

## Chapter 2

# Commercial Real Estate– Specific Approaches and Ethical Dilemmas in the Relationship Between Stakeholders

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### **ABSTRACT**

*The chapter considers a similarity between Maslow's and Corporate Social Responsibilities pyramids. Various groups of stakeholders may have opposite interests in relationship with related companies, generating moral dilemmas. An analysis of organizational and economic accounting patterns in commercial real estate is provided with examples of companies listed to Stock Exchange. These common patterns are in accordance with all professional standards, but still do not offer sufficient information for an informed investment decision of an average investor. The choice of accounting policy is one of the reasons why real estate industry is perceived as a high risk, as a high degree of subjectivity applies through the choices of accounting treatment. Conflicts between stakeholders should be avoided due to the direct impact on a company's development perspectives and value.*

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## **INTRODUCTION**

The manner in which business ethics is defined and the content is very different based on the industry specific, the level to which the term is applied (individual, organization, or environment), the time when the definition was created or the emphasis various authors put on aspects they want bring into community's attention (Marsh, 2013; Cowton & San-Jose, 2016). As in each language the meaning of words defines the problem, the returning to the basics seems the most reasonable. The word ethics is coming from Ancient Greek „êthos (ἦθος)” and has the meaning of character, moral nature. It results that we discuss about an entity (human being initially and extended to juridical) and his (it's) morality (Michel & Rosenbloom, 2011). In determining what it is moral, the definition provided by Stuebs and Wilkinson (2010) ethics represents “a set of concepts and principles that guide us in determining what behavior helps or harms sentient creatures”, could be very useful because establishes a referential system.

In the case of a juridical entity, the „help or harm” guidance should refer to both, people and entities that represent the environment in which the company operates (Zang, 2012). This approach integrates both aspects of ethics: the character and the moral nature (Ajzen & Fishbein, 2005). Going further on, the environment can be defined as the stakeholders (employees, shareholders, government, customers, suppliers, financial institutions etc.).

Ethics can be defined as a code of conduct applicable to any situation when the correctness / inaccuracy of certain actions of an individual are involved, with the aim of achieving an expected outcome. In the financial and accounting field, ethics is an essential feature for optimal performance of micro and macro-economic activity (Armstrong, 1993; Greenfield, Norman & Wier, 2008; McDonald & Donleavy, 1995; Soltani, 2014).

Arsalidou (2017), in his work, wants to find solutions for global organizations to be able to change their actions so they become more ethical and, implicitly, more transparent. In this respect, it analyzes the main causes of a financial disaster, being closely related to bankers' attitude, mentality and behavior: excessive greed that pushes them into dangerous temptations (e.g. securitization and short maturity), behavioral limitations (e.g. trust and optimism excessive knowledge of financial products and risk awareness. From this point of view, the role of ethical education can be analyzed in a triple hypostasis. First, it can teach potential future leaders to act altruistically and act responsibly for social purposes. Secondly, it ensures commitment to a primary goal of sustainable development - pursuing all the interests of the parties involved in the smooth running of the activities of an entity, not just the interests of the shareholders. Thirdly, it is essential for future leaders to be aware of behavioral deficiencies that often characterize those who hold senior management positions; the risks of a biased judgment; the risks of lack of knowledge regarding the financial contrasts of the organization. Thus, ethical education helps to stabilize integrity at the entity level, increases transparency and improves corporate governance, all based on business ethics.

Englund and Gerdin (2018), in a study, both about the origin of business ethics and about the current state of research and development in this field, focuses its objectives on fundamental positions and key arguments in business education, business is based, mainly on a social function of entities, based strictly on the phenomena of values. Various research has been carried out in the literature on business ethics and its objectives (McDonald & Donleavy, 1995; Herndon, 1996, Schwartz, 2001; Hosbay, 2014; Gravelle, 2015).

This chapter wants to present similarities between the needs of human beings and companies because the set of morality rules are determined by these needs; discuss specificity of real estate industry and

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