

HUMAN RESOURCES AND ETHICAL CODE

LJUDSKI RESURSI I ETIČKI KODEKS

*Milica Jakšić*¹

JEL Classification: D0, D23, M14;

Preliminary communication

Primljeno / Received: Februar 07, 2016

Prihvaćeno / Accepted: April 20, 2016

ABSTRACT

Human resources considers cases that are related to employees in the organisations. Ethical code is a document that confirms those cases and shows relations between the organisational tangible and intangible resources. Main thesis of this paper is that there exists strong and positive correlation between human resources and ethical code in every successful organisation.

Written ethical code and HR managers' experience promote collegial behavior, cooperation, teamwork, uniteness, mutual support and loyalty, that are all ethical virtues.

Key words: *human resources, ethical code, business ethics.*

SAŽETAK

Ljudski resursi razmatraju slučajeve koji se odnose na zaposlene u organizacijama. Etički kodeks je dokument koji potvrđuje te slučajeve i pokazuje odnose između organizacionih materijalnih i nematerijalnih resurs. Glavna teza ovog rada je da postoji jaka i poziciona korelacija između ljudskih resursa i etičkog kodeksa u svakoj uspješnoj organizaciji. Pisani etički kodeks i iskustvo menadžera u koju upravljaju ljudskim resursima promoviraju kolegijsko ponašanje, saradnju, timski rad, jedinstvenost, međusobnu podršku i odanost, kao suštinske etičke vrline.

Ključne riječi: *ljudski resursi, etički kodeks, poslovna etika.*

1. INTRODUCTION

Business ethics has changed through time, but its foundation, the basic ethics presented by Aristotle and Kant never changed. This means that values such as duty and rights presented by Kant, consequences of actions presented by utilitarians, the placement of virtues in the business world presented by Aristotle are universal. „Business ethics has developed and expanded as business has developed and expanded.“ (De George, pp. 344, 351).

Adam Smith in his book „A Theory of moral sentiments“ wrote about the sentimental dimension in organisations and the lack of it among businessmen. He wrote about the moral obligation of business leaders to consider the sentimental value of the employees and their need to be human and just, to help each other and

¹ Modern Business School, Beograd

to see the other side of the cruel, nonethical profitmaking. (De George, pp. 340) He recommended leaders to be rightful and objective towards their employees and that they have to fight for their confidence and loyalty. „Karl Marx developed the most trenchant attack on what he termed capitalism, a period of history which he considered necessary and in which he admitted human productivity developed more than during any other period. For him the problem with capitalism was that most of the benefits were repeated by the few, when there was enough to better the lot of all. “ (De George, pp. 339) „Marx’s critique of exploitation, his condemnation of making commodities more important than people and of judging people by what they have instead of what they are, resonates even in American culture. “ (De George, pp. 340). „So, the employer must believe that the current employees maximize its welfare“. (Schumann, P. L. , 2001, p. 98)

2. ETHICAL CODES

Today almost all of the corporations have similar ethical codes. However, two principles must be abided to support them:

- 1) Ethical code must be clearly presented inside the company and out of it;
- 2) Ethical code must develop practical ethical standards and procedures that are connected to the company’s work profile. (Williams, C. , pp. 68)

We might add a few principles for the new ethical codes:

- Ethical codes must be formulated so as the common employee can understand them well;
- Ethical codes must present the experience of ethical and unethical behavior inside the company;
- Ethical codes must present doing business with a good will and with good entrepreneur’s attention;
- Ethical codes could comprise the case studies so the employees can learn from them;
- Ethical codes cannot be obligatory because the problems that occur can be placed in different environment and time conditions.

Ethical codes must vary from one organisation to another not only because of the work profile, but also depending on the organisational behavior, culture, structure, climate, country, situational factors, educational level etc.

- When formulating ethical codes, people must also include main organisational goals such as profitmaking.

It is difficult to create, implement and communicate the code of ethics in the organisations. Code of ethics cannot be standardized and unified in all of the companies. Its structure and cases must coincide and be integrative part of company’s strategies and goals. Ethical code represents *conditio sine qua non* of modern organizations. Ethical code differs from one organization to another. Ethical code represents companies, their mission and vision, its goals and aims. Ethical code is the beginning of doing business “in good spirit” and of functional, operational, effective and efficient business. Ethical code is one of the main documents in an organiza-

tion. The employees ought to be familiar with ethical code. Ethical code is built upon following building blocks:

1. The information about the organization, ie. name, address, field of operations, number of employees;
2. Organizational structure;
3. Organizational culture;
4. The necessary legal framework;
5. The good traditions;
6. The experience of the organization;
7. Cases of good and bad organizational behavior;
8. Operating in good customs and with „good entrepreneur’s attention“;
9. Instructions for newcomers and future employees;
10. Information about good employee relations and relations with the other stakeholders.

Table 1: Organisational principles and human behaviour.

<i>Issue</i>	<i>General employees</i>	<i>Senior executives</i>
Working for other organisations	Working for other organisations considered to be a vice.	Doing the exploration of the competition in the interest of the organisation is considered as a virtue.
Pay-motivation relationship	Bigger pay stimulates employees to work hard.	The higher the pay, the higher the motivation.
Pensions	It is difficult for state or organisations to provide income after employment except for the adequate pensions	Generous pension packages are essential to entice the appropriate level of executive talent.
Working conditions	Working conditions should be optimal	A demand for exquisite working conditions
Perks	The more you work, the more you get paid	Benefits should be provided

Adapted from: Fisher et al., pp. 264.

Ethical code must be written clearly and with the image that every employee, regardless of their position, should understand it. Therefore, ethical code should be written vividly, with large number of cases, illustrations and examples in order to be understandable, applicative and attractive to the employees and the other stakeholders. Ethical code represents the way of conduct to living a business life. It represents the organization and it leads to a longer business lifecycle of the organization.

Ethical code is usually similar amongst organizations and therefore must be taken more seriously in order to be original and attainable. Ethical code represents each one of the employees, it contains memories of the organizational heroes, its good deeds and heroic acts. Ethical code is interesting for the employees, so that they can identify with their founders and beginners and therefore they can be good

followers. "Any of these responses will have impacts on different groups, and the choices made will distribute these impacts differently." (Boatright, p. 482)

The ethical code must be taken in account when organization deals with problems that are old and must include new situations that are to become problems that are ahead. The ethical code cannot be extensive and it should represent all the key points clearly and briefly.

Code of ethics is important document for medium sized and big organizations, but small enterprises do not necessarily need to have one, because everybody does everything in this type of organizations and the obligatory tasks and chores are not divided. Ethical code is not obligatory, it is optional, but it is recommendable for companies to have one even at founding or from the very beginning. Every problem can be solved with the help of ethical code. Ethical code is basic and bottom line that no employee can surpress and oppose. Ethical code is one of the most important documents that are to be obeyed in the organizations. Ethical code is representative and written in good spirit in order to attract and attain employees. The ethical code is carefully formulated, never offensive or insulting to any ethnical, religious or race group. Ethical code considers the circumstances and the territory in which the company operates, especially when it comes to multinational companies.

There are many problems concerning implementation of ethical code. Ethical code is to be available and reachable to everyone in order to find quick solutions to the problems that may occur or already have appeared. Ethical code is the document that offers reasonable cases that can be applied and adapted by the workers, managers or CEOs. If a new problem arises, the old solutions can be consulted, mixed and considered in order to gain new ideas, and, when the solution is found, it is automatically included in the ethical code if it turns out to be effective and successful.

Ethics as a discipline is old, its basics come from the time of Aristotle, its highlight was in Kantian time, and modern scientific discipline comes from the 1970ies. Therefore, we can say that ethical solutions can be old, but also adjusted to the new circumstances and in such modified form can be applied very successfully and give a whole new point of view concerning modern business and profit making. Sometimes old solutions, that are forgotten by most of the stakeholders in modern surrounding can be very effective and give strange and outstanding results. The reason for that can be because the competition lost track of what was going on before they appeared on the market scene, especially if the company we look at is older than the competition. That is why tradition and good customs can never fail if the company has long and successful, ethical lifecycle.

Business ethics also keeps track of the brand new goings on, on the market, and it adjusts to the new business conduction and new ethical customs especially if it is planning to conquer new markets or it has plans on going global. Ethical norms and dilemmas differ from one country to another and therefore business ethics is becoming more and more flexible and tolerant. The most important thing is that in

the processes of employing new workers, lobbying, expanding on the other markets, takeover processes and all the other sort of negotiations, ethical business customs are respected and applied.

These customs differ from one country to another and therefore we emphasize tolerance as the first and the most important ethical virtue and demand. If the company is going global, good customs emerge good business relations and good organizational culture within, as well as good organizational climate outside the company. Business ethics is not only about theory, it concerns practice as well. Examples of good ethical behavior, good manners in business relations on meetings, business arrangements, merger, acquisitions or takeover negotiations are all part of the ethical business process.

Business ethics is a discipline that expands rapidly and all the stakeholders are involved when it comes to their relations with organization. Ethical treatment of all the people, organizations and media are recommendable when it comes to survival on the big global market. Today the ethical treatment of workers is on the top of the list of priorities, because mobbing is the topic No. 1 on the list of undesirable working relations and many legal procedures are taking over because of the unethical behavior. It can also be said when it comes to meetings with business partners, they like good and ethical treatment when they meet with the CEOs. That is the reason why the business protocols and ethical procedures are respected in all aspects of business life of the company.

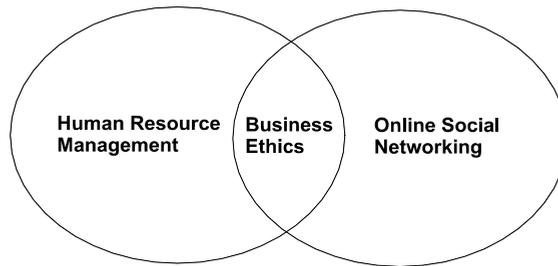
3. SIGNIFICANCE OF ETHICAL CODE

Ethical code is a means of communication between the company and its stakeholders. If it is carefully written and formulated, it can become the main document that the CEOs and the employees can rely on and help in problem solving, especially if the company is planning growth and targeting new markets." It communicates to employees that a code of ethics does not necessarily have to govern behavior." (Felty, 2014, p. 20)

When it comes to new markets, the market analysis should be incorporated before the company expands. Ethical code can help in many ways to conquer new markets. Here are some reasons:

- 1) If the company has been on different markets before, ethical code can help with instructions how to proceed in the best ethical way possible.
- 2) Ethical code can help in the process of recruitment and selection of staff when the new employees are to be chosen for expanding on the new market.
- 3) Ethical code can help new workers adapt to the company's organizational structure, culture and climate.
- 4) Some parts of ethical code can be used to promote the company on the global market.
- 5) Ethical code can help in problem solving when it comes to the relation with, for example competition on the new market.

The code of ethics is based on the good principles that everyone has to obey and therefore it guarantees the good establishment of the organization and it helps new organizations stand on their feet. The companies rely on each other and the companies that are to be taken over by some bigger organizations can use and accept the bigger organization's ethical code and use its examples of good business customs.



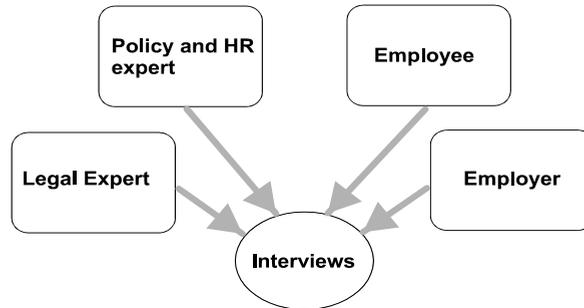
The relationship between Business Ethics, OSN and HRM

Khachiche, S., The Business Ethics of Online social Networking in HRM practices: recruiting and retaining employees in Australia, 2012 International crisis and risk communication conference.

Ethical experts can formulate ethical code to be attainable, interesting, easy to read and easy to include in one's way of life at work. "Despite the obstacle, human resource professionals are fully qualified to assist in the creation of a code of ethics." (Felty, E., 2014, p. 18) Ethical code can attract as many readers as possible so as to prepare them for future good and bad situations that may arise in the working process. "There is an increase in employee monitoring within the workplace" (Khariche, S. et al 2012, p. 5) Work doesn't have to be boring and dull, it can become interesting if the ethical experts include the workers in the process of writing the ethical code and their anecdotes from work can become the interesting part of ethical code with the emphasis that it has to be written with caution and very carefully imagined, without mockery, and low jokes. The level of the company is seen through the eyes of ethical code. For example, in one company, they spread the word that one of the candidates invited to the selection interview smelled his armpits before entering the room. That is an example of unethical and low level of the company's authority.

Ethical code is supposed to be always correct, but considering the constantly changing circumstances of the time and place barriers, it cannot predict the future situations fully. "Although strategic benefit is just one aspect to communicate, human resource professionals and company executives need to portray a code of ethics positively from many angles in order to gain employee support." (Felty, 2014, p. 21) That is the reason why the whole organization must be included and, by the element of brainstorming, it should advance and interpolate the situations that may occur with the best outcome possible. The ethical code brings out the morale of the employees and its superiors, because it reflects the good spirit of the company and it stimulates all the staff to act as ethically as possible. Ethical code is

the best way to communicate the interesting side of the organization and to attract the right people for the right jobs.



Interview stakeholders.

Khachiche, S., The Business Ethics of Online social Networking in HRM practices: recruiting and retaining employees in Australia, 2012 International crisis and risk communication conference.

Ethical code reflects the organization and it illuminates its highlights, it tells stories about the heroes that have made the company progress and advance, or it tells stories about saving it from failure by predicting the problems and anticipating them. Ethical code is a document ab libitum that all the other documents should be subjected to. The ethical code is not just a document, it is a supreme evidence of the existence of the company. It puts its track on all the happening within the organization and outside it, and it proves that the organization had its ethical and moral standards that have been obeyed and respected throughout the years and from the very beginning.

The moral obligation of the company is to stick to its moral and ethical principles and to keep track of the main events that have made the company succeed and gain its identity. On those principles, the company may survive the turbulences caused by the market changes, inflation, stock market turnovers, changing relations with stakeholders, or the overall political situation. The so called PEST (Political, Economic, Sociological and Technological) factors cannot reflect the organizational outcome, if it acts according to the ethical code. Ethical code should be, and is the organizations diary, representative, and alter ego. Read carefully the organizational ethical code if you wish to understand it in the best possible way.

4. HUMAN RESOURCES AND ETHICAL CODE

Ethical code is similar in many companies. But it differs from one another in the part where mission, vision, goals and organizational structure are included. If we omit the fact that all ethical codes are similar, if we look deeper and more into the essence of the company it is written for, we can discover a lot from the ethical code. It is interesting because its parts are commercialized and put in promotional use. Ethical codes are presented on the Internet, they are subjected to the aims and goals of the company and therefore represent it in the best way possible. Ethical

codes are put in use to attract clients and potential employees, they are used to inform about the company's activities in the non-profit sector such as donations, charities and corporate social responsibility.

When people believe that their working environment is ethically right, the probability of them staying in that company is six times bigger than when they believe that ethical principles in the company are not respected. (C. Williams, pp. 59) This illustrates the need of employees for fairness and justice in their company.

1) Hypernorms are the ultimate norms that are common and applied in all nations, on all Meridians, in every country from the emergence of ethics upto today.

2) Consistent norms are norms that are shared by most of the society, whereas in some part of the world they are unknown.

3) Moral free space is more considered at the local level and considers policies such as child labour and concern multinational companies.

4) Illegitimate norms are absolutely unacceptable by some societies and in some they are dominant. They are completely opposite and differ from one country to another. (Fisher et al, pp. 430)

Employees are the most valuable and the most important resource of the company, but they are also one of the most precious stakeholders since they can also be shareholders, members of the shareholders' comitee and members of the syndicates. They include three functions and three stakeholder positions:

1. employees;
2. syndicates, and
3. shareholders.

Even the ex employees and pensioners can influence the organisation by recommending new staff, lobbying and providing information for the company. That is the reason why the company should invest in its staff, include them in the programme of brainstorming and gathering new ideas, and provide them the necessary conditions for good worklife and in return expect them to act ethically in every situation. „Once regarded as a concern of a few philanthropic individuals and companies, corporate social and environmental responsibility appears to be becoming established in many corporations as a critical element of strategic direction, and one of the main drivers of business development, as well as an essential component of risk management.“ (Clarke, T., pp. 418) The risk minimizes when ethical codes are respected and applied. The employees are expected to act ethically and the effect of synergy will appear without exception. The risk is due to a minimum and the return on investment in employees may bring the biggest profit and return multiple times their salaries. The commitment of the employees and their willingness and determination to help each other brings the company to an upper stage. If the employees are aquainted with the ethical code, they will supply the company with bigger effort and mutual help, which will resolve many difficult problems the managers face every day, and so the risk is lowering.

Some of the key points of Corporate Social Responsibility and risk management are:

„The market can deliver both short-term financial returns and long-term social benefits; The ethical consumer will drive change; There will be a competitive „race to the top“ over ethics amongst businesses; In the global economy countries will compete to have the best ethical practices.“ (Clarke, T. , pp. 422)

Ethical practices and doing good in business are associated with tradition. The longer the company operates, the bigger experience it gets and the profitmaking process is becoming a technicality. The company expands and the employees usually become expendable. But not in large ethical companies. „Large corporations are taking their social and environmental responsibilities more seriously, and these issues are becoming more critical in the business agenda.“ (Clarke, T., pp. 429) These companies rarely lay off workers and just keep employing new fresh blood so the ethical codes and practices can be transferred from one generation to another. The company is becoming a second house for its employees and they identify with it. Those companies survive longer at the market and their lifecycle is longer because the employees are committed and loyal.

The employees' ethical effect on the organisations are:

- Bigger growth potential;
- New and fresh ideas providance;
- Longer lifecycle of the organisation;
- Stronger liasons amongst employees;
- Better communication with superiors;
- Smaller risk of unethical behavior;
- Better organisational culture and atmosphere amongst employees;
- Synergic effect;
- Bigger profits for the organisation.

5. BUSINESS ETHICS TODAY

Etics provide a guideline through the business behavior which is desirable and which provides a conduct for the CEOs, leaders, shareholders, managers, HR managers, employees, competition and all the others involved in the businesscycle of the company. That is the main reason why they gather around an idea of the leader and that is just the moment when new organizations appear. „Ethics is a systematic study of the generally-held (or conventional) morality of a society aimed at determining the rules which *ought* to govern human behavior, the rules that a society *ought* to enforce and the virtues worth developing in human life.“ (De George, pp. 343).

Business ethics comprise the ethical codes of individuals which they inherited, and acknowledged in the early stages of life, adjusted in the different periods of development of themselves and of the society as a whole and the ethical standards they face when they meet with the organisational codes, rules, tradition, culture and climate. „The latter studied different effects of different practices, as well as differing attitudes toward given business practices in different societies.“ (De George, pp. 348)

Business ethics is a universal discipline. "It could be observed that two major issues remain unsolved regarding teaching ethics in HRM courses ... the first issue is that ethics training in HRM courses has been developed on an *ad hoc* basis ... The second issue is the purpose of ethics education." (Plant, J., 2009. p. 226) When it comes to studying ethics, people often wonder why study business ethics. The answer is that ethical code offers many vivid examples of relations in the company through case studies and experience based knowledge. Ethical code concerns all the matters in the company from the point of view that the company is not to violate the law and other principles of good customs and good employee and other stakeholder relations.

The contemporary business ethics literature is full of examples in the form of cases, illustrations and stories about what should and what shouldn't be done if the organization is to keep its position, expand and grow. These examples are from all over the world and give a global perspective of the different ethical customs, codes, morality and expectations. Different organizations have different ethical codes and there are often dilemmas about what is moral and what isn't. The law gives strict boundaries in some points of view, but there are lots of intangible and complicated relations that cannot be resolved only legitimately.

There are moral obligations, sentiments, different customs, religions, race and ethnical background, and therefore tolerance is the key word for modern business ethics. Business ethics promotes tolerance, guidance, mentorship, unity, knowledge, good experience, cooperation, etc. Business ethics promotes the values that are desirable and shared by all the people who are willing to help one another and such an atmosphere reflects on the whole organization. The tradition of good internal relationships will give strength to the company and it will be more resilient to the competition's attacks.

Modern companies today faces many challenges. "There are two differing views concerning how companies should approach a definition for business ethics-the shareholder perspective and the stakeholder perspective." (O'Sullivan et al., p. 3) Its relations with the competition should also be respectful and on the high level, because the effect of cooperation inside one branch can give positive results to all the companies involved. That is why we speak of franchise, mergers, acquisitions, and other forms of cooperation in order to get a better part of the overall market share considering that it is a global market where nowadays smaller companies cannot survive compare to the international and transnational, not to mention global companies. This is the main reason why dumping prices and market booms are not in the good entrepreneur's attention.

6. CONCLUSION

Ethical code is a document about people, its problems, its relations and its deeds. That is the reason why it is tightly connected with human resources. Human resources as well try to find the best people, keep them in organization and cherish good employee relations. When a problem occurs, whether it is a con-

flict with superiors, amongst employees or with their customers, HR experts consult ethical code. If ethics, as a roof of the company's foundation is considered, then the problem can and will be solved in the best possible way, with a win win situation, where minimum damage is caused.

There is always a solution for the problem, but ethical code with the long history of the organization, has the biggest spectrum of those problems and the solutions that can represent a combination of the already seen solutions and give best outcomes. If the organization is targeted and its existence is in danger, the people, the employees and stakeholders can be consulted, and their problem solving can be included in the ethical code for future generations to analyse.

Therefore, ethical code and human resource managers are on the same task and that is the welfare of the organization, its employees, managers, stakeholders and the entire local community. Ethical code and human resources can give a synergic effect and resolutions for the crisis situations, everyday functioning of the organization and for the good and stable longterm profitable results.

REFERENCES

Boatright, J. R. (2010), The ethics of risk management: a post-crisis perspective in Values and ethics for the 21st century, *Openmind BBVA*, pp 473-496.

Buckley, M. R. , Beu, D. S. , Frink, D. D. , Howard, J. L. , Benson, H. , Mobbs, T. A. , Ferris, G. R. (2001) „Ethical issues in human resource systems in Human Resource Management Review“ 11, *Pergamon*, 2001, p. 11-29.

Clarke, T. (2010), Ethics, values and corporate governance in Values and ethics for the 21st century, *Openmind BBVA*, pp 405-437.

De George, R. T. (2010), A history of business ethics in Values and ethics for the 21st century, *Openmind BBVA*, pp 337-359.

Felty, E. (2014) , „A Moral Debate The Responsibility of Human Resource Professionals in the Implementation of a Code of Ethics in the Honors Program“, Liberty University.

Fisher, C. , Lovell, A. , Valero- Silva, N. (2013), „Business ethics and values“, Pearson, London.

Khachiche, S. (2012), The Business Ethics of Online Social Networking in Human Resource Management Practices: recruiting and retaining employees in Australia in International Crisis, and Risk Communication Conference, p. 1-19.

Plant, J. , Ran, B. (2009), Education for ethics and Human Resource Management A Necessary Synergy in Public Integrity vol. 11, no. 3, 2009, p. 221-238.

Schumann, P. L. (2011), A moral principles framework for human resource management ethics in *Human Resource Management Review* 11, Pergamon, p. 93-111.

Williams, C. (2010), „Principi menadžmenta“, Data status, Beograd, 2010.