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*Doing Fair and Responsible Business:*

## *The Concept of Business Ethics in Slovakia*

The term business ethics has its origin in the general term “ethics”; it means applying ethical axioms in the process of entrepreneurship. This paper introduces a part of the results from a complete study held in central Slovakia (Banská Bystrica region) in 2006. The aim of the research was an outlook survey of business subjects for business ethics standards and the compatibility of economics and ethics on the market.

### **THE CONCEPT OF BUSINESS ETHICS**

The common life of people requires behaviour in consonance with generally accepted rules. The observance of these rules in common life is referred to as morality. If we move the rules of general ethical principles to the commercial area, we talk about business ethics. Instead of definition, we want to illustrate the meaning of this term with the following title of Arnold S. LUKNIČ’s book: *Fourth Dimension of Entrepreneurship—Ethics*.

People often assume that ethics and economy do not go together and that the market is a place where ethical ideas are weaker than egoism, profit, contention, damage of environment, etc.

An ethical code as “a means for implementation of morality” in the commercial sphere may be styled as a code of professional responsibility, which may dispense with difficult issues of what kind of behaviour can be considered ethical. In the context of an organisation, a code of ethics is often a formal statement of the organisation’s values on certain ethical and social issues.

Some of them set general principles about the organisation’s beliefs on matters such as quality, employees or the environment. Other set the procedures to be used in specific ethical situations, such as conflicts of interest or the acceptance of gifts, and delineate the procedures to determine whether a violation of the code of ethics occurred and, if so, what remedies should be imposed.

The effectiveness of such codes of eth-

ics depends on the extent to which the management supports them with sanctions and rewards. Such ethical codes are distinct from moral codes that may apply to the culture, education, and religion of a whole society.

To confirm or disprove the stated assertions it is necessary to make a relevant study: to collect and analyse the opinions of people working in the commercial sphere.

### **THE RESEARCH: OBJECTIVES AND METHODOLOGY**

The objective of the study was to make a survey of entrepreneurial subjects’ attitudes towards business ethics, ethical standards, compatibility of economics and ethics, and the effectiveness of codes of ethics. Research focused on the code of ethics because it is one of the tools for the institutionalisation of ethical principles in practice.

The study was carried out using questionnaires as a basic form of information collecting. Questioning took place throughout March 2006. Four hundred people from the Banská Bystrica region in central Slovakia were asked personally to fill in the questionnaires.

The anonymous questionnaire contained twelve questions aimed at ethical issues in entrepreneurship and three questions aimed at the identification of respondents (sex, type of enterprise, number of employees). Respondents could answer questions using a 5-degree evaluation scale or by selecting an answer in multiple choice. Gathered information was processed using standard software packets.

### **SELECTED RESULTS OF THE RESEARCH**

Three hundred seventy-two respondents filled in and returned the questionnaire, i.e. 93 percent of the total of 400 people approached. The legal identities of surveyed subjects were the following: physical persons (14%); limited liability companies (46%); joint stock company

(31%); cooperatives (3%); other forms 6 %.

One hundred percent of the respondents claimed they were aware of the term “code of ethics.” A code of ethics had been implemented in 39 percent of them already. This percentage concerns mainly the limited liability companies and joint stock companies.

The more employees a company has, the higher the assumed chance that problems occur. More than 87 percent of the respondents had experienced ethical problems already. Most of those who had not experienced any problems of this kind were physical persons. Almost all were men and 69 percent did not employ any employees.

Most of the respondents deemed that business in Slovakia is ethical. In addition, most of the respondents agreed with the assertion that the code of ethics elaboration in most of the Slovak companies would lead to the improvement of the entrepreneurial environment. A striking majority—91 percent—recommended elaborating the code of ethics as an internal guideline.

A full 99 percent of respondents agreed with the assertion that the chief example of ethical (moral) behaviour in a company should be the top management. Furthermore, nearly 100 percent of the surveyed subjects claimed that every employee has an influence on the moral behaviour of the company as a whole.

Some 90 percent of respondents deemed ethical behaviour a strong supporting means for the long-term prosperity of a firm. Considering this, we could deduce that concern for moral values, together with responsibility for legal action, is becoming perceived as a factor creating a firm’s identity.

Research showed that respondents consider as the most immoral the following issues: corruption, abuse of confidential information, stealing of company property and violation of job discipline.

It is interesting that physical persons, who in most cases did not have employ-



ees, had a negative attitude towards the elaboration and application of the code of ethics.

## **MORAL VALUES IN DOING BUSINESS**

Beginning with ARISTOTLE and later on including other philosophers, theologians and economists, people have been intensely concerned with the relation between morality and economy. The opinions of ARISTOTLE are influencing ethics even today.

Business ethics do not have a long tradition in the Slovak Republic, if we disregard the short period in the first half of the XX<sup>th</sup> century. It was the change of the political climate and economic circumstances after 1989 that opened up the space for development of business ethics.

Receiving foreign experiences was an important factor too. It was primarily large international corporations which opened affiliated companies in Slovakia, that brought elaborated ethical rules (like the code of ethics) to practice. Furthermore, there were affiliated branches of banks, insurance companies and other service-oriented firms—institutions having direct contact with clients—which also contributed to this process.

A basic idea which business ethics brought to economic activities is: profit should not be only the object of entrepreneurship, but also a means for a better quality of life. Business ethics should help to distinguish what is positive and negative, moral and immoral, what is responsibility, respectability, fairness, confidence or justice.

All the respondents of our research had already encountered the term “code of ethics” previously. It is a stimulating factor for the further development of business ethics in Slovakia, especially in view of the fact that there was not nearly the same extent of familiarity with this concept ten years ago. The same goes for the fact that almost 40

percent of the respondents had elaborated their own code of ethics.

The transfer of information between Slovakia and the international scene, common European market, globalisation and unification of business conditions on national and international markets coming from interdependency are accelerating and enlarging the adaptation of business ethics. These phenomena brought also problems, as every human activity does, but this is another topic.

The implementation of the code of ethics and consecutive control plays an important role in the process of ethics institutionalisation in the structures of enterprise management. Rules observance of business ethics is voluntary as it assumes respect for the basic moral axioms of society.

There are economic and non-economic factors that influence the “voluntarism” of respecting moral axioms. Within non-economic factors, we could identify the values orientation of the individual, corporate culture, moral principles of society, etc. The main economic factors are the global material welfare of society and material welfare of the individual.

The influence of total material welfare significantly affects the interest of society in business ethics. We assumed that the higher the level of material welfare, the higher the interest of society and individuals in moral issues in entrepreneurship. This hypothesis was partly proved by the research.

### **Suggested Reading**

KLOPFER M. *Etika podnikania* (Business ethics). Bratislava, 1995.

LUKNIČ A.S. *Štvrtý rozmer podnikania—etika* (Fourth Dimension of Entrepreneurship—Ethics). Bratislava, 1994. [http://en.wikipedia.org/wiki/Ethical\\_code](http://en.wikipedia.org/wiki/Ethical_code)

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