

Emerging Markets Queries in Finance and Business

# Business ethics and organizational values in Romanian enterprises

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## Abstract

Business ethics has been subject to so many studies in the contemporary literature. Being a type of human activity, business can and must be also evaluated from the moral behavior's point of view, not just from the economic efficiency perspective. The goal of our qualitative study is to reveal the relationship between the ethical values and the organizational culture. It is based on a survey of 148 subjects, managers and employees who work in companies in the regional business environment of Romania, in the Mures County. We have reached a main conclusion: the implementation of ethical values is connected, through the organizational culture, to the size of the enterprise. Big companies are more likely to elaborate written ethical codes within a strategic vision and their employees acknowledge this aspect, compared with small enterprises and their workers.

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Selection and peer review under responsibility of Emerging Markets Queries in Finance and Business local organization.

*Keywords:* Business ethics; organizational values; enterprises' dimensions;

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## 1. Introduction

Organizational or corporate culture is a very popular subject in the management literature, mainly after 1980. The organizational culture is created due to the repeated interactions between the members of the organization, joining the faiths and the values of the individuals which make it up. It is a complex construct, multifaceted. As definition, we mention one representative, of Hofstede: 'the collective programming of the mind which distinguishes the members of one organization from another', Hofstede, 1998, p.478. Organizational culture incorporates the values, the knowledge, the models of thinking and behaving of a certain group's members that have been accumulated and transferred through symbols and materialized in cultural goods, which assign the group its specificity.

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From formal perspective, organizational culture is made up of beliefs, values and impressions that are shared within the organization. Informally it can be understood as representing the style, the atmosphere or the personality of a certain organization, Georgescu, 2011.

The theoretical basis of this paper is found in the contents of organizational culture and the link with business ethics. In business environment, Ethics in organizations is necessary because it represents an investment especially on medium and long term. Our purpose is to analyze the organizational ethical values in Romanian enterprises and the existence of a Code of Ethics, as the EU strategies requires EC 2011. Organizational culture may be unable to progress according to the goals required under the new economic environment, a common situation found in the firms from our country Contiu, Ștefănescu, 2011, p.73. This subject is highly topical, extremely important and highly debated at the European level. Moreover, it has been approached for a long time in the United States of America, but it has not been debated enough in Romania. We consider that it is necessary to better promote and present this field – one lacking sufficient criticism and analysis in our society.

## 2. Literature Background

A lot of studies revealed the importance of culture in the organizations Trice, Beyer, 1984. Ethical organization is closely related to organizational culture, and represents a set of assumptions, beliefs, values the company developed to overcome internal and external environment and to help new members to guide actions in this environment. An ethical organization is one that: produces quality goods and services seeking economic efficiency, promotes human resources development, is environmentally friendly and attains community respect. The concept of organizational culture has four key elements, as they were sintetyzed Acar, Acar, 2012: culture is a shared phenomenon; organizational culture has visible and less visible levels; each new member of the organization learns the culture; culture tends to change slowly over time.

Organizational culture has as basic component a series of values. From several decades, the importance of ethical values and the commitment of employees are a preoccupation of old and recent studies Hunt, Wood, Chonko, 1989; Acar, 2012. The strong relationship between values and managerial behaviour is evident because managerial decisions are not made within a void. 'Ethical values of shareholders, managers or employees represent a strong motivation to develop a pro-social behaviour that determines the enterprise to get involved in the social environment.' Șerbănică, Militaru, 2008, p. 180.

An organization culture is especially relevant to managers because it establishes the restrictions on what they can or cannot do. The main areas of the manager's activity are influenced by the culture within which he/she works and this culture reflects the vision of the organization's founders Ionescu, 1997. The existence of ethic codes in organizations, as set of rules meant to guide the behaviour of its members, is comparatively analyzed with pros and cons synthesized by M. Preda, Preda, 2006.

The changes related to ethics and organizational culture can be achieved if they start from the management to employees on all the levels. We can speak about an ethical climate, defined by Victor and Cullen as a socio-cultural environment, the organization's 'shared perceptions of what is ethically correct behavior and how ethical issues should be handled' 1957, p.51. Written ethical Codes influence employee's behaviour when these codes are effectively communicated and understood. So, it is likely to result a greater ethical behavior, Yener, Yaldiran, Ergun, 2012.

## 3. Methodology

### 3.1. Research Goal

In this survey, we intend to determine the importance given to a Code of Ethics as a tool useful in a company's decision policy, within the organizational climate. The study focuses on the compatibility between

the business world and the ethical principles and we want to see if managers and employees are committed to the ethical values developed in business. It is known that most foreign multinational companies, which are active on the Romanian business environment, are guided by rules established at central level, so the implementation of some ethical values and social responsible actions at local level is sometimes a consequence of following those rules. What we want to identify is the existence/inexistence of ethical climate in our enterprises.

### 3.2. Research design

We designed a qualitative study, carried out by means of a semi-structured interview applied in 4 enterprises with different areas of activity, from Mureş county. The survey was realised between May and June, 2012. The interview guide contains several items regarding business ethics and values, of which we present a selection related to the paper topic. According to Eurostat criteria, enterprises are classified in four groups in terms of size: micro enterprises, small enterprises, medium enterprises and large ones. As the socio-economic impact of the activity of the enterprises of large dimensions with over 250 employees, and those of medium size, is important, we made the survey within these categories, to search for ethical behaviour.

The major topic approached was about the existence of a Code of ethics in these enterprises which function in the Romanian business environment. We had 148 subjects, 80 of them from medium size enterprises and 68 from large companies. As ordinal data processing method we employed for the central tendency: the frequencies and percentages of responses for items and the modal value, mode.

## 4. Research findings

### 4.1. Ethical business climate in medium size enterprises

- The commercial company S.C. AMIS MOB S.A. was set up in 2003 and has 223 employees, out of which 25 belong to the administrative staff, 180 directly involved in production and 18 for maintenance activities. In order to analyze the values that the company follows and on whose basis it develops its activities we have performed a research based on interview done with fifty employees of the commercial company SC AMIS MOB SA Reghin, a small town in Mures County.

The main topic was if they know about a Code of Ethics in their company. The analysis of received opinions indicates that 42% of employees have no idea about the existence of such a code, 4 of them even stating that it does not exist.

Table 1. Distribution of opinions regarding the existence of a Code of Ethics at SC AMIS MOB

Opinions	Frequency	%
Yes	28	56
No	4	8
I do not know	18	36
<b>Total</b>	<b>50</b>	<b>100</b>

To raise the ethics of the company, ethics must be institutionalized, so the manager must have an ethics code that encourages and supports ethical behaviour both in-house and in relations with the outside. Otherwise, there is risk of cultural forms such as "success at any cost".

- Herlitz Romania S.R.L is a subsidiary of the German company Herlitz PBS A.G. – European leader in office

products and stationery. Herlitz Romania S.R.L started its activity in Romania under this name and under the present organization in 1996. S.C Herlitz Romania from Târgu Mureş has 82 employees that can be grouped according to gender as follows: 19 women and 43 men.

The research was performed at the offices of Târgu-Mureş subsidiary. The interview was realised with 30 employees of the company, ten with managerial positions and 20 with executive ones. Regarding the existence of a Code of Ethics, almost 67% of the subjects said that it does exist most answers coming from employees with managerial positions that were aware of the existence of the Code of Ethics within the company. Only one individual claimed that the company didn't implement this code and 30% of the subjects did not know anything about the existence of a Code of ethics in business.

Table 2. Distribution of opinions regarding the existence of a Code of Ethics at Herlitz România S.R.L

Opinions	Frequency	%
Yes	20	66.66
No	1	3.33
I do not know	9	30
<b>Total</b>	<b>30</b>	<b>100</b>

HR managers have a responsibility to make decisions that promote fair ethical business climate.

#### 4.2. Ethics on organizational level in large companies

a. Asirom company- VIG was set up on 1<sup>st</sup> January 1991, by the Government Decision no. 1279/1990 and develops its activity in insurances on the basis of its Articles of Incorporation. In 2007 it joined the large family of the Leading Group in insurances in Central and Western Europe, Vienna Insurance Group VIG. In 2010 Asirom had an average number of 1,600 employees.

For the present study 18 persons were questioned, out of which 16 women and 2 men. The discussion about a Code of Ethics in the organization where they work generated 17 affirmative opinions, thus giving a percentage of 94.44 and 1 subject answered that he did not know whether there is a document for internal regulations, this representing 5.56% of the total number of respondents.

Table 3. Distribution of opinions regarding the existence of a Code of Ethics at Asirom company

Opinions	Frequency	%
Yes	17	94.44
No	0	0
I do not know	1	5.56
<b>Total</b>	<b>18</b>	<b>100</b>

The employees from Asirom Tîrgu-Mures state that the most important value found in the organization where they work is "loyalty to customers", and the least found "responsibility regarding employees" a fact that is in strong relation with their dissatisfaction with "the payment system" which asserts that it would be the first thing they would change in the company. Other topics achieved by opinion's systematization:

- employees are satisfied with their relationship with the management asserting that this is a good one;
- partly, the rules and the procedures in the organization don't make their work harder;
- the employees are satisfied by the communication quality in the company;

- most employees appreciate that the ethics and the values of the organization are in good harmony with their own conviction;
  - also many employees are satisfied by the possibility of bringing ideas up to the higher management;
- The analysis indicates that the organization invests in its employees, in their professional development.

b. The company CIE Matricon SA belongs to the group CIE Automotive, whose main activity is manufacturing parts for car industry. CIE Matricon SA, with its office in Târgu Mureș, has been functioning since 2006, having a total of 284 employees. The research was made with an interview guide for managers and another one for employees, in total with 50 subjects.

Table 4. Distribution of opinions regarding the existence of a Code of Ethics at CIE Matricon SA

Opinions	Managers	%	Employees	%
Yes	10	100	28	70
No	0	0	0	0
I do not know	0	0	12	3
<b>Total</b>	<b>10</b>	<b>100</b>	<b>40</b>	<b>100</b>

The topic regarding the content of this Code of Ethics was discussed only with managers.

Table 5. Distribution of opinions regarding their knowledge of the content of Code of Ethics at CIE Matricon SA

Opinions	Managers	%
Yes	6	60
No	4	40
I do not know	0	0
<b>Total</b>	<b>10</b>	<b>100</b>

Of all the interviewed managers, 60% know the content of the Code of Ethics of the company CIE MATRICON, and 40% know that there is a written Code of Ethics but they do not know its content.

People were and are always influenced by time, space, by the civilisation in which they live, but the valuable judgments good – bad; justice – injustice; honesty – lie need to have a certain written code to build a viable ethics and to have a balanced life.

## 5. Conclusions

The research made in the two categories of companies, namely two of medium size and two of large size, indicates that they all have codes of ethics as reference points for assessing ethical behavior. But this fact does not represent a sufficient element for the ethical climate.

The employees of the large companies know about the existence of these codes in a significant proportion, between 70% and 94.44%; in the case of the questioned managers, they are all aware of the existence of these codes. However, in medium size companies, quite a significant percentage of the employees 33.33%, respectively 44% don't know about the existence of such a code of ethics.

Consequently, in order to respect a series of ethical values, business behavior should not be considered in a discretionary way, but consciously managed and connected to a standard landmark.

Analysing the results provided for the approached topic, one could state that implementing values of business ethics is related to the company size. We noticed that in the medium and large enterprises, strategic management in this domain is obvious.

Ethics is important nowadays as we live crossroads times, an existential chaos, marked by different traditions, habits, cultures, religions, commercial interests that have to be put in harmony. The Romanian business environment, more specific – medium size and small enterprises, need a palette of values and standards in the daily decisions and in the elaboration of long-term development strategies.

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