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PROFESIONAL ETHICS IN FINANCIAL ORGANIZATIONS

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Profesional Ethics in Financial Organizations

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Abstract:

In this terminology, we understand actions within organizations and the influence over the environment are more important than the consequences.

Even if there are significant differences between the terms ethics, morality and deontology, in the entity's life (no matter its character), the correct form of understanding the social, professional and everything beyond the mechanisms of action and evolution, is deontological (i.e. professional ethics).

Especially in the banking system, we are seeing a quite rigid relationship matrix regarding the outputs to clients. Also, the banking secrecy, as a general policy and the pursuit of profit gains, instead of a more flexible interaction with the customers, leads to little trust in the banking system.

Moreover, we plead for a relaxation regarding the oxymoron situation of ethics in the banking (financial) field.

Keywords:

ethics, deontology, financial entities, oxymoron, ethic code.

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1. General survey of the topic

At the common level, when we are speaking about Ethics, we are thinking about a set of rules which are guiding our behavior. Etymologically, Ethics comes from the Greek word "ethos", meaning character, custom, habit; nowadays, Ethics designates a philosophical discipline studying the theoretical and practical problems of morality (Sommer, Tomoioagă, 1973, apud Sandu, A., 2014). Morality refers to a social code, to a set of rules which we must obey in order to be accepted in a given society, evoking the intervention of a traditional or religious authority, able to establish what should or should not be done.(Emilian, R. coord).

The concept of ethics deals with the obligations of the individual and the cumulation of rules and values of a given society or organization. Because every time we talk about ethics we must relate to a certain behavior which comes against the acceptations of a given society, we refer to deontology when we deal with the applicability of ethics in the professional field.

Therefore, deontology (like the ethics and morals) refers to what is fair and just and designates the rules of conduct and ethical obligations of a teaching staff or a particular social group (Sandu, A., 2014). These deontological codes aim at modeling the behavior of the organization members so that they can provide reliable capital (Maxim S.T., 2010).

The ethical/moral behaviors are particularly important especially nowadays, as the way in which we relate to others is highlighted, whether they are customers/consumers or business partners. As we know, organizations are considered to be an important factor in the economy: on the one hand it is about the role that they play in economy and on the other, it is about the material resources intended to satisfy the needs of the population (Bisordi de Gutierrez, T., 2003). Certainly, in the case of the applicability of ethics in organizations we should not refer to ethics as to a universal timeless field whereas ethics transcends space, borders, race or cultural differences; ethics must relate with the social responsibility (Bisordi de Gutierrez, T., 2003).

Nowadays deontology is a necessity because the economic reality presented by the mass media quite often show cases in which companies or organizations violate ethics aiming at maximizing profit and the seizure of as many clients as possible through illegal or unfair practices. Bisordi de

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Gutierrez, T. Reminds of Archie B. Carroll who states that the applicability of ethics in organizations can be categorized on five levels:

- Individual level
- Organizational level
- Associational level
- Societal level
- International level (Bisordi de Gutierrez, T., 2003)

The applicability of ethics at these levels – believes the author – can lead to a better understanding of moral dilemmas that exist (or may exist within organizations) provided that the identification of the levels where moral issues originate and influence interest groups is allowed (Bisordi de Gutierrez, T., 2003).

2. Does deontology exist in times of crisis?

The economic crisis are part of each country's economy and are testing the effectiveness and efficiency of top economists. One of the main factors that are guilty of the occurrence of financial crises is greed which could degenerate into fraud and corruption (Argandoña, A., 2010). However, the factors that cause economic crises include:

- Creating the conditions that allowed benefits to be much higher
- The society generated induced greed situations
- Some control mechanisms have failed (Argandoña, A., 2010)

The survival in time of organizations and getting long-term profit can only be achieved through ethical practice, given that any ethical breach actually leads to a loss of both human and financial capital. We believe that besides the excessive media coverage of corruption and malpractice, an important role is played by the marketing at a personal level because the performance or the lack of performance of an organization can be highlighted from mouth to ear. The rumors circulating among business partners can, on the one hand, increase the confidence capital and, implicitly, the financial capital and, on the other hand, can determine its decrease. We believe that before arriving to critical situations, every organization should adopt a code of ethics to observe and more importantly, to make ethics a way of life. We believe that in time of crises it is important to observe a code of ethics as it allows the organization to stay strong.

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3. Case study – the financial (banking) organizations

In fact, in this paper we are dealing with the application of a composed term, i.e. *obligation-based ethics*, because the obligations, the rules of the firm or corporationare bonded to us, to our compulsory duty.

The deontology (professional ethics)-introduced in scientific circulation by C. D. Broad in 1930- is more evident in the financial (banking) field, both from the point of view of "the knowledge of what is right and proper" and from the Kantian philosophical point of view. This means that it is not the consequences that make actions to be right or wrong, but the reasons, the policies, the goals of the management (or important decision-making people) of the financial organizations (in our case) who carry out the means and actions.

The code of ethics is the solution found, both for the ethics thinking and behavior and it can be defined in many ways, as being:

1. *A set of precepts*, prescriptions of conduct for various socio-professional aspects of the moral value;
2. *A formal statement* - an ethical guide for how people in an organization must act and take decisions;
3. *A guide to business practices* that guides individual human and group behaviors;
4. *A formal document* that states rules and beliefs and reflect the objective values and principles promoted by a firm, thus reflecting its culture.

Most codes of ethics identify the expected behaviors within social relations; they recommend avoiding improper and illegal actions at work and good customer relations. In most surveys which are developed for firms that own written codes of ethics, the questions specifically regard issues related to: workforce diversity, practices such as bribery and fraud, supporting certain political parties, the probity of the accounting records, customer/supplier relationships and information privacy (Abrudan, 2005, pp. 117, 119).

A code of ethics formulates ideals, values and principles which govern an organization. Beyond these aspects, the codes of ethics address issues such as: conflicts of interest, competitors, privacy of information, offering gifts, and so on (Certo, 2002, pp. 100-103).

The main features of a code of ethics within such entities are:

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- They ought to be rigorous, and to stipulate clear ideals and/or obligations; they must not be used for one's own interest; they shall not serve a profession against the public interest;
- They must protect the public interest;
- They must be specific and honest;
- They must also stipulate sanctions and penalties;
- They must set certain priorities, the true value of the company;
- They must be issued by a legitimate authority;
- They must not interfere with other laws (e.g. the Constitution);
- They must be feasible both physically and morally;
- They must be as simple and accessible as possible.

The manager of an organization is at the interface between the organization and the context in which it operates. He is the person who can elaborate the ethical policy of the organization. This ethical policy depends on the personal philosophy of the manager, his career and his professional training. It is important that the manager wishes to create an organizational stabilizing factor by setting certain values and principles.

For example, IBM has developed the three principles that guide the company's activity:

- the individual must be respected;
- the customer must be provided the best service;
- the excellence and higher performance must be followed permanently, which, in our opinion, are defining for the well-functioning of a company.

On the other side, we want to highlight the simple and attractive ethic code of Standard Bank Group (www.standardbank.com/Resources)based on 8 (eight) main human and corporate values:

- Serving the customers;
- Growing the potential customers' share of market;
- Being pro-active (in the manner of the 4D's of the Appreciative Inquiry);
- Working in the firm's terms;
- Respecting each other;
- Delivering the spirit to the shareholders;
- Upholding the highest level of integrity.

It is considered as to have an ethical behavior,it is sufficient to have a very clear vision over the scope of the financial business involved in.

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Of course, in any field, but also in the financial-banking system, the worker (employee) should make ethics a way of life, especially that the breach of the ethical norms may entail consequences both financial and in terms of the organization's image. We consider it appropriate to name a few aspects to guide the behavior of the members of an organization:

- Professionalism;
- good training;
- responsibility;
- confidentiality;
- quality of actions;
- competence;
- respect;
- order and discipline.

All these have to be implemented and existing in the activity of financial services providers, just because it is necessary to anoint the fine tunings in the field.

4. Conclusions

Ethics are intrinsic connected to the financial field, especially professional ethics, supported by the ethic codes, in order to restore and to improve *trust* in the financial (banking) entities.

We consider that a supervision activity is necessary in order to relieve the interdepartmental and human relationshipsand, together with an ethic code, or a sound regulation, is capable to ensure a balance betweenthe bank policy, means and instruments and the consumers of financial products, for whom the loyalty and trust are the words of order.

We consider, also that the improvement of the ethics structure, the quality of the Ethic Code (if any), is indispensable for the banking entity, in order to attract potential clients and agreeing the home policy with the relationships with clients and the business environment in general.

Using this materializationof the ethic thinking and behavior, the Ethic Code and the principles of an efficient management, we aim to improve transparency, disclosure and the responsible business conduct of financial services providers, regarding the specific selling and the consumers' loyalty.

Due to the fact that financial entities are the carriersof the finance and monetary flows within an economic system, the restoration of trust and secure relationships financial providers ↔ customers, are essential for

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the well-functioning of the entities and for smooth inter-relations of all components of the economy.

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