

## HOW MUCH ARE ETHICAL MANAGERS OF FINANCIAL FIRMS, WHEN IT COMES TO MAKING DECISIONS ON HIRING NEW EMPLOYEES

Sokol DOMNIKU, PhD (C)  
Lecturer – Public University of Peja “Haxhi Zeka”

### Abstract

Ethics in general, but also ethics in business, was always a devoted attention and interpretation in theory, but the question is how it is applied and respected in the practical reality within the various business activities. In this paper, it will be discussed the importance of ethics in business, factors that affects decision making, ethical or unethical, and some examples that shows, how the ethical decisions can be performed. The empirical part is based on many individuals who have applied at least once in any of these firms, and what is the opinion of these people about the ethics and honesty level of managers of commercial banks and micro-financial firms, that operates in the Republic of Kosovo. Ethical actions and decisions can occur in any business function, but our goal is to identify their level in human resources function, especially when it comes to making decisions about selecting or hiring new candidates (employees).

**Keywords:** Decision making, Managers, Financial firm, Business ethics, Bribe, Republic of Kosovo

**JEL Qualification codes:** M51; M14; K49;

### 1. Introduction

During the done study, I've noticed that people's perception about the level of ethics of managers of financial firms in Kosovo is not good enough. Comments commonly heard were, "*you might be employed only if you have someone social or familiar connections,*" or even, "*you may be employed only if you pay or buy a job*". These comments create a myth, which can be interpreted that financial firms are none honest businesses, because, individuals who have a managerial position are not concerned to respect the ethical issues or make decisions fair and equitable. The problem is that even though more or less this problem was discussed in society, there are not known initiatives that were taken in order to prevent this bitter reality, because, for my opinion this problem is a virus for a society which expects and plans to have a sustainable social and economic development<sup>1</sup>.

In Kosovo, there have been made a very small research on ethical issues, and not so much attention is paid on this, whether from civil society, or even from the responsible persons from the academic world. This paper will show the meaning and importance of business ethics, how it is manifested, and in particular to describe the behavior of executives of financial firms, that how much they pay attention to ethical issues and in the other side how honest they are when they make decisions, especially when its required from them to employ new candidates.

This paper contains a qualitative research, where specifically are settled the questions and the answers were taken from a considerable number of respondents. All respondents were the ex-applicants before having applied in these financial firms.

The phenomenon of making unethical decisions and actions, in my opinion, adversely affects its basic value and social responsibility of Kosovo society, especially when thinking about its social internationalization, with particular emphasis on areas and economic relations. This is one of the main viruses that categorize a company's business community, as unsound. Each disease requires treatment, therefore, in the final section, there will be cited several recommendations that may affect the initial determination of a therapy that would begin to influence for the better future, in terms of ethical aspects.

### 2. The role of business ethics

Today, ethics and dishonesty have become a major concern of most of developed societies, including not only the business world, but that is also evidenced in other fields of life<sup>2</sup>. From a survey conducted from the "*Josephson Institute of Ethics*" has been reported that 7 out of 10 students admitted they had try to cheat in their academic tests at least once a year, and 92% of them admitted that they have lied their parents several times<sup>3</sup>.

An ethical issue is an identified problem, a situation or an opportunity in which an individual must choose between several possible alternative actions, each of them that may be right or wrong (ethical or unethical). In business, these cases often associated with weight of a benefit that a person can achieve, despite what the person is aware that he is doing the right or the wrong thing. To better understand this phenomenon, we would describe these throw three examples from different perspectives<sup>4</sup>, e.g.

*"Should an engineer reveal operative secrets of former employers, in order to secure a job and better salary to a new employer (competitor)?"*

*"Should the business owners or managers hide accurate data on the real expiration term sustainability of the products they sell, and cover them with false labels?"*

*"Should a traffic inspector assist a candidate while fulfilling the theoretical test that is valid for getting a driving license?"*

To all these questions, in case we ask a certain number of individuals we know, regardless of where they work, colleagues, research colleagues, family, friends, etc.; we are convinced that none of them will give the YES answer! But the question is how they will really act if they would be in the role and position of any of them? Said in hypothetical way, maybe there will probably be some of them which will act not in the same way they answer are. Ethical values vary from one individual to another, as distinct from the culture of a people by another people, for example, it is very offensive and not appropriate, that no American

<sup>2</sup> Frisque, D. A., Lin, H. and Kolb, J. A. (2004), Preparing Professionals to Face Ethical Challenges in Today's Workplace: Review of the Literature, Implications for PI, and a Proposed Research Agenda. *Perf. Improvement Qrtly*, pp. 28–45.

<sup>3</sup> Ferrell O., Hirt G., Ferrell L. (2008). *Business Changing the World*, pp. 32

<sup>4</sup> Dhooge, L. J. (2011), Creating a Course in Global Business Ethics: A Modest Proposal. *Journal of Legal Studies Education*, pp. 207–248

<sup>1</sup> Kujala, J. (2004), Managers' moral perceptions: change in Finland during the 1990s. *Business Ethics: A European Review*, Pages: 143–165.

businessman bring a gift to an American partner in their first meeting business meeting, because in American culture it is considered as bribe. While in Japan, it would be improper if an American will not bring a gift to the first meeting with a Japanese business partner.

Ethical actions and decisions, from an individual standpoint, depend heavily on individual perceptions and

- from individual standards and values
- from the possible influence of managers and coworkers.



Illustration 1. Two factors that impact the individual's ethical decisions

According to these facts, we can add that employees, executives or business owners, people who may have high positive values and personal morality, for any cost, would not agree to make any dishonest decisions. There is another part of people who may also have high personal standards and values, but when it comes that they are affected from the managers or coworkers, they may make decisions that do not match with their real personal character. Unethical decisions and actions can be manifested in various activities of business functions, e.g. from an accountant may be required to manipulate and to hide financial data in order to avoid and to minimize the expenses for business taxes, or to a production supervisors may be asked from his manager to put less percentage of raw materials in producing the final product and not putting the same percentage which is advertised in its packaging, or may be required from an examiner who

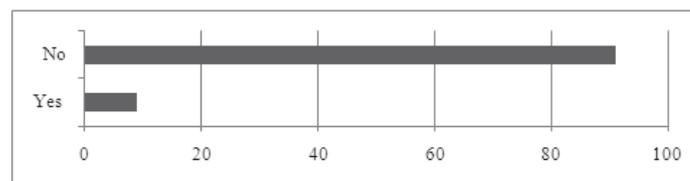
values that a person can possess. But it was found that not only individual values and standards may influence a person to take independent decisions, whether fair or unfair. Decisions of the people, especially those who are involved in the business world, mainly depend from two factors (figure 1).

organizes the tests for job applicants, to help and to give the right answer to a specific candidate or candidates, so he or they can be advanced in the interview phase, etc.

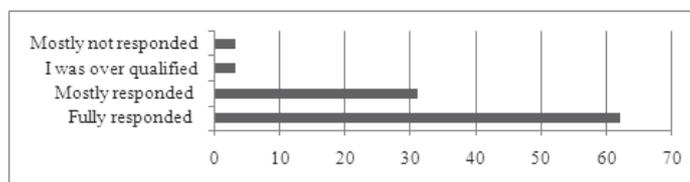
### 3. Research outcomes

We mention that a business ethics differs from the individual perspective, but also from of society as a whole. In the survey conducted, there have been polled 100 people who were former applicants for various job positions in financial firms that operates in the territory of the Republic of Kosovo, mainly Commercial Banks and Micro Enterprises. The purpose of the survey was to identify their opinions about the fact that they perceive for a morality and ethics level of the managers of these institutions. Research methodology is supported through the questionnaire, where to applicants, have been submitted 9 questions.

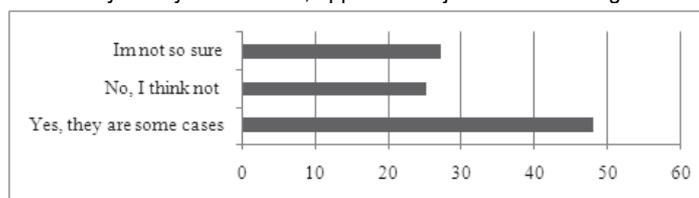
In the **first question**, "After you applied, did you managed to get a job?"



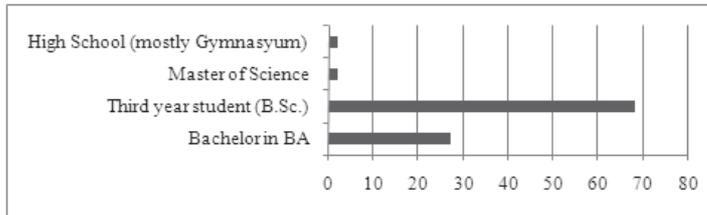
In the **second question**, "Did your qualification have responded to job criteria's and other professional requirement?"



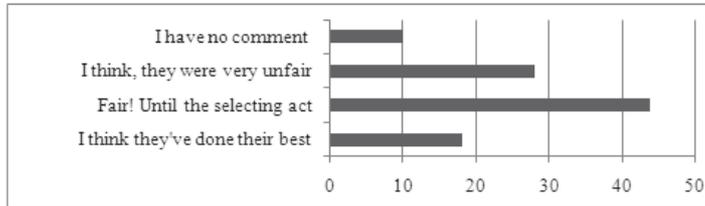
In the **third question**, "Did ever any from your relatives, applied for a job in financial organization?"



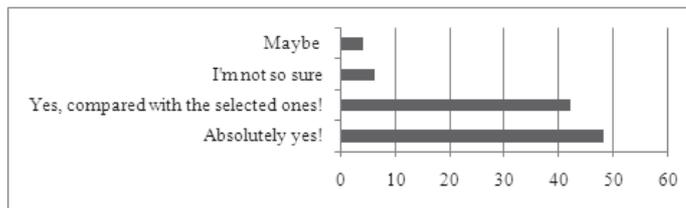
In the **fourth question**, "What is your academic degree"?



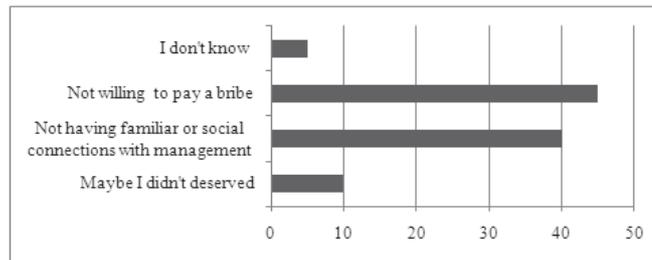
In the **fifth question**, "How do you evaluate manager's decisions, in the act of selecting the "adequate" candidates?"



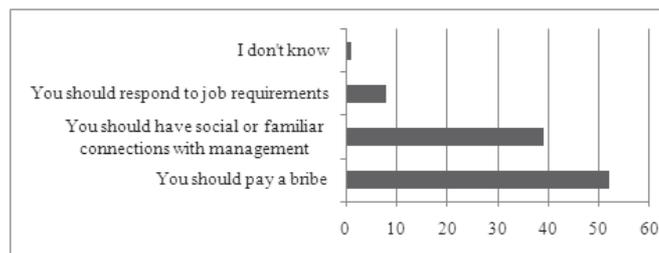
In the **sixth question**, "Do you think that you deserved to get employed there?"



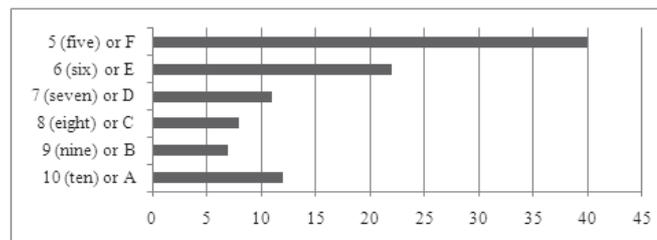
In the **seventh question**, "What caused that you weren't selected. What is your opinion?"



In the **eighth question**, "From your opinion, what from the following criteria's you have to need to fulfill, so you can get a job at a financial institution?"



In the **ninth question**, "If you would have a chance to evaluate the managers of financial institution with an academic grade, for their ethical and honesty level, what grade would you give to them?"



#### 4. Discussions, Recommendations and Conclusions

If we pose a question that personal interests and benefits are more valuable than our morality and our honesty, then in a very free way we might agree that completely we are wrong mindset. Purpose of any business, regardless of his activity is to achieve much higher profits, but this goal should be achieved not only providing qualitative products or services, but our behavior and decisions should be conform to ethical issues. But not being only a business owner, and but even like an employee, specialists or manager, our actions and decisions must be consistent not undermine and invalidate any party which is involved or intends to engage in the activities of a business.

Apparently, the claims that I heard from numerous individuals, dealing with the expression of their opinion regarding the honesty of the managers of commercial banks and microfinance organizations, according to survey results, they approve this subscriptions n as true.

A large percentage of individuals, despite the qualifications and other human professional skills they have, in many cases have failed to find a job. What is the worst and most damaging, is that despite the highly distorted market work, which reigns in the Republic of Kosovo, even those who are employed, most of them are getting employed without any merit. When we say without any merit, we mean the fact that employed individuals compared with individuals who are rejected, possess much lower qualifications and any additional attribute that will prove to be superior to rejected candidates.

I think that for a society and a young state, like Kosovo, it has a very negative sense, as being built a culture and a tradition which does not correspond with any of European and modern world attributes. Thinking of social integration and internationalization, it is required to be more positive, based on quality of work, moral and prosperity.

Desire and motivation to work as a credit analyst, treasurer, manager, etc., day to day is on decreasing level, because the way to get job in these kinds of firms, from you is required to pay bribes to management or you should have social or familiar relations with them, which also may be related with matter of indirect interest. What is not needed in these cases and what should be required are to be educated, trained, to speak different foreign languages, to have excellence knowledge of the trends of economic changes, etc.

All this conjecture, we can conclude with one sentence **"human capital depreciation, through the human capital itself"**

#### 5. Conclusions and recommendations

From this brief analysis of the data and also from other research facts based on the importance of business ethics, comparing with ethical level of managers of

financial institutions in Kosovo, we may give conclusions below:

#### 5.2. Conclusions

1. Society opinion for the ethical and honesty level of financial firms managers in the Republic of Kosovo, is very bad.
2. Survey data proved that managers of these firms, almost totally are not honest, when making decisions on hiring new candidates.
3. No society conviction and other form of explanations about the importance of ethical issues, including managers of business firms presents a major problem, especially when a country is trying to increase the level of internationalization in every social field.
4. The existence and presence of this kind of situation, and in other side not combating this problem, creates a demoralization and de-motivation of Kosovo's youth, to study, to contribute and to develop t their country.
5. Admission of incompetent candidates at financial firms, contributes to inefficiency and ineffectively in operating, financial and decision making activities.
6. Conclusion number five, can be argued basing on the earlier fact, when the one of the strongest commercial banks in Kosovo, organized tests on basis of mathematics and principals of accounting. More than 90% of the workers have failed to pass any of these tests.
7. One of the important Kosovo's objective, is to became a member of EU organization, and to achieve this objective, Kosovo society needs to fulfill the criteria's that are required in political, legal and economic fields. If the Kosovo's social responsibility will not be increased for the good, then this could lead to a very hard situation in the future.

#### 5.1. Recommendations

- Campaigns should be organized, including NGO-s, Students unions, Research centers, Universities, etc., in order to be raised and discussed issues related to social ethics and especially in business ethics aspects.
- Competent Investigation institutions of economic crimes should be more constructive when investigating and salving such cases.
- Undertake initiatives on behalf of inter-institutional cooperation, which will ensure employment of new candidates, those possessing skills and knowledge gained professionally, with special attention between financial firms and Universities, since most of the applicants applying for job positions are students or graduated mainly for business and economy.
- The role of citizens must be more constructive in the meaning of reporting such known cases to law and order authorities, cases with facts and information in order to discover and solve such mean cases.

## 6. Reference

- Barraquier, A. (2011), Ethical Behaviour in Practice: Decision Outcomes and Strategic Implications. *British Journal of Management*, pp. 28–46.
- Clegg, S., Kornberger, M. and Rhodes, C. (2007), Business Ethics as Practice. *British Journal of Management*, pp. 107–122
- Domniku Sokol (2011). Authorized lecturers of the course “Business Principles”, Faculty of Applied Science in Business, University of Pristine, pp. 9-11
- Dhooge, L. J. (2011), Creating a Course in Global Business Ethics: A Modest Proposal. *Journal of Legal Studies Education*, pp. 207–248.
- Frisque, D. A., Lin, H. and Kolb, J. A. (2004), Preparing Professionals to Face Ethical Challenges in Today's Workplace: Review of the Literature, Implications for PI, and a Proposed Research Agenda. *Perf. Improvement Qrtly*, pp. 28–45.
- Kujala, J. (2004), Managers' moral perceptions: change in Finland during the 1990s. *Business Ethics: A European Review*, pp. 143–165.
- Mahoney, J. (1994), What Makes a Business Company Ethical?. *Business Strategy Review*, pp. 1–15.
- McMahon, T. F. (2007) A Brief History of American Business Ethics, in *A Companion to Business Ethics* (ed R. E. Frederick), Blackwell Publishers Inc., Malden, Massachusetts, USA. doi: 10.1002/9780470998397.ch27
- Moriarty, J. (2008), Business Ethics: An Overview. *Philosophy Compass*, pp. 956–972.
- Phatak, A. and Habib, M. (1998), How should managers treat ethics in international business?. *Thunderbird Int'l Bus Rev*, pp. 101–117