The Influence of Organizational Culture over the Ethical Principles in International Businesses

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ABSTRACT  
One of the most recent tendencies of modern management is that of looking at a company’s activity from the business point of view. The business culture is a very complex element reflected by the company’s organizational culture and by its components, such as the ethical approach in business, carrying the corporate social responsibility, maintaining the etiquette in business or following the good manners guide in international affairs. The necessity of adapting to the peculiarities and the changes of the international business environment has determined the detailed study of those elements which form the organizational culture and has also highlighted the importance of ethics in business. Currently, respecting the ethical principles represents one of the major issues of international companies’ managers. The modern ethical perspective in business underlines the issue of building a new organizational culture oriented towards following the ethical rules or satisfying the society’s necessities; it is not very interested in gaining immediate financial benefits. The result of the interdependency of organizational culture, social responsibility and ethical behavior in business would turn into a long term competitive advantage for companies. Therefore, this paper has as main goal the analysis of the relationship between organizational culture and business ethics in order to identify the key elements of successful businesses.

KEY WORDS  
international organizations, business culture, organizational culture, business ethics, ethical principles, ethical behavior in business

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M10, M20

1. Introduction

In the economic field, the end of the 20th century was characterized by a high interest in business behavior and organizational culture. An example of business success obtained on the basis of a specific culture is represented by the astonishing performances of the Japanese companies which rapidly became the main competitors of the big American companies. Although this seemed hard to believe at first, it was the actual example which proved the importance of developing a solid organizational culture based on strong values. The subject frequently brought into discussion by management specialists is that the organizational culture requires a detailed
analysis, especially because the last 25 years highlighted a change in what regards the relationships between companies and society. This society’s change in attitude underlined the shift from the companies’ strictly economical responsibility to the social one. The development of business environment determined the companies to become more responsible and to act according to social rules. Therefore, it had been reached the idea of business ethics and that of integrating ethical principles in every responsible company’s organizational culture.

Nowadays, the organizational culture acts at the company’s level as an intellectual and emotional model for all employees. This approach implies a distinction between the material aspects which include the physical factors and immaterial aspects which includes the values, rules, principles defining the employees’ personality and behavior. The organizational culture is made at the same time as the organization, starting from the point of defining the company’s mission and policy and that of elaborating the strategy in order to achieve the goal. By means of their beliefs and actions, managers become the symbol of the company, establishing the values and principles of the future business’ development.

Looking at the history of big companies, we notice that the moment when an organizational culture is formed is a critical point which affects the entire activity. Although is formed by distinct elements, when looked at in its assembly, the organizational culture represents much more than summing up the component parts. As a whole, it is the result of the elements’ interaction with themselves, with the members’ personality and mentality and with the rest of the environment.

In its assembly, the organizational unit is influenced by the culture promoted by the society in which the company develops its activity. Therefore, it is highly important to understand the concept of culture in order to promote the notion of organizational culture and to observe behavioral patterns promoted by big companies.

2. The synthesis made by bibliographical references in the field

The research in this field of interest presents numerous definitions of the “culture” concept, but we will present just those which include the overall perception of the term. G. Hofstede (1986) is one of the most important personalities interested in intercultural management and he said that culture is “a collective programming of thinking” which prevents us from accepting different values and regulations together with the members of other groups or organizations. According to the differences established by the well known researcher, there are three levels of mental programming: the individual level, the group level and the universal level.¹

- The individual level – represents the unique, strictly personal part of mental programming. This component fully explains the totally different behavior of two persons, even if they belong to the same group, regarding a stimulus coming from outside.
- The collective level – refers to a social or economic group which is different from other groups in the same category. The analysis proved that human nature generally stands at this level, among its components being included the spoken language, customs and the behavior of a group’s members.
- The universal level – influences the entire society and refers to the human organism’s physiological and biological functions.

Schein thinks that culture is “the method by means of which a group of persons, an organization or a nation solves the usual or unusual problems”. Perceived as a social heritage, culture is a combination of thinking patterns and actions which are specific to a population or a society.

Petit Robert establishes three meanings of the term “culture”:

• The development of a specific faculty of spirit by means of intellectual exercises – it refers to gathering new knowledge which would allow the individual to develop the critical and analytical spirit.

• The assembly of a civilization’s intellectual features – it highlights the fact that not all civilizations have a high intellectual level, because of the impossibility of accumulating information or because other reasons, such as religion.

• The assembly of behavioral components assessed by human communities – in the sense that the notion of culture is not related only to the spirit’s individual development, but also to the idea of collectivity.

Even in the Romanian bibliographical references we find various definitions of the term “culture”. One of the most known definitions belongs to M. Năstase (2004) who defines the term as being “the totality of values, symbols, rituals, ceremonies, myths, attitudes, dominant behaviors, which are passed to the following generations as they represent the natural way of thinking, feeling and acting and they have a determinative influence over the results and its evolution”.2

Looking back at the evolution of the term, we notice the fact that one of the most important development stages took place at the beginning of last century, together with the development of researches referring to this aspect. The results of the studies made in this field proved that each region, country or nation has a national culture which differentiate them from others regions, countries or nations and which positively influence the lives of the individuals.

Moreover, the studies made in the second half of last century contributed to the development of the concepts of organizational culture and managerial culture. The reality of the 20th century end and the rapid evolution of the two phenomena confirmed the specialists’ predictions, which underlined the fact that the understanding of “culture” implies “taking into consideration all the meanings that the concept has gained so far”.

3. The culture – organizational culture relationship

It is obvious that individuals who develop their activity in an organization are influenced by a series of external factors. Each individual has a specific personality which is reflected in his attitude towards the company and the other members. The employees’ behavior is conditioned by the organization’s structure and policy and it highly depends on the hierarchical and emotional relationships established in time inside the company. The personnel of an organization manifests according to what they are used to do outside the organization or according to what they consider to be right/wrong, fair/unfair, good/bad etc.

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The aspect referring to the influence of the national culture over the organizations’ culture was highlighted even between 1986-1987, when specialists (Hofstede and Bollinger) focused on the cultural context specific to a country, which obliges the companies to adopt structures and internal functioning methods adapted to “the assembly of acknowledged behavioral forms” specific to a country, following an implicit cultural “model”.

Local culture can influence an organization’s culture or a region’s culture. Sometimes, small and medium companies overlap a strong regional culture which can influence in a strong way the social relationships and hierarchical structures. The influence of the national culture over the organization is realized in an indirect manner: the institutions which form a part of the organization’s external environment contribute to developing the adopted structural and social solutions. For example, professional development can lead companies to limit the number of hierarchical levels: on the one hand, the qualification of the main personnel and work control and, on the other hand, the hierarchical levels may not reproduce social hierarchies based on diplomas (with differences from one country to another).

Surpassing the multiple disagreements between culture and company management, we notice that starting with the 80s, the literature in this interest field contains studies and papers which highlight both the culture’s economical dimension and the cultural interface of management. At the same time, we notice the cultural units’ growing tendency of organizing their specific activities in the same manner as those in economy. Even if gaining financial benefits is not the main issue, the main focus of these units is to realize cultural values and there are persons who consider that the financial aspect is both necessary and stimulating.

Besides the profit, structure and necessary technology, every organization can be defined by means of its culture. The organizational culture is formed by the company’s past and present and it includes all persons, technologies, resources, goals, objectives and values of those who work in that organization. It is perceived as the “way by means of which the group of people solve different problems which appear in the company’s field of interest”. Moreover, the organizational culture is perceived as a manner of adapting to the external environment’s changes and of integration through processes, rules, principles and regulations which assure the good functioning of the activities.

From both a social and a managerial point of view, each type of culture defines its own style of institutional structure. This is based on an original assembly composed of cultural elements related through specific relationships and they have organizational goals and principles. All these cultural elements form the company’s valorization directions. The structure of the organizational culture derives from the integrated meanings which operate as a unitary whole and it is also a result of the coherency of the components’ messages. Generally, the organization develops a culture which includes at least all these agreements shared by its members and this helps them to work in order to achieve their goals. A less official rule says that all traditions or existing values should be completed by other components which make sense in that company. However, not all members are to share the same set of values. Nevertheless, it is highly important for the company that all its members adhere to the same values.

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4 State, O., (2004) – Organizational culture and management, course support, Bucharest, Economic Studies Academy

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In a broader sense, culture defines and expresses both attitudes and behavior. Management specialists described culture as being a main component of the current society, which represent a way of existing, evaluating and acting shared by a collectivity and passed from generation to generation. Culture includes the concept of morality – determining for each organization what is “right” and “fair” and it teaches individuals how things “must” be done.

The organizational culture surpasses the domain of organizational management, thanks to its implications. Practically, all firm processes, regardless their managerial, economical, technical or juridical nature, is influenced by the organizational culture’s content and development strategies.⁵

There are three levels of culture’s manifestation in the domain of business organizations (Table 1):

Table 1. Levels of culture’s manifestation in organizations

<table>
<thead>
<tr>
<th>Levels of organizational culture’s manifestation</th>
<th>Level I</th>
<th>Level II</th>
<th>Level III</th>
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<tbody>
<tr>
<td><strong>Artifacts</strong></td>
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<tr>
<td>– represents the external layer, formed of the symbols and products which are easily concretized in things that are easy to notice by every individual;</td>
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<tr>
<td>– generally, artifacts cover elements such as architecture, design, the manner of organizing and placing green spaces, employees’ apparel, used technologies, but also parts of the invisible component, such as verbal and behavioral artificial products (for example, rituals, customs, myths etc.);</td>
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<tr>
<td>– referring to artifacts, it is good to be known that the technical-material base of the organization influences and reflects its culture.</td>
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<tr>
<td><strong>Dominant values and rules adopted by the organization’s employees</strong></td>
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<tr>
<td>– the dominant values and rules adopted by the organization’s employees contain various agreements, goals, objectives, regulations, ethic rules and principles which develop inside work groups;</td>
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<td>– as a rule, these cultural components are the basis of an organization’s policy and it refers to its own employees and customers;</td>
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<tr>
<td>– values influence in the manner in which we perceive what is good or bad in an organization, being highly related to the ideals of a group of employees;</td>
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<tr>
<td>– the regulations represent a group’s opinion about what is right or not.</td>
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<tr>
<td><strong>Basic suppositions about life and human existence</strong></td>
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<tr>
<td>– the basic suppositions about life and human existence are the deepest level as they establish a relationship between the other components and they gather employees’ beliefs and conceptions regarding the meaning and manner of developing the activities inside the organization;</td>
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<td></td>
</tr>
<tr>
<td>– although the generalization degree is high at the level of the organization, the basic suppositions about life and human existence influence the most the organization’s members.</td>
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Inside business organizations, culture appears most of the times under the form of layers each having their own peculiarities. These can be more or less noticeable or even very difficult to detect, according to their character inside the company. Each company has its own organizational culture which is adapted to its personality. There are still some cases in which we can find similar cultural elements, especially if the companies belong to the same country or the same field of activity. Regardless the geographical area, the formation, development or change of the organizational culture, it is influenced by the same factors which can be categorized according to their origin in internal factors (generated by the company’s origin, development and personality; as examples in this way we have the company’s founder, its values, ideas, history or dimension) or external factors (coming from the external environment, such as national culture, technical, juridical or economic factors).

4. The organizational culture – business ethics relationship

The organizational culture influenced the way in which various specialists think and act. Business organizations all over the world are paying more and more attention to this subject lately, as it is a relatively new concept in the international business domain. The development of “organizational culture” notion was influenced in a positive way by the major reconfiguration of the part that human resources play in what regards the organization’s development, regardless its dimension of activity domain. Perceived as the most important resources of an organization, modern management focuses more and more on the human factor, analyzing a series of social factors such as ethics, morality and loyalty, or the degree of satisfaction or of involvement. The current economic context highlights these aspects at an international level, in all activity fields.

Under pressure conditions, coming from both the exterior and the interior of the organization, and having as main objective the identification of resources which are to be used in order to grow the competitiveness and profitability of international companies, it had appeared a growing interest in studying the relationship between organizational culture and business ethics. 

Business ethics, organizational values, moral and ethical codes are the main aspects which need to be taken into account when studying the impact of the organizational culture over economic performances and company’s image, as they justify the actions of the organization’s members. It’s obvious that there is a strong relationship between culture, ethics and business morality. This relationship is one of reciprocal shaping, and each part influences the other parts in the company’s development process.

Usually, the organizational culture is stable and it implies fundamental principles, beliefs and regulations which cannot be easily replaced. Therefore, the development of the organizational culture on the basis of strong ethic principles would turn into a long term competitive advantage. A positive organizational culture which is deeply implemented in the collective mentality highlights the ethical component of the business, such as values, attitudes, beliefs and moral behavioral regulations.

Business ethics is based on elements such as correctitude, following the promises made in the past, incorporating the activities into the legal regulations or responsible behavior towards all those involved in the company’s activity. Once these elements are adopted and accepted, they are perceived as component parts of business ethics and they appear in correspondent behaviors, being expected by the leading board (inside the company) and by society (in the company’s relationship with the external environment). Such attitudes are formed in time, on the basis of
previously established behavior rules and, when necessary, by means of behavioral codes imposed by the company. Moreover, they can be encouraged by plans or by means of establishing objectives referring to business ethics, job description or the reward and sanction system.

Business ethics is perceived by analysts as “a system of ethic principles” and it provides a series of tools of practicing judgments, behaviors and moral attitudes, elements which coordinate the individual in his quality of direct participant to the company’s activities, in order to take the most ethical decisions. The organizational culture influences the behavior of each employee, leading them either to an ethical approach of their work (an ideal situation for responsible companies) or to breaking the ethical principles (case in which the company would suffer on a long term, its image being affected). Synthesizing the information mentioned above, we support the specialists’ opinion that “there is a certain resemblance between a company’s organizational culture and an individual’s personality, which gathers a series of visible and less visible aspects, but which provides the vision, meaning, direction and energy necessary for the company’s development”.

Scientific research has proved the fact that the organization’s activity would be considerably influenced by its members if they have in common number of specific customs, because there are cases in which they can adopt some behaviors that the leading board does not approve of. During the development of the company’s activity, there appear many situations in which a part of the elements forming the organizational culture highly influence the personnel, even if these elements are intangible. That is why, in order for that precise company to become stronger and able to bear even the less favorable moments, it is required that the head management of that company should take into consideration all the culture’s components, in general, and those of the organizational culture, especially. It is obvious that no matter the hierarchical level, it is the best way of channeling the energy generated by the organizational culture and directing it towards the successful accomplishment of the established objectives.

The relationship between the organizational culture and business ethics is maintained from the head management towards the rest of the employees. The ethical values are transmitted by superior managers (at they must represent a behavioral model for the rest of the personnel) or by the company’s founders and then they are gradually adopted by all those involved in the organization’s activity.

5. Conclusions

The economical performances of every company are influenced, sooner or later, by the manner of applying business ethics. The multiple changes of the external environment challenged even the most experienced business people and they also generate the tendency of putting into practice an immoral behavior, either because of the will of surviving on the market, or in order to maintain the level of the company. Despite all these changes, in order to maintain its image and to obtain competitive advantages on a long term, companies must develop a strategic way of thinking in what regards following the business ethics’ principles.

The turbulences of the economic environment determined the companies to become even more responsible from a social point of view and to develop their activity according to the
regulations imposed by society. This way, companies have developed an organizational culture by integrating the business ethics’ principles in the collectivity’s mentality.

According to the level of following business ethics, companies have begun to be perceived as immoral firms (profit oriented), legally oriented firms (which follow the principle that says: all is permitted if the law permits it), socially responsible firms (with an organizational culture oriented towards social aspects), firms which are based on business ethics (in which ethical values are main components of the organizational culture) and ethical firms (in which organizational culture plays a decisive part, establishing a balance between ethical and economical responsibilities). Establishing this hierarchy, the society underlined the importance of business ethics and created a polarization of companies. The management is the one which decides the type of organizational culture it supports in order for the company to be perceived as moral and socially responsible.

Bibliography