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Culture and Ethics in Business.

(Bachelor Thesis)

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Declaration:

I confirm that I am a sole author of this work under the leadership of Mr. Přemysl Michálek and all sources used are listed.

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INTRODUCTION.

Mass media provides us, on a daily basis, with economic and business news and events and often this news challenges us to consider our moral response to what we see and read. For example issues concerning bribes, "asset stripping", misuse of information as in "insider trading", plundering and raw material exports, individuals and companies reneging on agreements and deals etc. The list is a lengthy one. We are not just talking about criminals being responsible for this sad state of affairs. Many business decisions are based solely on profit without any moral or, in some cases, legal regard to the negative impact those decisions may have on other businesses, our society or indeed their own workforce.

Many entrepreneurs and management may see little incentive to consider or solve the often negative ramifications of their style of business practice in their struggle for profit. If their actions are criticized they will refer to the prevailing free market rules which encourages them to achieve profit at all costs, the implication being that they are not responsible but, merely, playing the "game". Thus we risk living in a "Wild West" culture where profit is the "gun" and whoever has the "fastest draw" wins, notwithstanding the moral and ethical fallout. Is ethical behaviour just acceptable in one's private life and is not a factor to consider in our business life.

As a society it is not a new concept for us to look to the "image" of a company to guide us in arriving at our own perception of its ethical position on matters that may concern us. Business ethics could be defined as responsible behaviour in the decision making process i.e. recognition by business generally to an acceptable "Code of Ethics" (a set of moral rules and standards). Contrary to the belief of some businessmen it is vital for continued success that their company should recognise the importance of their image in the market place and take positive steps to ensure that that image is perceived by others as, at least, acceptable in the widest sense in an increasingly complex and competitive world. Management must take considerable care in how it is seen not only by its customers, society and business rivals but also and perhaps most importantly by its own workforce. Image in other words is all

things to all men or at least it should be from a firms management point of view.

There have been many changes in our countrys social and economic since the events in November 1989. Many of these changes are being realised or their results are now being shown fully. Many companies have finished their activities others have been transformed and many new private firms have been set up. Many foreign entrepreneurs have established businesses in our country and are continuing to invest here. The busy market place mirrors the every increasing mix of business diversity. Some have a long history and a strong company culture, others are completely new and have been building their image. The latter, especially, are facing many questions. What are the goals of a modern business? What code of ethics (if any) govern and guide businesses? Is it enough to follow just the law or should the law be accompanied by further standards? Why do some entrepreneurs behave unethically? Why is ethical behaviour important in business? What is more important, to build up a stable, successful company with a view to the long term or just get rich quick and dismiss any consideration of the ethics concerned or the negative impact on employees, competitors, customers or society? Is there a need to build up a company culture and what influence does it have on the behaviour and motivation of people generally both within and outside the company?

Watching events around us in this country we can see that things in the economy and socially are not always what they should be. However, let us leave the problems arising from "questionable" privatisation, bickering among political parties resulting in a lack of progress in finding solutions to the serious economic problems of the country and rather concern ourselves with the question of business ethics and business culture in todays market place. So let's seek the answers to some of the aforementioned questions and specify what ethics in business means, what the standards and rules are that govern business and how effective are they. What is the business culture and what is its relation to ethics in business. What is the role played by management and

their employees and what standards do they have to meet and what are they limited by? Why is it necessary to implement a standard of ethics for business?

The economic development of our country depends on the prosperity of each company and its ethics. Good proprietary behaviour influences the perception of foreign companies and investors without whom we cannot succeed in the current international market. Without keeping to the rules valid in the European Union and following acceptable business codes of practice we cannot hope to sustain our society.

I have chosen this topic for my bachelor thesis as it is timely. Each of us is a consumer of various products and services on a daily basis, the quality of which we evaluate by our perception of what quality means for us. Talking with employees of different state and private companies we learn about how the owners achieve profit and how they deal with their employees and what the management is like. Of course, by reading newspapers, watching and listening to news broadcasts we can also get information concerning how profit was achieved and whether it was gained in a legitimate and ethical way or indeed even in an illegal way. We can see how some entrepreneurs take advantage of loopholes in the law, exploiting them with no regard to business ethics. Based on this information the attitude of the consumer or anyone for that matter is directly influenced by the company's image. The goal of this bachelor thesis is:

- To analyse the relationship between ethics and business with the aim to show the necessity to recognise the importance of an acceptable code of business ethics.
- To analyse the law and the ethics that regulate business activities with the aim to specify the mutual and different features.
- To analyse the mutual relationship between the firm's culture and ethics in business activities with the aim to show the firm's culture as a form of realisation and implementation of the ethics in a company

The relation between ethics and business is analysed in the first chapter. I define some ethic notions e.g. ethics, morality, freedom etc. so that the reader can understand the context. The second chapter is devoted to the standards regulating the business their obligation and enforcement. In the third chapter I analyse company culture and show some positive examples of how some foreign firms have successfully taken it on board and comparing it with the situation with Czech companies.

The analytic – synthetic method together with comparative method were used in this bachelor thesis.

1. ETHICS IN BUSINESS.

Today we can see a growing interest in the question of ethics in business, especially in western countries. The introduction of theoretical analyses of ethics in business practice aims at the improvement of business activities. The issue of business ethics is wider than just compliance with the law. The law is thought to be a minimum requirement of ethics.¹ The main purpose of ethics in this case is to find the balance between acquiring profit and the social consequences in doing so. The aim is to guide the business activities by informal means.²

Looking for the answer to the question why ethical behaviour in businesses is important brings us to a scale of motives reaching Christian values, insufficient trust in institutions, fear for survival, fear from new technologies, from trust in welfare, justice, political programmes and the current economy.¹ Not accepting the business that separates ethics and entrepreneurship may be a common denominator of these motives - denial of the validity of moral values in economy and expressing the profit as the only goal. The ethics in this case could be the reflection of a good and proper life of individuals and society, influence the creation and legitimising of conditions for business activities development.² These activities cannot be changed by force. Ethics in business must be understood as a reflection of ethic principles in all entrepreneurial activities concerning the individual, corporate and social standards and values. Firms, managers, workers, consumers, investors and the whole economy both in national and international context are influenced by the ethics.

Business ethics comes out of three theoretical sources – from religion, social science (philosophy sociology, economics) and from the business itself. The culture and history of a nation plays an important role in understanding moral and ethic. European understanding the economy and entrepreneurial role in it has a long tradition and history, from the criticism of entrepreneurial spirit to evaluation of entrepreneurs as a crucial importance for the economy growth. The main effort of ethics in business is to contribute to the practice in business and above all to enhance the ethical quality of a decision and behaviour on all levels. The central idea is to realise the relation among the

decision, the behaviour and responsibility. In practice the culture of behaviour is created from and based on trust and responsibility.

The answer to the question what the core of ethics is, is not an easy one. It requires the knowledge of core ethic concepts above all *moral, conscience, justice, responsibility, freedom etc.*

1.1. Ethics

Initially human behaviour was controlled by tradition and customs. The individual was controlled by customs which, in many ways, made life easier. In early developed societies when there were social changes related to the moral changes of opinion, the oral tradition and customs came to be replaced with written rules and laws. When there were any doubts re traditional moral solutions or when an individual or society encountered problems and there were no rules for guidance then people tended towards ethics.¹

The example of an individual's or a group's behaviour that sticks out is the way that this behaviour cannot be guided by sanctions and can be seen as a critical moment in undermining existing moral attitudes. Collision of different morals standards can result in a deviation from traditional values.

We can define ethics as a system of moral principals. Ethics asks about the conditions and possibilities of moral behaviour, about the criteria for moral standards and tries to formulate them. Each moral philosophy alias ethics is based at least on three presumptions.

The first is that a man can behave freely, consciously, purposely and thus responsibly. The second is that moral standards and rules are based on sound intellectual and justifiable reasons. The third presumption is that people do not depend on conscience, voice of reason, religion or secular authorities. The philosophy ethics begins there where the individual does not make his/her decisions only on the base of certain given values but where the question of validity and reasons of values themselves appear. *The philosophy of ethics was, above all, focused on reasoning or justification why certain behaviour or behaviour goals themselves are good that is they are always required or they*

are to be required.¹ Rules for behaviour which result in well being are called moral standards whatever their definition may be. Since such standards differ in various social societies we can speak about different "morals". Morals encompass rules, orders, values and standards (accepted as valid for the society) which lead to social behaviour deemed acceptable by the society as good. We have to differentiate morals from conventions and laws. Conventions are, generally speaking, a set of agreed or accepted unspoken rules that a society lives by. If these conventions have a long history then they are viewed as customs or traditions..

The expression ethics is derived from the Greek word "ethos" which meant the place for staying, later then the place for living, the place where a man is at home. From this we can understand the abstract use of the word "ethos" for habit, custom, tradition and also morals. From the very beginning the word ethos is related to moral behaviour, directed by customs, tradition, convention and standards which surrounded us. ¹ Practical results for people behaviour are implied from the basic knowledge of neo-ethics and metaphysics. Ethics is a relatively independent discipline dealing with questions how man should behave and why he/she behaves in that way what his/her attitude should be and we can see its origin in that behaviour. ¹ A new impulse and perspective is brought by Christianity. At that time ethics left the human state as it were and found itself on the metaphysical level. It is a part of Christianity and was secured by theology in the Middle Ages. The renaissance put ethics on the secular level again but did not give it the independence and uniqueness it enjoyed earlier.

Morality is coming back into our society under the heading of ethics and is the subject of research and study. Even if there are different directions in thinking we can find common ground. Each ethic believes that there is well being, it believes in human societies and dignity. It recognizes freedom and at the same times the responsibility in human activity. It is not a recipe but a continual analysis of values and mechanisms of regulation the goal of which is to cross existing moral conventions. It is narrowly connected to the process of socialisation. It has two dimensions which guides it to solve two fundamental questions. What is good and what is honest?

One of the possibilities how to divide the ethics in this case according to the research directions is as follows:

Descriptive ethics – it describes what is ethical, what is valid in certain groups, nations, cultures as moral or non moral. Further it finds out factors responsible for the change of moral values or the basic conditions influencing certain behaviour.

Normative ethics is the opposite to the descriptive ethics normative ethics is a research direction investigating how a man should behave. Its elements concern what is to be and not what it is. They show what is the obligation and therefore valid. It describes mostly the moral values, standards, codex and principles. It is also involved into reasoning in other words its sense is not in that that a man behaves in a way and not in another one but why he/she should behave in this way and not in another way.

Meta-ethics – is an investigative direction. It is the opposite to the normative ethics in not giving the basic moral principle or dictating the certain goals of behaviour. It limits itself to the analysis of ethical expression and statements concerning their logic structure. One of goals is to find out the formal criteria to differentiate the moral dimension of life from the others.

Man's life is influenced by many standards,¹ order, and prescriptions. At the same time the behaviour is assessed to these standards as acceptable or not acceptable. Criminal code, religious orders, working standards, authoritative rulings, and also inherited moral and customs, citizens, families and professional duties can be examples – from the commandment "do not kill" to "smoking is not allowed"¹. All this standards have been changing. Even if an individual is controlled by these standards and does not cross them, even if his/her behaviour meets the requirements stated in standards precisely so that he/she cannot be criticised at all, still his/her behaviour can be morally worthless since the moral, ethic values do not hinged only on the action itself but also on the intention. A right action done under the fear from a punishment or society damnation is correct but not moral. The same action can be moral if

somebody does it as he/she thinks it to be good and its opposite is thought to be bad. Fulfilling the order given by somebody else's will is a performance without any real moral. In this case if the moral is based on any forced means we speak about improper moral that is moral controlled by somebody else's rules. The right ethics must be autonomous. The task of autonomous ethics is not to prepare a list of responsibilities (you are allowed to do this and not allowed to do that) but its only task is to find out a principle that enables to differ between good and bad precisely and unmistakably.¹

People face various moral questions that are answered differently and sometimes even contrarily. If the complicated decisions are made on the base of unrealistic feelings, we speak about an intuitive understanding the moral. Most people understand the moral in this way and doing this the individual's moral values are widely relative. Only the "natural" feeling or instinct is not enough to substantiate the moral behaviour.

Each person tries to sort out the crucial reflection. He/she learns to judge pros and contras and evaluates results coming out from the freedom to act.

Traditionally the moral is defined as a sum of rules, values, attitudes and believes that influence and regulate the human behaviour. These characteristics do not include the dynamics and the development of moral criteria. Current understanding the moral goes behind the frame of regulation and coordination of human behaviour and rules. The moral means not only the registration of embedded and inherited rules but also the trial to overcome the existing ones and to approach the ideal. This means that the new criteria that make the moral more beneficial, more functional, is more valuable.¹ Speaking about moral we have to mention the moral standards that play an important role in the frame of any moral and at the same time we have to stress the differentiation between the ethics and the moral. *"Moral is a state of governing standards in the defined cultural area. Ethics is a way of thinking about the moral."*⁴

The base of any dealing is a decision making process, in which the individuals or a company choose between good and bad. Good is understood as a conscious behaviour in accordance to the moral standards. What is

valuable for a person is good. Good makes the human life meaningful, increases the quality of life. Dignity and love is thought to be good, on the other hand killing and violence is bad. Willingness or free choice is an important condition for the decision making process. The behaviour must be substantiated and accountable. A person makes a decision for an action. The question is if he/she is forced to decide or decides freely.¹ The decision making process is influenced by many things. Education, prejudices, environment etc. can be the examples. The very fact that there is a possibility to decide freely requires the responsibility to take care of variety of the decision. The range of decisions is determined by the decision maker's knowledge. The conscious as criteria for a decision plays an important role in the business ethics. It is an inside voice that influences the man behaviour warning against an activity, or punishing by remorse, if there was an immoral behaviour. The remorse can also appear if the activity was performed unconsciously or without a serious thinking about all results. The conscious can be understood as a set of internally accepted moral standards. The base for remorse could be the reality that one realises or unconsciously feels the badness of an activity that cannot be taken back. This mechanism is very similar and very often identical to that which helps us to decide in moral situations. A moral decision is based on a comparison of the real activity to a moral standard that has been accepted. If our choice is correct that is according to the moral standard the remorse does not appear and the conscious can react in the opposite positive direction which results in a feeling of satisfaction. Moral situations in life vary and we can see conflicts among some moral standards very often.

1.2. Ethics in Business.

The aim of the introduction of the ethics into business is to develop the moral in business and bring the honesty back into business and in this way to encourage the economic growth. The absence of moral while solving the economic and social problems can have negative impact on the development of the economy. What is the relation between ethics and economics ? The central point of both sciences is a human being. Both economics and ethics deal with people and that is why we have to look at the given problem through

human physical and spiritual dimension. A person makes a decision on the base of rational but also on his/her feelings. He/she evaluates the criteria that can guide him/her and that influences and regulates the human behaviour. From the above mentioned we can imply that the economics is not a science without any moral that it is not concerned with the emotional life and avoids the evaluation of decisions and attitudes. Adam Smith one of founders of the free market economy was one of the first who propagated ethics in economics. Also Amarty Senn, an American economist wrote in his work "On Ethics and Economies" about the relations between ethics and economics. Senn stated that economics has two different sources – ethical and technical one.¹ The ethical source probably starts with Aristoteles who was the first to join the fundamental problems of economics with human goals. In this approach mainly the ethical problems of human motivation are investigated, how to evaluate the society achievements, how to achieve the welfare for people. Later some neo liberal directions began to contradict the connection between economics and ethics. None of the directions or schools of economics was set up in a pure feature but a combination of both approaches was the reality. Free market economy suggests the free decision making process on one hand and on the other hand the accountability and responsibility of entrepreneurs for the decisions. The responsibility concerned the employees, customers, suppliers, partners, etc. and also the responsibility concerned local authorities, region, state and environment. ¹We should not forget the time dimension of the responsibility that is the responsibility for the next generations.

We can observe the relation between economics and ethics since the economics was established as a science. But only as late as in 1970s the business ethics as a relatively separate discipline became an interest. This is a new discipline that has to be adjusted and developed and its concept must be specified. Its genesis has not been completed. This reality has to be taken into account while looking for answers to the question what the business ethics is. We could characterise it as a reflection of ethic principles including the individual, corporative and social standards and values in all entrepreneur's activities. From the process point of view it concludes the reasoning of

principles and values of human coexistence, the defining the range of ethics in business (who the values are related to), the observing of the usage of accepted values in practical life. Ethics in business similarly as ethics generally has two dimensional characters that answer the question what is good and reasonable above the frame of moral, privilege and law. It cannot be seen as a fixed and closed system of values and rules offering the ready guides for behaviour and decision making but this is a system being continuously updated and adjusted. It leads to a complex evaluation of situations, shows the priorities, sorts out the sensibility to ethical problems that should be taken into account while making decisions. Above all the application of ethical principles into business process is important. Business ethics has a big impact on the philosophy of the firm that takes care of the strategy in the contrast to speculators who want the profit immediately even if the honesty is not their policy. Other firms are often invaded and have an extra cost influencing their economical results due to not ethical practice of some companies.

A man tries to assess the scarce resources in the frame of the economic system. During the process of assessment he/she makes decisions and evaluates the options. The free market economy is a part of a larger social system where the different standards and rules are valid as developed during the history and cultural progress. Trust, responsibility, solidarity and justice are the basic elements. This system covers *the free market mechanism* performing on the rules of economical rationality (separate economical subjects solve the problem what, how and for whom to produce and how to distribute products) and *the value mechanism* creating the substance for the ethic infrastructure of the free market.¹ The base of these mechanisms is a value system being in a continuous change and development. The European system has its base in the Antique above all in Platon's and Aristoteles's work. Thomas Akvinsky enriched the accepted value system in the Middle Ages and the New Age base of the value system originated in 17th and 18th century. Even today the traditional values as good, bad, freedom, justice and responsibility have a great importance. Especially these values are the pillars of value mechanism in the developed countries. The mutual harmony of the free market and the value system enables the solution of the conflicts brought about by the real life.

The entrepreneur is mainly interested in a profit. There is nothing immoral in it that should be criticised from the ethics point of view. The only problem is how the profit has been gained whether it has been achieved at the expense of employees, business partners, or other groups. A business relies on many groups and vice versa. Both owners and managers and employees, competitors, customers, suppliers, community where the company is situated and the larger environment are the representative of a business. It is important for a firm to gain such profit that meets the interest of stakeholder which is an expression of the ethical responsibility to them.¹ It means that a firm advocates certain values while it does not suppress economical interests. The reality sometimes is that the effort to achieve a profit immediately at any price with a minimal effort without any longer entrepreneurial strategy is thought to be a substance of business by some speculators and then value system is suppressed.

Many entrepreneurs argue that only the rich companies can afford the business ethics. This suggestion is supported by the experience since all big firms have prepared behaviour codex and they can afford the education of their employees. But we have to keep in mind that if we meet ethics principles in business it will pay off for all and that every firm even the smallest one should have a kind of a firm culture a part of which the ethics is. Trust of both the society and public is very important for entrepreneurs in the developed economies. This seems to be one of the most important elements of the economical success. Trust can be achieved only if the company deals with its surrounding and employees ethically. It is a result of continuous responsible, communicative and innovative behaviour. Reasonable behaviour means to understand the requirements of different groups of stakeholders and to harmonise their interests. Not only to take their requirements seriously but also to discuss with them. The opinion that who concentrates on the ethics is loosing his entrepreneurial future should be a history. There is no reason for an opinion that we have time for ethics till we become the rich economy.

2. STANDARDS CONTROLLING BUSINESSES.

As mentioned in the introduction the ethics has a wider dimension than just meeting the laws. The implementation of ethical standards in all business activities should be a goal. The business should be controlled by both laws and ethical standards. At this point there is a necessity to mention what standards we are speaking about and why they are essential.

Instincts control the animal's behaviour. The patterns of their behaviour are given by their biological fitness. On the other hand human beings have a possibility not only to behave freely but also they can change their lives, prepare programmes, goals and intentions. They are able to perform according to their intentions that is to behave and in the frame of social possibilities to specify their life (employment, partners' relation etc) and to make decisions. From the biological point of view human beings are not able to live in other way than with the relation to other people. This reality fundamentally determines the way of thinking, the desires and evaluation. Instincts lead to the social life of human beings. People direct their behaviour towards cooperation. Common life asks for existence of standards stating how people in the societies are supposed to behave. The behaviour and fulfilment of the social role and expectation of required behaviour from others in social relations are determined by these presumptions. ¹

Law is one of the most important standards. It is a complex system related to our life. Besides law there are further social standards, which specifically contribute to the control of the social life i.e. customs, habits, social moral, religious codes, as well as standards valid for certain social groups. (codes for professional bodies). Besides the social standards there are moral attitudes of individuals (personal moral) meeting a certain moral standard. These standards may be different; they may either overlap or be opposite.

2.1. Law

The concept of law has two meanings. It is used in an objective and subjective sense. The objective sense means - the generally valid rules

for behaviour prescribed by the government that also exercises the executive power. Subjective sense of the law means - a demanded relation to other people or the obligation to behave in a certain way. In this way we can contrast the concept of the law and the obligation. The content of both of them is determined by the law system. Then we can imply that a legal behaviour and positions can meet the law or can be in conflict with law. The positions and behaviour meeting the law or being in contrast with law are not the only options. There are cases that may be indifferent ones which mean that legally they are not classified positively or negatively. Fashion is for example irrelevant from the law point of view. Generally speaking, there is not only one option - either meeting the law or violating it. We recognise three options: *meeting law, violation of law, legal indifference*.¹

There are many links in the society controlled by certain predefined and known rules. The law is not a collection of all rules for behaviour but it represents a special form. The moral code is the widest range of rules for people behaviour. The law results from this moral code. It does not contain all moral rules but only the fundamental principles needed for the proper function of the society. In this sense the law represents the minimum of moral. Besides law there are other rules for behaviour e.g. rules of good manners, religious code, the rules for social games etc. These rules are performed by various groups that have accepted them. The government cannot force these people to adhere these rules. It is the possibility of the government to force the rules that are different from the other codes. A democratic legal system based on the free market principles is the base for division of the law into a public and private law. The public law controls the relations of superiority and subordination between the state authorities and other subjects. The private law regulates the relations of independency and equality among social subjects. These relations are demonstrated by the willingness of participants and the contract principle. The substantive law and process law could be the other way of law division. The substantive law rules specific behaviour e.g., the debtor's obligation is to pay debts as agreed. The process law guides the enforcement of the proper behaviour. The creditor can litigate for his/her claim.

It is the adjustment of business law that we are interested in. The business law in the law system is not separate law branch but it is a cross law branch. The business law does not have any unique features which differentiate them from the other law branches. One part of business law is linked to the private law and the other part is linked to the public law. There is not a precise limitation of the business law as it is a branch connected to trade, traders and business.¹ The business law created in this way consists partly from private law and partly it is represented by the subsystem of private substantive law. Laws and rules from other law branches including the statutory law are also a part of business laws.

The list of statutory rules linked to the trade and traders is called the economic legislation.

2.1.1. The Sources of the Czech Business Law.

The very Commercial Code, bill no. 513/1991 Sb. is the first and main source. The bill no. 63/1991 Sb. about the protection of the business competition, bill no 455/1991, about the sole traders, bill. No. 328/1991 Sb. about the bankruptcy are the other law embedded into business law. *The secondary source* of business law is in the rules of public laws. The reason for that is that even if the Commercial Code in the § 1 states that it controls the entrepreneur position, business relations and further relation it does not mean that all relations arising from entrepreneur or trade are covered. That is why the same paragraph states if there are any questions re business which cannot be sorted out using the Commercial Code than these questions should be dealt with using the rules of the public law. The rate of public and business code is the rate of general law to special law. In this way the priority usage of Commercial Code for all cases re entrepreneurs and enterprises is declared. Only in the case that the Commercial code does not control some relations the further rules above all the public code should be used. If there are cases not solvable using the Commercial Code, Public Code, other business law the Business Code states that these cases are sorted out using the trade custom. There is an area for entrance of common law phenomena into the written Czech law system. These customs are the *tertiary source* of the business law.¹

Incorporation of further rules into the system of business law is determined by the way of demarcation of the business law. We also could include the law for customer's protection. The customer's protection is led by the public interest to have equal competition rules re the costumers. Further attempt is to avoid the misuse the customers (discrimination, harmful goods), to prevent unfairness, unreasonable profit from entrepreneurship. (The Trade Licensing Act). The right for the customer's protection (even if it has a public character) belongs to the business law even if it is a part of the administrative law.¹

Commercial Code.

Commercial Code controls the businessmen position, business obligations, and further relations connected to entrepreneurship. The Code defines what is understood as an entrepreneurship¹ and who is an entrepreneur according to this code.² The head V, § 41-44 specifies the participation in the business competition and the arrangement of the unfair competition is specified in § 44-45. The general clause of the § 44 art. 1 defines unfair competition as a behaviour fulfilling the following characters simultaneously.

- *It takes place in a business competition,*
- *It counters the good moral of a competition,*
- *It can be harmful for customers or other participants in the competition.*¹

This kind of behaviour is forbidden by the code. It is important to realise the relation between the general clause and given partial facts. In any case there is a necessity for the behaviour defined as unfair to fulfil all three characteristics of the general clause. If they are not fulfilled we cannot use the partial facts. There would not be any unfair competition.²

Business competition.

Business competition is defined as the participation in the product a service market with the effort and the aim to achieve better results than the others involved and to influence the companies' business. It is a contest in business aimed at overtaking the others and to achieve the commercial profit. It means any profit achieved in a business competition. It is a desired result of a competition to bring real or potential effect

The effort to "beat" others and to gain a profit in this way is the task of any participant in the market. If this behaviour meets the rules of law there is nothing wrong with that. The law protects those whose privilege could be

¹ Viz.Hajn, P. Hospodářská soutěž. Ekonom, 1992, č. 33, s. 56.

broken or harmed. The disadvantage can be material (real damage or profit loss) or not material (injustices, damage of good name) ² that may result in losing customers, lower potential profit etc.

The behaviour contrasting the good moral may be declared as unfair. The code does not define the good moral at all. ² As a rule, good moral is a sum of rules characterising the businessmen's behaviour among themselves. Sometimes we speak about honest customs, trade fairness, gentle behaviour etc. This vague term could be described by the biblical "do not do to others what you do not want them to do to you". We can find different definitions in specific literature but none of them can be perfect or complete. The authors of definitions agree that the question of good moral in competition is pure legal matter nevertheless we must confess that it contains a certain ethical element. ² In this case the expression "good moral" can be understood in the ethical sense. In the theory we can understand that in two different ways where its damage is directed:

- *Damage of the business competition rules in an unfair way by the competitors (unfair techniques of persuading)*
- *Damage of gentle conventions (advertisement against a good taste, other not suitable advertisement re the social moral).²*

The good moral in competition cannot be connected to the good moral only that is normally described as politeness, cultivation etc. In other words the general clause about the unfair competition does not want entrepreneurs to get rid of their natural characteristics with a certain amount of arrogance and aggressivity.

Unfair behaviour in a competition can be divided in behaviour generally misleading, the behaviour focuses on a damage of a certain company and the behaviour threatening well being and environment. In this way the misleading advertisements, incorrect description on goods and services, dangerous change, parasiting on a good reputation, bribes, undermining, threatening the business secrets, threatening the well being and environment can mainly be

² Viz. Hajn, P. Právo nekalé soutěže. 1. vyd. Brno: Masarykova universita, 1994, s. 11.

described as unfair competition. ³ "Mainly" in this context means that besides stated behaviour others not being mentioned in the code can be taken as unfair behaviour. It is enough that this behaviour fulfil the given general characteristics e.g. discrimination, underbidding, intrusion etc.

The Law of Protection in Business Competition

The purpose of the law of business competition protection is to protect the business competition in products and services market against its restrictions, alternation and exclusion. The purpose of the law is to protect healthy and free competition environment of the specified market against all form of damage that is the protection of the competition and its functions. The business competition can be defined as sole traders and legal entities or partnership activity the aim of them is to overtake the other in this specific market and to gain the best position (monopoly or dominant position).

The law states four types of competition deformation:

- *Contracts damaging the competition (including the cartel agreement and licenses).*
- *Misusing of the monopoly or dominant position,*
- *Mergers of companies,*
- *Intervention of government bodies into the economy.* ³

Contracts damaging the competition are generally defined as written or oral contracts among the participants regarding their agreed behaviour and the decision of partnership leading to the damage of the competition.

Monopoly means that the competitor is not present at the competitive market at all. Monopoly manifests itself as a special position among the competitors. It is not forbidden to create a special position in the market. Only if this important economical position in the market is misused on the account of

³ Viz. Dědič, J. a kol. Učebnice práva. 1. vyd. Praha: Prospektrum, 1995, s. 173, ISBN 80-7175-006-9.

other competitors or public interest intervention then it is characterised as monopoly.

Mergers of companies mean that one of the competitors gains the legal control over the other. This act involves fusion, coalition, purchase of a company, control of the share majority, and other possibilities to influence the other participant's behaviour especially the right to appoint a decisive number of presidium in the company etc.

In the case that the merger results in more than the rate given by law (30%) in the relevant market the allowance of the Ministry for Business Competition must be asked for.

The intervention of government bodies on all levels limiting the competition or providing the reasonable support to one of the competitors is forbidden. Supervision is managed by the Ministry of Business Competition.⁴

The Trade Licensing Act.

The trade licensing Act deals with the conditions for sole traders and controls the adherence to it. Above all it defines what the sole trade is and gives the conditions for running this kind of entrepreneurship. If there are any violence to these conditions then the Trades Licensing Act states sanctions differentiated according to the seriousness, way of trespassing and effect resulted from the breach of the law.

Act of Bankruptcy and Settlement.

The purpose of this act is to deal with the properties of a debtor who is bankrupting, and he/she is not able to pay liabilities or he/she is overburden with debts, or if his liabilities are larger than his/her assets. If the debtor is in bankruptcy, then the bankrupt or settlement process can start under given conditions at the bankruptcy court. The aim of which is to satisfy creditors from the debtors asset in a proportional way. Declaration of a bankruptcy has

important results especially in dealing with the asset. An administrator has got all rights to the asset and any legal acts of the bankrupted company towards creditors are invalid.

2.2. Ethics Standards.

The success of a firm depends on the society's acceptance of the firm's performance. The firm's behaviour must meet certain standards comparable to those that an individual should follow. The experiences from developed countries confirm that this requirement is a bit wider than pure law compliance. The business is an activity during which serious decisions as well as day-to-day decisions are taken. Each serious decision has besides the production, technical and economical impacts (what is to be produced) also the ethical features (effects for employees, environmental effects etc.⁴ Many organizations declare values controlling the company in the form of clear declaration and they try to stick to them by the product and service quality, by the safety work and by solving problems of their the employees. This declaration very often comes from the mission and directs the firm. This gives a view at organization's evaluation of ethics at the methods running the company and its principles for management. These documents normally belong to the firm creed, values declaration or ethical codex.

The word codex is from Latin and it means the base rule in a certain area. In other case it means a list of laws and rules of a country. Besides the codex there may be any list of rules, and standards. The word codex is standing alone or it is joined to the characteristics of activities concerned.⁴ What is a relation between codex and law? The law maintains certain activities necessary for the public life and it gives the authority power for the enforcement. Codex connects to the law where the law is not a necessity.

Creed directs the ethical responsibility of an organisation towards those involved (employees, customers, public, and firms). It consists of a few articles formulating the ethical approach of the firm. The firm creed offers a measurement of the culture development in the company and its cohesion. A

spirit of communication must govern the organization so that the ideas in the creed should be spread through the organisation. Very often the opinions appear arguing that the creeds are not precise enough for the multinational companies facing complex ethical problems.

Most of these declarations are only for creating a good image of the organization but more and more firms start devoting these questions a serious effort. They demonstrate their relation to the ethics both by introduction of ethical declaration and using them as a guide for day to day decisions. Codex is an important managerial tool. It does not serve only for day to day decisions it can also be used for increasing the trust of customers, suppliers, and other business partners in honesty behaviour of the firm. The experience abroad shows that it makes sense to give some instruction to employees how to behave in daily situations. It is not enough. The process of creating the codex makes the firm management think about the way the company operates what its relation to the public environment is how the company accepts values recognised by the society.

2.2.1. Ethical Codex.

The creation of ethical codex is a manifestation of the firm ethics development. Mainly it deals with rules definition that the firm intends to use in the relation to its competitors, suppliers and customers and also the rules for owners and managers of the firm. Ethical codex is widely used in the USA and Great Britain. It is a product of the Anglo-Saxon world. One in four firms has a detailed codex in Great Britain. More than 90% of American companies have got an ethical codex.⁴ Re the volume the Codex is from one page document to a booklet. Ethical codex or a similar document explaining the value and standards accepted by the society is becoming more and more important. It is the first step of the company towards the integration of ethics into the company life. Number of organisations relying only on unwritten standards has been falling. Even there where we have the written form of

codex there is not a guarantee that they function especially if they are not communicated publicly, if they do not reflect the branch specifics and if they do not contain the sanctions. There is a need for employees to understand the codex and to identify themselves with it. Abidance must be monitored and sanctioned. Only in these cases we can expect a positive influence on the employees' behaviour and behaviour of the whole company. The codex itself does not ensure the ethical behaviour but it is difficult to achieve that behaviour in the long time perspective without any codex. In Anglo American countries the codex has been a common managerial tool for decades. A mass usage of codex has been observed in the West Europe recently. It is still an exception in this country. Undermining its importance and its practical benefits for a company may be the reason for this rare usage. Besides the firm codex there is a codex for industries, approved by professionals (sole trader's societies, chambers etc.) see enclosure no. 1 and 2. There have been new international initiatives recently as "Round table in Caux" see enclosure no3.

The argument that we have enough moral standards, orders forbiddance does not prove to be right. The codex must not be only a repetition of already known moral negative precepts. In this case it would be obsolete. Its specific feature must be in becoming a guide in special moral conflicts and problems characteristic for the firm in general issues. It also has another importance being brief, complex and efficient it becomes moral guide, initiator for deeper search and it encourages better relations within the organisation.⁴

Companies in the opposite to the other institutions have not created formalised, generally checkable ethical standards, neither have got a well-proven set of processes, that could help companies to deal with this matter. Firms that have prepared an efficient codex can evaluate its benefit because:

- If all employees accept it it will create better working environment and will specify the rules and standards.
- It is a compulsory document for those who accepted it, both employees and managers.
- It is a challenge and a guarantee for all external subjects (competitors, customers, suppliers etc.)

- It creates a favourable firm image.⁴

The further advantages being:

- The codex provides a guide or a managerial tool, which enables to improve the company culture. At the same time it defines the company strategy in all activities ant towards the stakeholders.
- It limits the inconsistency and the limitation in the decision making process.
- It improves public relations
- It "protects" the company against the allegation of unethical behaviour or a breach of law.
- It demonstrates the willingness of the company to deal according to the valid rules and standards.
- It improves the employees' loyalty, their sense of pride in being part of the company and in this way it helps to recruit highly qualified personnel
- It contributes to the creation of a pleasant working environment.
- It is an important condition for effective leadership, achievement of high standard in management behaviour and its impact on other employees is very positive.
- It accelerates the positive changes.
- It helps the organisation express its aims, goals and contributes to that achievement.
- It makes the negotiations with stakeholders easier
- It assists the open communication.
- It protects supervisors from forcing the employees to improper behaviour
- It increases the performance of the organisation and its competitiveness and efficiency.⁵

Nevertheless there are complains that are against the design of a codex. The first group of complainers says it is wasting time and energy that law controls everything and that it is enough for any entrepreneurship. A

⁴ Srov. Kánský, J. Připravujeme etický kodex svého podniku. Personál, 1997, č. 6, 7, 8.

⁵ Srov. Šroněk, I. Kodexy etiky. Ekonom, 1994, č. 51.

Codex is thought to be only kind words and phrases (companies imagine ,the good public relation, positive perception by public be the main purpose of ethical codex) and its impact on employees change in behaviour is minor. They also argue that the codex is too general and it does not include the specific features for the industries and that it is worthless without any punishment. The other group of complains states that the individual behaviour on all levels is determined by values gained in childhood and the codex cannot change them. In the opposite the codex undermines the individual's rights to keep his/her moral attitudes. The first argument indicates that the human behaviour and business behaviour may be left to the will of the government. In the reality the law system offers to employers only a weak guide how to solve the problems among the special interests groups in the day to day operation. The law cannot and should not solve all details of ethical behaviour. In the fast changing environment the intention could be misused. The other reason is that the law must be general from its substance. The other argument can inspire the management to rely on employees' ethical behaviour. This expectation is favourable but not a realistic one. We cannot always rely on the school, family, society to have taught people about the moral and ethical behaviour and attitudes. We have to recognise the mandatory instructions for the society as a whole as well as for the individual's behaviour.⁶ These instructions should not replace the individual moral values but they should minimise the uncertainty in the moral judgement and they should protect against the pressure for the behaviour against the ethical attitudes of the firm. If a firm does not treat the practical realisation of its policy in this way the gap may often be fulfil with different subjective explanations.

Acceptance of the ethical codex.

It happens very often that the design of the moral codex starts after the period during which some ethical rules and standards have been broken and the design of the codex begins in the environment of unrest and chaos. It is more suitable to design it in the quieter period when all employees can contribute to

⁶ Viz. Bohatá, M. Proč potřebujeme podnikatelský kodex. Ekonom, 1994, č. 46.

the creation and they can understand its purpose and content. It is wise to learn from other people's experiences and we needn't invent what has already been invented. There is a need to adjust all to the specific conditions. There is a possibility to use different samples of a codex, to choose what is important for the firm what is to be obliged to. It is important to create the own attitude to the current ethical questions and it can be improved and change in due course. *The ideal codex* should be communicated (among employees and outside the company), it should be specific enough, (should be a guide) pertinent (suitable for the branch), coercive (it must contain punishments), and should be redressed permanently.

If a firm decides to create an own ethical codex it should keep certain rules. This document should not clarify the fundamental ethical standards without the direct application to the firm. None of the standards involved should come across the frame of the employees' privacy and dignity. The fundamental ethical sense and moral purpose could be expressed in the introduction. The codex could differentiate according to the target group. It can be prepared for managers, sales people or it is for all employees and it defines the details for different parts. Detailed explanation of the content and purpose should precede its introduction so that we can avoid misunderstanding. Explicit restrictions can be formulated (bribes acceptance, presents and entertainment etc.). Restrictions of all forms of discrimination inside the firm should be covered as well as any provision of business secret information etc. In the codex the firm should take over a certain part of responsibility for the firm and its employees' behaviour towards the environment. While preparing the codex the firm should take advantage of others having done it and it should not invent what has already been invented. The best way is to use a codex of a successful firm and redressed it to own environment. What should the base steps be?

- To make sure that the codex is needed, to explain its contribution, pluses and minuses, to discuss its specifics, special requirements etc.
- To survey and to evaluate the codex in similar companies, using the stimulation and good examples.

- To survey the frequency and character of moral conflicts within the firm and the approach of employees and managers to them.
- To design the first brief suggestion, checking wording, punishment, acceptance, and sociological impact.
- To prepare an introduction campaign (what is its purpose, what is its subject, its expectation),
- A mutual discussion the first version, evaluation of comments, suggestions, additional proposals and changes.
- Edition of the ethical codex, get the employees know the codex and let them confirm its content including punishments.⁷

At the beginning of any design of a codex, the supervision of the required behaviour should be stressed, later the trend movement to the creation of such environment where non ethical behaviour would not have been imagined and realised. Nowadays the firm statements and ethical proclamation are continuously revised. The management come to realise that neither the firm's value declaration nor the ethical or managerial codex represent the static rules but there is a need to revise and maintain them so that they can reflect the changing and complex world of competition, and meet actual requirements. The punishment should be a part of a codex. In the absence of it there could be an allegation that its purpose is an enhancement the public relation only. All the involved should know the codex like the firm demonstrates its adhesion to the ethical principles.

2.3. Adherence to, obligation and specifics of mentioned standards.

Debtor not paying debts in the Middle Ages was put in the pillory. It is a history today but the middle age entrepreneur methods have survived. Our law system tries to punish such activities or in other words it gives the possibilities to damage ones to seek compensation with the government force.

⁷ Viz. Kánský, J. Připravujeme etický kodex svého podniku. Personál, 1997, č. 6.

The entrepreneurs divide themselves in honest ones who keeps the law and "clever" that do not care and "go" and especially "over take" the honest ones. There is a fundamental issue to be mentioned now. A competitor who does not fulfil his/her obligation uses the economical potential of other competitors and in this way he/she saves own sources which should be used for a loan e.g. In this way the unauthorised advantage is gained.

There are arguments for reasoning the causes leading to the non-ethical behaviour: "System pressure, barriers in the organisational structure, organisational culture, and managers' behaviour."⁸

The system pressure in the free market economy is so high that the long term sustains in the strong competition is ensured only with calculation focused on profit. In other words there is not an area for the ethical thoughts in the tough business world. Based on this argument the competition leads to an effort to gain a competitive advantage by putting the moral aside, especially when the firm is in a danger. The other argument can be called barriers of the organisational structure. This is during the process of mutual performance based on the work division. The organisational structure must take in account the differentiation represented by the work division and synthesis of the mutual companies goals. The work description should be a challenge for the behaviour. They are also expression of the general selection rules for employees. On one hand the codex prescribes for employees what to do and at the same time it reveals what they should not do. Every employee is supposed to carry tasks and then the organisation represents a system barrier for his/her ethical behaviour. Also the organisational culture that does not fulfil its function is one of the reason for not ethical behaviour. The managers should imagine what kind of cultural identity, in the form of mutual imagines of values of the firm members, will positively influence the efficiency of the firm. Such imaginations should be cultivated so that each employee may accept them. Managers and supervisors' behaviour pattern could have a great impact on the ethical behaviour of the employees. In behaviour of these people we can see the opinion that nothing is forbidden for achieving the firm profit. It is not possible to avoid injustice and the younger managers' opinion to take all of the life and enjoy as much as it is possible even if there is no ethical behaviour.

Because of their own career they are willing to cross the healthy work rules, to reduce the overheads or not to meet environmental requirements.

These arguments are supported by gaps in business, financial, process and other laws. If the legal frame is not transparent, wrongly defined, nor clear and with gaps and some norms are even missing there is a frame work for not only non ethical behaviour but also for economical crime and grey economy. Such an environment offers a lot of possibilities for crime and gives no legal protection for honest entrepreneurs. Talking about gaps in law we think about the legal system not offering the standard information it should offer.⁸ The reasons and relations for such a situation are different. The examples of the gaps in the legal frame are those when applying the law we find the legal uncertainty, which cannot be solved by the law explanation. Using law leads to a need of normative decision not anticipated. Also additional circumstances neglected by the layers can be a reason for gaps in legal system.

The legal frame does not consist of the rules for behaviour only. It also constitutes the tools for keeping the law order and the guarantee for meeting these rules. The law is a system of standards with organised coercion. Not only the law system but also the other normative systems deal with crossing the standards. But only law system is equipped with a special kind of coercion, which is an organised coercion having the following special features:

- There is a standard given in advance, for coercion resulting from law breach ,
- the coercion can be enforced only in the way given in the law.
- There are special government bodies having the rights to give and execute the coercion.⁸

Punishment, preventive activity and execution are the sanctions. As said earlier there are law standards regulating the business activities. As they are to be general they cannot cover all complexity and variety of different conflicts. There is no guarantee that everything will be in order in this area if

⁸ Viz. tamtéž s. 22.

we rely on laws. And that is why there is a need for other regulative means using ethical standards accepted by individuals, firms, professional chambers etc. But how is it with obligation and efficiency of ethical codes of a firm or a chamber? The first condition of the codex efficiency is it is contributed by majority of employees who should see it as a tool for solving the conflicts and as a protection against incorrect behaviour of a firm management. If the codex should be effective then it must be fairly applied and its importance must be stressed and the effectiveness of the codex should be regularly evaluated. Approved punishment for a breach of accepted standards has become a great authority. They can be in the form of financial penalty, change in work position, leaving the employee etc. The positive side of the codex as promotion and other rewards for results in cooperation improvement, interrelation improvement, and higher effectiveness of the firm can strongly motivate. The ethical codex is a moral standard and it is not a general remedial and it cannot protect all immoral performance. Even though the experiences from abroad show that it is a proved means especially for the basic moral orientation of employees.

In a moral and sociological sense there is a harmony between laws and moral nevertheless the law function is different from the moral. The law gives the basic structure for the behaviour of the society, building up the state authorities and the system of law control. It is a fundament for public functions and private law act. It is a system with organised coercion. The moral function is focused on an individual's behaviour as a self-responsible unit. Besides the individual's moral there is a society moral conviction that means the society opinions on what is acceptable re the behaviour of a moral human beings. The mentioned society moral conviction is not preciously defined in many areas and it is not the same in different social groups. There is nothing like a general moral but only a moral conviction and evaluation of individuals or conviction of groups. There are various relations between moral and law. The law refers to a society moral from time to time and the moral can require fulfilment of law obligations. A man perceives the law obligation from the moral conviction point of view. The law is not valid because of being moral but

due to being institutionalised by the society. Legitimacy of the law does not result from other standard system (e.g. moral). The validity of the society moral is limited to the extent to which the law refers to these standards and also in this case in the interpretation, which comfort the law system.⁹ The law is thought to be a coercion. The punishment or coercion play only a small role in the moral. In both cases there are sanctions as the reaction of the society on the breach of standards. The fundamental difference is that the law sanctions are given in the form of an organised coercion, they are explicitly stated and the government body enforces them.

Kant characterised the difference between the law and moral putting legality against moral.⁹ The legality is a behaviour according to the law. This does not mean the behaviour results from the identity with the law. The motive for this behaviour can be a fear from a punishment. We can speak about morality if the standard determines the willingness that means the behaviour is in an inner harmony with a standard.⁹

3. COMPANY CULTURE, SUBSTANCE, ELEMENTS AND TYPES.

In the earlier chapters we discussed the ethics in business and the norms regulating entrepreneurship. Firms that have decided to implement the ethic standards into the business activities create the inner mechanism for that. Its aim is to limit random decisions and guide the ethical behaviour of managers and employees. Appropriate ethical climate in the firm and its favourable appreciation by public requires implementation of a few fundamental principles. That means the purpose of the business should be stated seriously and responsibly, the responsibility towards all stakeholders (employees, customers, suppliers, competitors, public etc.) should be given, and further values as honesty, respectability, reliability, respect to individuals, property etc. The ethical codex or firm proclamation is a tool for the achievement. Company culture could be the more important tool for some companies.

3.1. Company Culture.

The concept "company culture" is a complex one difficult to explain. Many people understand this concept by intuition. Very often for the same phenomena the term identity is used. In the narrow sense the identity concerns on uniforms, logo, firm colours, and headings of letters. We do not mean this concept. We think about deeper characteristics of identity as values, opinions, philosophy, attitudes, history, technology, ownership, leaders etc. Trust and credibility are fundamental importance for the firm identity. The trust should come out of transparency and integrity. Under the integrity we understand respect to standards set up by an individual or by an organization because they identify themselves with them (law standards, ethical codex etc.) It is built on basic elements as legitimacy, legality, justice, and honesty.

Ethical values and standards are the basic elements of the company culture.

The firm ethics does not depend only on the values of the firm and its employees but it also depends on the general values accepted by public in the

given period. To the certain amount it is determined by the ethics of the economy and the political system which influences each other. It relates to all who are in contact with it as employees, customers, suppliers, creditors and further persons. Direct and indirect environment have an impact on it and they influence each other. The company culture is given by people and the culture influences them. The term company culture contains stable, engraved value relation towards the firm its products and services, trade mark etc. It is "a guide" for entrepreneurs how to:

- lead co-workers and deal with their development and future.
- deal with customers' claims
- ensure the products quality
- create the unique design of products⁹

Prestige and position in the business world, public relation, social climate, working environment, structure and salary and wages system, the work standards, social policy, welfare, management style and employees satisfaction are the factors determining the company culture. The company culture is not prescribed or ordered; neither it is engraved in the strategy. It cannot be exactly directed either. It appears in the market, which influences it.¹⁰

According to the culture level we can increase the requirements to employees – see enclosure no. 4. It, as a norm for behaviour, performance activities and loyalty, impacts the personnel. It is determined by custom, tradition, image, personnel, and level of employee's education, the management style, leadership and moral standards. The employees should know the culture and its contribution for them as they participate on their realisation in every day's activity. It is important to know if the employees realise its importance for the firm prosperity and for public. If it is not so, then there is the need for correcting actions to be taken.

⁹ Viz. Stýblo, J. Podniková kultura není jen pojem. Ekonom, 1994, s. 49.

The professional literature gives two extremes for creation of the company culture:

- The company culture is the result of spontaneous behaviour of people in the firm and its direct or indirect surroundings. (a mixture of routine and behaviour rules automatically regulated by outside and inside influences. It cannot be regulated and guided consciously).
- The company culture as a result of aimed management effort directed on employees and surroundings having an impact on the firm.

As mentioned these are two extremes how we understand the company culture. The practical usage is somewhere in between, that is a compromise between the spontaneous and managed culture. It exists in the form of mutually shared goals of the firm, values and standards emerging in a spontaneous way and influenced by aimed management activity in the long term interaction and communication among the members of socio-cultural society. There are many different definitions of company culture in the literature e.g. *"The company culture is a sum of certain values and characteristics own for a group of people and by which this group differentiate from others. These are accepted rules for behaviour, shared attitudes, and opinions, method of work and management technology and demonstration of this group towards the external surroundings."*¹⁰ The company culture could be described as an intersection of standards and attitudes of the employees and the management. In this way a sum of above individual values and standards emerge and it is shared by all the members of the given socio-cultural society (firms, companies). This sum (aims, values, standards) emerges in the process of interpersonal relations, and communication among employees and between employees and the management. Each person chooses (if there is a possibility) the membership in different socio-cultural societies according to the level of identification with values and standards in the given society. The nearer or even identical the personal standards with values and standards of the society are the more

natural and more loyal relation to the firm and the larger involvement in the firm prosperity is, due to the satisfaction of individual's values. It should inform all the employees in a clear and understandable way what kind of behaviour is acceptable, what kind of behaviour is tolerated and what kind of behaviour is not acceptable. The culture is a product of group experience and its existence is only in the firm with a history. The culture is a result of learning and it is developed along with new experiences. It influences most aspects of an organisation: a strategy, a structure, the control system and the reward system the way of behaviour etc. The company culture as any culture is characterised by its elements that differ from the other one. The main cultural elements (about them and around them the organisation creates the mentioned inner presumption) could be especially *operating environment, values and ideas, symbols, heroes, informal communication and channels of communication.*

The economical and political environment of the country and cultural tradition of the nation are the most important factors for creating the firm culture. The market position i.e. is the firm producing or offering services, is it a trader, is it a research firm is it an auditor is there any other important factor? The market highlights the different of the firm.

Ideas and values are the base of any culture. Ideas in the material feature created or accepted by an individual give a sense to any activity. The values may be of a material or non material substance and the express what the society or an individual are trying to get.¹¹ They express what is good and what is wrong what is moral and what is not. In a strong company culture the basic values are shared by all employees. The quality, reliability, willingness. Honesty etc. can be seen as values. Personal and firm values should be intertwined and interconnected.

¹⁰ Pražská, L. a kol. Řízení obchodních firem. 1. vyd. Praha: VŠE Praha, 1995, s. 91.

¹¹ Viz. Nový, I. a kol. Interkulturální management. 1. vyd. Praha: Grada Publishing, 1996, s. 13.

Symbols, as words, subjects, gestures result from custom. At the firm level they include addressing, way of dressing, colloquial language, customs. Symbols can be verbal (speech, stories, myths ...), or symbolic behaviour (custom, rituals, ceremonials, honours..) or symbolic artefacts (firm logo, colour, architecture). The basic symbol that addresses the customers is its logo. Status symbols are the others. These symbols express the social position of the employee in the firm hierarchy. The work position can be recognised not only by the title (president of the company, a turner) but also by the material background (firm car, mobile phone, office furnishing and fitting, incentives etc.) see enclosure no.,5.

Heroes are people who personificate the main opinions and conviction of the organisation and they become a model for employees who should follow them. They are real or imaginary persons serving as a model for behaviour in the firm cultural system. The aim is to have a model of an ideal manager and that of ideal employee.

Informal internal communication is a feature of unofficial role of individuals and groups in the firm. It does not mean only the transformation of information but also its interpretation and in this way it determines the enforcement of internal conviction and attitudes. It is not important that only a small part of information is connected to the firm itself. We have different roles described in the professional literature such as: story teller, moralist or values protector, whispers, spy etc. This informal website is very powerful and it is important for managers of a successful organisation to have it on their side.

3.1.1. Division and Change of the firm Culture.

According to the influence the culture has in the firm we divide it as strong and weak. The weak culture is characterised as a weak influence on employees behaviour in the opposite side the strong culture has a strong influence on the employees behaviour. To decide what culture we have, the following characteristics should be met.

- The company culture includes mutually contributing elements and principles leading to the fulfilling of the strategic goals.

- Elements and principles of the company culture are clearly explained to all employees.
- Elements and principles of the company culture are parts of all internal and external activities of the firm
- Company culture has become natural part of thinking and behaviour of all employees or of the majority, and it is demonstrated by spontaneous team effort to meet the company goals,
- Managers are able to explain firm goals to the supervised staff and they gain their trust and contribution.
- In the long term context we can see the positive attitudes of employees to the firm and we can also observe the feeling of loyalty.
- The identification with the company culture is rewarded or punished in the opposite situation.

Many writers state that a strong firm culture has a positive role for an effective management. The communication is clear and there are minimum misunderstanding and conflicts. It leads to the identification of employees with the firm goals which results in effective enforcement and fulfilment. The control requirements are lower. The strong company culture can be negative as well. It can mislead the firm and its employees and in the case of a success it can lead to self-satisfaction. The firm stops reacting to the signals from the environment and it is locked. The feedback is blocked and followed by stagnation and a decline. The writers agree that it is not important if the culture is strong or weak but it must be healthy giving a clear explanation of the firm position, differentiating the main values and contributes the adjustment.¹² The other possible division of company culture is given in the enclosure no. 6.

¹² Viz. Znovu na téma podniková kultura. Moderní řízení, 1993, č.1.

The company culture is a dynamic one and it must change according to the change of conditions and to the change of priorities and company's goals. It has its tradition and a natural development that is why its change cannot be ordered and we cannot try to realise it immediately. We have to strive for a change in a long term and we must be careful and sensible. A good management tries to change the internal goals and values, management style, rules, way of behaviour and further signs generating the company culture. There are two extremes opinions to the culture change. The first one is that the culture can be changed by management and the other one sees the culture as an independent quantity with its own development and cannot be changed. The truth would be somewhere in the middle that the culture has its own tradition and development but this can be influenced to a certain extent by the management. The change cannot be implemented at once but through a continuous process of implementing new elements into its structure which leads to a better fulfilment of the company goals. If there is a possibility to change the culture then we have to ask questions about the range of the change, means and time horizon.

The theory of the culture change looks at the culture change from the management style point of view and from the possible influence of employees in material and non material feature. The first approach understands the material feature of the company culture demonstrated by standards, rules, economical and social standards serving to controlling the firm. If we understand the company culture in this way then the change can be implemented easily and quickly. This approach does not require large demands on the managers' skills regarding the human sources. Creation and change of the company culture is realised by creating and changing the internal standards, norms and rules and heavy presentation of firm's symbols as firm colours, logos, slogans etc. This way of creating company culture does not bring a success. It is enforced by the top management and the employees respect it only in a formal way. The extreme could be a boycott on enforced culture resulting in a spontaneous emerge of strong subcultures or opposite culture being in the direct contrast to the official one. Management of this kind of firm is becoming not effective because of the employees' behaviour cannot be

foreseen. The other approach understands the culture as a non material issue. In this case the great responsibility for the creating and change in culture is on the managers. It is the managers that have to influence the performance and motivation of the firm employees. The managerial style must meet this requirement. The more quality of managers' work is e.g. pervasion, a personal example, fair arguments, personal approach, using psychological elements, keeping the ethics norm etc, the stronger the culture and lower need for standards, rules will be. In this way the healthy and unified culture emerges and the employees identify themselves with the company goals and the climate is positive for achieving the strategic goals.

Possible tools for positive influence of a company culture could be:

- Creating the aimed habits in the company, improvement of informal atmosphere, investment in employees' education, and respect to moral standards in day to day operation, constructive dealing, and timing for information.
- Using the organisational means of an enterprise – suitable elastic structure, decentralisation, responsibility and accountability delegation, performance standards, feedback, other rewards etc.

The top management and managers' behaviour determines the company culture. Especially they should be honest, kind, should keep promises, agreements and contracts, laws and further values because they are the front picture of the firm and they influence the others. Management and above all the top management play an important role during the process of change. Other departments as human resources, marketing and sales or public relation one play an important role too. The transformation of the company culture should not be only the top management responsibility without any discussion with others involved. If not, the problems appear during the implementation process. Then we can find that the prepared culture cannot be implemented as it clashes the current one or a new culture is refused by the

group being concerned. Another possibility is to set up a research team that prepares a suggestion of a required company culture and implementation of new elements leading to the achievement of the strategy and company goals. This suggestion is discussed and approved by the top management. The company culture prepared in this way is easier to be accepted by employees as it reflects the real situation. The most democratic process of the culture design or its change is when a team of different specialists from the company hierarchy discuss the process with other employees and specialised firms in the area.¹³ The culture change is a long term and not easy issue. The right direction is demonstrated in the change of the whole entrepreneur environment.

3.1.2. Motivation and Stimulation in the Frame of Company Culture.

The company culture has a big impact on motivation and stimulation. The healthy company culture naturally identified by employees increases their satisfaction and stimulate them to a higher performance, loyalty and adherence to the accepted values. Motivation results from conscious or unconscious needs and wants. The need for work and to create the material fortune in this way is not our natural fundament. The natural need for most of us is to be active in a way. People must be motivate to create the useful products. The basic tool for motivation is the desire to satisfy the needs. Wee can remember the Marlow's needs theory mentioned in the enclosure no. 8. Recognising five levels of needs.¹³ Generally we can understand the motivation as a chain of mutually determined actions and states the end of which is the need satisfaction. The chain is given by the following order. The certain need evokes a want creating the tension (unfilled goals) resulting in actions towards fulfilment of goals and the satisfaction from fulfilled goals arises.¹⁴ A man

¹³ Viz. Fiedler, R. Nevyžívané motivační stimuly. Hospodářské noviny-příloha Kariéra, 1996, č.20.

¹⁴ Viz. Koontz, H. Weirich, H. Managrment. 1. vyd. Praha: Victoria Publishing, 1993, s. 441.

having a long term feeling of unsatisfaction of basic physiological needs is motivated above all by money which help him remove the senses shortfall. The higher motivation levels are not important for him/her.

The training about the kindness of firm goals about the self-esteem are thought to be a vain effort unless the reward is mentioned. In the developed countries where the first two levels are satisfied the concentration is on creating the environment leading to satisfaction of affiliation, award and self-esteem.

The Czech managers used to use the directive management and they did not want to know too much about the employees' needs. We are living in the time when the top management must be more involved into the cooperation with the staff. If the firm is to be profitable then all will have to be involved. If everybody knows his/her role, place in the firm strategy and if he/she feels as a part of the firm then it is possible. This is the strongest motive. Identification with the firm goals belongs to the most sensitive problems of the company culture so far. If the management finds the way of motivation pulling in every employee then it is a victory.

3.2. Exercise of Company Culture in Democratic Systems.

Is it possible to behave in a moral and ethical way in a strong competition? Dose the competition lead to socially desired results? First look at a few examples from abroad.

3.2.1. German Model.

We can observe the company culture on the example of the firm Siemens A.G. There is a large regulation of entrepreneurship in Germany using the legal frame and other standards (professional and industrial etc). Siemens A.G. (300 000 of employees in many countries) tries to overcome the differences among the different economies and cultures. The firm does not rely on the codex. Its culture is based on reliability and trust in employees. These basic premises are further developed using behaviour standards, system of internal communication, management training, seminars and social policy,

specialists for healthy work, data protection, environment etc. ¹⁵ The firm believes that employees responsibility cannot be achieved by enforcement. In the opposite the firms requires the employees to have the area for decision-making and communication. It assumes a social consciousness. It is the communication that the especial concern is devoted. It is impossible for managers to check every details. They must relay on qualification and skills of employees, their creativity, loyalty and entrepreneurial thinking. Free flow of information creates the open area in which the mentioned abilities have a positive impact on the competitiveness of the firm. The requirement on communication skill and the organisation of the communication process have grown. The main features of a communicative firm are:

- Frankness (honest and trust dealing, equal opportunities for employees)
- Clearness and intelligibility, (true picture of the reality, the information should reach everybody involved.)
- The possibility to consult (occasional channels for feedback, opinion exchange)
 - Communication support among individuals.
 - To ensure that the others understand and are understood
 - Speed .¹⁶

3.2.2. Japanese attitude

In the Japanese approach the long life employment with one firm is the best career. There are the following stages in a firm development

- Pure capitalistic firm - it stimulates the economy development. Above all management and owners of the firm have got a profit. The welfare of employees is on a low level which leads to often conflicts between management and staff

¹⁵ Viz. Seknička, P. a kol. Úvod do hospodářské etiky. 1.vyd. Praha: CODEX BOHEMIA, 1997, s. 108, ISBN 80-85963-40-X.

¹⁶ Viz. Seknička, P. a kol. Úvod do hospodářské etiky. 1. vyd. Praha: CODEX BOHEMIA, 1997, s. 108, ISBN 80-85963-40-X.

A firm striving for the future prosperity. The shortfalls of the first stage are removed by mutual effort of management and employees and their ambition prosperity. The employees share the profit. Local community is neglected. The firm does not care about waste, environmental impact, noise etc.

- *The firm takes the social responsibility to the community.* The firm respects the interest of its stakeholders, customers, employees, suppliers and local community. The aim is both the development of the firm itself and the contribution to the well being of others. To work jointly for the well being of all that is the concept of "kyeosei" – the strategy concentrated on well being.¹⁷ The firm must be innovative, independent on the government and the political parties and it must compete with its competitors. In this sense the purpose is not to destroy the competitors or destroy itself. The competition is the driving force of the innovation and the firm striving seriously on innovation having the potential to develop the original technologies should be able to find its market segment. If we destroy such a firm we do not bring profit to the society. It does not mean that this concept protects the unable. We speak about the respect towards rivals honestly competing. This concept also enables the cooperation among competitors. This reality was the reason of many understanding and was used to justify the cartels. Having been explained the idea became a part of the first international codex accepted in Caux, (see enclosure no 3).

3.2.3. The United States of America.

The view of the ethics role is a bit different in the USA. It is understood as a tool of self control both for individuals and for organisational behaviour. Ethical correct behaviour is stressed to be good for business which results in:

- Training programmes for employees covering the ethical programme a those for the ethical behaviour.
- Setting up the specialised departments for ethics (institutionalised ethics) in firms. (ethics offices, ethics officers),

¹⁷ Viz. Seknička, P. a kol. Úvod do hospodářské etiky. 1. vyd. Praha: CODEX BOHEMIA, 1997, s. 109, ISBN 80-85963-40-X.

- Special "hot lines" operating 24 hours a day 7 days a week

The example can be the firm United Technologies (multinational corporation with 170 000 employees). They issue the ethical codex in 14 languages which covers the principles and standards having been used since the firm was established in 1929. In this way the firm tries to achieve integrity in dealing with individuals in countries where it operates.¹⁸ The base for a good name and reputation is honesty and high ethical standards for employees behaviour at all organisational levels. Breaching the accepted rules by individuals or groups can be harmful for the whole corporation. This is the reason why the employees are obliged to follow this codex without any exception. In order to keep this aim the top management set up a special department the task of which is to check the adherence and explain the sense of the accepted codex and its principle in real situations. This department has got branches in all areas of its interest. There is a position of ombudsman in this corporate. He/she consults the problems with employees, he/she is a counsellor but every employees has to choose the solution. The hot lines paid by the corporate enhance the communication. The discrimination at the workplace, reducing the workforces and sexual harassment are the most frequent problems. This system has brought advantages to top management since the communication is open and that helps to reveal and sort out the problems in the early stages.

Given examples show different way of endorsing and enforcement of the company culture in the successful firms abroad. How are the things in the Czech Republic?

3.3. Specification of the Czech Environment.

Aimed creation and enforcement of the company culture is a natural part of the free market economy. The above mentioned examples demonstrate the legitimacy of this many times confirmed theory. This matter has been understood as a pure theory in our companies. What is the reality that obstructs an evaluation and to master this problems? Personell issue is

¹⁸ Viz. Seknička, P. a kol. Úvod do hospodářské etiky. 1. vyd. Praha: CODEX BOHEMIA, 1997, s. 107, ISBN 80-85963-40-X.

normally at the edge of the managers interest and the orientation on the goal oriented and systematic preparation of physiological and socio-psychological and social aspects of the management work, group actions and company culture are missing in practice. In opposite the importance of technological, organizational and finance relations is overestimated for the management and day to day decisions. As the background of our managers is a technical education and there is an effort to add the necessary knowledge about the function of a firm in the free market economy, there are simplified images about the functions of so called soft issues in the economy which have mainly the psychological and socio-psychological character.¹⁹ Explanation of terms value, attitudes, aspiration and further are difficult and are understood in an incorrect way due to their change in accordance to the firm reality and individuals. The company culture is then identified with its symbols or only with a few elements e.g. dress code, social climate, dealing with clients. Identification with the ethical principles in business are missing. The main problems are:

- The company culture is not understood as an important tool for realisation of the company goals.
- Absence of understanding the processes and changes according to the other elements of internal management and also of social processes outside.

The questions of the company culture appear to be interesting but from the managers point of view a bit luxury issue that will be solved after all others have been sorted out. The approach is defended by the rationality of the markets and pragmatism in management and very frequent argument is that the working moral must be enforced without a discussion of those concerned. Short term evaluation confirms the efficiency of the approach and in this way the methods are paradoxically thought to be reasonable. On the other hand there are examples of an enormous expectation where managers expect the company culture to solve the most difficult management problems even the existence of the company. The result then is a disillusion and realisation that

¹⁹ Viz. Teoretické záležitosti nebo podnikatelská nutnost. Ekonom, 1995, č. 46.

the culture itself cannot solve the problems. The logic in the disillusion strengthens the disbelief in the importance of the humanitarian subjects in management. The solution is to find an importance of the company culture and plant it into the management system and wider context of differences in regions where the company is active. Many firms even if temporally successful have not a clear entrepreneur concept. The vision determining the company culture design is missing while this company culture could contribute to realisation of the vision. The most suitable moment for the company culture formulation and its enforcement is the time when the company makes the long term strategy and the concept decision

Our entrepreneurship and return to Europe impacts on our national psychology but it does not remove its specific features. Loosing the national identity in the current political-economical conditions in Europe would not be good and it is not even possible and it is not needed at all. Being an European and national identity do not separate out but they supplement mutually. The way to Europe and to the world does not lead through suppress of specific aspects of the national psychics but through taking advantage of its positive sides. What are the specifics of our society of our citizen? How do we differentiate? We cannot oversee the pragmatism and diligence, a distrust at the beginning and a scepticism. A Czech cannot be influence for a long time only with sweet words, he/she must be persuaded with quality and solidity. Learning, inventions, improvisation could be the other characteristics. The negative characteristics being lower level of national pride, a bit eroded work moral and enviousness. What are the main differences between the Czech and other countries employees? The young work force has relatively high level of knowledge from school but they are not skilled. Since 1990 they have been gathering the information from the world around. But of course it will take time to use the information. The young generation understands this trend and try to adjust but there are difficulties for older ones. A part of people work as they have to and they do not care about the quality and sense of their results. The lack of customer oriented behaviour can be observed which has been created in the free market economies for a long time. We have been a part of the free market economy since 1990 and we are perceived by others in the way.

People in this country have been learning the things. The customer market in the developed countries make the companies take a better care of customers. Those who have not accepted this philosophy are striving or leaving the market place. The customer oriented behaviour has not become a standard in this country yet. The reason may be that most people are not willing to accept the responsibility for their activities. Acceptance of a work position is one thing and to realise the accountability is the other one. It actually means to be accountable for own decision results for the company. That is why the care of a customer is so important. If we lose a customer we lose not only money. Currently people do not want to queue, unwillingness and unprofessional approach. In this case the customer is looking for a better service and there are firms trying to satisfy these customers. If there is a problem the Czechs are able to improvise and to solve it. It is not enough for nowadays market. The employee in the free market economy is trying to solve the problem and to protect its reputation in the future. The employee today should not ask why they are to work more and what the reward will be but they should ask what they can do for the firm and from that they should imply their expectation. In this moment his/her identification with the firm starts.

The ethical situation in the world and in this country is still different. In the developed countries they started solving these questions earlier and that is why they are a bit ahead. The business ethics became a subject at universities in the USA, Great Britain, France, Dutch, Sweden and Japan etc. There are different approaches to teaching. For instance French way stresses philosophical aspects. The American one is more pragmatic and focused on study case. Japanese approaches are strongly influenced by cultural and religious tradition of the country while in Scandinavian countries there is a consensus between entrepreneur and the government and public and the respect to the public interest.²⁰

There are international ethical institutions trying to promote the ethic in business e.g. European Business Ethics Network (EBEN) organization, established in 1987 with ambition to join business academy effort with the

²⁰ Srov. Němec, P. Public relations–Zásada komunikace s veřejností. 1. vyd. Praha: Management Press, 1993.

goal to improve the building up the better Europe.²¹ It encourages the discussion and the experience exchange among business and academy in the area of ethics in the entrepreneurship. Every year the conference is held, the meetings and publication are organised. The ethics in business has been an interest in the USA since 1970s. The Society for Business Ethics has been active for many years and it organises conferences, issues the magazine Business Ethics. The International Society of Business Economics and Ethics (ISBEE) in Kansas City established in 1989 following the example of EBEN is the other one and its mission is to make the contact of those interested in ethics easier.

For the further development in this country there is a need for more and more people to recognise that it is worth dealing in the ethical way and the threat of punishment is for the breach the ethics in business. The honest entrepreneur in this country is discriminated by dishonest behaviour of those who do not follow the law, rules and moral and very often they are not punished. Very often they undercut the price. They have no overheads, they do not keep booking, disguise all what they can. This is a way how to damage the entrepreneurship in this country. The priority cannot be for dishonest entrepreneurs. The evaluation of the business ethics in the Czech Republic done by the NGO Patriae²² with domestic and foreign specialists describes the business moral as not satisfactory no matter which of the following area is concerned – ethics in privatisation processes, grey economy, to keep the contract conditions, quality price, information, bidding process, law and honesty etc. Any business should contain a minimum of the ethics. The law cannot contain everything. That is why the government cannot force people to behave in an oral way. In this content we should mention the term “invisible hand” in the market, the term which is laugh at, satirised, deprecated. The term “invisible hand” became a synonym which enables to steal with impunity, and in which frame money means more than law. As we know it is an sad mistake. Adam Smith stated the term “invisible hand” in his work “The origin of nations fortune” in 1776: “*If an individual hardly tries to use the own capital to*

²¹ Viz. Steinman, H., Lohr, A. Základy podnikové etiky. 1. vyd. Praha: Victoria Publishing, 1995, s. 9, ISBN 80-85865-56-4.

contribute to the domestic industry so that the production may be as high as possible then he/she tries to make the society income as high as possible. But generally it is not his/her intention to support the public interest... in that as in many other situations the "invisible hand" directs him/her to contribute those goals which he/she did not think about at all." Adam Smith did not defend the practise as it is understood by some Czech interpreters. Adam Smith used to say that the rich individuals altogether create a rich society although they do not follow not easy defined public welfare. Nevertheless if everybody could become rich there must be a law securing that nobody could be robbed without any punishment. *"Everyone is allowed to force his/her interest in a chosen way unless it breaches the justice and law"*, argued Mr. Smith. To exercise justice means according to Mr. Smith *"the duty to protect every citizen against injustice or exploitation the other member of the society."*²² Any corruption or "tunnelling" is not mentioned. A real free market requires the only thing not to be for purchase and that is the justice. Neither Adam Smiths insisted on free market solving all problems and nor he was an admirer of the chaotic government of dirty money but he wanted freedom and justice to govern.

It is important for our entrepreneurs especially young ones to acquaint themselves with the positive examples of the ethical business and to start to develop own ethically right approaches to a solution. They should realise the wide entrepreneur responsibility for their decisions. Some problems should be solved with the respect to the wider time and area sense. The business ethics should be a part of educational systems covering not only the ethical approaches but also the future responsibility of entrepreneurs towards the society and it should not be thought a special discipline for philosophers.

CONCLUSION.

The business development in this country has brought about a lot of problems since 1989. The transition from a centrally planned economy to a free market economy is marked by a 40 year period of deformation in our social and economic life. Serious problems appeared in the education of "ethics" too. We differed from other countries in that the impact of traditional family values, religious influence, mass media and a free press concerning moral and ethics were not suppressed. The factor to consider here is that our society was not exposed to "western style ethics" but was under socialism even though we, as a people, could see the shortfalls in that philosophy i.e. words often did not translate into action. However, unfortunately our transition into a free economy was not without problems, our lack of experience in forming acceptable codes of practice quickly enough led to a business culture seemingly without any ethical restraints.

The problem manifested itself during the transition period towards a free market economy where ethics were forgotten in the race for profit (i.e. The Wild West Culture). Many entrepreneurs saw only the profit motive to their activities without any regard for ethics or morals. But the goals of modern business and managerial behaviour require a different approach. The goals ask for social responsibility and the fulfilment of social obligations. In the ongoing transition of our economy we must address the problems of the lack of business ethics and provide solutions. A free market economy presents, of course, its own problems anyway but we must recognise the need for ethics.

There is a strong argument for basing legislation on more of a moral footing. The law has to develop closer to our understanding of what is right and what is wrong, generally speaking. Many laws are open to subjective interpretation without any moral bases which often does not help find conclusive solutions in the business context of the companies involved in litigation. This can impact not only on the word of law but also the enforcement of same. In practice the present laws do not provide realistic solutions to the problems encountered in business. The definition of "Law" is a system of rules that everyone in a country must obey. However, if the laws are vague, not

realistic, open to misinterpretation or indeed without any moral basis then it is not surprising that some businessmen will take advantage of the situation and act in an unacceptable fashion. After all however "civilised" we think we are, at the end of the day we need rules to follow or we are lost.

The range of business problems we can see today cannot be catalogued under one general heading. With increasing division of labour prevailing in business today we have an environment where "organised irresponsibility" reigns. No one is taking personal responsibility for their decisions. The Americans have an expression "the buck stops here" businessmen in our country are, on the whole, skilled in "passing the buck". These disputes become the candidates for ethical responsibility. The company must take the main role in implementing a satisfactory code of ethics. The companies themselves must lay the building blocks for a strong healthy company culture where ethical standards and values are paramount and the government must do their part in providing ongoing realistic commercial laws which encompass an ethical base and are in harmony with the rest of Europe.

Our current task is to reconstruct the law system and adjust it to the EU standards. In accordance to the process of unification in Europe we have to keep in mind that it is important that to coexist successfully in human as well as in commercial terms we must have generally respected rules and wider freedom for individuals and society as a whole but the "freedom" must be such that it is not harmful to others. Sadly, there would seem to be a correlation between the lack of ethics in our general business and company culture and in our national culture. This element of the national culture appears in the day to day behaviour of citizens in their work activity. Values and standards of behaviour accepted during ones lifetime are influenced considerably by ones working environment i.e. the employees company culture.

In business ethics and in company culture there are still many problems to be solved in this country. The current situation is not satisfactory. There are many things to be solved not only as directed by government or Parliament but business and company initiated solutions as well are required. The improvement of the situation requires above all:

- Change the company culture in most firms in this country and also the entrepreneur culture in most firms.
- Understand and accept the principles for ethical entrepreneurship
- Accept the responsibility that belongs to managers and entrepreneurs in the conditions of a free society for the development not only of economy but also for the development of the whole society.

If we theoretically master the company culture and its relation to society it does not mean we are able to apply it in practice as the pure theory does not offer the solution for company management. We have to come to the resolution that people are the biggest asset in any company. We have to understand that the essence of long term prosperity is the need for companies to follow an ethical set of rules thus demonstrating a healthy company culture in society as well as in the market place.

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Zákon č. 63/1991 Sb. O ochraně hospodářské soutěže.

ENCLOSURE.

- Enclosure no 1. *Manager's codex.*
- Enclosure no 2. *The codex for advertisement.*
- Enclosure no 3. *Meeting in Caux*
- Enclosure no 4. *Company culture and its levels*
- Enclosure no 5. *Company culture means – symbols.*
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- Enclosure no7. *The company Culture Cycle.*
- Enclosure no 8. *Maslow's Theory of human's needs.*

Enclosure no. 1

The Manager's Codex

In May 1998 the Czech managerial Association ČMA approved moral standards and values that should lead management in exercising their roles. The purpose of this document was to influence management in this country so that they can successfully perform their duties and responsibilities to their firm, their employees, their investors and to the society as a whole. This codex consist of 6 parts.

1. Value orientation – It gives the standards of professional behaviour of a manager in situations which require enforcement of certain values among employees (the requirement for communication, the ability to negotiate and delegate responsibility)
2. Relation to associates. – The need to approach associates as equal partners. To be an honest judge and negotiator while sorting out the disputes in the working group. To reward honestly and fairness, to support creativity and professional skills.
3. Relation with owners. – In the Czech companies the interests and responsibilities of owners and managers often interfere. The owners do not realise that the property is a social liability. The codex makes it clear what are the rights and liabilities of owners and managers and explains the differences between the entrepreneur and owner strategy. It stresses the importance of mutual cooperation.
4. Relation with customers – The need to react to the customers' requirements and involve them.
5. Relation with the stakeholders - the manager protects the owners' interest, social requirements of employees,(dialog with trade unions) and his/her own interest. The social dialogue is a duty and art of a manager .

The negotiation with stakeholders (not only with trade unions) should end with a win-win consensus practised in the American management.

6. relation to the managers – comes out of the opinion that the manager as a occupation is a mission. In order to be a good manager you should work on yourself, improve, be involved in company interests, region and association.

The given codex contains only the minimum of the base rules that the manager can use not only in the firm but also during the negotiation with other subjects outside the firm. That is the strength of the codex ad by keeping manger on path of moral rules it guides the partner to use similar rules in the negotiation. The standards in the codex cannot be dictate to anybody either we can sanction them. It is an individual issue and it is a kind of a social agreement how to behave. The sanction for not keeping them should be a social dishonour.

Source: Kodex manažera. Ekonom, 1998, č. 28, s. 57.

Codex for the advertisement.

Codexes for the advertisement (further the codex) issued by the Advertisement Committee (further RPR) in accordance to the article III of regulations are formulated with a goal so that the advertisement in the Czech Republic should inform the public and meet the requirement for the commercials for the Czech citizens. The Aim of the codex is to support the true, fair and gentle advertisement and to respect the international rules for advertisement designed by the International Chamber of Commerce.

The codex does not replace the law regulation of the advertisement but it is linked to it and enhance the ethics rules. The codex is for all subject in the area of advertisement and it gives the rules for the professional behaviour. The codex addresses the public and informs it about the limits the subject acting in the advertisement accepted and are going to enforce the rules.

The members of RPR accept the codex and they are obliged not to produce or accept the advertisement breaching the codex or they take back the advertisement where the breach was found later by the ethical self regulating body.

The members of RPR will try to make all the other subjects acting in advertisement on the territory of the Czech Republic respect the statute of this codex.

The first part.

Chapter no. 1.

Instructional statute.

1. The term advertisement.

1.1

For the purposes of the codex the advertisement is the process of the paid commercial communication realised by an entrepreneur subject or by other subject dealing on behalf of the entrepreneur the purpose of which is to inform the customer about goods or services (further a product) and about the charity projects and activities. The information is transformed through the communication means for the codex understood as television, radio, carriers of audio visual issues, periodical and non periodical printing matters, vehicles, posters, leaflets, and further communication means that enable the information to be transferred. According to this definition the advertisement is not the transformation of an information which describes the place where the product is offered to the customer.

1.2

The term advertisement defined in the codex can also be used for the commercials done by non commercial subjects or those who deal on behalf of them. .

2. The subject of the advertisement.

2.1

The subjects of the advertisement activities are advertisers and other clients, advertising agency, the owners of mass media. The responsibility for the breach of the codex is divided among the subjects according to their failure extent.

If nothing else is proved then:

- the responsibility for meeting the codex is born by the submitter if the advertisement was approved by him/her,
- advertisement agency bear the responsibility for the ad production and order at mass media,
- the mass media are responsible for spreading out the ad.

2.2

Under the term „consumer“ we understand any subject that can be influenced by the advertisement no matter if he/she is the consumer, distributor or other user.

3. The main requirements on the advertisements.

3.1

The ad must not incite a breach of the law in any way.

3.2

The ad must be a gentle, honest and true one. We have to keep in mind that it must be prepared with the sense of responsibility to the customers and the society.

3.3

The advertisement must respect the principles of honest competition.

3.4

No advertisement can threaten the good name of it or lower the trust in the advertising as a service for customers.

4. The codex implementation.

4.1

The implementation and interpretation of the codex is ensured by the arbitration committee RPR (further AK RPR) consisted of the representative organisations, members of parliament of the Czech Republic, submitters, the ad agencies, mass media, specialists in law.

4.2

The complaints may be handed in by any legal entity or individuals (except the members of AK RPR) or the state institution.

4.3

The complaints are to apply to the address RPR, Škrétova 6/44, 120 59 Praha 2.

4.4

Before the arbitration award is issued there is a discussion about the complains among the submitter, ad agency and mass media the complains are directed to.

4.5

AK RPR evaluate the complain and according to the circumstances it:

4.5.1

informs the claimant that the complaint does not concern the customers interests regulated by the codex and the complains should be dealt by other authorities.

4.5.2

issues the arbitration award in which the report states if the advertisement breaches or do not breaches the codex. Then it suggests withdrawing the ad or its correction.

4.6

AK RPR can issue the arbitration award base on the RPR initiation. In this case the above mentioned process and paragraphs are used.

5. Relation of the codex to the legal frame

5.1

The committee for the advertisements do not apply the valid laws but it compares the results of activities of the advertising subjects i.e. (Advertisements) to the codex. The punishment and the evaluation the range of the codex breach is not a competence of the committee. If there is a breach of the codex and the valid legal frame then the committee can refuse dealing with this breach and it can be passed to the solution in a court or similar authority.

5.2

As the main goal of the committee for advertising is the customers protection against the ads breaching the common ethic standards in the

Czech Republic, the committee has got the rights to start the decision process and decide only if the behaviour of the accused seriously damages the customers interests. This apply when complainant and the accused are competitors.

Chapter no. II

General rules for the advertising practise.

1. Honesty of advertisements.

1.1

The ad cannot contain the statement and the visual feature that would damage the honest standards and moral generally accepted by those who probably could be reached by the ad. Especially the impact of the human body presentation on all types of audience should be evaluated. The breach of the codex is assessed from the whole context that is the relation among the product, the advertisement, the target group and the mass media used.

1.2

The ad cannot contain the elements lowering the human beings dignity.

2. Respectability of the advertisement.

2.1

The ad cannot be prepared in the way which misuses the customer 's trust or take advantage of lack of experience or knowledge or his/her credibility.

2.2

The advertisement cannot use the customer's unconscious perception.

2.3

The advertisement must not be hidden especially it cannot pretend that the spreading of the information is different (scientific article, article in a magazine etc.) from an ad.

3. Trueness of the advertisement.

3.1

The advertisement cannot spread out the misleading information about the company, products or performance. The misleading information can be a true one if the circumstances and relations for its announcement can lead to an error.

3.2

The advertisement must not bring a profit to a company at the expense of others if it was based on the tricky information.

3.3

The advertisement cannot contain the tricky description of goods or services inspiring the misleading idea that the goods or services are from a certain country, place or area, that they are from a certain producer or they have special features or special quality

3.4

According to the codex the tricky information is a description of goods or services with additional information which differentiates the original items and this description can evoke an incorrect feeling about the origin or characteristics of goods and services.

3.5

The advertisement is not thought to be tricky in the case the description of goods and services gives general accepted information about goods and services and no additional information that could mislead the customer are issued.

4. Social responsibility of the advertisement.

4.1

Without any competent reason the advertisement cannot use fear motivation.

4.2

The advertisement cannot misuse the prejudice and superstition.

4.3

The advertisement cannot contain anything leading to a violence or supporting it.

4.4

The advertisement cannot contain anything that can roughly insult national, race or religious feeling of customers.

Chapter III

Special requirements on the advertisement.

1. Value of goods

1.1

The customers must not be led by the ad to understand the higher utility value than it really is.

1.2

The advertiser must be prepared to declare the value of good which he/she offers at lower price or free of charge.

1.3

The products cannot be marked as “free” if there is any additional cost for the customer besides transport mail fees. In the case that the customer must pay any other cost then the ad must contain the clear declaration in this sense.

2. Price comparison.

2.1 If the information about the price is not complete or is missing then it must not evoke that:

- the price is lower than the real price,
- the price depends on circumstances which is not truth,
- the price includes the cost of delivery, performance and services which in the reality are extra charged,
- the price will be increased or decreased or not changed even if it is not truth,
- the relation of the price and utility value of the offered products or goods is better than the reality .

3. Slandering and undermining the competitors and their products.

3.1

The advertisement cannot fight against the other products, advertiser or advertisements and must not try to discredit the products directly or indirectly

3.2

The advertisers must not undermine the products value of others directly or indirectly. The advertisement cannot chose just one product for the inconvenient comparison

4. Fake advertisement

4.1

The advertisements must not be similar to other ones that could lead to a seduction of a customer or the ad cannot use the results of others' invention and work effort

5. Personal recommendation

5.1

The advertisement must not contain a personal recommendation or additional contributing declaration and it must not refer to them if these recommendation and declaration are not true or they are not connected to the personal experiences those who inform

5.2

The personal recommendation must not contain any declaration that breach the articles of the codex and it must not be used in a way which could mislead the customer.

5.3

The personal recommendation must not contain any statement about the product effects unless there are the reliable proofs about such effects.

6. Protection of privacy.

6.1

The advertisement must not display a living individuals or refer to them unless they explicitly agree in advance. The advertisers must be careful of not offending the religious or other attitudes of people joint in any way to death people the advertisement refers to.

6.2

The advertisement must not use the carriers of the public authority (politicians, heads of special medical and other committees) unless they agree with the performance free of charge or paid.

7. Guarantee.

7.1

The advertisement can use the workd quarantine or ensured only in the case on defining the content or announcing the specific conditions.

Part two.

CHAPTER I

Advertisement for spirits.

The advertisement promoting the spirits containing the following features will be considered as those breaching the codex.

1. Characteristics of spirits.

1.1

The advertisement marking in a not acceptable way that a product has exceptional characteristics or its effect is very quick.

1.2

The advertisement containing the expressions undermining the spirits calling it colloquially that undermine or overestimate the real content of spirit in the drink:

2. Consumers of spirit.

2.1

The advertisements saying that the spirit is consumed by a social group that does not agree with its consumption..

3. Attitudes to the spirits consumption.

3.1

The advertisements indicating the irresponsible approach to the alcohol consumption especially from the consumed point of view.

4. The place of the spirit consumption

4.1

The advertisements indicating the spirits consumption except the religious purposes near to the cemetery or sacred places.

4.2

The advertisements indicating the spirits consumption on any place where it is forbidden in accordance with the existing rules.

4.3

The advertisements indicating the spirits consumption in the poor, or disgusting areas.

5. The circumstances for the spirits consumption.

5.1

The advertisements indicating the spirits consumption in the circumstances generally known an unsatisfactory, unwise or against law.

6. Advertising connected with sexual content.

6.1

Advertisements of an overly sexual nature relating to sexual stimuli, submission, nakedness, or semi nakedness shown in a socially unacceptable way. A display of a man or woman body in a compromising situation or advertisements presenting alcohol as a suitable means for removal of any sexual barriers or fear.

7. Circumstances connected to children.

7.1

The advertisements containing the indication of alcohol consumption by the young or those under or appear younger than 25 years old.

7.2

Advertisement for alcohol using children.

7.3

The advertisement focused on children.

8. Results of alcohol usage.

8.1

The advertisements indicating the abnormal alcohol consumption or results of that consumption, and the advertisements agreeing with the abnormal alcohol consumption..

8.2

The advertisements indicating the omission of the safety or lack of respect to the law and public rules.

8.3

The advertisements encouraging the aggressivity and physical violence.

8.4

The advertisements saying that the alcohol has a cure effect or the advertisements indicating this kind of effects.

8.5

The advertisements showing the persons evoking by dresses, appearance etc. that they are members of the medical professions.

CHAPTER II

Children and young people.

1. Generally.

1.1

Medicine, disinfection means, caustics, and the harmful products cannot be shown in the advertisements near to the children without parents and these products cannot be displayed in any connection to the children's manipulation

1.2

Detergents cannot be displayed in the area reachable for children without being looked after by adults and these products cannot be displayed in any connection to the children's manipulation

1.3

Any advertisements encouraging children to visit unknown places or contact strange people is forbidden.

1.4

The advertisements of products or services asking children or indicating that if they do not get the product or service they will not fulfil a certain duty or show a loyalty towards certain persons or organisations are forbidden. It is not important if these organisations or people are initiator of this challenge or not.

1.5

The advertisements leading the children to the idea that if they do not have an advertised product they will become deficient in relation to the other children is forbidden.

1.6

The advertisements cannot encourage children to ask other people for a product or service..

1.7

If the advertisements should include the children competition, coupons collection, bonuses, incentives, lottery and similar games focused on children then the rules must be issued in an appropriate way.

2. Safety

2.1

All situations in which the children appear must be considered from the safety point of view.

2.2

Children in streets situations cannot be displayed without being looked after unless it is clear that they are old enough to look after their own safety.

2.3

Children playing in the street cannot appear in the advertisements unless it is clear that the area is dedicated for playing or other safety activities.

2.4

In the advertisements where children are cycling or walking it must be clear that they behave in accordance to the safety rules.

CHAPTER III

Tobacco advertisements.

1.

Cigarettes, cigarillos, cigars, tobaccos, snuff and chewing tobacco are tobaccos products for the purposes of the codex.

2.

The tobacco advertisements must not be focused on teenagers and encourage them to smoke and they must not show the scene that could attract them.

3.

In the tobacco advertisements the teenagers must not be acting. It is allowed for persons older than 25 years or those who seem to be older than 25 years.

4.

The tobacco advertisements must not be in the mass media for young people, on billboards near to the schools, play grounds for children and similar premises devoted to children..

5.

Names and brand names of tobacco products cannot be used for goods for children.

6.

Clothes with cigarette names and logos can be only in sizes for adults.

7.

The tobacco advertisements must not declare that usage of tobacco products leads to a contribution of sexual activity or to entrepreneur success or good sport results.

8.

The tobacco advertisements must not declare that the tobacco usage is a means for a relaxation and concentration.

9.

The direct marketing of tobacco products and other type of promotion must be focused on the adults only. In any such competition only the adults can compete.

10.

The tobacco advertisements must contain the marking given by the law.

Chapter IV

Medicine advertisements.

1.

Only the medicaments registered and approved in the Czech Republic must appear in the advertisements for remedy.

2.

The medicine advertisements must be focused only on remedy preparations and medicine means available on sale.

3.

The medicine advertisements must not contain an ad for preparations with opiate and narcotic matter.

4.

The advertisement must not issue the price of the medicine and medical means.

5.

The advertisements cannot contain the information leading to an idea that taking in the preparation or using the medical means the customer can influence his/her health conditions

6.

The advertisements must not contain the information about the harmless influence of the medicine only on the base that the medicine is a natural product..

7.

The advertisement must contain the name of the medicine or the medical means, the information for the proper use, an appeal to read the enclosed instructions and the instructions on the packaging.

8.

Persons that due to their functions or working area can influence the consumption of the medicine or medical means cannot be used in the advertisements.

Chapter V

Identification of the advertisements printed in the newspaper style.

1.

Those who are involved in preparation or editing of the advertisements must ensure that everybody who will read it must see without any detailed screening that it is an advertisement and not an article.

2.

If the placement of the advertisement is among the other news then it must be clearly marked as an advertisement or paid commercial.

3.

As a rule, if the advertisement is paid by one company and the range is over one page then the word advertisement must be printed in heading of each page in the way which ensures that the reader cannot overlook it. The generally valid approach is that the appendix paid by the advertiser must be marked as "Advertising appendix" in bold printing and each page must bear the word Advertisement or Advertisement appendix.

4.

Since there is not a guide covering all possible situations it is not always enough to meet the law. Some times it can be necessary to review the advertisement and find out if it clearly differentiates form the other new. If it is not the case then we have to correct the failure.

Chapter VI

Advertisements for mail-ordered goods. (AMOG)

1.

For the purposes of the codex the term AMOG will cover all advertisements in which there is the offer for a paid delivery while the customer does not need to visit a shop and look at the product before buying it. The rules in the following articles are valid for all AMOG including those advertisers involved in selling in retails.

2.

AMOG must meet all the requirements given in the codex and further the requirements stated in article 3 and 5 lower.

3.

AMOG's duties.

3.1

The name or the brand name of the advertiser, address of the company or of the contact point for the customers not only P.O.B. or phone number must be in the advertisements. If the advertisement include a coupon then the address of the advertiser must be given there as well.

3.2

The name of the advertiser in the address must be highlighted.

3.3

The inquires must be answered by a person at the given address..

3.4

Except the case described in the point 3.4.1 the samples of goods must be available at this address so that a customer can look at them.

3.4.1

If the goods are tailored or production starts after the reasonable amount of orders have been collected instead of samples the models should be available.

3.5

The advertiser must be able to meet all orders sent because of the advertisement and fulfil them immediately or within the advertised time. If it is not possible then he/she must inform the customer within 45 days from the date of the order.

4.

Real goods ,the description and standards identity.

4.1

The products sent as a result of the ad must be the same as description in the advertisement or the samples given to the advertising

agency. The substitutes can be delivered with the explicit agreement of the customer.

5. Goods not acceptable for AMOG

The goods not acceptable for AMOG:

5.1 Goods not acceptable for AMOG

Mascots, or other products abusing superstition. Mascots, or other products abusing superstition, are goods that are not acceptable for AMOG. These goods are characterized by their ability to cause fear or superstition among consumers. Examples of such goods include mascots of sports teams, mascots of companies, or other products that are designed to cause fear or superstition among consumers.

Source: Obchodní právo, 1998, č. 10.

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Caux Round Table In the current deeply changing world "Meeting in Caux" the business leaders from Europe, Japan and the USA participating at it is focused on encouraging the business and industries seen like the forces introducing the innovation globally. It was set up by Frederik Philips ex-president of Philips Electronic and Olivier Giscard d'Estaing vice president of INDEAD as a tool helping to release the tension in the international trade. It is involved in the development of the economical and social relation among the interested countries the responsibility of which is getting more and more important.

"Caux Round Table" focused on the importance of the global business responsibility for the reduction of social and economical threats to the world peace and stability. The members are sure that the common leadership is indispensable for the harmonious development. They stress the development of friendship, mutual understanding and cooperation based on respect for higher moral values and on the accountable individual behaviour. Meeting in Caux comes out of the premise that the world business community should play an important role in the improvement of the economical and social conditions in the world. The document issued by "Caux Round Table" which should be the declaration wants to express the world accepted standards for evaluation of companies. The members are trying to start the process of identification of shared values and the harmonisation of differences and in this way to develop a common view of the corporation behaviour. These principles comes out of two ethical ideals: kyosei and dignity. The Japan expression kyosei means to live and to work together for common well being – it enables coexistence of cooperation and the mutual prosperity with the health and honest competition. The dignity is the sacred value of a human being and it is the goal itself not a tool to achieve a somebody else's target. In the accepted document of the Meeting in Caux the members try to explain the characters of these ideals and their practical application.

The entrepreneurs behaviour influences the relation among nations and the well being of all us. The business contacts are often the first ones among the citizens of nations and the socio-economical they result in impact the feeling of a fear or a trust of all people. "Caux Round Table" members stress that we should

start to apply the moral principle for ourselves and further we should find out what is true rather than who is right.

The text of the document accepted by “Caux Round Table ”.

Chapter 1.

Preamble

Work, capital, products and technology mobility lead to the growing business globalisation and its results.

Law and the market forces are necessity but they are not the leading principles for the companies' behaviour.

The responsibility for the activities and the respect to the dignity and interests of involved must be the basic rule for the business.

Shared values as the devotion to the mutual prosperity are important for the global community as well as for the smaller ones.

From these reasons and since the entrepreneurship can be a strong encouragement to positive social changes we suggest the following principles as a base for the dialog and the activities of leading representatives in business trying to increase it responsibility. At the same time we recognise that there is no replacement for the moral values for the business decisions as the stable business relation and the sustainable world community can not exist without them.

Chapter 2.

The general principles.

Principle 1.

The firm responsibility. From the responsibility to the shareholders to the responsibility to participating groups.

Fortune working places creating products and services offered for reasonable prices in the required quality is the profit of the business for the society. In order to create such values the business must take care of its

economical liveability. Nevertheless the ability to survive is not a sufficient goal. The role of business is also the quality life improvement of its customers, employees and shareholders who it shares the created fortune. The suppliers and the competition should keep their promises honestly and in the spirit of fair play. Being the responsible inhabitants of local, national and regional community the firms have its part on creating the future of these communities.

Principle 2.

Economical and social impact of the entrepreneurship: Towards innovation and justice in the world community.

Firms set up abroad should contribute to the social development of the host countries creating the work places and improvement of purchase power besides the common goals of the development, production and sales. At the same time they should support the human rights development, education, well being and the total vitalisation of the country concerned. Similarly they should contribute the economical and social development of the whole world through the effective usage of resources, free and fair competitiveness, the stress on innovation and technology, production and marketing.

Principle 3.

The company behaviour: From the law to the mutual trust.

With respect to the existence of the firm secrets the firm should accept that the openness and honesty, keeping words, transparency etc. contribute to their own credibility and stability and also to the smooth functions of the business relation especially at the international level.

Principle 4.

Respect to rules.

In order to avoid conflicts and to contribute the free market and the equal conditions for the competitions and the honest dealing with the interested the

firms should respect the domestic and international rules. Then they should realise that some practise even if they are legal can have a negative results.

Principle 5.

Support to the multinational trade.

The firms should assist the multilateral systems like GATT/WTO and other international agreements. Their cooperation should be guided by the effort to contribute the liberalisation of the international trade and naturally they should respect the national policy goals and they should release the measures protecting the international trade.

Principle 6.

Respect to the environment.

The business should protect and if possible improve the environment it should concentrate on the assistance to the sustainable development it should anticipate the waste of natural resources.

Principle 7.

To avoid the forbidden activities.

The firm should not take place at bribes, money laundering and other corruption practise they should not be ignored either but it should effort to eliminate this events. They should not trade weapons or other commodities used by terrorists, drugs gangs or by organised crime.

Chapter 3.

Respect to the interests of participating groups

Customers.

We are sure that all customers have to be served thoroughly no matter what kind of products and services they purchase directly from our firm or they get them indirectly. We are responsible for the enforcement of the following rules:

- to deliver the goods to the customers according to their wants at the highest
- to serve to the customers on all phases of the transaction including the high level of service if dealing with claims etc.
- to perform the maximum effort to ensure the safety usage of goods and services including the impact on the environment
- to respect the dignity while offering and marketing the goods and services.
- To respect the cultural tradition in the home country of customers.

Employees.

We fully respect every employees and their interests. We are accountable for the enforcement of the following rules:

- To offer an employment and income improving their living conditions
- To ensure the working conditions harmless for the health and employees dignity,
- To be honest and open during the communication with employees the limitation could be the law or competitors,
- To respect and to administer the suggestions, requirements and complains of employees,
- To look for a consensus in the case of conflicts,
- To avoid the discriminating practise and to guarantee the same opportunity for all without any concern to gender, age, race or religion.
- To employ disabled persons where possible,
- To take care of the healthy and safety work,
- To encourage the employees and help them in developing the qualification and skills,
- To be sensitive to the serious problems of unemployment often caused by the firm decision, and cooperate with the government and other institution to sort them out.

Owners and investors.

We are sure that the trust of our investors must be rewarded. That is why we are responsible for meeting the following rules:

- To manage the company at the high professional level and in an active way so that we can gain the RIO for the stakeholders at the same or comparable level of the competitors,
- To enable the access to information for our owners (investors) but to keep in mind the limitation given by law and the competitors, to protect and reproduce the property of investors and owners.
- To take into account the requirements, suggestions, decisions and claims of owners(investors)

Suppliers

The relation between suppliers and sub-suppliers must be based on the mutual respect. We feel our responsibility for the following rules:

- To keep fair play rules in all activities as price and licence policy or sales,
- Do not use an intimidation and avoid the useless disputes,
- To keep the good relation with the suppliers delivering quality and reliable and competitive goods,
- To share the information with suppliers and involved them into the planning process,
- To pay in time for the deliveries,
- To look for and encourage and prefer the suppliers having respects to the dignity of their employees

Competitors

We thought the honest economical competition to be one of the presumption for the growth of the nationalities fortune and for the honest division of goods and services. We are responsible to meet the following rules.

- To assist the openness of good and services markets,
- To contribute such a competitive behaviour that is bringing a social and ecological profit and confirms the mutual respect among the competitors,
- To avoid looking for and take part on indecent behaviour keeping the competitive advantage,
- Respect the ownership rights including the intellectual ownership,
- To refuse getting the business information by not honest or not ethical means like industrial spy.

Environment

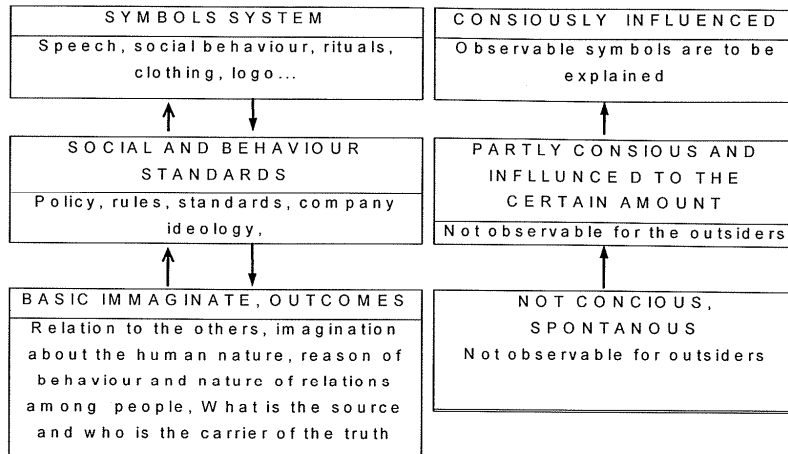
We believe that being a part of the global community we can assist the forces acting towards the reforms and human rights improvement in areas we are doing our business. Our responsibility is:

- To support the human rights and the democratic institution wherever it is possible,
- To honour the obligations of the government to the society as a whole and to support the policy helping the society development through the harmony relations between the business and other subjects.,
- To cooperate with the forces in the society taking care of the health, education and healthy working conditions and well being.
- To stimulate and to contribute the sustainable growth, to play a leading role in the protection and improvement of the environment and protecting the Earth sources,
- To contribute peace, security and variety in the social integration,
- To respect the integrity of the local cultures,

- To behave as good citizens and administer to charity collections, cultural and educational purposes to make the performance in the public life and citizens events for the employees possible

Pramen : Principles for Business, Caux Round Table, 1994.
(Překlad a úvodní slovo Marie Bohatá)

Company Culture and its Level. (E.H.Schein)



According to E.H. Schein the company culture consists of hierarchy levels:

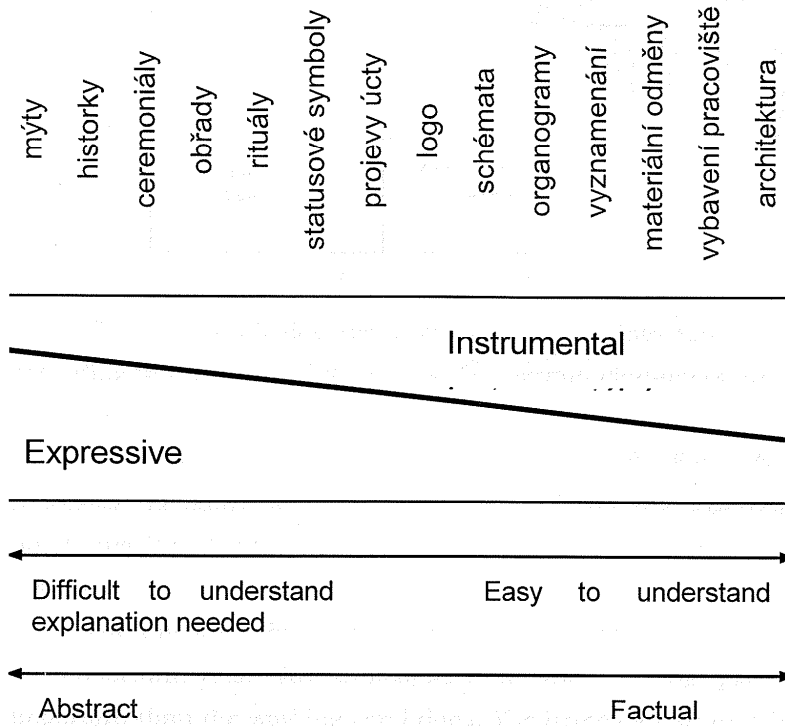
1. the basic life assumption, values and employees' attitudes and the rules for the working and social behaviour
2. symbols expressing the company goals and the basic principles of the company culture.

The given levels have got the subjective content. *The basic life assumption* depends on the age, work and life experience, professional skills, education and the family environment and inherited characteristics. The rules of the professional and social education emerge in a spontaneous way as informal social norms or in an intentional way and aimingly as the characteristics of the job position. Even if there are

definitions of the working places there is a room for individualisation or a subjective fulfilment.

Pramen: Schein, E. H. Coming to a New Awareness of Organizational Culture. In: Solan Management Review, 1989, č. 1.

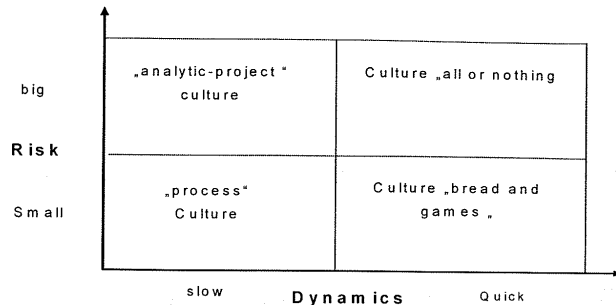
Symbols – means of the company culture.



Symbols can be listed according to the expressive or instrumental character.

Pramen: Bedrnová, E., Nový, J. Psychologie a sociologie v řízení firmy, Praha: Prospektrum, 1994, s. 35.

Typology of the company culture. (T.B.Deal, A.A.Kennedy)



This theory divides the company culture into four basic groups according to the risk and dynamics. The certain characters are appointed to each group.

The culture “ all or nothing” - individualism, dynamics of processes including falls and rising are characteristic. The relations are not formal the heroes are those who have achieved excellent working results.

The Culture “ bread and games” - team work and friendship play an important role. The atmosphere in the working place is more important than the working conditions. The heroes are those who are the greatest asset for the team.

The Analytic-project culture. - It is characterised by the stable rules and order. The decisions are made on the base of the analysis and the science rationality.

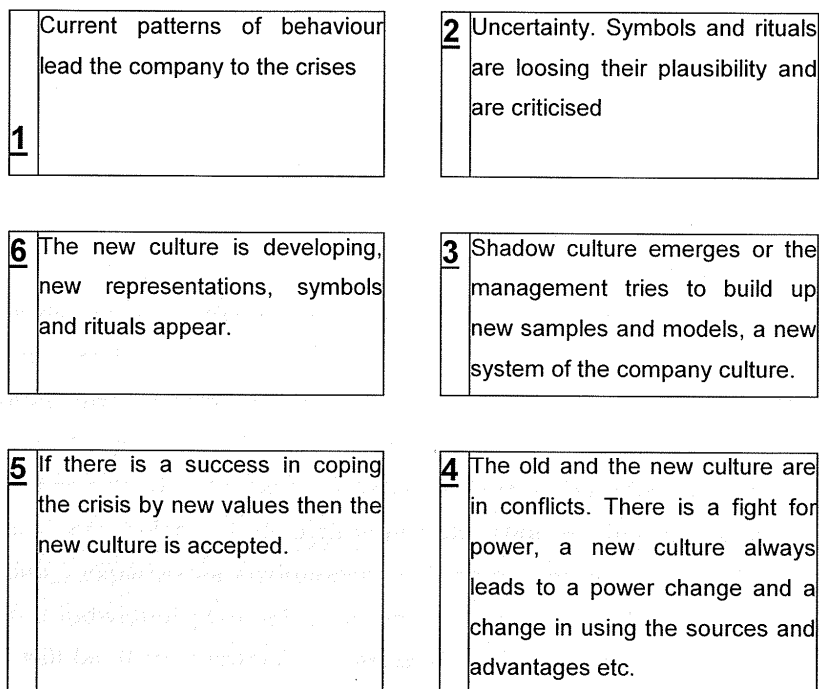
The Process culture. - The process is more important than the goal to which the activities are directed. The heroes are those who are working for the same firm precisely and long term.

1. Physiological needs (water, air, meals, shelter, rest etc. .)
2. Safety/security: out of danger
3. Belonginess and Love: affiliate with others, be accepted)
4. Esteem: to achieve, be competent, gain approval and recognition)
5. Self actualisation (education, using talent and skills etc. .)

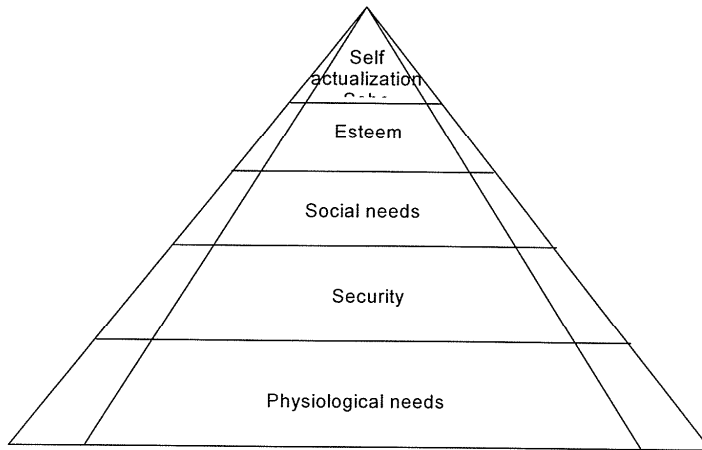
Pramen: Bedrnová, E., Nový, J. Psychologie a sociologie v řízení firmy, Praha: Prospektrum, 1994, s. 31.

Enclosure no 7

The cycle of the Company Culture - W.G. Dyer.



Pramen: Bedrnová, E., Nový, J. Psychologie a sociologie v řízení firmy, Praha: Prospektrum, 1994, s. 27.

Maslow 's hierarchy of needs.

Unless the lower level needs are satisfied at minimal level the higher level needs are not activated. There is a need to remember that only those needs not satisfied are motivators. The dimension of the pyramid are individual and determined by an individual characteristic while the character of a person and the shape the size of his/her motivation pyramid and his/her activities during the process of need satisfaction are determined by genes, psychology, and environmentally that is they a the result of education , experiences environment influences and accepted culture. The wider the individual pyramid is the more vulnerable and less satisfied the person will be. If the pyramid is reasonable wide and the first two levels are satisfied and the question "how much" becomes not important since money as a means for satisfaction of needs loses its motivation effect the other levels of the pyramid become the motivators.

Source:

Kratochvíl, O.: Management, EPI Kunovice 2004, ISBN 80-7314-050-0