



**Procedia of  
Economics and Business  
Administration**

ISSN: 2392 – 8174,  
ISSN-L: 2392 – 8166

Available online at  
[www.icesba.eu](http://www.icesba.eu)



# The Process of Globalization of Businesses and Opportunities Offered by the New Technology on Ethics and Responsibility in Business

*Marius Daniel MAREȘ<sup>1</sup>, Valerica MAREȘ<sup>2</sup>, Lucian Dorel ILINCUȚĂ<sup>3</sup>*  
*SPIRU HARET University, Faculty of Financial –Accounting, Management, Bucharest<sup>1,3</sup>*  
*E-mail<sup>1</sup>: mdmares.mfc@spiruharet.ro*

**Abstract:** In this paper the authors aim to create a presentation of the triangle morals-ethics-responsibility with an accent on the current globalized society. Business ethics has to disseminate in all the corners of a company, and first of all it has to be understood. Understanding the moral criteria of behaviour in business is important because the new Organizational structures create new complications, related to information flow and information administration inside various workgroups and in the entire organization, for which there are no traditional precedents.

The increase in the importance given to business ethics can be explained through the changes suffered by the strategies and the structures of the corporations. Recent currents in the managerial theory and practice, as total quality management, as well as restructuring and redimensioning processes for top companies left to abandoning many traditional practices for managing economic processes. Intricate and rigid managerial hierarchies have been considerably flattened. As a consequence, the authority and the decisional responsibility have been dispersed more and more inside the company: important decisions are taken at lower hierarchical levels and by more employees. That's why it is required that each employee, not just the management, should understand as well as possible the complexity of the problems and how they should be reflected in the practical behaviour of the company in the economic environment.

**Keywords:** smart business, corporatist social responsibility, ethical investments, green energies business ethics.

**JEL classification:** M15, O17

## 1. Introduction

The term ethics has at least three different meanings. First of all ethics refers to the so called manners, customs and traditions specific to different cultures. Business ethics implies introducing in daily decisions and in management strategies more norms than the law requires. P. V. Lewis defines business ethics as „that set of principles or arguments that should govern the business behaviour, individually or collectively“. A company that is socially responsible, that is it takes into account not only the interests of the shareholders but also the interests of all the groups affected by its activity, so business ethics is a cost and implies delegating resources from the trajectory imposed by a strict computation of economic efficiency.

Eudaimonia means happiness, and the first to talk on this theme was the philosopher Aristotel in Nichomahic Ethics where he talks about virtue that is needed by people to lead the best possible life. The main idea of Aristotel is that there are different opinions about what is best for people and these differences have to be resolved. The question is: What is good? Aristotel doesn't look for a list of things that'd be easy to make, Aristotel looks for the highest of the goods and considers that this, no matter what it'd be, has three characteristics: it is desirable in itself, it is not desirable for another thing, and all the other things are desirable for it. Nobody lives for a certain goal except the one of goodness. And all the subordinated aims, as health and wealth are wished for the reason that they promote good and because they are good in themselves.

***The problems and the opportunities created by the new technology, by the globalization process, by the privatization of the media raises new ethic and spiritual challenges for those who work in social communications.*** These challenges can be effectively met by those who accept the fact that, in order to serve a human being, building a community based on solidarity, justice and love, and presenting the truth about the human life are and will remain aspects central to ethics.

The increase in the importance given to business ethics can be explained through the changes suffered by the strategies and the structures of the corporations. Recent currents in the managerial theory and practice, as total quality management, as well as restructuring and redimensioning processes for top companies left to abandoning many traditional practices for managing economic processes. Intricate and rigid managerial hierarchies have been considerably flattened. As a consequence, ***the authority and the decisional responsibility have been dispersed more and more inside the company: important decisions are taken at lower hierarchical levels and by more employees.*** That's why it is required that each employee, not just the management, should understand as well as possible the complexity of the problems and how they should be reflected in the practical behaviour of the company in the economic environment.

Business ethics costs: money, human resources and time, expertise, opportunities, as investments or development. Moreover, business ethics and its most visible form, the social involvement of the companies, are options that are not required by law. In the classical form of the corporatist philanthropy, in the regulated form of donation and sponsorship or in the modern form of corporatist social responsibility integrated in the management strategy, the social involvement of the companies has been perceived for a long time as a less and less necessary cost, a luxury of large corporations.

Business ethics consider businesses from a larger perspective that is all the members of the society have different material needs that they have to satisfy in the economic system, through production activities, services, distribution, repairs etc. Businesses are not the only possible way to satisfy these material needs. They appeared, during the rise of the capitalism, as the most efficient solution to sustain a rapid and constant economic growth (although not lacking in crises and difficult periods), an increase in the economic efficiency, of quality and the variety of products and services, a relative or absolute decrease of prices etc. It is essential that the society doesn't exist for the business people to profit from it, but on the *contrary*, *it exists to support social needs*.

## 2. Social Responsibility and the New Dimensions of Globalization

The social responsibility of an entity means what the society expects from an organization from an economic, legal, ethic and philanthropic point of view at a certain moment.

Social responsibility is a concept regarding the contribution that companies have to have at the development of the modern society, and it is also called corporate citizenship, corporate philanthropy, corporate societal marketing, community affairs, and community development.

International states and institutions realized that the assimilation of the principles of social responsibility by the companies serves the objectives of durable development and led to the appearance of international standards for defining what means „desirable corporatist behaviour“. United Nations, European Union and the Organization of Economic Cooperation and Development are the most important institutions that committed themselves in ***creating a framework for defining social responsibility and for establishing indicators through which they can be evaluated in a transparent way***. This framework has been accompanied by recommendations and principles to guide the states and the local authorities in formulating public policies that could promote and ensure transparency and support social responsibility initiatives.

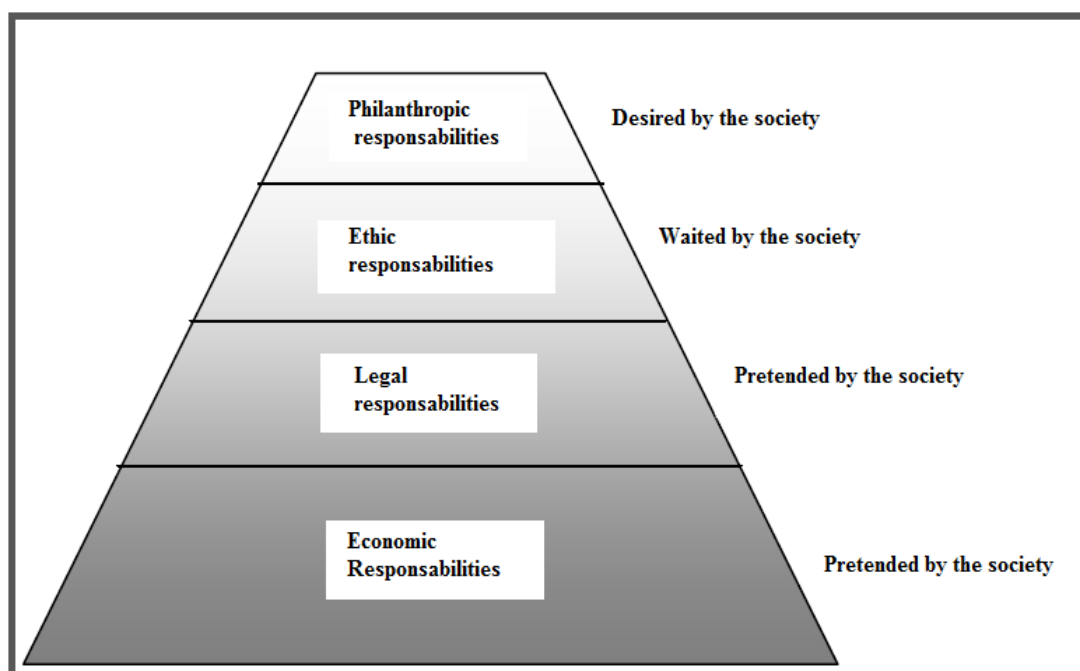


Figure 1: Level of ethic

Without being perceived as a sign of economic power, social responsibility takes now a form of corporatist civics – a way of keeping the business relationships stable and profitable for all the parts involved, a non-aggressive way, a least detrimental functioning way next to a community, a friendly way to communicate with the society. In this form, social responsibility is nothing less than a modern, open and flexible way of management. ***Social responsibility is often seen wrongly as the exclusive responsibility of the brand manager, rather than a common responsibility of all the top managers in a company.*** This happens because, indeed, many companies started doing social responsibility after being surprised by the answer of the public to some of the aspects of their activities that they didn't see as part of their business responsibilities. For example NIKE had to stand a mass boycott after the media denounced the abusive work practices of some of their suppliers in Indonesia.

In the business practices from small enterprises, the differentiation between management and shareholders is vague and employees have multiple roles and the main activities aim at solving the daily problems, which is done mainly through informal relationships and communication. Also the interpersonal relationships play a very important role.

The uncertainty generated by the pressures of the large companies, the unstable position on the former traditional markets force the small enterprises to create strong partnerships, personal relationships that can offer trust. It will be noticed a tendency of the small enterprises to compensate the instability on the market with an increase of stability of the inter-human relationships, with the employees, the business partners and the clients. The social involvement of the small enterprises leads to an increase of the reputation in the community, to improving the personal image of the owner and of the administrator, and to increasing the trust in the enterprise, to increasing the loyalty towards the company. All these guarantee the stability of the relationships with the business partners, with the employees and the community.

In order to support companies the General Secretariat of the UN has created a program Global Compact which is a partnership between United Nations and companies for attaining a durable development at global level. Global Compact is a network that comprises agencies of the United Nations, companies, union organizations, business organizations, academic organizations, civil society organizations, governmental/administrative institutions and is oriented towards social responsibility on the basis of universal principles, divided in domains of interest and on dimensions: internal and external.

### **3. The Ethic Investments in IT**

As soon as the interest of the public towards corporate responsibility increases, there appears and grows considerably a ***new category of shareholders, who are interested not only in the profitability of their investment, but also in the moral correctness and the social responsibility of the companies in which they have shares.*** Unlike militant shareholders, the adepts of ethical investments don't use directly their investments for forcing companies to listen to their opinions and take them into consideration. They look for those investments which are in the same time profitable and compatible with certain ethical standards. In Cowton's definition, ethical investments are those that „use ethical, social and ecological criteria for selecting and administrating investment portfolios when it comes to shares of certain companies”.

The criteria for evaluation and selection of the companies can be negative or positive. Those removed from the list of ethical companies are often the companies that produce or trade alcohol, tobacco, military equipment and any products that are detrimental to the environment or whose production is pollutant and consumes non-regenerable resources. Companies that support oppressive political regimes exploit cheap work labour from poor countries and employ minors; and finally the companies that violate the rights of animals, that endanger biodiversity and those that promote genetic engineering etc

*The companies that meet the positive criteria are those that are involved in conserving and protecting the environment, in improving public transportation and living conditions, repairing and conserving buildings and architectural monuments, those that promote „green“ energies and those that ensure the equality of chances when promoting employees, work safety conditions etc.*

Besides the normative ethic motivation, the ethic investments can be desirable also from a strictly economic point of view. The risks of having the public boycott some products that are not accepted or the risk of ecologic disasters can influence the dynamics of shares and the ethic companies are less exposed to such risks.

On the other side, the success on the market of ethic products can make the investments they finance very attractive. ***The majority of ethic investment funds make the selection of companies in whose shares are interested starting from the data offered by the market. For example, many corporations from the electronic industry produce household and medical equipment as well as military equipment.*** In the same time, the investment in bank shares is not safe enough, because banks can finance companies that don't meet the criteria of ethic investors.

In Romania, far from being an ethic undertaking, social responsibility is a possibility of the companies to move the attention of population to legal obligations they should meet in welfare actions. For example a company that is a big polluter advertises for its action of planting trees that it does with volunteers, calling these actions „corporatist social responsibility“ and ethic investment.

The ***ethic investment*** movement spread considerably, with effects that are not negligible. By aiming at investments towards corporations that meet certain moral standards, investors don't exert an influence just on the policies of a certain company, but also stimulates the other corporations to reconsider their ethic behaviour in order to avoid a possible and predictable decrease of their attractiveness on the capital markets in a short tem perspective.

#### **4. The Ethics of the IT Workforce**

The sensitive personnel problems confronting the multinational IT corporations are the following:

1) The ***payment of the employees***, who work for multinational companies in countries with a development level sensibly lower than in their home countries. It is imputed to foreign investors that they exploit the labour from underdeveloped countries, paying a couple of times less expensive the same labour done by employees in their home countries with similar qualifications. On the other side the former are disadvantaged by the fact that, by moving the investment and the production units to the third world, there will be an increase in unemployment in the developed countries. Transnational

corporations are fiercely criticized for adopting selfish policies, in the pursuit of maximizing profit, and they break that hypothetical social contract with different categories of shareholders, causing prejudices to employees from their home countries – who lose their work and whose union pressure decreases in intensity when the owner can menace with relocation of investments in other countries – and to employees from the third world – who are exposed to an equivalent work load to those in developed countries but are paid worse. The counter arguments are numerous and powerful. First of all the alternative for the employees in the underdeveloped countries is to have a low pay (compared to the employees from the developed world) or to not be paid at all, as long as the main point of interest for the foreign investors is the low cost of the work force. It can be stated, many times rightly, that the salaries offered by multinational corporations are sensibly higher than the average from the poor countries in which these companies operate.

Besides the work environment offered by these multinationals is more correct, more civilized and some principles when recruiting and promoting labour are being implanted in the countries from the Third World, thus creating more evolved models for the leadership for treating the workforce.

2) The **management of branches** from other countries of multinational corporations raises a lot of ethical problems. Many companies prefer to offer low credit to local managers, and implant managers from their home countries to the management of local branches. These managers sometimes don't know well enough the traditions of the local problems and are not flexible enough towards the wishes and the difficulties of the partners and the employees from the countries where they are implanted. This is the main reason why, in these last years, multinational corporations adopted a policy of managerial adaptation, and promoted more and more actively local leaders, trained professionally in the west, where they can learn the methods and techniques of modern management.

3) **Women discrimination** is a delicate problem; the investor companies are not necessarily culpable of it, because it is not its managers are those who impose it, but the local traditions and religious beliefs. Multinational corporations are criticized by the public opinion from the origin countries that they are not more determined in having an active policy, even aggressive, for eliminating women discrimination from the Third World, where it represents a hard to combat practice. Other, more reasonable critics, refer to the fact that, in some countries where religion doesn't prevent women from playing a role in economic life, the sexual discrimination takes other forms, as employing mainly women because their salaries are lower than those demanded by men.

4) **Employing minors** is, obviously, the most often incriminated aspect and obviously the most criticable, in terms of personnel problems of the multinational corporations. Thus it is deemed that without the material support of the children employed, their families would lack subsistence means, and those kids would have to choose between dying of hunger and begging, stealing and roving. It is certain that education, health and psychosomatic development of the children that work while still young, are affected, and their future is sombre.

5) The measures taken to **protect the employees** constitute a problem for international companies in terms of their public image in the origin countries and less in the weakly developed countries in which they operate, although it is the employees in poor countries that suffer. In the third world the labour legislation is weakly developed or practically inexistent, thus the standards for protecting the personnel at the work place are very low

compared to the developed countries. That's why multinational corporations take much fewer measures for protecting the labour in the branches from the third world as they do, forced by the legislation and by the public opinion. In their origin countries, as a consequence there are many accidents, with victims and grave mutilations of the employees at the work place. They don't reject the idea and take some measures, but not much, invoking profitability and competitiveness. If they spent as much as necessary for the safety of the employees, the costs would increase significantly and if some competitive companies don't take these measures, they risk to be pushed out of the market, which should bring back again the old dramatic dilemma of the workers from the poor countries: risks and low salaries, versus no salaries. All that can be achieved through good intentions is a compromise of the two requirements – the economic and the moral ones.

## **5. Ethic Controversies over Environment Protection**

This is the battlefield of the most disputes concerning global warming and multinational corporations are the first to be incriminated, because environment destruction, which often claims life's, produce grave, often irreversible effects not only in the countries where they take place, but they also affect the global climate, the quality of water and air on a global scale. The causes of ecologic destructions are the same as in the case of insufficient employee protection at the work place: the legislation is very permissive, the local population has a low degree of technological competence and doesn't understand the dangers to which it is exposed, the high costs of non-polluting technologies etc.

In fact, the case that brought a focus on international business ethics was the disaster from Bhopal, in India, but the earthquake and the tsunami from Japan, from March 2011 and the explosions at the nuclear power plant from Fukushima is enhancing this discussion. Faced to these phenomena, the reaction and the pressure of the international public opinion have been strong enough to force transnational corporations to accept that they have an obligation to take radical measures for ecologic protection in the countries where the local legislation doesn't impose very high standards, by covering the higher costs that are required by non-polluting technologies as well as by advertising and training the personnel and the population.

Due to the variety of cultural values and moral principles around the planet and because the accommodative policies had unacceptable effects, there appeared more and more strongly the idea of elaborating international ethic codes, with the explicit agreement of government or non-government associations, in which the main role goes to the large transnational corporations.

The International Institute for Business Ethics proposes the following three basic principles for companies:

- **INTEGRATION:** Business ethics has to be implemented in all the aspects of the organizational culture and it has to be reflected in managerial systems. Companies have to start by integrating the ethics in fixing the objectives and the practices for recruiting, employing and promoting the personnel.
- **IMPLEMENTATION:** The ethic behaviour is not just an idea; it is also an effort for implementing a plan for changing the attitude in different activity branches of a corporation. Examples: changing the reward and stimulation systems, promoting better practices for protecting the environment, consulting experts whenever it is required.

- **INTERNATIONALIZATION:** The ever more extended opening towards a global market is necessary for any successful business in the 21st century. It can be achieved through international partnerships, commercial blocks and by implementing GATT agreements or other similar agreements. The clarification of a company's definition of the moral integrity, so that it can transcend national borders, is necessary for any corporation that operates on the global market, and has as result an action plan and an ethic code without a specific cultural colour, which doesn't require essential changes when applied in a global context.

## Conclusion:

1. The last decade saw an explosion of ethic behaviour codes of multinational corporations in international business. The majority of these codes are created according to the principles established by OECD (Organization of Economic Cooperation and Development) and ICGN (International Corporate Governance Network). Unfortunately, many of these behaviour codes state vague truisms, and top managers and analysts recognize that there is a lot to be done in implementing the principles declared in these codes in the daily activity of companies that operate on a global level.

2. Many problems are still waiting for a solution that is strongly proofed theoretically and verified in practice. It is important that the most pressing problems have already been formulated and accepted by the community of transnational corporations, which is a lot. Once started, the process of evolution of ethics in international business will continue for sure, in an accelerated rhythm, hopefully with positive results, for more and larger categories of interactive groups in the global economy.

## References

- [1] Cowton, Ch.;Crisp, R., (1998), *Business Ethics. Perspectives on the Practice of Theory*, Oxford University Press
- [2] Crane, A.; Matten, D., (2004), *Business Ethics. A European Perspective*, Oxford University Press
- [3] Lewis, P. V.; (1987), *Defining 'Business Ethics' Like Nailing Jello to the Wall* *Journal of Business Ethics* 14 / 1985, p. 839-853
- [4] Mareş, M. D.; Mareş, V., (2013), *Audit și control într-o entitate performantă*, Editura Tribuna Economică, ISBN: 978-973-688-242-5-0
- [5] Mareş, M. D.; Mareş, V., (2012), *The managerial process of deleveraging IT&C*, 7th International Conference Accounting and Management Information Systems AMIS 2012 „Knowledge, information and communication”, submitted for review to Thompson Reuters Conference Proceedings Citation Index (CPCI)
- [6] Mareş, M. D.; Mareş, V., (2010), *Fluxul informațiilor financiar-contabile*, Editura Tribuna Economică, ISBN: 978-973-688-177-0
- [7] Nicolescu, O., (2011), *Metodologii manageriale*. Editie nouă, Editura Universitară
- [8] Petecel, S., (1998) *Aristotel Etica nicomahică*, București, Editura Științifică și Enciclopedică