

The Connection between Ethical Procedures and Business Development



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***Abstract.** The development of affairs and the intensification of the competition on the market have led to the fact that the success cannot be anymore obtained as easy as before, nowadays it can be obtained only by observing some ethical constraints. But the possibilities of auto regulation in ethics are reduced. So that it is imperiously necessary to make efforts of regulating in order to assure behaviors and moral interactions. There have no relevance the “good” or “ethical” intentions, nor the “moral quality” itself, but the best results of the firm and the efficiency of their achievement. From the ethics of intentions one must go to the ethics of results and to the creation of a specific ethos, capable of unleashing some epidemics of positive behaviors.*

Key words: ethics of business; moral failure of management; ethics of intentions; ethical constraints; epidemics of positive behaviors.



The question whether ethical procedures are – or should be – at the base of a firm’s activity and development has lately preoccupied – or not – the ideologists. This is because, historically, the economical activity started as a system built on a strong, moral base. It is only after the needs of the society began to be satisfied by the merchandise producers and later, when the local request could no longer be covered by the existing offer, that producers gradually “lost their souls”. Thus, a progressive loss of interest in spiritual reasoning occurred, though it used to condition the economical activity in the past. But, while the competition began to modify its views and procedures, as a consequence of an increase in labor resources and the involvement of politics in economy, some people with a sense of reality became themselves receptive to the ethical dimensions of their own activities. Also, once the status of shareholders was separated from the administrative duties, less people have arguments for rejecting the ethical constraints that justify their behavior.

This separation, also known as the managers’ revolution, proved that an approach of ethics was necessary in the

business domain, as well as institutionalizing moral in firms. Some of the consequences of this revolution were the weakness and the lack of normative references in economical life, which clearly affect the performance of the firm. The changing of firms into stock societies and turning management into a profession led to the end of a social class that used to rely its daily actions on honest work and temperance. Another social category took its place, one that earns his living not so much through its own effort, but through the inertia of financial mechanisms, based on stock exchange operations. This is the reason why this new class of influence sustains its decisions and actions by embracing a new kind of ethics, completely different from the socially accepted one. Moreover, some managers consider the term of ethics not only to be obsolete, but a word that must be banished from economy. In their minds, the continuous rush for wealth and power is what assures a firm’s development and future achievements.

The incapacity of understanding the new coordinates of the competition’s behavior and a defective productive system started to raise an alarm. It is my conclusion that

inefficiency is, most of the times, a proof of moral failure of the firm's management, rather than a secondary consequence of the corporate style of leadership.

If we accept the fact that man himself is a resource of awareness, than rejecting the idea that a person can't take note of the surrounding context is not justifiable. Contrarily, a person such as this one may use the situational factors in favor to one's interests, maximizing one's gain.

The individual behavior is the result of an interaction between the individual's own values and principles and the constraints of opportunities. When, as a result, the behavior is inadequate to the terms of business, that economical system, more precisely marketing, becomes immoral. Taking into account that his possibilities of auto regularization at the ethic level are reduced, the need comes for efforts to regulate it in order to ensure moral behaviors and interactions. But the norms elaborated for this purpose can produce the desired effects only if they are included in an ethical project, which is at the basis of the firm's development and if they make reference to a certain situational morality, and not to morality in general. Beside this, the regulations, which are imposed, must be conceived in such a way so that they permit to the appointed entities a certain freedom in what concerns the choice of the methods to be used for the fulfillment of their specific objectives.

The solutions characterized by rigidity, strictness, promoted by the "purists of the market", do not protect better the participants correlated with the regularizing economic agent than the incentives oriented towards the market. If the morality norms are uniform for all the firms belonging to a certain domain and if they have a substantial economic potential, this makes them more efficient in what concerns the incorrectness' limitation, but the costs for their application are insignificant. We have noticed that identical standards can force the firms to use methods, which are unreasonably expensive, and if their financial resources are different, they arrive at the point where they find themselves in an unequal position in relation with the imposed measures. Also, the technology proper for a certain firm may not be adequate for the situation in another firm, so that the control over the operations executed by it won't be realized at a satisfying level.

If the procedures are followed, they will eliminate the financial incentives, which stimulate the limited companies to respect exactly the legal procedures and to improve their controlling technology, without jeopardizing the possibilities of continuing the activity. In the situation in which the regulation and control measures are related to the economic effects registered by the entity that applies them, often the consequence is the elimination from the market of the small competitors, a fact that arises the cost of the economic agents' regulation of conduct and diminishes the social prosperity.

If the decisional factor, which brings under regulation a certain activity sector, adopts the moralizing perspective and stresses-particularly to correct his image – the ethical reference points, the economist evaluates the respective norms from a materialist perspective and focuses his efforts to avoid the costs of the exaggerated regulations. Often what determines the institution commissioned with the regulation and control prerogatives of the economic agents' conduct cannot be included in the "ethic of intentions" category, but it is rather a stratagem meant to demonstrate the desire of assuming responsibilities concerning the market. But from an economic point of view, the "good" or "ethical" intentions have no relevance, neither the "moral quality", in itself, of the activities performed by one firm or another, but the good results obtained and the efficiency with which they have been accomplished.

In a first analysis, one could accept the argument that the ethics of result is preferable over ethics of intentions, especially if these have been acquired through incentives, and not under compulsion. The firms, which create for themselves a specific ethos, beginning with the relaxed managerial style, continuing with an self-controlled behavior of the employees and ending with the emphatic treatment applied to the partners, registers a true defalcation of a superior economic reason from which its customers, shareholders and employees derive profit. It is sure that their adherence to a message generated and anchored in the territory of the business' ethics, capable of engendering epidemics of positive behavior, depends on its source's reputation.

Only exceptional men, on an aspect or another, can induce by the social connections maintained by the energy they dispose of, by the knowledge, enthusiasm and by their personality a performed change into the coordinates in which the activity of the limited companies takes place. But this potential hold by some individuals is kept under the heavy flag of the situational determinations, in which if formerly one could encounter scruples' remains, now it reigns the ostentation that emerges from a morality oriented towards the easy, quick and much.

The existence of a firm is nothing but the following a commonplace objective: earning money by delivering products or by providing services. To be lead by such a personal interest means to use a natural resource for the development of the business, because the material interest represents – in the economics – a stronger and more logical factor of intensifying the productive labor than many other motivator elements.

But if one chases with obstinacy only the mentioned objective, that stops to be so attractive after a time, the incomings of any firm diminish, because the company offers products or services but trust. Or, if a company cannot

offer sufficient trust, cannot bring the production and sales volume to a scale economy. So, the economic agent, which does not fulfill, through his decisions, his partners' expectations towards him, he might get some financial benefits for a time. But then all these diminish to disappearance as his trust and moral behavior will diminish, too. And in this aspect of the microeconomics' activity does not matter the technology used, because also the computers might be programmed to act immorally too, and, in antithesis, we may affirm that their utilization does not guarantee the adopting of an adequate economical behavior.

The firms are more often considered, by their owners, a way of sustenance, a guarantor of the financial independence, a symbol of wealth and of social condition. Yet today it is highly necessary that firms be also an economical and moral entity, because the terms of competition, also the terms of the company buoyancy, have significantly modified. Because of the prevalence of the demand over the supply and because of the complex relationship between the producers and the consumers, the utility of the product itself cannot assure the market success of the product, no matter how high this utility might be. The conditions of the success are: the brand of the product, the manner of its presentation, its sale and the guarantee of its functionality. All these conditions bring the consumer's trust, necessary to choose a particular product in spite of another one, so that somebody who does not have a moral behavior will be rejected by the clients, no matter what else he might offer them.

In a previous period of time it might be said that the frontiers between the economical and the ethical performance were and had to be unequivocal and, in consequence, the concerns in morality took place outside the sphere of business logic and of economy. Nowadays, to assert the necessity of morality in business is not a proof of an Utopian spirit, and to militate for it does not equalize with dedicating oneself to any pompous but no useful projects. On the contrary, if we evaluate how much the economic activity influences peoples' way of life in general, we can formulate a situation of choice with an equivocal answer: the ethical notions should be used only in subtle judgments, and in this case these notions become moral toys, or they should be considered instruments, utilizable in decisions concerning organization of economic agents' activity.

It is for sure that it is a gain for all the economic agents and also consumers if, in the managers' minds, moral finds its place. Only this way they may have an adequate, modern and innovating behavior. Although their technical and economic facts are the same, after we reconsider their principles in the relationship with the suppliers, the customers and their employees, the managers have a more

accentuated receptivity to the needs and the objectives of their party and their desire to accumulate wealth and power on the market doesn't remain a purpose in itself. This way, this natural desire, common to "homo oeconomicus" from everywhere, and – frankly speaking – necessary to economical and social progress, is manifested less aggressively and in a more attenuated way.

In a responsible management of a business at a macroeconomic level, it is more than foolishness the ignoring of competitors' manifestations, no matter of what kind these might be. As it is not benefic neither the acceptance of some of competitors' moral poverty nor the disgust towards their moral weaknesses to rule, overwhelming the correlated decision-makers' economic judgment. Yet, it is highly necessary that they refer their decisions primarily to the well-known criteria of economical efficiency, without overlooking the necessity of respecting the ethical imperatives in their facts. Or, we may also say that ethical procedures – like commendable intentions, precisely respecting the promises and the politeness in business – are indispensable, but not sufficient, components of the commercial transactions. These have to be appreciated as they draw after them the foreseen economical results.

As we all know, the social behavior does not become spontaneously civilized, but after joint educational and coercitive actions. It happens the same in business, because the business behavior does not become ethical in an independent way and it does not become manifest with sufficient poignancy. The economical market system is far to be ethical in its kind and it has no capacity of self-adjustment on this plan. To become ethical, it has to attach to the idea of material earnings (idea followed by all the economic agents) a constant reglementation effort in order to create favorable conditions to a compulsory manifestation of some moral behaviors and interactions, also in order to settle the limits of tolerating the deviations from the moral laws and principles, locally, nationally or universally valid. These kinds of limits are necessary especially for the nations with organic vocation for tolerance.

Nowadays, when more and more economical resources are hard to be obtained, when the competition is harsh and it is hard to survive, imposing some moral coordinates in the economical activity is a burden to supply and also to maintain the propensities to a rational development of the managed entities.

Institutionalizing some elements of ethics in business has exceeded the theoretical desideratum after the countries, members of OECD, approved the principles of corporations' management. After the International Organization of the National Securities Commission had accepted these principles, some of them became rules,

pretending to be taken into consideration by the firms with shares dealt on the market. But the regulations of the White Charter, of the Corporate Management offers incentives only for accomplishment of the firm and its shareholders' goals, and the regulations of the National Securities Commission impose protection standards only to those who invest in securities and regulations for that dealings on the market be fair. Or, even if we apply in everything all the five crucial constituent parts of the Corporate Governance, we cannot talk about a satisfactory penetration

of ethics in business. These elements were meant to assure only the integrity, the functionality and into the activity of these firms.

Applying the demands of the Corporate Governance aims to oblige the firms to “lose weight” in order to “make muscles”, because, without “muscles”, the foreign investors have no interest in paying less attention – through legislation – to the conditions that permit their access into the firms and in paying more attention to the conditions that permit them to invade the firms.

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