

ETHICS OF THE LEADER – AN ESSENTIAL CONDITION FOR BUSINESS SUCCESS

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Abstract: *The mission of ethics is not only to expose the theoretical aspects of morality, but also to be a practical, real guide in guiding and improving the moral life of society. Defined over time in different ways, depending on the context or the specific field of practical applicability, ethics has been focused on the principles and standards that should govern the social relationships between individuals and organizations and have always prompted the interest of those interested in living in a better world, mindful of the needs and aspirations of others, to appreciate true human values and to promote exemplary patterns of behavior.*

The role of ethics is to help people and institutions decide what is best to do, what criteria to choose and what their moral motivations are in their actions. For Romanian companies confronted with the difficulties arising from the transition from one society to another, from one system of values to another, business ethics is not only a new issue but a very important one. Achieving the balance between ethics and profitability in a society in which there is a major competition in capital and wealth, accumulation is proven to be a problem hard to solve.

In Romania, managerial ethics is of particular importance as compared to other countries with well-established market economy mechanisms. Ignoring ethical business development under the pretext that law enforcement (which are often contradictory) is sufficient is the same as ignoring the fact that managers are not simply executives when faced with decisions with ethical implications, they have their own values, often being forced to choose between personal aspirations and organizational responsibilities.

Keywords: *ethics, responsibility, leader.*

1. INTRODUCTION

Ethics has been defined over time in various ways, depending on the context or the specific field of practical applicability, focusing on the principles and standards that should govern social relationships between individuals and organizations and it has always maintained the concern of those interested in living in a better world, being attentive to the needs and aspirations of others, and being designed to appreciate true human values and to promote exemplary patterns of behavior.

In the explanatory dictionary of the Romanian language, ethics is defined as the science dealing with the theoretical study of values and human condition from the perspective of moral principles and their role in social life. [7]

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Morality is represented by the set of norms of coexistence, by the behavior of people to each other and to the community, and the violation of which is not sanctioned by law, but by public opinion. In Romanian society, morality is most often related to religion, to Christian moral and tradition, on the distinction between good and evil. Instead, ethics is viewed more as a way of behavior in society based on principles and moral values, universally accepted as valid.

A certain distinction between the two notions is proposed by Crane and Matten: Morality in terms of norms, values and beliefs inoculated in social processes defines good and evil for an individual or community. Ethics is about studying morality and applying reason to the elucidation of specific rules and principles that determine good and evil in any given situation. These rules and principles are called ethical theories. [3].

Unlike ethics, morality has a significant emotional component. Ethics: involves more detachment, exploration and acceptance of alternative lifestyles. Acceptance of an ethic does not require the abandonment of a private morality, but the consideration of other moral principles and norms as possible alternatives in different contexts. [5]

The mission of ethics is not only to expose the theoretical aspects of morality but also to be a practical, real guide in advising and improving the moral life of society. The role of ethics is to help people and institutions decide what is best to do, what criteria to choose and what their moral motivations are in their actions.

Leaders have existed since ancient times in the history of humanity, though not always their deeds have been beneficial to society. In business, leaders have been instrumental with the growing role of human resources in the organization. A certain distinction between the two notions is proposed by Crane and Matten: Morality in terms of norms, values and beliefs inoculated in social processes defines good and evil for an individual or community. Ethics is about studying morality and applying reason to the elucidation of specific rules and principles that determine good and evil in any given situation. These rules and principles are called ethical theories. [3]

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1.1. Material and method

The research focused on the analysis of the specialized literature and the legislation in the field, realizing a theoretical and practical approach, and on the other hand we considered it appropriate to study the subjective and objective dimensions of the public perception regarding the application of the principles of business ethics; that was the reason to conduct a quantitative research using an oral questionnaire with standardized questions, applied in various multinational companies in Romania.

1.2. Results and Discussions

To begin with, we do not want to talk about the relationship between management, leadership and ethics, but to highlight some aspects of the ethics of the effective leader or otherwise, the leader's ethics, who bases his management activity on principles.

Modern management functions according to four main principles:

- The first principle is of scientific management (centered on concepts as need, economy),
- the second principle is of human relations management (focused on the concept of man as a social being),
- the third principle is of human resources management (which regards the human being as the main resource of social wealth and progress of society) and finally,
- leadership based on principles that add, to the previously mentioned, know-how, effectiveness and goodness. This type of management takes into consideration the fact that human beings are also spiritual beings who need significance, who want the feeling they do something that counts, who need goals to raise them, to make them discover what is their best side.

Leaders who are based on this principle in their activity use a set of well-tested rules. These „are the natural laws and the leading social values that characterize each important society, each responsible civilization, over the centuries” [2].

Most studies show that in organizations, people are the ones who want to be led according to principles. They want their lives to have meaning and purpose. But what are, which are and what is the role of these principles that underlie this style? It's a set of hidden principles, i.e. natural laws of human dimension, that are just as real and unchanged, as is the law of gravity. These principles are an integral part of the structure of any civilized society and underpin each family and institution that has continued to exist and thrived over time. These principles are not invented, they are those laws of the social universe that refer to human relationships and organizations. They are part of human condition, mind and consciousness and have an ethical significance, namely: the degree to which people accept and live in harmony with basic principles such as honesty, equity, justice, integrity, honesty and trust. These principles determine human evolution either to survival and stability, or to disintegration and destruction.

History of mankind indicates that people, civilizations in general, have thrived since they acted in harmony with the right principles. Society's declines and disasters are also violations of fair principles. How many economic disasters, intercultural conflicts, political revolutions, wars, etc. could have been avoided if there had been a greater social devotion to the right principles? Reality has proven that individuals are more efficient and organizations have more power and

credibility than the society they belong to when guided by these verified principles. These principles are not simple and quick solutions to personal and interpersonal problems, but rather constructive principles which, if applied consistently, become habits, behavioral habits that make possible fundamental transformations of individuals' characters, human relationships and organizations. Unlike values that are subjective and internal, the principles are objective and external. Values reflect the beliefs of our socio-cultural environment. Since childhood they become „the glasses” through which we look at the world. We evaluate, set priorities, judge and behave based on the way we see life through these glasses. When people align their personal values to the correct principles, they are freed from their old perceptions or prejudices. Authentic leaders have the ability to pull out their „glasses” and objectively examine the „lens,” analyzing how well their values, perceptions, beliefs and behavior align with the right principles. Where there are discrepancies (prejudices, ignorance, mistakes), they operate adjustments to realign themselves to a greater wisdom. Focusing on these principles brings stability and strength to their lives.

Leadership based on principles departs from the truth that there is a universal belief in moral values such as honor, goodness, dignity, mercy, integrity, fairness, helpfulness and patience. Living one's life and leading using opposing principles is unconceivable. Happiness and success cannot be built on dishonesty, deceit, misery, and other such „principles.”

True leadership by principles has profound moral grounds. The followers of this kind of management recommend that we should avoid the so-called „seven sins” that anyone could fall into, namely:

2. WEALTH WITHOUT WORK

Today there are professions built on the idea of making fortune without work, gaining a lot of money without paying taxes, benefiting from government programs free of charge, without financial liability etc. The decade 80-90 has been called the „decade of greed”, as there have been many fraudulent projects, namely fast-growing fortune plans or speculations promising practitioners that they do not have to work to get rich. The models offered for this purpose are, for example, those types of pyramid organizations (the Ponzi Scheme) that allow the quick enrichment of those managers who make up a subordinate network that brings them financial gains without work.

3. PLEASURE WITHOUT CONSCIOUSNESS

Many people seem to want pleasures in the absence of consciousness or sense of responsibility, abandoning or completely neglecting their partner and children under the pretext of doing what is good for their family. The price of pleasures without consciousness is very high if it is measured in time and money or in terms of reputation or injuries to others, adversely affected by those who just want to be spoiled. It is dangerous to move away from natural law in the absence of consciousness. Consciousness is essentially the place where the passing truths and principles lie, the internal supervisor in the name of the natural law. Its subtle message is: „You've come to the top. Now you are your own law. No need for a consciousness to guide you”. [2]

4. KNOWLEDGE WITHOUT CHARACTER

The purely intellectual development without the same development of the character „is as stupid as if you gave a high-powered sport car to a drugged adolescent.” [2]. It is necessary to act - in the educational system - so that there is a balance between the development of the intellect and that of the character. There can be a set of common values about which everyone agrees. It is not hard to decide that kindness, honor, dignity, support and integrity, for example, are values that deserve to be defended.

5. BUSINESS WITHOUT MORALITY

Adam Smith is the one who in the „Wealth of Nations” explained how important to the success of our systems is the moral foundation: how to deal with each other, the spirit of goodwill, of serving, of help. If we ignore the moral foundation and allow economic systems to operate without it and without continuous education, there is a risk of occurrence of immoral societies and businesses. [6].

The same writer wrote that every business is a moral attempt in which it can be seen if everyone is behaving right up to the end. Honesty and goodwill in business are the foundation of the free initiative system, called capitalism. The Spirit of the Golden Rule - the one that says all those engaged in a business must win, is a spirit of morality, mutual benefit, honesty towards those involved. Of course, there are business where something is hidden, secret. People have hidden goals; they say rational lies to avoid having to obey natural laws. There are a lot of cases in which the management team have their own business ethics, using excessive justifications and rational explanations. Wealth and power were their main goals, and so they lost contact with reality even within their own organization. They were talking about serving their clients, but they were actually robbing their own employees.

6. SCIENCE WITHOUT HONOR

Although we see very well-trained people, climbing the ladder of scientific success, sometimes this ladder lacks the step of honor and does not lean on the wall on which it should (a normal, natural scientific knowledge and didactic competence accumulation).

7. RELIGION WITHOUT SACRIFICE

This „sin” refers to the idea that sacrifice is needed to help others who are in trouble and even to sacrifice our pride and our prejudices. Unfortunately, many people want religion or at least they seem to, but without any sacrifice. They want more spirituality, but they are not willing to make any sacrifices for it.

8. POLITICS WITHOUT PRINCIPLES

We see politicians who spend big sums of money to create an image, get votes and take up positions. And when they succeed, this leads to a political system that is separated from the natural laws that should govern it. If a sick social void is behind a political will that ignores principles, there is a risk of the emergence of a social entity with deformed values.

Stephen Covey investigated about 500 cases through careful observation of leaders who manage through principles, and thus he highlighted the characteristics of this type of leader:

1. They always learn, read, prepare, are curious and develop new skills and acquirements.
2. The purpose of their lives is to serve others; they think their life is a mission, not a career (like the military one).
3. They radiate positive energy; have a pleasant, happy appearance; they are optimistic, enthusiastic, confident (not frightened, arrogant or paranoid).
4. They believe in the other people; they are not exaggerated against the negative behaviors of critics and human weaknesses, they are not revengeful, they do not label others, they do not take into account prejudices and stereotypes.
5. They lead balanced lives; they perceive their own value as manifested by courage, integrity and the absence of the need to boast, to hint at important people, to draw their power from past assets, titles or achievements; they are simple, direct, open, they do not manipulate; they are not extremists, they do not want everything or nothing, they tune things up; they do not work without measure, they are not religious or political fanatics; they live wisely in the present, they carefully plan the future and flexibly adapt to changing situations; they are honest with themselves, they have the readiness to admit and then forget about mistakes, they are truly happy for the successes of others, they receive praise and criticism without processes of consciousness and without exaggerated reactions.
6. They think life is an adventure; they enjoy life, they have no prejudices, they are likewise brave explorers who make expeditions in unexplored territories that will bring something new; their safety lies in initiative, inventiveness, will, courage, vigor, native intelligence; they refuse to become someone's disciples, they do not complex themselves with personalities, they are flexible, they refuse to become someone's disciples, they have no inferiority complexes in front of personalities.
7. They are synergistic (synergy is the state in which the whole is more than the sum of the parts); they believe in the power and capacities of others and do not feel threatened by those who are better than them, they know how to distinguish between man and problem; they focus on the interests and problems of the person in front of them and not on the disputation of positions; they reach synergic solutions much better than compromise solutions where the parties have to give up little by little.
8. They practice for self-renewal; they participate in a regular exercise program to strengthen their physical and mental health, practice their mind by reading, writing, visualizing and solving problems; they are patient, they listen to others with genuine empathy, they love unconditionally and are responsible for their own lives and decisions; from a spiritual point of view they are concerned with prayers, studying the scripture, practicing meditation and fasting.

In his research, W. Bennis also identified - based on studies conducted on leaders in American corporations - four common competences for these leaders: attention management, meaning management, trust management and personal management.

The management of attention refers to the leader's ability to attract people by creating a vision to communicate to others and then to build it together with them, as an example. The management of significance is the leader's ability to give meaning to goals and directions of action and to communicate these meanings to the members of the team. The management of trust is the ability of leaders to inspire confidence through their actions, respecting the given word, and maintaining the established value system. The personal management represents the ability of self-knowledge and self-understanding, which gives them confidence in themselves. In Bennis's

opinion, in the presence of the leader, people feel more important, more competent, have more confidence in themselves, and increase their sense of team membership by doing their work with more pleasure.[1]

In the second part of the paper we will present the results of the research we underwent in order to better highlight the phenomenon; we determined that the sample considered as representative for our study is 50 people; the subjects were identified by closed questions regarding the variables such as: gender, age, level of knowledge about the main subject, etc. and the interviews were conducted through a face-to-face questionnaire. The questionnaire consists of open and closed questions depending on the subject, and the purpose of the research is to identify the perceptions of the potential leaders of Timisoara regarding the observance / existence of ethical principles in business.

Personal data

As for the respondents, 46% of the respondents were male and 54% were female.

Table 1. Distribution of people by age group

Age group	No of persons	Percent
20-30 years old	12	24
30-40 years old	18	36
40-50 years old	11	22
+ 50 years old	9	18

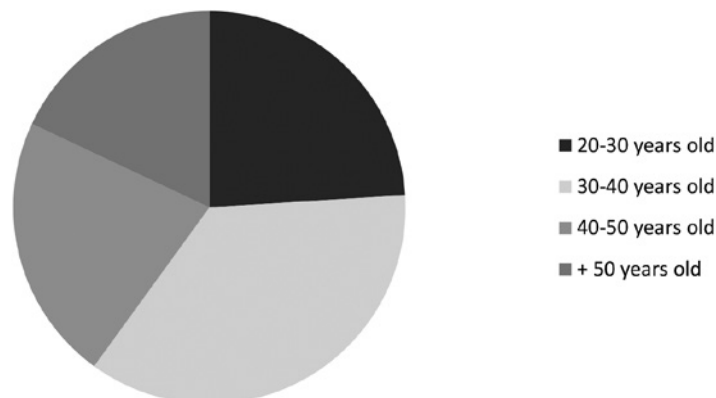


Figure 1. Distribution of people by age group

First question: *In your work, do you follow a certain ethical code?*

When questioned whether their work is guided by a particular ethical code 77% of the respondents said “YES” and only 23% answered “NO”, which is a welcome fact for the whole society, because the promotion of ethical principles in the exercise of professional activities leads to the development of the profession in question, but also to the habits of ethics that will apply in the future regardless of the activity carried out.

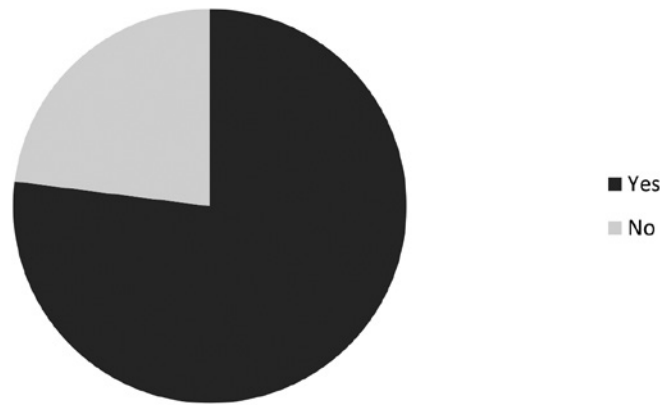


Figure 2. No. of persons which answered Yes or No

Question no. 2: **Do you follow a certain ethical code because:**
a) the institution / company you are working with uses it
b) for your own reasons
c) for other reasons (please specify)

Although, fortunately, 77% of the respondents in their activity are guided by an ethics code, unfortunately 80% of them are subject to this code only because their organization / firm uses it and only 20% are ethical for their own reasons. This result indicates that, unfortunately, those questioned are subject to ethical norms in particular because these norms exist in written form within the organization in which they work. The benefit of the existence of ethical codes in their written form within organizations is to create a practice that at some point can be mastered and transmitted without the need for written or „constrained” application.

Question no. 3: ***Do you know the legislation in your area of activity?***

As far as the legislative knowledge in their field of activity is concerned, all those investigated have responded positively.

Question no. 4: ***What do you understand by business ethics code?***

Respondents were asked to opt for one of the two possible definitions of business ethics. Thus, Business Ethics can be seen as „a study of the moral aspects faced by the business, including activities, institutions, organizations, economic sectors, practices and beliefs”[4]

In a more concrete manner, business ethics can be defined as: „Systematic reflection on the moral consequences of decisions made in business relationships and the potential damage that these decisions can cause to both staff inside the organization and outsiders it „[4], 35 of the respondents opted for the first definition and only 15 respondents opted for the second definition.

Question no 5: ***Do you consider it necessary to develop and implement codes of conduct and business ethics?***

To this question, all respondents argue that it is necessary to develop and implement the Code of Business Ethics.

Question no. 6: *Which of the following aspects do you consider should be detailed in a business ethics code?*

1. consideration for others,
2. perseverance in keeping ethical standards,
3. creativity in saving resources and protecting the environment,
4. serving customers better,
5. fairness towards suppliers, beneficiaries, employees, associates, community,
6. transparency in communication with business partners.

Of the issues listed to be entered into a business ethic code (multiple answer), respondents had the following options: 22 people: consideration for others; 38 people: perseverance in keeping ethical standards; 25 people: creativity in saving resources and protecting the environment, 35 people serving customers better; 36 people: fairness towards suppliers, beneficiaries, employees, associates, community; 28 people: transparency in communication with business partners.

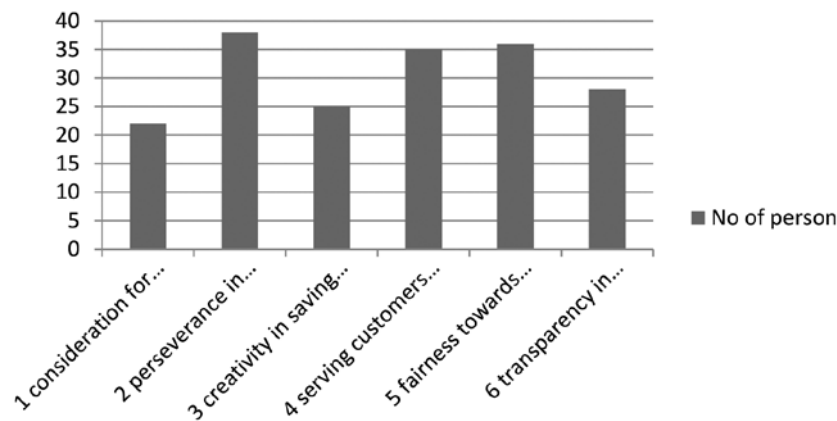


Figure 3. The aspects which should be detailed in a business ethics code

Question no 7: *What do you think are the moral duties of those involved in the business environment, please enumerate?*

The preferred answers to this question were: Ending the business without bribery, compliance with the law, proper staff remuneration, treating staff with respect and dignity, morality in defrauding the competition.

Question no 8: *Do you know cases of non-compliance with business ethics? Please specify.*

The answers to this question were as follows: moral harassment, sexual harassment, discrimination on different criteria of employees, violation of moral rights of business partners, using children as a workforce.

Question no 9: *Do you think that non-compliance with ethical rules in business leads to corruption?*

All respondents believe that non-compliance with ethical standards leads to the occurrence of corruption.

In analyzing the corruption phenomenon in Romania, at least two causes are clearly distinguishable and mutually interdependent. On the one hand, there is a desire for the individual to get rich quickly and effortlessly, by all means, often resorting to the Machiavellian principle „the purpose excuses the means,” and on the other hand the restrictions or regulations that wish to be bypassed.

CONCLUSIONS

Modern management functions today according to four main principles: the first principle is the one of scientific management (centered on concepts of need, economy), the second principle is that of human relations management (focused on the concept of man as a social being), the third principle, the human resource management (which regards the human being as the main resource of social wealth and the progress of society), and, ultimately, leadership based on principles that adds to the previously mentioned skills efficiency and goodness.

Leadership based on principles departs from the truth that there is a universal belief in moral values such as honor, goodness, dignity, mercy, integrity, fairness, helpfulness and patience. It is unthinkable to live your life and to lead on the basis of opposite principles. Happiness and success cannot be built on dishonesty, deceit, misery, and other such „principles.”

True leadership by principles has profound moral grounds. The followers of this type of management recommend that we avoid the so-called „seven sins” in which anyone could fall: wealth without work, pleasure without consciousness, knowledge without character, business without morality, science without honor, religion without sacrifice, politics without principles.

In the second part of the research we tried to highlight the phenomenon studied by applying a face-to-face questionnaire. We notice that 77% of the respondents are guided by an ethics code, 80% of them are subject to this code just because the organization/firm in which they work uses it and only 20% are subject to ethical rules for their own reasons. What the study shows us is that in organizations people want to be led by principles transposed into written rules. The issues that need to be detailed in an ethics code are as follows: consideration for others; perseverance in keeping ethical standards; creativity in saving resources and protecting the environment; serving customers better; fairness towards suppliers, beneficiaries, employees, associates, community; transparency in communication with business partners.

Failure to comply with ethical standards leads to the occurrence of corruption. In analyzing the corruption phenomenon in Romania, at least two causes are clearly distinguishable and mutually interrelated. On the one hand, there is a desire for the individual to get rich quickly and effortlessly, by all means, often resorting to the Machiavellian principle „the purpose excuses the means,” and on the other hand the restrictions or regulations that wish to be bypassed.

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