

## **ETHICS IN BUSINESS - MULTINATIONAL ORGANIZATIONS NEED TO DELIVER PERFORMANCE**

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### **Abstract**

*The paper presents conceptual issues of business ethics in general, and particularly in multinational organizations. Based on the presentation of importance of business ethics in organizations, and conceptual aspects addressed by some field specialists, at the end of the paper we presented a study conducted to identify specific issues of ethics in multinational organizations.*

*The main argument of the survey is the fact that in the scientific approaches of business ethics are mainly based theories regarding this concept. Therefore, we consider appropriate the more thorough knowledge of the views of managers within multinational organizations, especially at a time when corruption and unethical behaviour are increasingly clearly present in the world.*

**Keywords:** *corruption, ethics, multinational organizations, performance*

**JEL classification:** M140

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### **1. Introduction**

Business ethics has experienced a relatively late start in the business environment in our country. This area was almost non-existent twenty years ago, after the fall of communism.

However, the application of business ethics becomes increasingly important as economic agents have realized that their responsibilities go beyond legal standards and adherence to internal rules established in the institutional framework. Thus, as the institutional structures of economic systems have become increasingly complex, the need to shift from a

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spontaneous and informal regulatory behaviour of economic agents, to the formal and official one was proved more ample. This change has emphasized the need for an ethical guide through his endeavouring to provide a response that seeks to clarify the moral issues which arise routinely in the economic activity of a capitalist society. There are a number of definitions of ethics in business, which mainly include issues related to moral principles, standards of behaviour, respect for others, honesty, compassion and fairness in the distribution of profits.

Ethics is derived from the Greek word '*ethos*' which means a person's fundamental orientation toward life. It may be defined as a theory of morality which attempts to systematize moral judgments (Paswan, 2015).

One of the experts consider that business ethics refers to an ethical perspective (implied or explicit) the manner in which a company or an individual intend to do business. This, in his view, means first of all that business ethics is a description of how those involved in these activities can be labeled as moral, immoral or amoral. (De George, 1990). Of course, must be taken into account not only with what is, but rather with what it should be.

Another specialist in the field (Lewis, 1985) defines business ethics as "that set of principles or arguments that should govern the business conduct, individually or collectively".

The author delimits the issue at the norms of moral behaviour that indicates to economic agents what they should and should not do in their specific activity. Another definition of business ethics is: "the rules, standards, and principles that guide the decisions, procedures, and systems of a company to contribute to the welfare of its key stakeholders and respect the rights of all constituencies affected by its operations". (Ogrea, Herciu, 2011).

Decisions taken in an organization can be taken by individuals or groups, but everyone has to be influenced by culture. The decision to behave ethically is a moral; employees must decide how they act. This may involve the rejection of the route that would lead to the greatest short-term profit.

According to the research made ethical behaviour and corporate social responsibility can bring significant benefits to a business (Josephson, 2015), the principal benefits are:

- attract customers to the company's products, thus boosting sales and profits;
- increasing productivity;

- attract more employees who want to work, reduce recruitment costs and allow the company to obtain the most talented employees;
- attract investors and keep the company's share price high, thereby protecting business from takeover.

In other studies (Strobel, 2010; Fassin, 2000) related to the business ethic the authors consider that business ethics includes the ensuring that the highest legal and moral standards are respected in relationships with people from the business community.

This includes the most important person in your business: your client. Short-term profit compared with the cost of losing a customer is deadly in the long term for your business. The ethical behavior for a company requires making good business decisions based on a "code of ethics" set. This code of ethics must take into account (Vadastreanu et al, 2015):

- identify general principles that would lead to fair trade practices.
- verification and revision by the association of basic standards.
- consider that ethical issues are not always a single answer without blemish.
- write specific statements that you and others will help in making ethical decisions every day.
- apply the code of ethics of a manual of policies and procedures to identify major rules for the operation of your business.
- train your employees (and family members) to make decisions about business ethics.

The analysis of some business ethics definitions proves the complex nature of the content and coverage, beneath theoretical report of this concept. But of course there are different ways of showing business ethics, considering each organization and also every country. In this respect, ethics in multinational organizations gets increasingly more particular importance, being however understood differently according to each organization's culture or socio-economic area where they operate.

## **2. Business ethics in multinational organizations**

Honest businessmen no longer doubt that good ethics is good business, assuming (for whatever reason) responsibilities and obligations to a growing spectrum of stakeholders: its employees, customers, suppliers,

creditors, local communities in which they are established, State or environment (Crăciun, 2005).

However, these rules of moral and ethical issues were limited nationally, they were not applied to international affairs. The theoretical approach to ethics in international affairs occurred very late; thus, the first paper was published by Thomas Donaldson only in 1989 under the name of *The Ethics of International Business*.

We believe that one reason for that approach of ethics in international affairs was regarded with reservation is one rather speculative nature. Overall, economic analysts consider that the main economic agents that are operating in the global market are multinational corporations. Of course, this can't be put into question anymore, but that does not mean smaller scale organizations who conclude contracts with partners in other countries are negligible quantities, unworthy of being discussed.

Morality is linked to the specialists opinion in the field of behaviour of a free agent, endowed with autonomous will and conscience relatively clear of value distinction between right and wrong; in a word, moral condition can be attributed only to persons or individuals. However, large corporations such as IBM, General Motors, Toyota or Shell, with tens of thousands of employees and turnover of tens of billions of dollars, are not people "physical". Even if they have legal personality, these giants are some anonymous and impersonal organizations, that can't be assigned only legal obligations, but not moral responsibilities themselves. (Crăciun, 2005)

In the international business world there is a great diversity of morals, so the problem facing generally multinational organizations that operate in the global market, is choosing one of the following two policy alternatives: either, on the one hand, strict adherence to the code of organization's ethics of country of origin wherever they operate in the world; or, on the other hand, adapting the organization's policy to the traditions and style of foreign business in each country where it operates.

Both variants come with advantages and disadvantages, that can contribute significantly to increasing the performance of organizations, or contrary to arouse bad reactions if we take into account that on certain national markets can't penetrate and can't be made profitable business if it does not accept the use of some questionable practices under an ethical point, if not really downright illegal, due to a generalized phenomenon of corruption and

some economic mechanisms that favour unfair competition more than competitiveness.

This issue requires more attention, being a sensitive issue that must manage multinational organizations that operate globally.

Of course, corruption can be classified in many different ways (Argandona, 2005):

- public (if one of the parties is a public official or politician; implying misuse of power in public office) or private;
- national (if the corrupt act and its effects are confined to the territory of a single country) or international (if the parties belong to different countries, or the payment is made in another country or through intermediaries in another country);
- grand (involving large payments and large effects) or petty (facilitating payments);
- political (if it affects politicians then the amounts involved and the effects tend to be significant) or bureaucratic / administrative (if it concerns the minor decisions of an official it tends to be petty);
- demand-driven (the initiative comes from the person who receives the payment: i.e. extortion) or supply-driven (the initiative comes from the person who pays: i.e. bribery);
- individualized (isolated cases) or systemic (when a system is created that fosters permanent corruption);
- based on coercion (if it involves a somewhat violent attempt by one party to dominate the other) or collusion (if it is done by mutual agreement between the parties for their mutual benefit);
- centralized and organized (when it involves a hierarchy of actions at various levels of a public or private administration) or decentralized and unorganized;
- derived from personal greed or stimulated by external events (induced voracity);
- predictable (if the payer can be reasonably certain that the payment will achieve the desired result) or arbitrary;
- to avoid a disadvantage (or reduce a cost) or to gain an advantage;
- by actual payment (gift of money, goods, free or cut-price services etc.) or based on the promise or hope of payment;

- for financial gain or for a gain of some other kind (political power, for example);
- to obtain a legitimate benefit to which one is entitled, or to obtain something to which one is not entitled;
- for the benefit of the person who receives the payment, or of some other person or group (relatives, friends, ethnic or religious community, political party etc.).

Considering of the above, and considering appropriate the knowledge of the views of representatives from multinational organizations, we conducted further study, though we tried to determine some specific aspects of business ethics and its influence on the activity of multinational organizations.

### **3. Research methodology**

In order to identify the influence that business ethics has in the investigated area, we have conducted a survey and some of the most important results will be presented below.

This study, correlated with multinational organizations issue of nowadays, it is considered it to be a particular importance in terms of obtaining relevant information on the topic of the paper.

#### *Objectives and hypotheses*

##### *Specific objectives*

- a. Determining the measure in which in multinational organizations are known and applied the procedures of the organization's ethics code.
- b. The analysis of business ethics as main objective within the overall strategy of the organization.
- c. Identifying the extent to which business ethics can contribute to achieving the performance of multinational organizations.

The hypothesis that we leave the investigation is naturally suggested by the theoretical work where we highlighted that business ethics is a set of principles or arguments that should govern the conduct of business, individually or collectively.

Thus, the general assumption is: Business ethics contributes to the performance of multinational organizations.

This hypothesis can be operationalized derive the following statements:

- a. The more information and procedures of Ethics Code are better known and applied, the more decisions made and actions taken at the

level of multinational organizations will ensure the performance of both.

- b. Performance or failure of multinational organizations are determined by how business ethics procedures are applied.
- c. If business ethics is part of the overall strategy of multinational organizations, then it can contribute to the performance of organizations.

*Materials and Methods*

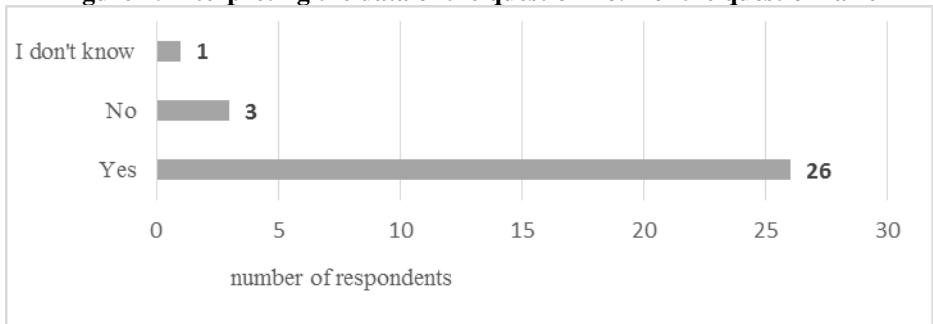
We chose as method of survey the investigation and the questionnaire as a tool of investigation. Of course, in the selection of the sample and applying the questionnaire we have considered the compliance with the requirements of the methodology of scientific research, and the adoption of an ethical behavior. The research was conducted on a sample consisting of 30 multinational organizations from Sibiu. The respondents were managers or human resources managers in these multinational organizations.

**4. Results and discussion**

From the questionnaire and analyzing the collected data were obtained a number of responses, some of which are presented below:

The first question in the survey was:*Organization you work for has an Ethics Code? (this question respondents were asked to respond with Yes, No or I don't know)*

**Figure 1: Interpreting the data of the question no. 1 of the questionnaire**

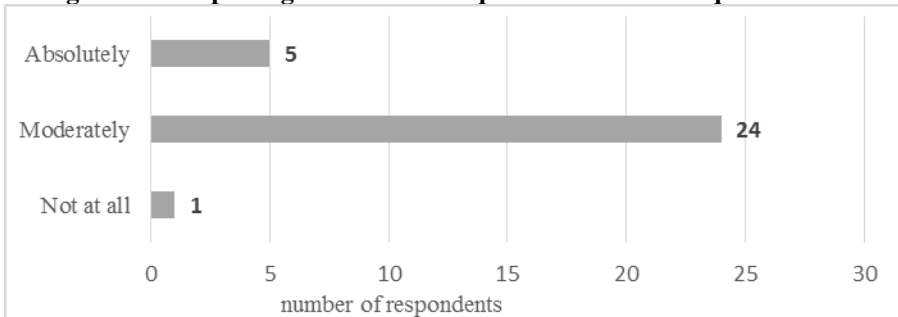


From the answers to this question we note that 26 of the respondents confirmed that they are working within the organization where there is an Ethics Code. This shows that businesses encourage compliance with a uniform set of moral values and ethical behaviour. The fact that only 3 people have noted that there is not an ethics code, and one person does not know this, we can consider insignificant. Of course, these organizations should take into account and realize an ethics code, a move that could lead to the strengthening of the organizational culture.

The existence of a code of ethics in organizations is not sufficient, without an adequate knowledge of the information contained therein.

In this sense, the next question was: How well you master and apply information and procedures contained in the code of ethics in your organization?

**Figure 2: Interpreting the data of the question no. 2 of the questionnaire**

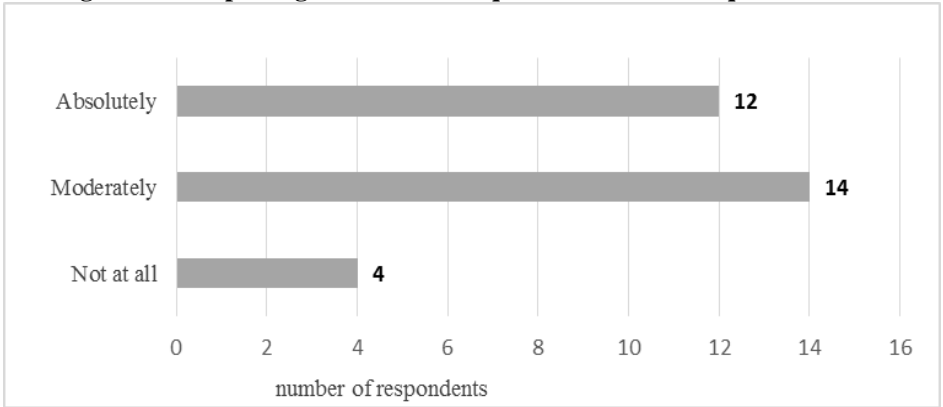


We see in the figure above, the fact that the majority of respondents know the rules of the code of ethics, which demonstrates once again the concern of these organizations for employee conduct.

Another question was formulated as follows: *Does your organization owns and apply clear procedures for situations where there is behavior that violates ethics?*



**Figure 3: Interpreting the data of the question no. 3 of the questionnaire**

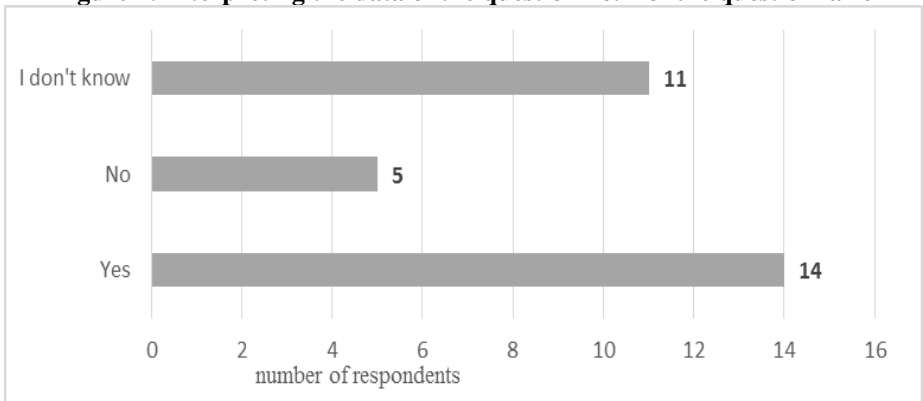


Responses to this question reveals that 26 of the respondents know and apply clear procedures for situations where there is behavior that violates ethics, moderate or absolute. This demonstrates that the organization has a landmark to guide it towards a proactive and responsible in accordance with the social balance.

Only 4 respondents answered this question "no".

Knowing the importance of ethics in business, we considered the following question be formulated as follows: *Do you think that business ethics is a primary objective in the overall strategy of the organization?*

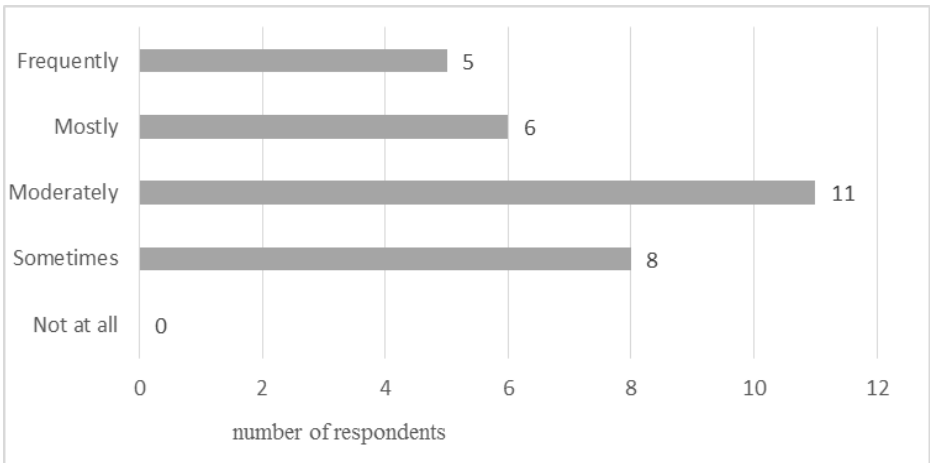
**Figure 4: Interpreting the data of the question no. 4 of the questionnaire**



Ethics is directly related to the overall strategy of the organization. We note that the answers provided by 14 of the managers of multinational companies included in the sample states that ethics must be part of the overall strategy of the organization. Undoubtedly, this is seen as a key concept in achieving organizational performance, clotting so the idea of virtues individual involved in this sphere of life (honesty, reciprocity, mutual interest, usefulness) and also the idea that there are social and moral capacities and availability that owns the corporation itself.

Below (Figure 5) we present another question in the survey which reads as follows: *How often do you encounter ethical issues within the organization?*

**Figure 5: Interpreting the data of the question no. 5 of the questionnaire**

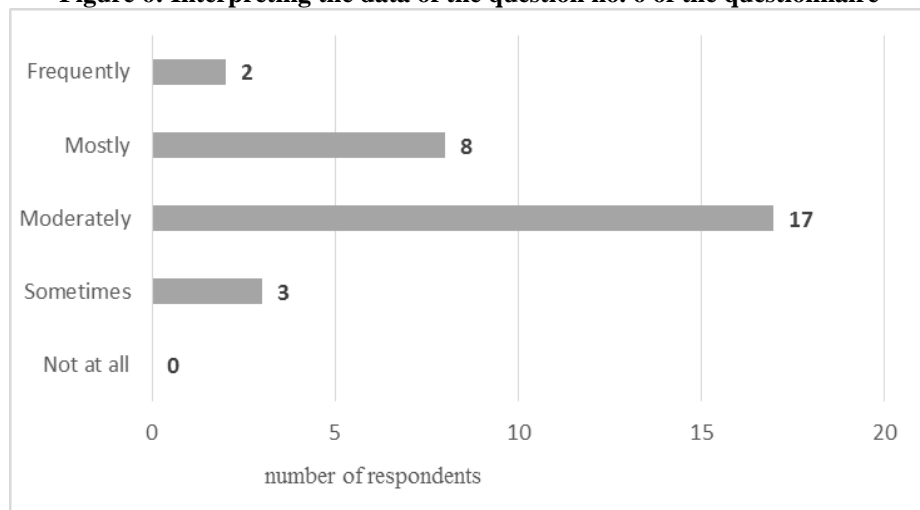


Starting from the idea that ethics is the discipline dealing with what is valuable in life, whit what we deserve to desire and the rules that should govern human behaviour ("How should we live"), then we find that businesses are not only "money issue" of economic exchange, of articles of commerce and profits, but they involve human interaction. In this regard, there are cases where problems occur of different kind of ethics in organizations.

Referring to our study, we can see in the figure above that in organizations that were part of the sample, the ethical issues are moderated.

Another important aspect that I visited in the questionnaire was as follows: Does employees are trained about the requirements of ethical behaviour in the workplace?

**Figure 6: Interpreting the data of the question no. 6 of the questionnaire**

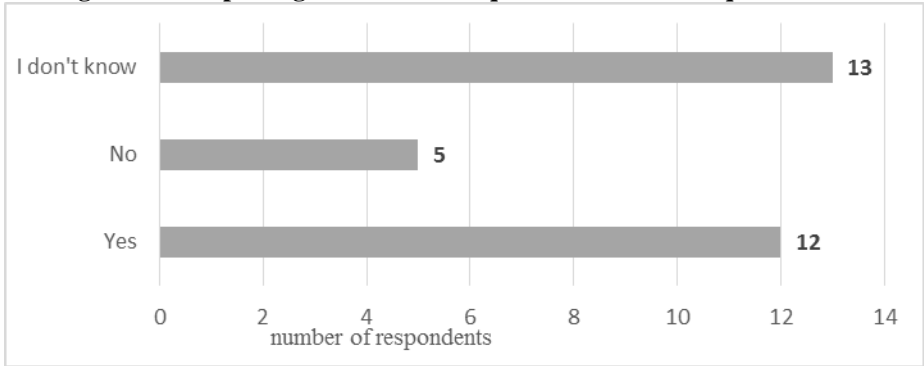


Certainly, in order to meet the demands of business ethics, employees should be trained in this regard. The respondents answered mostly that this happens moderate within their organizations. It should be noted that no respondent replied that this does not happen at all.

Another aspect that we consider important in business ethics undoubtedly is the possible existence of procedures for customer complaints. Thus, the following question had the following content: Within your organization there are procedures for any customer complaints regarding ethical issues?

At this question is remarkable on the one hand, the existence of procedures for any eventual customer complaints relating to issues of ethics (12 responses), and on the other hand that some managers have no information on this issue (13 replies). For the second situation, this could seriously harm multinational organizations, its image on the market, but also decrease customer confidence in their organization.

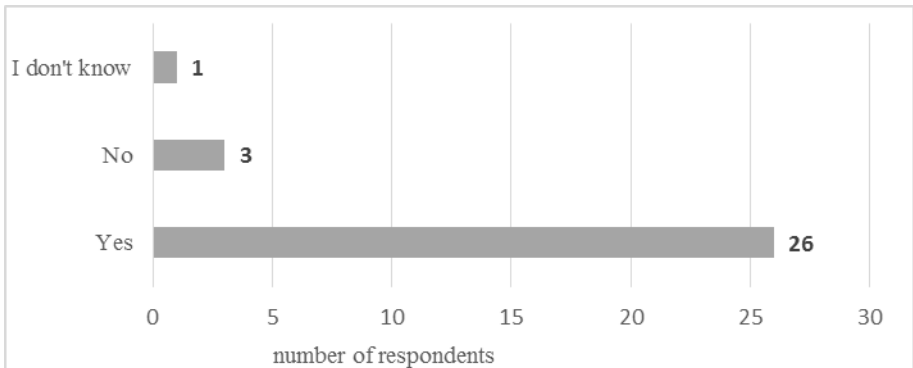
**Figure 7: Interpreting the data of the question no. 7 of the questionnaire**



One last question in the questionnaire we present in this paper has raised the issue of obtaining multinational organization's performance in compliance with a Code of Ethics.

The question was formulated as follows: *Do you think that business ethics can contribute to your organization's performance?*

**Figure 8: Interpreting the data of the question no. 8 of the questionnaire**



Nowadays, the power and influence of multinational organizations are becoming increasingly important on the whole society and immoral policies commonly found in business, can cause huge damage and harm to individuals, communities and the environment.

From this point of view, problems of business ethics can harm both multinational organizations and the whole society.

This is also noted by respondents to the questionnaire. It is noted that almost all respondents believe that business ethics can contribute to organizational performance.

## **5. Conclusions**

Nowadays appear increasingly more a series of arguments supporting the need for ethical behavior in business and the need of ethical criteria in management decisions. This supports the existence of a set of moral values and principles that should govern the conduct of business, individually and collectively.

The ideas and conclusions arising from the theoretical part and from the study directs us to the conviction that there are some negative effects generated of the actions of multinational organizations that does not relate to an axiological base, centered on ethical principles.

Adopting a moral commitment and foundation of an ethical concept, in multinational organizations are essential in order to attract and positive involvement of all interested parties: employees, customers, shareholders, creditors, suppliers, community, etc., being possible to obtain competitive advantages and strengthening a healthy economy. If these participants noted that as a result of the relationships they develop with an organization are treated fairly and receive mutual benefits, namely are met components of the ethical guide specific to the integrationist model, will develop those relationships based on trust, loyalty, mutual respect.

It becomes important also the knowledge of rights, duties and responsibilities by each employee and manager in part, issues that will strengthen the structure of ties between a multinational organization and its interested parties, and also leading to considerable competitive advantages. But the lack of trust causes, in economic terms, additional costs, which are not supported by those business environments that respect the principles and ethical norms.

In this context, the adoption and implementation of ethical rules - applying business ethics at micro and macroeconomic level - can no longer be considered an option but an obligation for multinational organizations who wish to develop a healthy economic environment.

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