

## SOME ASPECTS CONCERNING BUSINESS ETHICS IN ROMANIA

Assoc. Prof. Narcis Eduard MITU, PhD.  
Assoc. Prof. Roxana Maria NANU, PhD.  
University of Craiova

### 1. Introduction

One can easily observe the fact that “*business ethics*” is a complex phrase whose meaning can be intelligible only inasmuch as one understands the meaning of the concepts of “ethics” and “business”. From this perspective it is easy to understand that along with medical ethics, judicial ethics or bioethics etc., *business ethics* is an *applied* ethical theory, wherein the concepts and methods of ethics as a *general* theory are used in approaching the moral issues specific to a certain field of activity such as medicine, justice or business.

### 2. What does ethics mean?

According to a dictionary definition<sup>1</sup>, ethics represents “the study of theoretical and practical aspects of moral; the set of moral precepts corresponding to the ideology of a certain class or society”.

Antonio Ramiz, in his work “Enterprise Ethics”<sup>2</sup> regards ethics as a science that helps us know humans, their behaviour and society as a whole.

Sociologist Raymond C. Baumhart raised this question (what is ethics?) addressing to some American business men and received the following typical answers: ethics deals with what my feelings tell me is good or bad; ethics is related to my religious belief; being

ethical is abiding to the law; ethics represents the behaviour patterns accepted in society; I don’t know what this word means.<sup>3</sup>

None of the answers, in our opinion, does not completely grasp the entire comprehension area of the concept of ethics.

*Ethics is not necessarily connected to certain emotional states.* Most of the times feelings are mutable, fickle and not fully governed by reason, so that very frequently it is these feelings that prompt us to deviate from the precepts: to envy those who are superior to us in a way or another, to detest certain people for the simple fact that they belong to a stigmatized social category, to disdain a hard working inferior just because of his physical aspect etc.

*Ethics does not necessarily and sufficiently relate to religious belief either.* The majority of religions support high ethical standards, but if ethics were a simple appanage of religion, then it were available only to religious persons. Or, ethics is applied equally to atheists and church-goers, so that under no circumstances can it be mistaken for religion or fully subordinated to it. That would mean ruling atheistic persons out of the category of ethic people.

*Strictly abiding to the law does not guarantee an ethical conduct either.*

<sup>1</sup> Florin Marcu - *Marele dicționar de neologisme*, Editura Saeculum, 2006.

<sup>2</sup> Antonio A. Ramiz - *La ética en la empresa*, Madrid, Instituto de Estudios Economicos, 1994.

<sup>3</sup> (apud) Charles Mitchel – *A Short Course in International Business Ethics*, World Trade Press, Novato, California, USA, p.8

Most of the times the law incorporates certain moral convictions that are shared by the citizens of a state. But the law as well as feelings can also deviate from what is ethical. The slavery of black people in America before the War of Secession, the apartheid policy in South Africa or discrimination against women in Islamic Fundamentalist countries are grotesque examples of inhuman social relationships, imposed by means of the force of some unacceptable laws from an ethical point of view.

Moreover, alcohol commercials are not illegal, but are they ethical? Advertising various products having as a subject sexual connotation is not illegal, but is it ethical?

Being ethical does not mean that it is compulsory to adopt all the conduct patterns accepted by society at a given moment. In many cases the majority of the people actually cultivate behaviour patterns which are ethically just, but not always.

Sometimes, these social behaviour patterns may get into conflict with ethical principles. It may turn out that an entire society be morally corrupt; Nazi Germany, Bolshevik Russia or Communist Romania (and unfortunately the postcommunist as well) are self-evident examples.

Consequently, under the form of the shortest and clearest definition possible, *ethics* is a philosophical theory about moral life.

But what is *moral* norm? Making the concisest characterization, it can be said that moral norm (life) is the self-imposed duty of each free conscience that demands man's willingness, by means of everything he thinks and does, to be a *man at the highest level of his capabilities*.

The majority of ethical theories admit that the *freedom of the will* is the foundation of morality under its most developed forms. We act morally only when we comply to a rule springing from

the depth of our own conscience, in as far as we truly believe that anybody should act the same, no matter the circumstances, because that is the right thing to do. This type of *self-legislation* rises at least a difficult problem: how and where from does the moral subject know what to do when he finds himself in atypical and completely fortuitous situations?

Quite frequently you find yourself in confusing situations when a conflict interferes with your goals, each of them being associated to a different moral norm. For example, you have to defend your family but, on the other side, you also have to tell the truth. You find out that your son frequently steals from the enterprise where you have a leading position. What should you do? Should you keep my mouth shut in order to protect my son or should you report him to the police?

In such complicated and atypical situations, the moral agent has to take decisions on his own. He cannot simply apply an abstract and inflexible behaviour pattern, compressed only in a few words: "you shall not lie!", "you shall not steal!", "you shall not deceive!" etc. As self-legislation elements, ethical norms should be compared, evaluates and classified. These operations require a super-rule or a metanorm that always indicates the good way. This supreme rule is ***the moral principle***.

*Moral principles* are those norms of maximum generality that aim at integrating and coordinating various rules in a coherent system, while also providing an universal criterium of just moral decision regarding as highly a variety of situations as possible. Metaphorically speaking, the moral principle (because there can be only one principle in an ethical system) plays the role of *the compass* or of ***the Pole Star*** that invariably indicates North, in this instance *that behaviour that satisfies the requirements of morality to the utmost extent*.

The most often supported and commented moral principle is undoubtedly **The Golden Rule**, easily understandable and with high persuasive power, even in the case of a minimum reflection. The basic idea of **The Golden Rule** is the mutuality and implicit assertion of the equal value of the individuals regarding their humanity.

According to this principle, in order to make the morally correct decision you have to sincerely answer the question if it is suitable for the decider to unconditionally accept that he himself be treated by the others in the same way he intends to act in the relationship with his fellow beings.

Being part of most of the cultures in Romania, *The Golden Rule* is materialized under the form of the proverb “do onto others as you would have them do onto yourself”.

*The Golden Rule (the ethics of mutuality)* sometimes displays a major inconvenient that leads to *relativism* – that is exactly what it aims at avoiding, providing a generally valid rule: individuals are quite different regarding their needs, desires and aspirations so that what some may like or dislike does not coincide at all with what others like or dislike. A man who worships power or fame, fortune or diversion could difficultly always act morally, being exclusively guided by this principle of mutuality.

*How does the moral agent know that his rule of action has superindividual meaning and validity instead of being his own subjective choice? How can he be sure that anybody else should acknowledge and follow the same moral principle? And how can it be explained the common but shocking fact that so often you know the right thing to do and still you do exactly the opposite?*

These are probably the most difficult issues of ethics, and our attempt to find an answer determines us to define ethics as follows: **Ethics deals with everything a man should do to attain his desires, goals and ideals, so that**

**he could reach the maximum fulfilment of his being without uselessly hurting the others, but allowing them to pursue their own personal fulfilment and even contributing to the progress of the entire society.** Ethics does not refer to the relationships we have with other persons – we are all connected to each other – but to the quality of these relationships.

The understanding of ethics is crucial and essential to us as individuals, because sound ethics represents the very essence of a civilized society. Ethics is the base on which we build all our relationships. It forms our set of rules that we follow while interacting with the chief, the employees, the co-workers, the customers, the inferiors, the suppliers, the community we live in and with each other.

### 3. What business is and it is not?

The answer to the question “What moral responsibility does a businessman have to assume?” definitively depends on the way in which the concept of “business” is defined.

The Romanian term “afacere” of French origin (Fr. affaire) is a quite imperfect and approximate translation of the English term “business”, which entered our language only under the altered form “bişniţă”, which is symptomatic for the way in which the capitalist enterprising autochthonous spirit developed during the communist regime, with intense extension to the present day.

In Romanian, the word “afacere” covers a wide range of de social and public interest activities, whether we refer to judicial business, internal or external business, mediatic business etc., while from an economic point of view “afacere” means rather commercial transaction. Thus, you can say you “do business” when you buy or sell something for a profitable price or that an entrepreneur

“does business” with the state or the Town Hall.

The Anglo-American term *business* is better translated in Romanian as “*private commercial enterprise*”; thus “*afacere*” does not refer to a commercial transaction any more, but to an economic unit in private property (individual or collective, based on shareholders), that produces certain goods or supplies certain services on the free market. “Doing business” implies “*owning a business*”.

Everyone agrees that a *business* is an activity meant to bring a certain *profit* to the owners (patrons or shareholders). However, not any modality of earning money or goods (of making a profit) is a business. Moreover, not any goods or service supplying activity is a business, even if it brings benefits.

The national systems of education or health financed by the state or local budgets should not constitute business, even if they supply some vitally important services to the society and even if, under certain circumstances, may bring accounting profit.

The same things are available in the case of *public services* in general – railroads, national power system, potable water networks, telephone, radio and television networks etc. Commercial enterprises that are part of public property, although producing goods and being eventually profitable, should not be considered business.

They are not meant to bring profit to private entrepreneurs, but to satisfy certain highly important social needs, being administrated by the state; the state disposes of the eventual benefits not according to strictly commercial criteria, but taking into account a series of other criteria – social or political.

Consequently, business imply a behaviour that excludes lying, deceiving, stealing, murdering, constraining, physical violence and any type of unlawfulness, while demonstrating

honesty and fairness spirit (Engl. *fairness*). Moreover, it also implies attention and respect for the customers; fair treatment and stimulation, both material and moral, of the employees; comprehension and impartiality regarding the suppliers; full fairness regarding creditors or debtors; involvement of firms in public life of local communities where their headquarters are set; highly fair accounting, complying with lawfulness and exoneration of state fiscal obligations; environment protection and, ultimately, a reasonable behaviour regarding international economic relations with partners from less economically developed countries, all these are attributes of business.

Everything that goes beyond this pattern constitutes fraud, charlatanism, imposture or theft, certainly not business.

#### **4. What is ethics and why do we need it in business?**

Unlike the USA where, starting with the 80s of the previous century, there appeared for the first time the concept of business ethics and where there were many works written on this topic but, in our opinion, little has been done, (remember that the actual crisis that devastated the worldwide economy is rooted in a profound crisis of morality, of ethics) in Romania there has been little specialized literature and practically less action taken.

With the British on top, the Europeans got “contaminated” by the increasing interest towards business ethics shortly afterwards.

In Europe, to certain persons, American origins of this new discipline represent a guarantee for quality, reliability and efficiency; to other persons is exactly the opposite, anything coming from overseas must be something terribly rudimentary, superficial and by all means “imperialist”.

In Romania, as previously mentioned, this (eventual) interest in

business ethics is hardly emerging. Could this be only an imitation of “forms without substance” or naturally embracing the “*trends*” of the developed world? Time will clear it up.

Business ethics means interpolating other norms, besides those imposed by law, in daily decisions and in management strategies; therefore it is a discipline situated at the interference of moral philosophy with management. It proposes a set of decision tools that are useful for establishing the strategies of the company, settling conflicts between the groups that interact within a business: employees and employers, managers and shareholders, company and local community, institutions of the state etc.

Ethics, in Bogdan Diaconu's opinion (2005)<sup>4</sup>, proves to be useful in business at least insofar as: *it aims at rationalizing, therefore at optimizing the process of decision making; and it proposes and justifies behaviour norms that guide the relations among economic agents; thus, it optimizes their interactions.*

According to Robert C. Solomon, there can be distinguished various levels of business ethics:<sup>5</sup>

- the level of macroethics, that refers to the institutional or cultural rules of commerce applicable to an entire society (“business world”);
- the level of microethics, that comprises the rules of equitable exchange between individuals;
- business ethics on a cellular (molar) level, that deals with the basic unit of commerce, respectively the corporation.

*Macroethics* represents the major issues referring to justice, legitimacy and the character of society, that is topics that constitute political and social philosophy of a business.

Business *microethics* designates a very large portion of traditional ethics: the type of promises and other obligations; the type of the various individual rights, the intentions; the consequences of actions and other implications of individual actions. A characteristic of business microethics is the idea of equitable exchange and along with it the notions of equitable salary, of fair negotiation, well as the idea of “good business” for both sides.

*The cellular (molar) level* of business ethics is compatible with questions referring to the role of corporations in society and the role of the individual in the corporation. The molar unit presents the issue of social responsibility of each member of the corporation – *that is to say the role of the corporation within a more extensive society* and at the same time, the issue of limited responsibilities of the working place – *that is to say the role of the individual within the corporation.*

The surface favourite subject of business ethics is represented by financial scandals and “overnight enrichment” of some people, but the real, heavy and significant issues are obviously much more diversified and complex.

Within this context, Richard T. De George<sup>6</sup> makes the distinction between micromoral and macromoral issues and believes that, on the whole, the issues of business ethics, considered under given circumstances and related to an economic system – that of the present day capitalism – can be divided into six categories:

- *Determining the fairness of resource distribution*, activity that has in view the foundations of distributive fairness (assigning resources and incomes according to merit, needs, effort, ability etc.);

<sup>4</sup> Bogdan Diaconu – La ce buna etica in afaceri? – Argument (2005), <http://evado.ro/?p=10>, accessed on February 27, 2010.

<sup>5</sup> Solomon C. Robert - *Morality and the Good Life*, New York, McGraw – Hill.

<sup>6</sup> R.T. De Goerge - *Business Ethics* 3rd edn., Macmillan, New York, 1990.

- The second set of issues has in view *circumscribing the principle of fairness to particular cases*. This means that certain “difficult cases” that involve moral issues can be solved by means of debates and consultations;

- The third category of moral issues in the business field refers to the *conflict between different values* (liberty, justice, equality, welfare, personal security, productivity, merit, efficiency etc.);

- The fourth type of moral issues appears as a *consequence of the development and evolution of the concept of morality in the course of time*. Thus, racial segregation and work discrimination based on sex or race criteria are considered immoral nowadays, although long ago these were not evaluated in this way;

- The fifth category of moral issues is the one constituted by the *consequences that the new technological products bring about*, inclusively the techniques of informational society and of genetic manipulation. Nowadays there exists the possibility to destroy human race as well as the environment so that it can no longer be the support of the generations to come. Moreover, in business there is the possibility of consuming non-regenerative natural resources;

- The sixth category of micro and macro-moral issues comprises the way in which the usually accepted moral values are applied and it refers to the *interdictions imposed in administrating business and enterprises*. This category, for example, includes lying and stealing, bribery and other such practices that constitute immoral acts.

In our opinion Junior Achievement Romania successfully synthetizes some of the main reasons that have to be taken into account by those who want to administrate their business ethically:

a) *Litigations/Incriminatory avoidances*. Without high ethical values,

companies can easily reach legal extremes – risky areas where avoiding and breaking the law leads to trials and incriminations;

b) *Regulatory freedom*. When the citizens and governors are dominated by an irresponsible and unethical business behaviour, the result is a higher degree of bureaucracy and legislation tightening;

c) *Public acceptance*. The companies that tolerate unethical practices will be most certainly exposed on the market, then boycotted and penalized;

d) *Investors' confidence*. More and more investors will avoid a company that is not responsible and ethical. The recent decline of the market is partly a result of the concerns regarding unethical accounting practices;

e) *Suppliers'/partners' confidence*. In an era of virtual corporations, of partnerships and of extended enterprises no company is sufficient all by itself. Successful partnerships are built on confidence which is long lasting;

f) *Customer loyalty*. Quality, costs, availability and other factors are not enough to preserve the loyalty of customers. They also analyze the reputation of the company and its degree of involvement in the life of society;

g) *Employee efficiency*. People achieve the highest level of efficiency working in an open, creative and ethical environment. Companies with bad reputation are faced with difficulties in attracting and keeping top talents;

h) *Personal pride*. Company leaders and employees can be really proud of their achievements if they are aware of the fact that they did not break the law, did not cheat and did not hurt people in order to attain their goals;

i) *Being fair*. The majority of moral mentors and leaders in the history of humankind advocate for the fact that, irrespective of the consequences, it is intrinsically good to do things fairly and be ethical.

Honest and efficient businessmen doubt no more of the fact that *good ethics is good business*, assuming (whatever the reasons) responsibilities and obligations in relation to a wider and wider range of *stakeholders*: their own employees; consumers; suppliers; creditors; local communities where the headquarters is or where they develop their activity; the state; beneficiaries of an unpolluted environment etc.

Business should not produce only capital for investors, goods and services for consumers, jobs for the community, innovation and values for the society as a whole; business should produce ethics.

Business ethics implies finding a balance between the interests of shareholders and the interests of the groups affected or involved. The basic idea is simple: the higher the number of those who comply with a minimum set of rules, the higher the chances of profit for each of the players on the market.

In the new business context companies are no more autonomous entities, but they depend on one another. They are just like hubs in a network, so that the crash of one company may draw a chain crash of various companies. Success and failure are shared. The successful company is the one that socializes.

That is why it is our belief that ethics and business ethics implicitly – in its pure sense, although it seems quite simplistic at first sight – should become a teaching subject ever since the first years of our lives and then be continued every time possible, in order not to represent mere words.

### 5. Business ethics made in Romania?

Operating within a hostile and corrupt political environment, unnaturally created by means of a property transfer from the state to the private field, sometimes in morally contentious ways,

often being a result of unsuccessful experiments such as the various forms of privatization invented by governments, Romanian capital did not have the chance to create its own identity, defined according to certain values, principles of market operating and certain management practices.

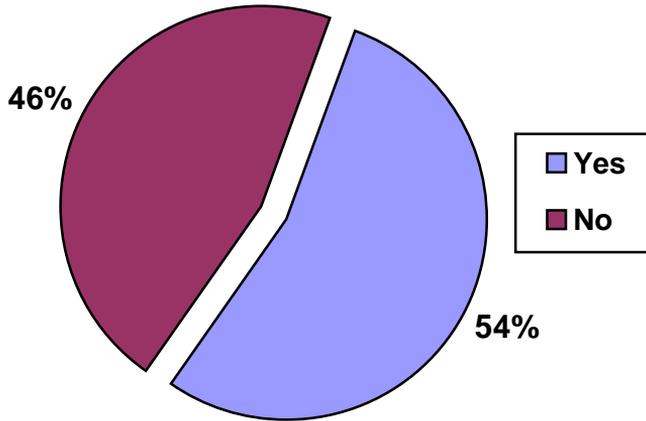
The great majority of wide scope and perspective Romanian business rarely aim at developing and innovating their field of activity; they are vulnerable to market evolutions and to legislative changes, unfortunate business based on family savings, business without significant investments for the market, hardly keeping their head above water and looking for ways to survive within the limit of lawfulness.

In Romania, business ethics is not considered a management strategy that brings profit. The private business field now follows a different logic, different dynamics. Many times ethics is perceived as a “me too” strategy, a strategy based on imitating the policies of successful brands or, as it is the case of multinational companies, ethics is applied as a strategy borrowed from the mother companies. In other words, ethics is practiced because it is a trend.

An interesting study of HR-Romania<sup>7</sup> entitled “Ethics in Romanian business”, regarding the question “**Are business moral standards in Romania in a continuous decline?**”, pointed out the fact that although the majority of the subjects (54%) are of the opinion that the economic activity should be guided according to morality and ethics principles, there are still enough people that in some situations are inclined to forget about this mentality and manifest unethical behaviour.

---

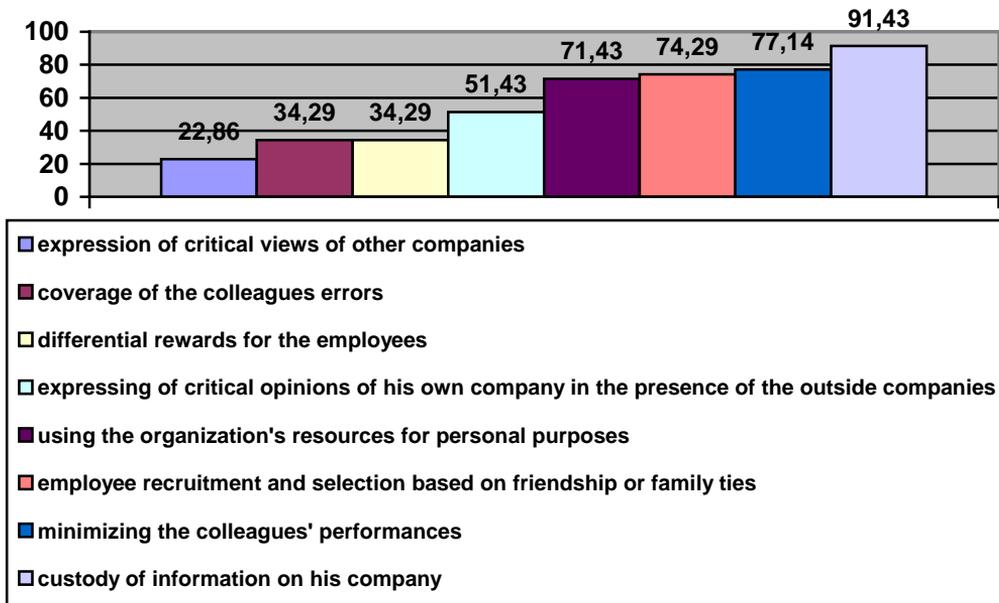
<sup>7</sup> <http://www.hr-romania.ro/>



**Fig. no.1 – Percentage of moral standards in business**

This is also enforced by the fact that 65.71% of the subjects believe that the main goal of business is profit, and the means by which it is achieved can be chosen taking or not taking into account the ethics “imposed” by theory.

An image of the actions practised in business, catalogued as being immoral, is rendered by the following diagram:



**Fig. no.2 – The frequency of non-ethical actions practiced in business**

On the other hand, there have also been identified certain measures

that aim at improving ethical standards of Romanian companies.



**Fig. no.3** – Actions meant improve ethical standards of Romanian companies

The experience gained during the last century regarding the business field clearly points out the fact that the majority of Romanian companies, but not only, are overwhelmed by "profit fever". Such vision also implies assuming the disastrous consequences that are very well evidenced at present, owing to unethical actions.

One of the fundamental errors of the Romanian business field consists of the overlapping or confusion between shareholding and management. Hence the false idea that in order to do business is enough to hold the necessary capital and a profit formula. Or doing business means: having an idea, a project or, even more, a vision and imagining this project as an activity that could bring profit according to law and respecting the interests of the community; elaborating strategies, that is to say projecting that idea in time, anticipating its evolution and the expectations of the others; planning, dividing the future into stages, each with its precise deadline and goals;

organizing, that is to say creating departments with their specific and precise charges, subdued to the same goal; and last but not least, communicating: bringing into notice your offer and values and understanding the interests of those whom you depend on.

Romanian companies are not subjected to social audit, and the programs of communitary suport are realized unprofessionally, without specialized assistance. It has not been comprehended the fact that, similarly to marketing, ethics implies market analysis and long term strategies. Doing something good means not only willing to and being able to, but also knowing how to do it.

In order to understand the type of the problems that autochtonous entrepreneurs are confronted with, the Department of Analysis and Surveys of National Council for Private Small and Medium Enterprises in Romania (CNIPMMR) carried out a study on a sample of 1,399 small and medium

enterprises (SMEs) considered representative on a national scale.

The study indicates that 44.64% of the subjects believe that the business field is unfavourable for business development, while only 25.50% believe that it is favourable for the entrepreneurs.

Moreover, the main obstacles hindering the activity of SMEs are generated by the state institutions that interact with the market. The survey shows that the main three factors that negatively influence this sector are excessive bureaucracy, the evolution of legislation and corruption.

Regarding the Romanian business environment it is hard to distinguish between illegality and immorality. Immature market, legislative insufficiency and its opposite, hyperregulation, allow speculating legislative ambiguities and aggravate the creation of an environment of ethical norms and practices in the business field. Most of the problems in the Romanian business field are born in the interference area between politics and business: corruption, conflicts of interests, ambiguities that persist regarding issues such as assets control, the lobby, sponsoring political parties.

Thus, there can be identified three major sources of ethical problems in the Romanian business field: (1) *state interference in the market*, consisting of facilities granted to certain economic agents (subventions, debt remissions or voluntary agreements), legislative uncertainty, interference in the financial

market and in price policies regarding utilities and some basic products; (2) *regarding the relation between producers and consumers*, disloyal or within legal limits corporate practices, quasi-monopoly practices of some of the great companies and of the public utility suppliers; and (3) *practices in the relation employee-employer* (under the table jobs, salaries below the minimum income standard, discrimination or other forms of abuse against employees).

## 6. Conclusions

In conclusion there can be observed that ethics cannot be reduced only to abiding to the law. It also implies a good management of the interactions with other people. Ethics is more than solving or preventing conflicts. Business ethics implies finding a balance between the interests of shareholders and the interests of the groups affected or involved, starting with partners up to consumers and society as a whole. The basic idea is simple: the higher the number of those who comply with a minimum set of rules, the higher the chances of profit for each of the players on the market. In this new business field companies are no more autonomous entities, but depend on one another. Companies are just like hubs in a network, so that the crash of one company may draw a chain crash of various companies. Success and failure are shared. Even in Romania successful companies have to be the ones that prove an ethical behaviour.

## REFERENCES

Crăciun, D.	<i>Etica în afaceri</i> , Editura ASE, București, 2005;
De Goerge, R.T.	<i>Business Ethics 3rd edn.</i> , Macmillan, New York, 1990;
Mitu, N.E., Nanu, R.M.	<i>Etică și negociere în afaceri</i> , Editura SITECH, Craiova, 2010.

*For the second author's contribution:*

*Acknowledgment: This work was supported by the strategic grant POSDRU/89/1.5/S/61968, Project ID61968 (2009), co-financed by the European Social Fund within the Sectoral Operational Programme Human Resources Development 2007 – 2013.*