

# **A Code of Ethics Proposal for Niveko, s.r.o.**

Monika Lovecká

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Bachelor Thesis  
2013



**Tomas Bata University in Zlín**  
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## ZADÁNÍ BAKALÁŘSKÉ PRÁCE

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Zásady pro vypracování:

**Zamyslete se nad etickým kodexem a jeho rolí v podnikání.**

**Zpracujte literární rešerši týkající se tvorby etického kodexu.**

**Stručně představte společnost Niveko, s.r.o.**

**Zjistěte a formulujte požadavky společnosti na tvorbu etického kodexu.**

**Vypracujte návrh podkladů pro tvorbu etického kodexu společnosti.**

Rozsah bakalářské práce:

Rozsah příloh:

Forma zpracování bakalářské práce: **tištěná/elektronická**

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Frostenson, Magnus, Steven Helin, and Johan Sandström. "The Internal Significance of Code of Conduct In Retail Companies." *Business Ethics: A European Review*. 21, no.3 (June 2012): 263-275.

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Weltzien Hoivik, Heidi von. *Moral Leadership in Action: Building and Sustaining Moral Competence in European Organizations*. Cheltenham: E. Elgar, 2002.

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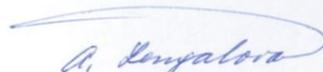
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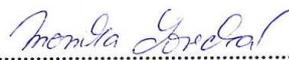
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## **ABSTRAKT**

Cílem této bakalářské práce je analýza stavu podnikové etiky ve společnosti Niveko, s.r.o. a následné zpracování návrhu etického kodexu. Práce je rozdělena do dvou částí: teoretické a praktické části. V teoretické části práce jsou na základě literární rešerše definované teoretické pojmy a poté následuje analyzovaný vývoj a důležitost etiky v podnikání. Praktická část práce analyzuje současný stav podnikové etiky ve společnosti Niveko, s.r.o. s ohledem na její historii a současnost. Zdrojem pro tento průzkum jsou vnitropodnikové normy a dotazníkové šetření mezi zaměstnanci společnosti. V závěru jsou uvedeny výsledky šetření a interpretace doporučených změn vedoucích k efektivitě a vyšší stabilitě firmy.

Klíčová slova: etika, odpovědnost, etika v podnikání, etický kodex, podnikatelské prostředí

## **ABSTRACT**

The aim of the bachelor thesis is the analysis of the business ethics in Niveko, s.r.o. and afterwards the formation of a proposal for an Ethical Code. The thesis is divided into two parts: theoretical and practical part. The theoretical part deals with the definition of the theoretical terms based on a literature search and afterwards analyze the development and importance of ethics in business. The practical part of the thesis analyzes the current state of business ethics in the corporation Niveko, s.r.o. with regards to its history and present. The sources for this survey are intra-plant standards and questionnaires' among employees. The end consist the outline of analysis results and interpretation of recommended changes having potency to effectiveness and stability of the company.

Keywords: Ethics, Responsibility, Business Ethics, Ethical Code, Business Environment.

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## INTRODUCTION

“One should treat others as one would like others to treat oneself.” That is the respected Golden Rule of Ethics, the requirement of respecting people as equals. The term Golden Rule goes back to the ancient history; it was firstly mentioned in a verse of the Odyssey, in the speech of Calypso. Since then this idea has been mentioned for many years by many great and important philosophers, writers and thinkers such as Seneca. The fact, that the Golden Rule of Ethics existed among all times being part of Christianity, Buddhism, Confucianism, Hinduism, Islam, Judaism, Humanism, and many other religious and philosophical ideas, shows the importance of the theme.<sup>1</sup> This principle is also an important part of the discipline Business Ethics discipline.

The authoress will develop the code of ethics proposal for Niveko, s.r.o. This bachelor thesis will address issues as what is the ethic and where are the roots of this discipline, how ethic influences the business work and why. Following the clear target and attitude of Niveko: “Leadership in fairness and honesty makes good business sense.”<sup>2</sup>

Since men is constantly changing and evolving their behavior toward others, also thanks to the influence of the environment in which appears, it must be stated that the necessity of a certain moral code for all stakeholders is significant to unify their goals. Ethical codes impose certain principles and negotiation of the behavior of the company and this may help Niveko, s.r.o. in difficult situations, not only to strengthen their team but also to force employees to think about the manner and the path this company has taken. Still it seems the awareness of the corporate code of ethics in the Czech Republic is poor even though, there might be a growing believing in the public that a company or organization should behave ethically. The company Niveko has the same idea, and the aim of the thesis is to process precisely this idea into their code of ethics. The crucial fact for the director of the company is also that the ethical behavior raises the preference of target groups and improves the situation for loyal employees or their recruitment.

Such Code will be proposed in this thesis basing itself on an overall analysis and the position of the company on the market, on the specific production and last but not least, on the expectations of the company and their outline of ethical values.

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<sup>1</sup>Antony Flew, *A Dictionary of Philosophy* (London: Macmillan, 1979), 134.

<sup>2</sup>Michael Hackworth “Only the Ethical Survive.” Santa Clara University.

<http://www.scu.edu/ethics/publications/iie/v10n2/ethical-surv.html> (accessed February 10. 2013).

## **I. THEORY**

# 1 ETHICS

There are certainly many descriptions of ethics and this is shown by the great number of thinkers who tried to define this discipline, one of the nice accounts is for example: “Ethics is a branch of philosophy dealing with values that relate to the nature of human conduct and values associated with that conduct.”<sup>3</sup> The whole topic of ethics involves plenty of terms which are mutual and connected together, such as loyalty, morality, fairness, trust or integrity; it deals with pattern and principles based on what is now and the derived part what it should be like. It is proved that the discipline of ethics, in other words moral philosophy, goes back in history and the same issue of the truth, morality and many others were notable also in the life of Socrates or Aristotle, in the days of Greeks. Moreover, even they dealt also with the relation of the morality and economic activity.<sup>4</sup>

## 1.1 Business Ethics

Ethics is an important part of business, because it involves moral principles and standards which regulate the behavior of both individuals and companies in the business world; it is an essential part of every management, and it should be applied whether it is a large or small organization. The basic elements of Business Ethics may be considered to be the fairness and the equity.<sup>5</sup>

The label Business Ethics reflects the ethical principles in all business activities and values of individuals and the company. The conflict in a business field between the interests of a subject and the interests of others is a remarkable part of business ethic issues; in fact, it became a quite new discipline in patchy world of business. Even the dynamic development of this discipline was not so fast as changes of business during the time, the globalization lead us to ask for the help in social responsible fields. For fundamental issues related to the contemporary society, multicultural environment, for control of their behavior, and many other reasons.<sup>6</sup>

In fact Business Ethics is a set of standards and rules expressing the views of the behavior of people with regards to good or bad, accurate or incorrect; it is the science of

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<sup>3</sup> David P. Twoney and Marianne M. Jennings, *Law and Business* (Australia: Cengage Publishing, 2008), G9.

<sup>4</sup> Joseph Desjardins, *An Introduction to Business Ethics* (Boston: McGraw-Hill, 2006), 38-39.

<sup>5</sup> C. O. Ferrell and J. Fraedrich, *Business Ethics* (Boston: Houghton Mifflin Company, 1991), 5.

morality, the origin and nature of moral consciousness and behavior. Vast majority of people say that morality and ethics are not part of the economic activity of businessmen; if this statement were to be true, and then there is a more reason why those rules should be set. Morality becomes part of economy because economical activities are realized by relationship between economic entities and these relationships are regulated by legal and moral standards, it affects the level of behavior of economic entities, thereby the economic system. The necessity of integrating business ethics in the education of managers and leaders grows and that is mainly due to the growing economic scandals with global character.<sup>7</sup>

The idea that business and ethics are not compatible was there already in the modern period when business was treated as immoral; many managers believe that ethical issues in the economic sphere may not be treated as separate partition, so they leave this point in hands of law. However, not only does the law want, but also cannot solve ethical problems. According to a survey of public opinion, what people fear the most was not corruption but concerns for their own safety. In advanced and economically strong countries such as the United States this trend has already proven its success: they had a head start of nearly one generation on us and this probably is the historical and political reason that plays an important role in business. However, there are some objections to the adoptability of the ethical principles among the adult population; they have already established their own sets of values. This is true to some extent and we should take the objection into account. On the other hand, it is proven, that the views of managers evolve over time, their approach and the evaluation of ethical issues is changing.<sup>8</sup>

## 1.2 History of Business Ethics

Applying the definition of ethics in everyday life is not so easy for everybody, and the definition of the business ethics was hard to apply in the world of business, it took a long time before it was undertaken. The beginning of the twentieth century was the moment in history, in which the research of business ethics effectively begun. After the Second World War the opinions which more emphasize the social aspects than ever before began to form.

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<sup>6</sup>Anna Putnová and Pavel Seknička, *Etické Řízení ve Firmě: Nástroje a Metody: Etický a Sociální Audit* (Praha: Grada, 2007), 13-14.

<sup>7</sup>Putnová, Seknička, 14-15.

<sup>8</sup>Putnová, Seknička, 15-16.

In 1953 was written the book *Social Responsibility of Businessman* by Bowen. In which he demanded to considerate the social aspect of the management. Today, we can find that title as a part of the commonly used CSR, which is the abbreviation for Corporate Social Responsibility. This book is solving the issue of liability, the impact of industrial activity on the environment, standards of business conduct in a culturally diverse environment and many other issues. In 1974 the historically first conference in cooperation with the Philosophy Department and the College of Business took place at the University of Kansas. The collection of speeches entitled *Ethics, Free Enterprise and Public Policy: Essay on Moral Issues in Business* may be attributed as the onset of business ethics. However in the seventies the business ethics was only a philosophical issue, in 1979 was published the textbook *Ethical Theory and Business* written by Beauchamp and Bowie, on which Putnová refers to, and all that give a rise to study centers of business ethics. With the creation of the U.S. company Society for Business Ethics.<sup>9</sup>

A period of development of Business Ethics is certainly the eighties of the twentieth century. More attention was given to the whole ethical discipline due to Amartya Sen's work *Ethics and Economics* where he emphasizes ethics in the economy sphere. The technical papers began to be published such as the *Journal of Business Ethics*. In 1987 the company European Business ethics Network was founded and their main occupation was to organize international conferences. Finally ethics inspired with United States, also found its way in Europe, and established university research centers for business ethics. In 1986 the whole discipline was influenced by Caux Round Table (CTR), where the social responsibility took part in the strategy of companies: members of the CTR were managers from Europe, Japan and North America. The reason why this association arose was the increasing need to fulfill requirements of the basic ethical standards in international trade, the idea was in requirement to live and work for the common good and the respect of human dignity. Time passed, ways of living and earning money changed due to globalization and expanding international trade. Currently the CRT has approximately 60 members including the Czech Republic.<sup>10</sup>

Among the frequently cited authors is Francis Fukuyama who wrote *The End of History and the Last Man*: in her work she emphasizes the direction of humanity to a trust,

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<sup>9</sup> Putnová, Seknička, 17-19.

which enhances the performance of the economy. In 1997 the magazine Teaching Business Ethics was created. As the title prompt, it specializes in the methods and effectiveness of teaching Business Ethics. Another important milestone was 1999 document of Organization for Economic Co-operation and Development (OECD), Corporate Governance which was in a way the recommendation for businesses; it puts more emphasis on information about the ethical, social and environmental policies of companies. It was a great act and big step forward because it was signed by many countries with significantly different cultures. Great doubts about business ethics brought the beginning of the new century and the infamous accounting fraud in companies all over the world: for this reason in 2002 the U. S. Congress passed the Sarbanes-Oxley Act. It attempted to increase the caution particularly in trading with stocks; and as a consequence, companies listed in the New York Stock Exchange must have a code of ethics. Today, the increasing need of the so called spiritual leadership or ethics officers can increase confidence within the company. It is certain that all events that happened during the evolution of the discipline Business Ethics discipline, whether negative or positive, strengthen its position and helped its development.<sup>11</sup>

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<sup>10</sup> Putnová, Seknička, 19-24.

<sup>11</sup> Putnová, Seknička, 19-21.

## 2 PRINCIPLES, METHODS AND TOOLS OF CORPORATE ETHICS

Today's world is facing a significant problem: There is no manual of ethics indicating a clear guide that can be applied to every company regardless of the nature of their activities and challenges. Moreover each company has their own ideas of fulfilling of ethical principles and certainly application of ethics into business is not an easy process. Ethics in the business process are implemented mainly by the principles, tools and methods of ethical management. These tools are the basis of ethical business behavior and usually affect all business activities. Ethical management principles need to be implemented directly in to the business philosophy and strategy of the company. The way in which a company converts tools and methods of ethical management into practice is that over a certain time the whole range of tools and methods is applied at once, this is the so called frontal method. A crucial tool in the process is a Code of Ethics which creates the appropriate conditions for the use of other mechanisms such as education and training of employees in the corporate ethics or ethical and social audit. Later on the company regulates specific problematic parts of the ethical system.<sup>12</sup>

With the introduction of ethical tools, principles and methods the business environment improves and the result can be seen in higher economic efficiency, but only after a longer period of time, minimum one generation, in the shorter period the company may reach the ethical infrastructure and thus a positive effect on the environment. It is mainly a matter of management because the importance of the ethically responsible behavior is of the whole company. Ethical responsibility must be focused not only on management but also on all company employees, the environment of the company and so to the customers, investors, competitors, suppliers or creditors. The emergence of ethical infrastructure and thus the implementation of ethical codes, ideas, audits or trainings give the answer to the essential question of how can the company maintain competitiveness and still acts ethically. With these tools and principles it is necessary to bring to the company's activity basic methods of dialogue and consensus. All this reflects the influence of traditions and policies, but at the same time the level of organizational culture. If a

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<sup>12</sup> Putnová, Seknička, 67

company decides to define their ethical values, then the company should be confident about them and be able to observe them in a real business environment.<sup>13</sup>

## 2.1 Principles of Corporate Ethics

Between the principles and tools of ethical management there is a very close relation; however, corporate ethical principles may form the basic idea of ethical behavior for the implementation of ethics into the corporate environment. The development of business ethics is dependent on the clarity and precision of defining these principles. Principles of ethical management, in combination with the values, organizational culture and traditions of the company form a new corporate culture. Ethical principles of the organization are the sort of rules that were created from ethical values of the company. While principles of ethical behavior mainly cover three dimensions: The first contains the philosophical background, the second contains companies own principles of ethical behavior and the third describes the principles of behavior of various groups in the company, such as a corporate code of ethics.

Each corporate ethical principle can be sorted as follows:<sup>14</sup>

- a) the responsibility of business
- b) economic and social impact on the business
- c) business behavior
- d) respecting the rules
- e) promotion of international business
- f) environmental protection
- g) avoidance of illegal operations

In 1990 Raiborn and Payne defined the four ethical principles that are a fundamental part of creating a content of moral principles: integrity, justice, competence and utility. Integrity is adherent to honesty and sincerity, justice means impartiality, correctness and faithfulness, competence indicates the reliable and efficient; and utility defines the quality, usefulness, etc. All principles can be applied to four different standards: minimally accepted behavior, behavior deemed basically moral, achievable with difficulties and the

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<sup>13</sup> Putnová, Seknička, 69.

<sup>14</sup> Putnová, Seknička, 72-73.

highest potential for the good. The authors' suggestion is the form of top to bottom, it means from the highest potential for the good to the minimally accepted behavior.<sup>15</sup>

It is fundamental to meet the following steps to assert ethical principles of management into practice: the basic step is the identification of most owners and top managers with basic principles of ethical management principles and business ethics. The company should then develop and identify with these principles and policies. It is necessary to have the majority support from statutory authorities and the management must observe the installation of ethical infrastructure. It is not enough to find a pattern in the form of another company and their ethical code, but to find problem areas and eliminate doubts of stakeholders, especially employees. It is necessary to monitor all stakeholders such as customers, employers, owners, employees, investors, suppliers, competitors and others such as the local communities. Create own corporate code of ethics, which should have its own formalized form and the staff should be aware of it and all the controversial issues should be resolved in the code. The code of ethics should be examined and tested in practice. After its approval, it should also be made public to all target groups and it must be supported not only by the top management of the company, but it must get through all levels of the management.<sup>16</sup>

Bláha in his research compared the preference of various ethical principles by Czech and American managers. As the research has proven, the most important business ethics principle is considered both in America and in the Czech Republic the so-called Golden Rule which states: do not treat others in ways that you would not like to be treated. In other cases of priorities of the principles, both Czech and U.S. managers disagreed the research shows that both managers prefer the Golden Rule and the principle of Ethics of Responsibility. Companies are gradually becoming aware that the code of ethics may provide useful principles and rules of behavior in the business industry but the whole operation is not possible without the use of ethical management tools.<sup>17</sup>

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<sup>15</sup> Mark S. Schwartz, "Universal Moral Values for Corporate Codes of Ethics." *Journal of Business Ethics* 59, no. 1/2 (Jun. 2005): 28.

<sup>16</sup> Putnová, Seknička, 73-74.

<sup>17</sup> Zdeněk Dytrt, *Manažerská etika III.: Inspirace Pro 21. Století*, (Praha: ECONOMIA a.s., 2002), 11-16.

## 2.2 Business Ethics Tools

Regarding to enforcement of ethics in business both traditional tools and modern tools are used. Included in the traditional category are codes of ethics, ethical models and trainings. Historically, the first time the use of traditional business tools may have been considered the ancient times because of the Hippocratic Oath. However the traditional business ethics tools began to be used in the early twenties of the twentieth century and it was the first model of corporate code of ethics. The modern tools include a social audit, ombudsmen for ethics in business and ethics committees. They were used for the first time in the eighties of the twentieth century. While in the European area the use of modern tools is not so widespread the multinational organizations and the U.S. organizations deal with these tools thanks to the long time experiences. Specifically, in the Czech Republic, the modern tools mostly used were the ethical and social audit.

The application of ethical management modern tools means both consolidating the principles of business ethics in practice and the positive climate for the new corporate quality: these tools can be also divided by several different ways, such as corporate internal or external group and many others.<sup>18</sup>

## 2.3 Methods of Ethical Management

One of many dictionary definitions of the word “method” is rather simple: it is a kind of workflow used to implement the knowledge and principles into practice. Again, the important part of the implementation is the integrity, clarity and simplicity of the text. Traditional methods of ethical management can be understood the method of dialogue and consensus. Conflicts are part of the life and therefore appear in the business too that is why every human solve conflicts in another way. The dialogue is composed of the negotiation, compromise and the agreement. A precondition for a method of dialogue is rationality on both sides of the negotiations as they must choose liberally and responsibly, they should be assertive and respect the obligations of the dialogue. Of each of the ethical principles should be taken dialogue and the enforcement would result in the consensus. In addition to traditional methods of business ethics there are also modern methods such as Corporate Governance, Stakeholders Theory, Corporate Social Responsibility of Job rotation, and

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<sup>18</sup> Putnová, Seknička, 70-72.

many others. It is not just about answers, but about asking questions and together trying to reach the right point.<sup>19</sup>

The reputation of the company is closely associated with business ethics; it is reflected in the decisions and actions which the company has to take every day. One of the useful methods of strengthening of the corporate reputation is by the programs, system and all participants to motivate, measure and evaluate the ethical performance of the organization: It is the most effective defence against the company's unethical activities.<sup>20</sup>

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<sup>19</sup> Putnová, Seknička, 86-87.

<sup>20</sup> Sarah, D. Stanwick, and Peter A. Stanwick. "Protecting Your Company With a Comprehensive Code of Ethics." *Journal of Corporate Accounting and Finance*. 11, no.2 (January/February 2000): 67-68.

### 3 CODE OF ETHICS

The basic tool of ethical management is for certain the ethical code. It is a significant and the most used method; it is a set of standards and regulations which defines the relationship between the members of a community. It should be noted that ethical codes go by different terms such as codes of conduct, codes of practice, codes of values, codes of compliance or voluntary code of conduct, but the most commonly used is the combination of these with standards. Each of these terms differs in its usage.<sup>21</sup>

The ethical code is used in fields such as law, medicine, and journalism as well as in generic business. Business Ethics is primarily kind of addition to law. Code of ethics would concur to formal regulation and that is why the preambles of codes usually indicate a commitment to respect the law. In situations where there is no legal regulation needed and the situation cannot be left without any form of control, the code of ethics should supplement these gaps by creating a sort of self-regulation. Corporate Ethical Codes can be defined as commitments made up by companies which represent a way for organizations to share their vision about moral issues in business by defining standards and principles on business activities. It is an informal instrument, which protects and enhances the social and ecological values.<sup>22</sup>

“A tension between the professions pursuit of autonomy and the public demand for accountability has led to the development of codes of ethics as both a foundation and guide for professional conduct in the face of morally ambiguous situations.”<sup>23</sup> Over time, companies realized that codes of ethics can be useful not only to help in difficult situations, but also to lay down the principles and policies of the behavior of managers and employees of the company. The establishment of ethics in the strategy of the company is a long term setting for the whole management. The code of ethics should be developed in the company with the help of a qualified worker in that particular field as contents and its implementation would be the key to success. However, not all employees have the same values as their employers, therefore in many companies one of the first documents that any employee must know of is a set of rules or code of ethics of his work environment. An

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<sup>21</sup> Heidi von Weltzien Hoivik, *Moral Leadership in Action: Building and Sustaining Moral Competence in European Organizations* (Cheltenham: E. Elgar, 2002), 149.

<sup>22</sup> Putnová, Seknička, 26-27.

<sup>23</sup> Frankel, M. S. "Professional Codes: Why, How, and with What Impact?" *Journal of Business Ethics*. 8, no. 2,3 (1989): 109.

important aspect of the implementation of the code of ethics is the definition of the time frame as its benefits can be evaluated after mid or long term by the company.<sup>24</sup>

Distinguished code of ethics should be divided into three parts. The first part is the declaration of values of the company, these values manage the company, it is clear, public and states the company's aims. The second part is the corporate credo, which is considered as a measure of the maturity of corporate culture and the last is the ethical code. Although there are several types of codes, some may be brief, based on principles, relationships, and other unique models, and each is suitable for different type of a company. They are nevertheless, just a recommendation for the user, which may or may not be accepted.<sup>25</sup>

### **3.1 Reasons for Ethical Behavior**

Every Ethical Code, however structured is a very controversial document and different circumstances raise important questions for every businessman. How would the company solve the conflict between self-interest and the interests of other people? Which set of standards and rules to choose for? How is the acquisition of such ethical principles and values made? How, if at all, should we restrict natural instincts? How do ethical ideals work in practice? These are just a few questions, but a very long list of them should be answered by the company's management before the implementation of the code. Other questions from the perspective of ethical code and ethical behavior of the company should be set in the future. Will the ethics not limit the behaving of the company and would the company stay competitive in the market just as well? There are many other crucial issues for every company, which should be set out before starting a business.<sup>26</sup>

#### **3.1.1 Possible Disagreement**

Each corporation has its own goal, values and principles and these underpin the way in which business is conducted. Running business ethically is difficult and a company might have to, for example, abandon a possible opportunity, in order not to compromise their code of ethics. Not all companies abide by the code of ethics in the same way. A philosopher Ladd argued that corporate ethical codes are just used to confuse ethics with the law; furthermore he argued that there should not be a separation between professional

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<sup>24</sup> Putnová, Seknička, 74.

<sup>25</sup> Putnová, Seknička, 75.

<sup>26</sup> Ivo Rolný, *Etika v Podnikové Strategii* (Boskovice: Albert, 1998), 35-36.

ethics and ethics for ordinary people; in this way ethical codes may be considered to be pointless because of the conflict with the moral values which each individual has. This document should not be routinely followed as a recipe to know how to decide, these are not clear solutions to every problem, and it should rather be seen as a kind of moral and ethical framework, expressions of considered ethical issues that the employee should bear in mind.<sup>27</sup>

Economists and public businessmen do not agree, neither on the meaning or on the level of importance of ethical principles in economic activities but the reason why any company has to behave ethically is clear. It is in company's interest to promote a positive moral climate as it could result in good employment relations and thus affect the company's performance. Further, it attracts and retains good and loyal employees and gives strength to the employees' identity. Appropriate implementation of those measures will greatly benefit the company and ultimately save money for controlling and solving conflicts as a result. Morality is common interest of the society; it has a positive effect on the environment of the company, on customers, investors, competitors, suppliers, following, creditors etc. It improves the reputation and credibility of the company, ensure greater customer loyalty and at the same time it allows to keep pace with competitors and market requirements. A good reputation of a company is one of the most important factors of good business; as a matter of fact, every business entity expects ethical behavior both from their clients and their suppliers. A company should not remain on the point of proclamation; the idea of the corporate behavior must be realized and implemented.<sup>28</sup>

As Hlaváček stated, a Czech experience of the nineties' verified the hypothesis that firms which in the long term deserve their reputation for ethical behavior, the procedure economically redeem and as a matter of fact, they were more attractive candidates for incoming opportunities. In many situations, reckless behavior occurred mostly in the foreign-owned companies, mostly in the form of incomplete and imperfect contracts and information. The way of improving the business climate goes through economically and

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<sup>27</sup> Center for the Study of Ethics in the Professions at IIT, "Introduction," IIT.EDU, <http://ethics.iit.edu/research/introduction> (accessed February 10.2013).

<sup>28</sup> Rolný, 35-36.

ethically motivated managers. The question is, under what conditions and circumstances this behavior becomes a natural part of our economy.<sup>29</sup>

Based on the evidence, ethical codes are more compact than other types; they emphasize the complexity of the view of company's activities, the rights and obligations of all participants inside the organization and also the external participants. They all influence the environment in which the company operates even though some people may not believe in ethics and business conjunction, the opposite view is lectured by major U.S. corporations; their motto is about the ethical behavior. According to the research of the Center for Ethics in Bentley College, in 1992 nearly 93 % of big U.S. corporations had a code of ethics, while in the EU, it was only about 50-60 % and in the Czech Republic the situation was even worst, just 20 % of the big corporations had a code of ethics implemented.<sup>30</sup>

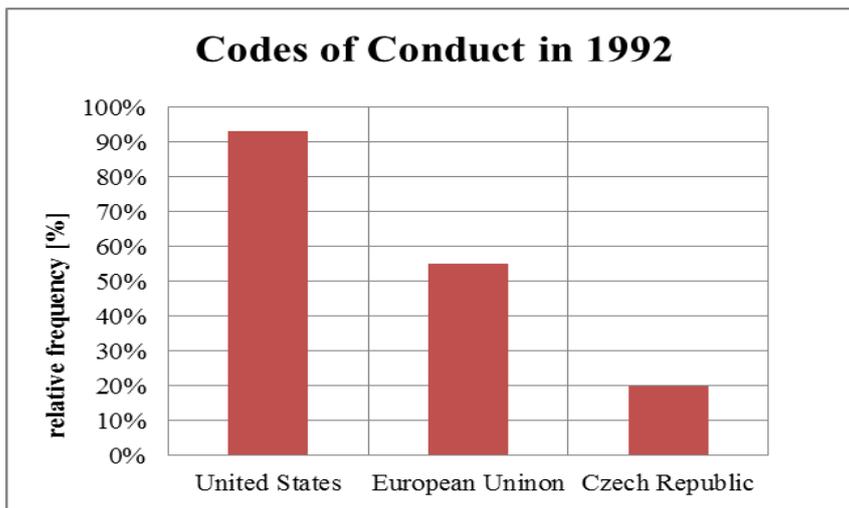


Figure 1. Number of Firms with Code of Conduct in 1992

Source: Data adapted from J. Hlaváček and M. Hlaváček, *Za jakých podmínek je pro firmu lukrativním společensky zodpovědné chování?* (Praha: IES Occasional Paper, 2007), 4.

As the results in Figure 1. show, the difference of number of companies with code of ethics in each land is apparent. The percentage of firms with code of conduct in United States is notably higher than the percentage in the Czech Republic where the code of conduct does not have the same important function as in U.S.

<sup>29</sup> J. Hlaváček and M. Hlaváček, *Za jakých podmínek je pro firmu lukrativním společensky zodpovědné chování?*(Praha: IES Occasional Paper, 2007), 4.

<sup>30</sup> Putnová, Seknička, 65-74.

In the years 2005 and 2006 the University of Economics in Prague and the paper Transparency International prepared a Survey of the application of ethical codes in the Czech Republic companies. The results can be seen in Figure 2.; the major finding was that only 8.4 % of 1,240 researched companies had implemented the ethical codes of any kind; of course, there is a strong correlation between the size of the company and the presence of a code of ethics, in fact, in larger companies there is a bigger probability to find presence of a code of ethics. In many companies there may be a code of ethics, but in a different form, such as a part of the internal guidelines or in unwritten form. This approach is considered to be new in the Czech Republic so hopefully in the future this percentage will increase and so will the understanding of the importance of this document. The following graph shows the analysis by company size in the years 2005 and 2006.<sup>31</sup>

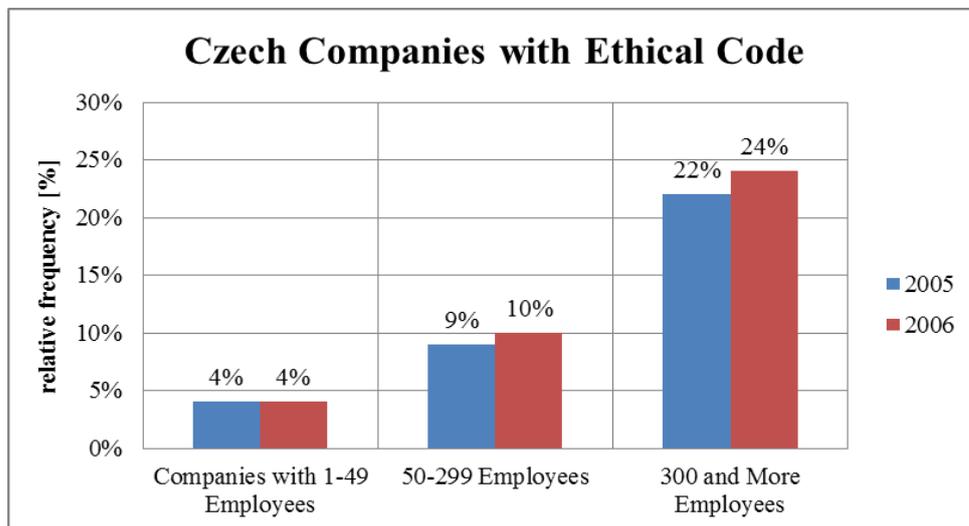


Figure 2. Czech Companies with Ethical Code in Years 2005 and 2006

Source: from Petr Čaník, “Etický kodex: Ani alfa, ani omega, ale užitečný nástroj,” *Petr Čaník*, entry posted November 18, 2007, <http://www.canik.cz/2007/11/18/eticky-kodex-ani-alfa-ani-omega-ale-uzitecny-nastroj/> (accessed January 25, 2013).

Accordingly to that graph it is apparent that the awareness of the need of ethical code in business rises and the behavior of companies in the Czech Republic hasten.

The costs of managing ethics without a corporate ethical code seems to be high enough that companies realise the code of ethics may be a cheaper way than just relying on their own

<sup>31</sup> Petr Čaník, “Etický kodex: Ani alfa, ani omega, ale užitečný nástroj,” *Petr Čaník*, entry posted November 18, 2007, <http://www.canik.cz/2007/11/18/eticky-kodex-ani-alfa-ani-omega-ale-uzitecny-nastroj/> (accessed January 25, 2013).

instincts. Without a code of ethics it is costly to resolve any unethical behavior within an organization; for example the entity of the problem in North America is that companies invest in the resolution of ethical issues about \$100 billion a year. According to this fact, the benefits arising from the implementation of a corporate code of ethics is significant.<sup>32</sup>

All benefits arisen from the implementation of code of ethics in corporate infrastructures are positive from the management and business perspective. The document helps in number of situations such as a addressing ethical dilemmas, understanding of corporate philosophy or dealing with the crisis in human resource management. It is also helpful in elimination of practices that could result in loss of customers. The reason, why should companies behave ethically in their business may be considered the idea of Golden Rule of Ethics, which was evolving during history; just the fact that the idea came independently to minds of people of various cultures, religions and slightly different thinking or opinions confirms the relevance of the ethical behavior though.<sup>33</sup>

### 3.2 The Evolution of Ethical Code

Ethical codes are not a new phenomena, their history reaches the ancient times. As mentioned previously, the first code of ethics may be considered to be the Hippocratic Oath although it was in fact a code of medicine, not a business code. In the early twenties of the twentieth century, the idea of business codes of ethics was born first, the simpler kinds of codes were introduced in the form of corporate credo and declaration of values; however, in the thirties of the twentieth century the ethical codes were supplemented by the use of models and employee training of ethical behavior in business. After the Second World War, the development of the Code of Ethics shifted one step further and it has been the first Code of Ethics based on the theory of stakeholders; it is the group of those who are interested in the activities of the company as employees, owners, shareholders, customers, suppliers, competitors or creditors as well as media, foreign governments. The history of the comprehensive document began in the second half of the twentieth century, however already in the forties of the last century; Johnson formulated the company code of ethics that was called Our Credo that a company like Johnson & Johnson has been using until

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<sup>32</sup> Sarah, D. Stanwick, and Peter A. Stanwick. "Protecting Your Company With a Comprehensive Code of Ethics." *Journal of Corporate Accounting and Finance*. 11, no.2 (January/February 2000): 69.

<sup>33</sup> Putnová, Seknička, 80.

today. They realized the importance of having guidance in crisis situations in the form of a code of ethics with moral principles to rely on; the United States government itself has developed a non-binding code of business ethics that sets global standards for the behavior of American companies abroad showing once more the importance that such code in its various forms has in modern civilized countries and economics. The legal basis of this code became the law in the year 1978 under the name Foreign Corrupt Practices Act.<sup>34</sup>

The following rule should be considered in the development of ethics in business: one learns from his own errors, as well as from the ones of others. More than one company's scandal shook the confidence of the public. As well as the company Tyco, they had big problems with corruption, this led to the implementation of code of ethics to the corporate governance to help the company with their ethical dilemmas. When companies such as Enron and World Com were facing (and some of them still are) serious allegations of being involved in un-ethical conducts; however it is not always in companies selling their products, in many cases it is a case of banks, auditing or accounting firm.<sup>35</sup>

The relation between ethics and economics has been overlooked and underestimated, as it often happens in fast growing countries, in the process of transformation of the economy in the Czech Republic. Of course the context of globalization was significant and Czech managements learned quickly from foreign and experienced enterprises. Currently, ethical codes represent the basic ethical values, principles and the main management tools and they are the most common tools for the implementation of ethical principles in business practice.<sup>36</sup>

### 3.3 Approaches to Code of Ethics formation

A document that deals with ethical behavior in any association, in this case corporation has usually a larger format because it includes a number of pieces of advices and information and thus has a more developed structure. Even though, the structure of ethical codes in each company varies because of the different structure, size, function and the strategy. The formation of business ethics can be provided by the greatest number of employees or by the owners and the management of the company with the assistance of Human Resources,

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<sup>34</sup> Stanislav Ševčík, *Podnikatelská Etika* (Praha: Vysoká škola aplikovaného práva, 2005), 107-108.

<sup>35</sup> Eduard Mazák and Václav Soldát, *Etika a Etiketa Podnikání: v Pojišťovnictví, Bankovníctví a Finančních Službách* (Praha: Bankovní institut vysoká škola, a.s., 2010), 19.

<sup>36</sup> Putnová, Šeknička, 70.

depending on the company opinion. This is the time of critical self-examination. The formulation of an organizational code of ethics should proceed from the general to the specific information; therefore it is a relatively extensive document. The code of conduct is one of the key corporate documents for any enterprise and it is usually accessible to the public, the diction is important as it may affect both the quality and the overall impression of the company. It is important that all points of the code are worded positively it should not be too moralistic or idealistic as both tend to give a bad impression and appear unconvincing. As part of the process of implementation of such code, employees should understand that the code is not just any document, but a guide to corporate behavior.<sup>37</sup>

The methods and forms of the document differ from organization to organization, as a simple brief order list for small amount of information or a structured method for more information, with accordance to relationship to stakeholders or not.<sup>38</sup> The introduction should clearly define the commitment to ethical business conduct and moral priority values that the company wants to fulfill. Furthermore, it defines specific moral obligations to individual entities. It is necessary to capture the long-term goals and interests of the firm, behavior at different posts. A conclusion should draw a simple methodology for moral decision making of employees through a formulation of a small test.<sup>39</sup>

### 3.3.1 General Structure of Ethical Code

As the social economic processes are constantly changing, it is important that a code of ethics does not remain an unchanged part of the documentation, but by contrast, realistically reflects the developments and changes in the organization.

Generally the code of conduct includes the following parts and corporate principles:<sup>40</sup>

#### a) Preamble

The company must comply with a set of basic values and approaches to business. The company is aware of its obligation to all entities as shareholders, employees, customers, suppliers, competitors, the general public etc. Companies' reputation and trust of all

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<sup>37</sup> Magnus Frostenson, Steven Helin, and Johan Sandström. "The Internal Significance of Code of Conduct In Retail Companies." *Business Ethics: A European Review*. 21, no.3 (June 2012): 270.

<sup>38</sup> Center for the Study of Ethics in the Professions at IIT, "Authoring a Code of Ethics," IIT.EDU, <http://ethics.iit.edu/research/authoring-code-ethics> (accessed February 10.2013).

<sup>39</sup> Ševčík, 109-110.

<sup>40</sup> Mazák, Soldát, 13-16.

stakeholders is one of the most important aspects of the company. In all its activities, the company requires and ensures ethical standards.

b) Customer relations

The company is based on the assumption that fairness to customers indicates successful and lasting business relationship; therefore the company will deliver the products and services of good quality according to the agreement. The company will not conceal, exaggerate or deceive. The customer information is considered confident. Employee shall not accept nor give valuable gifts, services, or anything that would or could be considered a bribe.

c) Employee relation

The relationship is based on respect and dignity for every person. On the basis of personnel for the job, the company enrolls or promotes without any racial, religious or ethnic discrimination, regardless of gender, age, marital status or disability, which does not apply to labor capacity. The company does not tolerate any sexual, physical or psychological harassment of employees. The company takes into account the interests and welfare of long-term employment of employees. To resolve any job disputes the negotiation procedures are used to avoid strikes or lockouts.

d) Relation to suppliers

The company will develop a relationship with suppliers based on mutual trust and committed to pay on time in accordance with the agreement. Receiving money or different benefits to employees can lead to problems and favoring donors is considered to be bribe. Supplier information is considered as confidential.

e) Relation to the competition

The company is in competition spirited but honest and does not damage the reputation of competitors. In contact with the employees of competition, avoid information about business of the company. The company does not attempt to dishonestly obtain information of business competitors.

f) Relation with government and local authorities

The company is aboveboard member of the community and serves as an effective and beneficial. It takes into account the interests of the wider environment as national and regional interests. Donations to charitable companies are supervised by the Supervisory Council.

Despite the fact that every company is different and so it is necessary to introduce a completely different code, certain areas remain mostly unchanged and should not be missing in any of the codes. One of the most important areas is the respect for the law; this is an obvious and compulsory part. It should also include the topic of honesty and fair competition, safety and quality of production. Attention must be given to the subject of unambiguous rejection of discrimination, relations with suppliers, accounting valuation, contracting, abuse and exploitation in trade. Questions about corruption, social responsibility, environmental protection or information about the property can also be covered.

The company can take into consideration the priorities of application of the code of ethics and distinguish the three types of ethical codes:<sup>41</sup>

a) Aspiration code

This code sets out the basic ideas and principles of the company.

b) Educational code

This code addresses ethical dilemmas and problems that can be encountered in practice; however this type contains numerous provisions, and these must be explained in the document.

c) Regulatory code

The regulatory code includes a set of detailed elaborated rules and principles of ethical management. In theory each of these codes is distinct, but in reality they can be combined.<sup>42</sup>

### 3.3.2 Useful Rules for the Implementation

Each code of ethics must be understood by everyone and should be completely unambiguous. It should not be present a different interpretation in the text or a doubt about this interpretation. The document should be concise yet professional. Even though the short and concise texts are understandable, the code should neither be too short, nor too extensive. Each employee has an option to voice their opinion with regards to its content during the creation and implementation process. In order to influence the management and administration of the organization, the inclusion of the code of ethics in the company's

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<sup>41</sup> Putnová, Seknička, 77.

strategic documentation is a part of the implementation system. There is a list of rules which should be followed while implementing codes:<sup>43</sup>

- a) If it is necessary or possible, the document should be mentioned in contracts and annual reports.
- b) Regular checks and recovery of the code should be based on experiences.
- c) If the company cooperates with foreign countries, the text of the code should be translated into understandable language.
- d) Employees should be made aware of the consequences of a breach of the code. The document should be located at a place accessible to all staff, suppliers, customers and other related to the corporate environment.
- e) The code should be endorsed by the Chairman, they should produce a strategy for integrity of the code, and subsequently the code should be given to all employees to give them the opportunity to respond to the content. The understanding and agreement of the code is of paramount importance.
- f) The process of implementation into practice has its system and each step of this process is important.

One of the first steps of construction and evaluation of the corporate code of ethics should be the establishment of core moral values. Based on sources such as the corporate codes of ethics, global codes of ethics and the business ethics literature, there are six moral values proposed for the companies' ethical code: trustworthiness, respect, responsibility, fairness, caring and citizenship.<sup>44</sup>

In several studies around the world, such as in the 1999 Dumas and Blodgett analyzed the business missions and core values. Firstly, quality was the most frequent moral value of family companies, secondly commitment, and thirdly social responsibility, fairness, respect, integrity, honesty, trust, reputation and truth. There was a difference in the way the world's largest corporations evaluated their values. The most important values were honesty and trust followed by fairness and impartiality, trust, empathy, respect, diversity, accountability, dialogue, equality, responsiveness, keeping promises, coherence and

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<sup>42</sup> M. S. Frankel, "Professional Codes: Why, How, and with What Impact?," *Journal of Business Ethics*. 8, no. 2,3 (1989): 110-111.

<sup>43</sup> S. Webley, *Developing a Code of Business Ethics* (London: Institute of Business Ethics, 2003), 24-25.

<sup>44</sup> Mark S. Schwartz, "Universal Moral Values for Corporate Codes of Ethics." *Journal of Business Ethics* 59, no. 1/2 (Jun. 2005): 27-32.

freedom. The vast majority of all companies insist on the local laws, the issue of natural environment and being good corporate citizen.<sup>45</sup>

It has been proven that in many cases there are ethical codes designed by the company without further development and this weakens the effectiveness of the program. The further development should include a book of professional standards of the company, the education of employees and training in business ethics, they should promote their ethical behavior. The ethical audits are also part of effective development; probably the most important is the update of the ethical programs and continuous refilling by complaints and resolving disputes.

During the implementation of corporate code of ethics, some companies leave the last page of the document to be sign by all employees, so then they approved and have been acknowledged with the whole text. After this process the company may set an anonymous hotline to improve the idea of code of ethics among all employees.<sup>46</sup>

More and more often codes of ethics are addressed among topics such as Mobbing harassment in general bullying, restricting of the person, being offended physically and mentally, refusing communication with other person etc. If the party which is bullying is the supervisor, the activity is called Bossing, or vice-versa Staffing.<sup>47</sup>

### **3.4 Observance and Consequences of Infraction**

The respect to ethical principles should be no longer seen as a purely personal matter of a particular supervisor, it should be understood as a matter of all stakeholders who recognize the rationality and logic of the document. Significant is the relationship with co-workers: it means tolerating the personal qualities of individuals, suitable method for allocating powers and responsibilities, fair remuneration, the development of professional qualifications or career development. Frequently used methods of leadership are methods of training, persuasion, encouragement and the contrast for remuneration is the suppression or in other words punishment method.<sup>48</sup>

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<sup>45</sup> Mark S. Schwartz, "Universal Moral Values for Corporate Codes of Ethics." *Journal of Business Ethics* 59, no. 1/2 (Jun. 2005): 27-32.

<sup>46</sup> Weltzien Hoivik, 148-149.

<sup>47</sup> Putnová, Seknička, 77-78.

<sup>48</sup> Ševčík, 98-115.

On the other hand, the important part of the code of conduct is considered to be the assessment of whether an employee acts in accordance with the Code of Ethics, in this part the penalties any employee faces if he breaks any rule should also be mentioned. While examining the integrity failures in different organizations, there are several causes of violations of standards of ethical behavior. The most common form of infraction of ethical standards in business is a disclosure of confidential internal information. Against this fulmination, the companies protect themselves by specific written statements. Training and remuneration are the methods, which the company defines itself according to their means but the punishment is a complicated process; sometimes it can cause a feeling of humiliation etc. It is important to motivate employees, for example, involving them in all parts of the process and teamwork. It is paramount that each person is respected and treated as a valued member of the team. This will give employees a sense of ownership and as a result their work will be of high standard. Rewards play an important part in motivating staff to produce a high standard work.<sup>49</sup> Employees should be informed about the code and those who are formally responsible for implementing the code of ethics in the company. All employees should relate the rules of the code to their own work, not just as a part of supervisors' responsibility. Simply put, everyone behaves the way the others treat them.<sup>50</sup>

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<sup>49</sup> Ševčík, 98-115.

<sup>50</sup> Magnus Frostenson, Steven Helin, and Johan Sandström. "The Internal Significance of Code of Conduct In Retail Companies." *Business Ethics: A European Review*. 21, no.3 (June 2012): 267.

#### 4 THEORETICAL PART SUMMARY

The theory is the basis for the analytical part, for this reason the first part contains essential information for further analysis and creation of ethical code for the company Niveko, s.r.o. The theoretical part of the bachelor thesis mainly focused on the importance of code of ethics in the business field. From the historical perspective, apply ethics to business was hard from the very beginning, but after the Second World War business started to be responsible and ethics became a natural part of everyday business.<sup>51</sup>

The thesis deals with information about ethics and the implementation into business mainly by principles, tools and methods; a crucial tool is considered to be the code of ethics. Based on literature research the authoress substantiate the necessity of the corporate ethical code not only because of the improvement of company's reputation and credibility, but also because of a positive effect that the document has on the stakeholders to stay loyal to the company. The code of ethics allows the company to keep pace with competitors and requirements on the market. It is necessary to create the corporate code of ethics with an appropriate structure because of its effectiveness; the implementation of such a document must follow given steps in order to become an essential part of the company business.

Ethical codes impose certain principles and negotiation of the behavior of the company and this may help Niveko in difficult situations, to strengthen their team and to force employees to think about the manner and the path this company has. The crucial fact for the director of the company Niveko is also that the ethical behavior raises the preference of target groups and improves the situation for loyal employees or their recruitment; and ultimately has a significant impact on the corporate financial results.<sup>52</sup>

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<sup>51</sup> Putnová, Seknička, 17-19.

<sup>52</sup> Ivo Rolný, *Etika v Podnikové Strategii* (Boskovice: Albert, 1998), 35-36.

## **II. ANALYSIS**

## 5 NIVEKO, S.R.O.

The analysis of the bachelor thesis contains information about the company Niveko, s.r.o. mainly based on an interview with the company's Chief Executive Officer.

The company Niveko is a limited company, its line of the business is the production of plastic products and water treatment equipment; they are listed among the top producers of polypropylene pools for both private and public facilities. Apart from this, another field of enterprise of the company is the design, sale, mediation, assembly and service of water management equipment, polypropylene and polyethylene tanks, and plastic articles; they are also specialized in building. It is a Czech company, their strategy is focusing on quality of the product, maximum respect for customer needs and the long-term satisfaction as suggests their slogan: "Quality you'll recognize."<sup>53</sup> Niveko is certified by ISO 9001 for the Quality Management System. The company supplies pools across Europe and this committed them to the need of continuous innovation and improvement of their products. The following Figure 3 illustrates the business partners of Niveko, s.r.o. Among the most important markets are countries such as Germany, Switzerland, Italy, and countries of Benelux.<sup>54</sup>



Figure 3. Map of Business Partners of the Company Niveko, s.r.o.

Source: Niveko Pools, "Contacts," Niveko Pools, <http://www.niveko-pools.com/contact.html> (accessed March 25, 2013).

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<sup>53</sup> Niveko Pools, "Home," Niveko Pools, <http://www.niveko-pools.com/> (accessed March 25, 2013).

<sup>54</sup> Bazeny Niveko, "O Společnosti," Bazeny Niveko, <http://www.bazeny-niveko.cz/o-spolecnosti> (accessed March 25, 2013).

## 5.1 History of the Organization

The company has been situated in Nivnice since its establishment in 1991; they started as a small family-owned company primarily focused on the production of various products for the formation and protection of the environment. This is why the company has the logo with a green ending as can be seen in the Figure 4. In 1995 the company transformed its form into a limited company and employed ten employees. Until 2000 Niveko, s.r.o. produced wide range of plastic products. In the following years the company has diversified into two specialized divisions, the first one focuses on complex industrial plastic applications and the second has been the production of polypropylene pools.



Figure 4. Logo of the Company Niveko, s.r.o.

*Source:* Niveko Pools, “Contacts,” Niveko Pools, <http://www.niveko-pools.com/contact.html> (accessed March 25, 2013).

For the company, the most important period of time begun in 2004 when they started to export to foreign countries and learn how to make a business from them. The company changed office and risen along with the number of contracts and employees. Currently, the company has more than fifty stable employees with stable annual sales mostly due to Western Europe export markets. The corporate philosophy is based primarily on socially responsible approach in all areas of their business and respecting basic human values of human society. The code of conduct should function also thanks to the company history of being a family-owned business with strong values pervading the firm, and the embedding of the code in an already existed value context.<sup>55</sup>

In the last two years the company has seen a significant increase in foreign business partners in the supply of swimming pools and accessories with participation in prestigious international fairs in Germany and Sweden. A further development of the company will be

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<sup>55</sup> Ministerstvo Spravedlnosti Česká Republika, “Obchodní Rejstřík a Sběrka Listin,” Justice.cz, <https://or.justice.cz/ias/ui/vypis-vypis?subjektId=isor%3a196368&typ=actual&klic=57k58z> (accessed March 25, 2013).

the construction of a training center directly on their premises to assure a better professional development of their employees.

## 5.2 Product Portfolio

The company Niveko, s.r.o. produces in two specialized divisions. The first division is specialized on complex industrial plastic applications focused mainly on further supplying companies, such as water shafts, industrial tanks, etc. Corporate line of business is the production of plastic products and water treatment equipment, the list of products is wide because of their continuous development and adaptability of products to the customer choice of combinations, forms and designs of the product. Based on an interview with Chief Executive Officer of the company Niveko, the export of plastic applications is the main market of the company, the second division is the production of pools that are focused mainly on domestic market on end customer, as it is visible on the Figure 5.

The production capacity of the company is over 400 pools a year all equipped with the latest technology and a unique static construction designed by Niveko. They use only first-class material; this ensures the high service life, aesthetics and endurance of their products. Also while selecting suppliers of products components they ensure the quality and reliability of the product, that is why they work primarily with renowned European manufactures such as the prestigious German producer Röechiling or Schmalenberger. Moreover, part of each deliveyr is also subsequent service and long-term customer care.

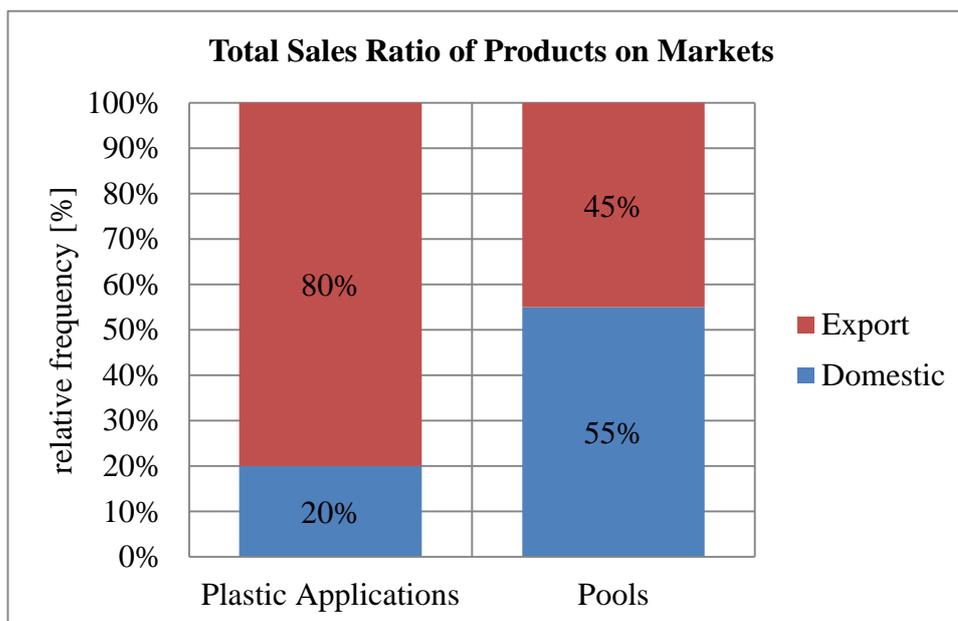


Figure 5. Products Total Sales Ratio on Markets (creation based on an interview with CEO)

### 5.3 Corporate Structure

Based on an interview with the Chief Executive Officer (CEO), the structure of the company slightly changed after the year 2007; Niveko is considered to be a small to medium-sized business administration according to European Union criteria.<sup>56</sup> The company has the tendency to stay family-owned and consists of nearly 60 stable employees. The head of the company is the CEO; there are 14 white collar employees. Their structure is divided into 6 levels, as the Figure 6. illustrates. The top management consists of the CEO, Owner of the company, Production Manager and Sales Manager. Then there is Accountancy and Administration Department, Production preparation and Logistics Department and Sales Department. There are two Shift Masters because of the two-shift company operation; 40 employees are blue collar employees. All levels of the company's structure are mentioned in my questionnaire survey.

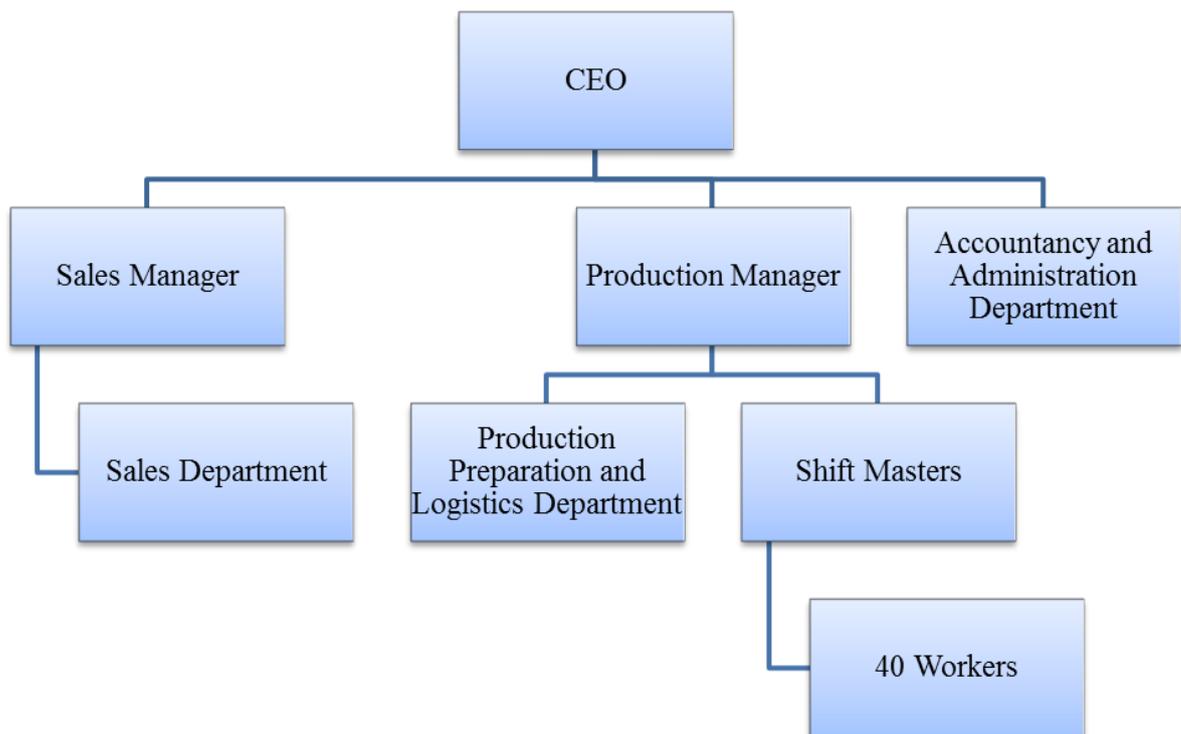


Figure 6. Corporate Structure (own creation based on an interview with CEO)

<sup>56</sup> European Commission, "Small and Medium-sized Enterprise (SMEs): What is an SME?," European Commission, <http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/> (accessed March 25. 2013).

#### 5.4 Company Economic Indicators

All stated figures were given by the company. According to Annual Reports from 2008 to 2011 the profit drops constantly as the Table 1. illustrates. Based on the interview, over the last ten years is maintained stable growth of 10 % to 12 % total sales; in 2012 was turnover of the company about CZK 100,000,000. According to this fact, the employment of the company is also constantly growing.

Table 1. Company Economic Indicators

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>Profits before Taxes</b>	100 %	75 %	64 %	56 %
<b>Total Turnover</b>	100 %	103 %	131 %	162 %
<b>Average Workforce</b>	43	43	45	50

*Source:* Own creation based on Annual Report given by the company

The company does not want to publish full details of their financial status; therefore company's economic indicators are expressed as percentage, therefore the year 2008 is stated as 100% and thereafter the following years percentage shows the further development.

## 6 ANALYSIS OF INTERNAL VALUES UTILIZABLE FOR CODE OF ETHICS

### 6.1 Aim of Analysis

The main objective of the analytical part is to state the importance of the code of ethics for the company and to develop the code of ethics proposal for Niveko, s.r.o. Ethical codes impose certain principles and negotiation of the behavior of the company that may help Niveko, s.r.o. in difficult situations, such as strengthening their team and to forcing employees to think about the manner and the path that this company has taken. The aim of the thesis is to process precisely this idea into the code of ethics for this company. The crucial fact for the director of the company Niveko is also that the ethical behavior raises the preference of target groups and improves the situation for loyal employees or their recruitment. Following the clear target and attitude of the company Niveko: “Leadership in fairness and honesty makes good business sense.”<sup>57</sup>

Such Code will be proposed based on overall analysis of the company’s position on the market, the specific production and, last but not least, the expectations of the company and their outline of ethical values. The code will be embedded in wider normative self-understanding where the employees should consider the organization to be fair and morally respectable. The document will be there to strengthen the self-understanding and contributes to identification and pride, so the function of the code is as symbolic as practical.<sup>58</sup> The required information used for analysis purpose was collected by the authoress of the thesis during research in the Niveko company.

During the research, the authoress carried out interviews with employees of the company, especially with managers and the CEO. The authoress observed the manufacturing process and studied intercompany documents such as annual reports, products catalogues, etc. The CEO realized during the interview, that in the 2004 the company started with the export of pools and related services mainly with business to business transportation. This was a very important period for Niveko; because they have been able to learn from foreign companies their business techniques and corporate policies. They were inspired by German’s and their

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<sup>57</sup>Michael Hackworth “Only the Ethical Survive.” Santa Clara University.  
<http://www.scu.edu/ethics/publications/iie/v10n2/ethical-surv.html> (accessed February 10. 2013).

approach to customers. It was at that time the company realized the importance of the code of ethics and these ideas have helped them to be better than the competition.

## 6.2 Data Sources

In the analytical part there are used following information sources to fulfill the aim of the thesis:

- a) Internal Standards
- b) Codes of Ethics
- c) Questionnaire Survey
- d) Interview with CEO
- e) Interview with Employees
- f) Company's Philosophy

### 6.2.1 Internal Standards

The authoress provided a survey of internal standards in the company to analyze the relation to employers, employees, customers, suppliers, environment, competitors, and other stakeholders of the company. This analysis was necessary part to propose the code of ethics for the Niveko.

### 6.2.2 Codes of Ethics

An essential part of the work was the exploration of various codes in terms of its structure, informativeness, matters and visualization of such code. The Guide to Ethical Conduct by the company Tyco was one of the first, as was mentioned in the theoretical part, this code is comprehensive and full of examples of situations that help employees with their ethical dilemmas. Niveko is not such a big company therefore; the code was too extensive and addressed issues which are not necessary and important for Niveko. Another previously mentioned code of conduct was Our Credo of the company Johnson & Johnson which had clearly shown an interest in their customers as a company priority and this way helped their business. The authoress analyzed many other codes such as Skanska Code of Conduct, PwC code, Coca Cola code, Fiat code, etc.

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<sup>58</sup> Magnus Frostenson, Steven Helin, and Johan Sandström. "The Internal Significance of Code of Conduct In Retail Companies." *Business Ethics: A European Review*. 21, no.3 (June 2012): 271.

### **6.2.3 Questionnaire Survey**

The questionnaire was designed by the authoress and then approved by the management of the company. The aim of the questionnaire survey carried out in Niveko, s.r.o. was to find out the views of both employees of the company and their leaders on the satisfaction with company behavior and the loyalty of its employees. Company employees believe that the company is fair and honest and if the company behaves according to their values that are the basis of company's philosophy. The survey was discussed with the general management of the Niveko, and we decided to investigate the current situation of the whole company, the anonymous questionnaires were held available to all employees. The reason for anonymity was because each employee should have an option to react if the code is necessary, and then also to content of the code during the creating and implementing. The mentioned questionnaire is enclosed in the appendix P I. The Questionnaire for Personnel of the Company.

After the discussion with CEO of the Niveko about the current situation of the company, we have agreed on a set of questions which are necessary and which would be beneficial to the survey. The questionnaire contained of 22 questions, the majority of them are in closed question style, there are also five open ended questions. The total number of asked employees was 50. The survey took place in the January of 2013 and employees were returning the questionnaires in two weeks' time to pre-urn, which was located at place accessible to all staff. The questionnaire are anonymous, management of the company were provided only outputs and outcomes of the survey.

### **6.2.4 Interviews**

The interview with the CEO of Niveko, s.r.o covered general information; because the company has not drafted their history, relation to stakeholders, and other information necessary to process a practical part of the thesis. The interview was provided also with employees from sales department. All interviews were held before the questionnaire survey. General information was already used during the processing of information about the company; the following part will contain yet unlisted information.

The interview was also conducted with employees from sales department.

## 6.3 Analytical Findings

### 6.3.1 Internal Standards

The authoress also provided a survey of company's internal standards as a part of interviews and the opportunity to read internal documentation. Niveko is certified ISO 9001, which was awarded by CQS and ITC for quality management system in the 2009. The management maintains monitors and improves the company's services in accordance with the requirements of ISO 9001: 2009. This indicates that the company insists on the quality of its products and care about their customers and other stakeholders:

#### a) Reference to Employers

Niveko is a legal form of company which provides limited liability to its owners, who make decisions especially regarding the company's strategy and business aims, about their policy, production or financial planning. The director leads the company to fulfill the vision and goals which are set. The CEO also prepares and evaluates the annual plans; he is close to all the information and possible response at time on current events, he is present at the company and also in the majority of foreign business trips.

#### b) Reference to Employees

Employees are hired in accordance with the corporate culture in compliance with the law and corporate standards. Their powers and responsibilities are defined in the job description. Employees have the opportunity to communicate with their supervisor or the CEO when the need arises. The director of the company is in contact with all of his employees. The company organizes every year corporate events such as sport days to unify the team, offering various sports and cultural activities. The professional development of employees is important part of business; the company is in the process of construction of a training center which will be directly on the company's premises.

#### c) Reference to Customers

The company aim is to maintain their own reputation by offering only quality products. Complex industrial plastic applications are focused mainly on further supplying companies, and production of pools focuses mainly on domestic market on end customer. The company is taking part in a number of sales promotions and presentations of products and technologies. For example, Niveko took part in Hem Villa trade fair in Sweden where their exhibition included a presentation of swimming pools and their components. As all their products also include complex customer service, this signalings that they strive to be in

touch with their customers and responds to their demands. For more efficient internal processes as order processing, production and delivery of a final product to the customer, etc. Niveko decided to introduce a new information system.

d) Reference to Suppliers

An important role for the company plays their suppliers of materials, components and services. When selecting their suppliers they ensure the quality and reliability of the product. They work primarily with renowned European manufactures such as the prestigious company Röechiling, Schmalenberger, Rollo Solar, Speck Pumpen, Gullberg Jansson or Dinotec. The company is committed to develop strong relationship; they prefer long-term, reliable business partnership.

e) Reference to Environment

Niveko is a producer of plastic products; they are treated as not eco-friendly company. Even though the company is committed to develop and strengthen the awareness of environmental protection. They follow standards and guidelines on how to deal with waste; they are waste sorting. The company also produces components to swimming pools which are protecting the environment.

f) Reference to Competitors

Niveko is small to medium company; having competition in the Czech Republic that offer pools and components with lower price. Niveko decided to go for the high-end level by producing quality products with a higher price but at the same time a higher value and higher service to the final customer. One of the biggest competitors is Albixon.

g) Reference to Outside Stakeholders

Niveko has been financially supporting young sportsmen, such as football club of Nivnice, and young driver František Blažíček during their sport engagement, they believe in their future success. The company does not donate to charity, but provides financial assistance to individuals with disabilities and people in need.<sup>59</sup>

### 6.3.2 Company's Philosophy

The company wishes to have their corporate code of ethics, which obviously is the first step to a successful implementation of such code. Niveko already generates its own set of universal moral values; this was the second step according to the theoretical part to

successful implementation. It helps the authoress with construction of the code of ethics the company does not prefer just their employees, they care for all stakeholders in order to achieve long-term and satisfactory business relationship for both parties. In Niveko there are set these moral values:<sup>60</sup>

- a) Our customer is always satisfied!
- b) A man is more important than profit.
- c) We respect and appreciate each other, as well as all of our employees and business partners.
- d) We work hard and responsibly.
- e) We act responsibly and fairly to society and state within whose territory we make business.
- f) To meet these goals we need to create a long-term gain.

The company's mission statement is there to remind its employees of the reason why the company exists. The CEO of the company established the statement in 2000:<sup>61</sup>

- a) Indeed, we believe that with the realization of business, our relationship with the customer does not end, but just the opposite.
- b) Since the main objective of our company's philosophy is a satisfied customer and to this goal we submit our activities and processes before, during, and after realization of the pool.
- c) We pride ourselves in an individual and personal approach to customers, and we maximally strive to realize his ideas.
- d) We believe that by realization of the pool there is a long-term customer-supplier relationship beneficial to both parties. Every customer has to be sincerely appreciated.
- e) Because of you we will always be transparent and provide objective information.
- f) We always try to be perfect in our line of business and will seek the newest trends.
- g) We use components from reputable manufacturers, which have a long-term reliability.
- h) Our individual realizations are talking on our behalf, not just words.

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<sup>59</sup> Niveko, "O Společnosti," Niveko, <http://www.niveko.cz/o-spolecnosti> (accessed March 25, 2013).

<sup>60</sup> Bazeny Niveko, "Proč Bazény Niveko?," Bazeny Niveko, <http://www.bazeny-niveko.cz/proc-bazeny-niveko> (accessed March 25, 2013).

<sup>61</sup> Bazeny Niveko, "Proč Bazény Niveko?," Bazeny Niveko, <http://www.bazeny-niveko.cz/proc-bazeny-niveko> (accessed March 25, 2013).

### 6.3.3 Questionnaire survey

The eighty-eight percent of questionnaires returned, meaning that 44 employees out of 50 filled the questionnaire; the output of the number of questionnaires was satisfactory. Although the majority of questions were closed, many employees commented on them and tried to actively engage with the survey. The following figures are rounded to whole decimal numbers for better clarity. As a demonstration of form questionnaire survey processing by using program Excel, the authoress used color resolution of acceptable and not acceptable responses. This table is enclosed in the appendix P II The Sample of Questionnaire Processing.

The questionnaire survey is indicating a low staff turnover which is visible in Figure 7. This is a good indicator for the company which prides itself on long-term satisfied employees based on corporate values.

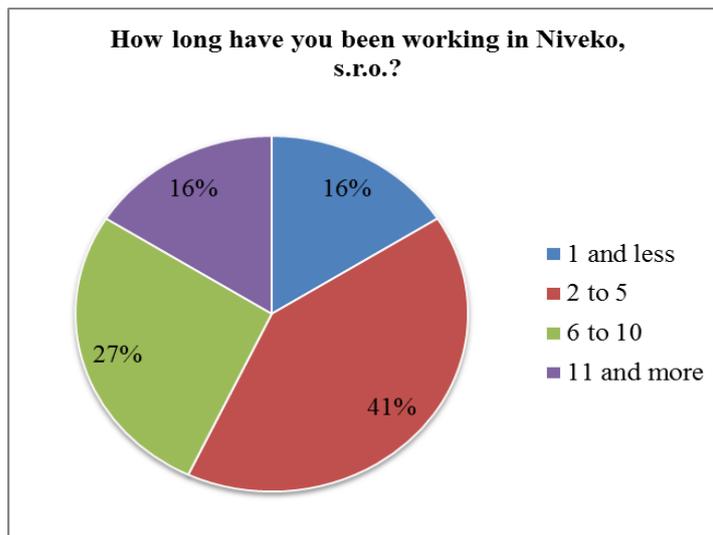


Figure 7. Duration of Employment in Niveko, s.r.o. (own creation)

The question about the department in which respondents are working was an open ended question. All respondents answered the question, 14 employees are white-collar, and 30 employees are blue-collar workers. It means, all white-collar employees from the company participated in the questionnaire survey. Seven white-collar employees also stated their role in the company even though the questionnaire should have been anonymous, it was visible from their answers that they take pride in their position and the company. On the other hand, the answer had to stay anonymous, so the result was not made public.

Generally speaking, employees are with their job satisfied, but even here one employee fill he is rather unsatisfied and inscribe his reason, he was a blue-collar worker, who was

unhappy about the financial situation. As a very interesting fact can be considered that 27 % chose the do not know choice as can be seen in Figure 8. This was frequently chosen by the workers employed 1 year and less, which is not probably a bad sign, they may be unsure due to fact that they have worked there for a while and still have not clarified if they chose the right job. For the rest of employees the reason would be the fear of evaluating and associating the person with his choice.

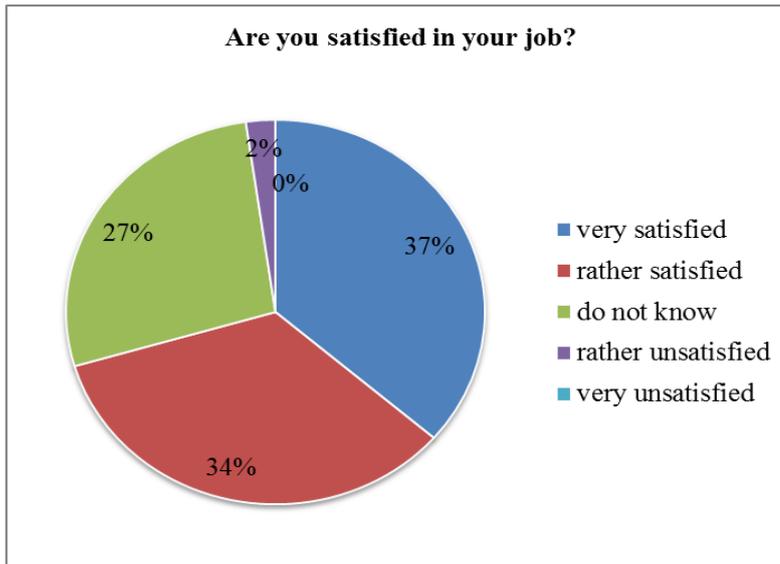


Figure 8. Satisfaction in Job (own creation)

From the comparison of the question on the length of employment and the question on job satisfaction is visible in the Figure 9 the group of new employees to 1 year differs in their answers. These employees are considering their employment in this company. The second group of employees from 2 to 5 years employment is the most satisfied group, this is a group of rather stable employees, and two employees are facing financial problems. The third group from 6 to 10 years of employment is rather satisfied, but there are some employees who have been employed for a long time and they stated the reason, they hope in higher salary, career promotion or other benefits. The last group from 11 and more year is as diverse as divertive as the first group. The reason is also the loyalty of employees and the need of appreciation. The option, not satisfied, was not chosen by any of the employees, this may be considered as a good sign for the company.

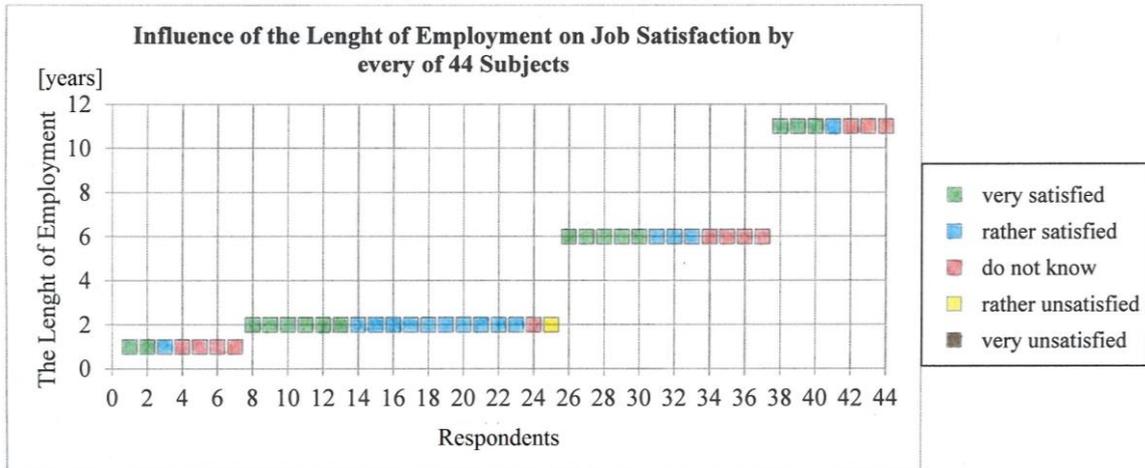


Figure 9. Influence of the Length of Employment on Job Satisfaction (own creation)

Figure 10 was considering the awareness of employees' knowledge of the company principles and values, which are the basis of the company business. The fact, that this was an open question which was answered by almost half of the respondents' was negative, is worrying. 34 % tried to invent corporate principles or made fun of them. And only 18 % of respondents answered the question correctly.

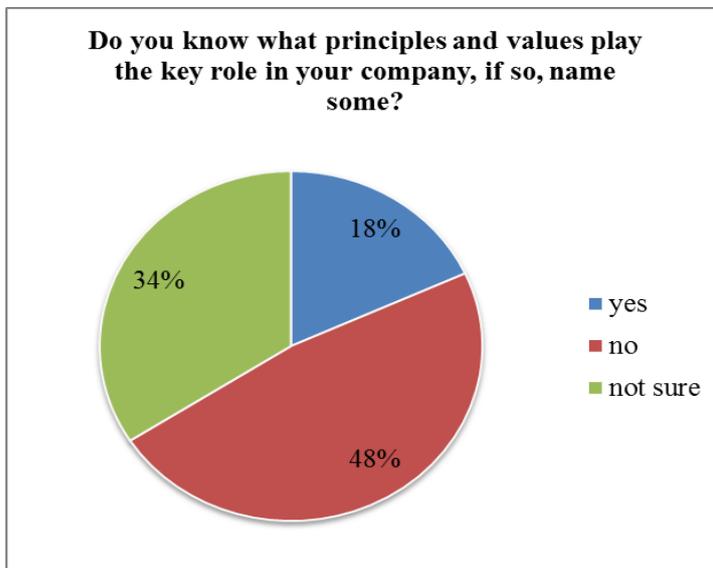


Figure 10. Consciousness about Principles and Values (own creation)

The following three questions were focusing on the code of ethics. On the question, if they ever encountered the concept of code of ethics, had the positive response 55 % of respondents, the negative response 36 % and 9 % of respondents do not know.

When asked if Niveko has implemented a code of ethics there were 50 % of negative answers. This is the correct answer; the company does not have a code of ethics. 34 % of respondents think that the company has implemented a code of ethics, and 16 % of respondents did not know. The employees, especially blue-collar workers probably associate the company values' code with the code of ethics. The company should focus on sharing and communication among employees.

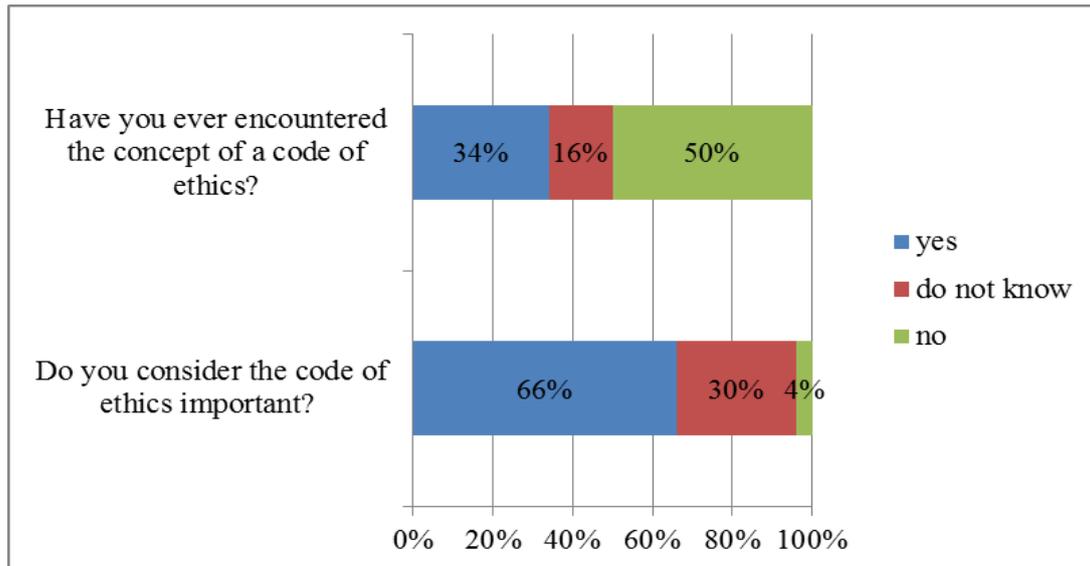


Figure 11. The Importance and Existence of Code of Ethics (own creation)

The interesting fact, in Figure 11, was that in the question, if employees consider the code of ethics to be important, majority of respondents answered positively. Only 4 % of blue-collar employees think the code of ethics is not necessary. Those workers thought the code of ethics is already implemented in the company and were not satisfied with their job. The answer is satisfying, because the majority of employees want the code of ethics to be implemented in the corporate policy.

Working conditions in Niveko, s.r.o., respondents were assessing the situation according to a scale from 1 which means satisfied, to 5 meaning dissatisfied with working conditions. 57 % of respondents are absolutely satisfied with working conditions in the company, 36 % are rather satisfied with conditions, 2 % choose third option and 5 % choose last, unsatisfied option, they also stated the reason for this, the dissatisfaction with remuneration. The result is for the company rather satisfying.

In the following questions the employees were evaluating the relationship with co-workers and the relationship of management with employees, both of the answers were rather positive and satisfying.

In the eleventh question the employees were evaluating the contact with supervisor, if the employee feels free to voice his opinion to his supervisor. 9 % of respondents do not think the supervisor would allow them to say their opinion. This may signal a bad experience of long-employed workers whose respondents were negative. Remaining 91 % of respondents think their opinion is relevant to their direct supervisors.

In the following question, the employees were asked if they are aware of benefits the company provides. 5 % of respondents think the employer does not provide any cultural or sports self-realization or other kind of benefits. The interesting fact is that, both of these employees were blue-collar workers which from the beginning of the questionnaire survey were dissatisfied and negative; both of them are longtime employees. The company should more communicate about the corporate benefits, so that it is clear that these actions are for all employees.

On the question: Do you see the perspective of your employment in this company? The answer was generally positive although 14% of respondents did not know, and 5 % of respondents answered no. These responses were chosen by newly employed blue-collar workers, they may be unsure due to the fact that they have worked there for a short time and still have not clarified if they chose the right job.

The following questions were about the customer relation. The attitude of the company to the customer was evaluated as very positive. The answer on customers' attitude on company's behaving was also positive. The answers on how do they think that they can affect customers' relationship with the company, were highly and notably. This indicates the positive attitude of employees. It is a sign of good communication and services that the company provide.

The most frequent answers on the important values the company should pursue in relationship to personnel were:

- a) loyalty
- b) openness
- c) tolerance
- d) sincerity
- e) better evaluation

- f) professional growth

The most frequent for clients were:

- a) reliability
- b) willingness
- c) confidence
- d) grace

The most frequent for the company surroundings were: respecting of environment and considerateness. One employee made a suggestion that the company should install transfer tanks to become more eco-friendly. The company included the proposal to the possible future projects which means that employees' proposals are by the company appreciated and taken into account. All employees answered on the question about values which should hold employee in the relation to his employer, the same value, the loyalty. This is also a positive signal.

In question about the discrimination were employees abstemious as the authoress supposed. As it can be seen in Figure 12, majority of employees have never had an encounter with any form of discrimination. 9 % of employees were bullied by their colleagues, and 5% of respondents were bullied by their employer. From the questionnaire survey of individual respondents which were bullied by the employer results that they are considering the low vague in long-term employment as a form of bossing. This is highly unacceptable for the company and they will discuss this issue at the next company session.

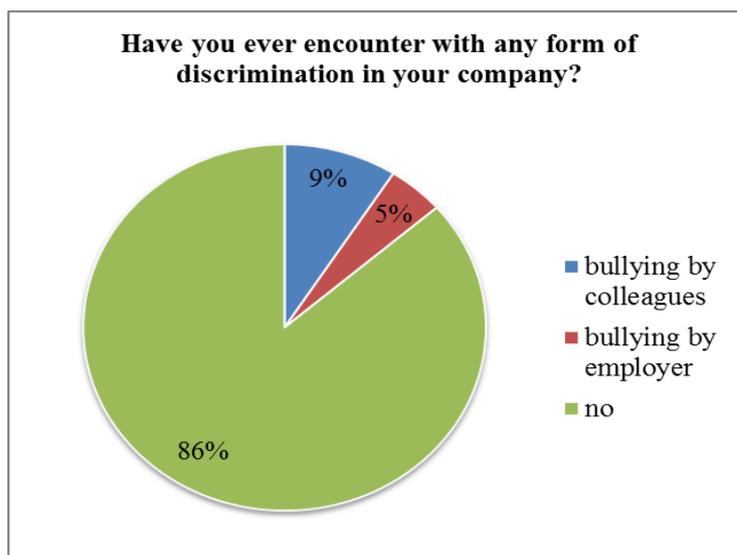


Figure 12. Level of Discrimination (own creation)

The last three questions were about gender, age category and highest achieved education of the respondent. The company employs all age categories men and women with mostly vocational secondary or secondary with GCE highest achieved education.

The evaluation of all questionnaires was carried out by using Microsoft Excel; the authoress found out unsettling data, the company employs two absolutely dissatisfied blue-collar employees. The questionnaire method was beneficial to the overall company survey and especially to the code of ethics implementation; it introduces a positive attitude of employees to the code of ethics, and inspire the authoress in further work on code of ethics, which should help the company with ethical issues.

#### **6.3.4 Interviews**

The CEO believes and hopes the code of ethics will be a helpful tool also for their company. The proven vision and the most important statement in our company is: A man is more important than the profit. This also applies to both employees and customers. The company strategy is long-term partnership and long-term profit. The company is socially and humanly responsible. Ethical code is one of the most important documents for the company environment, the CEO has been working on the ethically responsible future for a long time and this strategy helps the company to get long-term partnership and most people in the company grow and build their career and lives. This is why the company wants to have the code of ethics to remind the company's employees' of its values and principles, and hang them in. An example of the error that the company must not repeat was the business with a Danish company, which wanted cheaper and thus lower quality products. This business turned unethical and did not last long, because according to the management the reputation of the company was at stake. The company is dealing with every problem in a polite way. The most frequent problem we have in the company is the responsibility, loyalty and envy of our blue-collar employees. The CEO is motivating the employees by as frequent contact as possible, talking to them openly, frankly, honestly and with respect as he believes that it is important to praise the employees but also to provide them with constructive criticism when needed. However, the CEO trusts his employees, they have maximum competence, although as a director he reserves the right to enter into their work environment to see what they are doing. The style of managing people is democratic, the CEO gives his employees the independence to decide for themselves. One third of employees do not have sufficient education and are learning and developing their skills.

Since our company produces plastic products and thereby damages the environment, we try to waste sort, but this is a negligible form, the CEO does not want to discuss the subject of environment in the code of ethics in a special chapter and does not consider the topic important.

On the question about discrimination in the company, the director frankly answered that he does not know about any, and hope, that if there is some, the questionnaire survey will tell. The only discrimination he is aware of was the discrimination from a certain customer that says: this is a man's work that he will not communicate with the woman. This time the company addressed the issue by termination of the business with the customer. Moreover Czech customers are sensitive about high prices and the company is trying to explain that their products are of high quality and therefore last longer. The employees from sales department describe the situation in the same way as the CEO and they hope to have a new experience with the code of ethics, which could help them in their work.

The company is growing so fast, that the communication with employees gets lost. The management of the company should be more mindful of communication with employees not only in the offices, but also with all of the factory workers.

#### **6.4 Summary of Analytical Findings**

The elaborated analysis has focused on the importance of ethical code for Niveko company. The company's principles and values help in difficult situations. What Niveko is expecting from the code is that it will strengthen their team and force employees to think about the manner and the path that the company follows. The crucial fact for the director of the company is also that the ethical behavior raises the preference of target groups and improves the situation for loyal employees or their recruitment. The director realized the importance of the implementation of code of ethics in 2004, when Niveko started to export to foreign countries and learn how to make a business from them. Moreover the corporate philosophy is based primarily on socially responsible approach in all areas of their business and respecting basic human values of human society. The code of conduct should function also because of the company's history of being family-owned business with strong values pervading the firm, and the embedding of the code in an already existed value context.

The communication in the company is poor condition; therefore the company should be more in touch with all employees of the company and inform the employees.

Based on the questionnaire survey, nearly half of the employees do not know the company's values and principles. The employees want to have implemented code of ethics to be implemented in the company as they consider it to be important tool. The communication with employees may improve the awareness of corporate benefits and other deficits.

All methods of analysis used in this bachelor thesis were beneficial and the authoress realized the importance of the company's philosophy that strengths the team and help the company in achieving their business goals. The internal standards of the company have to follow the company philosophy. By the questionnaire survey the authoress responded the general awareness and the view of employees on the company. The interview was quite problematic, it took a long time and the company has to be in process all the time, but at the end all interview respondents and the majority of questionnaire survey respondents made time for this and willingly answered all questions.

## 7 RECOMMENDATIONS

### 7.1 The Code of Ethics Proposal for Niveko, s.r.o.

The code of ethics for Niveko, s.r.o. is a part of the appendices and is embedded as P III The Code of Ethics Proposal for Niveko, s.r.o. Based on the theoretical findings and practical survey the authoress designed the code of ethics not as a long documentation as a brief, clear and transparent brochure. The necessary steps at the beginning and during the processing of the code were the values and principles that are most important for the organization, and then to keep in mind, what is the company expecting from the implementation. The code of ethics also contains of:

- a) First page with logo and slogan of the company.
- b) Content of the code for better survey.
- c) Information about the company, its principles and values.

This part is mainly focused on employees of the company to improve their view on company's behavior and the path of the business. The document also describes the topic of honesty and fair competition, safety and quality of production. One of the most important information is the respect for the law. This information is mainly dedicated for the external stakeholders and possible customers.

- d) Guide how to use the code of ethics.

This part describes the meaning and purpose of the code, to whom it applies and where the code will be available also to possible comments or suggestions.

- e) Relation to employees of the company.

This part is at the very beginning, because the code is focused primarily on employees of the company their behavior and to improve the communication.

- f) Relation to customers of the company.
- g) Relation to suppliers of the company.
- h) Relation to the competition.

Important is also the topic of unambiguous rejection of discrimination, relations with customers and suppliers, contracting, abuse and exploitation in trade. Questions about corruption, social responsibility, relation to competition and environmental protection or information are included too.

- i) Relation with government.

This part contains information to wider environment of the company and also about the quality of the environment, which was not analyzed the issue of the environment, the company did not want to because they work with non-organic material.

j) Penalties

Essential part of the code is also a section of penalties for violation of ethical principles or work discipline.

k) Quick Test

Based on the theoretical part, the authoress was inspired by the Quick Test used in Code of Ethics of the well-known American company the Texas Instruments. It consists of seven points for consideration which is the last part of the code. Each of employees has different work and preferences. This way of ending of the code is probably the most suitable for every person. It should help the employees to frame their thinking about the dilemma they may have. It seems to be more positive than the order or treat that you have the responsibility to do.

l) When in doubt chapter.

Based on theoretical part the authoress realizes that Niveko, that implements codes of conduct to its corporate policy has to ensure that employees as well as the whole organization will not be challenged on their ethical integrity. Employees who wish to make a breach of the process or policies of the company are required to meet one of the following statements. To get to know to their supervisor, department or function head, the director of the company or a company lawyer. Since the employees of the company have the opportunity to say their opinions and proposals, the company has established the mailbox; the authoress refers the staff also to this possibility.<sup>62</sup>

The code consists mainly of general but at the same time clear advice. For small company, that still does not have its own practical examples to improve this type of effective tool. The code is a proposal for Niveko, which will be improved over time by practical examples. The authoress will also create a Czech form of the code, to Czech employees and stakeholders.

The code of ethics could help to solve some problems in the company, which concern not only the employees' relationship, but also relation with all stakeholders. The document

should help employees to understand that each of them has a big influence on how the company will evolve, how the company will profit, and thus how they will be rewarded. Understand that the success of the company just does not matter on the approach of managers, but that each of them is the future of the company. According to the research also employees of the company welcome the opportunity to implement such a code of ethics. For a correct implementation of code of ethics, the company should follow all recommended steps. The company should introduce the code of ethics to all employees so they will understand the meaning of the document. According to the research some employees think the company has already implemented this document in the corporate culture, therefore it is necessary to inform them. The code should be endorsed by the Chairman, they should produce a strategy for integrity of the code, and then the code should circulate to all employees because all staff should have the opportunity to respond to the content. Employees, especially, should be aware of the consequences of breaching the code. Therefore, the document should be located in a place available to all staff, suppliers, customers and others related to the corporate environment. The code stays part of the annual report and should be mentioned in contracts of the company. If the company cooperates with foreign countries, the text of the code should be translated into understandable language. Finally, the regular checks and recovery of the code should be provided by a concrete person, such as personnel officer, based on company experiences.

According to the theoretical research, part of the code of ethics is usually at the beginning also a message from the CEO to his colleagues, employees and stakeholders. This is the part, where the code is somehow emphasized and thus gains its credibility. Therefore, the authoress suggests improving the code on its credibility in this way.

Based on the interview with the CEO and employees of the company, all the respondents were not able to provide a specific situation or just example which could be helpful and could become a guideline for same situations with unclear solutions. This is probably the most sufficient and effective method. Therefore, the authoress' proposal to Niveko is to adopt the proposal of a code of ethics with specific examples and cases that will help them to broaden their experiences and the code become as effective tool as possible.

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<sup>62</sup> Sarah, D. Stanwick, and Peter A. Stanwick. "Protecting Your Company With a Comprehensive Code of

## 7.2 Further Recommendations

After having analyzed the situation in Niveko, based on the analysis of company's philosophy, internal standards of the company, questionnaire survey and the interview with CEO and the employees from sales department, the authoress recommends the following suggestions.

Even though most of the employees know that the quality of products is important, there is still a relatively large number of workers who do not know anything about the values and principles of the company. Therefore it would benefit the company to provide training for the management or display a poster with all the values to give all employees a chance to learn more or at least be aware of the values. The printing costs on poster would be lower, but maybe not as effective as the training for managers that may be provided by the CEO of the company. The training for managers may be one theme, how to work with the values and principles of the company, and how to instill the values to subordinates by non-violent way so that the blue-collar workers will realize that they are part of the whole business, identifying themselves with the company's values and be aware, that their behavior can have a either positive or negative effect on the overall running of the company. The training may costs 29,000 CZK opportunity costs.

According to the research, the company has not sufficiently motivated long-term employed blue-collar workers. If the company rewarded its employees for their long-term loyalty these employees would be more satisfied and see their future in their work. The opportunity of career development is already part of the CEO strategy, but sometimes the career development is not possible. The company should therefore choose an appropriate method of evaluation of experienced and skilled employees, such as differentiated tariffs for experienced workers, benefits in the form of contributions to pension funds, life insurance, or sporting and cultural activities. The motivation in the way of rewards for employees' loyalty is needed for example for 5 years of employment, 10 years of employment, etc. Each status of 2 % increase of salary per year.

The crucial question in the survey was the presence of discrimination at the workplace. The issue of discrimination is a serious sign for the company, even though some employees, according to the research, do not know what the discrimination. Arrangements

should be made, whether in the form of notification or explanation of what discrimination is and how to prevent and protect oneself from it. Again, there is a possible solution which is training for managers.

## CONCLUSION

The aim of this bachelor thesis was to elaborate a code of ethics proposal for Niveko, s.r.o. based on their requirements and analysis of internal values. In the thesis, the authoress focused mainly on the subject of the code of ethics and its importance in the business based on researches, history and experience of other companies. The authoress substantiated the necessity of the corporate ethical code not only because of the improvement of company's reputation and credibility, but also because of a positive effect that the document has on the stakeholders to stay loyal to the company. The code of ethics allows the company to keep pace with competitors and requirements on the market. However, it was necessary to create the corporate code of ethics with the appropriate structure because of the effectiveness; the implementation of such a document must follow the given steps to become an essential part of the company business. The essential and necessary may be considered also the improvement of communication with employees.

The code of ethics was proposed in this thesis basing itself on an overall analysis of the company's philosophy, internal standards, questionnaire survey, interviews, and finally the expectations of the company to fulfill the aim of the thesis. Niveko, s.r.o. has clearly defined visions and values that are strictly kept. The questionnaire survey was preceded by the interview with the company's employees, the authoress explained to them what the code of ethics is and why the company decided to implement such a code. The authoress also repeatedly emphasized the anonymity of the questionnaire, mainly because the replies of the employees might not be truthful; it is natural in a small environment to have people afraid to show what they really think. The implementation of such code would be very useful but it should also be combined with a different approach by the management who seems to be very keen on new managerial thinking in a general point of view, it is probably caused by young management team and for many of them the new experience with the management position. However, the idea of necessity of ethical code as part of corporate policy has appeared right there and the management is open to ideas on how to develop the company.

The analysis confirm that the ethical codes impose certain principles and negotiation of the company's behavior, thanks to this it may help Niveko, s.r.o. in difficult situations, to strengthen their team and to force employees to think about the manner and the path that this company has taken. The crucial fact for the director of the company was also that the

ethical behavior raises the preference of target groups and improves the situation for loyal employees or their recruitment.

The authoress suggested recommendations for improving the current situation in the company because for a correct implementation of the code, the company should follow all recommended steps, to introduce the code of ethics to all employees so they will understand the meaning of the document, produce a strategy for integrity of the code, and circulate the code to all employees because all of the staff should have the opportunity to respond to the content, and finally the regular checks and recovery of the code should be provided by a concrete person based on company's experiences. Hopefully, the proposal for code of ethics will be beneficial for the company as well as was beneficial for authoress personal development.

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**LIST OF ABBREVIATIONS**

CEO	Chief Executive Officer
CSR	Corporate Social Responsibility
CTR	Caux Round Table
CZK	Czech Republic Koruna
EU	European Union
ISO	International Organization for Standardization
OECD	Organization for Economic Co-operation and Development
etc.	etcetra
s.r.o.	Czech abbreviation to English Limited Company
U. S.	United States

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## **APPENDIX P I: THE QUESTIONNAIRE FOR PERSONNEL OF THE COMPANY**

Dear Sir /Madam,

I am a student of 3<sup>rd</sup> grade of the Faculty of Humanities, Tomas Bata University in Zlín. Currently, I am preparing for the state exam, which includes the defense of the bachelor thesis. In my thesis I am working on the draft of code of ethics for the company Niveko, s.r.o. The code of ethics governs the rules of conduct internally and externally.

Because in each company good and loyal employees are the cornerstone of success, I would be very interested in your opinion on this topic. I am kindly asking you to fill out the following questionnaire, which is designed to survey the current state of ethics in your company. To answer the questions choose from the listed possibilities or write your answer where indicated. If it is not stated otherwise please choose only one answer. This questionnaire will be used only for the scope of my research; your anonymity will be respected. The individual questionnaires will not be given to the management, only the outcome research. Therefore, please be absolutely honest.

1. How long have you been working in Niveko, s.r.o.?

1year or less       2-5 years       6-10 years       11 and more years

2. In which department are you working (blue collar, white collar...)?

.....

3. Are you satisfied in your job?

Very satisfied

Very unsatisfied

1

2

3

4

5

4. Do you know what principles and values play the key role in your company, if so, name some?

yes

no

.....



13. Do you see the perspective of your employment in this company in 5 years?

- yes       rather yes       do not know       rather no       no

14. What is the companies' attitude to the customer?

- very positive       rather positive  
 very negative       rather negative

15. How do you think your customers perceive your company?

- very positive       rather positive       don't know  
 very negative       rather negative

16. How do you think that you, as an employee, can affect your customers' relationship to your company?

- highly       notably       negligibly       anyway

17. What do you think are the most important values that your company should pursue in relation to its:

Personnel (name at least 3) .....

Clients (name at least 3) .....

Their surroundings (name at least 3).....

18. What values should hold employees in the relation to their employer?

.....

19. Have you ever encounter with any form of discrimination in your company, if so, what kind was it?

- sexual harassment       age discrimination
- bullying by the supervisor       bullying by the colleagues       none
- different .....

20. I am

- man       woman

21. The age category

- 18-33 years       34-49 years       50 and more years

22. Highest achieved education

- primary school       vocational secondary       secondary with GCE
- college       college education

Thank you for your willingness and time devoted to this questionnaire.

Please put the filled questionnaire in the marked box to 14 days.

Monika Lovecká

## P II: THE SAMPLE OF QUESTIONNAIRE PROCESSING

	13	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	
1																					
2	6 more	6 more	6 more	2 more	11 more	1 less	1 more	1 more	6 more	1 more	1 more	1 more	6 more	11 more	1 more	6 more	11 more	11 more	1 less	1 more	1 more
3	M	M	M	M	M	M	M	M	M	M	M	M	M	M	M	M	M	M	M	M	M
4	3	2	3	2	3	3	3	3	3	4	4	2	3	3	2	1	1	1	1	1	1
5	prosperity	yes	no	yes	yes	kvality, sp	no	satisfactio	no	no	do not kno	no	yes	profit ten	fairness v	skills, ryc	quality vj	quality sp	yes	yes	yes
6	yes	no	yes	no	yes	yes	no	yes	yes	do not kno	no	no	no	yes	yes	no	no	yes	yes	yes	yes
7	no	do not kno	do not kno	-	no	yes	-	yes	no	no	do not kno	no	-	no	yes	-	yes	yes	yes	yes	yes
8	yes	no	yes	-	yes	yes	-	yes	yes	yes	yes	-	yes	yes	yes	-	yes	yes	yes	yes	yes
9	2	1	do not kno	2	2	2	1	2	5	2	2	1	2	2	1	2	1	2	1	1	1
10	2	2	1	3	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
11	2	2	2	2	2	2	2	3	4	3	2	2	3	2	1	2	2	2	2	2	2
12	1	2	2	2	2	1	2	2	no	no	no	1	no	2	1	1	1	1	1	1	1
13	1	1	1	1	1	1	1	1	no	1	1	1	1	1	1	1	1	1	1	1	1
14	2	do not kno	1	1	1	do not kno	1	do not kno	2	no	1	1	1	do not kno	2	1	1	1	1	1	1
15	2	1	1	1	1	1	1	1	2	1	1	1	1	1	1	1	1	1	1	1	1
16	2	1	1	2	2	2	1	1	do not kno	do not kno	do not kno	-	1	2	1	1	1	1	2	1	1
17	notably	notably	notably	notably	notably	regligibly	notably	regligibly	negligibly	notably	notably	notably	notably	notably	notably	highly	notably	notably	highly	notably	notably
18	long-term	health sil	friendly je	solidarity	humanity	solidarity	expected fa	loyalty, k	loyalty, k	loyalty, k	loyalty, k	loyalty, k	loyalty, k	loyalty, k	loyalty, k	loyalty, k	loyalty, k	loyalty, k	loyalty, k	loyalty, k	loyalty, k
19	quality sil	fairness/	straight p	mobbing	positive p	serious, k	no	no	no	no	no	no	no	no	no	no	no	no	no	no	no
20	-	-	-	mobbing	no	no	no	no	no	no	no	no	no	no	no	no	no	no	no	no	no
21	man	man	man	man	man	man	woman	woman	woman	woman	woman	woman	woman	woman	woman	woman	woman	woman	woman	woman	woman
22	34	18	18	34	34	18	34	34	34	18	34	18	18	50 more	18	34	34	34	18	18	18
23	18	18	18	34	34	18	34	34	34	18	34	18	18	50 more	18	34	34	34	18	18	18

**APPENDIX P III: THE CODE OF ETHICS PROPOSAL FOR  
NIVEKO, S.R.O.**



...QUALITY YOU'LL RECOGNIZE

**Code of Ethics**

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## General Principles

The key responsibility of Niveko, s.r.o. is the long-term partnership aiming at prosperous business. The company is aware of its obligation to all entities, responsibilities toward employees, business partners, competitors, environment, and general public. Therefore we have defined our key principles. We act socially and humanly responsibly and professionally. Companies' reputation and trust of all stakeholders is one of the most important aspects for Niveko, s.r.o. In all our activities, we require and ensure ethical standards. In everything we do, we act with honesty, fairness and integrity. We comply with legal requirements and regulations wherever we are.

### *Our core values and principles:*

- *Our customer is always satisfied!*
- *A man is more important than profit.*
- *We respect and appreciate each other, as well as all of our employees and business partners.*
- *We work hard and responsibly.*
- *We act responsibly and fairly to society and state within whose territory we make business.*
- *To meet these goals we need to create a long-term gain.*

## Use of the Code Guide

The Code of Ethics is a document approved by the company Niveko, s.r.o. It summarizes the company's business principles in conjunction with company policies, the corresponding commitments, and responsibilities of employees. The Code constitutes a key component of the Niveko's program for assuring effective prevention and detection of violations of law and regulations applicable to its activities.

The Code applies to all employees who act on behalf of the Niveko, s.r.o. The company shall use its best endeavors to ensure all stakeholders that the Code is based on principles of the company. The Code is applied in all the countries in which Niveko, s.r.o. operates.

The Code is available from the Director of the company and may be consulted by all employees. Constructive comments and suggestions to the Code are welcome. Any modifications introduced into the Code based on the outline above will be available part of the Code.

## Employee Relation

Niveko, s.r.o. recognizes that a strong and consistent relationship based on respect and dignity for every person is an essential factor in employees' satisfaction and maintaining competitiveness. Therefore its employees are committed to enhancing the company relationship with all stakeholders.

We provide equal employment conditions and opportunities without any racial, religious or ethnic discrimination, regardless of gender, age, marital status or disability, which does not apply to labor capacity. Niveko, s.r.o. supports the protection of fundamental human rights.

Company conditions meet requirements of national legislation. We recognize health and safety workplace as a fundamental right of employees. All employees shall not work whilst under the influence of alcohol or drugs. They shall avoid intimidating or offensive behavior with respect to colleagues especially for the purpose of discrimination.

The company does not tolerate any sexual, physical or psychological harassment of employees.

The company takes into account the interests and welfare of long-term employment of employees.

## Customer Relations

Niveko, s.ro. is based on the assumption that fairness to customers indicates successful and lasting business relationship; therefore the company will deliver the products and services of good quality according to the agreement and aspire to fully meet the customers' expectations.

The customer information is considered confident. The company will not conceal, exaggerate or deceive and the customer will not be discriminated unfairly between customers in dealing with them. Employee shall not accept nor give valuable gifts, money, services, or anything that would or could be considered a bribe.

## Relation to Suppliers

Niveko, s.r.o. is developing relationship with suppliers based on mutual trust and committed to pay on time in accordance with the agreement. With regard to achieving the highest level of customer satisfaction, Niveko, s.r.o. is selecting suppliers according to the quality of components and products, innovations, costs and the values held by the supplier.

Receiving money or different benefits to employees can lead to problems and favoring for donors, it is considered to be bribe.

Supplier information is considered as confidential.

## Relation to the Competition

Niveko, s.r.o. recognizes the competition and is committed to fully comply with legislations in force in the countries of its business. The company is in competition spirited but honest and does not damage the reputation of competitors or its own.

In contact with the employees of competition, avoid information about business of the company. The company does not attempt to dishonestly obtain information of business competitors.

## Relation with Government

Niveko, s.r.o. is above board member of the community and serves as an effective and beneficial. The company takes into account the interests of the wider environment as national and regional interests. Donations to charitable companies are supervised by the Director and Owner of the company. The company has a continuing interest in improving environmental quality and respects the business standards for waste material.

## Penalties

Violation of ethical principles and standards set in the Code are affected by relevance of the violation. Infraction of the Code of Ethics considered as breach of work discipline will be reviewed and sanctioned in compliance with regulations.

## Quick Test

If you are not sure you are acting in line with the Code, the following test is intended to be advice:

- a) Is the action legal?
- b) Is it against the key ethical values of our organization?
- c) If I realize it, will I feel right?
- d) How would look the publication of the matter in the press?
- e) If you have the assurance that it is wrong, do not do it!
- f) If you are not sure, ask so long until you get a clear answer!

## When in Doubt

If you are faced with difficult decision, or are simply concerned about an issue, speak up and consult your problem with:

- a) supervisor
- b) department or function head
- c) director
- d) a company lawyer

You may also report your concerns through the company mailbox.