

Competitiveness and Company Motives for Pro-ethical Actions - Slovak Students' Opinion

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Abstract

Business ethics is regarded as a useful means to gain a competitive advantage. Failure to recognize and address ethical problems can lead to very substantial costs. Being unethical can cost a business its very life. Ethical business is good business in the long-term.

There are different motives for companies to undertake pro-ethical action. For example: It is in a company's interest, that companies' managers are honest, stakeholders expect such actions and/or the law requires it.

This article contains the results of research concerning Slovak students' opinions on competition between ethical and unethical companies and the motivations for deciding to undertake pro-ethical actions.

Key words: ethics, business, competitive advantage.

1 INTRODUCTION

Companies compete for market share and clients in different ways. In their efforts they appeal to both price and non-price forms of competition. In price competition a company tries to distinguish its product (or service) from competing products on the basis of having a better price. Non-price competition is competition based on factors other than price. It is connected with adding a degree of value to products and services the business is offering¹. It is important to mention that businesses have recognized that in the medium to long term, price-based competition does little to benefit the organization. In other words competition based on pricing can only temporarily increase market share. Non-price competition survives even in markets where price competition is not restricted². Moreover, with the increasing purchasing power of the entire population, the significance of price competition is decreasing, but the significance of non-price competition is increasing³. Therefore it becomes important for many markets.

Business ethics is possibly a successful method of profit maximization. According to research that has been made in the last few years, companies that undertake ethical efforts gain a larger group of loyal clients, which results in a more effective competitive advantage⁴. Companies could not be competitive without acting ethically⁵.

1 Saul Nelson and Walter G. Keim outline more than 200 areas in which non-price competition takes place in their paper "Methods of Non-profit Competition" (1953, pp. 96-115).

2 L. H. White, *The Theory of Monetary Institutions*, Blackwell, p. 135

3 P. Koslowski, *Principles of Ethical Economy*, Kluwer Academic Publishers, 2002, p. 116

4 See: S. B.Graves, S. A. Waddock, Institutional owners and corporate social performance, *Academy of Management Journal* 37(4), 1994, 1034-1046.

5 J. Akers, "Ethics and Competitiveness - Putting First Things First", in: *Sloan Management Review*, Winter 1989, pp. 60-71, at p. 69.

Moreover, failure to recognize and address ethical problems can lead to very substantial costs. Being unethical can cost a business its very life⁶.

Year	Factors of competitive advantage
1960-1969	•Price
1970-1979	•Choice + price
1980-1984	•Quality + choice + price
1985-1993	•Customer service + quality + choice + price
1996 - ...	•Understanding of social issues + customer service + quality + choice + price

Fig. 1 - Changes in factors of competitive advantage. Source: McKanzie, Canada

How ethical a company is depends on various factors. We can distinguish between those of an internal and external nature. Internal factors include: A company's economic situation, mission, policy, ethicality of employees. External factors include: The kind of economic system, the laws which are applicable, culture and political situation, and the morals of the society concerned.



Fig. 2 - Factors Influencing Company's ethical level. Source: J. Filek, *Wprowadzenie do etyki biznesu*, Wydawnictwo AE, Kraków 2004, s. 54

These factors are reflected in the motives for which companies undertake pro-ethical action. The literature on the subject underlines various motives. One theme is the conviction that ethics pays⁷. As we mentioned before, ethical practices can establish a competitive advantage. Very often, however, in this case it's not about ethics in itself, but rather to make the best possible use of it.

A lot of business ethics spokesmen underline also that obeying the ethical standards depends on the good or bad will of the businessman⁸. Honest businessmen take care to obey it, dishonest the opposite. In respect to the level of professional preparation, the level of society expectations, size and character of values they have to deal with, managers supposed to obtain a status close to this endowed professionals as doctors, lawyers or academic researches.

6 E. Sternberg, *Just Business. Business Ethics in Action*, second edition, Oxford University Press, p. 19; Not to mentioned widely known case of collapse of Enron Corp.

7 Paine, Lynn Sharp, *Does Ethics Pay?*, *Business Ethics Quarterly*, 2000, 10(1), p 319; See: Hughes, Peter M., *Ethics Pays*, *Federal Ethics Report*, Feb2008, Vol. 15 Issue 2, pp. 1-6

8 A. Stark, *What's the Matter with Business Ethics*, *Harvard Business Review*, 1993, Vol. 71 Issue 3, pp. 38-48

Ethical actions are also an expression of a company taking responsibility for its surroundings⁹. It is sometimes a response to the expectations of company stakeholders. The stakeholders are those who constitute a company, who are in touch with different aspects of a company's activities, as well as various kinds of associations. Lastly, pro-ethical actions can be a legal requirement¹⁰.

In contemporary societies this function is incomparable to the role played by commercial life in human societies before even a few decades ago, often defined as the business sphere. Thus, an increasingly important role is played by science analyzing moral phenomena appearing in the business sphere called business ethics. It results from a fact that questions of an ethical nature are asked in the context of economic activity of humans and they can't be separated from other aspects of human existence. Business ethics is a domain situated on the border between ethical reflection and economic analysis. This localization is a source of many ambiguities and, sometimes even internal contradictions. Therefore it is important that participants in socio-economic life understand that there is no internal conflict between ethics and economics, and they are connected by a relationship of strong conditioning. There is a need for the suitable education of those, who will define the future development of society. They will affect the shape of future market behavior.

This article contains the results of the research concerning Slovak students' opinions on the possibility for competition between companies who are ethical and companies who are not, as well as the difference between their actions and the motives for deciding to undertake pro-ethical actions. The study was conducted during the period of the 13th to the 23rd of May 2008, among students from first to fourth year of education across all faculties at Trnava University.

2 COURSE OF RESEARCH

This research concerning ethics in business was carried out between 13th and 23rd of May 2008, at all faculties of Trnava University. Respondents were randomly selected from full-time students from first to fourth year of education. The research was carried out using self-administered questionnaires. 400 students received the questionnaire. After verification 370 questionnaires were subjected to further analysis.

3 RESPONDENTS' CHARACTERISTIC

The group of respondents was 43% male and 57% female. The majority of respondents were female at all faculties. The exception is Faculty of Theology where male students made up 61% of respondents.

⁹ Principles for Business, Caux Round Table, 1994

¹⁰ See: R. McCarty, Business, ethics and law, *Journal of Business Ethics*, 7(11), 1998, pp. 881-889.

Tab. 1 - Percentage of respondents taking into consideration the faculty and gender

FACULTY	WOMEN	MEN
Faculty of Arts	52,58%	47,42%
Law Faculty	51,76%	48,24%
Faculty of Education	65,06%	34,94%
Faculty of Theology	38,64%	61,36%
Faculty of Health an Social Work	73,77%	26,23%

More than two thirds of students declared themselves as Catholic and 18% as Atheist. None of the students declared themselves as Muslim or Jewish.

Tab. 2 - Percentage of respondents taking into consideration the faculty and religious attitude

FACULTY	BUDDIST	CATHOLIC	PROTESTANT	ATEISTA	OTHER
Faculty of Arts	0%	62%	2%	20%	15%
Law Faculty	1%	66%	3%	13%	2%
Faculty of Education	2%	69%	2%	24%	2%
Faculty of Theology	0%	100%	0%	0%	0%
Faculty of Health and Social Work	0%	79%	0%	20%	2%

Only 1% of students had attended a business ethics course before. 60% of all students and 88% of second year students had never attended any of following courses: ethics, detailed ethics, business ethics, social ethics, social philosophy. 85% of Law Faculty students had never attended any of the quoted courses and only 11% of law students declared that they have attended the ethics course.

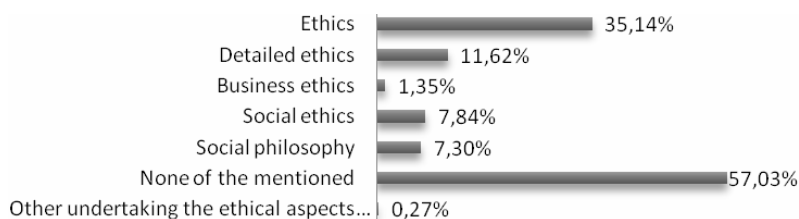


Fig. 3 - The breakdown of answers

Tab. 3 - The detailed breakdown of answers, taking into consideration the faculty

FACULTY	Ethics	Detailed ethics	Business ethics	Social ethics	Social philosophy	Non of the mentioned	Other
Faculty of Arts	47,42%	0,00%	2,06%	10,31%	10,31%	42,27%	1,03%
Law Faculty	10,59%	1,18%	1,18%	4,71%	7,06%	84,71%	0,00%
Faculty of Education	20,48%	2,41%	1,20%	9,64%	6,02%	68,67%	0,00%
Faculty of Theology	88,64%	90,91%	2,27%	4,55%	6,82%	6,82%	0,00%
Faculty of Health an Social Work	31,15%	0,00%	0,00%	8,20%	4,92%	62,30%	0,00%

Tab. 4 - The detailed breakdown of answers, taking into consideration the year of studies

Year of Studies	Ethics	Detailed ethics	Business ethics	Social ethics	Social philosophy	Non of the mentioned	Other
I	42,67%	16,00%	1,33%	10,67%	5,33%	48,00%	0,00%
II	27,05%	7,38%	1,64%	9,84%	4,92%	61,48%	0,00%
III	25,53%	9,57%	0,00%	5,32%	5,32%	65,96%	0,00%
IV	51,90%	16,46%	2,53%	5,06%	15,19%	48,10%	1,27%

4 ETHICS AND COMPETITIVENESS OF COMPANIES

Students were asked whether they think that companies which act ethically are able to compete with the companies which are unethical in their actions. 61% of students gave a positive response that they could compete.

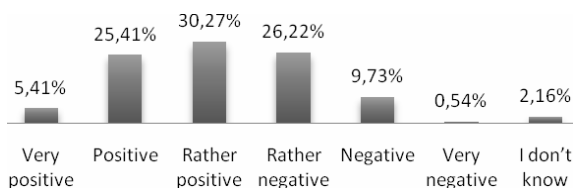


Fig. 4 - The breakdown of answers

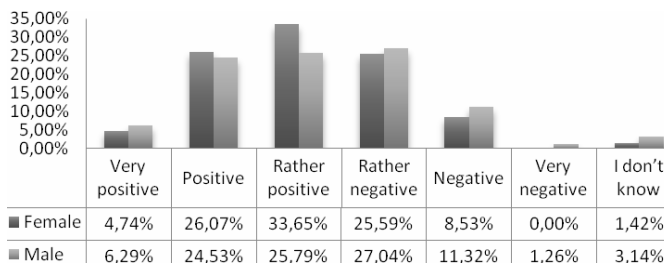


Fig. 5 - The breakdown of answers, taking into consideration the gender of respondents

The students who are most negative about ethical companies competing with the unethical ones are law students. The most positive were the students of the Faculty of Theology. Regarding the year, the most negative were students of third year, where 68% gave a negative answer. The most positive attitude was among the students of second year with 71% positive answers. Half of all students who declared themselves as Atheist and one third of Catholics gave a negative opinion.

Tab. 5. - The detailed breakdown of answers, taking into consideration the faculty

FACULTY	Very Positive	Positive	Rather positive	Rather negative	Negative	Very negative	I don't know
Faculty of Arts	3,09%	17,53%	38,14%	30,93%	7,22%	2,06%	1,03%
Law Faculty	7,06%	10,59%	29,41%	38,82%	14,12%	0,00%	0,00%
Faculty of Education	6,02%	26,51%	22,89%	25,30%	13,25%	0,00%	6,02%
Faculty of Theology	0,00%	52,27%	38,64%	6,82%	2,27%	0,00%	0,00%
Faculty of Health an Social Work	9,84%	37,70%	22,95%	16,39%	8,20%	0,00%	3,84%

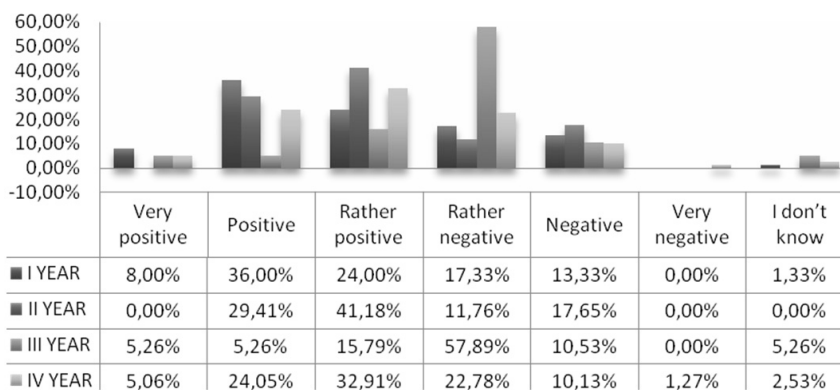


Fig. 6 - The breakdown of answers, taking into consideration the year of education

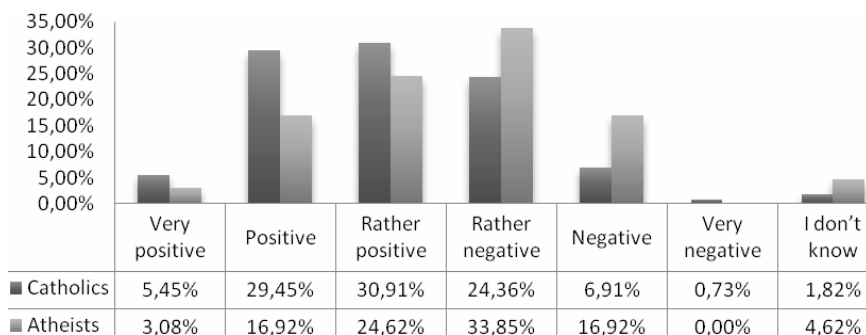


Fig. 7 - Percentage of responses in refer to religious attitude of respondents

The percentage of students with a negative attitude, who completed an ethics course, was 15% lower than the percentage of students who did not attend ethics classes. However, every third student who attended the ethics classes was negative.

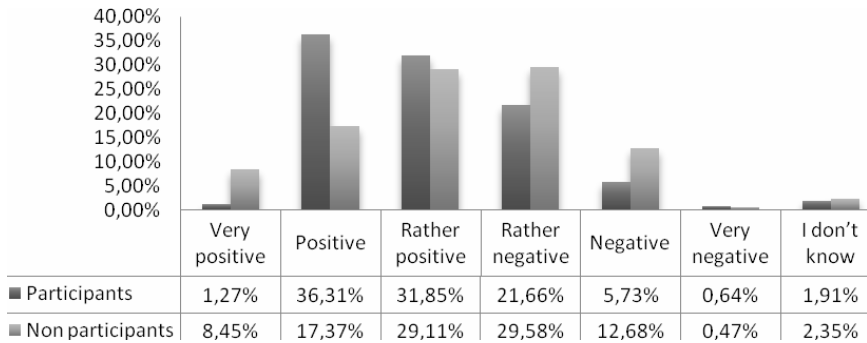


Fig. 8 - The breakdown of answers, taking into consideration the attendance in ethics courses

5 ETHICAL ACTIONS IN BUSINESS – MOTIVES

Students were given a list of motives for why companies carry out ethical actions. Each of the respondents could choose one to three possibilities. The three most chosen answers were: because the society expects such action (half of all respondents), because the company's managers are honest (one third of respondents) and because employees expect such actions (one third of respondents). Two out of three of the most commonly chosen motives are connected with external factors.

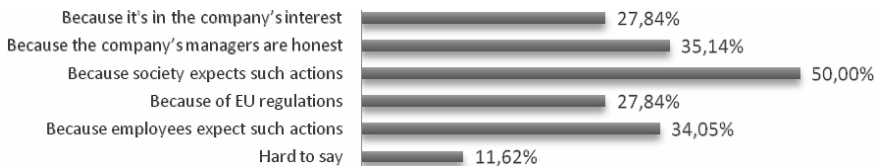


Fig. 9 - The breakdown of answers

Among the list motives, women more often than men have chosen external motives connected with social requirements and European Union regulations.

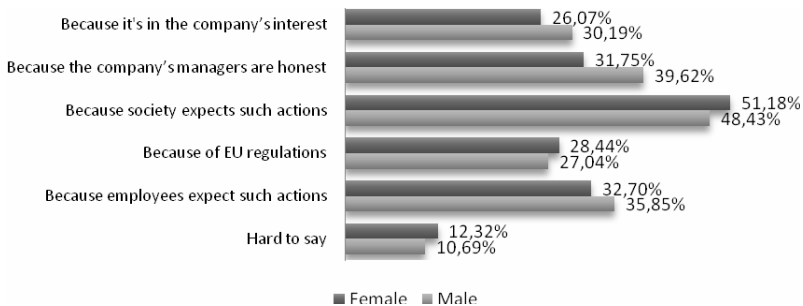


Fig. 10 - The breakdown of answers, taking into consideration the gender of respondents

Students of the Faculty of Theology chose the interest of the company more often than students from other faculties. Students of the Faculty of Health and Social Work chose this motive least. The same motive has been chosen by one third of second year students.

Tab. 6 - The detailed breakdown of answers, taking into consideration the faculty

FACULTY	Because it's in the company's interest	Because the company's managers are honest	Because society expects such actions	Because of EU regulations	Because employees expect such actions	Hard to say
Faculty of Arts	29,90%	48,45%	48,45%	19,59%	30,93%	9,28%
Law Faculty	28,24%	31,76%	47,06%	17,65%	34,12%	20,00%
Faculty of Education	27,71%	15,66%	49,40%	36,14%	27,71%	9,64%
Faculty of Theology	38,64%	52,27%	54,55%	34,09%	45,45%	6,82%
Faculty of Health and Social Work	16,39%	32,79%	54,10%	39,34%	39,34%	9,84%

Tab. 7 - The detailed breakdown of answers, taking into consideration the year of studies

Year of Studies	Because it's in the company's interest	Because the company's managers are honest	Because society expects such actions	Because of EU regulations	Because employees expect such actions	Hard to say
I	30,67%	42,67%	49,33%	37,33%	46,67%	9,33%
II	27,87%	33,61%	50,82%	20,49%	25,41%	11,48%
III	26,60%	29,79%	58,51%	23,40%	44,68%	11,70%
IV	26,58%	36,71%	39,24%	35,44%	22,78%	13,92%

Atheist students chose external motives more often, while the Catholics chose internal motives more frequently. Students who took ethics classes chose the internal motives most often.

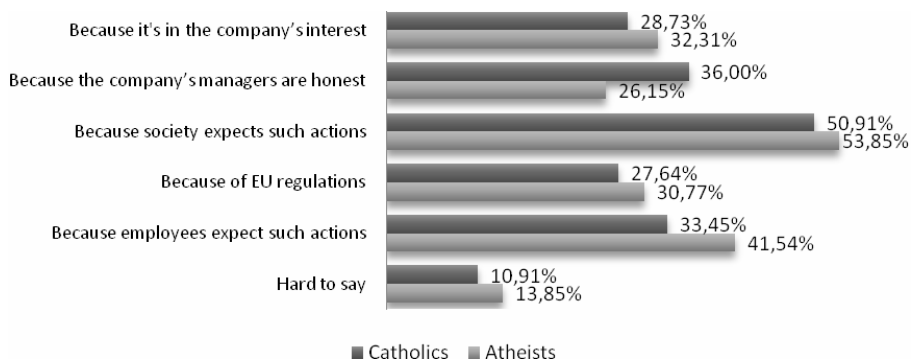


Fig. 11 - The breakdown of answers, taking into consideration the religious attitude of respondents

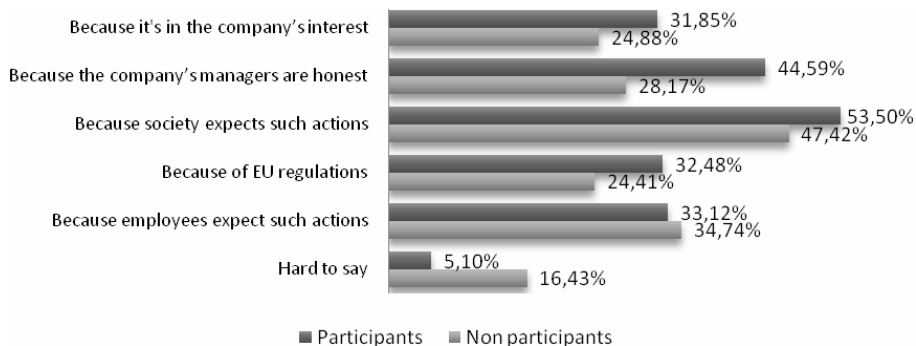


Fig. 12 - The breakdown of answers, taking into consideration the attendance in ethics courses

6 CONCLUSIONS

The research demonstrates that the majority of students think that companies which act ethically are able to compete with others who are unethical in their actions. Women express this conviction to a larger degree. Catholic students accept such a possibility more often than students who declare themselves to be Atheist (half of Atheist students express a negative position). Those students who participated in an ethics course believe this to be more likely than non-participants.

Students are more likely to believe that external factors, such as societal expectations or employees' expectations are the reason for companies' ethical actions. Rarely do they indicate motives related to companies' self-interest. Men to a larger degree perceive profitability to be the reason for such actions. A large proportion of students believe that the main reason is the honesty of company managers. However, here women express such a conviction to a smaller degree. Students who declared themselves as Catholic were more likely than Atheist students, are convinced that the motives of ethical actions of companies lie in honesty of managers. Students who participated in an ethics course indicated internal motives more often than non-participants.

The research had a limited range, because it only concerned students of one university. Moreover, at present university students are not trained in the fields of business. Nonetheless, the research sample should be regarded as representative for the university. It is important to also point out, that only a small number of students participated in a business ethics course.

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