

## **THE NEED FOR IMPLEMENTATION OF THE 'ETHICS OFFICER CONCEPT' IN ALBANIAN COMPANIES**

**Loreta Bebi**

University "Aleksander Xhuvani", Albania

loreta.bebi@yahoo.com

### **Abstract**

*During the recent two decades, the scandals about unethical behavior have caused considerable damages to big companies throughout the world. We should be aware that any company cannot have immunity to these risks, despite the fact if it operates in a developed country or in a developing one. Certainly, companies in developing countries are more exposed to a bigger risk because of a series of factors that are not in the scope of this paper. Albanian companies are also part of this group that actually exercises their activity in an unfavorable environment. In the last years, it has been paid a great attention to the orientation of companies towards ethical behavior, taking into consideration that such orientation helps companies themselves to reach a higher performance and meanwhile, it helps them to the economic development of the country where it operates. In the process of orientating the companies to ethical behavior, a very important role is played by the ethics officer, a feature in which the majority of companies in developed countries are concentrated to prevent the involvement in ethical scandals of their own companies. This paper aims to introduce a summary of the features, duties and responsibilities of ethics officer and subsequently to discuss the benefits of our companies from the implementation of such a feature and benefits that our economy takes as a whole as a result of exploration toward contemporary solutions to the problems affecting nationally.*

*Keywords: Ethics officer, business ethics, ethical behavior, Albania*

## INTRODUCTION

The role of the ethics officer is getting even more important recently in the world of business and it can be said that it is slowly turning into a dependent profession which has its own rights and at the same time it covers a wide range of responsibilities against the company where he operates.

After the SOX-act, such issues like the prevention and investigation of illegal behaviors, the internal control efficiency, the independence of audits and managers and the real financial report have represented big challenges to all companies throughout the globe. Compatibility with the law nowadays doesn't indicate only obedience to rules that are directly linked with doing business, but also following a wide range of standards outlined to rule internal operations of the business itself. It can be said that SOX was one of indicators in the group of legal efforts and it was also a regulatory to systematically start these rapid reforms. This law was followed by some other rules which companies had to oblige and one of the most important was the Federal Sentencing Guidelines for Organizations (FSGO). In 1991, FSGO suggested that all companies had to design a high level position which helped the companies in the pursuit of ethical standards during its operation. Firstly, companies delegated this function to their CEO-s and later this function was delegated to specific individuals but who weren't well positioned in the board of managers of the company. Recently, this feature is getting improved in relation with his/her position in the company, responsibilities and rights etc. It is obvious that functions of ethics officer start back in 90's and its origin is in USA. Normally, it represents a relatively new "profession" that has been promoted recently in developed countries of Europe. It can be declared that even though it is important to companies, this function is not known in developing countries where Albania is part of.

### **The importance of ethics officer and his/her role in company**

The ethics officer is an individual who has access in the high level management of a company, the one who helps in encouraging the implementation of standards and positive ethical values and assists managers and employees of the company in the pursuit of such standards. The encouragement to the implementation of positive ethical values and business practices is undoubtedly a hard duty that is often underestimated from the managing positions. An ethics officer enables company to pay a special attention to the culture of organization, emphasizing the ethical practices of business. Nowadays, ethics officers in some of European developed countries are turned into a common thing in the business community. While the thics officers are exercising their duty and outliningthe companies' policies they must not only consider industry standards but they also need to follow rigorously all the directives of law. A very important duty

of ethics officer is to examine the values, mission and company's aims and to estimate if all these are supported by the ethical behavior of the company. The ethics officer not only helps company to set ethical standards but he also helps in communication, their integrity in the company's culture and in the awareness of individuals in relation with the respect and the importance that these standards have for the company. In formal terms, it can be said that the ethics officer is responsible for the integration of ethical values and behavior practices of business in the process of decision-making at every level of organization in order to reach the goal of these individuals. He needs to collaborate not only with the company's managers but also with its operational managers so that ethical values and their respect will be important in every operation of the ethics officer.

### **Duties and responsibilities of the ethics officer in the company**

In the majority of cases, the role of the ethics officer within the organization is not definitely determined. This happens because there is not a description of his similar position in all kinds of companies. Therefore, responsibilities and duties of the company individuals are based on the needs and in the context of the company. There are some factors that influence in the exposure of ethics officer to personal duties that he has toward the company.

Since it is a relatively new profession and almost unexecuted from the official perspective, there are fewer instructions for the ethics officer in relation with duties he has to the company. In this point of view, there are some common duties for each ethics officer despite the type of the company where he works in. Below, there are the principle duties of an ethics officer:

1. An ethics officer is responsible for the development and monitoring of ethics in a company, taking care of conformity and ethical behavior of the company as a whole.
2. The ethics officer has to provide instruction and efficient advice to enable development, explanation and execution of ethics and meanwhile he has to provide supervision of practices and company programs.
3. An ethics officer needs to make investigation based on all accuses and offenses he is informed about from other company bodies. He is obliged to lead his employees to follow accurately the Ethics Code which constitutes a golden standard for the success in every position and at the same time the ethics officer has to take punitive measures for all individuals in cases when he notices violation of the Code.
4. The ethics officer needs to enforce the Ethics Code and adjust it according to the organization's standards. Since these individuals have the duty to estimate the mission, the vision, aims and company's values. They often need to measure their work performance, so to estimate if the company is operating or no in accordance with the above announcements.

5. Lastly, it is the duty of all individuals who exercise the profession of the ethics officer to exercise their profession in accordance with behavior standards set for this profession from professional associations that serve as mechanisms that regulate the ethics officer profession. Following rigorously these standards means an ideal behavior of ethics officer. These standards, which will be analyzed broadly later, enable these individuals to understand which, is the quality of behavior supposed to be manifested by them.

The standards of ethics officer are divided into two groups. The first group has to do with the responsibilities of the ethics officer toward the profession and society. In this perspective, the ethics officer is obliged to:

- Maximally keep the standards of personal and professional integrity
- Continuously update and advance the knowledge in relation with organizational ethics
- work individually to advance the organization ethics
- try to understand the organization ethics and the importance it has in the high management of it

The second group has to do with the ethics officer's responsibilities toward himself and his employer. According to these standards, the ethics officer has the duty to:

- Serve as a sample in respecting of Ethics Code of the employer
- To protect in a proactive way the integrity of ethical practices of the organization and get involved to agree with all aspects of his employers' business
- To give the maximum of his abilities in order that his employer gets support in every aspect of his business regarding laws and rules
- To be a leader in the creation of ethical organizational practices that support the evolution of strategies and opportunities of organization, taking into consideration the legal requests, consummators and best practices
- To raise and discuss when necessary important ethical issues of the organization
- To protect the confidential information that comes from the professional activity, unless the detection of the information is required by the law, or the companies' policies
- To elude every actual, potential or perceived conflict among personal responsibilities and the organizational ones, to detect them immediately and solve properly

Based on what is mentioned above, the ethics officer can rigorously exercise his important and vital duty for each company.

### **Company benefits and the implementation of ethics officer**

Nowadays, it is almost impossible for the executive managers of the companies and their directors to develop and maintain in maximal levels the ethic practices within the organization where they work in high standards. This is because that these individuals don't have the

necessary time to dedicate totally to the creation of an ethical climate within the organization and it can even happen that these individuals don't estimate an issue as it should be. On the other hand, we should be aware that legal requests, rules and standards that the company should take into consideration during its activity, are getting bigger and bigger. Therefore, it is impossible to reach a company orientation toward ethical behavior practices, not getting it involved into a real professional who has enough time to implement such goal and certainly a rich amount of specific knowledge in the field of ethical business.

An ethics officer gives more values to the company he works for. Various studies have concluded that companies, who have implemented such a feature and really estimate the ethical behavior of their business and perform in a responsible way, reach more positive results. This is true if we think of the fact that the ethics officer keeps the company away from trouble and leads it toward the business goals. In the capital markets, public trust is crucial to reach the success of doing business and in the same time companies are based on the reputation and the trademark they have to attract not only loyal consumers but also the partners, investors and such employees. A very important aspect that should not be neglected by each company is the fact that with the help of the ethics officer who imposes the setting and respecting of an ethical climate in the company, the company itself provides a more reliable workforce. The more reliable the workforces the greater are the possibilities that the company will increase its reputation in the market, in order to have a higher productivity and achieve an admirable performance from its competitors.

The companies' global expansion has nowadays become a target by a large growing number of companies. There is no doubt that the officer plays a key role in reaching such a goal. This is due to the fact that the expansion in global level requires the preservation of the companies' ethical climate in doing business.

So the more the company invests in the implementation and development of the ethics officer's functions the easier and safer it is to have an ethical climate in maximum levels. This can be easily perceived by its employees and orient them even more towards ethical conduct.

Finally we can say that ethics officer adds value to the company for the fact that these organizations will have a powerful leader who has the duty to make it possible that the organizational standards are a priority in the company. A company that wants its employees to act according to the highest ethical standards should undoubtedly demonstrate its commitment to create a high ethical skill and its oversight at high levels.

So any company that invests in the implementation of the ethics officer's function and its positioning in senior management will undoubtedly receive many valuable benefits for its success in the market and the specific ones that these professionals provide to the company:

- The establishment of an ethical culture
- The prevention and management of unethical behavior
- Support the organization's commitment towards the respect of the integrity
- Protection and support in cases of legal and regulatory difficulties

It is obvious that these benefits can be obtained from the company only if it assigns this function to a person with the necessary knowledge and preparation, positions this function properly and gives strength to act and at the same time provides the necessary resources.

### **Albanian companies and the need for ethics officer**

During this last decade Albania, the same as many other developing countries is facing major challenges and really difficult ones to overcome. The economic environment is extremely unfavorable for Albanian companies and the problems that they face are numerous. What is noticed in many businesses in our country nowadays is a pronounced lack of ethics in doing business. The reasons of such a situation are numerous ranging from the lack of strong legal sanctions which increase the awareness of companies and individuals who work on them in relation to the respect of the rules of ethics, up to the poor work of professional associations which regulate different professions in our country. It is also noticed that companies and entrepreneurs are particularly keen to realize undeserved profits and in order to achieve this purpose they are willing to get involved in any kind of unethical behavior.

Given such a situation the implementation of the ethics officer would be extremely necessary and fruitful for our companies. This is due to the fact that this person would bring our companies all the above benefits that will definitely orient Albanian companies towards success and ethical practices of doing business.

A natural question arises whether it is possible for our companies to implement these professionals and if so how difficult would this process be? The answer to that question is without doubt difficult to give because it is relative depending on the entrepreneur's' desire to move ahead but in this case through fair practices and behaviors.

But if we take for granted the fact that there is a desire to be oriented towards ethical behavior and this ranging from individuals to the corporations it is normal to admit that the implementation of the officer is possible, but we cannot deny the fact that it is a very difficult process for the Albanian companies.

It is a real challenge and in order to cope with it we need the commitment of companies and also that of the government authorities and professional associations. The government authorities should intervene by creating the legal basis to impose companies to launch such a process but also to support them financially at the same time. Professional associations should

be involved in the preparation and training of human capital that will exercise this profession because it is necessary for the disposal of the companies that undertake this initiative to have individuals able to perform all functions that belong to this profession.

It should not be denied that the investment that companies must make to launch and complete such a process is an expensive investment and its accomplishment has a certain time. We should not forget to mention the fact that the profits of the company once the initiative is consolidated are several times larger than the value of the investment. The implementation of the company's ethical culture, the prevention and management of unethical behavior make the company have a better performance as a result of the ethical decisions that it will take. High performance is simultaneously translated in higher welfare of the country where the company operates and it also contributes to the economic development of the country.

The pioneers of such a process must be companies that are owned by the Albanian entrepreneurs in collaboration with foreign entrepreneurs given that this fact makes this process easier as a result of the greatest experiences that the foreign entrepreneurs have related to such issues.

## CONCLUSIONS

The implementation of the ethics officer is one of the major challenges for all businesses across the globe and particularly for companies in developing countries where there is still no legal basis to force them to implement such a function. The ethics officer undertakes some important tasks and responsibilities for the company which employs him and as a consequence even for himself. The profits of the companies that implement such a function are large and bring significant benefits not only for the company but also for the economy of the country where the company operates. Given the unfavorable economic environment in our country, it is necessary for the Albanian companies to implement the ethics officer. On the other hand, except for the benefits they will receive from such a process, this is a very difficult initiative for the Albanian companies. It is necessary to encourage them in this direction and to simultaneously mobilize governmental authorities and professional associations.

## REFERENCES

- Binaj, A. (2014). *“Ethic on Accounting – Overview on Albanian situation”*, Tiranë .
- ECO.A. (2010). Standards of conduct for ethics and compliance professionals.
- Ethics Resource Center. (2010). Leading corporate integrity: Defining the role of chief ethics and compliance officer.
- European Business Ethics Forum. (2013). The evolving responsibilities & liabilities of ethics representatives: A practical guide.

Samuels, J. M., and Oliga J. C., (1982). "Accounting Standards in Developing Countries", The International Journal of Education and Research, Fall, pp.69-88.