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Scientific and theoretical justification for implementation of corporate codes in pharmaceutical institutions of Ukraine

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Abstract

The authors of the article have conducted a comprehensive study of theoretical and methodological aspects of the relevance of implementation of the corporate code into the activity of a pharmaceutical institution as a tool of organizational culture management within the framework of adaptive personnel management and systematic substantiation of scientific approaches to the study of historical formation, the possibilities for the use and implementation of various types of corporate codes in pharmaceutical institutions of domestic pharmaceutical sector of health care industry of Ukraine. Modern methods of logical and typological grouping, analytical analysis and comparison, desk (traditional) analysis, questionnaires have been applied for scientific substantiation. The result of the study is a terminological definition of "Code" in order to define the content, the establishment of reserves for increase of the pharmacy professionals' productivity, which arise due to the lack of attention to the standards of corporate codes in the mentioned organizations, that has been confirmed by experimental studies and analysis of the level of satisfaction of pharmacy professionals of the domestic pharmaceutical institutions with the prestige of their profession, management policy regarding a pharmacy/ chain, degree of involvement to the management of a pharmacy/chain, due to the desire to control, i.e. the degree of decentralization in the management and evaluation of the work of the executive management, possibility of career progression, professional advancement (career advancement, training, etc.) and improvement, growth and development of the personality.

Keywords: Personnel loyalty, pharmacy professional, chemist's shops, adaptive management, corporate culture

Introduction

Ethics requirements are reflected in corporate and professions codes, and they are ground of the organizational (corporate) culture of institutions. Unfortunately, the current state of corporate governance in pharmaceutical institutions of Ukraine is characterized by low level of organizational culture, inconsistency of existing practice of corporate governance with pharmaceutical institutions to generally accepted worldwide principles of re-orientation of personnel management system for individual work with personnel, as the most valuable asset of the pharmaceutical institutions.

Since an effective human resources management system of a pharmaceutical institution involves a strong adaptive organizational culture that stimulates the development of atmosphere of mutual responsibility among pharmacy professionals as employees and managers of the pharmaceutical institution (employers), there is a desire of all pharmacy professionals to improve the pharmaceutical institution to "the best institution" through the support of the initiative at all levels of organization, constant technical and organizational innovations, open discussion of all problems. It can be possible provided the effective use of all resources of the pharmaceutical institutions, especially immaterial ones, which are involved in the development of the organization basing on the theory of corporate culture by developing corporate standards covering various aspects of pharmacy professionals in the pharmaceutical institution and corporate code of the pharmaceutical institution.

That is why the purpose of this work is the conduct of comprehensive study of theoretical and methodological aspects of the relevance of introduction of the corporate code into the activity of a pharmaceutical institution as a tool of organizational culture management within the framework of adaptive personnel management and systematic substantiation of scientific approaches to the study of historical formation, possibilities to apply and implement various types of corporate codes in pharmaceutical institutions of domestic pharmaceutical sector of

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the health care industry of Ukraine, taking into account the international experience of applying the ethical principles of the activity of pharmaceutical institutions and pharmacy professionals.

Materials and methods of research

Specialized scientific literature, fundamental publications on labour organization, scientific reviews and monographs of domestic and foreign scientists on human resources management of organizations, Internet resources, results of sociological research and personal observations constitute the methodical basis for the substantiation of approaches to the study of historical development, possibilities of applying and introducing various types of corporate codes in the pharmaceutical institutions of domestic pharmaceutical sector of health care industry of Ukraine as an element of organizational culture within the framework of adaptive personnel management.

Modern methods of logical and typological grouping, analytical analysis and comparison, desk (traditional) analysis, questionnaires have been applied for the scientific substantiation of practical aspects of the relevance of implementation of corporate standards and corporate code of a pharmaceutical institution. Analysis and processing of the data have been carried out by mathematical and statistical methods using computer programmes (Microsoft Office Excel 2003).

The study subjects are special scientific literature, fundamental publications on labour organization, scientific reviews and monographic publications of domestic and foreign scientists on human resources management of organizations, Internet resources covering methodology, approaches and tests aimed at analysis of various aspects of the organization personnel activity and its culture.

Sociological methods and personal observations carried out among 1940 pharmacy professionals from 23 regions of Ukraine have been applied to confirm the desk results of the study. Categorical data on the distribution of respondents by regions shall be grouped according to the geographic areas: Eastern area – Donetsk and Luhansk regions (until November 2013, then the territory controlled by Ukraine) and Kharkiv region; Central area – Vinnitsa, Dnipropetrovsk, Kirovograd, Poltava, Cherkasy regions; Northern area – Zhytomyr, Kyiv, Sumy, Chernihiv regions; Western area – Volyn, Zakarpattia, Lviv, Rivne, Ternopil, Chernivtsi regions; Southern area – Zaporizhzhia, Mykolaiv, Odesa regions, AR of Crimea (until November 2013) (Figure 1). The research has been attended by various pharmacy professionals (Figure 2).

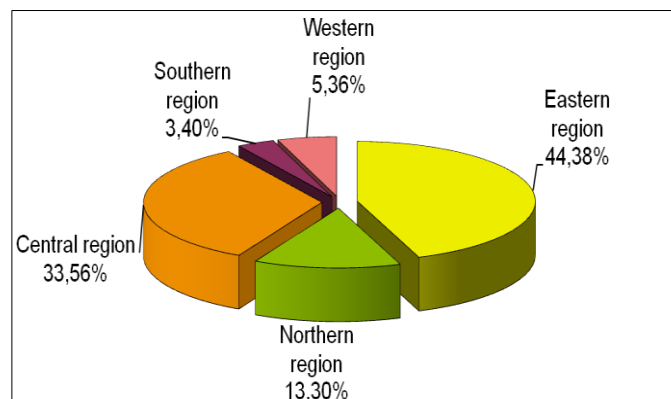


Fig 1: Categorical data on the distribution of respondents by regions of Ukraine

All respondents have been grouped into three categories: the management (main (leading) pharmacy professional, the director of a pharmacy institution, the head of a pharmacy institution, the head of a pharmacy, the head of a pharmacy department, the head of a pharmacy warehouse or a base, the head of a department), their deputies, chemists and pharmacists.

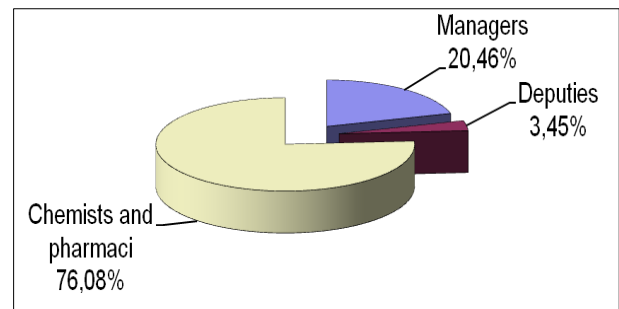


Fig 2: Characteristics of the distribution of respondents by positions

Results and its discussion

A corporate code is actually a form of implementation of corporate regulations, which, in turn, are the rules of conduct that are established in the organization for the purpose of regulating the relationships and they are aimed at achieving goals. The corporate code is perceived as a step towards improving corporate governance improvement.

Currently the interpretation of the word “Code” (Latin “codex” is a book) is a set of rules in a certain sphere, which may have an officially fixed character, but it is not effective. There is also a more meaningful definition of this term: “Code” is internally integral complex (it has a structural division into parts, sections, etc.) statutory instrument, which is the result of codification, and it provides legal regulation of a certain sphere of social relations, combining the rules of a certain sphere, branch (sub-branch) of law.

However, the current code is not only a tool of high quality communication ethics, formation of organizational culture, positive image of the organization and increase in foreign economic activity, since the society has lacked only universal standards for regulating the human behaviour within the non-standard or conflict situations (Figure 3).



Fig 3: A set of standards for regulating the behaviour of pharmacy professionals

The most widespread option in the modern world is *Business*

Ethics Code, which is a set of moral principles, moral regulations and rules of conduct of one person or group of individuals, which determines evaluation of their actions in terms of relationships with other business entities, relationships in the team and in society basing on the observance of moral regulations and principles, divided among them.

At the end of the last century, problems of ethics conduct of business acquired not only national (state) but also international character that is inherent in interconnection at international, micro and macro levels, with formation of value-based approaches by the relevant official documents.

In this regard, the United Nations (UN), the Organization for Economic Cooperation and Development, the International Chamber of Commerce jointly developed a framework for the implementation of international rules on conduct of business entities in the international market. The Council of Europe has also conducted significant work in this direction. This issue is of particular importance due to expansion of the activity of multinational corporations (MNCs), which because of their extensive intercontinental or international organizational structure cannot be a controlled entity at macro level and cannot subject to the law of one state. The draft code of international conduct for these companies, developed by the United Nations, was adopted in 1980, it was revised in 1985 and in 1988. The code is being still developed.

Macro-level in Ukraine is represented by rules of corporate governance, regulating the activities of organizations with a number of regulatory documents on the implementation of important principles of business ethics – “implementation of generally recognized civil, integrity regulations of business relations in process of corporate governance”. The domestic principles of corporate governance were approved by Decision No.571 of the State Committee on Securities and Stock Market dated 11 December 2003. They focus on the rights of shareholders (owners), on the process of organizing the management of a joint-stock company, and on the requirements for disclosure of information on a joint-stock company activity. However, the mentioned document do not solve the relations with employees and other interested parties up to date. Attempt of the State Committee on Securities and Stock Market to overcome these shortcomings was reflected in the new edition of these principles of the OECD in 2004. This document incorporates the best examples of global corporate governance practices and highlights the issues of regulating the relations of shareholders, managers and interested parties, in particular, the attention is paid to social responsibility and ethics of conduct while managing the joint-stock companies, that was proclaimed by the Secretary General of the OECD, Donald J. Johnson in the introductory word of the print edition of Principles: “... it is important that our efforts will also help to develop the culture of professional values and ethics conduct, which well-functioning markets will depend on. Trust and honesty play an extremely important role in economic life and, for the sake of business development and economic prosperity, we must make sure that they are rewarded properly...”^[11]. In Ukraine, the draft of new edition of the principles was approved by Decision No. 52 of the State Committee for Securities and Stock Market dated 24 January 2008, but has not been adopted.

Professions Codes result from professional ethics and regulate relationships in professional communities, and they are effective for “freelance jobs”. Professional ethics is a

specific set of moral regulations, which serves as a guideline for behaviour within one or another professional activity. Therefore, professions codes are based on the same ethical principles as corporate codes and business ethics codes, but contain standards of conduct for a particular profession or type of activity. They are also inherent in the division into three levels of implementation of professional principles: international, macro and micro levels.

One of the first famous professions codes was the Hippocratic Oath – the Code of Practitioners, which is an example of its use at the international level. In 1973 at the European Management Symposium III in Davos, they attempted to regulate ethical standards of management and proposed an exemplary code of ethics conduct of managers. According to this code, manager's professional duty is serving the clients, shareholders, employees and society by balancing their interests, which often contradict each other.

One of the leading organizations in the world-class pharmaceutical sector is the International Pharmaceutical Federation (FIP), which establishes global pharmaceutical standards through professional and scientific principles of management, policy guidance and declarations, and through collaboration with other international organizations, including the World Health Organization (WHO) and other establishments of the United Nations. FIP Working Group developed “Code of Ethics for Pharmacists”, which was approved by the Council of this organization in 1997. The document, which was proposed by the International Pharmaceutical Federation, can be recommended as a model for writing new domestic professional “codes of honour” at time when corporate communities of the members of pharmaceutical market will start forming the fundamental rules.

Ethics or professions codes are not binding, and violation of these regulations cannot cause the execution of the legislative sanctions. However, control is carried out at macro level through self-governing either by communities or by management or by representatives of authorized body. In countries such as the United Kingdom and Canada, pharmacy is a self-governing or “free” profession. That is why national or provincial pharmaceutical companies combine all the registered pharmacists of the country and region and have different powers: in case of violations by pharmacy or pharmacy professionals, registration or license for pharmaceutical activity is revoked. For example, violations of the professions code can be classified as “professional guilty” and lead to disciplinary measures by the Charter Committee of the Royal Pharmaceutical Society of Great Britain (RPSGB).

However, creation of a single code of pharmaceutical ethics for all countries of the world is impossible due to national, political, economic and cultural differences. Along with that the 48th International Congress of MFF (Sydney, 1988) approved *basic universal recommendations for national codes*.

Ethics Code of Pharmacists of Ukraine was adopted in 2010, at National Congress of Pharmacists of Ukraine VII. It includes not only general provisions, but also it contains special information: requirements for professional activity of a pharmacist within the conditions of modern society, regulation of relationships between a pharmacist and colleagues, patient and physician, requirements for participation in scientific progress, information world, advanced pharmaceutical technologies, etc.

By now, an attempt to create the oath of pharmacist of Ukraine has been made, by analogy with the code of physician.

The *corporate code* is believed to be first put into action by Japanese companies within the framework of implementation of a quality management system based on the modern fundamental principles of American scientist and consultant on the theory of quality management, Deming William Edwards (1900 – 1993). Deming got his greatest popularity for his innovative propositions regarding the reorganization of enterprises, which are widely used under the name of “economical production” in Japan and other countries. The basis of these propositions were the rules related to the creation of moral system of relations between management and subordinates in the organization, helping employees in the performance of their work in the best way, removing the atmosphere of fear, so that everyone could work more efficiently and productively for the benefit of the entire company.

However, it should be also mentioned that the European experience of introducing certain elements of organizational culture towards its final recognition is an important component of adaptive human resources management of pharmaceutical institution. Thus, “discipline and good attitude to employee” are pointed out in the book of F.W. Taylor (1856 - 1915), “Principles of Scientific Management» (1911); it implies psychological compatibility, friendly cooperation and cooperation between the administration and employees in the field of practical implementation of organizational culture. In his writings F. Gilbreth (1868 - 1924), among the variables associated with the personality of a worker, noted “spiritual differences” of workers – that was everything that can cause some sympathy and good relations between workers and management. Subsequently, modern scholars will call it loyalty to the organization. The achievement of that time was an indication of “corporative spirit” among the fourteen principles of the management by H. Fayol (1841-1925); the term provided for harmonization of the enterprise collective for the unity of their activities towards the achievement of the main single objective, etc.

The following codes were widely introduced by American companies in the United States of America in the 1980s in order to assure the public in their virtues. These first American codes, in addition to general provisions on the ethics of market and business, included ethics norms related to the behaviour of employees: banning bribes, fraud, receiving gifts by employees, payments of money received illegally, incitement of conflicts, disclosure of company secrets, use of information obtained on trusting terms, illegal behaviour for the sake of the company interests.

So far, there is no doubt about economic and social benefits of implementing the corporate code in organizations. The desk analysis of domestic literature and international experience has shown that there are positive examples of firms and corporations, which introduce ethics codes along with psychologists and ethics professionals to the staff arrangement. The United States, Germany and Japan experience in this area shows that the costs of moral and psychological support for the staff are not only objectively

necessary, but also compensable on favourable terms. The calculation of economic efficiency from the implementation of optimal and psychologically comfortable conditions for productive activity of the employees far exceeds the additional costs of training and retraining of new people or for reimbursement of expenses due to conflicts and strikes within the conditions of staff turnover and non-loyal behaviour of the staff.

However, experimental researches of corporate activity of pharmaceutical institutions of Ukraine, carried out by interviewing pharmacy professionals, and the desk method analysis of the existing corporate codes, in particular the availability of corporate standards for the management of any processes of pharmacy professionals activity within the organizational culture of pharmaceutical institutions, have shown that significant reserves for increasing the productivity of professionals and pharmacy institutions activity in general are available in the pharmaceutical market. This is possible if the impact of the following factors is eliminated or reduced:

- The management of the pharmaceutical institution does not pay enough attention to standards and regulations, which are approved by the existing corporate codes of the pharmaceutical institution;
- Formal approach to writing and defining the philosophy, mission, objectives and values of the pharmaceutical institution;
- Non-observance or partial compliance with the rules of conduct of pharmacy professionals, prescribed in the corporate code;
- Lack of understanding or misunderstanding of corporate relations of pharmaceutical institution by pharmacy professionals;
- Existence of significant differences between the realities of pharmacy professionals activity and the proclaimed standards, etc.

Not paying attention to these factors, having explained this by the availability of the Ethics Code of Pharmacists (“why do we need one more document?”), causes a decrease in the level of satisfaction of pharmacy professionals with the following: the prestige of the profession – a chemist/ a pharmacist (Figure 4); front-office policy for managing the pharmaceutical institution; the degree of involvement of pharmacy professionals in the pharmaceutical institution management (Figure 5); microclimate in the team; relations with colleagues (a considerable degree of proximity of relationships, trust) and with the supervisor/subordinates; possibilities for job promotion in the pharmaceutical institution; professional advancement (career advancement, training, etc.); improvement, growth and development as a person; using of initiative and creativity of pharmacy professionals (Figure 6); labour during the working day and intensity of the labour process, variety and content of work, degree of responsibility for the results; availability of feedback to reduce uncertainty, system of motivation and adaptation of staff, etc.

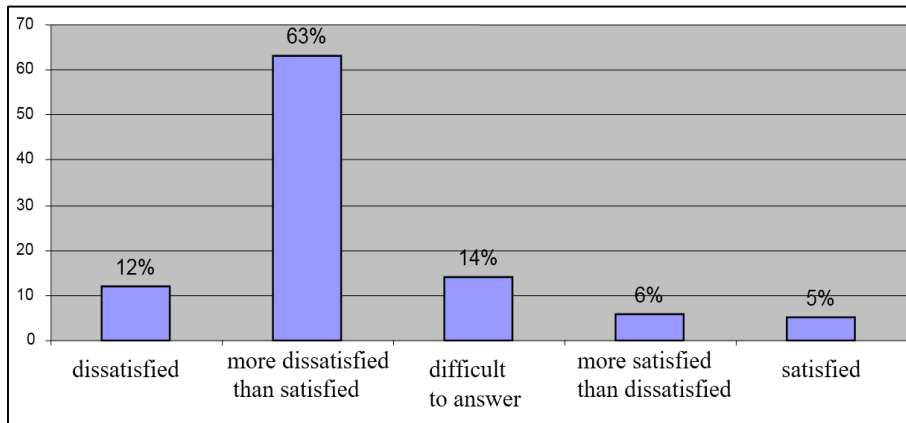


Fig 4: Analysis of the level of satisfaction of pharmacy professionals of domestic pharmaceutical institutions with the prestige of profession

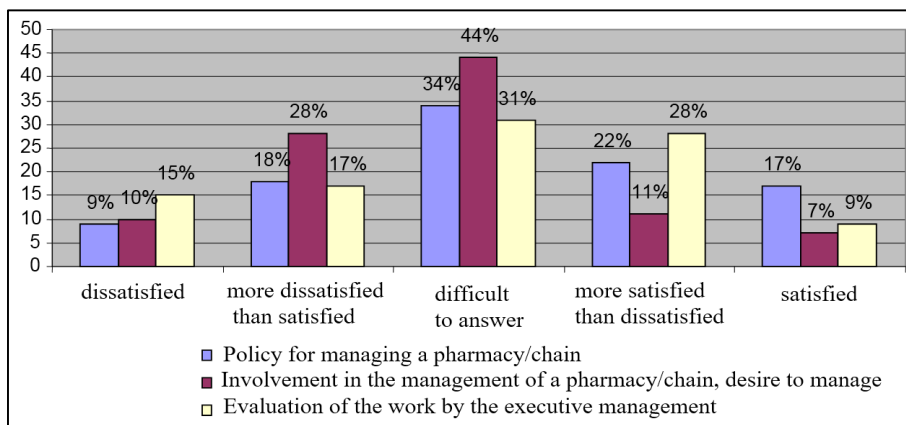


Fig 5: Analysis of the level of satisfaction of pharmacy professionals of domestic pharmaceutical institutions with front-office policy for managing a pharmacy/chain, the degree of involvement in the management of a pharmacy/chain, the desire to manage – satisfaction with the degree of decentralization in management and the evaluation of the work by the executive management.

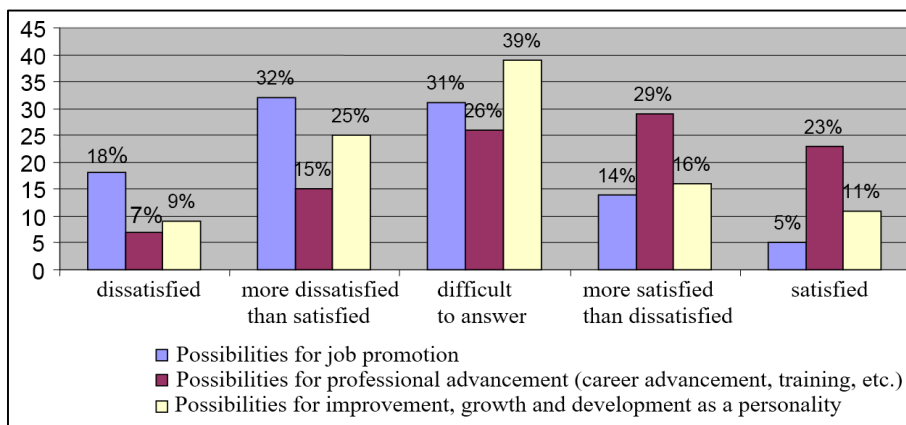


Fig 6: Analysis of the level of satisfaction of pharmacy professionals of domestic pharmaceutical institutions with possibilities for job promotion, professional advancement (career advancement, training, etc.) and improvement, growth and development as a personality

Thus, Figures 4 to 6 show that the level of satisfaction of pharmacy professionals is not sufficiently high and it varies for different arguments from 5% (possibilities of hourly advancement for pharmacy professionals provided by a pharmaceutical establishment) to 23% (possibilities provided for professional advancement of pharmacy professionals (career advancement, training, etc.)), that represents the relevancy and timeliness of the conducted researches for purpose of the further implementation of the complex of organizational measures for improvement of corporate level of management by a pharmaceutical institution through the prescribed standards of conduct of pharmacy professionals, through the values, mission, philosophy and attributes of

organizational culture in the corporate code of pharmaceutical institution.

Conclusion

1. A retrospective analysis of the terminological definition of “Code” and the current version of the interpretation of “Code” has been conducted in order to define the content.
2. It has been established that the most widespread version in the modern world is Business Ethics Code, which is of international nature, inherent in interconnection at international, micro and macro levels, with formation of value-based approaches approved by the relevant official documents.

3. Macro level in Ukraine is represented by the rules of corporate governance. The professional codes on the national level are represented by the Ethics Code of Pharmacists of Ukraine.
4. It has been established that at the micro level (pharmaceutical institutions) there are reserves for increase of the productivity of pharmacy professionals. These reserves arise due to the lack of attention to the standards of corporate codes in the mentioned organizations, that has been confirmed by experimental studies and analysis of the level of satisfaction of pharmacy professionals of the domestic pharmaceutical institutions with the prestige of their profession, management policy regarding a pharmacy/ chain, degree of involvement to the management of a pharmacy/chain, due to the desire to control, i.e. the degree of decentralization in the management and evaluation of the work of the executive management, possibility of career progression, professional advancement (career advancement, training, etc.) and improvement, growth and development of the personality.

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