

**Snežana D. Videnović, PhD<sup>1</sup>**

## **CORPORATE ETHICS IN THE AGE OF CORONAVIRUS**

### REVIEW ARTICLE

#### **Abstract**

People perceive long-lasting and exhausting transition of economy as an existential threat and a crisis that has been going on for too long. When population is impoverished, when the existing traditional values are re-examined, and business behaviour models are adjusted, it is very difficult to pave the way for the accelerated progress of the society as a whole. The coronavirus pandemic has further aggravated this fragile state of affairs.

Financial institutions bear the heavy burden of responsibility for the health and stability of the economy. Therefore, they bear moral responsibility for professional behaviour, as well as the obligation to make decisions that are in the general interest and relate to the accelerated development of society.

Paradoxically, this is the most vulnerable activity in terms of ethics. Good news is that the financial sector can solve this problem by consistently applying ethical norms since „Ethics represents the attempt to resolve a conflict between selfishness and selflessness, between our material desires and our conscience.<sup>2</sup>“

**Key words:** *ethics, morale, insurance, Covid, crisis, business, financial market.*

### **Introduction**

The crisis that stopped the whole world has not bypassed any segment of human existence. It can already be concluded with certainty that Covid-19 devastated the economy. What we cannot see at the moment is the far-reaching nature of that crisis, although it is certain that everyday lives of people, work in companies, and general functioning of the countries will change in the future. Nothing will be the same anymore, but will this warning make us aware of the consequences and confront us with our own actions?

In order to be able to guess what the answer to that question would be, we need to go back and admit that we were not well behaved. We have betrayed the development sustainability of many systems, including our own. We have

---

<sup>1</sup> Lecturer of Business Ethics in Finance at the Belgrade Banking Academy

E-mail: snezana.videnovic@dunav.com; snezana.videnovic@bba.edu.rs

Paper received on: 13.05.2020.

Paper accepted on: 21.05.2020.

<sup>2</sup> Dempsey, Mike. (1999). „An Agenda for Window-Dressing or for Radical Change?“

<http://panopticon.csustan.edu/cpa99/html/dempsey.html>

not resisted various temptations, notably greed. Individuals have become selfish more than ever in history, putting their material needs before conscience and the common good.

What is good and what is not is determined by humans as rational beings. Thus, every person can recognize what is *good*, however, *goodness* represents individual perception, which leaves the possibility that it differs from person to person. The same goes for concepts such as honesty, truth, justice, fairness, value. The lack of moral standards and actions that deviate from these values and correct human behaviour endanger the common *good*.

### **Ethics in the Age of Covid-19**

In a world that is becoming increasingly inconceivable, the goal of ethics is to help humans in their custom-oriented decisions.<sup>3</sup>

Individuals have to make decisions they have never thought about before. In new circumstances, their interests may conflict with the interests of family members. Companies must assess the interests of all stakeholders - employees, stakeholders, and the society.

Thus, during this crisis, ethics becomes crucial. A number of issues that have arisen sporadically in the past are now culminating due to the difficult circumstances facing companies. In order to bring their companies to recovery, it is up to leaders to demonstrate superior skills and abilities, from ethical decision making to change management.

Leaders' decisions always have a strong impact on the success of companies, but in a situation of global crisis of this magnitude, ethical considerations can provide great support for effective decision-making.

The Covid-19 pandemic has shown that the absence of ethical norms in business causes not only great damage to individuals and companies, which has been the case so far, but also the loss of hundreds of thousands human lives. It is with great anxiety and sadness that the entire world public learned the news that Doctor Li Wenliang, who was accused of "spreading false rumours" and "disturbing public order", and was the first to warn of the deadly virus, passed away as a result of coronavirus infection. The ethical conduct of the authorities in Wuhan did not raise to circumstances.

### **Impact of Covid-19 on Insurance**

Covid-19 affects not only the insurance sector but also the economy and society in general. In the beginning of the pandemic, the management of insurance companies, like most organizations, formed teams to act in crisis situations. The first and basic task of the crisis committees was to preserve the health and safety of employees.

---

<sup>3</sup> Prof. Wolfgang Rohrbach PhD, *Ethics and Insurance*, Scientific Debate, 2013, pp. 15

The main challenge imposed from the very beginning and with equal intensity was how to maintain business continuity and not endanger health and safety of employees, partners, associates, and clients.

Most employees worked from home, which required IT functions to provide uninterrupted and secure access to computers and files from alternative locations. The support of IT professionals was crucial for ensuring that employees could work outside the office. In addition, CISOs had to ensure the secure exchange of confidential information among employees that were connected outside business premises.

However, of paramount importance was to enable a proper and timely exchange of information, that is, the functioning of a comprehensive communication system. Employees, current and potential customers, suppliers and generally all those who in any way interact with the insurance company, had the right to a fair and honest relationship, and to be informed in a transparent manner about business operations and plans for maintaining business continuity.

### **Matter of Trust**

The Gallup Poll conducted a survey in America in 2019, asking respondents to rate the honesty and ethical standards of people in different professions with: very high / high, average or very low / low.

Americans' high regard for healthcare professionals contrasted sharply with their assessments of stockbrokers, advertising professionals, insurance salespeople, and senators, members of Congress and car salespeople.<sup>4</sup>

The public perception of insurance employees is poor, and the low assessment of their integrity has changed very little from year to year, more precisely, it has been fairly consistent over the 40 years that Gallup has conducted this research. In 2019, only 13% of respondents thought that employees in the insurance business were honest and had desirable ethical standards. Comparative research has not been conducted in Serbia, but it can be inferred that financial institutions, and thus the insurance business, are not perceived as highly ethically standardized institutions. This was contributed by numerous financial scandals that loudly resonated in the public. According to John Costa, the business world is full of scandals, starting from trade, banks, insurance, to the managers' false expenses.<sup>5</sup>

### **Change of Perception**

The crisis with Covid-19 has caused damage to the entire world economy. Every crisis, and this one in particular, requires a quick response and ways for overcoming it. These can be simple, short-term solutions that do not have a lasting character. Such solutions reduce the competitive advantage, because the best

---

<sup>4</sup> <https://news.gallup.com/poll/274673/nurses-continue-rate-highest-honesty-ethics.aspx>

<sup>5</sup> <http://www.sjakovic.com/02/poslovnna-etika/> taken from John Dalla Costa, *The Ethical Imperative: Why moral leadership is Good Business*, Perseus Publishing, 1998.

employees leave the company looking for better working conditions, and in the long run these solutions cause more harm than good because they spread distrust, whereas the business of insurance companies is based on trust.

The worse the atmosphere, the more possibility opens up for various forms of fraud and hidden and ill-intentioned actions in business. Sloppy fulfilment of obligations at work, conflicts, gossip and subterfuge, disclosure of business secrets, disloyalty - these are just some of the manifestations of unethical behaviour of employees, which can bring irreparable damage to insurance companies. If we add "flexible" moral norms at work and behaviour, a destroyed system of positive business, and life values in underdeveloped environments such as ours (society in transition), then we can talk about Eldorado for various types of fraud and business scandals.<sup>6</sup>

In such circumstances, it is necessary to emphasize the importance of high moral standards and ethical relations within and outside the companies. This also means that insurance companies should insist even more on a business culture and an atmosphere in which there is no room for immoral actions of individuals or for creation of scandals. This notably means that management should set a personal example and encourage employees to behave ethically. Just writing and updating codes of ethics is not sufficient. Business ethics should be demonstrated by those most responsible - companies' management.

## Conclusion

The insurance business developed from the human need for security, from the need to overcome uncertainty and limit losses in case of damage, whereas honesty, fairness, dignified treatment, truthfulness, reliability, loyalty, integrity, respect for others, and justice are but some of the principles on which this business is based.

On the other hand, fierce market competition, now aided by the global crisis, has hampered the operations of all financial institutions. As this situation develops, the fact that insurance companies are expected to continue to serve as shock absorbers for the economy and society places additional pressure.

Recommendation that could be given to insurance companies is that, drawing on the lesson learned from an event such as Covid-19 pandemic, they should restructure and design an action plan for the future. This primarily refers to financial, but also ethical insurance against potential challenges and harms.

Successful reforms involve changing the way people think and instilling self-regulation in people. Written rules are part of the reforms and can help preserve and strengthen culture, but alone, they are not sufficient. Employees must instinctively know what they are allowed to do and what they are never allowed to do. Namely, they must internalize a culture that values strict adherence to ethical standards of behaviour.<sup>7</sup>

---

<sup>6</sup> <http://www.sijakovic.com/02/poslovna-etika/>

<sup>7</sup> <https://www.svijetosiguranja.eu/poslovna-etika-u-financijskom-sektoru/>

### **Literature**

- Azra S., *Poslovna etika*, Data status, 2020.
- Dempsey, Mike. (1999). An Agenda for Window-Dressing or for Radical Change? <http://panopticon.csustan.edu/cpa99/html/dempsey.html>
- Professor Wolfgang Rohrbach, PhD, *Ethics and Insurance*, Scientific Debate, 2013.
- Riderstrale, J. Nordstrom, K., *Funky Business*, Plato, Beograd, 2004.

#### **Internet sources:**

- <https://news.gallup.com/poll/274673/nurses-continue-rate-highest-honesty-ethics.aspx>
- <http://www.sjakovic.com/02/poslovna-etika/> taken from John Dalla Costa, *The Ethical Imperative: Why moral leadership is Good Business*, Perseus Publishing, 1998.
- <https://www.svijetosiguranja.eu/poslovna-etika-u-financijskom-sektoru/>

Translated by: **Zorica Simović, Grad. Philol.**