

Ethics in Efficient Management Configuration

Alexandru TRIFU,
Constantin SĂLCEANU
"Petre Andrei" University, Iași, ROMANIA

Keywords: *real organizational ethics, management, organization, efficiency, sustainable competitive advantages*

Abstract: The paper deals with an important intersectorial aspect: ethics *involved in* economics, more precisely, in the field of modern management. The core of the subject regards the fact that ethics is a body of principles about human conduct governing the behavior of individuals or/and groups. Ethics arises from *human nature* and it is perceived as a set of main rules and norms, which a human being follows in his/ her activities. In this respect, the ethics principles are very useful to defining the good and bad aspects, components within complex and various human interactions. Therefore, we consider that ethics becomes the background for the acknowledgement of human conduct in society, or in particular, within an organization. Nowadays, ethics principles have a relevant and profound influence on modern management, reshaping the management theory.

The famous *Pareto Efficiency* applies in managerial action and this is one argument used in our paper to explain the power of ethical principles that will improve performances in any organizational structures.

We analyze and underline that ethics is much more than a collection of values and it depends on the personality and bio-structure of each person. Exactly like in SWOT analysis, we deal with poor (weak) ethics and with good (strong) ethics. Organizations, of any kind, need ethics quality in order to inspire and improve superior reasoning, but first of all, *performance*. In our case, when managers understand how ethics makes them and their business better, their role changes permanently. We have real organizational ethics, representing a rational process, specific to management in order to explore the decision moment and behaviour alternatives.

Generally speaking, **Ethics** are considered *moral philosophy*, including the study of *values* and *customs* concerning persons or groups. From their composition, for our purpose, important are *normative ethics* (regarding how to determine ethical values) and *applied ethics* (the use of ethical values).

Thomas Donaldson¹ and Lee Preston distinguish between these two forms, different kinds of *participative theory*, such as:

- *normative participating* form, arguing the motives that corporate organizations would take into account about the different interests of the rest of participants ;

¹ See Donaldson, Thomas. 1989. *The Ethics of International Business*. Oxford University Press.

- *descriptive and instrumental participating* form, which are trying to establish whether corporations really take into account the interests of the rest of participants, or of the stakeholders.

Discussing about **normative ethics**, these types are an attempt to arrive at general moral standards that tell us how to live moral lives, even within an organization. This point of view may involve articulating the character of good habits that we, all of us, should acquire, the duties that we should follow, also the consequences of our behaviour in communities on ourselves and others.

Three main approaches to *normative ethics*:

1. Descriptive ethics, which are strictly derived from observation of actual choices made in practice. From this form emerge **Ethical codes**, important and compulsory acts applied by various organizational structures or groups. The activity of **real organizations**, the *observation of actual choices and human behaviour*, are the source for this type of ethics. In the specific literature, for a better understanding of the concept, *ethics* is more viewed as a summary of *common sense*, strictly linked to economic and social facts and decisions. This, in opposition with Bernard Crick's opinion considering, in a social view, that *politics is the only applied ethics*, because *applied ethics* is used in determining *public policy* implementation.

Ethics lead to several distinct and interrelated fields of *applied form*, the most important one being **business ethics**. *Ethics* in each corporation is dealing with multiple individual characters and agendas, incorporated in the values performed by the firm (responsibility, social protection, motivation, even the interest for family and sexuality problems of the employees...), in order to accomplish the 5 *management functions* and to ensure the existence and sustainability of the firm on the market.

Continuing the logic of the facts, the social corporate responsibility is based on a *quadripartite model*² including:

- a. The first level (from the basement), *economic responsibilities*;
- b. The second level, *legal responsibilities*;
- c. The third one, **the ethics responsibilities**;
- d. The last level, the fourth, *philanthropy responsibilities*.

In the third level, the firm (corporation) is dealing with the compulsory actions of justice, equity, correctness, regarding the business and social environment, even is not obliged, by law, to do these. Important is to see and to manage all the exogeneous expectations which could affect the organization.

Furthermore, exactly like in SWOT analysis, we deal with **poor (weak) ethics** and with **good (strong) ethics**. The first form can be extremely damaging to organizational performance, especially when activity is placed on risk and the organization becomes vulnerable because of the barriers existing between the organization and its environment.

Good ethics have a powerful and surprisingly positive effect on the organization existence and results. Communication improve, also capabilities, which coupled with additional information, is an authentic strategic advantage in any business or organizational structure.

Organizations, of any kind, need **ethics quality** in order to inspire and improve superior reasoning, but first of all, *performance*. All depends on human nature and, through it, we can speak about greater levels of innovation, a good teamwork, and in the final, **sustainable competitive advantages** in the open and competitive economy of today.

We have to see and managers also, an economic entity not only from the economic point of view, only by *maximization the profit* (the reason to exist of each firm), but also

² Model developed by Crane, A. and Matten, D. 2004. *Business Ethics. A European Perspective*. Oxford University Press.

from *the social and environmental* points of views. *SWOT analyses* is very indicated in choosing the better strategy of the firm (corporation), when **Strengths**, determined by the values shared within the organization, overpass **the Weaknesses** and block **the Threats**.

In consequence, we have to underline, in the core of *business ethics*, that *Ethics* and *Organizational Culture* are closely related in entities with strong human interactions and with an improving *quality management*. There are of the same sense, but *Ethics* are the main factor influencing the entire set of the capability improvement process. Therefore, the organizational management succeeds only if it takes into account *organizational culture* and the *collective efforts* (or *endogenous efforts*).

For example, Edward Freeman³ focuses the analysis on the *Social Responsibility of Corporations*, based on *participative theory*. The main idea is that any corporation is managed **not only on behalf of its own shareholders, but also taking into account the interests of a large number of social groups or stakeholders, interested in the good running of the firm (corporation)**.

The *human quality* of the staff and personnel may lead to the improvement of the **Total Quality Management (TQM)**, because people's integrated efforts, absorbed by *organizational culture*, become efficient by bringing initiatives and goals into actual facts. In this case, management gets an overwhelmed importance to ensure the well-being of entire economic and social entity.

Quality in this managerial form requires **ethics**, as a significant part of a SWOT analysis, as we already affirmed. But also technical process capability improvements can influence ethics, in some cases even disturbing communications or leading to ethics failure or destruction of the organization (see Enron or Arthur Andersen cases). A well designed and implemented ethics within a successful culture, that's the key for progress and prosperity.

In conclusion, the new role and new paradigm of management (i.e. *the modern paradigm of the firm*) implies the managers' activities on behalf of all departments, all hierarchical levels, of all employees.

But, it has to be a set of *values*, a model or an ethical code of *corporatist governance*, through which the decisional factors assure *the equilibrium* between the interrelations and the well-functioning of the firm and the movement and interests of the other competitors on the market. Therefore, the scope is to realize a sustainable long-run entity, rather than to pursuit the simple *profit maximization*.

The **real organizational ethics** is slightly different from the theoretical approach, because it goes beyond personnel ethics and even values shared by *organizational culture*. It means the capacity of the manager or decision maker is to understand and to reveal **real ethics in organizational multilevel**, as a collective undertaking and to act on the behalf of entire structure and corresponding to behaviour and needs in organization. This is an *efficient way*, the line of action chosen, to prevent threats or bad things and to improve strong points and to attend the goals proposed.

References

- Callinicos, Alexandru. 2004. *Egalitate. Sărăcie și inegalitate în economiile dezvoltate*. București: Antet.
- Crane, A. and Matten, D. 2004. *Business Ethics. A European Perspective*, Oxford University Press.
- Crăciun, Dan. 2005. *Etica în afaceri. O scurtă introducere*. București: Ed. ASE.
- Donaldson, Thomas. 1989. *The Ethics of International Business*. Oxford University Press.
- Freeman, R.E. 1984. *Strategic Management. A Stakeholder Approach*, Boston: Pitman.
- Fukuyama, Francis. 2002. *Marea ruptură. Natura umană și refacerea ordinii sociale*. (in translation). București: Ed. Humanitas.
- Sălceanu, Constantin. 2005. *Management strategic. Concepte și studii de caz*, Iași: Ed. Vasiliana '98.

³ Freeman, R.E. 1984. *Strategic Management. A Stakeholder Approach* Boston: Pitman.