieving objectives in accordance with the company's criteria of social policy.

Practice has proven that the speculative business is not viable on a long term. They generate tensions in relations with the social environment, leading to loss of customers, and even to liquidation. Ethics can be seen as a theory applied in management decision, following a rationalization of the process by which individuals and organizations make decisions. Business ethics it is not only a subject of study in school, an opportunity for intellectual debate. It also refers to applied ethics and management, providing the necessary theories for the understanding of business as an economic and social phenomenon, as well as useful tools in the process of making decisions regarding the activity of a company.

Ethics and business are not, nor are they based on, antithetical concepts, values and ideas, but compatible ones. Businesses not only produce profit for investors, but also consumer goods and services, jobs for the community, innovation and values for the society as a whole. Business produces ethics. Ethical management is a profitable and efficient long-term management, to the extent that it aims to optimize the decision making process and to justify rules of conduct which guide the relationship of partnership between economic agents.

## **2.5. Ethical problems in international business**

Given the great diversity of morals in the international business world, the main problem that the large multinational corporations that operate in the global market are facing, is the choice of the following two policy: either, on the one hand, strictly respect the ethical code of the company from the original country, wherever in the world; or, on the other hand, A home business would work anywhere in the world, or, on the other hand, the adaptation of the company's policy to the traditions and way of business in each foreign country where it operates.

Each of these two alternative strategies has advantages and disadvantages in purely economic terms, ie taking into account only the firm's potential profits. The stricty conservation of the ethical code of the corporation, based on the dominant moral values in the country of origin, has the advantage of maintaining the company's reputation unblemished and it does not stir objections, reservations or criticism from consumers and the public "at home", while reinforcing the international prestige of the business. The major disadvantage of this inflexible policy is that it cannot enter in some of the international markets and therefore no profitable business can be closed, unless accepting some practices which are ethically questionable, if not totally illegal, due to a widespread corruption phenomenon and to some economic mechanisms which favor the unfair competition rather than competitiveness.

Ethical codes and the flexibility to adapt to local economic practices allow multinational corporations to penetrate the markets dominated by not-so-common practices and to stay on those markets, with considerable profits. The immediate disadvantages are related to the public reaction from the countries of origin and in general from the states which adopted a tough policy against corruption; the less visible disadvantages but more serious on a long-term, arise from the fact that any complicity of the transnational companies with the corrupted power in certain countries of the world encourages and reinforces corruption in those countries, which greatly diminishes their potential of a strong and balanced development meant to transform them, in time, in serious partners, with growing resources and with a more and more attractive purchasing power for the most important foreign investors.

Theorists agree, of course, with the first strategy, recommending the widest possible inflexibility in respecting the ethical codes of the company, anywere it operates. Arguments are many and, at least some of them, seem to be confirmed by the financial results on medium and long term of the corporations renowned and respected for the consistency in assuming ethical responsibilities. On the other hand, the experience of the last decades showed that the damage that may be suffered by an international company following the financial scandals due to some flagrant violations of ethic respectability may have extremely unfavourable or even catastrophic. Unfortunately, not always immoral practices of some multinational corporations are punished and, on the other hand, ethics is not always rewarded by excellent financial results<sup>8</sup>.

A business that ignores the requirements of business ethics, or that approached them from a wrong direction, is unlikely to increase the value of the owners for a long-term. It is difficult and disadvantageous to have to do with a business that is characterized by the fact that it lies, cheats or steals, or fails to meet the commitments. A business that treats its customers with contempt or employees wrong or suppliers incorrectly, will find it difficult to preserve them. In a free market, the most productive staff, the best suppliers and the cheapest and

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<sup>8</sup> Dan Craciun, "Business ethics", Ed. ASE, Bucharest, 2005, p. 18

flexible financing sources have better solutions than preserving the relationships with a business which cheats on them or treats them incorrectly. And it is unlikely to remain loyal to a business which offers dangerous or unsafe products or unpleasant and inefficient services. In the long term, an immoral business has little chance of success.<sup>9</sup>

Among the many sensitive problems that need to be managed by the companies which operate worldwide, the most serious and with the most important consequences is, undoubtedly, *corruption*. The moral cannot be imposed by law, because a person who does not accept moral and ethics will not accept the laws that would impose them and he would elude them. The businessman sees that, under the conditions of an unstable macroeconomic climate, he loses money. In order to regain credibility and to attract again the foreign investments and investors, the bureaucracy and the confusing law must be eradicated.<sup>10</sup>

Corruption negatively affects a country's development in several ways. It reduces economic growth, it chases away foreign investors and it channels investments, loans and aid to so-called "white elephant projects" - absurdly grandiose projects, which bring huge benefits to the people administering the money, but they are useless for the population. Globalization makes national economies and corporations to become increasingly interdependent, so that the corruption in a specific part of the world can affect the world market. Also, multinational corporations have experienced first hand a painful truth: those who have dirty business internationally are not only agents of corruption, but sometimes, its victims.

Corruption has devastating effects on investment, economic growth and development. Moreover, corruption has a very high price for the poorer strata, whose access to basic goods and services is forbidden. Certainly the poor suffer most because of corruption. In developing countries and in the so-called transition countries in the former Soviet Union, Central and Eastern Europe, people often have to bribe doctors or teachers to obtain certain services allegedly free. Police and judicial organs often expected to be bribed. Medicines donated from abroad or other benefits disappear into the hands of unscrupulous businessmen.

A more "credible" corruption - offering some assurance that the bribed bureaucrats will comply with their evil arrangements - can be less expensive, but still seriously affect the investment rate.

It is very clear that bribery and corruption have adverse effects on all countries in the world, and really devastating effects for the poorest countries. But why and how did the bribe and the corruption arrive to be discussed from an *ethical* point of view? These phenomena are, above all, some gross *irregularities*; any flagrant violation of laws is not an issue of ethics in business, since no valid arguments can support the *morality* of illegal acts and practices, the respect of the law being a minimal, elementary moral requirement.

Leaders of large corporations or prestigious commentators of economic life are often asked whether ethics and morality can be taught at school. Michael Rion replied that business ethics can not be taught "if you try to teach some bad people to be good, especially when it comes to adults. But ethics education is not to teach someone to be a good man. What you do is to strengthen people's existing values. What can be taught is the ability to recognize ethical issues in action. You can teach, however, different ways of analyzing and resolving ethical dilemmas so that they do not become paralyzing."<sup>11</sup>

### 3. BUSINESS ETHICS IN ROMANIA

It is hard to distinguish between the illegality and immorality in the Romanian business environment. Market immaturity, inadequate legislation and its opposite, over-regulation, allow the speculation of legal ambiguities and make difficult the creation of an area of standards and ethical business practices. Most of the Romanian business environment problems arise in the area of intersection between politics and business: corruption, conflicts of interest, ambiguities remained on issues such as control of assets, lobby, and sponsorship of political parties. In the private sector, business ethics is not even seen as a management strategy, it is understood as an act of charity of the owner or of majority shareholder, not the result of market research.

Romanian companies are not submitted to social auditing, and community support programs are unprofessionally done, without professional assistance. It was not understood that, such as marketing, ethics requires market research and long-term strategy. Doing good, means not only to wish and to be able to, but also to know how to do well.

#### Sources of ethical problems in Romanian economy

In my opinion, we can identify three major sources of ethical problems in the Romanian business environment:

- interventions of the state on the market, meaning facilities granted to certain economic agents, i.e. subventions, debt relief or rescheduling, legal uncertainty, financial market intervention in pricing policies for utilities and some raw materials;

<sup>9</sup> Elaine Sternberg, *Just Business. Business Ethics in Action*, London, Little, Brown & Co., 1996, p 19

<sup>10</sup> Mugur Isarescu, *National Courier magazine*, 10.04.2000, p. 5

<sup>11</sup> Michael Rion, *Everyday Ethics: Putting Values into Action (Resources for Ethics and Management 2002)*. <http://www.rionethics.com/page4.html>

- in the relationship between producers and consumers, unfair corporate practices or to the limit of the legality, cvasimonopol practices of some of the big companies and distributors of public utilities;
- practices of employee-employer relations, a common fact otherwise, such as illegal employment, wages below the minimum income, discrimination or other forms of abuse.

Operating in a hostile and corrupt political environment, unnaturally born, by a transfer of ownership from the state to the private area, sometimes by morally questionable ways, often a result of unsuccessful experiments, such as various forms of privatization invented by the government, the Romanian capital did not have time to create its own identity, defined around certain values, around principles operating on the market, around certain management practices. Romanian business lacks the scale and perspective, it is a business that rarely aims to develop and innovate the field of operation, it is vulnerable in front of the evolution of the market and in front of the legal changes, it is a tortured affair, made from family savings, a business that brings no significant investment on the market, maintaining hardly afloat and looking for ways to survive at the limit of the legality.

The Romanian small business barely manages to survive; it does not have any resources to develop, nor to think about identity problems. A quick diagnosis shows a *passive* management, insensitive to outer changes, directed exclusively to it, to short term objectives; a management which does not want to risk and to accept competition as something natural and desirable. A *closed* management, targeting only the interests of owners or not even these; a *non-transparent* management and not wanting to communicate, both in relationships with owners, and in relations with consumers and the community as well. A confused management, where the administration is confused with the owner, so a *non-professionalized* management which does not value the specialists, the personal development, the knowledge, the professional values, and the innovation. A *conservative* management, not interested in reforming the corporate culture, and tense in front of the change. An *amoral* management, outside of the moral and immoral option, treating with indifference the ethical issues rose by the decision process and the relationship between the company and outside groups. A *quasi-anomie* management, which sees in law - often rightly - a burden or an obstacle, if not a malicious act of the state; a management which finds that one of the easiest ways to profit is violating or circumventing the law, or that breaking the law is not always punished, sometimes even seemingly encouraged by administration and by society. In these conditions, one can speak of a strong association between the lack of ethics and success on a market where uncertainty, distrust in the authorities and legislative instability seem to be part of the game.

Although they were born in different business cultures, although operating in different contexts, there are enough similarities between small Romanian and Western Europe companies. These similarities may stand as an argument for the idea that social responsibility is not only an attribute of multinational companies, but simply an elementary condition of the economic game in an open market.

An analysis of the Romanian business environment, in terms of how the principles of business ethics and social responsibility of business have been understood and integrated by the Romanian organizations in their daily activities, revealed these key issues:

- an important part of the Romanian organizations are traditionalist, closed, with conservative ownership structures, characterized by the inability of communication and lack of transparency;
- there are four major sources of ethical issues in the Romanian business environment: the arbitrary state interventions in the market, the unfair competition, the quasi-monopoly of the big distributors of utilities and the unfair/ illegal practices which often characterizes the employee-employer relationship;
- the training of perception of the public, according to which a successful business man is a nasty character, unable to follow anything but his own profit;
- approximately 75% of the organizations in Romania have a code of ethics, but it is intended, especially, to the employees and unions, rather than to the customers or shareholders;
- In view of most of the Romanian organizations, ethics is a communication strategy based on copying the policies accompanying foreign successful brands, and not a profit generating management strategy;
- also, a brakeing factor in the process of formation of the moral consciousness of the Romanian business environment is the mentality of Romanian business people who, often, developed businesses in an individualistic way;
- an initiative that would support the improvement of Romanian business environment is creating a code of ethics for SMEs, considering their important contribution to the national economic outcomes and the objectives set by the EU;
- market immaturity, insufficient laws and its opposite, gold-plating, allow the speculation of the legal ambiguities and it is difficult thus to create a normal space for the ethical practices in business. It would be appropriate for the control bodies to carry out in the first place a work to prevent unethical behavior;
- in the year 2003, although 29% of the Romanian organizations donated money, and 24% of the donations were in nature, the typical profile of the donor organization was a large income one, located in a small town;
- during the years 2003-2008, the amounts allocated for social development organizations in Romania increased, but also the number and scale of projects and social programs undertaken;

- for the multinational companies present in Romania, the ethics and social responsibility is an import strategy borrowed from the mother companies, this is why it is not based on economic, political, social and cultural Romanian realities;
- only the 24% of the organizations in Romania are socially audited and they publish social report, most of them being multinational companies that run in Romania;
- the lack of legislation in the field hinder private social initiatives. The current Tax Code provides only that any person or entity may divert 2% of the income tax to a nonprofit organization;
- there is no legal framework to regulate, even to a minimum, the management of social funds and to stimulate the formation of public-private partnerships in order to resolve existing social problems.
- the most important brake factor in shaping the social consciousness of business is the lack of ethical and social component in the process of civic formation and professional training of the future investors, managers, employees, etc.<sup>12</sup>.

In conclusion, the Romanian business environment is found, yet, in the early process of moral and social awareness of the world for highly developed economies in recent decades. Therefore, every Romanian organization must analyze whether the activity is really ethically and socially responsible and to take measures to incorporate such principles and practices in current activity.

Moreover, if the Romanian organizations will not take measures for their ethic and social responsibility, they will be excluded from the international economic affairs by the global audience, increasingly aware of global issues and more receptive to the work of organizations that are working to resolve them. A successful company is the one which is involved in social life. Business redefine them, the objective remains the same: the profit, but the means and ways of obtaining it are like continuous experiments. Private business environment operates today upon a different logic, a different dynamic. It seems that the Romanian business environment does not understand these things, and this could be the most important step for transition to a truly European business environment.

## CONCLUSIONS

Nobody doubts that businesses seek to make a profit, meant to satisfy a personal interest. In a rational approach, the personal interest is better served by a cooperative attitude toward others than by a consistently aggressive behavior. By their nature, business is competitive, but economic competition has its bases in cooperation between shareholders, managers, employees, customers, suppliers and even between competitors. In other words, good and healthy businesses are governed by rules designed to ensure benefits for all partners. Some of these rules are legal rules that most businessmen consider mandatory for everyone.

But the law can not offer clear and arguably solutions in all particular situations, sometimes very complex, which may appear during the trade. Where the law has nothing to say, morality is the only guide that we can rely to make the best decisions. Theoretical and practical business must meet certain moral standards. What are the most solid, most upright and most effective moral rules that a successful business person should consider? The answer to this question is not at all simple and widely accepted. The ideas of some individuals regarding the moral and social responsibilities that a businessman must assume depend categorically on how to understand and define the very concept of *business*. Ethics in economic life should be seen not only as an extension of moral principles in everyday life in the business world. The latter can also influence (for good or bad) the ethic human behavior. The man comes to think about life and people in light of the negotiations, trades and economic decisions. The general climate in which they are carried out, the ethical tests that an economic system based on competition always puts in the way of its protagonists, deeply mark the individual behavior and the whole system of moral values of society.

The last decade has seen a veritable explosion of ethical codes of conduct of multinational corporations in international affairs. Most are prepared in accordance with the principles established by the OECD (Organization of Economic Cooperation and Development) and ICGN (International Corporate Governance Network). Many of them can be accessed on the Internet. That in itself is gratifying. Significantly, they are largely consistent, indicating a consensus on the objectives and ground rules in international affairs. Unfortunately, many of these codes of conduct sets out some vague truism, and top managers and business analysts recognize that almost everything is to be done in terms of actual implementation of the principles stated in the daily activities of companies operating on the global market.

Many problems still awaits a theoretically well argued solution and verified in practice. Importantly, though, the most pressing issues have already been made and accepted by the community of transnational corporations, which is not insignificant. Once set in motion the process of evolution of ethics in international affairs will undoubtedly continue in an accelerated pace, with results, hopefully positive for as many and as wide range of interactive groups in the global economy.

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<sup>12</sup>*Economic Tribune*, 24.09.2009, *Andreea Daniela Gangone „Peculiarities of the Romanian business environment”*

Indeed, environmental problems are not an excuse for unethical conduct of business; on the contrary, it can convert its moral quality in a strategic force. Concluding the set, in short, we get the following postulates which summarize most of the problems of business ethics:

- Without ethics, there is no future for business and for society itself.
- In business, ethics is above all a moral of money.
- Progress is based more on practical ethics than on its content.
- It is not enough to impose ethics in an organization; a system of sanctions is also necessary.
- Transparency is the ethical weapon of our time.

Addressing the issue of ethics in business today is very common, not only theoretically but also practically. Even if the society in which we live, the dynamic and volatile economic environment, dominated by the competition put a lot of barriers to those who guide themselves in daily life or in business by the principles of ethics, there are many "survivors" who do not step aside and demonstrate that ethics is a necessity and, moreover, it is profitable.

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