Impact of Ethical Issues on the Functioning of Enterprises – A Sociological Analysis

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Abstract

The article aims to describe the functioning of the organization in terms of ethics. Goffman's concept called the front stage and the backstage of social reality was selected from a wide range of literature. This metaphor comes from the theater, where the audience has access only to the show performed on stage and not to the backstage and rehearsals. According to Goffman, this mechanism applies to any social environment. It is the front stage that the audience must judge morally. The second area of human activity takes place behind the scenes, in which ethical principles, to put it mildly, are no longer the dominant criterion for assessing people's behavior.

Keywords

Enterprises, Ethics, Profit, Front Stage, The Backstage of Social Reality.

Introduction

Ethical issues are very difficult to analyze, especially for the researchers of social and management sciences, because such issues are connected with religious and ideological questions or, generally speaking, with the values shared by societies and cultures. These

values, which guide the humans' performances (behaviors) in some situations, are learned and sometimes are found to be irrational because they are automatic. By this, Researchers would like to underline that not always are we able to decide on our own which values to share with others. In this context, it is worth mentioning that primary and secondary socialization greatly impacts our attitude towards ethical behavior. Moreover, the culture in which we develop (grow up) and the influence of iconic figures also affect us.

Theoretical Review

Initially, ethical issues have often been raised in philosophy. Kant, emphasizing this, defines ethical behavior as acting according to a principle that would be a general law, which means that we should behave towards other people as we would like others to behave towards us (Guyer, 2019). The core of this principle would be to treat any unwanted behavior to the general public as unethical. However, it is necessary to add the assumption that the human being is a rational subject and universal ethical principles. Durkheim also points out that when considering ethical issues regarding human activities, the effectiveness of human beings is of key importance. According to him, criminals play an important role in defining good and evil and the limits of permissible acts and mobilizing the moral sensitivity of the general public. Publicly punished criminals set an example and a lesson for others by showing that violating the rules is unprofitable (Shilling & Mellor, 1998). As ethical issues were considered simultaneously with the socialization process, taking them into account in the professional and business spheres seems obvious (Rousseau, 1985; Vogel, 1991 ;). Ethical problems also began to appear in the science of economics, and Adam Smith, in his works, already raised them. We can observe that the academic community and the business world have recently been paying more and more attention to ethical issues.

Such a topic has recently received special attention in the public sphere due to numerous ethical failures in business. It has been found that unethical practices can destroy public confidence in the business community, showing the harmful consequences of unethical behavior for the welfare of society. Moreover, it has been noticed that the relationship between how a given brand is presented on the market and the bad reputation it may have among employees and stakeholders may hinder future business development. (Mayer, Ong, Sonenshein, Ashford, 2019).

If a social scientist wants to deal with ethics and investigate its role in social life, then perhaps he/she can only focus on the objective field, so-called intersubjective, i.e., one that can be measured using scientific methods. However, scientists cannot (yet) investigate a

subjective sphere such as, for example, people's thoughts. We can, however, deal with people's declarations, but it is of little cognitive importance.

What is exactly the objective sphere, then? Researchers wanted to consider the sphere of people's activities in terms of the analysis of the front stage and the backstage of social life (Goffman, 1973). Elane Stenberg draws attention to this sphere when describing the functioning of contemporary organizations. According to her, ethical acts should be distinguished from motives that can be both ethical and unethical (Stenberg, 2000).

The Front Stage and the Backstage of Social Reality (Goffman) and the Functioning of Ethical Principles

Every human action occurs in public and private spaces, or on the front stage and the backstage, as the American sociologist Goffman calls it (1973). This metaphor comes from the theater, where the audience has access only to the show performed on stage and not to the backstage and rehearsals. According to Goffman, this mechanism applies to any social environment. It is the front stage that the audience must judge morally. The second area of human activity takes place behind the scenes, in which ethical principles, to put it mildly, are no longer the dominant criterion for assessing people's behavior. Coulisse is a place where, for example, the interests of various groups, such as a family, an organization, an enterprise, or a scientific community, are revealed and where strict moral principles are not always observed. According to Goffman, it does not matter whether a person (the actor) behaves ethically, but what matters is whether the audience perceives him/her as behaving ethically. That means the people watching someone's behavior believe it to be ethical, regardless of whether it is ethical or not. Thus, the theatrical effect of social life is clearly emphasized. Subsequently, the activities of an organization are similar in this aspect. It is important how an organization is perceived externally, whether its activities are socially accepted or not.

Therefore, according to the American sociologist, it is easier to deal with ethical activities occurring on the front stage in an organization because the data for analysis, such as formal data, is more accessible, e.g., statutes, i.e., a company's publications. When it comes to investigating the backstage, only covert participant observation (method in social science research) could be helpful. Covert participant observation allows the researcher to join the group as a full member and describe its activities, but no one from the organization knows that he/she has a second social role - the researcher.

Is it Possible to Reconcile Ethics with Profit?

There is always the issue of reconciling ethics with profit in an enterprise that exists to bring income, be profitable and remain on the market. According to Sternerg (2018), this is possible because an ethical company is usually fair and doing the right thing, ensuring impartial treatment of employees and honesty in its relationship with customers. A philosopher specializing in business ethics and corporate governance, Sternberg believes it is possible to assume a free market with no monopolies. Thinking about the enterprise as presented by her, ethics is the determinant of profit, and it is important only when it brings profit.

However, what if the ethical behavior begins to bring losses, that is, when other actors in the market game act unethically, i.e., play dishonestly, then an honest actor has no chance of surviving. Is it possible to say that an enterprise can be ethical when an ethical activity is only a temporary state? Researchers believe that in such a situation, the term 'ethical enterprise' should not be used to define the meaning of its existence because being ethical is not the main goal of an enterprise but may, in some situations, be the result of the actions of other forces. The author does not operationalize this concept when it comes to the word 'justice,' which is supposed to be a guarantee of ethics. This is a typical procedure used by ideologists, which has a function similar to the already famous quote from Marx (2002) that religion is the opium of the masses.

It should be noted that the definition of what is moral or fair is subject to arbitrary justice, the power of which depends on what is rooted in culture, customs and norms. When we look at history, paradoxically, the pursuit of justice has always been associated with revolutions, coups that were intended to eliminate social stratification, only to result later in a defeat, and these attempts ended in terror and violence, such as the revolution of 1917 in Russia. Therefore, Researchers are against the use of such slogans without relating them to specific situations.

As Stenberg notes, an organization that pursues a moral good just because it is a good and without considering the effects on long-term value for the owner would not simply behave like a business and later it can claim that if something serves the enterprise, it can certainly be ethical (2000). However, it should be noted that the same can be said of fraud and exploitation if it serves the enterprise. Researchers have the opinion that the issue of ethics is more related to how developed a society is. A civil society - whose freedoms are guaranteed by law than in any other social system, and even more so, the ethical functioning

of the enterprise itself is the result of the legislative provisions of civil society, whose institutions control the market activity of the organization.

Examples

An excellent example illustrating the role of ethics in an organization is the following training materials available on the websites of training companies. One of them describes its goals this way:

Participant Profile

The training is intended for senior and middle management. The training is important in shaping the attitudes and behavior of the company's employees in internal and external relations, conducive to improving its efficiency and building its positive image. The training program is each time adjusted to the profile of the group of participants.

Training Objectives

- Deepening the knowledge about the role of ethics in business and its importance in managing a company.
- Analysis of the social role of business organization and the impact of ethical attitudes and behaviors of members of the organization on its effectiveness, results, and image.
- developing the ability to analyze and diagnose ethical problems and dilemmas.
- developing the ability to shape the ethics of the organization.

Benefits for Participants

After completing the workshop, participants should be able to:

- Assess the impact of ethics on the company's effectiveness and shaping its image
- identify, analyze and resolve ethical issues.
- Use in practice the skills of shaping the company's ethics (shaping attitudes, codes, and ethics development programs).
- Initiate improvements in the management of employees and the organization based on ethics[1].

Discussion

According to several studies on the relationship between employee effectiveness and the shaping of team spirit, the latter fosters positive attitudes and work motivation. Nevertheless, Józef Penc, who analyzes the issue of ethics in business, claims that it is a utopia to associate ethics with business because they constitute two separate worlds. The former is guided by moral principles and the latter by profit, and ethical actions and integrity do not translate into profit.

According to him, managers who make decisions cannot fail to think about who will benefit or who should benefit or will suffer damage due to a specific action. In a civilized world, the legal frameworks stipulate that the authorities can and should force companies to act ethically, naturally leaving them free to choose the best instruments and methods of action in carrying out their obligations towards the community (Penc, 2010).

Pence claims that observing ethical principles in enterprises is related to social needs and so-called humanism. Managers cannot be driven solely by profit and perpetuate the "only correct" model of American capitalism promoted by M. Friedman (1970). That era is long gone. Today, the way employees and customers are treated is as much important as the company's turnover. The newly created norms force the owners to practice a new style that combines the effectiveness of decision-making with ethical action (Penc, 2010).

Szulczewski, on the other hand, describes the practical implementation of ethical standards in companies. According to him, two ways should be complementary to each other. The first, i.e., the code regulation of moral principles, is a set of specific organizational norms or the ethics of norms. It consists of a formal guarantee of the ethical operation of the organization based on specific regulations, compliance with which is to be controlled. However, the author notes that there are also ethical problems that norms cannot solve. He calls them moral dilemmas and claims they will always be accompanied by doubts, as algorithmic guidelines cannot solve them. Their solution is seen informally by the so-called ethics of virtue, or decency, which is related to the organization's mission, spirit, and culture (Szulczewski, 2011).

Companies function to create an appropriate atmosphere for employees who increase their efficiency and identify with the company. Some American companies combine the sacred with the profane, utilizing religion that often takes on a very commercial character and legitimizes the positive assessment of wealth. Trying to define a deeper meaning of its

activities, the business world often uses religious language in a way that attracts attention (Szulczewski, 2011).

Conclusion

Generally speaking, business ethics is a phenomenon that functions on the front stage. As the companies care about their external image, they create codes of ethics, obliging the employees to comply with them. Corruption, bribery, and other patterns of illegal and unethical behavior are unacceptable. A company that loses its customers' trust risks bankruptcy, which in turn threatens the very interests of its owner. Thus, it can be concluded that ethics and business are intertwined. However, this claim is true about the front stage of the business scene. In the backstage of companies' operations, ethics is not always a priority, which is evidenced by numerous economic scandals, mafia activity under the guise of running a business, as well as numerous lawsuits of an economic nature.

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