

# Trade Ethics as a Behavioral and Organizational Model

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**Abstract:** This study includes an analysis of trade within a framework of social and cultural factors. Indeed, trade is a field of social action and it is not independent of moral values and principles. Therefore trade and its ethics provide a strong counter argument for economic life as simply a material life. As a result, trade ethics as a behavioral and organizational model can be included in a solid frame. Some historical and social examples in Turkey bear a character that may accommodate such an approach. In the light of these assumptions, this paper aims to reveal the essence of the behavior deemed appropriate for the traders. To that end, the study is based on three basic main sections. First, it is assumed that there is a bond between sociality, ethics and economics and this bond involves traders as well. The second section is the backbone this study and includes the basic principles of trade ethics for a healthy establishment of business and ethics relations. The last section discusses and analyzes examples about local facilities and global developments as approaches to the foundation of the topic.

**Key Words:** Business, Ethics, Moral Values, Organization, Social Responsibility.

*“If thou pour the sea into a pitcher, how much will it hold?  
One day’s store  
The pitcher, the eye of the covetous, never becomes full.  
The oyster shell not filled with pearls until it is contented.”  
(Mevlana, Mesnevi, 2007, p. 39)*

Today, people live and / or are kept alive with a focus on success under the jurisdiction of monetary relations. Moreover, our economic interests conflict with the values of our moral world, which triggers undesirable human behavior. Humanitarian values are oppressed and forgotten under these severe conditions. Related to this, academic studies on business ethics are on the rise. However it is necessary to enrich these academic studies with practical approaches, since theoretical research studies do not make much impact on the practical field. In this respect, economic actors often tend to ignore the link between economics and ethics (see O’Neill, 2001).

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How can the rational and emotional aspects of being human be combined in the trader's profit-driven world? The study will be looking for the answer to this question in the case of Turkey. Embedding the trader's ethical concerns in social life will be the focal point of a change that affects both the economic world, and all forms of relationships. In this context, the study assumes that the problems and the deficiencies of present economic and social conditions of the society could be solved through regulation of commercial space. If we improve trade relations, many problems will be resolved. In this respect, moral values become principles of behavior and organization. Worldviews of business owners, shareholders, and senior managers determine the quality of their jobs. Thus, moral principles are the roadmaps of people as well as of businesses.

### **The Moral World of the Economic Mind**

Morality is a set of rules that guides our lives, suggesting us what we should and should not do (Kapu, 2009, p. 57). Morality is based on the mind, emotions, belief systems and cultural heritage, and is one of the decisive factors in people's worldviews. When a person helps someone, the recipient of the help is expected to give a blessing. In this sense, morality is based on reciprocity. Reciprocity could be explained by not doing things that you would not like people do to you. It also reveals the reasoning under the organization of social systems. One basic rule of cohabitation is minimum security, justice, and harmony. Under these circumstances, morality complies with laws as the key to harmony.<sup>1</sup>

On the other hand, morality is a deep and wide phenomenon that may not be fully understood within the boundaries of the mind. Emotions and empathy as a bond between people play a role as well. Feeling grief for a person's suffering is one of the examples that best describes this situation. The famous philosopher Adam Smith, in his *Wealth of Nations* put forward his thoughts on the basis of moral principles (see Smith, 2000, pp. 3-4). In this context, the relationship of economics and morality slowly begin to emerge. The principle of reciprocity and our ability to empathize allow our emotions to occupy a significant part of the social space. However, these two concepts are not sufficient to explain the concept of morality. There is a need for the existence of a number of rule-making powers in each system,

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1 For a philosophical reflection see Kant, 1999, 2003.

therefore two major sources, one being spiritual, and the other material should be included in the framework. The spiritual one involves religious beliefs, which has its own list of do's and don'ts for both personal and social lives of the believers. Therefore, religion is an important component of morality, and can become one of the regulators of the worldly life. The material phenomenon is related to the cultural and historical heritage.

## Social Life in the Principles of Trade

Trading is the art of making profit from the relationship between money and commodity, by marketing goods and services. Maximization of earnings and the drive to make new investments is an expression of mankind's pursuit of continuous improvement. However, these efforts harbor many facts such as a desire to feel safe, principles of faith that glorify work, and an effort for the development of the community. For this reason, the principles of trade could be grasped within a context that is woven with financial as well as moral agents. As a result, the basic principles of trade that lead us to the main underpinnings of trade ethics can be explained as follows:

(i) *Having a corporate identity*: Institutionalization is the identity of the subject in a commercial activity. Therefore, the consumer starts a trade relationship with a party that they can see and define clearly. In other words, institutionalization reveals the social character of being a brand. As a result, trade ethics should make itself felt as a road map in principles ranging from hiring employees in an organization to the retirement stage (see Yildırım, 2009).

(ii) *Turning the relation between commodity and money into a profit making process*: To preserve and increase the capital, capital owners must make a profit, but also sustain confidence in corporate identity while doing so.

(iii) *Minimizing the factors that disrupt the functioning of the market*: The market refers to an arena where the players compete to increase their earnings by showing their abilities. Naturally, transparency and balance in the market will bring functionality, which explains why all subjects of trade should be taken into a legal and administrative framework.

(iv) *Determining the rules relating to the role of the state in regulating competition*: Unregulated and unrestricted competition may yield instant gains, however it is not sustainable since disorder and chaos will disrupt the economic life in the long run. In fact, the reason d'être of organizations such as the Board of Capital Markets, Banking Regulation and Supervision Agency,

the Energy Market Regulatory Authority and the Competition Authority depends on this perception.

(v) *Taking organization as the basis for the healthy conduct of commercial activities*: Acquisition of rights and freedoms is one of the indispensable conditions for fair fulfillment of duties and responsibilities.

(vi) *Perceiving economic relations as embedded in social responsibility*: In both domestic and international arenas, provision of a good or service should incorporate social sensitivity.

### Basic Indicators of Trade Ethics

Trade also appears as a part of ruthless practices, wars that eliminate the conditions of human existence, racist and totalitarian political thoughts and practices. The trader has sometimes emerged as a killer in the New World or a cruel man in the slave trade throughout history. However the main source of our current approach that pushes people away from collectivism towards solitude, stifles our social sensitivities, and imprisons us in a selfish understanding is the economic perception and practices of Western origin.<sup>2</sup>

The principles of trade morality have been formed on the basis of reasoning, emotions, belief systems and historical heritage. In this respect, trade morality can make sense within a context of systematic and ingrained practices, as a requirement of the economic mind, because behaviors resulting from a sense of pity and fear, or an expectation to gain rewards are temporary and cannot root in the social space. Nine main principles that summarize the dominant factors in trade ethics can be listed as:

1. Principle: assimilating an awareness of corporate social responsibility.
2. Principle: implementing effective professional assistance.
3. Principle: establishing a firm professional solidarity.
4. Principle: training future generations in fields of specializations.
5. Principle: the principle of 'agreements must be kept' (Pacta sunt servanda) and honesty.

<sup>2</sup> Various risks and negativities existed in the old days. This is why these statements should not be interpreted as nostalgia. The famous sociologist Anthony Giddens has made a safety-risk analysis of modern and pre-modern times and prepared a comparative table. See (Giddens, 1998, p. 100).

6. Principle: upholding the public interest and maintaining a healthy relationship with the state.
7. Principle: showing utmost care to the environment and human health.
8. Principle: monitoring issues of freedom and equal opportunities.
9. Principle: remembering that we are in a finite earthly life (spiritual principle).

### **Possibility of a Behavioral Model**

Economic attitudes, behaviors and relationships are all wrapped in cultural factors. Our ways of production, preferred paths in distribution of goods and services, conditions in working life, and many other economic factors interact with the cultural space. And hence an economic understanding failing to account for the culture will remain inadequate. Societies that assess their needs and supply - demand balance within a cultural, religious and social context will have the same attitude in global relations as well. For this reason, the concept of globalization should describe the ideal of coexistence of differences, rather than one of the parties dominating others. In this framework trade interacts and influences through a wide range of forms of relations with cultural phenomena. As we have experienced many times in our lives, consumption of any product, or acquisition of goods and services in the culture industry are directly correlated to the behavior and attitudes of people, so much so that, consumption of certain services or goods is also referred to as expressions of character. One's reputation is measured by the quality and the brand of the goods and services they purchase (Solomon, 2006, pp. 119-120).

Turkey possesses a number of advantages that can fulfill the role as a power that will take cultural factors into consideration. The possibility of a trade ethics in Turkey can be understood under four main headings, historical power of Akhism, foundations, belief system and family structure (Köse & Karabacak, 2011, pp. 291-292).

#### ***The historical power of Akhism***

Akhism was a semi-autonomous system in the Ottoman Empire and had a rather big impact in the formation of the economic and social understanding. The historic value of Akhism comes from its functionality during the transformation from a nomadic culture to an established city life (Çağatay, 1989, p. 28). The current popularity of decentralized development that

expresses a collection of certain industries and commercial activities is an opportunity to revive the time honored principles of Akhism. The spatial dimension of the industrial concentration is a pillar of a functional economic system. In this respect, as an organizational model and a way of life, Akhism indicates a hierarchy and solidarity among traders as well as a form of organization in today's businesses.<sup>3</sup>

### ***Foundations***

Another similar concept is foundations, a system still functioning. Protection of private property against the State, fulfillment of some civil services, ensuring cooperation and solidarity and even an insurance system at a very basic level have been achieved by foundations, and these services had a great impact in the Ottoman Empire for centuries (Ersöz, 2009, pp. 146-147).

### ***Belief System***

The next phenomenon that represents the privileged position and facilities of Turkey is the religion of Islam which regards material wealth alongside with solidarity. Islam does not require its believers to withdraw from the material world, and does not assume that people were born with sins. Islam strives to mature people's moral worlds and this is an important advantage on behalf of the Turkish community. Enhanced with tolerance towards different faiths, Islam religion is a major mainstay of social solidarity.

### ***Strong Family Structure***

The final basis for trade ethics in Turkey is the strong family structure. In establishing a behavioral model, fully functioning and faithful people are necessary. As an active force in the region that hosts a young population craving for achievements and innovations, Turkey has substantially improved its trade relations. The country has potential which should be considered together with its historical and cultural heritage. In this respect, the existence of a behavioral model for trade ethics can be globally applicable and even exported.

3 The position of Akhism in modern times deserves a deeper analysis, but this paper will not go into details. For details see Ocak, 1996; Ekinçi, 2001.

## **Building Blocks of the Behavioral Model: Social Responsibility and Global Developments**

Despite these advantages, the country possesses some negative traits in terms of social responsibility in trade ethics and in businesses overall. First of all, a substantial number of the enterprises in Turkey are not registered. Another negativity created by the economic conditions in Turkey is many local enterprises do not have positive attitudes towards corporate social responsibility. Apart from some philanthropic activities and sponsoring cultural, sporting and artistic activities, the number of businesses that have effectively adopted the idea of an institutionalized social responsibility is very few. In fact, the problem here is based on two main reasons.

The first of these relates to how enterprises approach the concept of social responsibility of. In most Turkish businesses this manifests itself in the form of sponsorship or charity activities, however these practices must be included as part of the strategic objectives and organization.

External factors have a significant share in promoting trade ethics in enterprises to an institutional character in Turkey. The presence of foreign investors, activities of international organizations and intergovernmental relations make external factors an indispensable part of the system. Therefore, traders must take into account external factors in their economic decisions, as well as in the creation of their moral principles.

Three actors of external factors, play significant roles in trade. The first of these is the United Nations (UN), the International Labour Organization (ILO) and governments, the second is foreign investors and multinational corporations (MNCs), and the third is world-wide influential non-governmental organizations (NGOs). However, the three aforementioned developments can be considered as a reflection of a global need for economic morality:

1. UN-MNC relations and the formation of the Global Compact,
2. MNCs and their codes of ethics (Parlak, 2009, p. 184).
3. NGOs and in particular SA 8000 (social accountability certification) are important global developments in this area.

## Results

It is obvious that the Turkish enterprises' lack of interest in global changes is in stark contrast with the opportunities in hand. Therefore understanding and organizing an economic system from the perspective of values and a religious premise can nothing but be a hollow approach simply because morality is a work of sincerity in our behavior and thoughts rather than a certain belief system.

As a result, unhealthy global relations are leading to social and personal ailments, and the commodification process of economic activities are grinding humanitarian values, and the system is creating lonely people in the middle of the crowd. However, the solution to the problem is not concentrating on any religious practice, but integrating certain economic values in real life through a rational organizational model.

In summary, the main problem emerging as a result of lack of having solid principles in business is not related to the belief system itself or their places in our lives. The real issue that needs emphasizing here is business principles of this world need to have complementary functions in economic development and progress. For this reason, imposing a particular form of religious faith or its interpretation on political and economic life is far from being realistic and accurate. In fact, for this very reason the commandments of Islam do not allow initiatives that may undermine commercial life.

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