

Codes of Ethics, Ethical Behavior, and Organizational Culture from the Managerial Approach: A Case Study in the Colombian Banking Industry

Marta Villegas, Consultant and Researcher in Business Ethics and CSR, Medellin, Colombia

Michael H. McGivern, Faculty-Doctoral Studies, Jones International University (JIU), Centennial, CO, USA

ABSTRACT

This qualitative case study explored managerial perceptions regarding codes of ethics, ethical behavior, and the relationship of these concepts to organizational culture in a Colombian bank ZOX (pseudonym), in a South-American environment. The data-collection phase contained a purposive sample of ten ZOX senior managers, by including four one-on-one interviews, a focus-group interview, and company documents. The findings include the facts that codes of ethics are mandatory and they demand that the individual has his/her own values; ethical behavior follows general principles and values as ethical guides of duty regardless of the consequences; and the organizational culture is influenced by the leaders' ethical behavior. The findings also serve to trace and describe empirically and theoretically the components of a multi-dimensional approach of an ethical organizational culture. A suggestion for further research might be the testing of this multi-dimensional approach in other settings and going deeper into the relationship among its components.

Keywords: Codes of Ethics, Employee Behavior, Ethical Organizational Culture, Ethical Standards, Leadership, Stakeholders' Trust, Sustainability

INTRODUCTION

With the collapse of large financial institutions and massive losses in the business- and personal-banking systems, the 2008 global financial crisis had an impact on people's mistrust, causing them to demand that corporations

adopt mechanisms, such as codes of ethics, to conform to their stakeholders' expectations. For this reason, issues related to business ethics and corporate social responsibility (CSR) have had more relevance, which increasingly caused corporations to adopt codes of ethics as instruments to ensure their responsibilities

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(Haugh & Talwar, 2010; Singh, 2011; Trapp, 2011; Uccello, 2009; Von Der Embse, Desai, & Ofori-Brobbe, 2010). Furthermore, according to Kaptein and Schwartz (2008), "as more and more companies develop their own code or are required to adopt a code, the more relevant it becomes to know what the effectiveness of a code is or could be" (p. 111), indicating the importance of this issue for companies' competitiveness and survival.

Although codes of ethics are necessary, they are not sufficient to influence ethical behavior, where leaders' beliefs and actions are among the factors that influence employees in attaining ethical standards. According to Paroby and White (2010), the organization's leadership must ensure that the unified ethical vision is well communicated and understood by all organization members. Even though there are several studies that have demonstrated the relationship between codes of ethics and employee behavior (Kaptein, 2011; Singh, 2011; Stevens, 2008), according to Fassin and Van Rosem (2009), there is ambiguity about how managers understand these concepts and their relationship among different contexts, evidencing a gap in the existing research.

Therefore, this study sought to have a better understanding of managers' perceptions regarding codes of ethics, ethical behavior, and the relationship of these concepts to organizational culture by giving common and new meanings for those managers and policy makers who have the goal of building an ethical organizational culture (Villegas, 2014). For reasons of confidentiality, the bank is referred to throughout this study as "ZOX." Thus, understanding the meanings that managers have of these concepts in a new context, such as a Colombian banking organization, brings further explanations and approaches regarding building and reinforcing an ethical organizational culture by contributing to the stream of organizational knowledge and practice.

BACKGROUND

Even though business ethics has its roots in ancient disciplines, including philosophy, theology, and law, in the twenty-first century its significance has been triggered by corporate scandals and the financial crisis of 2008, in which the Colombian banking sector was not immune. According to Graafland and Ven (2011), the easy money policy and the lack of supervision by Governmental institutions, the focus on short-term results, and the asymmetric information that allowed hindering the risks to mortgage buyers are among the causes of the credit crisis. Furthermore, the relevance of the fields of business ethics and CSR increases through social pressure, which demands that businesses take greater responsibility toward social, political, and environmental concerns (Uccello, 2009). In this scenario, organizations establish norms and instruments, such as codes of ethics, in order to influence employee behavior as well as to recover stakeholder trust. However, according to Burnes (2009), it is important to know what these instruments, such as codes of ethics, mean for employees and what their attitude is toward this issue in order to enhance stakeholders' loyalty and trust.

Moreover, the classic model of direct governmental regulation has demonstrated its inability to cope with the demands and consequences of a major interconnected global economy, by demanding initiatives from corporations toward self-regulation. In this sense, as Haugh and Talwar (2010) mentioned, corporate codes of ethics are expressions or mechanisms that "specify minimum acceptable standards in corporate processes and procedures" (p. 237), which involve a set of values as a guide for employee behavior. Hence, the increase in the adoption of codes of ethics, evidenced by KPMG's research on Fortune Global 200 companies, "shows that 86% of them currently have their own business code" (as cited in Singh, 2011, p. 385); this implies learning about the understanding that managers have toward codes of ethics and their importance in the corporate world.

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