

Ethics and management

Ethical problems represent real managerial dilemmas because they represent conflicts between the economic performances of a firm and its social performances. The interest for an ethical behaviour is not so new, but only now there are intense concerns for moral actions for maintaining competition and public trust in the developed activities.

INTRODUCTION

In business, ethics can be defined as the capacity to reflect over the values in the process of decision making, to determine the way in which these values and decisions influence different groups of partners and to establish the way in which the managers can use these observations in managing the firm. Ethic managers want to have success based on clear practices of management that are characterized by correctness and justice.

“To be correct”, “to be honest”, “to be fair” are terms of ethics. They express a judgment for the people who believe that they are right. These concepts are actually our moral standards. They can be different from one individual to another, because the values that they are based on are different.

Ethical problems represent real managerial dilemmas because they represent conflicts between the economic performances of a firm (incomes-costs-profit) and its social performances (formulated in terms of personal obligations, inside and outside the organization). The nature of these obligations can be, of course, open to small interpretations, but most of us agree that they include elements of protection of the loyalty of the employees, of maintaining competitive markets, of achieving useful and safe products and services.

The managerial dilemma refers, happily, to the costs of these obligations, for the company – evaluated by financial standards – as well as for managers – expressed by financial controls. It is presumed that most of the leading factors in different companies want to have as employee persons with a clear view on what is “correct”, “honest” and “fair”. This way we can expect from any employee not to act to the company’s detriment, not to offend other people and not to make a bad impression in mass-media.

THE IMPORTANCE OF MORALS AND ETHICS FOR MANAGERS

David Murray, in his book “The 7th essential values. SMEs and their beneficiaries” identifies 7 essential values that a company should

have in mind, through its managers and employees, in order to develop an activity as ethical as possible that is:

- Consideration – towards the people next to us;
- Wakefulness—in keeping ethical standards;
- Creativity—in saving resources and environment protection;
- Serving –the clients as well as possible;
- Correctness –towards the suppliers, beneficiaries, employees, associates, community;
- Transparency – eliminating the lies in the communication wit the partners, clients, suppliers, employees, state bodies;
- Interdependency – towards the community we leave in and develop our activity;
- As well as 12 moral challenges in business life: appreciating the dignity of work, good relationships in business, serving the clients as well as possible, morality in buying, morality in competition, treating the personnel with dignity and respect, a correct payment of the personnel, respecting the laws, protecting the environment, making business without bribery, maintaining honesty in business, surviving in the case of major changes.

The managers are usually trying to encourage ethical practices, not only to be morally correct, but to obtain all the advantages for the firm which result from designing an ethical image towards the consumers and employees. Managers can be trustful that a potential action will be considered ethical by the public if it fulfils one or more of the standards presented as follows:

- The golden rule – act the same way as you would like to be treated by others.

- The utilitarian principle – act in a way that will bring the best for the biggest number of people.
- Kant’s absolute imperative – act in such a way that the action, in certain conditions could be considered law, rule or universal behaviour.
- Professional ethics – take actions that will be perceived as adequate by a non interested group of colleagues with the same profession.
- The TV test – managers should always ask themselves: «would I feel comfortable if I should explain to a national audience on TV why I took such an action?»
- The legal test – is the proposed action or decision legal? The existing laws are generally considered as a minimum standard of ethics.
- The test of the four questions – managers can be trustful that a decision is ethical if they can answer YES to the following questions:
 - Is the decision honest?
 - Is the decision correct for everyone who is influenced by it?
 - Will it contribute to improving the understanding and friendship between people?
 - Will it bring advantages to all those involved?

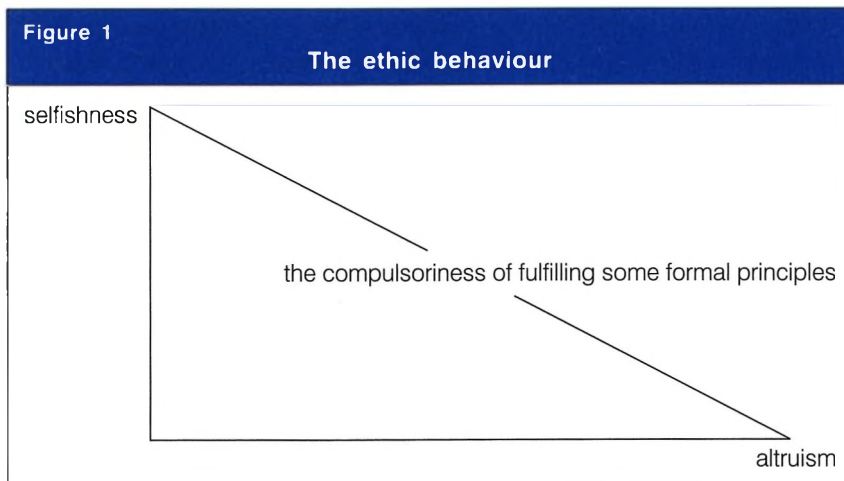
MAKING DECISIONS

The managers, within the process of decision making, need to think about the consequences that these will have on them, the organization and the society. They should make a convenient decision for them and their firm, not totally inappropriate for other firms, for the society, sometimes with disastrous effects. The ethic behaviour has different basis in the determination of the guiding lines in decision making.

Figure 1 presents a simplified model of it.

The selfish behaviour involves the getting a maximum of personal benefits: wage, power, prestige etc. The altruist behaviour requires making decisions that will bring benefits to other persons, organisations. Between those two, there is the behaviour that needs to be based on the compulsory fulfilment of some principles.

Selfishness shows that an act is good if the benefit belongs to one person, the one that acts. Altruism



shows that an act is good if the benefit is a social one. The criteria for these ethical lines are the consequences. As a difference, ethics that adhere to the fulfilment of some formal principles is based on the idea that the justice or injustice of an act is supported by principles and not on consequences.

But the idea that actions can be judged only based on a principle has not been accepted by many, an approach based on many principles being preferred, principles arranged in the order of their importance:

- the interest of the society before the interest of the organization;
- the interest of the organization before the interest of the employees;

For an ethical behaviour we also need to respect the principle of presenting the truth in any personal or organizational involvement. After the '80s, the role and the status of ethics in business have begun to increase due to the high costs that non ethical actions generate. Determining what is ethical is usually a difficult thing to do, determining what is not ethical being sometimes an easier task. It is known that it is not ethical to forge reports, to receive bribery. But the managers are confronted every day with questions like: is it an honest profit the one that I have obtained? Is the price of the product correct? Etc.

Due to the fact that the ethics of business is usually complex, the managers have different opinions concerning ethical actions. An interesting concept in debating managerial ethics, of ethics in general, is the social responsibility seen from three directions:

- social obligation;
- social reaction;
- social response.

Social obligation – the vision from which we need to begin with is the one of a company that produces profit within the legal frame, as far as the ethical behaviour is concerned. Due to the fact that it supports business development by the simple fact that it allows its development, business has to acquit itself of the society by obtaining a legal profit. Or the organization has the social obligation to use its resources in activities meant to create and increase the profit only by respecting the rules of a game, in a free competition, without fraud.

Social reaction – it shows that behaviour needs to correspond to the norms, values and expected performances. A firm with a minimum social reaction involves the fulfilment of the norms on the ecologic,

environmental and social costs of its actions. When the organization has a strong social reaction, it involves in solving problems of the society (for instance Green Peace), in certain situations, even if this solution is not included in its duties.

Social response – according to this aspect, the responsible behaviour is anticipative and preventing. The term of social response has appeared during the last years and it refers to defining actions that compulsory exceed and the social reaction.

The characteristics of a socially receptive behaviour include for instance to have a position in a publication, to anticipate the future needs of the society and the actions to satisfy them, to communicate with the government about an existent or wanted legislation.

Social responsibility and professional ethics

The main objective of the social responsibility is: the obligation of the managers to take decisions and to act in such a way that they will contribute to the individual's welfare, in the interest of the society and the organization that he is leading. There are four categories of social responsibilities:

- Economic responsibility
- Legal responsibility
- Ethical responsibility
- Discretionary responsibility

Economic responsibility – means that the managers have to use the resources and energy in activities designed for the increase of profit, thus, for the welfare of the organization and the individuals.

Legal responsibility – the economic objectives need to be aligned to the legal frame recognized in the society. For instance, the organization has to fulfil the contractual clauses with the suppliers or the clients; it needs to serve clients on time, not to produce products with deficiencies etc.

Ethical responsibility – means the obligation of the leader of the organization to take decisions according to law, but also impartial ones, respecting the individual and community rights.

Discretionary responsibility – is purely voluntary and includes the desire of the organization to offer social contributions that do not represent economic, social or ethical obligations, such as generous, philanthropically, non profit actions.

On the contemporary managerial ethics, the studies and literature of the domain notice a crises determined by: the introduction of non qualitative prod-

ucts on the market, passing by the consequences of pollution, industrial espionage, corruption and blackmail etc.

Ethical dilemmas in management

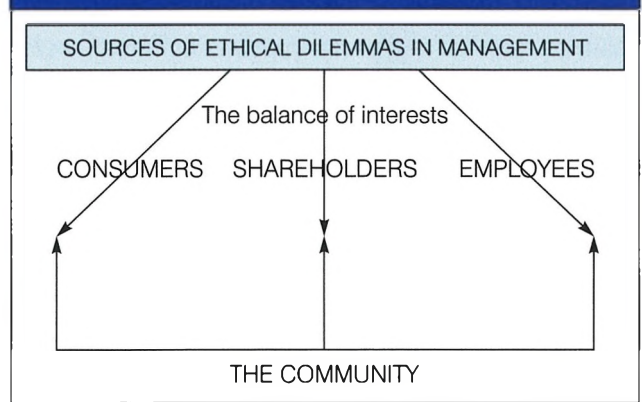
The optimum report between social and economic performances defines a new managerial model, the socio-economic one which opposes the traditional model strictly economical centred almost exclusively on the maximization of profit. Managers have all the time two priorities which, sometimes, can be contradictory: the public and their own organization. These priorities generate ethical dilemmas because what is moral for a manager could be considered immoral by the other actors. The ethical area of business is sensitive the more the purpose is to obtain bigger benefits by the employees, consumers and shareholders, without diminishing the public's trust in the general benefits that the world of business brings: a payback for work and better social services to the community.

Ethical dilemmas in management appear more often from the wrong perception of the managerial behaviour. We can even come to paradox situations such as: what is moral for the manager or the managerial team can be immoral for other managers or their subalterns, consumers, share-holders, community etc.

The essential dilemma in management is: how to achieve equilibrium between economic, social and ecologic performances. For different managers, different organizations, the decisions will be influenced by numerous situational factors resulted from the different way of approaching the obligations towards: the employees, the consumers, the suppliers, the distributors, the shareholders, the community etc.

Top managers have the power to set the policy of an organization and to give the tone from the moral point of view. They also have a great responsibility to use this power, they can and they have to be models of ethical behaviour for the entire organization, not only by their day to day behaviour that needs to fulfil high principles of ethics, but also by the communication within the organisation of the similar expectations from the employees and by the encouragement of positive results. A surprisingly 64% out of 238 executive managers from a study said that they feel under the pressure of compromising their personal standards in order to achieve the company's objectives.

Figure 2
Sources of ethical dilemmas in management



Another study of the Fortune magazine in the USA showed that 34% of the subjects consider that the company's president can create an ethical environment by establishing reasonable objectives "so that the subordinates would not feel the pressure in taking non ethical decisions". Obviously a chief can encourage without wanting non ethical practices by exercising too much pressure in order to achieve some difficult objectives. The main resources of the ethical dilemmas in managerial decision are presented in figure 2.

Ethical dilemmas have implications on the managerial activity at least in three domains:

1. Relations of the firms (managerial team) with its own employees – hiring, payment, working conditions, dismissal etc.
2. Relationships between individuals and formal and informal groups within the firm – conflicts of interests (managers-managers, managers – unions, managers-subordinates, managers-employee) keeping the professional secret (disclosing information for the competition), accomplishing expenses in the detriment of the firm (using facilities: means of transportation, telephones etc for personal reasons) and any others.
3. Relationship of the firm with the definite external environment, mainly the firm's consumers (clients), the competitive economic agents, the governmental and non governmental institutions, political, administrative, environment protection etc.

Applying modern management principles based on moral initiatives has proved that solving the ethical dilemmas correlates with the values of the individual personalities involved in the act of managerial decision. When immoral decisions are adopted,

there is always a personal or collective risk that can damage the prestige, discharge or even measures privative of liberty. In order to achieve the goals of maximization of the profit, rapid enrichment, some managers are predisposed to any compromise, to practices of counterfeit, bribery, betrayal of the interest of the organization and many other immoral actions.

On the other hand, by a positive example, by a correct swing between economic and social, by protecting the natural environment, managers encourage and sustain the reinforcement of an organizational ethics, a real organizational "culture" or "philosophy" that can represent the object of some ethical codes.

An ethical decision is the solution resulted from considering, without discrimination, all the needs, expectations and interests of all: shareholders, employees, community etc. The analysts of the issue sustain that three situations represent real barriers in the affirmation of ethical behaviour of the organisations:

- periods of financial difficulties – in order to save themselves from bankruptcy some managers use immoral actions;
- domains (firms) with strong competition – in order to avoid the elimination from the market they refer to practices contrary to the norms of loyal competition;
- when there are no ethical codes or, if they exist, only a minority respects them.

Ethical codes

In most times, the levels of applying managerial ethics are clearly specified in the ethical codes. Even if they do not have yet ethical codes, since two decades ago, many of the big corporations have ethical programs and they have hired office workers to monitor the ethical behaviours in the organizations.

At the beginning, the codes have been developed by professional groups as deontological rules, and then there was an explosion within the organizations. The specialists argue that this was practically possible because without a formal program and activity, ethical practices cannot be encouraged. Thus, by ethical codes we try to solve some conflicts of interests in the internal environment and the external relations of the organization, that is to state some principles and requirements that will make the managers more sensitive to ethical problems. They do not con-

tain purely theoretical concepts, but they establish practical significances, useful for all the members of the organization. It does not mean that an ethical code automatically insures a moral behaviour or that it can cover all the situations in the organizational life. The limit of action of ethical codes is to formulate them in general terms because, at the beginning, the managers and their subordinates are incapable to identify all the ethical problems that can appear. The way in which the ethical code is applied it's up to the manager and the subordinates. The ethical code remains valid if all the members of the organization fulfill it; when the manager doesn't give it any importance, the employees will definitely not fulfill it.

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The interest for an ethical behaviour is not so new, but only now there are intense concerns for moral actions for maintaining competition and public trust in the developed activities. Really relevant for those receptive to responsibility problems are some ways that can be used to encourage an ethical behaviour:

- the publication of a personal ethical code, according to the recognized standards and social values;
- training the managers on ethical business problems;
- elaborating solving programs of ethical conflicts;
- institutionalizing some surveillance committees of ethical behavior;
- offering rewards and proper sanctions.

If organisations realised that they have duties towards the society, it is a big surprise that the introduction of the ethical codes is gone so rapidly. Ethical codes have certain functions that explain why they enjoyed such a great interest from the managers and the organization's members, such as:

- conduct and inspiration – the codes make available a positive stimulant for ethical behaviour and recommendations concerning the main duties;
- support – the codes offer a positive support for those who are looking for elements of ethical behaviour;
- discipline – the codes can represent the legal frame for the investigation of non ethical behaviours;
- education and mutual understanding – the ethical codes can be used in schools or other places to

promote discussions and reflections on moral problems;

- to create an image of the profession for the public
 - the codes can represent a positive image for the public about a profession;
- to protect the profession's statute – the codes can stop certain disagreements that can appear at the level of those who practice a certain profession.
- to promote the interest in business.

We can identify in business at least two levels for the application of ethics: a micro level and a macro level. The micro level is the one established between individuals on the basis of correctness of exchange. This level is closer to the traditional ethics and includes: duties, promises, intentions, consequences. All of these comply with the principles of an equitable exchange, of honest profit and treatment. Two partners who negotiate a conflict of interests have to warn each other about the risks that they assume if they do not communicate all the information necessary for a beneficial deal. The macro level refers to the institutional and social rules in the world of business. The problems from the macro level are: What is the purpose of the free market? Is the regulation of the market correct?, What is the role that the state needs to have in business? Are the fiscal policies imposed to the economic agents equitable? The macroeconomic level also poses the issue of ethical problems in the business globalization. They appear especially when some international corporations develop business in countries with less developed economies, with a reduced level of maturity of the civic conscience.

TYOLOGY OF THE ETHICAL BEHAVIOUR

The so called management by values is enforced these days. Coming from the oriental tradition and the protestant ethics of work, strongly connected to management by objectives, this "method" has a character of a maximum generality, aiming at the entire spectrum of the life of an economic organization. Materialized as the harmonious relations within the Japanese and Korean firms, as Total Quality Management and the anti-pollution measurements, it spreads a new, moral relation between all the elements of the human environment of the organization: manager, subordinated, their families, consumers, communion, all the persons affected in one way or another by the firm's activity.

The same as the notion of leadership, the notion of managerial ethics has aroused great controversies. What does an ethical behaviour need to be based on? What are the features that define a proper behaviour? What are the objectives that will attract all the energy of a leader? What does he have to pursue and what is the proper relationship between him and his collaborators?

The answer to these questions is really hard to find, if it exists. Without being exhaustive, we try to present the main currents of opinions on the elements which define an ethical behaviour of the manager.

Ethics of objectivity

Objectivity represents an ideal, optimum model of evaluation and hierarchy of values, but it is completely inappropriate to the human being. More or less visible, any individual has a certain psychic or intellectual construction that forms a certain personality that associates personal interest and involves a certain way to see things. Every person has his role in the society, and the divergence of interests that corresponds to those roles still represents a factor which generates relativity in the socio-economic domain.

Representing a group, the manager has to get over the tendency to act according to his own interests and to analyze any situation from the perspective of the group. This involves a high degree of depersonalization, coming in contradiction with the theory of a charismatic leadership. The role of model within the group means to prove a great personality, the impartial solution not always being benefic for the organization.

Ethics of virtue and character

The oldest approach of morals has been realized by personality features that need to characterize a person, especially one with power over the ones around it. The idea is that at the basis of human existence there are some positive virtues such as the spirit of justice, honesty, courage to try to dominate evil situations. A moral behaviour also involves a proper temper: the man doesn't have to be dominated by nerves or moment feelings, he needs to know how to hold his temper and good justice in any circumstances; in one word to be disciplined. This category does not represent only a simple part of managerial ethics, but it is an important aspect for the concept of

leadership, imposing itself as a decisive factor of success.

Ethics of rights and duties

This side of the personal ethics begins from the idea that the entire human existence is governed by a complex of rights and duties, according to which all acts and human processes need to develop. These rules and duties are the elements that govern the relationships between individuals, settling what is possible and what is forbidden, which behaviour is recommended and which is not.

Ethics of the results

This side of managerial ethics emphasizes the leader's character towards the achievement of an objective; the leader's behaviour is ethical when the results of his decisions are favourable. In order to be ethical, a decision has to affect in a positive way a number of persons as big as possible and in a negative way a number as small as possible. It is also one of the reasons of the democratic style of management: the participation of all those involved at the process of taking decisions will determine the finding of everyone's interests in the adopted solution. The management by values implies the optimum capitalization of the entire capacity (of any nature) of the group. The participation of the subordinates to decisions is one of the most important factors that make the potential to overcome the sum of the individual abilities: this synergic effect is at the basis of the supra unitary efficiency of an economic process. Obtaining optimum results implies the orientation towards the group's objectives, this being a moral behaviour.

A decision is good if it brings benefits and it is bad if it harms interest. In economics, these effects are quite easy to quantify, with the observation that we have to keep in mind the non material aspects of the profits and costs involved. Priority needs to be given to the social side of the organization, not to the strictly economic side. The notion of leadership involves success, not earnings. Thus, it refers not only to the financial aspects, but also to the relationships between the members of the organization, between them and the leader, between all of the above and the firm's exterior. The firm's image depends on these relationships, and the economic environment, the business partners and the final consumers tend to judge a firm according to this image, the final re-

sults of the enterprise being a financial translation of that judgment.

Ethics of the change

Before trying to determine other people to change their behaviour or performances, the manager should try to analyze a few ethical aspects. Probably the fundamental question on ethics is: "Does anyone have the right to change the behaviour of a person?" Generally, those who have tried to improve the performances of the employees have agreed that if the following conditions are fulfilled, the managers have the ethical right to try to obtain a change in the performances:

1. the people involved in the change understand what is asked and that they are free to choose between participating or not to the change plan;
2. all the relevant information on the decisions and the actions specific to the change plan are shared with all those interested;
3. the persons involved in the process of change who discover that the plan doesn't work as it should have the right to renounce to make efforts for change;

We need to underline the fact that certain types of changes are accepted by everyone. If a restrictive policy is imposed to the workers, a policy that negatively affects their work and the managers change this policy, nobody will complain. A change that has all the chances not to be accepted is the ones that involve the increase of the workers productivity with 10%, without offering any type of rewards to the workers. Improvement of the ethical behaviour contains:

- the selection of the employees;
- ethical codes and rules for taking decisions;
- the top management gives the tone of ethics, being a model through what it does;
- the practices of establishing the objectives and evaluation of the performances;
- training in ethics;
- independent audit;
- formal mechanisms of protection – counsellor in ethics, officers for ethical problems, systems of appellation.

ETHICS IN BUSINESS – THE SITUATION IN ROMANIA

The concern of the business environment towards the ethical practices and the principles of corporative

government, quite old in the USA, Western Europe and Japan, are only starting in Romania. Setting aside an increased legislative productivity of the Romanian legislatures in the elaboration of some behavioural codes designed for different segments (stock exchanges, banks, accountants, financial auditors, professional associations), in "the real economy" nothing much happened.

Even more, the behavioural codes enumerated above were left on paper, and the public announces about punishing some actors of the market who broke the standards from the behavioural codes are still inexistent. The encouraging evolutions in Romania are recent, during the second part of the last year, the Strategic Alliance of Business Associations and the Alliance for Romania's Economic Development announcing the elaboration of a "Code of Behaviour in Business" and one for "Corporative Voluntary Government", recommended to be applied to the members of these two associations. Ethics remains in the vision of the majority of the Romanian companies, as something oriented strictly to the outside, missing from the preoccupations of the firms, with an internal component that should include the fulfillment of some ethical standards by the employees.

The main characteristic of the Romanian market is represented by the fact that we have to deal with a young market. The organisms of governmental control exist, but they are not yet ready to take their role seriously. As a consequence, we are a part of different behaviours of the business environment, more or less ethical, but one thing is for sure, that in Romania it is possible to make business by respecting ethics, as the representative of a French company in Romania has declared.

From the point of view of the ethics, the slow process of the administrative and fiscal procedures, especially for requesting an authorization of any kind, represents a barrier of ethical behaviour. Ethics in business needs to be a concern for all the actors, at the level of the ordinates as well as those from services. Of course, verifying an auction should be more efficient, and the procedure more transparent. The market has to adjust itself and the help given to enterprises that have no future needs to stop.

The consent obtained after a bad information (in an advertising for products), the right to a natural healthy environment (the ecologization of the West by the transfer of pollutant technologies in the East), the use of non loyal practices (dumping as taxes for

the third world), the dependency on corporations (the increase of the social polarization due to the domination of the corporations in the public life in Latin America) are examples that prove the need for the involvement of managerial ethics internationally. The manager needs to take into account, finally, the following aspects with ethical implications: the interest of the public in general, the working objectives, the understanding of all the actors involved in the business development and the changes that take place in the organizations.

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