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# Conflict of interests and flow of confidential information in the condition of cross employment on the example of the corporate group of an investment company

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**Abstract:**

**Aim:** The aim of the paper is to analyze and evaluate the consequences of cross employment in terms of conflict of interests and unauthorized use of confidential information while taking actions and making decisions by persons who duplicate their managerial or occupational responsibilities in several companies of a corporate group.

**Research method:** The analysis and evaluation employ interviews with the company's management staff and the findings of the author's participative observation. The interviews were conducted on a complete sample, since they encompassed all members of the board and were concerned with the awareness as to the consequences arising from using the cross employment practices, as well as solutions that could prevent conflicts of interests and unauthorized use of confidential information at the organizational and personnel levels.

**Findings:** Persons performing executive or supervisory functions in companies of a corporate group who seek to eschew the conflicts between their responsibilities and the rights of the capital market participants, which often enough engender the conflict of interests and/or compromise the confidentiality of information can neutralize those threats by mainly applying organizational solutions in that decision-makers are isolated from the areas generating such dangers. However, the most effective tool capable of preventing those threats is to comply with high ethical standards, broadly understood as organizational behaviors which translate into ethical organizational culture indoctrinating all employees in this respect.

**Originality/value of the paper:** Combining the findings of literature research with those obtained based on the empirical studies focusing on the consequences arising from cross employment in corporate groups is of significance in cognitive terms.

**Research implications:** The findings can be of practical value for members of the board of corporate groups in that they identify possible solutions to negative consequences of cross employment and the priorities in their application.

*Keywords: corporate group, cross employment, conflicts of interests, confidential information*
JEL: D22

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## 1. Introduction

In order to sustain competitiveness, many enterprises seek to be integrated with other entities within corporate groups. Managing such a grouping is certainly a complex process, in particular, in the field of human resource management. This is reflected in the realization of the personnel function where cross personal links are not an infrequent practice. Cross personal links could be described as a concurrent fulfillment of responsibilities within the governing bodies of different members of a corporate group by the same persons or a concurrent employment of the same employees in the group's different companies (Bąk 2014: 159).

When, within a corporate group, the governing functions in the bodies of at least two subordinate companies are concentrated in one person, we can talk about a personal union (Jagoda 2000: 320), whereas with respect to rank and file posts, the cross employment takes place when an employee works for more than one employer. In academic literature, what tends to be predominantly highlighted are the benefits of having such links with authors noting that there is an easier and wider exchange of information and knowledge within a corporate group, higher efficiency of corporate governance, strengthening the implementation of the group's common policy, expanding the promotion opportunities for managerial staff of daughter companies, reducing management and staff employment costs, lower demand for highly qualified managerial staff (Bąk 2014: 159).

It is, however, seldom that the shortcomings of such solutions are discerned, being revealed particularly when a corporate group operates on the capital market. Persons performing executive or supervisory functions in companies of a corporate group face the responsibility to resolve the contradictions existing between the obligations of the capital market participants. The basic conflicts between such obligations arise from the conflict of rights: the right to information and the right to transaction secrecy and protection of ownership rights of public companies; between the right to trade and the right to free market entry; between the right to safe trade and the right to equal opportunities in accessing the market (Klimczak 1998: 46). "The conflicts between the rights of the capital market participants require that in the specific situation the decision must be made as to which rights are to be recognized as particularly valuable and what hierarchy will govern the implementation of these rights as the market develops. This means that the capital market is a market regulated on the basis of the decisions made by its participants, what responsibilities they assume as a result of their choice with respect to the hierarchy of values" (Klimczak 1998: 47). This ambivalent, in terms of ethics, situation triggers conflicts of interests and unauthorized use of confidential information. The risk of illegal behaviors increases exceedingly when the same employee, being cross-employed, acts on behalf of different entities often having conflicting interests.

In this context the paper aims to analyze and evaluate the consequences of cross employment within the area of conflict of interests and confidential information use focusing on the case of an investment firm operating on the Polish capital market.

The analysis and evaluation in question, which employ interviews with the firm's management and findings of participative observation, is concerned with a case study of the investment firm operating within the corporate group where the author has been working since the firm was set up. The interviews were conducted on a complete sample, as they encompassed all members of the board (chairman and two vice-chairmen), and referred to the awareness as to the consequences of applying the practice of cross employment and possible solutions preventing conflicts of interests and unauthorized use of confidential information at the organizational and personnel levels.

The motives behind the choice of this research methodology were linked to the specificity of the function performed by the paper's author in the investment firm in question, i.e. a supervision inspector supervising the compliance of the company's operations with the provisions of law and internal regulations. The subject explored was one of the areas covered by the internal control, which determined obtaining information from persons who were directly affected by this subject and at the same time was conducive to initiating a discussion on possible solutions to the problem.

## 2. Selected consequences of cross-employment in corporate groups in the light of academic literature

The challenges of globalization and those associated with the ever stronger competition and the turbulent operating environment engender natural cumulative tendencies in that groupings of enterprises are set up combining their resources and skills in order to meet those challenges. Such groupings are usually considered to be a set of economic operators which are legally distinct, being created to achieve common economic objectives while using the ties connecting those entities (Nogalski, Ronkowski 2004: 11). These ties allow these groupings to be separated into two types: contract groupings, which group economic operators cooperating with one another on the basis of long-term contracts and arrangements pertaining to the provision of a specific economic activity, and shareholder groupings, where one of the grouping's entities, based on the ownership of specific equity instruments of other entities, may exercise ownership rights in relation to them (Zając 2012: 13).

"Using the aforementioned definition of the grouping of enterprises, corporate group could be defined as a grouping of enterprises which are linked by capital ties and established with a view to achieve common economic objectives, composed of economic operators, legally distinct assuming the form of capital companies" (Zając 2012: 13).

For the corporate group to be able to realize its common objective the capital ties do not suffice. In many cases they need to be strengthened by other ties: property, contractual and personal (Trocki 2004: 51).

The types of ties just mentioned determine the manner of subordinating the participants of the corporate group, as well as the manner in which the participants are acted upon so as to achieve the common economic goals (Bąk-Grabowska et al. 2015: 4).

The capital ties determine the capital subordination which constitutes the basis for exercising ownership impact. Property subordination concentrates on wielding influence which involves enforcement of property rights, while contractual subordination is linked to the ability of enforcing the contracts and arrangements concluded between the group's participants (Bąk-Grabowska et al. 2015: 4). "Moreover, the personal subordination is the source allowing the enforcement of behaviors from the company executives in line with the group's common economic policy" (Bąk-Grabowska et al. 2015: 4).

The personal ties within a business group can assume a variety of forms: ownership ties are established when owners act concurrently as members of the board in the several companies they own; ownership ties take place when the functions within the governance bodies of the group's companies are combined – personal union; occupational ties emerge when the same employee (usually a member of the management staff or mid-level specialist staff) is employed at the same posts across the group's different companies (Bąk-Grabowska et al. 2015: 5).

Personal links represent an important element integrating the corporate group's participants with one another, which generates a positive synergy effect in terms of meeting the group's objectives; however, those links can constitute a disintegrating threat if individual persons act in a situation where there are conflicts of interests or if they use confidential information illegally.

Personal links can also lead to the division of competences and responsibilities to be obfuscated, as well as to putting an excessive burden on their participants (Trocki 2004: 63). This is particularly noticeable for management links when the organizational solutions assume the form of the personal union. In this context, the personal union could be seen as reflecting the way the board and/or supervisory board of the parent company is configured in relation to its subsidiaries.

Some authors distinguish four organizational models within whose framework the personal union can be realized, i.e. the dual mandate model, collegial model, portfolio model and sector model (Jagoda, Haus 1995: 123-130).

The dual mandate model consists in performing two functions simultaneously by a member of the board of the parent company in that he or she also acts as the chairman of the board of the subsidiary company. The most crucial element of the collegial model is the counsels of corporate groups made up of representatives of the parent company's board, subsidiaries and specialists whose role is that of providing information and advice, yet with no decision-making competences.

In the portfolio model, board members of the parent company are assigned on a permanent basis to specific subsidiary companies, without assuming any formal functions in the management boards of those companies with their role being that of a representative of the subsidiary companies' interests at the senior management level of the corporate group.

The characteristic feature of the sector model is assigning members of the board of the parent company to its subsidiaries while simultaneously vesting them with power of decision.

What is commonly highlighted are the advantages and benefits of such an arrangement encompassing, among other things, "[…] stronger integration of the corporate group, improvement of information flow and a broad transfer of knowledge and skills between the companies" (Zając 2010: 220).

The personal union, understood as the personal identity of members of the board in the companies of a corporate group, however, gives rise, at least potentially, to the problem of acting exclusively in the interest of the individual companies or exclusively in the interest of the entire business grouping – this situation engenders the conflict of interests.

The essential feature of a holding is that several or a dozen independent companies pursue their common interest which is specified by the parent company. Economically, they are one organism while legally, independent entities. The board of such an autonomous company can take actions following only the company's interest. If it takes action which is not solely in the interest of its company, then we face the issue of acting to the detriment of the company and the consequence of such act may be civil and criminal liability, as provided for by the law. This prevents any actions to be taken which are orientated on achieving objectives important for the entire corporate group, and ultimately for all its members.

Besides, in Poland it is common to define the economic objective as a commercial objective, and such objective is associated with the obligation to make profit.

The manager's actions are evaluated in terms of whether they are focusing on gaining profit, and a particular quality of the corporate group is that it can be set up not only to make profit but also to service other companies or to complement their offer.

The existing provisions of law tend to disregard the fact that there can be such a thing as a common interest within the corporate group and that in making its decisions, a subsidiary company may be following this common interest if this interest takes into account the interest of the subsidiary company. This opens up the door to doubts, with this situation being further complicated if the parent company happens to be a public undertaking.

In other words, an individual or an organization faces the situation of conflicting interests when in acting to their own benefit or to the benefit of the entity towards which it has obligations simultaneously acts against the interest of another entity towards which it should also be loyal. This dual loyalty is here the primary identifier of this type of conflict (Lewicka-Strzałecka 2016).

The personal union within the boards of companies of a corporate group engenders yet another problem which is maintaining the information confidentiality. It is not possible for a member of the board of one company, who is in the possession of confidential information referring to this company, to forget this information while taking steps or making decisions in another company, in that he or she completely disregards this information. This "knowledge dualism" may potentially lead to situations where information will be used to the benefit of one company and to the detriment of the other. Such behaviors meet with particular condemnation on the capital market resulting not only in severe penalties but also in the loss of the company's credibility or the credibility of the entire corporate group.

Therefore, using cross-employment in corporate groups one should take into consideration the problems mentioned as disregarding them may have damaging repercussions, not only in terms of the company's image but most importantly in the economic sphere, too.

In searching for the solution to these dilemmas one should in the first place pay attention to the ethics of behavior of the organization's management staff, for ethical or unethical behavior of the owners/managers of a business and the organizational culture they determine are all part of the ethical context of every organization.

Above all, the ethical issues refer to people, indeed being embedded in our subconscious mind, yet further on they are reflected into, appropriate or not, relationships with the organization's surrounding environment and performance of occupational duties (Łukasik 2014).

"In an organization which operates ethically, […] culture is conducive to avoiding ambiguity, considered here in its broader sense, arising not only from the employment relationship, but also […] the ambiguity surrounding the social and even emotional sphere" (Łukasik 2014: 147).

In this context, it seems that the most effective instrument capable of preventing conflicts of interests and unauthorized use of confidential information should be to observe the high ethical standards of organizational behaviors in a broad sense which in turn translate into an ethical organizational culture indoctrinating all employees in this respect.

## 3. A case study of the corporate group of the investment firm

The case study refers to the investment firm which, as a brokerage house, provides, on the basis of the license held, services of offering financial instruments and drawing up prospectuses together with all the documents required for conducting public or private offering, as well as admitting and listing the clients' securities on the WSE [Warsaw Stock Exchange] regulated market.

Considering that the comprehensiveness of an offer is an asset of key importance to clients and anticipating synergies in terms of the efficiency of operations, a capital business group was created since it satisfies these requests through the cooperation unfolding within the group. The investment company acts as a dominant entity having 100% of shares of the share capital and 100%

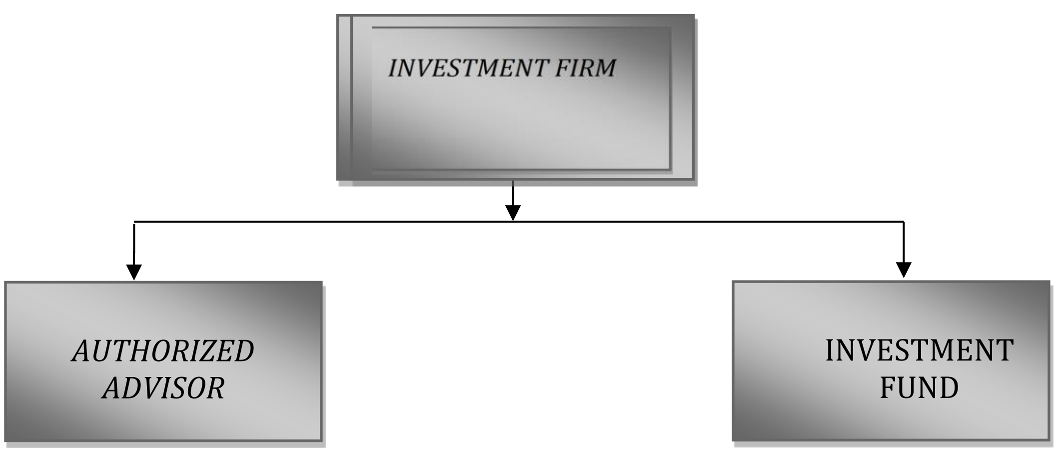
of votes at the shareholders' meeting in two companies, i.e. the authorized advisor company and investment fund company.

The Authorized Advisor is engaged in providing services of an authorized advisor on the NewConnect market, in giving advice during the preparatory activities aimed at the stock exchange debut and in drawing up information documents required on the NewConnect and Catalyst markets. The development of the authorized advisor depends on the economic situation prevalent on the NewConnect market and on the increasing competition on the market of authorized advisors.

The Investment Fund is engaged in performing investment activities as an investment branch of the corporate group making investments on the public and non-public market in prospective enterprises of various industries. The development of the Fund depends on the economic situation on the capital market and the financial condition of the companies to be invested in.

The personal ties in the business group refer to the companies' boards as well as employees holding executive positions. Within the framework of the personal union, a few members of the investment firm's board, including its chairman, are the board's members in the subsidiaries. The cross-employment also refers to employees at a lower organizational level who work part-time in the dominant company, while simultaneously being employed in the subsidiaries performing contract work.

**Fig. 1 The structure of the corporate group of the investment firm**




Source : self-reported data

In equal measure the nature of personal ties is determined by the links generated by the boards' members who are also the dominant shareholders of the group's enterprises. In the grouping of enterprises in question, the model of dual mandates finds its application in that the chairman of the parent company's board fulfills simultaneously the same role in the subsidiary, while the vice-chairman of the same board is simultaneously the chairman of the board of another subsidiary. An additional element leading to a greater integration, not only strengthening the personal ties but also ensuring transfer of knowledge and experience is the rotation of persons holding these positions which is carried out every few years (chairman of the board assumes the responsibilities of the vice-chairman and *vice versa*).

Despite the fact that the companies of the corporate group perform complementary activities, it is not that difficult to spot the areas of conflicts of interest within the individual companies and the entire corporate group. In particular, the conflict of interests may arise when:

- the investment firm or the group's company can make financial profit or avoid financial loss at the expense of the client, e.g. by charging commission for an additional service provided by another company of the group,
- the investment firm or the group's company has an interest in the outcome of the service provided to the client or a transaction carried out on the client's behalf if the investment company's interest or the interest of the other company of the group is distinct from the client's interest in that outcome (e.g. transfer of excessive credit risk)
- the investment firm or the group's company has financial or other incentives to favor the interest of one client over that of another or a group of clients,
- the investment firm or the group's company conducts the same economic activity as the client,
- the investment firm or the group's company expects, receives or will receive an inducement from a person other than the client, in relation to a service provided to the client, in the form of monies, goods or services other than the standard commission or fee for that service.
- there are social or personal relationships and arrangements within the chain of command in the investment company or the group's company which could impact adversely the independence of an employee/ board's member or his or her judgment while executing their duties,

- there are direct or indirect financial arrangements (including holding shares) with clients or firms that are in competition with the investment firm or the group's company which are potentially contrary to the interest of the group or its companies,
- services are hired or provided to the benefit of a different organization which could be detrimental to the interest of the investment firm or the group's companies,
- confidential information whose sole possessor is the investment firm or the group's companies or other information intended for internal use is abused or misused.

Based on the above listing, one could argue that persons holding management positions in several companies of the group often have to face the dilemma of making decisions which are burdened with a far-reaching ambiguity in terms of the subject of those decisions. Naturally, the conflict of interests can and ought to be managed, but also it should be noted that most of the instruments designed to rationalize the situation involving this conflict focuses on its elimination or leveling the effects it has on the relationships with the clients of the company in question. Moreover, the managerial area of conflicts of interest within the corporate group, where we deal with conflicting interests of the group's entities and where the solution to the conflict lies in the hands of the same manager is rather poorly instrumented.

This problem is partially solved by Article 377 of the Polish Commercial Companies Code which requires members of the board of a corporate group to abstain from participation in resolving issues engendering the conflict of interest between the company and its director or his or her closest associates (Act of 15 September 2000: Article 377). It is easy to see that this is a "mutation" of the main problem and on top of that there is no unanimity as to whether the requirement of exclusion refers only to conducting affairs or also to the representation of the company. In order to avoid troubles in situations covered by the hypothesis of Article 377 of the Code, it would be better for a member of the board to participate neither in making a decision nor in its implementation.

For the investment company discussed in the paper, the cited provision of the Commercial Companies Code provided an inspiration to create some sort of "Great Wall of China", that is, a solution designed to secure inside information of the company concerned and to prevent unwarranted flow of this information or its misuse. This kind of isolation of individual managers from the affairs and decisions which might put them in the situation of conflicting interests, laid down in the organizational rules, although relatively effective, tends to complicate management immensely. Furthermore, there are problems with respect to the tightness of this organizational barrier, in particular, considering the fact that the boards are small (composed of two persons) with the whole corporate group being a family undertaking.

Moreover, articles 211 and 380 of the Commercial Companies Code refer partially to the issue discussed, as according to them, the conflicts of interests of members of the board of a corporate group with the interests of the company they manage is to be prevented by a general prohibition of competition, pursuant to which a member of the management board of the corporate group is not allowed, without the company's consent, to deal with competing interests, nor is he or she allowed to participate in a competing company as a member of the corporate group's governing body, nor to be involved in any another competitive legal entity as member of its governing body (Act of 15 September 2000: Articles 211, 380).

For the investment firm in question, the above solutions are potential in their nature – for they find no application in a situation when the companies of the corporate group conduct a complementary activity, and thus uncompetitive business.

We can see that both legal provisions (abstaining from participation in making decisions on matters engendering the conflict of interests and competition prohibition) can only be applied in the situation of the corporate group of the investment firm in question after making rather intricate and clearly hypothetical assumptions. The key problem, i.e. the conflict between acting in the interest of one company and that of the entire group remains unresolved, at least in the regulatory sphere.

In the context of the aforementioned conclusion, the importance of the decision-makers' ethical culture is hard to ignore. Indeed, this is the area where one should search for solutions to the conflict of interests although such an unequivocal view may seem naïve, since what is and what is not ethical is determined by specific ethical systems deployed by the managers. The first system is made up of consequentialist ethics which holds that the consequences of a particular action justifying its choice constitute a criterion for the moral assessment of the action. The second system is comprised of deontological ethics which claims that a criterion for the moral assessment of a particular action is embodied in the specific acts, whatever their consequences. Every action is taken based on diverse intentions with these intentions being paramount to the moral assessment of conduct. In this context, an action is moral if it is chosen based on one's sense of responsibility (Klimczak 1998: 32).

In the firm in question, the utilitarian, thus consequentialist attitudes prevail of which advocates of deontological ethics might be critical, yet for those who value utilitarianism the conflict of interests can, in fact, be viewed in the context of its consequences. This attitude appears to be rational and justifiable particularly on the capital market.

The personal union within the boards of the corporate group engenders yet another problem which is keeping information confidential, mainly the information pertaining to the investment firm to which, it being a public company, particularly restrictive rules, generated by the Act on Trading in Financial Instruments, apply.

"Confidential information – within the meaning of the Act – shall be any information of a precise nature, relating, whether directly or indirectly, to one or more issuers of financial instruments, one or more financial instruments, or acquisition or disposal of such instruments, which has not been made public and which, if made public, would be likely to have a significant effect on the prices of financial instruments or related derivative financial instruments… (Act of 29 July 2005: Article 154.1). The subsequent provision says that anyone who gains inside information by virtue of membership in the governing bodies of the company is prohibited from using such information (Act of 29 July 2005: Article 154.1). This is about creating an equal access to important information for all the participants of the capital market; nobody should enjoy privileges in this respect and use their knowledge for private or occupational purposes."

For the corporate group of the investment firm explored here there is the risk that the information obtained while preparing the Information Memorandum or prospectus and giving advice to companies making their stock exchange debut, which is not available to other investors, may be used by the investment fund, it being the investment firm's daughter company, with a view to make investments. Naturally, the internal regulations are aimed at limiting or eliminating entirely this possibility.

Within the private and occupational sphere, all members of the board, as well as other staff of the firm are required to comply with the rules on investing on one's own account by persons having ties with the investment firm. According to the rules of the regulation, unauthorized use of confidential information with a view to conduct private transactions and those relating to one's professional activity is limited to the minimum. Every person who has links to the investment firm is required to inform the supervision inspector about any incidence of coming into possession of confidential information. Every incidence is recorded in the confidential information register, whereas using the information to make an investment is only possible after this information has been made public.

Further to that, the supervision inspector keeps a so called restrictive list which is a list with financial instruments that are prohibited to be traded in by employees in their own name and on the investment firm's account, given the need to avoid any suspicions or doubt with respect to taking advantage of the privileged position, as compared to other financial participants, resulting from being in the possession of the inside information. A direct factor which justifies having a particular financial instrument included in the restrictive list is signing of an agreement pertaining to financial instrument offering by the investment firm with a client. The prohibition on trading in those instruments is in effect until the financial instrument concerned is deleted from the list, that is, the agreement for offering financial instruments has been completed. The supervision inspector has the right and duty to monitor all transactions carried out by everyone of the firm's staff in the context of compliance with prohibitions contained in the restrictive list and to control them in terms of unauthorized use of confidential information that is in the possession of the staff.

An additional safeguard is the requirement that all the organization's participants sign the statement by which they are bound to keep confidential information secret, as well as the information constituting a professional secret, within the meaning of the Act on Financial Instrument Trading, as well as individual statements of keeping confidential information secret, where the beneficiaries undertake to keep confidential information secret, to protect it and not to disclose it. The latter document carries financial sanctions for those who fail to comply with its provisions.

It appears that the safeguarding measures demonstrated are leak-proof, and yet, as for every case of conforming to the rules in force, there are many ways of possible circumvention of those rules, e.g. by bringing other persons to carry out a transaction on "their own" account, who have no links to the investment firm, yet are equipped with confidential information by the firm's employees, or coming into possession of stocks of the firm which has not been quoted on the stock exchange yet in that one has access to information determining this firm's attractiveness while preparing the company to make its stock exchange debut, and selling those assets profitably on the regulated or alternative market. To the author's knowledge, who at the same time holds the position of the supervision inspector in the firm in question, this kind of irregularities have not taken place, but surely there are areas that need additional regulations. In the firm analyzed, these gaps are successfully eliminated by the conduct ethics which is inherent to the competences of the representatives of this profession.

For employees who are not members of the board, the fact of being employed in numerous companies also generates situations involving conflicts of interests, failing to foster maintaining the confidentiality of information. However, it should be made clear that their roles and the scope of responsibilities reduce considerably the destructive force of this type of pathological behaviors, not only on account of the regulatory constraints they are subject to, but also of the limited access to confidential information and the significantly reduced possibility of conflicts of roles. Despite this diagnosis, cross-employment amongst non-executive staff, unlike members of the board, leads to additional distortion of their identification with the firm bringing about a sort of "cosmopolitism".

It should be noted that multiple-employment among employees is not coincidental. As a rule, these are persons with the greatest experience that can be used in many companies, and further to that, the tasks performed by them are complementary in nature. In fact, we encounter here a unity of work processes and organizational de-concentration within one corporate group. However, these effects are distorted by the problem of becoming confused in terms of one's identification with a particular company. In order to avoid this state, there are very clear rules of promotion and precisely devised career paths which take into consideration the order of things emerging from functioning within the corporate group.

## 4. Conclusion

Cross-employment, particularly in the form of the personal union of members of the board may frequently become a premise to establish strong personal ties between entities of a corporate group. The personal ties reflect, on the other hand, the cross-organizational ties which might be considered in the context of their characteristics, such as sharing, engagement and reciprocity (Czekon 2007: 151). These processes facilitate sharing information and knowledge inside a corporate group, ensuring a higher efficiency of corporate governance and strengthening the implementation of the group's common policy, and further on, they build trust, ensuring intra-organizational cooperation, reduce the costs of the board and staff employment, and promote the group's strategic aims. There should be no doubts as to the benefits of this arrangement, yet confining oneself solely to the advantages this solution provides while downplaying the risks might prove a heavy mistake especially when ethical business conduct is of particular importance. Acting in the state of conflicts of interests and unauthorized use of confidential information are the main risks involved when managerial roles are performed by a single person in many companies.

With respect to any area of activity, one may try and seek to regulate it, equip with standards, delineate boundaries, threaten sanctions; yet, all these measures will never be sufficient if those for whom they are intended fail to be faithful to the ethical standards of their own behaviors.

Ethical or unethical behaviors of business owners and managers and the organizational culture which they determine make up the ethical context of every organization. Some organizations openly allow unethical economic and social practices as long as they are to their interest. In promoting or tolerating such practices, managers contribute to the emergence of an organizational culture which recognizes such conduct as acceptable. Moreover, organizations which place particular emphasis on ethical conduct of their staff, with the firm's top management providing the inspiration for such behavior, build ethical culture whose policy rejects any kind of behavior which fails to comply with the firm's ethical order.

In this context, one can notice that although ethics is an individual phenomenon, ethical or unethical actions on the part of some managers are most likely to occur in the organizational context that is conducive to them (Miklaszewski 2013: 183).

In this paper, the organizational context is represented by the investment firm operating on the regulated capital market and being supported by the corporate group established by the very firm, which as a whole is closely supervised by the Polish Financial Supervision Authority. Any kind of activity of the organization so defined is subject to strict, even detailed, internal, external and self-control. One of the important areas of control is the quality of the management of the conflict of interest and proper confidential information flow. Those areas are covered by numerous regulations such as codes, rules, procedures etc. which serve, along with the organizational culture shaped by business managers and owners, as the point of reference when it comes to applying the specific ethical standards.

The regulations within the ethical stratum are in their very assumptions unambiguous i.e. they are intentionally ethical although also accounting for the ethical context of the consequences of a particular action. On the other hand, organizational culture is an original ethical message reflecting ethical attitudes of business managers and owners, with this culture exercising an immense influence on what is considered ethical and what is not. In the environment of the firm outlined in the paper, the harmful aspect of actions undertaken while facing conflicts of interests and the manner in which confidential information is used are evaluated through the utilitarian, consequentialist lens, which may be viewed ambivalently, and yet it has so far yielded no effects that would depreciate the mode of conduct used by the firm's board.

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## Legal acts

Ustawa z dnia 15 września 2000 r. Kodeks spółek handlowych (Act of 15 September 2000. Commercial companies code), Journal of Laws, no. 94, item 1037 as amended.

Ustawa z dnia 29 lipca 2005 r. o obrocie instrumentami finansowymi (Act of 29 July 2005. Trade in financial instruments), Journal of Laws, no. 183, item 1538 as amended.

Conflict of interests and flow of confidential information in the condition of cross employment on the example of the corporate group of an investment company