

Evolution of Business Ethics

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Abstract

In the present article, a meta-analysis on the subject of business ethics is proposed. The issue has been a field of interest since the beginning of the early commerce forms, when the bartering was predominant, and was based on the principal of equal exchange. Many prominent philosophers and economists have taken an interest on the subject and have exposed theories regarding the concept of the business ethics, how has appeared and the evolution of it together with the development of the business environment.

As mentioned, the subject has suffered many transformations as time has passed and it became more important once the globalization trending of the countries has also evolved. Nowadays, due to the interconnection between all the people, the companies must take great precaution in this subject, as the customers have also evolved and are paying more and more attention to the ethical aspects of their preferred companies.

Key words: globalization, business ethics, evolution, companies, customers

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1. Introduction

The concept of business ethics has its origins in the earliest forms of bartering, when the principle of the equal exchange was in the middle of the whole business life. The topic has been addressed by philosophers like Aristotle, and the idea he formulated on justice and economists like Karl Marx, and his assault on capitalism. However, when we address the modern business ethics, we bring into light the problem of anti-big business protest movement that occurred in the United States at the beginning of the '70s. Due to the evolution of the people's life in general, this subject has also presented changes and saw many forms. It has become gradually an academic field on its own right, with empirical and philosophical branches.

The government has started to be also interested in the problem of business ethics, but because of the legislation approved, ethics has been introduced in the business field, which today we put the problem in the area of social responsibility ways of action and the code of conduct. This being said, in the present, business ethics has come to be on one side a very well-established academic field and on the other side, a topic that companies have come to the understanding that they are going to have to manage it and put its principles into practice internally.

Thus, being said, when we are talking about business ethics, we mostly refer to the moral principles and pillars that guide and harmonize the operations of a company or business. The issues that commonly fall under its incidence include the employer-employee relations, problems regarding discrimination, environmental issues, bribery, insider trading and the social responsibility of the said company. While there are many laws and regulations which have the purpose of setting the basic ethical standards within the business communities, it is mostly highly dependent on the leadership that the business has, and it falls in its jurisdiction to develop a code of ethics. The mentioned code has the task of regulating the internal affairs of the business and offer solution to different situations that may arise in a company.

2. Literature review

The subject of business ethics is widely seen in the literature of specialty. We start from the *Nicomachean Ethics* (V.5), writing done by Aristotle who referred mostly about the “exchange of equals for equals”; then in *Politics* (I,8-10), he elaborately approached the thematic of “the art of acquisition”, as a small part of the ethics within the household, trading and usury. If we go further in time, we stop in the modern era, in the time of John Locks (1690), who developed a strong defense for the private property, as a common right on the labor, that one put into the fact of securing the respective assets.

Another prominent representative of economics, which has taken upon his scrutiny the problem of business ethics, was Adam Smith, who composed the work *A Theory of Moral Sentiments*, before the more notable writing, *The Wealth of Nations*. The fact, which applied in the times of Adam Smith, was that he wrote about business ethics; however, the subject was lacking in the business he was witnessing at that time. David Hume, John Stuart Mill and many others like them, were also interested in the subject and have approached the topic of morality or ethics of the brand new system which was in the process of developing, the free-enterprise economic system.

The most vocal of all economists who wrote about or approached the subject of business ethics has been Karl Marx, who has developed the most trenchant assault upon what he considered now, capitalism. He thought of it as a moment in the history of business and humankind which was necessary, as he admitted that in this time productivity has developed the most of all times, however his problem was mainly with the fact that all benefits following the increase in productivity were taken only by a few, when there was plenty for all.

All this approached by different writers, thinkers and economists have added important works to the subject of ethics in business, considering that if they wouldn't have been, the subject wouldn't have been widely known, discussed and appreciated. Although, ordinary people probably do not have knowledge of the mentioned writings, and all that they know about the subject is taken for granted from one person to another. As example of such practice, we can take the subject of private property, as little to no thought or debate is offered to the press or media outlets in order to morally justify the private property.

As mentioned by some, Karl Marx's criticism of capitalism has never taken too much power in the Unites States economy, unlike what was the situation in a lot of European countries, as in the states there was never a democratic socialist political party in power there. However, even though it didn't get noticed in the political area, his criticism on exploitation, he condemning the fact that having commodities were put on a higher level than people and judging people only by what they have and not through what they are in reality, resonated very highly in the American culture, even though they may have denied it or they may not be entirely aware of it.

The ethics in business has another side, which has been analyzed and exposed. The mentioned side has its beginnings in the core of humanity, in Christianity. We can put the beginning of business ethics in the Judeo-Christian teachings, that dates back to the time of the Ten Commandments (Exodus, 20:1-17; Deuteronomy, 5:7-21), more so the ones which have as teachings *not to steal* and *not to bear false witness or lie*.

Not only has Christianity the mentioned teachings, we can also find similar teachings in the Islam, Buddhist, Hindu and Confucian. The Muslim businesspersons are actually quite renowned for their business morality and correctitude. When trading with people from different religious beliefs, one must nonetheless take into account this aspect, as for some cultures, if the aspect is not taken into account, it may appear as an insult to their address.

3. Research methodology

In the research methodology part, we are going to put the accent on analyzing the existing data and extracting from it the main results and conclusions. The importance of ethics in business can be highlighted from two perspectives: a positive one, according to which the utility of ethics is intrinsically (from where the notion: *good ethics, good business* comes); and the negative one, or Machiavellian, that proposes the fact that ethics is only useful just because not complying with ethical principles is more expensive.

In the positive perspective, practicing ethics brings advantages on the market, due to the fact that the involved customers are taking into account the ethical values when making choices and taking decisions. This idea is backed-up by many empirical and market researches. For example, a team of researchers from the Institute of Business Ethics, have studied the relationship ethics in business – business performance and have reached the conclusion that there is a positive link between the attention given to ethics and the financial performance in the companies which conduct themselves after ethical principles, in contrast to those who don’t abide by ethical principles.

Moreover, the companies, which follow ethical codes, benefit from the trust of the stakeholders, from where it results a solid reputation, improving the relation with the investors, rising the goodwill, and a better understanding and preparation of crisis/change situations, etc.

Another important research done in the field was on a sample of 1000 adults from Great Britain by the company Fraser Consultancy, and emphasize the fact that approximately 34% of the consumers often bring into discussion the company’s behavior, the percentage of those involved in this kind of discussion being extremely high, especially on the 24-34 years old segment (63%). The respondents were asked to give points to companies acknowledged through their ethical behavior, defined as the way in which the respective company treat their employees, suppliers, clients and the environment.

The above findings were from the positive perspective. However, as mentioned, we also have a negative side of the business ethics. Not necessarily from the topic’s fault, but more due to the ill-intentioned executives who believe that they may sidestep some steps or that they are able to deceive their customers. There are many examples of how not abiding by the ethical principles can lead to losing market advantages. We can list some of the most well-known scandals, like Texaco in 1997, which was accused of discrimination by six employees, or Ford in 1999, affected by the explosion at their factory in Michigan, Amoco in 2002 accused for toxic spills, etc. The mentioned companies were indeed affected negatively by the mentioned situations, however they had the opportunity to regroup and start over, and the same cannot be told for other companies, like WorldCom and Enron from the US, MG Rover from the UK and Parmalat in Italy. Those companies were unable to restart after ethical scandals, which put a lock on their businesses.

Research done by the PR and communication company Weber Shandwick on a sample of 950 executive managers from 11 countries from North America, Europe and Asia on the subject of reputational risks, brings out the fact that the principles factors which “protects” the company’s reputation are their relation with the local communities (47.5%) and corporate social responsibility (52%), during which threats come from the below moments:

Table no.1 Main reputational risks

Financial irregularities	72%
Unethical behavior	68%
Faulty management	64%
Trading classified information	62%
Not following environmental regulations	60%
Faulty products	60%
Deviation from the law	59%
Accidents	59%
Strikes	40%
NGOs protests	38%
Association with questionable partners	38%
Support for unpopular politics	38%
Public controversy over the salary level of the management	36%
Online attacks and rumors spread	25%
Departure of managing directors	17%

Source: Safeguarding Reputation Survey

As seen in the above table, the unethical behavior is mentioned by 68% of the respondents, a quite important percentage, considering the fact that the customers/consumers have a very important saying into the evolution of businesses. What is more surprising perhaps for some is the fact that the

unethical way of doing business is on the second place after the financial irregularities, which proves that the consumers are more and more involved and attentive to the ethical factor of the companies from where they acquire goods/services.

We have to specify the fact that there are differences in the corporate reputation appreciation: the biggest risks for the American businesses are the violation of environmental regulations; for the European businesses are the defective products, and for the Asian ones, work accidents.

According to studies, 90% of companies, which compose the top Fortune 500 World's Most Admired Companies, have well established ethical codes that dictates the way of solving different conflict interests, problems that arise when offering gifts, fraudulent practices, the private character of some information, etc. In other words, the presence of a company in an international top, such as Fortune is if not conditioned, or at least influenced by the ethical component.

The Ethical Brand Study, EBS, is a study done by GfK NOP on a sample of 5000 consumers, from five different countries: the US, the UK, France, Germany, Spain and which has been published after completion in the Financial Times. The respective study has established which brands are the most ethical ones, based on some characteristics that are accomplished.

Table no.2 Characteristics of the ethical brand

The characteristic	Percentage of respondents
Treats the employees respectfully	70%
It doesn't harm the environment	77%
Offers good working environments	75%
Pays the suppliers correctly	73%
Promotes the healthy life-style	69%
Practices a correct commerce form	69%
Doesn't work with companies that don't respect human rights	67%
Has an active policy for corporate social responsibility	63%
Has sustainable businesses	62%
Doesn't work with companies that produces guns	59%
Helps local community	58%
Doesn't work with companies that doesn't protect animals	54%
Sells healthy products	51%
Promotes a balanced image of one's body	49%
Makes charitable donations	39%

Source: Ethical Branding Report

Big tech companies have been situated on the front positions in the annual ranking of the Fortune magazine. In 2022, Apple, Amazon and Microsoft have been on the first, second and third position in this order, for a third year in a row. Apple is already a veteran of this ranking which he runs it from the first position for the 15th straight year. Companies that were on the front lines during the battle with the global pandemic, which has gone into its third year with no stopping, have gained new respect from ordinary people who relied on those enterprises to develop cures for the virus. Pfizer, which is a co-developer of one of the most competent vaccines against COVID-19, jumped all the way to no.4 in the ranking, this being its first appearance on the list in 16 years. Moreso, Danaher, no.37, who had COVID equipment for the drug developing and tests, were very crucial tools in the fight that has been going against this virus, and debuting in the top 50.

4. Findings

The findings of the research have brought out the fact that the entrepreneurial behavior denotes a series of actions that put the entrepreneur with situations in which their decision challenges the existing moral standards of the said businesspersons. Considering this fact, we can assess about ethics that it can be seen as the critical and normative reflection of morality itself.

Overall, the findings of the article present the fact that *ethics* questions the conventional rules of what is good and bad. Those rules and principles of it are used internally – consciously and subconsciously – by every individual and reflect the moral judgements of society. At its core, ethics serves as a tool for each individual to have a critical and independent thinking, resulting in the reflection and autonomous decisions regarding moral issues. Thus, being said, ethics can be seen as the theory of moral behavior.

Morality can be understood as the practical implementation of ethics, as it aids in the translation of the concept of ethics into something that is more tangible and approachable and which can be applied in society. By addressing, studying and expressing the terms of ethics and morality, it becomes clear the fact that they are closely related, even though their meaning is not very congruent. The literature often criticizes the lack of a proper definition for each term, which can result in the misunderstanding, or even drawing misleading conclusions.

The problem is that practice shows the fact that it can be difficult to draw a clear line between ethics and morality, as they are generally used synonymously. From the point of view of science, making this distinction between the two terms is very important, as it not only enables a comprehensive discussion within the topic of ethics, but it also permits a much more specific explanatory approach, including very different levels and perspectives.

In the business area, the literature maps out a number of other so called *ethical dilemmas* that evolve in the entrepreneurial context. For instance, many ambiguous questions regarding whether the expected outcome for society is in accordance with ethical principles and personal values which holds and are required by the entrepreneurial organization. Further, the executives’ own personality and value set has on ethical principles and standards the organization implements at a certain stage may be subject to questions causing ethical dilemmas.

What can still be concluded is the fact that upon creation, a company is already imbedded with a certain set of values. The problem arises after it begins doing business, as the morality aspect and ethical principles cease to be as important as they were at the beginning. These specific values, in particular, the way of handling the relationship with the stakeholders, is related to the business idea, the product, its corporate form and other factors; but the values of the organization are highly precious and they are shaped by the personality of the founder, the entrepreneur himself.

Finally, yet importantly on our findings, was the fact that making ethical compromises can directly affecting the company’s performance and its ultimate survival or failure as it is. One of the reasons for this is that ethical behavior is slightly based on the moral calculations, which can only be achieved through reasoning and reflecting on committed actions. The findings of this article are meant to contribute to the contemporary literature through better carving out the different contexts and intersections between the notion of ethics and the entrepreneurship on a more individual, organizational and societal level of analysis.

Another point to be noted on the findings area is that nowadays reputation is well recognized and treated as a distinctive and intangible resource in the way that companies are assessed today. Without a single doubt, the confluence and meeting between globalizations, news which are shared instantaneous and journalism done online, magnifies any wrongdoing done by the firm or any misstep.

What companies are to learn from this is also the fact that rebuilding reputation after an ethical scandal is not easy and should not be treated easily. The conclusion to which many corporate executive believe and adheres to is that it is much harder to come out from a reputation failure than it would be to construct it from scratch and maintain it. This whole rebuilding process after an ethical scandal is neither easy nor is it short-term. It involves a lot of hard working into constructing what it has been damaged.

5. Conclusions

What companies must remember and accept is the fact that firstly, the concept of ethics has been known of since a very long time and is of high importance even nowadays for the well-being of a company and its reputation. More and more companies are intentionally managing culture as a strategy for organizational ethics. However, there are still very little practical tools and approaches that can be used in order to deal with the complexity that is the issue of fostering cultures in which

ethical considerations would be a very common part of the business life and discussions and of the decision-making process.

Over the years, growing attention has been paid to the ethical, environmental and social dimensions of business. Much of the early literature and studies have focused on contributing to defining the concept of ethics, its beginnings and application to the business environment.

What is of importance to point out as one of the study’s conclusions is the fact that companies should pay importance to this field; as the world has evolved, as globalization has become more and more predominant and has interconnected the countries, businesses have flourished and are interested in conquering new and new markets. However, in the rush that they are, they should be very careful so that to not stray too far from the ethical principles and ideologies as the consequences are extremely high and expensive.

The present research has accomplished a very important objective. The one to show and argument the fact that the presence of ethics in our lives is happening since the early forms of bartering, but it has evolved and adapted to the new ways of doing business and business environment.

From this article, executives should collect the fact that they should be very careful when doing business and choosing on which path the company is most likely to go. The entrepreneurs have the most important of all objectives: to draft the best of strategies which involves applying ethical principles, in order to have a successful and fruitful business reputation. What executives must always remember and carry with them is the fact that from many examples, it costs more to have a damaged reputation than to build one. They have to also remember that a strong and undamaged reputation contributes to a high financial performance from the company and the results will always be the most advantageous for them.

6. References

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