

Code of Corporate Ethics as a Tool for Developing the Potential of Enterprises

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Abstract. The key role in the creation, maintenance, and development of corporate ethics is played by codes of corporate ethics. The relevance of the problem lies in determining approaches to the creation of the content and the importance of codes of corporate ethics as a tool for developing the potential of the enterprise. Each company defines its own tasks, for which it intends to use such a tool as the code of corporate ethics. Nevertheless, the creation of the code, admittedly, extends beyond writing the text of the document. There is a specific implementation of such documents: it is impossible to force one to comply with the code of ethics. The purpose of the study is to determine approaches to the creation of the content and the importance of codes of corporate ethics as a tool for developing the potential of an enterprise. The study defines the essence of the “code of corporate ethics”. Classification of existing codes of corporate ethics is conducted. Universal codes and ethical codes, including professional and corporate ones, are highlighted. The main functions performed by corporate codes in organisations are identified and investigated, including the factors that determine the content of the code. Approaches to creating ethical corporate codes are covered. Two versions of the code, such as declarative and detailed, are considered, which is reflected in examples of actual codes. The classification of existing approaches to the codes of corporate ethics is given to build a methodological base. The study describes the importance of each employee's adoption of the code of corporate ethics, since only under this condition will it be implemented. Based on the above, it is recommended that at the stage of creating the code, procedures should be provided that would include all employees of the company in developing the document, if possible

Keywords: code of corporate ethics, corporate culture, employee behaviour, enterprise potential

The Problem statement

In recent years, many enterprises have developed codes of corporate ethics. Corporate ethics is the result of awareness of the professional interests, aspirations, and ideals of administrators, managers, and actual performers. Researchers Yu.Yu. Petrunin and V.K. Borisov [1] emphasise special methods aimed at developing the ethical basis of labour relations: 1) corporate codes, which are the central element of corporate ethics (a collection of rules for business communication); 2) map of ethics (a set of ethical rules and recommendations that specify the ethical code for each employee of the team (organisation)); 3) committees or certain ethics specialists (who purposefully develop the ethical policy of the team (organisation), and also solve specific ethical problems that arise in professional practice) [1].

As practice shows, codes of ethics contain resources for solving a fairly wide range of tasks. Therewith, there is currently no unified methodological approach to the creation of ethical codes. One of the steps in building such a methodological base can be the classification of existing codes of corporate ethics given in the study.

A study of the ethical codes of leading companies from various countries indicates that they often differ considerably. The codes have different formats, different styles, and, moreover, perform different tasks. The set tasks determine the type of document and how it will work in a particular organisation.

In modern conditions, investing in a person is the most effective. In many new sectors of the economy, the quality of human capital of an enterprise is the most crucial

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factor in its competitiveness and potential development. A strong corporate culture is characterised by considerable investments in professional development, advanced reward systems, a reliable workplace, and a high level of job satisfaction among employees. Evidently, the main role in the creation, maintenance, and development of corporate ethics is played by codes of corporate ethics.

Analysis of Recent Research and Publications

The problems of corporate ethics codes, their main goals, and objectives, including issues of raising the level of ethical awareness in the field of entrepreneurship and international relations have been studied by both national and foreign researchers: I. Bentham, Yu.Yu. Petrunin, V.K. Borisov [1], M. Weber [2], I. Gerchikova, the model of which is reflected in the study of H.Yu. Shportko [3], the conclusions of sociologist E. Durkheim are provided in the lectures of Yu.K. Vlasenko [4], P. Kozlovski [5], T. Parsons noted in the study by A.V. Kravchenko [6], Y. Palekha [7], J. Radevych-Vynnytskyi [8], the concept of M. Friedman described in the textbook of O.O. Okhrimenko, T.V. Ivanova [9], G. Chaika [10], T. Chmut et al. [11].

Purpose of the Study

The purpose of the study is to determine approaches to the creation of the content and the importance of codes of corporate ethics as a tool for developing the potential of an enterprise.

Research Results

The code of ethics is essentially a set of rules and standards of behaviour shared by group members. The code sets certain patterns of behaviour and common standards for relationships and joint activities. The first universal codes, which are a set of universal values, were collections of religious rules. For example, the Code of the Ten Commandments is sacred and fundamental to Judaism, Islam, and Christianity. The code of ethics developed by the ancient Greek scholar Pericles became the basis for ancient Greek politics and culture [12].

A little later, private codexes began to appear that determine the behaviour of individual social groups of society (for example, the samurai code "Bushido") [13]. The need for private codes (for example, codes of associations, professions) arose due to the fact that universal standards did not properly regulate human behaviour in specific situations. Private ethics concretised general moral principles regarding the specific features of a particular activity.

Currently, two types of codes of ethics are most common – professional and corporate, which regulate the relations of people within these groups. Depending on the identity of the specialist (including the organisation or the professional community), the code of professional or corporate ethics will be more considerable for them. Professional codes regulate relations within the professional community and are effective for the "liberal profession", where professional ethical dilemmas are most pronounced. One of the first professional codes of ethics was the Hippocratic Oath – the code of doctors. The most well-known ethical codes are related to those professions where considerable ethical dilemmas

are set by the content of their activities (lawyers, psychotherapists, journalists, real estate agents, etc.). The codes regulate the behaviour of a specialist in difficult ethical situations characteristic of the profession, increase the status of the professional community in society, and form trust in representatives of the profession. The code also increases the importance of belonging to a profession, its adoption can indirectly be a rite of passage (for example, taking the Hippocratic Oath and admission to medical work of doctors). When the most considerable ethical dilemmas are set by the organisation, the activities of employees are regulated by the corporate code.

The root cause of ethical problems in business is contradictions in the interests of stakeholder groups. Business involves economic relationships between many groups of people: customers, employees, shareholders, suppliers, competitors, the government, and stakeholders. For the most effective management, a modern manager must consider the entire set of interests, not just the interests of shareholders.

Stakeholder groups often make conflicting demands. For example, a contradiction in the interests of the company and the consumer: is it possible to sell a product that does not match the quality declared (unfair advertising)? The company strives for the most profitable coverage of its product and attracting customers, interest – the prosperity of the company. The consumer is interested in the most objective communication about the consumer qualities of the product, interest – full awareness.

Notably, not all problems have a moral aspect. For example, the question of whether to introduce a new product in Europe before then in the United States has no moral component. While the question of different quality criteria (or different standards of information openness about the quality of goods) for products of the same company exported to the United States and third world countries affects moral standards. Therefore, the most important tasks of the code of corporate ethics are to set priorities for target groups and ways to coordinate their interests.

The code of corporate ethics is a regulatory text on business corporate ethics, one of the means of managing the behaviour of employees in the sphere of their activities, where communication participants establish and develop business relations based on fixed ethical standards [8, p. 17].

The code of corporate ethics can perform three main functions [10]: reputational; managerial; corporate culture development.

The reputational function of the code is to build trust in the company on the part of external reference groups (a description of policies conventionally fixed in international practice in relation to customers, suppliers, contractors, etc.). Thus, the code, being a tool of corporate PR management, increases the investment attractiveness of the company. The company's code of corporate ethics is becoming a global standard for doing business.

The management function of the code is to regulate behaviour in complex ethical situations. The improvement of the efficiency of employees' activities is conducted through: 1) regulation of priorities in interaction with considerable external groups; 2) determining the order of

decision-making in complex ethical situations; 3) indications of unacceptable behaviour.

Corporate ethics is also an integral part of corporate culture. The code of corporate ethics is a considerable factor in the development of corporate culture. The code can convey the company's values to all employees, orient employees to common corporate goals, and thereby enhance corporate identity. The content of the company code is determined, primarily, by its features, structure, development tasks, and attitudes of its administrators.

As a rule, codes contain two parts: ideological (mission, goals, values); regulatory (standards of working behaviour). However, the ideological part may not be included in the content of the code. Professionally homogeneous organisations (banks, consulting companies) often use codes that describe primarily professional dilemmas. These codes follow the professional community codes described earlier. Accordingly, the content of such codes primarily regulates the behaviour of employees in difficult professional ethical situations. In banking, for example, this means access to confidential information about the client and information about the stability of one's bank. The code defines the rules for managing such information and prohibits the use of information for personal enrichment.

It primarily solves management tasks. The addition of chapters on the company's mission and values to such a code contributes to the development of corporate culture. Generally, a corporate mission is considered the social concept of the business that the firm is engaged in. Therewith, the code can have a considerable scope and complex specific content and be addressed to all employees of the company [14].

In large, heterogeneous corporations, combining all three functions becomes difficult. On the one hand, there are a number of rules and situations that are conventionally enshrined in ethical codes in international practice. In particular, this is a policy towards customers, suppliers, contractors; a description of situations related to possible abuses: bribery, theft, deception, discrimination. Based on the management function, the code describes standards of behaviour in such situations. Such a code has considerable scope and rather complex content [15].

Addressing it to all groups of employees in conditions of differences in the educational level and social status

of employees is difficult. Therewith, the development of the company's corporate culture requires a single code for all employees – it should establish a common understanding of the company's mission and values for each employee. In this situation, two versions of the code are used: declarative and expanded. The Credo, or declarative version of the code of ethics, has been used to present ethical principles since the beginning of the 20th century. Such codes include the Credo (declaration of values) Johnson & Johnson (1944), the code "Seven spirits (principles)" of the conduct of employees of Matsushita Electric (1933). They describe the general principles of employee behaviour at the declaration level.

In general, the declarative version is only an ideological part of the code that does not regulate the behaviour of employees. For example, Credo includes 4 expanded values, Seven spirits – seven basic principles. Therewith, in specific situations, employees themselves must understand how to behave based on basic ethical standards. Similar codes are still in force today. However, in some cases, it is difficult for employees to estimate the ethical validity of a particular action based on general principles. Thus, in order for the code to actually work, companies resort to constantly broadcasting these principles through "singing the anthem," regular discussions, and other corporate rituals. Thus, the declarative version of the code primarily solves the problems of developing corporate culture. Therewith, to provide the code to the community and solve specific management tasks, it is necessary to develop additional documents.

Since the 1980s, an extended version of the code with detailed regulation of the ethics of employee behaviour (P&G, BP) has also become widespread. It included specific regulation of employee behaviour in certain areas where the risk of violations was high or difficult ethical situations arose. These regulations were described as rules regarding customers, consumers, the state, political activities, conflicts of interest, and occupational safety. Therewith, the large volume and complexity of the content of such codes determine their selective addressing. In most companies, such codes are developed for top and middle management and are not a common document that unites all employees. Classification of existing approaches to corporate ethics codes to build a methodological base is shown in Table 1.

Table 1. Approaches to creating ethical corporate codes

Approaches	Professional	Declarative	Expanded
Example	PrivatBank, Agricole Bank	Johnson & Johnson, Panasonic	BP Amoco, P&G
Company characteristics	Professionally homogeneous enterprises	Large, professionally non-homogeneous enterprises	
Content	Describes professional ethical dilemmas, standards of behaviour. May contain an ideological part	Describes the ideology and general rules of conduct	Describes policies for key groups and regulates employee behaviour. May contain an ideological part
Main functions	Can perform all three functions: reputation, management, and corporate culture development	Performs mainly the function of developing corporate culture and partially managerial	Performs reputational and managerial functions
Addressed to	All employees		Mostly managers
Format	Professional presentation language, considerable volume	Clear text, small volume	Special terminology, considerable volume

Source: [6]

Conclusions

Thus, each company defines its own tasks, for which it intends to use such a tool as the code of corporate ethics. Nevertheless, the creation of the code, admittedly, extends beyond writing the text of the document. There is a specific implementation of such documents: it is impossible to force

one to comply with the code of ethics. Therefore, in order for it to really work, even at the stage of its creation, it is necessary to provide for procedures that include all employees of the company in the document development process, if possible. The code of corporate ethics will actually be implemented only if each employee adopts it.

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Кодекс корпоративної етики як інструмент розвитку потенціалу підприємств

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Анотація. Основну роль у формуванні, підтримці і розвитку корпоративної етики відіграють кодекси корпоративної етики. Актуальність проблеми полягає у визначенні підходів до формування змісту та значущості кодексів корпоративної етики як інструменту розвитку потенціалу підприємства. Кожна компанія визначає власні завдання, для вирішення яких вона має намір використовувати такий інструмент, як кодекс корпоративної етики. Але створення кодексу, природно, не обмежується тільки написанням тексту документа. Існує специфіка виконання подібних документів: змусити виконувати етичний кодекс не можна. Метою статті є визначення підходів до формування змісту та значущості кодексів корпоративної етики як інструменту розвитку потенціалу підприємства. У статті визначено сутність поняття «кодекс корпоративної етики». Проведена класифікація існуючих кодексів корпоративної етики. Виокремлено універсальні кодекси, етичні кодекси, зокрема професійні та корпоративні. Визначено та досліджено основні функції, які виконують корпоративні кодекси в організаціях, та чим обумовлюється зміст кодексу. Розкрито підходи до створення етичних корпоративних кодексів. Розглянуто такі два варіанти кодексу, як декларативний і розгорнутий, що відбито на прикладах реальних історичних кодексів. Наведено класифікацію існуючих підходів кодексів корпоративної етики з метою побудови методологічної бази. Охарактеризовано важливість прийняття кожним співробітником кодексу корпоративної етики, оскільки тільки за такої умови він буде реально виконуватися. Виходячи з цього, було зроблено рекомендацію на етапі створення кодексу передбачати процедури, які включали б у процес розробки документа по можливості всіх співробітників компанії

Ключові слова: кодекс корпоративної етики, корпоративна культура, поведінка працівників, потенціал підприємства