BUSINESS ETHICS AND ETHICAL BEHAVIOR AT WORKPLACE

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ABSTRACT

Absence of ethical norms in business life causes great damage both to individual organizations and to the overall world economy. In order to determine where the border is, whether something is moral in business or not, business ethics and the relationship between economics and ethics are investigated. Determining the boundaries of business ethics today is a big challenge for every leader and manager, as well as for all employees. It is certainly a matter of personal decision, personal experience of a certain situation, interest, need and motive, a matter of personal moral integrity, but also a matter of cultural heritage, expectations and pressures coming from companies and the environment.

Key words: business ethics, ethical behavior, employees, business environment.

1. INTRODUCTION

Business ethics represents the moral relationship between people, man and society, and one's relationship to oneself. It gives a special specificity to the organization itself as a system of values, beliefs and rules of behavior. It is a significant determinant that affects all activities in the organization, and thus also the efficiency of operations. Such a model of business ethics should be established in the organization which would prefer: communication, mutual respect, understanding among employees and respect for the principles of ethical action.

Business ethics is part of general ethics. It is a link between ethics and business. The term "business" is used as a synonym for business activity, which denotes a set of activities at the level of individuals and organizations, in economic, social and political life.

Business is an important part of a society. Business is a human activity and as such can be investigated from a moral point of view. The rules of operation are mainly prescribed by law and by a work contract. These rules and prohibitions are not set by the people running the business, but by the society and always correspond to the morality of the society.

Reflections and discussions on business ethics are the basis for a successful business. Business ethics is a kind of interpretation and understanding of reality, but it also represents a significant part of practical life, in which we try to cultivate certain characteristics and adapt them to certain organizations and a certain society. Such a society forms a specific type of culture that has specific characteristics and values, and business ethics is one of the ways of describing and studying them.

The need for business ethics does not arise only because of public pressure, but it arises from everyday life of managers and workers who seek an opportunity to resolve conflicts. Business ethics is not a new human knowledge of right from wrong, but rather a renewed sense of purpose and vision towards good.

2. BUSINESS ETHICS SPECIFICITIES

In its most general sense, ethics is the systematic pursuit of individual and social moral experience. It determines the rules that will govern human behavior, values worthy of striving for a goal and character traits that deserve their development.

The existence of a business assumes the existence of a moral foundation. Without a moral background, business would not be possible. If the persons in the business behave immorally, starting from the buyers, sellers, producers, administration, then the working activity of the enterprise would cease to function.

All organizational activities should be based on basic ethical norms such as honesty, trust, mutual respect and cooperation. The activity of the organization would not be possible if there was mistrust between buyers and suppliers, or if employees did not trust each other in realization of their work tasks. Morality and responsibility do not always have to be the guide in business, sometimes it should be the individual traits of individuals.

As a general definition of business ethics, it can be said that it is a study of business situation, work activities and opportunities that deals with the question of deciding what is good and what is not good. The emphasis should be placed on the fact that, when talking about good and bad, we mean morally good and morally bad.

There are two basic concepts in business ethics: philosophical and economic.

Philosophical implies the question of whether business ethics can be methodologically established as a separate discipline and how the individual ethical attitudes can be perceived from the point of view of the organization.

The *economic* concept puts in the foreground the possible contradiction of the ethical requirements in the organization with the logic of a competitively oriented organization.

Why a good understanding of business ethics is important, we will point out through several basic reasons:
- ✓ the power and influence of business society is greater than ever before;
- ✓ business has the potential to make a major contribution to any society, offering products and services that are necessary to provide employment;
- ✓ bad business practice can do enormous harm to individuals, society and the environment;
- ✓ the request from interested parties for business to be as ethical as possible is more and more complex and a challenge;
- ✓ ethical violations are still present in business;
- ✓ opportunity to acquire large amounts of knowledge.

Business ethics is not only present in the relations between companies and the environment, it is also important in the relations inside the company itself.

Mutual relationship between the management, as well as their relationship to the employees in the companies must be observed through the prism of business ethics and moral behavior. No segment of work and business, no matter how large the enterprise or business entity is, can be neglected or exempted from concern for ethical action and behavior.

3. ETHICAL DECISION-MAKING IN BUSINESS

Every business decision needs to be made and implemented exclusively in an atmosphere that is created and nurtured as part of the organizational corporate culture. Ethical and moral norms and rules are applied in decision making at four hierarchical levels:
1. Awareness about the existence of ethical norms and rules,
2. An ethical way of reasoning and thinking,
3. Ethical action,
4. Ethical leadership.

3.1 Awareness about the existence of ethical norms and rules

This is the basis for development of an ethical culture of behavior. Employees need help in identifying ethical problems when they are faced with them. In order to help their employees more

efficiently, in such situations, companies compile a code of ethics, which will serve as a guide in their work. The Code shows what employees are expected to carry out in their work at workplace.

These codices are often in the form of small text forms that can be carried around. Some companies make sure that the content of the code applies not only to the company, but also to the private life of their employees.

3.2 An ethical way of reasoning and thinking

The code of ethical conduct provides a framework for development of this way of thinking, but it is not applicable in such situations. It is only good for the so-called black and white situations in which it is possible to perceive and share possible solutions. This code is usually accompanied by a program and training for employees organized by the company's management. In such situations, the company closely monitors who has successfully completed the course. Although ethics is not something that can be learned, practice shows that exercises and practical training give more than positive results.

3.3 Ethical action

If not accompanied by adequate freedom to apply them, code and trainings represent wasted effort and wasted money. For this purpose, guidelines are adopted for implementation of ethical rules and norms, so that every employee will have an easier way to make an adequate decision. Guidelines often help in solving individual dilemmas – what feeling follows making the decision and its implementation, how it will look in other people's eyes, how confident you are in the decision. If there is individual uncertainty, it is necessary to consult someone and insist on a specific answer.

3.4 Ethical leadership

It represents the highest degree of application and realization of ethical rules and norms in an organization. The board of directors and their managers propagate ethical values and rules, and obey them and actively apply them. It implies that managers must admit their mistakes and have the capacity to actively work to eliminate them. Also, consumers, investors, and the general public must be involved in implementation of ethical rules and norms.

4. CRITERIA OF ETHICAL DECISION – MAKING

In a complex and global world, today it is rarely simple and easy to make an ethical decision. However, there are several possibilities and models that can help in analyzing the ethical dilemma, that is, the situation that is morally questionable and that needs to be decided in order to act correctly.

Managers who are faced with an ethical dilemma have at their disposal four different approaches, i.e., criteria for making and evaluating ethical decisions: (Daft R. L., 2006)

1. Utilitarian criterion,
2. Individualistic criterion,
3. Criterion of law,
4. Criterion of justice.

Utilitarian criterion was developed in 18th century by the philosophers Jeremy Bentham and John Stuart Mill. According to them, decisions are made solely on the basis of their consequences. The moral decision is the one that brings the greatest good to the greatest number of people, that is, the one that causes the least evil. By making the decision, one should consider all the effects for the possibility of solving the problems and choose the one that creates optimal pleasures for the greatest number of people. This approach faces the consequences and tries to increase the good caused, but also to reduce the bad effects of the done. Accordingly, the ethical decision of the organization is the one that brings the greatest good and causes the least harm to all who are covered by it - customers, employees, shareholders, society and the environment. (Shaw W. H., 1991)

According to the *individualistic criterion*, acting morally is when long-term best interests of an individual are highlighted. Individualism is believed to lead to honesty and trust because it works best in the long run. Ultimately, individualism contributes to people treating others the way they expect others to treat them. (Daft R. L., 2006)

The third criterion is the *criterion of law* which points out that individuals have basic rights and freedoms - this must be respected and must not be compromised by anyone's decision. In order for managers to make an ethically correct decision, they must not come into conflict with the fundamental rights of others. Therefore, an ethically correct decision will be the one that respects fundamental human rights. (Daft R. L., 2006)

The fourth criterion is the *criterion of justice*, according to which ethical decisions must be based on three principles: equality, justice and impartiality. This approach promotes justice by establishing rules and regulations that should ensure a fair distribution of benefits. (Daft R. L., 2006)
The intensity of the ethical issue can be determined as the relevance or the meaning of ethics in the eyes of the individual, the work group or the organization. (Ferrel O. C., Fraedrich J., Ferrel L., 2010)

The person enters the organization with his values, attitudes, expectations and desires to satisfy his own needs. At work, they enter into numerous interactions with other members of the company and, based on their affinities, develop a complex of social relationships that complement the social side of life. The ethical values of a certain person are tradition, faith, education, upbringing, culture, social affiliation. In addition, ethical values are determined by the "background", the good life and the engagement that the employee has in the company.

Ethical decisions are in some correlation with age structure, national and cultural decisions, education and employment, psychological factors and personal values.

Age structure

Age is an individual factor that takes its place in business ethics research. Decades ago, it was believed that age was positively correlated with ethical decision making: the older you are, the more likely you are to make ethical decisions. However, new research shows that the relationship between ethics and age is more complex.

National and cultural characteristics

Nationality is the legal relationship between a person and the country of his birth. In 21st century, nationality has been redefined by regional economic integrations. Research on nationality and ethics is significant because it recognizes the influence of nationality on ethical decision-making.
The reality of living today is that multinational companies are looking for business people who can make decisions regardless of nationality.

Education and employment

The level of education is certainly a significant factor in the ethical decision-making process. The education factor does not include work experience. Work experience is defined as the number of years spent within a specific job, occupation and industry. In general, higher education and more work experience positively influence the personality in ethical decision-making. The type of education has little or no influence on ethics. (Ferrel O. C., Friedrich J., Ferrel L., 2010)

Psychological factors and personal values

People with clear principles and values make important life decisions more easily - their personal standards serve as a compass that they follow.
People who do not have clear principles and values often get lost when they have to make an important decision.

Values can be described as subjective ideals, personal aspirations and personal beliefs. They vary greatly from person to person, depend on age, geographic location, culture and are not always related to ethical standards. They also depend on the environment and change over time. Personal values include concepts such as freedom, security, adventure, connection, power, creativity, personal achievement.

Personal ethics could be called morality because it reflects the general expectations of the whole society.

Persons who are professionals in the profession have an additional burden of ethical responsibility. It applies to doctors, administration, lawyers, and engineers.

On the other hand, principles of business ethics are reflected through the following values: objectivity, openness, confidentiality, caring, professional responsibility, avoiding any kind of conflict of interest.

Values and attitudes must be defined as components of ethical behavior. Although there are many values and attitudes, we concentrate primarily on those related to ethical decisions. Moral value is something that is valued, valuable, something that has a high opinion. (P. A. Angeles, 1981)

Personal integrity and morality

Business morality is a set of unwritten, general moral norms and values characteristic of an individual, which determine his behavior in all business relationships at all times.

Basic characteristics of business ethics refer to respect for the person, mutual respect and trust, respect for diversity, overcoming diversity and respect for the others' interests, protection of dignity, responsibility to others, mutual assistance, keeping promises. They also refer to respect for good customs and intentions, business compromises, humanity, independence, accuracy, creativity, truthfulness, tolerance, cooperation, rationality, consistency.

Business ethics obliges all participants in business activities, especially managers. Of course, managers should be moral persons with a developed sense of moral responsibility. In addition to education and sense of management, a manager should know interpersonal relations, social and natural environment, behavioral psychology, mentality, ethical standards and moral systems, value systems(Lajovic D., 2013).

5. BUSINESS ETHICS AND LEADERSHIP

The way in which leaders in an organization use power and influence others reflects on all aspects of work, but mostly on organizational culture, productivity, commitment, optimism, identity, satisfaction and positive work behavior.

When it comes to ethics, several criteria are observed when evaluating human qualities, first of all: the personal set of values, the level of moral development, conscious intentions, freedom of choice, the use of ethical and unethical behavior and the types of influence of others.

To practice ethical leadership, however, it is not enough that the leader only behaves in accordance with his beliefs, but his values and his behavior must be moral. There may be leaders who believe that harmlessly manipulating others in order to achieve better company results in right practice, which they therefore consistently carry out. For leadership to be effective, it must be moral. There is no doubt that ethical norms come with legal norms of behavior.

Ethical leadership is defined as demonstration of appropriate behavior through personal action and interpersonal relationships. An ethical leader is trustworthy because he is of his word and practices what he says.

Moral leadership obliges leaders to do the things they promised. Ethical values are related to national and organizational culture.

An ethical leader knows that the organization comprises many people who are hierarchically related. Those near the bottom of the hierarchical scale are forced to perform certain actions, receive orders and options for execution. They do not create the plan and its implementation; they just follow the instructions. Therefore, they believe that the responsibility belongs to those above them.

On the other hand, the management of the company does not see specific outcomes of the orders they issued because they are far from their concrete execution. It is considered good to give the employees at the immediate lower levels of the organizational ladder the authority to make decisions, so as long as they are doing well, they should not be checked. Thus, at both ends of the hierarchical scale, the people who participated in the work believe that the actions involved are ones for which they are not morally responsible (Lajovic D., 2013).

The absence of a sense of moral responsibility, however, does not indicate an absence of responsibility itself. The delegation of authority to carry out an order or plan does not absolve them of moral responsibility for the manner in which the order or plan is carried out. The atmosphere that reigns in the corporation, the values that are nurtured, the forms of practice, the relationship of people to each other, their feelings towards the company, the history of the corporation, can encourage or

hinder the moral action of the members of the corporation. Corporate culture, the formation of which is decisively influenced by the behavior of top management, has a strong influence on the individual. Codes of business ethics indicate to employees which values they should be guided by in their daily work. However, moral responsibility and morality should be self-imposed and self-accepted.

However, structures and laws that are immoral encourage people to act immorally, while moral structures and laws encourage people to behave morally. It means that ethical people are necessary for the existence of ethical societies, organizations and corporations.

6. ADVANCEMENT OF ETHICS IN BUSINESS COMMUNICATION

History confirms that responsibility is one of the fundamental principles in all eras and in all forms of economic and political organization of society. In modern society there is a direct proportionality between the degree of principles of responsibility and the degree of development of democracy, human freedoms and rights, economic development and the quality of human life.

Responsible business operation is defined as a set of principles by which the actors of economic life undertake that in business and mutual relations they will take into account not only their own, but also the interests of the entire society. In other words, responsible business operations can also be defined as applied ethics in the area of economic life of society, and above all in the area of management of capital and other resources.

In that respect, responsible business operations are essentially related to other civilizational achievements, freedom, equality and social justice. (Marinkovic, D., 2007)

Freeman points out that the ethical behavior of managers is a complex issue in modern business. (Freeman E. Stewart L., 2006)

At the same time, he differentiates the following ten characteristic spheres of ethical behavior: (Freeman E. Stewart L., 2006)

- *The first,* ethical behavior is focused on building values and achieving the goals of the organization. It means that managers must have real values and behave in accordance with the values of the organization,

- *The second*, ethical behavior is primarily focused on organizational success rather than personal ego. Managers with the most important stakeholders must not act as individuals, but should think about the success of the people in the organization,

- *The third*, ethical behavior refers to recruiting the best people and developing their potential. Managers need to identify their expertise and the nature of their talent in order to contribute to the well-being of the organization. To find the best people they must have the best behavior and great faith themselves,

- *The fourth,* ethical behavior refers to ethical dialogue. Many managers in organizations believe that by having an ethical dialogue they can influence stakeholders indirectly and inevitably,

- *The fifth,* ethical behavior refers to the creation of a mechanism of disagreement about what is not ethical. The creation of the disagreement process depends on the culture of the organization, the philosophical, managerial framework and the values of the organization,

- The *sixth* characteristic of ethical behavior is that ethical managers should understand and respect the values of others, but not sacrifice their beliefs and their actions,

- The *seventh* characteristic of the ethical behavior of managers is to make complex, but ethically instructive decisions,

In some cases, managers, despite their ethical behavior, have to make different and more complicated and perhaps more difficult decisions in the organization because they have to decide according to the rules of their organization.

- The *eighth* ethical behavior is for ethical managers to know the limits of their values and ethical principles they believe in.

- The *ninth* characteristic of ethical managers is the framework of their actions and ethical conditions.

All managers must be responsible for their actions and be accountable for their actions according to ethical standards.

- *The tenth*, last but not least, ethical managers and other responsible employees have to know how to combine the basic values and propositions for managing stakeholders for support and social legitimacy.

Many organizations have a leadership development program. This program is a good catalyst for promoting ethical leadership among employees if it is truly based on ethical principles.

7. DISCUSSION AND CONCLUSION

One of the biggest modern business challenges is how to follow ethics while achieving high performance in operations.

The correct application of business ethics affects the company's position both on the domestic and global markets. Maintaining the competitiveness of an enterprise in the market is no longer possible only by optimizing the costs of existing products or services, through the speed with which a company can introduce new and superior products, but also by developing and improving communication, which is a connective tissue in all processes of an enterprise.

From the very development of business operation, acquisition of profit, wealth and other amenities that support successful and good operation, the dilemma arises about the relationship between business and moral actions of an individual or group.

Ethics in business communication contributes to maintaining morale, strengthens team spirit in the organization, motivates employees, promotes the positive side of the organization, creates loyalty among employees, creates greater productivity, overcomes crisis situations more easily and also increases market competitiveness.

Presence of business ethics is not only significant for relationships between organizations, but also for relationships within the organization itself. The relationship of the employers, i.e. of management among themselves, as well as their attitude towards employees should be observed through the prism of business ethics and moral behavior. In no segment of the organization, regardless its size, concern for ethical behavior must be left out.

Business ethics implies rights, obligations, duties towards individuals, their mutual relations, relations towards other organizations they cooperate with, as well as towards the environment as a whole. The dilemmas that managers face in their careers form the basis of any management of an organization. Deviations from ethical norms are more and more common, and moral dilemmas are more and more pronounced.

Ethics is one of the most significant determinants that affects the overall performance and success of organizations. In future, it is necessary for managers to pay more attention not only to creation and maintenance, but also to continuous strengthening and promotion of solid business ethics, which will result in greater satisfaction, motivation and effectiveness in work.

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