THE ROLE OF THE CODE OF ETHICS IN THE CONTEMPORARY FIRMS ACTIVITY

ANDREEA GANGONE, CAMELIA CHIRILA *

ABSTRACT: Nothing is eternal, except changes. This statement characterizes the contemporary world, as succinctly and correctly as possible. The field of economic affairs, strongly marked by the effects of the economic globalization process development, by the manifestation of the knowledge-based economy and by the moral, ecological and social consciousness of contemporary economic organizations, within the framework of the aggravation of some social and ecological problems, faces today the need for various fundamental changes, starting from the reconsideration of the validity of those principles that have governed it for the last decades. Respecting the ethical norms or principles in developing economic affairs does not represent a recent approach, but, as a result of the changes that marked the contemporary economy, tends to become an organic component of the process of adopting organizational decisions and an indissolubly respected principle in the process of planning the future of the organization. Moreover, the international organizations’ experience proclaimed the importance of respecting a unitary set of business ethics principles, disregarding the market or the geographical area where they develop their activity, leading thus to the enrichment of science and management functions with an ethical part.

KEY WORDS: business ethics; economic globalization; global ethical management; ethical code

JEL CLASSIFICATION: F01, M16

1. GENERAL CONSIDERATIONS REGARDING BUSINESS ETHICS

In contemporary society, we can observe a close interdependence among its facets 0 political, economic, social and moral. Within this framework, it is absolutely necessary to promote healthy moral values in all human life fields, including the

* Assist. Prof., Ph.D., “Constantin Brâncoveanu” University of Pitești, Romania, andreeagangone@yahoo.com
Assist. Prof., Ph.D. Student, “Constantin Brâncoveanu” University of Pitești, Romania, camelliachirila2004@yahoo.com
economic field, by any available means. Generally speaking, **ethics** represents the mental process systematically developed in order to identify and evaluate the differences between how it is and how it could be the result of various human activities or actions in order to improve human behaviour in society.

Ethics has been studied since ancient times and it represented the foundation of different religions and life styles. In what its evolution is regarded, there are two basic approaches to ethics, presented below:

- **The religious orientation**, according to which moral norms must be respected in all aspects of an individual’s life, including his professional life, in conformity with the requirements of religious ethics;

- **The pragmatic orientation**, according to which every individual must ethically behave in all his actions and must not cause a series of risks and tensions (Puiu, 2004, p.140).

In essence, both approaches are finalized with the evaluation of human actions. But the theological system achieves this by analyzing the relation between actions and their consequences, while the deontological system implies the analysis of the relations between actions and the motivations on which they are based (Baron, 1996, p. 549). Ethics played an important part in the economic and cultural environment of the XXth century; within this period, there were serious preoccupations of the different social groups regarding, on one hand, the security against various manipulations from the political environment, and, on the other hand, the consumer consciousness to the organizations’ need of responsibility assumption regarding the correct solution given to ethical problems.

At the same time, the 90’s were characterized by a continuous accentuation of management preoccupations to identify, prepare and rapidly operate all the information coming from the internal and the external company environment.

Organizations responded to the public’s new expectations by integrating some ethical responsibilities in their organizational culture, trying this way to harmonize their own values with those of the community where they act.

In this sense, in the last years, one can observe an increase of the importance given to the ethical norms by top managers demonstrated by the fact that: more than three quarters of American companies have an ethical code; most important international corporations set up an organ regarding social and ethical responsibility or public politics; annual reports of multinational or global companies refer today to the importance of ethics much more than they used to do in the past (Ionescu, 1997, p. 195). In other words, contemporary managers must be conscious that it is absolutely necessary for their organization to have a moral business attitude, to look beyond what is legal and apply standards based on personal identity, on the moral conscience of the organization and the consumers’ long term welfare.

From this point of view, the essence of managerial ethics consists of the permanent conflict that aims, on one hand, at the organization’s economic performance (quantified by costs, incomes, profit etc.) and, on the other hand, the organization’s social performance, more difficult to quantify and often expressed through the way of respecting the obligations to the employees, customers, suppliers, creditors etc. (Gavrila & Lefter, 2002, p.274).
In this order of ideas, the answer to the ethical dilemmas that contemporary managers must face represents finding the balance between economic and social performance. Such an accomplishment implies a multidimensional analysis of all economic, legal and moral implications of each managerial decision apart. All these relations can be modified only with the help of ethics and economic, social and ecological responsibility of organizations, especially, of commercial companies.

2. OUTLINE OF GLOBAL ETHICS MANAGEMENT

The globalization of economic life, seen as a transformation in the spatial organization of relations and social transactions - analyzed under the terms of extension, intensity, velocity and their impact - generating fluctuations and transcontinental or interregional activity networks, interaction and power exertiation (Held, et al., 2004, p.40), complicates even more the contemporary organizations’ activity as it imposes the transformation of the production and social fields, as well as of those institutions involved in this process. Furthermore, the conception according to which no economic organization cannot exist, on a long term, without consent upon what is wrong and what is good, was adopted by a larger and larger number of specialists and practicians in international economic affairs.

In contrast with the multiple differences among countries, but in full agreement with the almost universal character of unethical behaviours, ethical systems are desired and must be universal.

Based on the process of economic globalization development, this change of perspective determined the concept of global ethics, understood as the assembly of fundamental values and universal ethical principles (Sikula, 1996, p.126) and completed global management with an ethical part.

Global ethical management completes the concept of global ethics meaning that, while global ethics is a system of ideas, concepts and suppositions, global management comprises concrete methods, practices and techniques used to implement global ethics in the organizations’ activity (Sikula, 1996, p.126). Global ethical management led to the development of the international or global organizations’ preoccupation to identify and implement some generally applicable ethical principles that govern their activity on the market. Thus, at international level, a series of initiatives were taking shape in order to elaborate a unitary set of fundamental ethical values that could reflect the universal expectations about ethics. Some of the most relevant initiatives are presented in the table 1.

Although there are differences between the visions presented above, it is obvious that global ethical values are common, which sustains the existence and the utility of a global ethical system and of a global ethical management. According to the new orientation, the adoption of some ethical standards that could govern business decisions leads to obtaining some positive results at the business level, results that are mainly materialized in: protecting the public against non-corresponding or dangerous products; protecting and stimulating the employees by providing corresponding working conditions and ethical management of human resources; protecting the business and making it efficient in the conditions of respecting superior cultural values.
3. BENEFITS AND LIMITS IN USING THE CODE OF ETHICS IN THE ACTIVITY OF CONTEMPORARY ORGANIZATIONS

Organizations consider that ethics is an integrating part of their conduct and it clarifies and communicates its position by elaborating and perfecting some ethical codes and norms and regulations that regulate their members’ behaviour, from the perspective of their ethical principles. From this reason, elaborating some conduct standards under the shape of some codes became a frequently used method needed to clarify the minimal expectations of an acceptable behaviour (Lewis & Gilman, 2005, p.185). Such regulations are meant to increase the organization’s success on a long term and provide some decisions that must protect the economic and social environment of the company. Thus, these organizations dispose of a standard that allows them to monitor, measure and continuously improve their ethical conduct.

An ethical code is essentially a written document that underlines the conduct principles that must be respected in the decision-making process of the organization (Byars, 1991, p.19). Other specialists consider that an ethical code is a declaration of an organization’s norms and faiths. These norms and faiths are generally proposed,

Table 1. Global ethical management

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>- Nonviolence</td>
<td>- Morality</td>
<td>- Trust</td>
</tr>
<tr>
<td>- Respect for life</td>
<td>- Truth</td>
<td>- Honesty</td>
</tr>
<tr>
<td>- Dedication</td>
<td>- Justice</td>
<td>- Integrity</td>
</tr>
<tr>
<td>- Solidarity</td>
<td>- Patriotism</td>
<td>- Respecting the given word</td>
</tr>
<tr>
<td>- Sincerity</td>
<td>- Self-respect</td>
<td>- Loyalty</td>
</tr>
<tr>
<td>- Tolerance</td>
<td>- Integrity</td>
<td>- Respect for the others</td>
</tr>
<tr>
<td>- Equality of rights</td>
<td>- Empathy</td>
<td>- Responsibility</td>
</tr>
<tr>
<td>- Sexual morality</td>
<td>- Exemplary behaviour</td>
<td>- Correctitude</td>
</tr>
<tr>
<td></td>
<td>- Seriousness</td>
<td>- Preoccupation</td>
</tr>
<tr>
<td></td>
<td>- Respect for family, property, law</td>
<td>- Civic spirit</td>
</tr>
</tbody>
</table>

William J. Bennett - „Book of virtues”

<table>
<thead>
<tr>
<th>Thomas Donaldson - „International Fundamental Rights”</th>
<th>Rushworth W. Kidder - „Common values in a disorganized world”</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Self-discipline</td>
<td>- Liberty of movement</td>
</tr>
<tr>
<td>- Compassion</td>
<td>- Right to property</td>
</tr>
<tr>
<td>- Responsibility</td>
<td>- Interdiction of torture</td>
</tr>
<tr>
<td>- Freedom</td>
<td>- Right to a fair trial</td>
</tr>
<tr>
<td>- Work</td>
<td>- Indiscrimination</td>
</tr>
<tr>
<td>- Courage</td>
<td>- Right to security</td>
</tr>
<tr>
<td>- Perseverance</td>
<td>- Right to expression and association</td>
</tr>
<tr>
<td>- Honesty</td>
<td>- Right to minimum education</td>
</tr>
<tr>
<td>- Loyalty</td>
<td>- Right to political participation</td>
</tr>
<tr>
<td>- Faith</td>
<td>- Right to survival</td>
</tr>
<tr>
<td></td>
<td>- Love</td>
</tr>
<tr>
<td></td>
<td>- Sincerity</td>
</tr>
<tr>
<td></td>
<td>- Correctitude</td>
</tr>
<tr>
<td></td>
<td>- Liberty</td>
</tr>
<tr>
<td></td>
<td>- Unity</td>
</tr>
<tr>
<td></td>
<td>- Tolerance</td>
</tr>
<tr>
<td></td>
<td>- Responsibility</td>
</tr>
<tr>
<td></td>
<td>- Respect for life</td>
</tr>
</tbody>
</table>

discussed and defined by executive managers that are old in the organization, and then, they are published and distributed to all its members (Hosmer, 1987, p.153).

In our conception, the ethical code represents a standard of conduct constructed on the basis of the organizational experiences, of the prevailing values of the society, of the personal moral norms governing managers’ behaviour and of explicit or implicit expectations of the investors that started the respective business.

The ethical code sustains the organization’s mission, vocation and objectives by the functions it fulfils: it defines fundamental values; it filters the notions taken from the accumulated experience; it spreads values at the employees’ level, encouraging the respect of high conduct standards; it favours the effective usage of conduct norms taken by the organization members (Puiu, 2004, p.149); it supports the decision-making process; it sustains the organization’s professional identity; it limits the superiors’ pressures upon the employees so that they acknowledge what they can do and what they cannot do (Lewis & Gilman, 2005, p.191).

In our opinion, one of the most important functions of an ethical code is that of increasing the trust of the public and of the society within the organization, by the fact that it represents an explicit commitment that leads to the respect of some moral standards in developing its activity.

From another perspective, the British specialist Arthur Clarke considers that any organization should have two ethical codes: one for the top management and one for the entire organization.

This opinion derives from the fact that managers have higher responsibilities than the other members of the organization regarding the trust and the honesty due to those who appointed them. A code for the top management should comprise provisions such as:

- managers should exercise their function with honesty and dedication, trying to reach the organizational objectives;
- managers must be loyal to the organization under any circumstance and consider the organization as a priority;
- managers should act in a manner that does not affect the organization or get into conflict with its interests;
- managers should not make use of confidential information in order to obtain personal gains;
- managers should respect high standards of personal behaviour (Clarke, 2004, p.96).

The codes of ethics meant for all the employees inside the organization should comprise clearly stipulated directions regarding the ethical procedures and principles accepted by the organization, the non-acceptance of gifts, no matter what they are, from real or potential clients, and to the promotion of a fair and cautious behaviour towards the society, in general.

It is important to understand that, regardless of the promoted values, an ethical code does not carry with itself the capacity to persuade all members of the organization to respect the standards and the ethical principles selected by management (Hosmer, 1987, p.154), because:
○ It is not possible to comprise, in a differentiated way, in an ethical code all norms and faiths specific to the groups interested in the organization’s activity without hurting the interests of any part. This formulation of ethical codes in general terms leads to an incomplete and incorrect understanding of the provisions by the employees and generates, in the perception of the large public, the opinion that they are simple beautiful declarations meant to improve the image of the respective companies.

○ Ethical training is not enough to if the employee does no have solid ethical behaviour obtained as a combination between familial, religious influences and personal need and standards. A person that acts according to a set of solid ethical standards (personal rules of behaviour and rules regarding the adoption of some ethical decisions in professional life) will be more continuous and trusting in the decisions made. In other words, managers must accomplish their tasks not necessarily as a result of the external constraint generated by the existence of an ethical code, but as a consequence of self-persuasion resulting from personal moral standards. From this reason, top management must respect moral norms in all situations, so that, by the power of personal example, it could induce the security that, acting the same way, there will be no negative consequences regarding them. But this desire implies a management capable to courageously assume the responsibility for the adopted ethical decisions, mainly when they have negative consequences from the point of view of the narrow economic interest. Thus, the managers’ personal ethics can and must be one of the essential sustaining pillars of the ethical organizational behaviour.

○ The ethical code does not establish priorities, respectively, the order in which norms and faiths must be respected. Practically, the priorities are the real organizational values and the ethical code simply does not include them. Moreover, ethical codes are often perceived as being documents that establish only minimal rules regarding an acceptable role of the social group when, actually, they must establish real behaviour standards that could encourage the formation of an ethical life style.

○ Ethical standards are hard to set up, the communication of these standards is not always clearly made and the activity monitorization of a complex organization is, apparently, an impossible task. Ethical codes too rigidly implemented reduce management flexibility and restrain practical options. On the other hand, unimplemented ethical codes, only used as beautiful declarations within the policy of public relations within the organization, represent a weak organizational message and they are simple papers covered by platitudes (Lewis & Gilman, 2005, p. 185).

○ The ethical code cannot cover all situations and does not guarantee the respect of all ethical norms. From this reason, the creation, the popularization and the continuous improvement of the company’s ethical code should constitute some of the regular actions that managers take in order to provide an ethical job. In our opinion, the role of an ethical code is to form thinking models and attitudes which, once they have been understood, assumed and respected, will lead to the formation of a general behaviour expected by the managers that formed it. In other words, as plastically as an author put it, ethical codes do less than everything and more than nothing. From this reason, the simple elaboration of an ethical code does not automatically lead to the solution of ethical dilemmas. If the organizational ethical codes and regulations do not remain at a formal level and are connected to the current
operating and rewarding system, they lead, most of the times, to the consolidation of an ethical climate for the respective business (Johns, 1998, p. 140).

○ Ethical codes are precious only if all organization members respect them.

If the manager does not give importance to the ethical code or infringes its stipulations thinking that, as a manager, he must not respect it, the employees will do the same. Besides, one must take into account that the effective transfer of the ethical codes principles of the organizational life requires their assimilation within the cultural environment, within cultural behaviours, through a series of actions initiated, most of the times, by managers (Burdus & Caprarescu, 1999, p.207):

- A clearer formulation of the business behaviour and its usage in concrete situations in order to encourage the employees’ moral behaviour;
- Initiating some training programs in the spirit of the ethical norms promoted in businesses by the company;
- The clear definition of individual objectives so that they do not lead to ambiguities or ask the employees to accomplish impossible tasks, situations that could make them have unethical behaviours;
- Keeping high ethics in the managers’ behaviour that must be taken as examples by the company’s employees;
- Promoting ethics in the personnel’s performance evaluation processes;
- Developing some motivational and communicational mechanisms that could encourage the employees to promote a fair business attitude.

Paradoxically, sometimes, the existence of an ethical code may generate more bad things than good ones as it can create a false feeling of security behind which, actually, one could encourage the disrespect of his promises.

From this reason, it is necessary to implement the ethical codes in such a manner that could solve these problems and respect the following steps (Dessler, 2004, p.35): Distributing the ethical code to the employees, the member units and the organization partners; Assisting the employees in their effort to interpret and understand the stipulations of the ethical code and its role; Underlining the role of management in the process of implementing the ethical code; Informing the employees about their responsibility to understand the ethical code; Establishing the correcting procedures; Making a final declaration that could offer a conclusion regarding the importance and the utility of the ethical code. Thus, ethics will be one of the organizational culture components, to the extent the latter is assimilated and accepted by the employees, will enforce and in order to have influence in making decisions and in any behaviour, formal or informal. Besides, an organizational culture that promotes business ethics and agrees to the employees’ expectations will confer the meaning of a veritable mission of the respective affair.

4. CONCLUSIONS

The globalization of the economic life leads to the transformation of those reports belonging to production, the social reports and the institutions involved in this sense. In spite of all this, this global transformation will neither have a durable effectiveness nor a possible one unless it changes, at the same time, the relations with
people, nature, things. Therefore, in the context of an economic globalization, the ethical issues have become main preoccupations for the organizations engaged in international economic affairs as they have to obey the rules of ethics as compared to the host country, the country of origin as well as the other interested parties: governmental organizations, non-governmental organizations, public administration, natural environment, society etc.

Nowadays, profit and ethics are two essential sides in the evaluation of organization’s results since the profit reflects the organizational results from a quantitative point of view and ethics shows the quality of these results. From this perspective, the code of ethics can be considered both a premise and a result of the organizational efforts of assuming some ethical responsibilities and, to the extent in which its principles are known, understood, accepted and assimilated, it can turn into the most effective instrument of ethical responsibility in the business.

In the end, disregarding the investors’ and managers’ opinion about it, it is obvious that the preoccupation for the assimilation of some ethical responsibilities in the field of business cannot be ignored anymore and that only ethical and responsible organizations can successfully plan their future on a long term. We expect that this opening towards values, beyond the economic and financial field, will be maintained and developed under the impact of people’s and society’s pressure and will be materialized into new decisional factors at organizational level.

REFERENCES: