

## IMPLICATIONS OF ETHICAL VALUES ON MANAGEMENT

**Camelia ȘTEFĂNESCU**

“Spiru Haret” University, Romania

Faculty of Management, Brasov

stefanescucamelia@ymail.com

**Elena DOVAL**

“Spiru Haret” University, Romania

Faculty of Management, Brasov

doval.elena@yahoo.com

### ***Abstract***

*The problems of ethical values represent a subject that is present so often in the theoretical studies on business management, but it is treated with insufficient attention at the level of business community. The paper talks about the managerial ethics through the perspective of the approach as a significant factor in achieving a consistent and long term success in business. By pleading for the necessity of developing authentic moral values in the business management and motivating this must by bringing arguments from the managerial practice, the paper insists on the fact that the observance of the moral values that are universally recognised sustain and consolidate the company's reputation, giving it stability and safety, making it trust worthy in the environment it acts in.*

**Keywords:** ethics, managerial ethics, organizational culture, business success.

**JEL Classification:** M<sub>12</sub>, M<sub>14</sub>.

### **Introduction**

The ethics is perceived more like an element that influences the business management, by being an essential component of the contemporary society's preoccupations. This interest grew while the business environment was shook by corruption scandals, fraud, blackmail, actions that are not allowed in an economic climate with a reasonable degree of morality.

On the other hand, the experience of the powerful companies, has demonstrated very clearly the fact that the business success, its performance, are highly correlated to other

components, to the coherence of a consistent set of values, moral behavioural models that govern the organizational act.

## **1. Developing ethical values in business management**

Coming from the Greek „ethos”, the term ethics refers to the assembly of the norms that regulates the moral behaviour of individuals in society, norms that should be observed through the power of habits that are in the society. There are numerous conceptual definitions of the term ethics, but their essence is not different. In this work, we will look at this concept from the perspective of the business environment and its management.

A particular form of applied ethics, the business ethics refers to the moral principles and rules that, based on some standards that are accepted by the firm and by the society, determine what we consider honest, correct, true and responsible in the business domain. By the degree that these norms are acknowledged and followed depends, in essence, the correct behaviour in the business practice. The ethics have a major impact on the business performances and have consequences in the businessmen’s actions that need, for being productive, some moral standards.

The ethic dimension in the organization that has the quality of economic agents is the object of ethics in business management. It seeks the observance of the moral principles and values that need to govern the managerial processes, of the behavioural norms imposed through the public conscience that induce what is right, honest, and true in the business decisions and allow the counterbalancing of the conflictual problems between the active participants to the economic life. The ethics in the business management generates a certain self image of the managers in front of their employees and business partners, who are seen through the correctness, integrity and moral behaviour demonstrated in the relationships between them, and an image for the company in its environment, as an expression of its honesty in the business relations and of its ethical value standards.

The moral value system that has been generated by a company’s leaders, by its general managers, influences all those that are involved in the company evolution, determining the rules and the principles that define the correct behaviour in business. An efficient manager has to build, to consolidate, to influence, to coordinate the set of ethical principles that reflect the company’s image and helps it consolidate its position on the market according to its purposes and objectives.

The understanding and the observance of the ethical values, their rejection or support, depends on the way the managers know how to coordinate the employees’ rates options and to build a set of values and organizational practices that are based on uprightness, honesty,

trust. Through their individual ethical values and through their own behaviour, the managers influence the employees' moral principles and conduct, their uprightness and professional skills, encouraging them to assume the company's fundamental values, to identify themselves with its mission and objectives.

The complexity of the business environment makes, sometimes, difficult the separation between what is right or not right, creating mentalities with a specific vision on the ethical values and pressing the managers. Speaking of this aspect, most of the studies that are based on the business ethics are implying the fact that among the „ethical dilemmas” that are bothering the leaders, the most frequent are those referring to: the conflict of interests among the members of the managerial team and of the employees; favouritism and nepotism; the prices and earnings politics; the conflict between the firms ethics and the business practice. The process of making decisions is based on the manager's moral values, aspirations, beliefs and expectations. The practice demonstrates the fact that the wrong management decisions that lead to business failure are, most of the times, due to insufficient attention that managers pay to the ethical component. The surveys that we carried out among the managers of some Romanian companies to determine how they see the implications of the ethical principles on the making decisions process, allowed the following establishments:

- according to most of the interviewed managers, the managerial ethics is only a concept that can be, more or less, ignored in the business practice;

- most of them admit that there were situations when they were pressured to reconsider their ethical standards according to the demands of the organizational decisions;

- those who admitted they broke, a tone moment, the moral values in the business values motivate this way of acting through the lack of morality of the Romanian business environment;

- speaking of the ethical climate of the business environment they operate in, most of the interviewed managers consider that they have higher moral standards than their business partners;

- all questioned managers had declare that their own ethical behaviour has a major impact over their employees' attitudes and conducts, generating reactions of support or rejection of norms of ethical conduct in their organization.

Although they admit that there were situations in which they resigned from the ethical principles, by reporting to the needs and values of the market economy, all interviewed managers had underlined the fact that the abdication from the ethical standards is the gravest error for a firm's moral development. A comprisal in the system of organizational values of ethics norms is a clear evidence of insufficient growth of business environment and of lackness of a formal instruction regarding managerial ethic. With all these, even without

benefit from major moral availabilities, native or educational, managers must understand that the observance of universal moral values recognized offers stability, safety and credibility to the firm they had managed. This reality must be perceived and assumed in a correct way, reflecting of an authentic ethic conduct conditioned, finally, performance of own activity and, obvious, of organization which represents.

## **2. Relevance of ethical values over success in business**

Experience of success demonstrate that success in business depends on the way that the objectives are established and of expected performance, but also on the manner on which values and moral practices are cultivated which encouraged honesty, correctness, responsibility of each employee. An organization orientated towards performance cultivate the values the values of a system based on moral principles in business management, in spite of the one based on practices that encourages bribe, corruption, deceit, favouritism etc. This reality is sustained by numerous and well-known studies of analyses of implications of ethics values over performance in businesses, studies that had as subject of investigation western traditional companies and which reveal that the best companies are distinguish by coherence of a ethics values set and strong moral behaviours. The explanation of these success, result after the study, has based on two reasons, and that are: professionalism and efficiency of managers and growth at the level at those companies of a complex of moral values embraced and sustained by all members who are from the same organization.

Strong companies do not exclusive relay on rational instruments of scientific management (strategy, system, structure) for obtaining performance. They promote honesty, correctness, trust on all levels of their activity, calling at values and ethical conducts for founding and sustaining major policies and successful values. These values are cultivated at the level of the entire organization and permit making a unique vision on the way of implication for achieving a major objective. Employees' education in the sense of understanding and comprehending the values and moral practices of the organization from which they are part of stimulate their implication and interest for a better firm's image and performance. This approach begins from defining what is considered at the organization's level as being moral, values and well-known practices which suggest the right way "to realize things", following the assurance of the organization's stability and "common vision" on ethical norms in conduct and attitudes of those involved. This beneficial balance is not easy to obtain. Firstly, it is necessary the existence of a higher level of trust between employees towards ethical values promoted by their firm's management, and secondly, it is necessary that people who are part of a certain organization demonstrate their own personal integrity.

Numerous studies had revealed that capital differences between organizations, in what concerns success and positive image in business, was bound, in most part, to practices and ethical conducts, the common conclusion being that big companies' economic performance and good reputation are strongly bound up by managerial ethics. It represents an impersonation of sense of the activity which determines the content of the organizational processes and businesses.

Firms governed by ethical values had, at the basis, a system of norms which promote a balance between ethics and profit. Businesses conducted by these are based on principles which sustain the possibility, in conditions of respect for moral norms (honesty, correctness, respect and trust). These organizations' managers had experience in adopting an ethical conduct in businesses relations, favouring correlation of personnel's interests with moral exactingness. Ordinarily, efficient companies are those with a strong structured organizational culture, concretized in the management concept of ethical standards which propagate honesty, exactness, correctness, moral conduct in businesses. At the opposite pole, firms confronted permanently with the desire of easy and rapid enrichment in which, for most times, the unique ratiocination is winning, had problems in realizing with conscience of a real balance between profit and ethics, ignoring in managerial conduct the ethical principles.

The understanding and respecting of ethical values in business are strongly bound to the level of an entity's organizational culture; organizational cultures of successful firms reflect, in essence, norms and moral principles. Only a strong organizational culture, based on solid moral norms, can ensure a firm's adaptability at major changes produced within the businesses environment and can counter-attack correctly possible threats coming from it.

At the level of the organizations which obtained astonishing results in business one can notice a strong correlation of their strategic objectives and economic performance with the ethical values sustained by their organizational culture. This correlation is well revealed by Thomas J. Peters and Robert H. Waterman Jr., (1982): "... the stronger and the more market oriented the (organizational) culture is, the less the need for conduct manuals, for corporation books or procedures and detailed rules will be felt".

Strong companies put an accent on an ethical value set, accepted by all organization's members, while, companies devoid of performance, as a problem tide by assuming the ethical norms in businesses management, present many deficiencies reflected in conducts destitute of morality (bribes, deceptions, frauds), by nature to degrade public image and, implicative, success in businesses. Ignoring ethical values in businesses management is appreciated as the biggest error for the firm's moral growth, being a characteristic of limited, unchallenging, incompatibles with performances improvements organizations. Actions fated to baffle

abdication from ethical standards are created and sustained by organizational culture, firm policy and the manager's individual ethics.

## Conclusions

The conclusion of the study is obvious: the application in an empiric manner of ethical values is incompatible with success in an exigent environment such as the businesses one. Real and consequent success depends greatly on the promotion through managerial culture of a consistent set of ethical norms, on its assimilation at the organizational level and, mostly, its transfer into the practice of businesses relations. In such a context, the determination of the ethical dimensions of businesses is justified by the need to combine traditional tries with sets of rules which work as norms in a society with, hopefully, more and more businessmen interested to take decisions in an economic climate with a reasonable degree of morality.

## References

1. Bauman, Z., (2000), *Etica postmodernă*, Editura Amarcord, Timișoara
2. Boatright, J., R., (2000), *Etichs and the Conduct of Business*, Prentice Hall, New Jersey
3. Crăciun, D., (2005), *Etica în afaceri*, Editura ASE, București
4. Gelinier, O., (1991), *Etica afacerilor*, Editura Economică, București
5. Ionescu, Gh., (1997), *Cultura afacerilor. Modelul American*, Editura Economică, București
6. Petrescu, I., (2004), *Management social*, Editura Expert, București
7. Peters, J.T. si Waterman, H.R., (1982), *Search of Excellence. Lessons from America`s Best-Run Companies*, Harper & Row, Londra
8. Popa, I., Filip, R., (1999), *Management internațional*, Editura Economică, București
9. Puiu, A., (1997), *Management în afacerile economice internaționale*, ediția a doua, Editura Independența Economică, București
10. Ștefănescu, C., Rotaru, C., (2007), *General și particular în managementul afacerilor*, Editura Lux Libris, Brașov
11. Ștefănescu, C., (2008), *Managementul afacerilor*, Editura FRM, București
12. Trevino, L., (1995), Nelson, K., *Managing Business Ethics*, Jhon Willey&Sons Inc., New York, SUA