

## THE TRUST CAPITAL AND THE 4 E SUPPORTING THE THEORY AND PRACTICE OF THE FIRM

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### Abstract

*Any entity in the market economy serves the needs expressed by customers and clients. Meeting their needs by providing quality products and services as well as reliability and by proving the possibility of coping with the permanently changing competitive conditions also ensures the development of certain components related to customer psychology, namely trust and loyalty.*

*Economics, efficiency, efficacy and ethic (the 4 E) represent the framework of the well-functioning of a firm, both in interior, and in relationships with the environment. The ethic gives the quality of this mechanism to differentiate the firm the other from the same market.*

**Keywords:** *economics, efficiency, efficacy, ethic, brand, trust.*

**JEL Classification:** *D21, D63.*

### I. INTRODUCTION

Since the current era seems to be characterized by a tendency to unify the classical factors of production into a single one, the capital, we may talk about the trust capital granted and invested in a company or organization.

Among the elements that support the trust capital within the company and its brand we believe the following four are significant, the so-called 4 E: economy, efficiency, effectiveness and ethics.

But since companies work with people and for people, the communication style and the image abroad largely depend on ethics.

In the context of the knowledge-based economy, we believe that a sound **trust capital** is necessary for the efficiency of any entity (Maxim, Sorin-Tudor, 2010).

This *non-tangible* kind of capital, which is one of the strengths of any firm, ensuring success and sustainability, is supported by four elements, known as **the 4E: economy, efficiency, effectiveness and ethics**. Hence, „if efficiency requires the existence of the effects in a causal relationship with the efforts undertaken, effectiveness consists in the goals achieved and in the exercise of the managerial tasks under specific terms regarding time and quality” (Verboncu, I., 2006)

Trust **within a firm and its brand** is considered to be a structural pillar for the efficiency and sustainability of the firm in the market. On the one hand - within the organization, by supporting co-ordination (one of the 5 functions of management) and achieving sound relationships between compartments, offices and divisions and, on the other hand - through feedback (the clients and consumers become loyal to the respective organization), taking into consideration the entire system of relationships and the communication between the firm and the business environment (market).

### II. THE MECHANISM OF SUPPORTING

*Trust capital* actually means a new managerial and organizational paradigm, consisting in the value of the business partners, so as to reach such a situation which ensures profitability. The use of management principles involves, on the one hand, the foundation and continuous improvement of these aspects within the firm and, on

the other hand, the implementation of marketing activities with better structural and functional characteristics (good communication and aspects related to image) (Nicolescu, Ov., Verboncu, I.).

The economic theory and practice (the first E) is based on the efficiency (optimization, we may say) of the economic system, within which it keeps track of the evolution of some factors such as efficiency, risks, environmental signals and so on. The most appropriate decision within a firm is taken a priori, that is before launching the production or providing the service and the assessment (audit) is done a posteriori, that is after the completion of the activities involved.

At the core of the entire microeconomic system is placed *the entrepreneur*, who estimates the risks of the business, supplies mainly the necessary capital, and deliberately seeks to obtain profit and analyses the opportunities of developing his business and the challenges regarding competition.

The economy actually represents the framework of the existence and evolution of the entities in the markets: *the input of scarce resources and factors of production* → *the goods or services made or provided by firms* → *the output towards specific markets*, which leads to the confrontation between demand and supply; the goods and services are sold and the firms obtain profit, which helps them continue their activity.

*Efficiency* (the second **E**) means *the ratio between the results and the efforts* and, in the case of a competitive entity, this ratio has to be  $> 1$ . Carrying out a specific project or activity involves the proper use of resources, which means achieving positive results in a short time and by using a small amount of money resources.

*Effectiveness* (the third **E**) is *the capacity to obtain an amount of effects* (preferably positive). What we mean is targeting the efforts towards realistic goals, which are able to ensure the profitability and development of the organization.

The contemporary society, however, put the emphasis on the fourth E, which is represented by ethics. It is often identified with the code of conduct, the attitude and behavior of individuals that make up the organization or the way the organization itself relates to the consumer. By making a connection with the concept of morality (Bernard Gert, 2012.), ethics refers to the codes of conduct to be followed both individually and within the group. Therefore, the key point of organizations, on which depends their sustainability over time, is ethical behavior, or rather ethics as a whole, because performance assessment (Charles B. Dygert, Richard A. Jacobs, 2006), quality and management are considered to be vital components.

Applying ethics into the organizational structures aims at solving the moral issues that may arise during the activity of the company because the rapid development of the society involves constant change and adaptation to customer requirements. On the other hand, turning ethics into a life ideology and an ideology of the organization's behavior (Loredana Terec-Vlad, in press) involves the fact that adopting moral behaviors that ensure reliability, efficiency, effectiveness, economy and ethics are primordial issues within the relationships established with the business partners over time.

Within organizations, the ethical value is given by the way the company promotes the ethical values. There are various proposals on how the individual should behave, but the internal and external conditions as well as the rapid development of the economic sectors involve the fact that organizations must adapt to the requirements of their business partners "on the fly". Moral behavior is only possible in a free society (Tibor R. Machan, 2000). On the one hand, by using ethics we can combat unethical behaviors such as corruption, which harms the economy and the society in general, if we include common values in the organization's culture (Edna Lizbeth Saldana Avila,) , and on the other the moral standards are the expression according to which every institution adopts a set of principles that guide the relationship with the business partners. The difference between moral and immoral standards was made by ethicists and consists of five characteristics (Manuel Velasquez, 2006): the first refers to managing the issues that could affect or significantly benefit the individual (Manuel Velasquez, 2006); the second emphasizes the fact that the moral standards are not established or modified by the authorities, meaning that the laws and legal standards (Manuel Velasquez, 2006) are set by the legislative authority. The third characteristic highlights the fact that moral standards prevail over personal interest (Manuel Velasquez, 2006). A fourth characteristic highlighted by Velasquez stresses the fact that moral standards are based on impartial considerations. Ultimately, the author believes that moral standards are associated to specific emotions and vocabulary (Manuel Velasquez, 2006).

In a digital society where the Internet plays the role of "informer", the honesty shown by organizations in the relationship with their business partners makes the difference between success and failure. For this reason, the ethical implications of the directive department at operational level refer to the social responsibility and morality of the actions undertaken.

### III. CONCLUSIONS

Referring especially to the importance of the 4E, but also to other instruments and organizational techniques, we conclude that *ethics, efficiency, effectiveness and economy as a corollary* represent the background of the firms, organizations, companies aiming at **sustainability and stability over time** and a safe

„navigation” of „the waves” of the current globalization. This structure supports the creation of some connections which ensure the fidelity of the business partners and consumers.

In order to be efficient for the firm, the drawing and implementation of the 4 E have to start from the superior management level, from the strategic vision of the entity and the established scopes. At the same time, the high management level also imposes the ethic behavior within the firm and in relationships with the business environment.

Because the decisions taken can draw repercussions, organizations must firstly take into consideration meeting the needs of the business partners. The four E represent a fundamental tool that combines the interests of the organization (sustainability, trust capital, etc.) with those of the consumer in order to generate benefits in both cases. Ethics is considered to be the most important aspect of this type of collaboration, because business relationships are mainly based on transparency and morality.

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