

# THE ETHICAL CODE AND THE ETHICAL CLIMATE WITHIN THE HOTEL BUSINESS\*

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DOI: <https://doi.org/10.31410/tmt.2018.267>

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**Abstract:** *The most common normative system for shaping the employees' attitudes and behavior is represented in form of the ethical code. In respect to that fact, this study was focused on researching the effects of the ethical code on shaping the ethical climate within the hotel business in society that is passing through the transition, such as Serbia, obtaining the sample of 211 employees in hotels of Kopaonik, one of the most popular destinations of winter tourism in this country. The effects of the ethical code (its content and transparency of discussions and meetings about ethics and ethical dilemmas within hotels) were analyzed in respect to their influence on five identified ethical climate types, labeled as Law and care, Adhering the law, procedures and rules, Organizational interest, Team spirit and personal morality and Personal interest.*

**Keywords:** *ethical code, ethical climate, hotel business, employees, perception*

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## 1. INTRODUCTION

As organizations strive to achieve the employees' behaviour that would lead to success of their business, there is a raising awareness regarding the need aimed at regulating the employees' behaviour on the basis of different normative systems [10]. The most common type of normative systems for shaping the employees' behaviour is represented in form of the ethical code, which is usually defined as a set of rules of acceptable and unacceptable business behaviour [6], [11], [16], [17], [19], [21], [23], [26].

In addition to the ethical code, another important aspect of business ethics researched for the purpose of this study is the ethical climate, which often provides an answer to the question of how to act throughout deciding and solving the moral dilemmas within the organization [25]. More

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\* This research is part of the project approved by the Ministry of Education, Science and Technological Development of Republic of Serbia (176020 OI), as well as the project 114-451-2080/2016-01 approved by the Autonomous Province of Vojvodina, Provincial Secretariat for Higher Education and Scientific-Research Activity (Program 0201) (2016-2019).

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precisely, the ethical climate refers to the employees' perception regarding the behaviour that organizations consider as ethically correct, as well as the manner in which the organization expects from their employees to solve the ethical issues while performing their business tasks [2].

Given that the ethical code is universal resource for shaping the employees' behaviour, there is a question whether the form in which the ethical code is represented, as well as its content, might affect the employees' perception of the ethical climate. This is especially important to research in the country such as Serbia, where standards of moral behaviour are often changed and adapted to existing social system. It all makes Kopaonik a specific space for researching the business ethics.

## 2. LITERATURE REVIEW

### 2.1. The ethical climate

According to one of the most accepted definitions, ethical climate refers to the employees' perception regarding their beliefs and attitudes about standards and norms of acceptable behaviour in particular business environment. Based on existing results of the previously conducted researches, ethical climate reflects managerial expectations and, according to that fact, different types of the ethical climate could exist within different organizations [2], [24], [9].

In accordance with the widely used Victor and Cullen's theoretical typology [24], [25], there are nine possible theoretical types of the ethical climate (self-interest, company profit, efficiency, friendship, team interest, social responsibility, personal morality, company rules and procedures, laws and professional codes). Basic researches regarding the identification of implemented ethical climate types within tourism organizations in Serbia were conducted by [4], [5], [8], [12] and [13]. However, this topic is still not sufficiently researched within tourism sector of Serbia, which leaves plenty of space for additional researches on this subject.

This research is part of the bigger study related to researching the ethical climate within the hotel business of Kopaonik. Basic results of this overall research pointed to identification of five ethical climate types within Kopaonik and, therefore, the ethical climate types will not be examined again. Identified ethical climate types were termed as: Law and care, Adhering the law, procedures and rules, Organizational interest, Team spirit and personal morality and Personal interest [12], [13].

*Law and care* is characteristic for hotels focused on considerations whether the business change would violate specific law or cause the negative effects for the employees. *Adhering the law, procedures and rules* is pointing to abiding the legal and professional standards, regardless the other considerations. In hotels with *Organizational interest*, employees are mainly expected to do their best to promote the interests of specific hotel, which is totally opposite to next ethical climate type termed as *Team spirit and personal morality*, where the welfare of the employees is the most important consideration. The last ethical climate type, *Personal interest*, is characteristic for hotels where each employee fights for himself [12], [13]. This research will further explore the effects of the ethical code on influencing the employees' perception of previously mentioned ethical climate types within the hotel business of Kopaonik.

## 2.2. Ethical code and the ethical climate

There are different definitions of the ethical code, but it is possible to emphasize several essential characteristics, which are represented in all of these definitions. First of all, the ethical code is usually formal and written document [14], [19]. Next, the content of such document refers to moral orientation of business policy, presented in form of the ethical standards [19], primary values [1], principles [11] or in form of the general statement on the ethical orientation of the entire organization [22]. Finally, the ethical code is usually established to shape the employees' behaviour [19], or more precisely to establish the encouraging behaviour within the organization as a whole [7], [11], [19], [20].

According to the previous findings, ethical code could influence individual ethical behaviour on the basis of its direct influence on the ethical climate of particular organization [26]. However, different types of the ethical climate might require a different strategy of managing the business ethics [10], [18]. For example, a comprehensive ethical code could be effective in organizations that respect laws, procedures and rules, but it could also be ineffective in organizations with benevolence types of the ethical climate [3].

Results of the study conducted by [5] indicated the manner in which the ethical code could shape the ethical climate perception among the employees within the different types of organizations operating in tourism sector of Serbia. However, as already mentioned, due to the fact that the ethical climate could differ in accordance with particular type of the organization, this research is tendentiously aimed at researching the impact of the ethical code on the employees' perception of the ethical climate within organizations of the same type, in this case within hotels in Kopaonik, primarily because it is one of the leading destinations in Serbia, according to the number of tourist arrivals during the winter season.

## 3. METHODOLOGY

### 3.1. Instrument

This study was conducted on the basis of the survey research. At the beginning of the questionnaire, respondents could find short text that provided an explanation regarding the main subjects of the research. The first segment of the questionnaire obtained 26 questions from the Victor and Cullens' Ethical Climate Questionnaire [24]. According to this group of questions, five ethical climate types were identified in hotels within Kopaonik and they were labelled as Law and care, Adhering the law, procedures and rules, Organizational interest, Team spirit and personal morality and Personal interest [12], [13]. These ethical climate types were used as a basis for the further research of the ethical climate within the hotel business of Kopaonik. In respect to that, the other segment of the questionnaire obtained the issues related to the content of the ethical code in order to research its effects on influencing the employees' perception of previously mentioned ethical climate types. The content of the ethical code is focused on the employees' attitudes regarding the extent to which the ethical code is observed and applied as a source of information, educational resource, guidance for protection of the employees and the extent to which the ethical code refers to the attitudes towards products or services, customers, employees, competition, marketing, or some other aspect (where the respondents are given the opportunity to independently give an additional answer). After that, employees were asked to state their opinion regarding the transparency of discussions and meetings about ethics and

ethical dilemmas within hotels they work for. Respondents actually expressed the level of their agreement or disagreement with stated items through the usage of the Likert's scale, from 1 (I completely disagree) to 5 (I completely agree) or they were asked to choose between several offered answers.

As already mentioned, respondents' answers regarding the ethical code were analysed in the context of their influence on shaping the pre-identified types of the ethical climate in hotels of Kopaonik, termed as: Law and care, Adhering the law, procedures and rules, Organizational interest, Team spirit and personal morality and Personal interest, as already mentioned and explained within the literature review.

### **3.2. Procedure**

This research started within Kopaonik in 2013 and it was continued until 2015. Data were collected during the survey, by using the pen-and-paper procedure. Respondents were informed that the research is anonymous and they were asked to fulfil the questionnaire sincerely. A sample of 211 respondents was collected (the survey covered 70.59% of overall hotel facilities in Kopaonik).

### **3.3. Sample**

The survey research obtained the convenience sample of 211 respondents. About 52.6% of them were male, while 47.4% of them were female. Majority of the respondents belongs to the age group between 21 and 30 years (49.8%). The most frequent degree of education within the sample is high school (63.5%) and it mostly comes out of tourism sector (83.4%). The amount of monthly incomes of majority of the respondents is between 15,001 and 30,000 RSD<sup>6</sup> (50.2%). According to the place of the respondents' residents, it could be said that Kopaonik represents an adequate place for researching the human resources, since people from all over the Serbia are represented within the hotels in Kopaonik.

Results regarding the ethical code pointed out that 78.2% of the respondents stated that they work for hotels with the ethical code. Nevertheless, 19% of the respondents do not know if the ethical code is represented in hotel they work for, while only 2.8% of them stated that there is no ethical code within hotels of Kopaonik. Furthermore, 43.1% of the respondents said that ethical code is represented in a verbal form, while 34.6% of the respondents pointed out that ethical code is represented in a written form. However, 22.3% of them do not know in which form the ethical code is represented in their business environment. Thus, on the one hand, it is encouraging that most of the respondents stated that the ethical code is represented in hotels of Kopaonik, but, on the other hand, it is a worrying a fact that significant percentage of the respondents do not know in which form it is represented.

## **4. RESEARCH RESULTS**

According to the research results, implementation of the ethical code shaped the employees' perception of Law and care ( $F = 3.447$ ;  $p < 0.05$ ) and Adhering the law, procedures and rules ( $F = 4.601$ ;  $p < 0.05$ ). Thus, results regarding the employees' perception of Law and care, based on the implementation of the ethical code in hotels of Kopaonik, are represented in Figure 1.

<sup>6</sup> 1 EUR = 118.34 RSD [15]

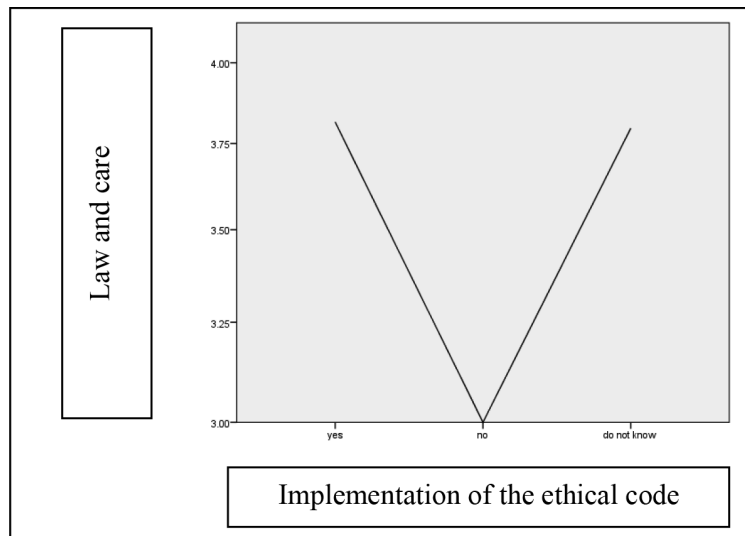


Figure 1: Ethical code and Law and care  
(Source: Research results)

According to the same principle, results regarding the employees' perception of Adhering the law, procedures and rules are represented in Figure 2. Thus, according to Figures 1 and 2, it could be seen that perception of the respondents, regarding the both ethical climate types, is higher, within hotels with prescribed ethical code. Also, it is interesting that employees' perception of these ethical climate types is even higher in hotels where employees stated that they do not know if hotels they work for have the ethical code, compared to those who stated that the ethical code is not represented within hotels in which they are employed.

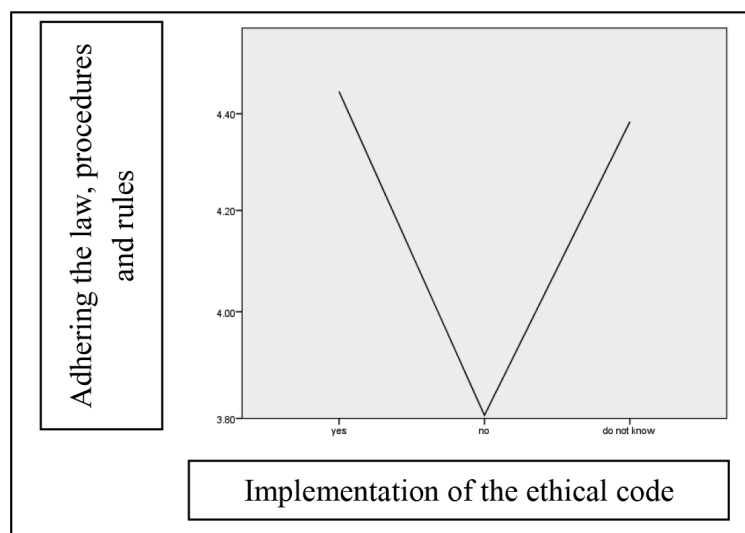


Figure 2: Ethical code and Adhering the law, procedures and rules  
(Source: Research results)

Furthermore, based on the research results represented in Table 1, significant differences in perception of Law and care ( $t = -2.818$ ;  $p < 0.01$ ) could be noted among the respondents within hotels of Kopaonik where the ethical code is represented in a verbal form and among those in which it is represented in written. Thus, higher perception of Law and care is obtained among the respondents who are employed within hotels that implemented the ethical code in a written form.

Ethical climate types	Verbal (M)	Written (M)	T- values	Significances
Law and care	3.67	3.99	-2.818	.005
Adhering the law, procedures and rules	4.38	4.53	-1.863	.064
Organizational interest	3.54	3.73	-1.699	.091
Team spirit and personal morality	3.79	4.00	-1.855	.065
Personal interest	3.83	3.85	-.227	.820

Table 1: Perception of the ethical climate types and the ethical code form of the implementation  
 Source: Research Results

The multivariate analysis of General Linear Modelling indicated that three out of 11 previously defined items related to content and methods of applying the ethical code shape the employees' perception of certain ethical climate types. Thus, higher perception of Adhering the law, procedures and rules is gained among the employees working within hotels whose ethical codes always obtain the attitudes towards products and services. On the other hand, the lowest perception of this ethical climate type is evidenced among the respondents employed within hotels which ethical codes rarely contain the attitudes towards products or services (see Table 2).

Aspects that could shape the ethical climate perception		Ethical climate types (M)				
		Law and care	Adhering the law, procedures and rules	Organizational interest	Team spirit and personal morality	Personal interest
Attitudes towards products/ services (M = 3.67)	Never (1)		4.33	3.62		
	Rarely (2)		4.14	3.37		
	Sometimes (3)		4.17	3.28		
	Often (4)		4.55	3.74		
	Always (5)		4.68	4.02		
	<i>F value</i>		5.40	8.01		
	<i>Significance</i>		.02	.01		
Transparent discussions about ethics and ethical dilemmas (M = 3.19)	Never (1)					3.77
	Rarely (2)					3.89
	Sometimes (3)					3.79
	Often (4)					3.82
	Always (5)					4.14
	<i>F value</i>					6.97
	<i>Significance</i>					.01
Organized meetings about ethics and ethical dilemmas (M = 2.95)	Never (1)	3.24	4.23			3.78
	Rarely (2)	3.54	4.26			3.63
	Sometimes (3)	3.71	4.38			3.80
	Often (4)	4.24	4.60			3.93
	Always (5)	4.41	4.71			4.31
	<i>F value</i>	6.61	7.37			9.10
	<i>Significance</i>	.01	.01			.01

Table 2: General Linear Modelling  
 Source: Research results

Also, the level in which the attitudes towards products and services are mentioned within the ethical code shape the employees' perception of Organizational interest. On the basis of the research results represented in Table 2, it could be noticed that perception of Organizational interest is stronger in hotels that often or always incorporate the attitudes towards products and services into their ethical codes, unlike those who do that sometimes, rarely or never.

Furthermore, the level of transparent discussions about ethics and ethical dilemmas shape the respondents' perception of Personal interest. Table 2 provided an insight into the fact that transparent discussions about ethics and ethical issues, lead to stronger perception of Personal interest.

Finally, the level of organizing the meetings regarding the ethics and ethical dilemmas within hotels shapes the respondents' perception of Law and care, Adhering the law, procedures and rules and Personal interest (see Table 2). In the case of perception of Law and care and Adhering the law, procedures and rules, it could be noticed that perception of these ethical climate types is increasing along with an increase of the frequency of organizing the meetings on ethical issues. In the case of Personal interest, the highest perception of this ethical climate type is recorded among the employees in hotels where meetings on ethical issues and problems are always organized, while this perception is the lowest in the case of the respondents employed in hotels where such meetings are rarely organized. In the case of Personal interest, it could be noticed that this perception is growing in parallel with growth in frequency of organizing this type of the meetings.

## 5. DISCUSSION

Based on results of this research, it is shown that implementation of the ethical code within the hotel business shaped the employees' perception of Law and care and Adhering the law, procedures and rules. Higher perception of both ethical climate types is represented among the employees within hotels that implemented the ethical code. However, it is interesting that perception of stated ethical climate types is even higher in those hotels where employees emphasized that they do not know if there is the ethical code, compared to those who stated that ethical code is not implemented within hotel they work for. This could mean that hotel implemented the ethical code, due to the fact that perception of Law and care and Adhering the law, procedures and rules is high, but it could also mean that ethical code is not sufficiently transparent to employees. Results also showed that perception of Law and care is higher among the employees within hotels in which the ethical code is represented in a written form. This means that, in a written form, employees are clearly informed about appropriate and inappropriate behaviour. According to that, employees could use the ethical code for seeking the clarification of problems during the unusual business situations. On the other hand, in verbal form, management could convey those aspects of the ethical code that are important to organization, while, at the same time, management could neglect the ethical issues of importance to employees.

Throughout the research regarding the content and method of applying the ethical code, it is considered whether the ethical code is used as a source of information, educational resource, guidance for protection of the employees, as well as whether it obtains the attitudes towards products/services, consumers/clients, employees, competition, marketing, or something else and whether there is a transparent discussion and organization of meetings regarding the ethics and ethical dilemmas within these hotels. Research results showed that three out of 11 items related to the content and method of applying the ethical code shaped the employees' perception of the ethical climate types in hotels located in Kopaonik. Thus, perception of Adhering the law, procedures and rules and Organizational interest is increasing in parallel with increase of employees' perception that attitudes towards products and services are mentioned within the ethical code. Therefore, when the ethical code obtains the items related to expected characteristics of products and services that would provide precise information to employees on what hotel actually expects from them. Thus, ethical code is actually pointing to specific laws, business rules and procedures that must be followed, on the basis of defining the expected quality of products and services.

Furthermore, degree of transparency of discussions about ethics and ethical dilemmas shaped the employees' perception of Personal interest. More precisely, employees showed higher perception of Personal interest in hotels where discussions about ethics and ethical dilemmas are transparent. These results are interesting, because opposite results were expected. However, in this case, it could be concluded that hotels pay attention to the ethical issues within the business, but, at the same time, it does not mean that they are actually trying to solve them. Therefore, ethical problems are represented within these hotels, management does not ignore them, but obviously does not pay enough attention to their adequate solution in the manner that would satisfy the employees. This could be concluded on the basis of the fact that employees are increasingly aware of the fact that they have to fight independently for their personal interest, regardless the fact that discussions regarding the ethical issues are organized within hotels they work for. So, transparent discussions about the ethical issues and problems could be an attempt of hotels to show to their employees that they care about these problems, but behind the mask is actually superficially dedication to solving the ethical issues in the manner that could contribute to the employees.

Finally, results also pointed to the fact that frequency of organizing the meetings on ethical issues shaped the employees' perception of Law and care, Adhering the law, procedures and rules and Personal interest. Results of this research showed that perception of these three ethical climate types is growing along with increase of frequency of organizing the meetings dedicated to the ethical problems. This finding additionally supported the fact that transparent discussions on ethical issues shape the employees' perception of Personal interest. Therefore, hotels organize meetings on ethical issues, but their essence is to introduce the employees with the fact that all ethical issues need to be solved in a way that is in accordance with prescribed laws, procedures and business policy. Thus, along with the increase of the frequency of organizing this kind of the meetings, employees increasingly perceive that they must fight for themselves. This is actually pointing to the fact that meetings are often organized formally, in order to indicate to hotel employees what they could or could not do, so it could be said that management of these hotels actually do not talk openly about the real needs of the employees.

## **6. CONCLUSION**

Comparing the gained results of this research with those obtained in the research conducted by [5], it could be noticed that there are some similarities, but also the differences, which is pointing to the fact that every type of tourism organizations could show certain characteristics that could also be reflected on the employees' perception of the ethical climate. Thus, results of this research could contribute to better understanding of the ethical climate perception within the hotel business. Finally, it could be said that, according to the above represented results, the ethical code could shape the ethical climate perception within specific organization, which is the reason why it is necessary to approach seriously to its formation and its implementation in concrete business environment.



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