

ASPECTS RELATED TO BUSINESS ETHICS FOR SMALL AND MEDIUM SIZE COMPANIES IN ROMANIA

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Abstract:

In general, ethics behaviour refers to individual's moral judgments and actions about right and wrong in a particular context (situations or problem solving, most of the time associated with the decision-making process). At the organizational level, business ethics has become a complex and emergence management discipline. It is now confronted with new challenges as: global and multicultural business environment, company's positive image to the public, social awareness, environment protection, corporate social responsibility, respect to equal rights, occupational health and safety responsibility and workplace well-being problems, improving and continuous education etc. In this context, the aim of the research is to deliver an overview of some common ethics tools. First, there will be presented the main modalities on how ethics in the workplace can be managed through the use of: codes of ethics, codes of conduct, policies and procedures. Then the concept of resolve ethical dilemmas will be presented and there will be described the ethical checklist method in order to developed a diagnosis of the decision making processes in small and medium size companies in Romania West Region. The presented case study will support the usefulness and the feasibility of the method in having such diagnosis.

Keywords: ethics, behaviour, ethical dilemmas, checklist, survey.

1. INTRODUCTION

Business ethics is a form of applied ethics or professional ethics that examines ethical principles and moral or ethical problems that arise in a business environment. It applies to all aspects of business conduct and is relevant to the conduct of individuals and entire organizations. (Business Ethics- Stanford Encyclopaedia of Philosophy).

Business ethics has come to be considered a management discipline, especially since the birth of the social responsibility movement in the 1960s. In that decade, social awareness movements raised expectations of businesses to use their massive financial and social influence to address social problems such as poverty, crime, environmental protection, equal rights, public health and improving education. An increasing number of people asserted that because businesses were making a profit from using our country's resources, these businesses owed it to our country to work to improve society (Velasquez, 2006). Many researchers, business schools and managers have recognized this broader constituency, and in their planning and operations have replaced the word "stockholder" with stakeholder (e.g. employees, customers, suppliers and the wider community) (Weiss, 2014).

The emergence of business ethics is similar to other management disciplines. For example, organizations realized that they needed to manage a more positive image to the public and so the recent discipline of public relations was born. Organizations realized they needed to better manage their human resources and so the recent discipline of human resources was born. As commerce became more complicated and dynamic, organizations realized they needed more guidance to ensure their dealings supported the common good and did not harm others and so business ethics was born (Velasquez, 2006; Hoffman et al., 2014).

Today, ethics in the workplace can be managed through use of codes of ethics, codes of conduct, roles of ethicists and ethics committees, policies and procedures, procedures to resolve ethical dilemmas, ethics training etc. (DesJardins & McCall, 2014). The field of business ethics has traditionally been dominated by philosophic approaches, academics and social critics. Consequently, much of today's literature about business ethics is not geared toward the practical needs of leaders and managers, the people primarily responsible for managing ethics in the workplace. The most frequent forms of business ethics literature typically include:

- a) Philosophical, which requires extensive orientation and analysis;
- b) Anthologies, which require much time, review and integration;
- c) Case studies, which require numerous cases, and much time and analyses to synthesize; and
- d) Focus on social responsibility, which includes good and bad practices taken by companies in the context of their sustainable development strategies.

This lack of practical information is not the fault of philosophers, academic or social critics. The problem is the outcome of insufficient involvement of leaders and managers in discussion and literature about business ethics.

But it isn't from lack of examples that managers aren't better at managing ethics in the workplace they require more practical information about managing ethics. This problem was explained very well by Stark (Stark, 1993), in his article. Brenner notes "while much has been written about individual components of ethics programs, especially about codes of ethics, the literature is much more limited on ethics programs (Brenner, 1992). Wong and Beckman note that "researchers are claiming that current literature is filled with strong arguments for more ethical corporate leadership and incorporation of ethics in business curriculum, but what is conspicuously missing is the "how to" in actually putting ethical goals and theories into practical action (Wong and Beckman, 1992; Des Jardins & McCall, 2014).

Lack of involvement from leaders and managers in the field of business ethics (again, this is the fault of no one or of everyone) has spawned a great deal of confusion and misunderstanding among leaders and managers about business ethics. Some researchers note that when someone brings up the topic of business ethics it tends to bring up cynicism, righteousness, paranoia, and laughter (Sims, 2003). Many leaders and managers believe business ethics is religion because it seems to contain a great deal of preaching; they believe it to be superfluous because it seems to merely assert the obvious: "do good" (Hartman et al., 2014).

There is a rapidly growing body of literature related to business ethics as more and more companies attempt to raise their ethical profile (Wells and Schminke, 2001). The amount of literature more specific to *ethical training programmes* or *ethical business solutions* that attempt to increase awareness of ethics or increase the frequency of ethical behaviour relating to management decision making is small despite the proliferation of such programmes. Furthermore, it has been suggested that much of the literature prematurely attempts to build models of ethical decision-making with a lack of empirical support; also too much research into this area has been normative, with a failure on the part of researchers to understand or describe what managers actually do in practice and to recognise that the ethics, dilemmas and responses studied can mean profoundly different things to different people in different organizations.

In this context, the aim of the research is to deliver an overview of some important aspects of business ethics. The main focus of the research is on ethics tools and their roles in resolving the occurred ethical dilemmas in organizations. First, there will be presented some theoretical issues related to the most important ethics tools (codes of ethics, codes of conduct, policies and procedures). In addition, there will be described the concept of ethical dilemmas and there will be proposed the ethical checklist method in order to developed a diagnosis of the decision making processes in small and medium size companies. The presented case study will support the usefulness and the feasibility of the method in having such diagnosis.

2. ETHICS TOOLS AND THEIR ROLES IN RESOLVING ETHICAL DILEMMAS

In the last year, there has been established a good practice that organizations can manage ethics in their workplaces by establishing an ethics management program. Such programs convey corporate values, often using codes and policies to guide decisions and behaviour, and can include extensive training and evaluating, depending on the concrete situation that exists in the organization. Furthermore, ethics management programs could provide guidance for recognizing and then solving ethical dilemmas. All organizations have ethics programs, which are made up of values, policies and activities that impact the propriety of organization behaviours.

2.1. Overview of the most important ethics tools

Codes of Ethics

Codes of ethics are written to guide behaviour; they specifies the ethical rules of operation. Any final analysis of the impact of a code must include how well it affects behaviour. Scholarly researchers' debates about codes generally revolve around whether more general codes are mere platitudes, and whether more detailed codes require behaviour about which reasonable people can disagree. They even debate whether ethics codes are necessary at all because good people should know how to act ethically without any guidance. These are worthy academic questions, but they are different than those a practitioner must ask. For those working with developing public service communities the more important questions are what blend of the general and specific are most likely to affect behaviours that a society needs from its civil servants and its political leaders. Contemporary social psychological research also strongly suggests that codes can guide or induce behaviours in developing countries that are critical to a functioning public service.

Some business ethicists disagree that codes have any value. Usually they explain that too much focus is put on the codes themselves, and that codes themselves are not influential in managing ethics in the workplace. Many ethicists note that it's the developing and continuing dialogue around the code's values that is most important. Occasionally, employees react to codes with suspicion, believing the values are "motherhood and apple pie" and codes are for window dressing. But, when managing a complex issue, especially in a crisis, having a code is critical. More important, it's having developed a code.

Good practice requires those writing codes to clearly understand the trade-offs between breadth and specificity. Codes can cover a variety of behaviours. They most often emphasize the values of impartiality, democracy and obligations to citizens. They deal with conflicts of interest and acceptance of gifts. They often refer to the disclosure of confidential information and the abuse of the public's trust. They can also include a broad array of other questionable behaviours from sexual bribery to abuse of the environment, from public plundering to the use of the colour red. Although there are some common ethical values and standards of behaviour that cross cultures there are no universal set of code elements.

Codes of Conduct

Codes of conduct specify actions in the workplace and codes of ethics are general guides to decisions about those actions. Codes of conduct or codes of behaviour are designed to anticipate and prevent certain specific types of behaviour; e.g. conflict of interest, self-dealing, bribery, and inappropriate actions. Although conduct codes can be brief, most often they are fairly lengthy and detailed. The rationale for the detailed scope of this kind of code is that it is necessary to both protect the employee while at the same time protecting the reputation of the government. Most codes of conduct focus on the “do nots” rather than on affirmative obligations. That is, they detail specific actions in which employees are not to engage.

Policies and Procedures

Many organizations develop their policies first by closely reviewing policies of organizations with similar programs and services. While that practice is a good start, you still should have an authority on employment practices review your policies. Finally, in the case of corporations, the Board should formally approve the policies and the approval should be documented in Board meeting minutes. A sample list of policies can include: work schedule, work day hours, lunch periods, holidays, vacation, sick time, personal leave, leave of absence, severe weather, jury duty, hiring procedures, additional or special statements for people with disabilities, interviewing job candidates, checking references, offering employment etc.

2.2. Resolving ethical dilemmas

Too often, business ethics is portrayed as a matter of resolving conflicts in which one option appears to be the clear choice. For example, case studies are often presented in which an employee is faced with whether or not to lie, steal, cheat, abuse another, break terms of a contract, etc. However, ethical dilemmas faced by managers are often more real-to-life and highly complex with no clear guidelines, whether in law or often in religion. There have been recognized that a significant ethical conflict is recognized when there is presence of: Significant value conflicts among differing interests; Real alternatives that are equally justifiable; Significant consequences on stakeholders in the situation.

An ethical dilemma exists when one is faced with having to make a choice among these alternatives. Working within an organization forces a wide range of individuals to work as a unified group, and as a result, conflicts may arise. Sometimes under pressure to adapt quickly to the changes and diversity in the workplace, individuals may be forced to fall back on ingrained patterns of behaviour to solve problems. The pressure placed on individuals to do more with fewer resources which sometimes may lead to unethical behaviour. A code of ethics is necessary in the workforce to deal with the ethical challenges that are encountered on a daily basis. Problems faced by today's business world include the downsizing of staff, employee rights, discrimination, and cost containment. These problems create ethical dilemmas that may be difficult to resolve. In resolving these dilemmas, the following components are important: discussion, analysis, problem solving, and decision making.

For the purpose of this research there will be presented a practical method for resolving ethical dilemmas. Furthermore, a widely held practice in resolving ethical dilemmas is the development of a documentation procedure for reviewing an organization's practice. In an organization, a review board may be created consisting of top leaders and staff members. The method recommended in assisting managers in resolving ethical issues as they arise is the ethical checklist (Table 1).

The ethical checklist consists of the following tests:

- Relevant Information;
- Involvement;
- Consequential (preparation for the repercussions based on the decision made);
- Fairness;
- Enduring values;
- Universality (should the decision made become practice for similar issues in the future);
- Light of Day (how would I feel if the decision became public knowledge).

Table 1: The ethical checklist

Ethical Checklist	Circle the appropriate answer on the scale; "1" = not at all; "5" = totally yes					
1.	Relevant Information Test. Have I/we obtained as much information as possible to make an informed decision and action plan for this situation?	1	2	3	4	5
2.	Involvement Test. Have I/we involved all who have a right to have input and/or to be involved in making this decision and action plan?	1	2	3	4	5
3.	Consequential Test. Have I/we anticipated and attempted to accommodate for the consequences of this decision and action plan on any who are significantly affected by it?	1	2	3	4	5
4.	Fairness Test. If I/we were assigned to take the place of any one of the stakeholders in this situation, would I/we perceive this decision and action plan to be essentially fair, given all of the circumstances?	1	2	3	4	5
5.	Enduring Values Test. Do this decision and action plan uphold my/our priority enduring values that are relevant to this situation?	1	2	3	4	5
6.	Universality Test. Would I/we want this decision and action plan to become a universal law applicable to all similar situation, even to myself/ourselves?	1	2	3	4	5
7.	Light-of-Day Test. How would I/we feel and be regarded by others (working associates, family etc.) if the details of this decision and action plan were disclosed for all to know?	1	2	3	4	5
8.	Total Ethical Analysis Confidence Score. Place the total of all circled numbers here.					
How confident can you be that you have done a good job of ethical analysis?						
7-14	Not very confident					
15-21	Somewhat confident					
22-28	Quite confident					
29-35	Very confident					

2.3. Training as an ethics tools

The ethics program is essentially useless unless all staff members are trained about what it is, how it works and their roles in it. The nature of the system may invite suspicion if not handled openly and honestly. In addition, no matter how fair and up-to-date is a set of policies, the legal system will often interpret employee behaviour (rather than written policies) as de facto policy. Therefore, all staff must be aware of and act in full accordance with policies and procedures (this is true, whether policies and procedures are for ethics programs or personnel management). This full accordance requires training about policies and procedures. Wells and Schminke (2001) and Weber (2007) both suggest using cognitive moral development (CMD) as a basis for training and argue that this approach, involving inductive learning and discussions based around scenarios, is effective in advancing the moral development of trainees. Most training initiatives appear to focus on changing individuals, with the basic assumption that ethical training will not turn an immoral person into a moral person, but that training will enable a generally moral person to behave consistently with their own perception of themselves (Dinçer & Dinçer, 2011).

3. CASE STUDY

In order to demonstrate the usefulness of the proposed approach for ethical resolving dilemmas in organization, we aim to investigate and validate them in the case of a sample of small and medium enterprises of Romania West Region. In the present research, the sample consists of 1000 private enterprises (defines the investigated statistical population) acting in difference industrial sectors. Using the ethical checklist (as a research questionnaire), the top managers were asked to express their opinions and perception about the decision making process ethics in their companies. The analysis has include the decision making processes related to each enterprise function: manufacturing, research and development, human resources management, finance and accounting, commerce and marketing and enterprise information system.

As a data collection method, we use the survey based on a questionnaire (quantitative research). The data (from the fill-up questionnaires) were collected from September to December 2016 using: the on-line questionnaire and face-to-face interviews (translated into Romanian language). In totally, there were contact 1000 managers and the respond rate was 16% (160 questionnaire were processed), but two questionnaires have been not validated and the number of responses considered in the statistical analysis was 158. The research results are shown in Table 2 – 7 together with the overall score related to the ethical analysis confidence by each function.

The total ethical analysis confidence average score for each enterprise function included in the study has been calculated based on the following formula:

$$\text{Total Ethical Analysis Confidence Average Score} = (\sum_{i=1}^7 \text{Items scores}) / 7 \quad (1)$$

The general, total ethical analysis confidence average score calculated for all the function included in the study has been calculated based on the following formula:

$$= (\sum_{i=1}^6 \text{Total Ethical Analysis Confidence Average Score}) / 6 \quad (2)$$

Table 2: Manufacturing function – ethical checklist results

#	Decision making process ethics diagnosis:	Research results (average scores per item)
1.	Relevant Information Test	3.493671
2.	Involvement Test	2.835443
3.	Consequential Test	2.949367
4.	Fairness Test	3.025316
5.	Enduring Values Test	3.911392
6.	Universality Test	3.221519
7.	Light-of-Day Test	3.506329
	Total Ethical Analysis Confidence Average Score: Quite confident	22.94304

Table 3: Research and development function – ethical checklist results

#	Decision making process ethics diagnosis:	Research results (average scores per item)
1.	Relevant Information Test	3.202532
2.	Involvement Test	2.772152
3.	Consequential Test	2.955696
4.	Fairness Test	2.835443
5.	Enduring Values Test	3.670886
6.	Universality Test	3.094937
7.	Light-of-Day Test	3.303797
	Total Ethical Analysis Confidence Average Score. Quite confident	21.83544

Table 4: Human resources management function – ethical checklist results

#	Decision making process ethics diagnosis:	Research results (average scores per item)
1.	Relevant Information Test	4.310127
2.	Involvement Test	4.202532
3.	Consequential Test	4.050633
4.	Fairness Test	4.037975
5.	Enduring Values Test	3.734177
6.	Universality Test	4.113924
7.	Light-of-Day Test	4.069620
	Total Ethical Analysis Confidence Average Score: Very confident	28.51899

Table 5: Finance and accounting function – ethical checklist results

#	Decision making process ethics diagnosis:	Research results (average scores per item)
1.	Relevant Information Test	2.145570
2.	Involvement Test	2.246835
3.	Consequential Test	2.341772
4.	Fairness Test	2.335443
5.	Enduring Values Test	2.537975
6.	Universality Test	2.246835
7.	Light-of-Day Test	2.291139
	Total Ethical Analysis Confidence Average Score: Somewhat confident	16.14557

Table 6: Commerce and marketing function – ethical checklist results

#	Decision making process ethics diagnosis:	Research results (average scores per item)
1.	Relevant Information Test	2.613924
2.	Involvement Test	2.632911
3.	Consequential Test	2.670886
4.	Fairness Test	2.670886
5.	Enduring Values Test	2.822785
6.	Universality Test	2.620253
7.	Light-of-Day Test	2.626582
	Total Ethical Analysis Confidence Average Score: Somewhat confident	18.65823

Table 7: Enterprise information system function – ethical checklist results

#	Decision making process ethics diagnosis:	Research results (average scores per item)
1.	Relevant Information Test	3.715190
2.	Involvement Test	3.563291
3.	Consequential Test	3.462025
4.	Fairness Test	3.436709
5.	Enduring Values Test	3.563291
6.	Universality Test	3.329114
7.	Light-of-Day Test	3.405063
	Total Ethical Analysis Confidence Average Score: Quite confident	24.47468

As it can be seen from the research results, small and medium size enterprises' managers are "Very confident" on their decision making process in the human resources management processes; "Quite confident" on their ethical behaviour related to the manufacturing, research and development and enterprise information system. The finance and accounting and commerce and marketing functions were appreciated as having a "Somewhat confident" ethical behaviour in the case of the decision making process most because of the high changing of the legislation and also, of the existence lack of practical guidance from the legislative perspective in the context of the country.

4. CONCLUSIONS

Ethical concerns abound in business. However, the opportunity to encounter ethical issues exists in other segments of business as well. No area of business is exempt. This paper has focused on potential ethical issues that may arise within an organizations. It is incumbent on resolving ethical dilemmas and to assist leaders to be aware of these issues, take steps to prevent them from arising, and respond appropriately should they occur.

Organizations should develop and document a procedure for dealing with ethical dilemmas as they arise. Ideally, ethical dilemmas should be resolved by a group within the organization, e.g., an ethics committee comprised of top leaders/managers and/or members of the board. Consider having staff

members on the committee, as well. The already presented method can be used to address ethical dilemmas.

As the case study has shown the managers of the small and medium size enterprises from Romania West Region have a global average score of 22.096 ("Quite confident" calculated with formula 2) of their ethical behaviour in the decision making processes relate to the six functions included in the study. They have to improve their ethical behaviour in the case of the finance and accounting and commerce and marketing functions that were gained less total ethical analysis confidence average scores.

Further researches will debate the relation between the ethical codes and conducts and the managers behaviours in the decision making processes.

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