



**MASARYK UNIVERSITY  
FACULTY OF ECONOMICS  
AND ADMINISTRATION**

## **Business Ethics in Subsidiaries of Multinational Companies in the Czech Republic**

**doc. Ing. Petr Pirožek, Ph.D.**

**Ing. Alena Šafrová Drášilová**

## Ethics

- hot topic in CEE countries
  - public, private, business life
- business ethics (not only) in the Czech Republic
  - becomes increasingly important
  - interconnects public and private sector
  - unethical aspects of the transformation process
  - growth of direct foreign investments
  - increasing number of countries involved in the international trade
  - looking for global ethic rules

## Specifics of the Czech environment

- small, very open economics
- part of the European Union
- historical impacts of the totalitarian regime
- moral hazards of the transformation
- initial shortcomings of the system itself



## Multinational companies and ethics

- mediate involvement of the country in the international structures
- contribute to the culture and business ethics in the country
- application of the international business ethical rules
- inadequate exploration of possible negative impacts influencing local interest groups
- requirements



## Research

- Research Centre for Competitiveness of Czech Economy
- sample
  - subsidiaries of multinational companies in the CZ
  - full or partial share of foreign capital
  - number of employees exceeding 50
  - turnover over 30 million crowns (approximately EUR 1.2 million)
  - form of a joint stock company or limited company
- whole target population was approached (2509)
- answered 403 companies, 68 excluded, 335 processed (13,35 %)

## Topics of the research

- access to Czech market
- organizational structure
- centralization and decentralization
- knowledge and innovations
- ethics and culture
- strategies

## Questionnaire

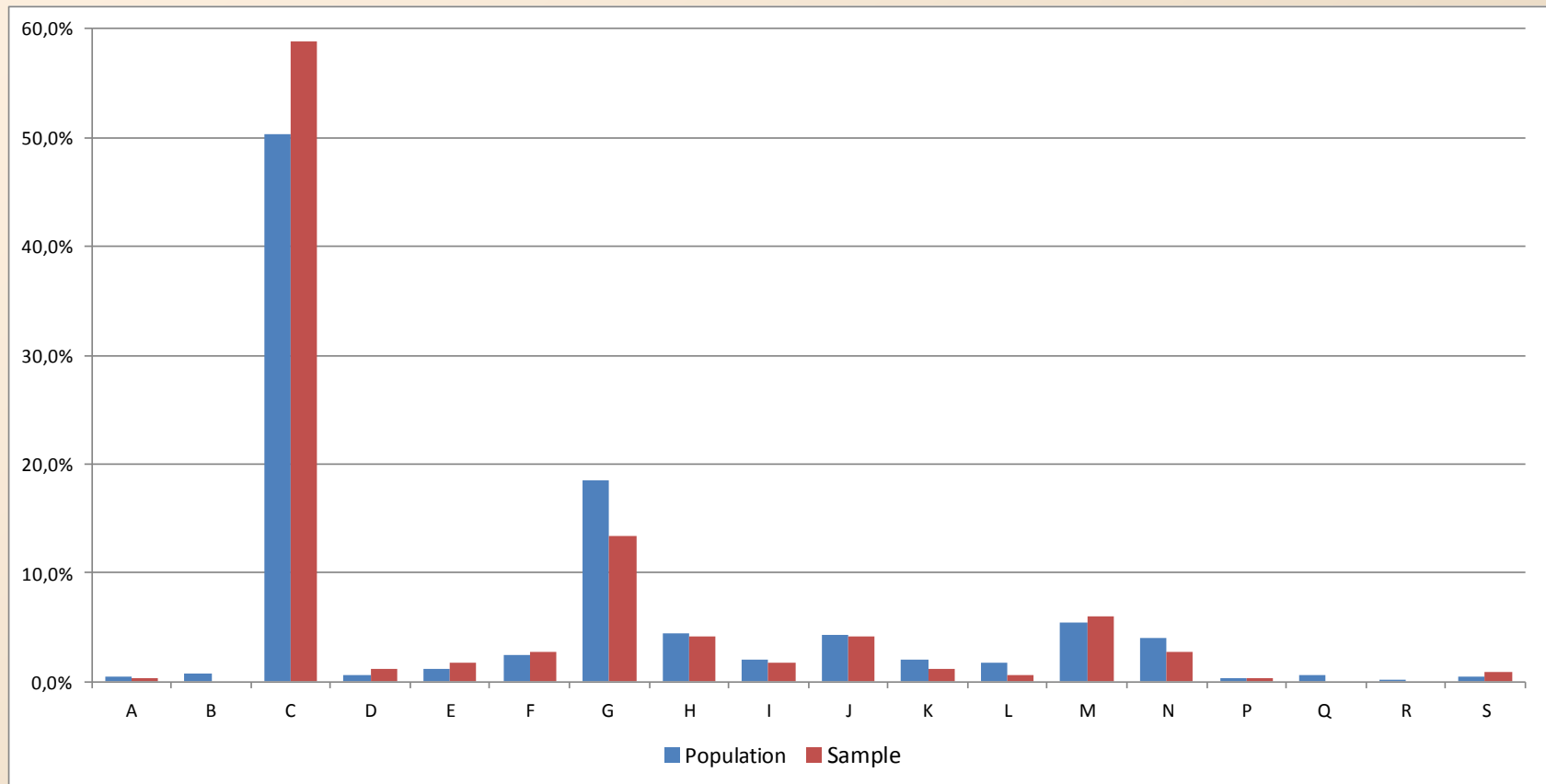
- open, semi/open and closed questions
- direct postal and telephone contact
- distribution online
- telephone reminders
- translations to English, German and Russian

## Verification

- 10 MNC subsidiaries
- controlled interview with senior manager
- processing internal materials

## Sample

■ 13.35 % of the population introduced





## Processing

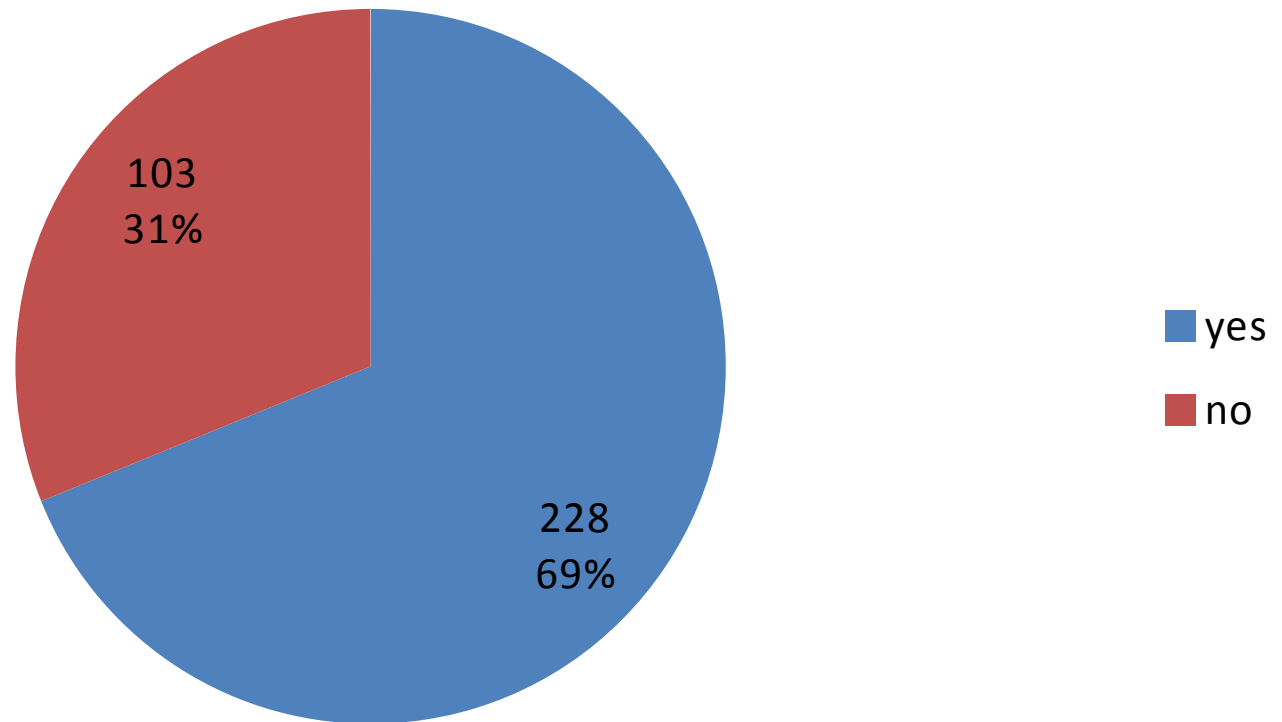
- checking data
- coding
- univariate analysis (mean, median, standard deviation)
- bi-variation analysis (frequency, degree of central tendencies)



# Results



## Code of ethics existence



## Code of ethics existence – industry sector

- M – professional, scientific and technical activities (95 %)
- G – wholesale and retail, repairs and maintenance of motor vehicles (75 %)
- C – processing industry (61 %)
- F – civil engineering (55 %)

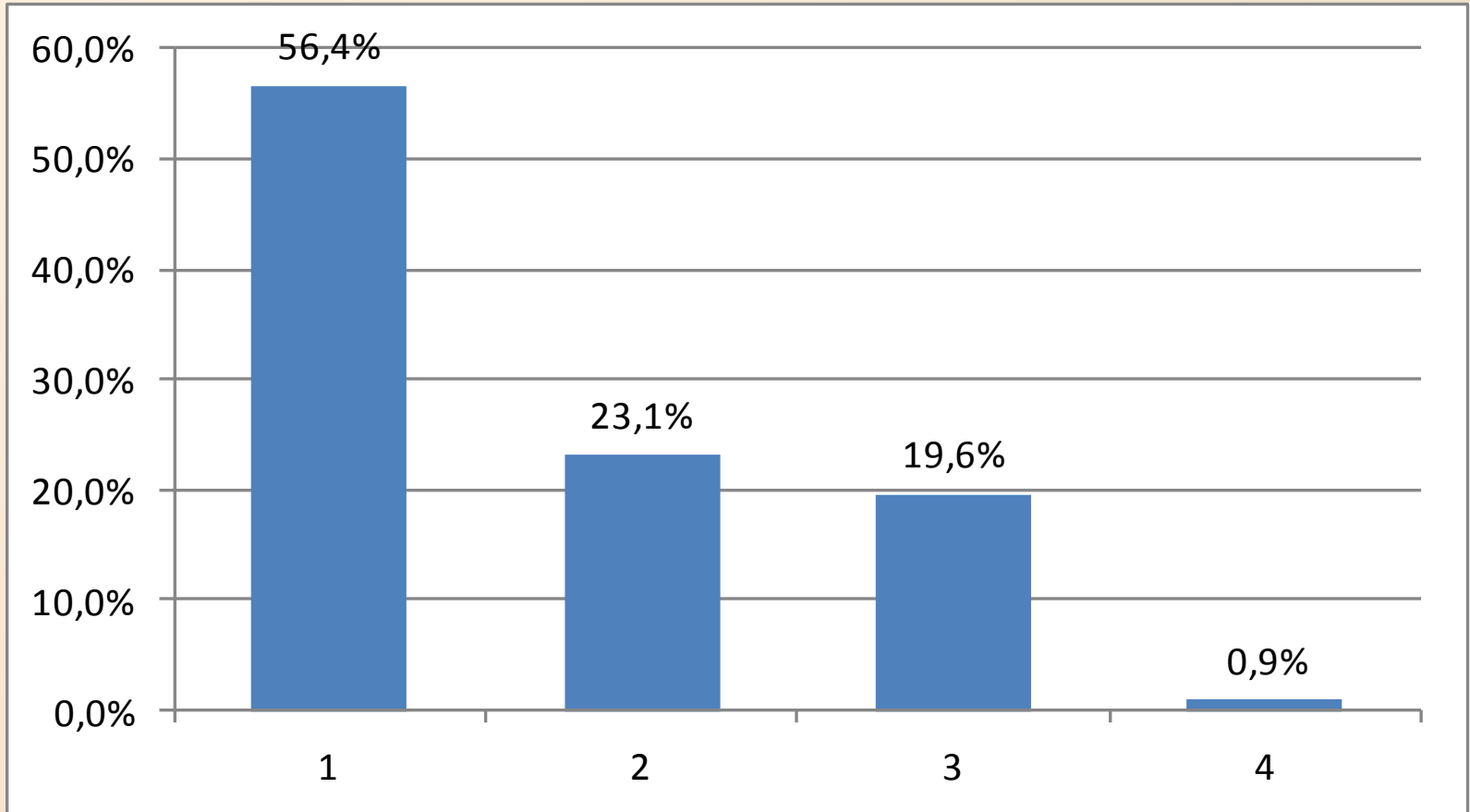
## Code of ethics existence – number of employees

- more than 250 employees (77 %)
- 100–249 employees (65 %)
- 50–99 employees (60 %)

## Code of ethics existence – implementation

- 1) existing code of head office (56.4 %)
- 2) addapted head office code (23.1 %)
- 3) processed localy (19.6 %)
- 4) others (0.9 %)

## Code of ethics existence – implementation





## Culture and code of ethics

- determination of dominant culture
  - how to ask for that?
  - what do we want to know?
  - domicile?
  - domestic country of the head office?
- connection between dominant culture and code of ethics

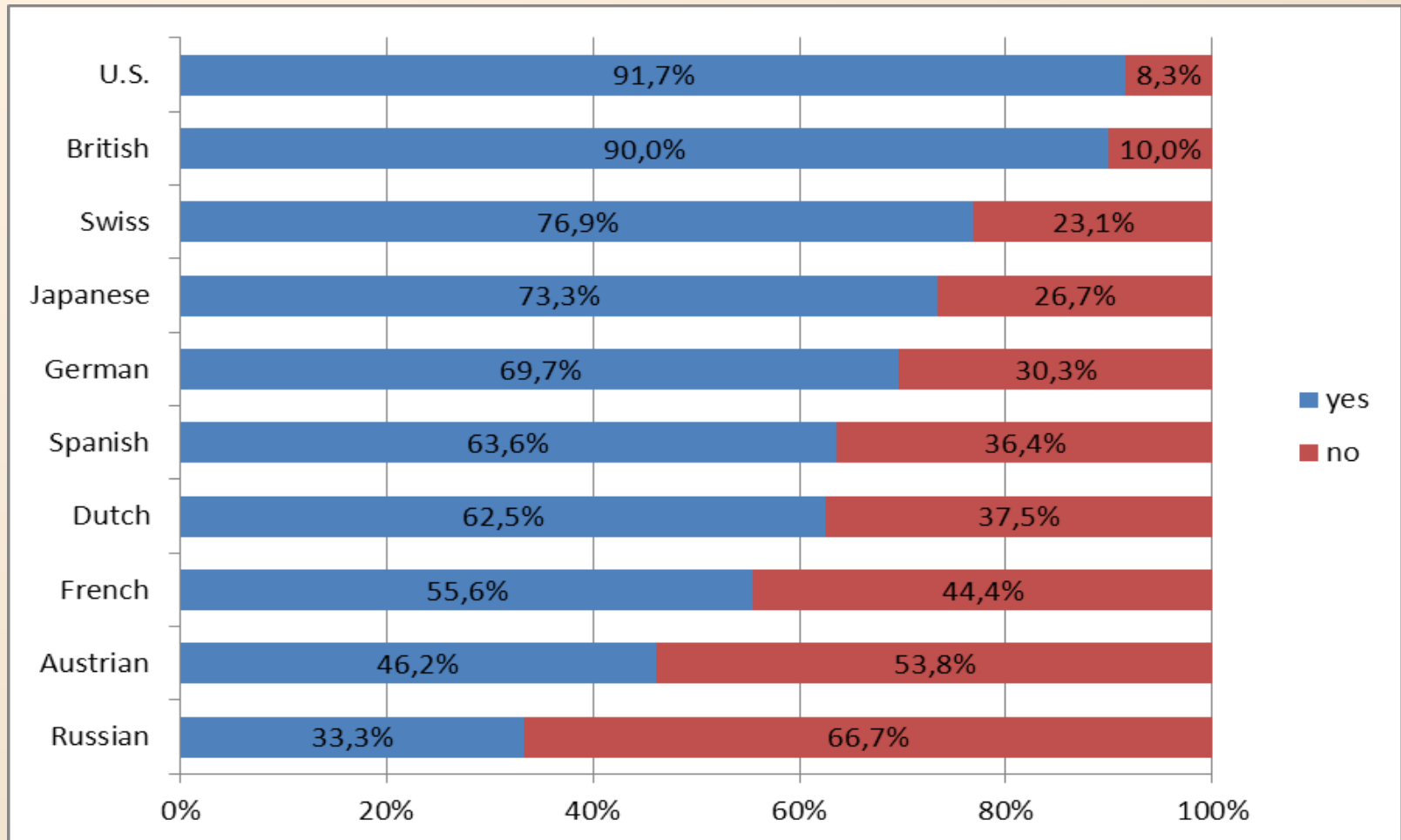


## Structure of the sample

<b>Culture</b>	<b>Number of respondents</b>
German	122
U.S.	36
Austrian	26
British	20
Dutch	16
Japanese	15
Swiss	13
Spanish	11
French	9
Russian	3
<b>Total</b>	<b>271</b>



## Implementation of the code of ethics



## Financial performance and code of ethics

- financial performance based on ROA
- differences are not significant, but
  - A (the best) – 75 %
  - B (average) – 70 %
  - C (low) – 63 %

## Conclusions

- ethic code is significantly represented in the subsidiaries of MNCs
- strong connection of code of ethics with headquarters
- publicized ethical problems connected to the industry, where the implementation of code of ethics is lower – civil engineering
- positive phenomenon of the implementation of business ethics through code of ethics
- positive relation between code of ethics and financial performance



## Future of the research

- looking for relations between separated segments of the research
- causalities and specifics of the ethical business behaviour on the post-transformation markets
- comparison with local companies
- impact of the code of ethics on the business ethics in the company – „first but not last step“





**Thank you for your attention!**

