



## BUSINESS ETHICS. THE RELEVANCE OF VALUE-CREATING TEACHINGS IN THE CONTEMPORARY BUSINESS ENVIRONMENT

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**Abstract** *The objective of the present study is the research of the main philosophical theories and ethical teachings that are able to frame a new business environment, dedicated to the creation of value, not only for shareholders, but also for stakeholders. Multinational companies have the opportunity to benefit from the values formulated by ancient ethical philosophy, moral doctrines of duty or the protestant ethics, for example: “justice as the supreme virtue”, according to Aristotle; the sense of duty – “great and sublime name” and the Kantian categorical imperative; the continuous work and the rational control of the earnings, according to the protestant ethics school of thought. The considerable argument of the research is related to the fact that in the international post-crisis context these values have the mission to help the multinational companies to adopt new business strategies, in order to be ethically responsible and to have a sustainable behavior, characterized by long-term benefits, not only for the financial performance of the company, but also for the economic and social support of the communities.*

**Key words:**

Financial crisis, value crisis, business ethics, the pyramid model of corporate social responsibility, sustainability

**JEL Codes:**

M140, L21

*“The 21<sup>st</sup> Century will either be ethical or it will not be at all”*  
Gilles Lipovetsky

### 1. Introduction and the context of the study

The contemporary economic, social and political debates in the international post-crisis context have as a main topic the reconfiguration of business environment and also the reconfiguration of the structural, social and ethical requisites of multinational companies. The global financial crisis generated the opportunity of a new business culture, based on ethics and responsibility. The multinational companies and the entire business environment is designing new business strategies, characterized by long-term perspective, sustainability, rational procurement of the gaining, the co-operation with the entire network of stakeholders, in order to achieve mutual benefits.

Business ethics defined *stricto sensu* from the moralist standpoint is not enough to help business environment to incorporate in the business strategies long-term impact objectives for all the participants at the business, either clients, consumers, employees, investors, shareholders or partner institutions. The simple attachment of some regulations or ethical codes to the business strategies has proved to be inefficient for the establishment of a trust relationship between business environment and communities, and also inefficient in generating quantifiable, long-term benefits for society.

Nowadays, business environment is concerned with framing the solutions for the avoidance of financial instabilities and for the reestablishment of trust in the corporate behavior. This context creates the premises for the development of a synthetic thinking, capitalizing a pragmatic approach of business ethics. Pragmatic ethics of business environment brings to the fore a series of concepts and ethical principles, useful from the point of view of structuring responsible business strategies, that can lay emphasis on the maximization of their own profit, but also on the durable development of the society.

### 2. Methodology of research

The present study is grounded on the theoretical approach, through the presentation of the most important analysis tools of the social and ethic responsibility of business environment, framed at the international institutions level, in the international and Romanian literature, but also includes the action-oriented approach, through the identification of those ethical teachings in the history of philosophy that can help to the implementation of new business policies and strategies.

### 3. Frames of analyzing ethic and social responsibility of business environment

European Business Ethic Forum has created the requisites of an ample debate at the international level, related to the financial crisis and the ethic implications in the business environment. Within the Forum, the harmful results of financial crisis were reiterated, and a series of instruments destined to attenuate crisis effects and to consolidate the ethics in international business have been elaborated. Among these we can mention: OECD Guidelines for Multinational Enterprises, OECD Principles of Corporate Governance, OECD Convention on Combating Bribery and the Principles for Enhancing Integrity in Public Procurement (Gurria, 2009).

At the international organizations level, the World Economic Forum Report comes as well to the fore, specialized in analyzing global public opinion with reference to the importance of moral values and ethic in the global economic and political system. The financial crisis generates a series of interrogations about the type of civilization we intend to pursue. Is it a world defined by consumerism or a world of citizenship, defined through the action for common good and the conservation of ethical values? Tout ensemble, the report highlights how the economic crisis, a crisis of values as well, breaches the restructuring of the financial institutions in the 21<sup>st</sup> Century (World Economic Forum, 2011).

The international post-crisis context generated the opportunity of projecting new programs and strategies of ethic and social responsibility in the business environment. For example, René Schmidpeter is discussing about the transfer from the defensive corporate social responsibility management to the proactive corporate social responsibility management. As opposed to business strategies characterized by conformity and segregated actions of community involvement, the present-day business practices are approaching sustainable business strategies, long-term business objectives and the assumption of economic, social and ecological implications of corporate activities (Okpara, I. and Idowu S., 2013: 175-177).

The most elaborated model of corporate social responsibility is the "four-part corporate social responsibility model", defined by Archie Carroll in 1979 and then improved in collaboration with Ann K. Buchholtz. Carroll looks upon corporate social responsibility as a four-part concept, defined through economic, legal, ethical and philanthropic responsibilities, gathered in a pyramid model, with social responsibility integrating these four levels in the corporate behavior. The authors proposed the following definition: "The social responsibility of business encompasses the economic, legal, ethical, and philanthropic expectations placed on organizations by society at a given point in time" (Carroll and Buchholtz, 2000: 35).

Other specialists argue the fact that this model of corporate social responsibility is very advantageous, taking into account it generates plenty of quantifiable benefits both for companies and for communities. Arguments related to augmentation of reputation and legitimacy in the social sphere motivates multinational companies to implement social responsibility projects. Successful business involves long-term perspectives, in a proactive and not reactive manner, because anticipation, planning and initiative are less expensive than retroacting against social problems of communities. The development of solid corporate social responsibility programs are objectives of contemporary business environment, because this facilitates companies the possibility to extend the business by attracting new clients and, thus, building a positive relation with the communities they operate (Okpara and Idowu, 2013: 8-9).

International literature encompasses considerable references that cover financial and economic crisis from the standpoint of the lack of ethics in international business.

The analyses converge around topics like the importance of virtues and social responsibility in international markets (Boudewijn de Bruin, 2015) or the necessity of ethic behavior on the capital markets (Williams and Elliott, 2010). Other papers have the merit to advocate the necessity of a healthy and ethical responsible economy in order to avoid future financial instabilities (Eecke, 2013).

Peter Koslowski notices in the following words the fundamentals of business ethics: "where there is a great measure of influence and power, there must also be a great measure of conscientiousness and moral awareness, because power itself is a moral or ethical phenomenon; and every powerful action must be morally responsible and defensible" (Koslowski, 2011: 3). In the globalized world, we are witnessing the increasing power of transnational actors in the International System, next to the classical state. The economic, social and political attributes of multinational companies in the global scene are absolute. The growing power of multinational companies entails the intensifications of ethical and social responsibilities in the communities they uphold their activities.

In Romania, Ioan Mihuț's paper "Management and Ethics" has a great merit in presenting and analyzing the evolution of the formation of moral concepts and their significance for the global economy, profoundly affected by the financial and economic crisis (Mihuț, 2012).

The author's paper thus represents a substantial point of reflection and analysis of the history of philosophy and of the identification of those concepts and ethical principles that can ground the architecture of business environment. Ancient philosophy, philosophy of Middle

Agnes and Renaissance, modern and contemporary philosophy can be analyzed from an innovative perspective – the contribution to the re-establishment of business, no matter the scale of reference. We shall reiterate in this context the philosophy of postmodernism, represented by authors like Zygmunt Bauman or Gilles Lipovetsky, important because it draws attention upon the postmoralism and postkantianism of the present society.

#### 4. Value-creating teachings in business

According to Aristotle, “moral virtues are acquired by habituation” (Mureşan, 2007:100). Similarly, business environment can habituate to an ethic and responsible behavior by shaping those business strategies that generate values to shareholders and investors, but also to the communities of citizens in which they operate.

Justice, one of the virtues accurately described by Aristotle, among courage or moral education, is defined as “obeying the citadel laws” for the “assurance of common good and the happiness of community”. Similarly, Plato defined justice as “harmony or health of citadel”. According to Aristotle, justice is not “a virtue among others, alongside courage, moderation, but it is the exercise of the complete virtue” (Mureşan, 2007: 189-190). We consider that justice understood as lawfulness is a fundamental condition of guaranteeing business environment legitimacy. The conformation with the host country legislation and with the regulations related to the multinational companies’ sphere of activity are contemporary requirements of the assurance of business conformity.

Classical Chinese ethic, represented by Confucius, confers business environment a panoply of teachings, so necessary for the configuration of business objectives that represent rightful and honest the interests of those affected, directly or indirectly, by the business activity.

We recapture in Confucius chrestomathy the “Goodness – the superior human behavior, conclusive in the articulation of Confucianism, (...), which standardizes as concepts: Piety, hierarchic respect; Loyalty; Justice; Courage; Reciprocity, Sincerity and Credibility” (Analects, 1995: 22). Confucius defines Goodness in the following words: “When in public, comport yourself as if you are receiving an important guest. (...) Do not impose upon others what you yourself do not desire” (Analects, 1995: 198).

We can notice the similitude of the Confucianism morale with the moral imperative of duty, instituted by the German philosopher, Immanuel Kant. The author defined the principle of humanity as an end in itself: “act so that you treat humanity, whether in your own person or in that of another always as an end and never as a means only” (Kant, 1972: 41).

Gilles Lipovetsky accomplishes a complete scanning of the “painless ethics of the new democratic times”, as opposed to the Kantian morale that “standardizes the categorical imperative of duty”. The author describes postmodern epoch in the following words: “era of minimal ethic, which, contrary to the persistence of modern rigors, excludes the personal sacrifice, stimulates the individual narcissism preoccupied by the amelioration of own performances, of hedonist welfare” (Lipovetsky, 1996: 10,14). We can situate these reflections in the mirror of the unethical and unsustainable practices of business environment, which have as objective the benefits for shareholders, the usage of resources for the rapidly gaining short-term profit, to the detriment of the durable investments, with economic and social impact.

Benjamin Franklin, one of the initiator of western business ethic, analyzes the ethical principles from the standpoint of their purposes: “honesty is useful, because it assures credit, so are the punctuality, industry, frugality, and that is the reason why they are virtues” (Weber, 2003:40). These ethical principles can be sustained and advanced in the context of the professional duty achievement because, in the author’s words, “the earning of money within the modern economic order is, so long as it is done legally, the result and the expression of proficiency” (Weber, 2003: 41).

“Protestant ethic and the spirit of capitalism” offers a handbook for the business environment, reiterating “the inner ethic content of economic business” and the attributes of “duty, virtue” of the work uphold by the modern man (Weber, 2003:289-290). “The development of the enterprises oriented towards long-term profit” and the “gain rational obtained” promoted by the capitalist spirit are present requisites of the business environment sustainability.

The Caux Round Table Principles, published in 1994, inspire business man to adopt the principles of moral capitalism in the economic activities. The equally reverence of stakeholders and shareholders, the responsible and legal acting, the contribution towards economic and social development of communities, the prudent and honest usage of resources characterize not only the principles formulated by Caux Round Table organization, but are also contemporary imperatives for the business environment to procure social license to operate. The principles describe a complete register of business responsibilities towards affected communities and are based on the human dignity principle and on the Japanese principle *kyosei*. Defined by the common participation for the achievement of the common good, in the name of cooperation and fair competition, *kyosei* principle may represent an essential tool for the present competitive and sustainable business.

Hans Küng argues about the chances of an ethic and responsible business behavior in the postmodern world.

The author has the confidence that the new global economic order is grounded on a responsible ethic of realistic economists with idealistic horizons. This kind of ethic defines a series of values of business environment, but draws attention upon the consequences of economic decisions and upon the economic leaders' responsibility towards the economic decisions. The new paradigm of business ethic analyses the compatibility of business objectives (the profit) with social and environmental requirements of the society (Küng, 1998: 239).

### 5. Conclusions and recommendations

The pluralism of principles and moral values, formulated by the great philosophical thinking, defines us as humanity. The osmosis of great ethical thoughts with the business environment is possible, as long as business learnt from the errors that generated the economic and financial crisis and is aware of the necessity of reformulation of the business objectives and strategies.

Yunus Muhammad raised a question that should be inserted on the present agenda of the business environment, civil society or political environment: "could it be that corporate social responsibility is the mechanism we have been searching for, the tool with which at least some of the problems of society can be fixed?" (Muhammad, 2007:16). We appreciate that corporate social responsibility is the mechanism that can build a relation of mutual confidence between society and companies and can represent an important mechanism for the sustainable development of the society, as long as business environment estranges from the business strategies that have as objectives the shaping of positive imagine, the improvement of reputation, gaining the short-term profit, with the aid of isolate, short-term impact programs and without the honest management of the stakeholders' interests.

Business environment gradually assumes the importance of the transfer from an approach that prioritizes short-term maximization of profits to an approach that defines a balance between objectives – gaining the profits, because certainly, this is the main objective of business, but also the ethic and social corporate responsibility towards the affected communities.

Pragmatic ethics, the incorporation of value-creating teachings within business itself plays a decisive role in this process of durable reconstruction of business environment.

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