The role of ethics communication and ethics training in Hungarian large companies

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Abstract: Operating with integrity is a key part of long term success for business. Companies can only successfully face the challenges of competitive market environments by accepting the imperatives of moral responsibility, both as individuals and as a Company. They can preserve their reputation only by irreproachable business conduct and full compliance with the Law and respecting their Code of Ethics. The article presents the characteristics of corporate ethics communication and ethics trainings raising awareness of ethics, after the overview of the international practice it concentrates on the sphere of large Hungarian companies. The research results shown are part of wide, empirical research. Based on the results suggestions have been made towards companies in order to improve ethical knowledge and awareness.

Keywords: Business Ethics, Institutionalization of Ethics, Code of Ethics, Ethics Communication, Ethics Training

1. Introduction

Business ethics means applying ethical principles, norms and theories in business life and it examines what is the right and good behavior shown by the characters of business life. Lots of people think that the individual person brings ethical values, norms from the family; these norms are difficult or impossible to be changed. But others believe that the ethics aspect can be changed, the individual ethical sensitivity can be increased.

If we accept the latter view, the question arises whether business ethics education for the leaders and professionals of the future should be finished in business education or companies also have their role in it? If they have, what role can they play, can they enhance ethical awareness and can they encourage solving moral dilemmas, can they hinder or prevent ethical offences?

The international practice shows that companies taking ethical aspects seriously do not only write down their ethical norms and communicate them towards the stakeholders but put great emphasis on teaching the norms as well.

The aim of the actual research was to assess the ethics institutionalization in case of Hungarian large companies. During the research we were looking for the answer in terms of the extent to which ethics institutionalization can be considered to be developed in case of the largest companies in Hungary, what are the features of certain ethics institutions, within this the ethics communication and ethics trainings? The article presents features of ethics communication and ethics trainings among ethics institutions and composes suggestions in order to improve these areas.

2. Ethics Communication and Ethics Training in the Light of Professional Literature

2.1. Can Ethics be Taught

Aristotle emphasized that moral behavior can be learnt and taught [1]. Although ethics does not necessarily mean virtue ethics like in case of Aristotle, the basis of all sorts of ethics training is the acceptance of this view. Teaching business ethics started in the practice-oriented MBA trainings but in the previous decades it became general integrating business ethics into business education or as an independent subject or being part of a business subject. Several studies examined the effect of teaching business ethics and it showed positive connection regarding ethical awareness, ethical judgment, ethical

perceptions, ethical values, ethical sensitivity, moral reasoning abilities [2]. Summarizing the effects of business ethics education in the last ten years it can be stated that 'ethics education does matter' [3]. In spite of the positive results the experienced teacher can occasionally find that some students consider business ethics not completely unnecessary but light or less important compared to the other mainstream subjects.

2.2. The Practical Approach of Business Ethics

One of the main goals of business ethics is that it should not only be a theoretical discipline but ethical aspects should appear in business practice and a real positive effect should emerge. Like in many other areas of business in case of business ethics it can be experienced that the practice of the leading companies is ahead of the theory or at least they apply it very efficiently.

Unfortunately, it does not always mean honest ethical approach but ethics rather appears as a means of public relations, what is more, even untrue ethics can be experienced as well. In order to prevent it, transparency is getting more and more important and the fact that internal and external stakeholders should expect companies as well as their representatives to practice ethical behavior.

Ethical behavior within a company is greatly affected on the one hand by individual features (for example individual scale of values, the level of moral development) on the other hand by organizational factors (for example company culture, behavior of the management, incentive system) [4]. According to that the organizations enable ethical behavior either by filtering their employees' level of moral development or by creating an environment which reduces the likelihood of unethical behavior [5].

2.3 Institutionalization of Ethics

Ethics institutionalization means integrating ethics into the process of everyday decision-making. It can be defined as an act which is necessary to provide a guiding principle for corporate individuals. Ethics institutionalization is an essential way to check ethics related problems arising within organizations [8]. The company institutionalization of ethics expresses the extent to which the organization integrated ethics into the processes of decision-making in an implicit or in an explicit way [9]. The most important parts of the process or the system are the code of ethics, ethics communication, ethics trainings, employees and organizational units dealing with ethics, ethics reporting system, ethics monitoring and ethics audit.

In accordance with experience, it is not enough to implement a program but regular and proper measures must be taken so that the company culture could change towards a positive direction, the regular and proper level of ethics trainings plays a significant role.

2.4. The International Practice of Corporate Ethics Communication

The majority (85%) of the 200 largest companies

worldwide forwarded the code of ethics to more than 95 % of their employees. Most of the companies (66%) inform the new entrants about the required ethics norms in the introduction program, 12% inform them during the job interview, in case of 10% it is conducted in the form of information package intended for new entrants or candidates while 2 % of them provide this information in the job advertisement. 56% of the companies make the code of ethics involved in the labor contract and in case of more than half of the companies it must be signed that the employee is aware of the code of ethics and will behave in accordance with it. In 44% of the companies surveyed the code of ethics is part of performance assessment and in 30% observing the code is a criterion of payment and incentive. According to 55% of the companies it is important to create policy or regulations about sanctions after committing ethical misconduct [10].

According to an American survey which examined 94 companies ethics communication should be tailored. The majority (84%) of the companies communicated the ethics norms through the intranet, 72% started a mail campaign, 62% placed posters. Half of the companies published them in newsletter, 38% informed employees at team meeting, 23% issued quick reference guides, 13% launched award program, 7% put the code on the internet, 5% made periodic quizzes, in case of 2% the screensaver reminded of the ethics norms. According to the research it is substantial that the companies should carry out regular dialogues about their ethics norms and significant company decisions or initiations must be made by referring to the code of ethics. The lack of communication is indicated by the fact that although 94% of the companies surveyed operate in the international market, only 45% have their code translated and few companies allowed external stakeholders to access the code [11].

87% of the FTSE 100 company communicated the code on the company intranet, 51% made it part of staff handbook, 49% created a stand-alone guide / booklet, 47% translated it into other languages, 32% adapted it in accordance with local conditions, 30% forwarded it in printed form to every employee, 30% discussed it in corporate newsletters. During the communication towards those who are involved externally 81% of the companies mentioned the code in their annual report, 72% did that in their CSR or in a similar report, 68% put it on the company webpage, 21% distributed it to the stakeholders. At 69% of the companies the code is part of the labor contract and approximately half of the management members sign a separate declaration about being familiar with the code and accepting it [12].

2.5. The International Practice of Corporate Ethics Trainings

The international empirical surveys show that the majority of corporate ethics trainings are made in the form of e-learning. According to a survey about the 200 largest international companies more than 80% of them use ethics e-learning. In case of 74% of the companies at least three-quarters of the management, in 56% three-quarters of the employees took part in oral ethics trainings in the previous three years [10].

According to the above mentioned American research the ethics trainings are also carried out mainly by online training (73%). Concerning those being asked 12% of them gave account of classroom trainings, 5% reported on experiential trainings such as facilitated group discussions. The duration of e-learning was mainly 2-3 hours (39%), in 24% of the corporations 1-hour online training was typical, in 23% of the corporations it took about 4 hours or more. Predominantly (89%) ethics education programs are standard covering the whole organization, 41% of those who answered reported on programs focusing on functional areas, 44% mentioned that the training was in connection with special corporate roles [11].

60% of the companies FTSE 100 provide ethics trainings for every employee. The most preferred method is the in-house training seminar which was present in 78% of the companies, it was followed by e-learning (67%) and in 47% ethics dilemmas were discussed. More than 90% of the companies which responded carry out trainings at managerial and senior executive levels. 45% of 27 companies offer ethics trainings annually, 7% every 2 years, 45% when it is needed. In terms of 33% there is ethics training after the significant revision of the code, 17% have only once when the code is introduced [12].

3. Methodology

3.1. Questionnaire

The objective of our revealing research was to describe the ethics institutions of the sphere of large companies in Hungary. The first step of mapping the segment was a qualitative research based on an interview method [13]. On the basis of the qualitative research findings our goal became to map the Hungarian large companies applying the research method of questionnaire complying with the demand of numerous participants. Filling in the questionnaire was made easy by uploading it in electronic form on the research page of the University of Miskolc using Evasys survey software. The questionnaire survey was conducted in 2013. The questionnaire was tested and the survey was arranged by the Business ethics and transparency workgroup of Hungarian Business Leaders Forum.

3.2. Sample

The sample was provided by Hungarian companies with the biggest net sales revenue [14]. The rate of the returned questionnaire was 23.5% which can be considered good on international level. Unfortunately, as we experienced it previously, we had to face the fact that these types of questionnaires are filled in reluctantly by those companies which do not deal with ethics institutionalization. As in the sample there were very few companies without code of ethics, we excluded them from the further research and applied the method of post-stratification in order to generalize the research findings. Figure 1 shows the division of the realized sample according to the net sales revenue.

Based on the realized sample 49% of the companies surveyed had 150 000 million HUF or more net sales revenue, 42% had 2000 or more employees, 51% had 40 000 million HUF or more shareholder's equity, 43% had 4000 million HUF or more profit after tax. The realized sample represents the largest companies operating in Hungary. Our statements are valid for the Hungarian large companies which have their code of ethics, concerning these companies the statements are significant from statistical point of view.
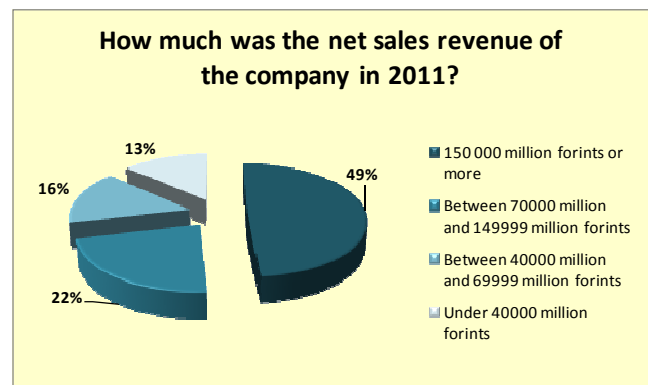

Figure 1. The composition of the sample.

3.3. Data Analysis

SPSS and Excel statistical packages were used for data analysis. During data analysis many tools were used from descriptive statistics (e.g. partition coefficient, mean). Indicators of stochastic dependence were also used, but results showed weak relations between different features of the companies. Unfortunately the data based on the questionnaire does not contain many variables with high level measure, so mainly contains nominal data. It does not allow using more difficult and complex multivariate statistical methods.

4. Results and Discussion

4.1. Internal Ethics Communication

Our survey shows that each company having its code of ethics communicates the code internally in some way. The most widespread methods of internal ethics communication are the following: in most of the companies (93%) the code of ethics was part of the communication package for the newcomers, it was put on the company intranet (84%), it is part of the company rules (82%), and it is part of the employees' guidelines (77%). Three-quarters of the companies (75%) translated the code into the subsidiaries' languages as well but less than two-thirds (27%) adapted the code in accordance with the subsidiaries' environment. In half of the companies each employee was given a printed form of the code and half of them communicated it through corporate newsletter. In 45% of the companies the code is part of the labor contract and in 41% of the companies employees and managers declare about complying with the code. A small proportion of the companies applied creative means of communication during ethics communication: e-mail

campaign (34%), posters (30%), puzzles (7%), ethics awarding program (5%), and screensaver (2%) (Figure 2.).

4.2. External Ethics Communication

While each company with code of ethics practices internal ethics communication, external ethics communication appears only in 75 percent of the companies.
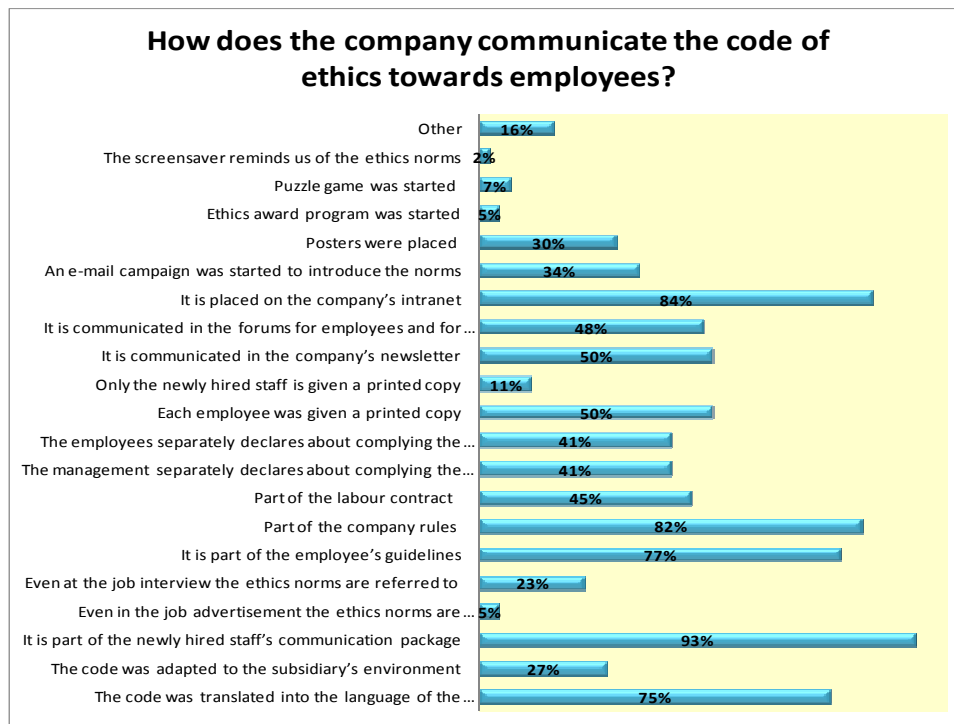

How does the company communicate the code of ethics towards employees?

Other	16%
The screensaver reminds us of the ethics norms	2%
Puzzle game was started	7%
Ethics award program was started	5%
Posters were placed	30%
An e-mail campaign was started to introduce the norms	34%
It is placed on the company's intranet	84%
It is communicated in the forums for employees and for…	48%
It is communicated in the company's newsletter	50%
Only the newly hired staff is given a printed copy	11%
Each employee was given a printed copy	50%
The employees separately declares about complying the…	41%
The management separately declares about complying the…	41%
Part of the labour contract	45%
Part of the company rules	82%
It is part of the employee's guidelines	77%
Even at the job interview the ethics norms are referred to	23%
Even in the job advertisement the ethics norms are…	5%
It is part of the newly hired staff's communication package	93%
The code was adapted to the subsidiary's environment	27%
The code was translated into the language of the…	75%

Figure 2. The forms of internal ethics communication.

Not only fewer companies communicate the ethics norms towards external participants but they also start the process of external communication of the code quite late, it is mainly done internally first.

The corporate webpage plays an important role in external communication, 49% of the companies use this communication channel, the second biggest means is CSR/ sustainability reports. Few companies (3-6%) apply further external communication channels. Only 3% mention the code of ethics in the corporate annual report, which rate is very low compared with the international results.

4.3. The Range of Ethics Training and Its Target Groups

82% of the Hungarian large companies have ethics trainings. The majority of them (30%) started ethics trainings 5-9 years ago, a quarter of them did that 2-4 years ago, 23% of them 10 years ago or even earlier. Not more than 4 percent pointed out that the ethics training at the company is one year old or even more recent (Figure 3.). Most companies (83%) organize ethics trainings for the newly hired staff. 78% of the companies provide ethics training for each employee (Figure 4.). This rate goes beyond the international results. 60% of the FTSE 350 companies provide each employee with ethics training [12]. In 50% of the American medium-size companies (100-499 members), in 75% of the big companies (500 members or more) there is obligatory ethics training [15].

39% of the companies provide ethics training for their managers, in 25% there is ethics training for employees

working in special areas and in 14% for managers of special areas. All in all 6% provide ethics training for the suppliers (Figure 4.) The results of the current survey go a little beyond the survey findings of Figyelő, TOP 200, Transparency International according to which 57.1% of companies occasionally organize ethics trainings for employees and 3.6% of them for suppliers [16].

4.4. The Frequency of Ethics Trainings

Most companies (44%) answered concerning the question about the frequency of ethics trainings that it takes place annually. In 15% of the companies there is ethics training only once when the employee enters the company.

Is there ethics training at the company?

■ no ■ for 0 - 1 year ■ for 2 - 4 years ■ for 5 - 9 years ■ for 10 years or more

18%   82%

4%
25%
30%
23%

Figure 3. The penetration of ethics trainings.

Figure 4. The target groups of ethics trainings.

6% of the Hungarian companies provide ethics trainings every two years, 9% every three years, 6% when there is a greater modification of the code. The frequency of ethics trainings is shown in Figure 5. In other categories more companies gave the answer that there is compulsory training when entering, annually and when the code is modified. There are companies where ethics trainings are held several times a year and there are some where the frequency depends on the given area or the position. These facts and figures are not substantially different from the figures of company FTSE 350 where 45% provide training annually, 17% ensure that only once when the code is introduced [12].

Figure 5. The frequency of ethics trainings.

4.5. The Aim and Methods of Ethics Training

Regarding the method of ethics training the most frequent ones are e-learning (64%), presentation (53%) and interactive

presentation (44%). One quarter of the companies gave account of case studies in small groups and role-play exercises. Although e-learning is applied in the largest proportion, it is still under the international data. In case of the 200 largest companies more than 80% use the e-learning of ethics [10], in 73% of the American companies they have online training [11]. On the other hand in the company FTSE 350 the most popular method was the internal seminar (78%) and it was followed by e-learning (67%) [12].
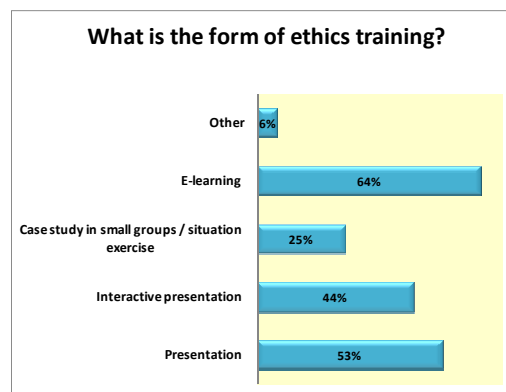

Figure 6. The forms of ethics trainings.

The most important goals of ethics training are familiarizing people with the ethics norms (25%), make people aware of the required behavior (23%), as well as rising awareness of the necessity of the code of ethics (21%). Lots of companies marked awareness of individual responsibility as an aim of the training but not as the most important one. It is not typical that ethics dilemmas are discussed or trying to find solutions to these problems during ethics trainings. Checking awareness of the ethics norms as a goal appears in case of very few companies which results in the situation that there is no feedback about the knowledge level of the participants in the training this way they have less chance to recognize ethics dilemmas in real-life situation and realize that the right decision has been made in accordance with the company norms (Figure 7.)
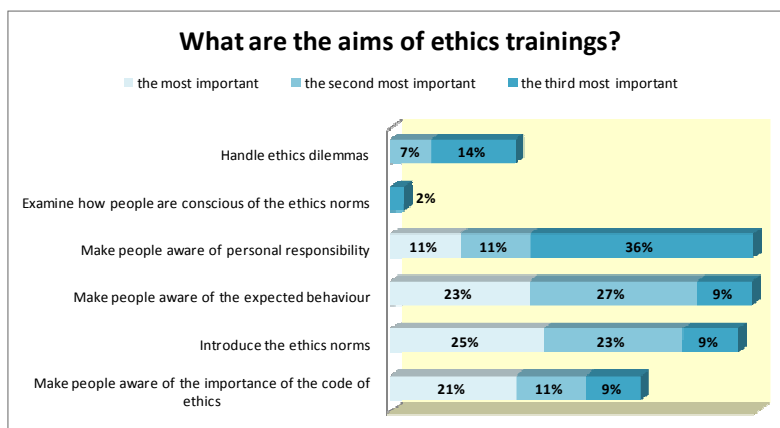

Figure 7. The aims of ethics trainings.

Beyond the goals listed previously, the first 200 companies with the largest international income there appeared an aim to examine the extent to which the norms of the code can be discovered in the employees' behavior [10], but this factor can be found only in 2% of the Hungarian companies. As one goal of training in the category "other" we can find: maintaining alertness or examples shown by the management and presenting problem solving suggestions.

5. Conclusion

Companies operating in today's global environment have to meet greater and greater ethical expectations. In parallel companies considering ethics to be essential convey their ethics requirements for their employees as well. Ethics training within business education is not enough, the reason for this is that most employees did not take part in such education furthermore there are no uniformly accepted ethics norms, the companies have to convey their own norm system towards employees and other stakeholders. The means of that is to put the norms in written form as well as communicating and teaching it. Ethics trainings must appear on each level of the organization [17]. It belongs to the key elements which are necessary to develop and maintain ethical corporate culture [18]. One of the main challenges is that online training improves ethics awareness but does not support reflection, practice and dialogue. Face-to-face trainings are provided only for special groups or when ethical problems arise [19].

The first questionnaire research examining the corporate ethics institutionalization regarding Hungarian companies stated the low level of institutionalization. 326 companies were surveyed, out of which 11.3 % had the code of ethics, 13.8% had ethics trainings, ethics communication was not examined. Concerning trainings some companies were asked again and based on that the research stated that these programs do not really exist [20]. Up to this recent research as far as we know this questionnaire research was not followed by any further extensive survey in Hungary dealing with ethics communication and trainings.

Our research has stated that all the Hungarian large companies with code of ethics communicate their code within the company however only three quarters of them communicate that externally. In our opinion the reason for this is that companies could not understand that every person involved must be familiar with the ethics norms so that they can observe them and they can expect the norms to be observed. Of course transparency increases accountability too, which can also raise the reputational risk in case of companies with dishonest ethics practice.

In most of the companies surveyed there is ethics training however it makes us stop and think that it does not exist in one-fifth of the companies so merely the written form of the code gives the basis of hoping that people affected internally and externally will get to know and apply those ethics norms which are considered to be important by the company. The range of ethics training go beyond international practice which

cannot be the reason for leaning back and think that everything is all right. Firstly, the target group of trainings is limited, secondly, the methods help to obtain only superficial knowledge and they are not about helping to understand and apply the ethics norms.

The two preferred target groups of corporate ethics trainings are the newly hired and the employees but less than half of the companies recognized the importance of the managers that the behavior and attitude of managers can have a significant influence on the employees' behavior and on the whole company culture. The previously presented international facts and figures show that this kind of connection has already been recognized by companies on international level [10, 11, 12]. Very few Hungarian companies ensure ethics training for the suppliers or the business partners but in the meantime the international trends require taking responsibility which extends over the whole value chain and consider that as part of their Responsible Value Chain Program. For example BMW Group started to provide sustainability supplier trainings in risk countries [21]. Siemens introduced a web-based training course on "Sustainability in the Supply Chain", which is based on its Code of Conduct [22].

Ethics trainings in Hungarian companies are mainly conducted annually, but there are still relatively lots of companies which devote time and energy to provide trainings about the code of ethics only once, or in case of newly hired employees or when the code is introduced which also cannot encourage making people become aware of the code. Since the major goals of ethics trainings are the norms the importance of the code and the individual responsibility to be realized, in terms of this the method is e-learning or presentation and ensuring the chance to ask questions the interactive presentations appear as well. Only a quarter of the companies use the method of case study in small groups or other methods providing a field for discussion. According to a recent American research in 90% of the companies surveyed the major goal of ethics and compliance trainings is to create a culture of ethics and respect. In most of the companies (71%) there is online training but in almost the same rate (68%) live training is also present. The study suggests short-form trainings and a variety of training formats [23].

The revealed Hungarian practice of ethics trainings can be suitable for finding out about ethics norms but in order to create real ethics awareness of recognizing moral dilemmas and being able to handle them in the right way, the deep analysis and discussion of the real corporate cases of ethics would be necessary.

Like every institution ethics communication and ethics training refer to voluntary effort. Although ethics is a special area from several points of view, the companies are aware that there exist efficient methods for training. In our opinion the relatively poor practice of ethics training in Hungary might refer to the following:

- Companies have not realized the importance of the ethics area.

- Ethical behavior is not considered to be important.
- As the available resources are quite limited this area falls into the background.
- Companies rather lay emphasis on uncovering breaches of the code and the punishments than preventing these cases with the means of ethics communication and trainings.

Revealing the reasons requires further quantitative and qualitative research.

In terms of theoretical and empirical relations it is obvious that corporate ethics communication and ethics training is not an end in itself. The aim is to encourage responsible behavior towards external and internal stakeholders which is an increasing expectation and precondition of the long term success of the company.

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