

## **A LATERAL APPROACH TO ETHICS IN BUSINESS**

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### **Abstract**

Ethical issues in enterprises are often discussed in the scientific studies. Most of them describe organizational ethics from the perspective of corporate social responsibility or its impact on the behavior of employees in the organization. The authors decided to depart from the schematic formulaic thinking of ethics as a set of normative values for a purely business approach. Looking for opportunities to use organizational ethics in promotional activities or when determining the value of goods and services. The aim of this article is to present selected approaches to ethical issues in the organization and to present the results of authors' our research. The Authors in their study use research methods such as literary research and primary research using the survey tool. Surveys were conducted in Poland in the period from January 2017 to October 2017 and they included a random sample of respondents. The main hypothesis was also formulated: H0: Ethics in the enterprise can be purely binary, For the purpose of the study, the following hypotheses were formulated: H1: Ethics can be used to shape prices H2: Ethics affects consumers' decisions H3: Unethical behaviors in the enterprise worsen, its competitiveness In addition, this publication underlines individual moral considerations of the ethical aspects of using ethics in the enterprise to increase profits and thereby create a paradox of unethical use of ethics.

*Key words: communication, ethics, management, promotion, strategy*

### **Admission**

Operation of the organization under current market conditions requires companies to be highly flexible and seek competitive advantage in a lateral fashion and adapt to a new group of customers. Classic elements of building competitive advantage lose their importance in the hypercompetitive environment that is currently observed in most markets. Business ethics issues are widely discussed in many academic papers, but they focus on a set of principles and rules that the firm should follow in relation to its stakeholders. The purpose of the article below is to indicate the possibility of direct use of ethics to build competitive advantage and price formation. In order to achieve the goal, the authors conducted an incomplete induction method consisting of three successive phases (Lisiński, 2016):

1. Analysis of the observation results - it is the process of gathering information on individual phenomena or processes and the subsequent scientific description of these phenomena and setting the research problem. The research problem arises

from the disproportion between the conducted analysis and the current state of theory corresponding to practical activity.

2. Building theory - is a process consisting of two elements.

**2.1** The first of these is the inductive generalization of facts that comprise two types of actions:

- a) the transition from details - unit phenomena to totals covering entire classes of objects;
- b) the process of generalization - it consists in the reference of known facts of a given class regarding the set to unknown facts belonging to the same class.

Inductive generalization may be difficult due to, for example, limiting the possibility of observing all phenomena in a given set. The tool which, on this basis, allows deriving general regularities about facts for a given class is a hypothesis. The hypothesis in the inductive method should be the most probable, because in this method the emphasis is on confirming the hypotheses.

**2.2** The second action is to derive empirical consequences from the hypotheses

3. Settling the value of the theory - this is the process of testing the hypotheses by verifying or confirming, aimed at checking the occurrence of anticipated phenomena.

In addition, the following research methods are planned to achieve the intended goals and verify the research hypotheses: literature studies and quantitative research. The paper uses the results of initial quantitative research conducted in the Silesian Voivodeship in the period from 01.2017 to 10.2017 on the group of 180 respondents, where the selection of the sample was accidental using the questionnaire. The main hypothesis for empirical research has been formulated: H0: Ethics in the enterprise can be purely business as a tool for building competitive advantage; H1: Ethics can be used to shape prices. H2: Ethics influences consumer decisions. H3: Unethical behavior in the enterprise is aggravating its competitiveness.

## **1. Selected issues in business ethics**

Ethics in social life is a problem already addressed in the writings of such philosophers as Plato or Epikur (Stroll & Popkin, 2014). The Concerns about ethics in the context of human behavior connected with the economic activity of people, their roots go back many years. Already in the Middle Ages, ethical thought was developed in relation to the behavior of business people, and this was done mainly in the religious context. St. Thomas Aquinas regarded all forms of trade as immoral and suspicious. Looking at the teaching of the Catholic Church, it can be observed that the pursuit of any profit-making activity at that time was reprehensible because it was in opposition to these teachings (Vogel, 1991a). The situation began to change after the Reformation. The Protestant Church has looked at wealthy and affluent people for the sake of pleasing God's human work for profit (Vogel, 1991b). With progress and industrialization, neither morality nor ethical behavior increased. It is enough to mention at this point the times of slavery of African Americans who worked in the cotton fields, or industrial revolution such as in the United Kingdom, where all-day heavy work in factories was used to lower the cost of living (Jack, Glasgow, Farrington, & O'Gorman, 2015). The end of the nineteenth century and the beginning of the twentieth century was the time

of general development of science in the field of management. This period also goes back to the earliest studies of ethics in business as an inherent part of governance, for example, The Gospel of Wealth, in which A. Carnegie describes two principles that should govern the company: the principle of mercy and the cognition (Stoner, Freeman, Gilbert, & Ehrlich, 1999). ). This period is also the development of regulations that describe business activities legally. In 1928, the Harvard Business School introduced the first business ethics courses for its students, which, however, are suspended after several years because of the lack of adaptability to students' needs (Ciulla, 2011). Years later the development of behavioral approaches in management was represented by such scientists as E. Mayo or D McGregor and A. Maslow who considered managing the organization not only in the context of profits but also the needs of its employees.

The ethics of an organization is also beginning to be considered in a broader context, given the impact that the organization influences the environment, the society and culture. In this way, the concept of corporate social responsibility is aroused. In literature, there are many definitions and concepts related to CSR because it can be dealt with specifically in different contexts. However, the most common problem is that CSR activities in companies rely on allocating some of their profits to social issues such as environmental protection, foundation etc. (Sheehy, 2015). There are many problems determining whether the company operates in accordance with CSR because some companies create paradoxes of responsible business. These paradoxes are, among others, the fact that the company gives a large portion of its profits to help with a variety of foundations, while at the same time manufacturing their products employing the workers of developing countries, paying them very low salaries that are not enough for a decent living.

Returning to the topic of ethics in relation to internal organization, it can be defined very broadly as a set of activities aimed at improving the quality of life of all stakeholders, covering all organizational processes (Seele, 2016). From the point of view of corporate executives, the stakeholders of the organization are primarily the owners, employees and customers, and the focus should be on them. Many large corporations now have their own system of standards and ethical principles that the company should follow. The role of promoting and implementing ethical behavior among employees and the role of human resources should play the key role. They should be able to guard the law, and a fair and individual approach to the problems of each employee. In addition, they have to create ethical attitudes towards employees and behaviors towards clients (Saremi & Moein nezhad, 2014).

Another important group of stakeholders of the organization are the customers. It can be said that the great responsibility for this group is the marketing department in which it creates offers, distribution channels and methods and promotional activities. Marketing is often associated with the intrusive promotion of products that do not coincide with the real scrupulous characteristics of the product. However, this identification is misleading because marketing is primarily about meeting the needs of customers and offering them the products they expect. Marketing cannot be confused with sales that is different from the marketing that focuses on not the customer but on the salesman and his profits. (Levitt, 1960). Even more, the concept of customer-focused marketing with customer's symbolic participation in the production of goods, emphasizes the current concept of holistic marketing. It assumes that customers, their needs are the key factor in production, and according to it, the products that meet their expectations should be produced (Kotler, 2010). As you can see, marketing involves ethical behavior and tries to implement it in a way

that works. Bad opinions about marketing can therefore result from two reasons. Firstly, the general concept and theory of marketing is a set of rules, tools, and so on. It is a separate matter to implement marketing strategies that do not always have to follow the rules. On the other hand, there is also a lack of understanding of the meaning of marketing on the part of consumers, who often look at it only through the prism of tools and methods of promotion (Drapieńska, 2015).

This brief description of some of the important business ethics related topics creates a picture of what ethics is in the area of business and management. However, the main objective of this paper is to indicate the possibility of exerting influence on customers based on ethical behavior of enterprises and thus building competitive advantage. Researchers are rather cautious about issues related to unethical use of ethics i.e. for promotion or PR. This is probably due to the necessity of a philosophical debate on the paradox of unethical ethics, which poses a huge problem because such divergences are of great subjectivity and are hardly included in the scientific framework.

## 2. Ethical behavior and competitive advantage in companies - results of research

Building competitive advantage is a very popular subject in many studies, the authors devote much attention to it, mainly due to the current market dynamics and rapid updating of methods of creating competitive advantage. The first work on this subject has already appeared in the 1960s, e.g. Corporate Strategy H. I. Ansoff (Sigalas, 2015), but many authors have considered the concept of competitive advantage recognized by M.E. Porter and his work *The Competitive Advantage: Creating and Sustaining Superior Performance* (Bacanu, 2016). Since the publication of M.E. Porter's problems related to creating competitive advantage have gained recognition in the world of scientific management and thanks to such authors as G. Hammel and C. K. Prahalad or R. Hall has been deepened and systematized. At present, the process of creating competitive advantage loses its strategic character for the more operational approach. This is due to market changeabilities and often political situations, which are the reasons why companies are forced to react dynamically, often in conflict with strategic plans (Liu, 2013). Also, the resource approach to competitive advantage loses its position in favor of the concept of network organizations and bases their actions on interorganizational cooperation (Greve, 2009).

Despite the arguments above, some authors believe that some of the classic tools for building competitive advantage, such as ethics, are effective, and that their use is usually not costly and does not require a lot of work. That is why quantitative surveys were conducted using a questionnaire on a group of 180 selected respondents. The research group included 69% of women and 41% of them 62% of whom are university graduates. The questionnaire contained questions on ethical issues in business operations. Only a few of them seem to be of main interest and the authors want to devote their attention to them.

The first question is: Do you decide to buy a product when you purchase a product if it is known that the company does not comply with ethical standards? This question seems to be very important because it shows the attitude of the researched group to unethical behaviors without additional criteria such as quality or price. The answer to this question is presented in the chart below (Figure 1).

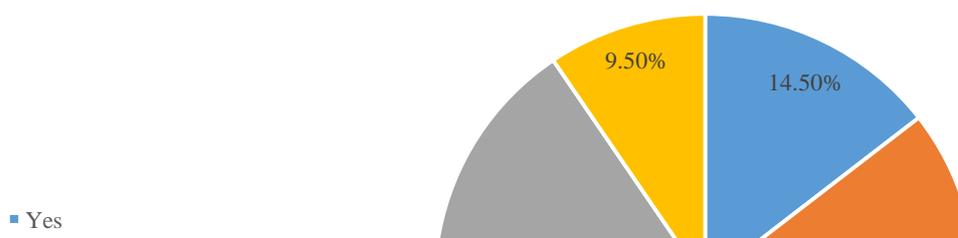


Chart no. 1 *Decision to buy products from an unethical business*

Source: Own elaborated on the basis of conducted research

As you can see in the diagram above, almost half of respondents do not choose to buy goods if they know that the company acts ethically. In the category of remaining answers, the most numerous group was the answer that depends on the price or the quality of the product.

Consumer decisions depend on many factors, such as price, quality or brand, it can be seen from the graph above that the ethical behavior of an enterprise can also be added to these classic elements influencing consumer decisions. It may be of key importance in the present time, where through very high competition on the market and substitutions of products, the prices of individual products are very similar and their quality is largely the same.

Another important question from the point of view of the publication is the question. If you have a product of a well-known brand that you may have doubts about ethical practices and a product with the same characteristics of a lesser known brand, but known for very ethical conduct or awarded will you choose, for example, Fairtrade? (Figure 2)

- The product of a lesser known brand but famous for its very ethical conduct
- The product of a well-known brand, which may have doubts about the ethical standards practiced
- I have no opinion
- Other

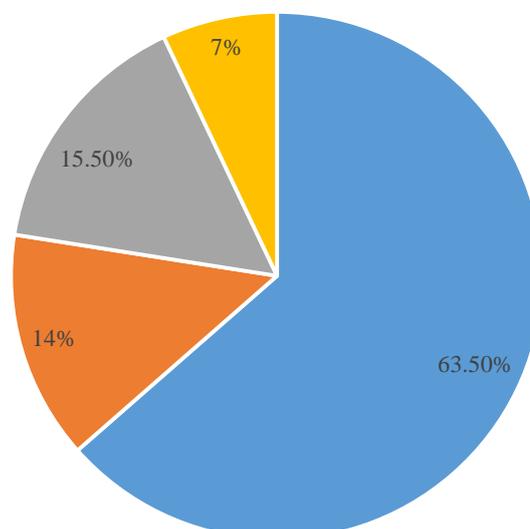


Chart no. 2 *Brand or ethics*  
 Source: own study based on the research

The above chart also refers to consumer decisions, but this time the respondents will vaguely define the priority for ethical behavior and brand. It can be seen that more than half of the respondents tend to choose products of a less known brand but ethically progressive, than a brand that is very well recognized on the market, whose behavior in the ethical sphere may raise certain reservations. This confirms that the ethical behavior of the company has a very large impact on consumer behavior. This impact is so large that it can compete with the decision-making determinant of the brand. This creates a new area of possible actions in another aspect of the organization's operation, which is the promotion of products using the ethical values represented by a given company.

Subsequently, the authors asked whether respondents are willing to pay and, if so, how much to the goods and services of ethical companies. (Figure 3)

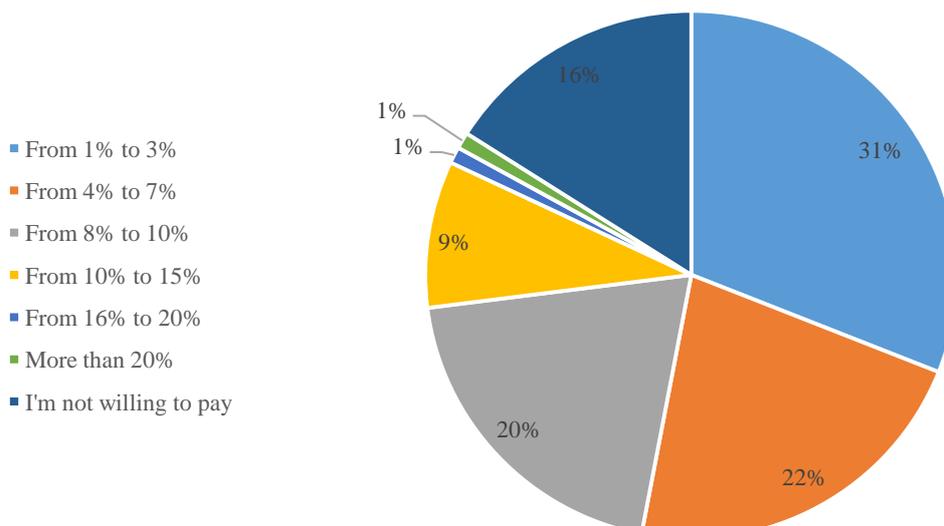


Chart no. 3 *Use ethics to price*  
 Source: Own study based on conducted research

As you can see in the graph, only 16% of respondents are not willing to pay for products of companies that have ethics management process of production prospering. It should be noted that the amount of earnings does not affect the tendency to pay for the product. It seems that the willingness to pay for "ethical" products is due to the consumer's beliefs and not from the economic point of view. As you know, price is one of the tools to compete between enterprises. The above graph clearly suggests that enterprises can use their PR company to shape prices and thus increase own profits.

In addition, respondents answered questions about ethical conduct in the company they work for. The most frequently occurring phenomena in the surveyed enterprises include "unreliability" about 56%, "conflict of interest" about 59%, and "mobbing" about 37%. In addition, respondents were asked to indicate the effects of unethical behavior.

According to the group the most unethical behavior of enterprises leads to the "loss of employees" of about 82% and "weakening motivation among employees". The least likely answer was "weakening the competitiveness of the enterprise" by only 18%.

### **3. Ethics as a tool for building competitive advantage. Conclusions and recommendations**

Referring to the hypotheses set out at the outset, it should be noted that: Hypothesis H1: Ethics can be used to shape prices - this hypothesis cannot be rejected because, as shown in Chart no. As many as 84% of respondents are willing to pay for goods offered by companies that retain and adhere to business ethics. During the analysis, no correlation was found between factors that could affect consumers' decision as to the willingness to pay for ethical products such as: earnings, age, education or place of residence. This suggests that this decision is determined by the very aspect of ethical behavior in the company. Hypothesis H2: Ethics affects consumers' decisions; Another hypothesis for which there are no grounds for rejection because the charts no.1 and 2 clearly demonstrate the impact of ethical behavior on the consumer's decision-making. Respondents are more likely to choose products that are manufactured according to ethical standards than well-known ethical brands. As in the previous case, the analysis of the correlation between consumer decisions and other factors such as the amount of earnings does not correlate and the perspective of ethical behavior determines consumer behavior.

Hypothesis H3: Unethical behaviors in the enterprise aggravate its competitiveness - this hypothesis can be confirmed due to the two previous hypotheses. It is known that the price and its adjustments to the market have a huge impact on the competitiveness of the enterprise. Moreover, verification of the hypothesis H2 shows ethical behavior as a determinant of consumer choices not related to external factors. Also, literature research indicates a significant influence of ethics on the functioning of enterprises, in particular in aspects related to HRM, which are of key importance for building a competitive advantage.

In view of the analysis of individual hypotheses, it should be stated that for Hypothesis H0: Ethics in an enterprise can be a purely business function as a tool for building competitive advantage. There is no basis for rejection.

Based on our research, we can say that ethics in businesses can be used for business purposes and to build competitive advantage. The use of such tools in enterprises may consist in, for example, creating an offer and promoting products addressed to customers who value ethical conduct in companies. Companies can also attract employees for whom ethical principles and norms are important and thereby strengthen their human capital. Ethical conduct may be crucial in the process of competing for companies in industries that operate under similar conditions, i.e. have the same suppliers or their manufacturing process is similar. The Authors have in mind, clothing companies which are known to employ workers from developing countries in the manufacturing process. The Proof of it may be the catastrophe of 2013. In Bangladesh, in Szabhar, where more than 1,000 people were killed in the collapsed garment factory, and the tags of clothing companies of various manufacturers were found. The great advantage of ethics in terms of competitiveness is its low cost. Behaviors in companies often do not involve any costs or are only a small expense. Behaviors such as honesty in dealing with clients in complaints processes, respect for employees, punctuality in payment of debts, and fair play in relation to competition usually do not require a lot of work. On the other hand, having a decent effect is just about

welcoming your employees, building a brand, or doing business and as a consequence increasing your profits. At this point, you should also consider the problem of using ethics for business purposes and answer the question whether ethics is still ethical or not? According to the authors, such divergences are very important from the point of development of morality of the whole society and consequently of entrepreneurship. It can therefore be risked that the use of business ethics to, for example, increase profits may be ethical if it is a result of proceedings and not a motivation for compliance with norms and rules, in other words if ethical behavior of enterprises is motivated by improvement of the quality of its stakeholders. As the increase of profits is only an additional effect, you can claim that the company is ethical. On the other hand, if a company introduces ethical standards only to increase profits or promote the company, the authors say that they do not behave ethically and in the long run it will abandon the norms and principles.

**End**

In the world driven by consumption and the constant development and profit-making, ethics is sometimes put aside. In the literature of the subject, however, there are no studies dealing with the moral principles of business conduct. These studies, however, often focus on what an ethical business should be like. The authors of the text have done a different approach to the problem and demonstrate the possibility of using business ethics for business purposes, including building a competitive advantage. As a result, the research of the literature on the ethics of business was carried out. Moreover, surveys were conducted using the questionnaire form among the selected respondents. It seems that this goal was achieved because, on the basis of the research conducted that customers are willing to pay more for producers' goods that comply with ethical standards. The ethical behavior of enterprises also directly affects consumers' decisions as to the choice of products or services. Both of these aspects have a business character and can directly affect the functioning and competitiveness of the company. Ethical issues in enterprises seem to be important and necessary because they affect the quality of life of the whole society. Therefore, it seems reasonable to deepen the presented research on such issues as the influence of ethics on network connections of an organization or the use of ethics in the process of creating business models.

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