



## **Master Thesis**

# **Employee ethics in a selected international company**

*Study programme:* N0413A050030 International Management

*Author:* **Bc. Tereza Kalíková**

*Thesis Supervisors:* Ing. Jitka Vávrová, Ph.D.  
Department of Marketing and Trade

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## Master Thesis Assignment Form

### Employee ethics in a selected international company

*Name and surname:* **Bc. Tereza Kalíková**  
*Identification number:* E22000432  
*Study programme:* N0413A050030 International Management  
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#### Rules for Elaboration:

1. Determination of the aim of the thesis – The aim of this thesis is to evaluate the state of employee ethics and the degree of compliance with the code of ethics in the selected company, and in case of identified shortcomings, to propose measures that would lead to improvement of the application of ethical management in the company.
2. Theoretical bases – business ethics, employee ethics, code of ethics, employee ethics management, business culture.
3. Analysis of the business culture, employee ethics management and the degree of compliance with the code of ethics.
4. Proposal of measures and recommendations.
5. Formulation of conclusions.

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- LEIGH, Andrew, 2013. *Ethical leadership: Creating and sustaining and ethical business culture*. London: Kogan Page Limited. ISBN 9780749469573.
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- TREVIÑO, Linda K. and Katherine A. NELSON, 2021. *Managing Business Ethics: Straight talk about how to do it right*. 8<sup>th</sup> ed. Hoboken, New Jersey: John Wiley & Sons. ISBN 9781119711018.
- WEISS, Joseph W., 2014. *Business ethics: A Stakeholder and Issues Management Approach*. 6<sup>th</sup> ed. San Francisco: Berrett-Koehler Publishers. ISBN 978-1-62656-141-0.
- JAMNIK, Anton, 2017. *The challenges of business ethics: the basic principles of business ethics – ethical codex in business*. online. University of Ljubljana, European Academy of Science and Arts in Salzburg, vol. 3, no. 3, s. 85-100. ISSN 18498795. Available from: <https://www.proquest.com/docview/2671735395/18E5CC6ABDB483DPQ/5?accountid=17116>
- JONDLE, Douglas; Alexandre ARDICHVILI and James MITCHELL, 2014. *Modeling Ethical Business Culture: Development of the Ethical Business Culture Survey and its use to Validate the Cebes Model of Ethical Business Culture*. online. JBE: Journal of Business Ethics, vol. 119, no. 1, s. 29-34. ISSN 01674544. Available from: <https://www.proquest.com/docview/1476255442/4D7C659C2E2349C7PQ/1?accountid=17116>

Thesis Supervisors: Ing. Jitka Vávrová, Ph.D.  
Department of Marketing and Trade

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doc. Ing. Aleš Kocourek, Ph.D.  
Dean

L.S.

doc. Ing. Kateřina Maršíková, Ph.D.  
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# **Zaměstnanecká etika ve vybrané mezinárodní společnosti**

## **Anotace**

Tato diplomová práce se zabývá zaměstnaneckou etikou ve vybrané mezinárodní společnosti. Pro přiblížení zkoumaného tématu jsou v teoretické části práce vysvětlena, s důrazem na zaměstnaneckou etiku, teoretická východiska pojmů, jako jsou podnikatelská etika, etické problémy, etická kultura, etické řízení a manažerská etika. Cílem práce je zhodnotit vnímání etické kultury, stav zaměstnanecké etiky a míru dodržování etického kodexu ve vybrané společnosti a v případě zjištěných nedostatků navrhnout opatření, která by vedla ke zlepšení uplatňování etického řízení ve společnosti. Výzkum je proveden prostřednictvím anonymního dotazníkového šetření v elektronické podobě a rozhovoru. Výsledky výzkumu etiky zaměstnanců a etické kultury ve vybrané mezinárodní společnosti jsou uvedeny a analyzovány v praktické části této práce a v závěru práce jsou výsledky shrnuty a vyhodnoceny.

## **Klíčová slova**

Compliance, etická kultura, etický kodex, management, manažer, mezinárodní, podnikatelská etika, řízení zaměstnanecké etiky, vedení, whistleblowing, zaměstnanec, zaměstnanecká etika

# **Employee ethics in a selected international company**

## **Annotation**

This master thesis deals with employee ethics in a selected international company. To better understand the researched topic, the theoretical part of the thesis explains, with emphasis on employee ethics, the theoretical background of concepts such as business ethics, ethical issues, ethical culture, ethical management, and managerial ethics. This thesis aims to evaluate the perception of ethical culture, the state of employee ethics, and the degree of compliance with the code of ethics in the selected company, and in case of identified shortcomings, to propose measures that would lead to improvement of the application of ethical management in the company. The analytical research is carried out through an anonymous questionnaire survey in electronic form and an interview. The research results on employee ethics and ethical culture in the selected international company are presented and analyzed in the practical part of this thesis and at the end of the thesis, the results are summarized and evaluated.

## **Key Words**

Business ethics, code of ethics, compliance, employee, employee ethics, employee ethics management, ethical culture, international, leadership, management, manager, whistleblowing

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## List of Abbreviations and Symbols

CSR	Corporate Social Responsibility
ETI	Ethical Trading Initiative
GDPR	General Data Protection Regulations
HQ	Headquarters
HR	Human Resources
ILO	International Labour Organization
ISO	The International Organization for Standardization
MNCs	Multinational Corporation
NGOs	Non-Governmental Organizations
OSH	Occupational Health and Safety

## Introduction

As the globalized world is changing at a fast pace, the importance of business ethics has been rising in recent years. Just as new issues and trends arise daily, there is a need for proper ethical management to avoid potential misleading practices or scandals. Business ethics introduces moral standards and practices that companies implement to guide the organization's processes based on principles and values such as respect, trust, fairness, responsibility, and freedom (Studysmarter.co 2024).

This thesis focuses on employee ethics as a significant area of business ethics that influences employees' well-being and the company's prosperity. However, it is also an area to which more attention and effort should be dedicated.

This thesis examines the management and employee perceptions of employee ethics in a selected international company, Drylock Technologies s.r.o., which operates under the Drylock Technologies group, which is based in Belgium.

The thesis is divided into five main parts. The first two are devoted to the theoretical background, and the third analytical part is devoted to evaluating employee ethics. The first part of the thesis is dedicated to the theory of business ethics and presents essential ethical practices, ethical responsibility based on CSR, benefits of business ethics implementation and employee ethics importance, and further the ethical issues related to employee ethics and the theory of ethical culture. The second part explains the theoretical background of ethical management in an international environment, emphasizing tools of ethical management and managerial ethics, the importance of being an ethical manager, the ethical issues of managers, and the manager's procedures. The third practical part examines the objective and methodology of the research. The fourth analytical part describes the selected international company, evaluates the research carried out, and analyzes employee ethics in the selected company. The last, fifth part, is the proposal part, in which the shortcomings are identified, and solutions in the form of recommendations and measures are proposed within an action plan, which presents the main contribution of the thesis.

# 1 Theory of Business Ethics

According to Weiss (2014) approaching business issues with a moral frame can impact solutions and outcomes. However, sometimes there is no proper solution or many of them at one's disposal. Ethical management is used in businesses to provide a structured and systematic decision-making process to ensure the right values and principles are followed.

Melé (2019) argues that sense of morality should be crucial for each business and business actor. Some may say "business is business". Others may say ethics are diminished to subjective values and considered entirely separated from business operations. Moreover, in the past centuries, businesses were associated with amorality and purely the economic field. However, morality has been carried historically in many businesses, built with strong ethical principles. For example, Johnson & Johnson developed and launched its ideology in 1942 as a statement of ethical values and principles for the business conduct of this company. Nevertheless, it was in the 1970s when business ethics started to be considered a strong action. Consequently, many universities and schools have been including business ethics as an academic discipline. Multiple companies have included ethical principles and business ethics policies in their business operations. With the beginning of the 21st century, the pressure for business ethics increased, mainly due to the financial crisis of 2008, its consequences, and the following scandal that came to light in 2012 presented by the manipulation scheme of the London Interbank offered rate.

## 1.1 The implementation of Business Ethics

Melé (2019) states that in recent years, many business people have enhanced the importance of ethical behavior to foster trust, responsibility, and integrity, and promote a good reputation. However, it is debatable whether companies apply business ethics due to external pressures and they only present themselves as ethical businesses from the outside, but in reality, take a small amount of action to ensure ethical behavior within the inside of the company in the short but also the long run. However, HR managers such as Chitra Pandey (2023) agree the reasons to promote

business ethics to be beneficial to prevent legal and financial risk, create a positive and productive workplace environment, and to guide employee's behavior, decision-making and interactions with stakeholders.

Business ethics are implemented differently in different businesses. On one hand, some businesses practice ethics by applying a policy such as code of ethics. On the other hand, some businesses set a value statement or obligation framework to promote ethical practices (Studysmarter.co 2024). According to Studysmarter.co (2024) in terms of theory, there can be identified six impactful principles of business ethics, which should be adhered to by ethical companies:

1. **Accountability and responsibility** are crucial for business actions and practices to avoid unethical behavior and poor decision-making.
2. **Care and respect** between business owners, employees and customers is crucial for developing an ethical business environment emphasizing a safe working space for the employees and respectful interconnection between all stakeholders.
3. **Healthy competition** helps to promote employee growth and can help to reduce conflicts among employees.
4. **Honesty, information transparency, and information truthfulness** are critical principles for ethical business practices. Transparent and honest communication between owners or managers and their employees is much required. In addition, positive and negative information must be distributed between stakeholders clearly and truthfully.
5. **Respect for the rule of law** is essential for companies' ethical behavior as any contempt of law is considered unethical. Obedience of corporate law, rules, norms, and standards guiding business operations is necessary for enhancing corporate stability and stakeholder relations.
6. Finally, there is a principle of **loyalty and respect for commitments**. Employees are to ensure the achievement of the business vision and mission and to promote the company's good name. On the other hand, businesses are to fulfil agreements and obligations towards their employees and stakeholders.



### **1.1.1 Ethical Practices**

Ethical business practices should be promoted and incorporated into everyday operations and practices through official statements and policies. These ethical documents shape how the company behaves towards employees, customers, investors, shareholders, public, media and the environment. (Online.Marquette 2023)

#### **Employee and Community Empowerment**

As Studysmarter.co (2024) states, business ethics involve practices such as employee and community empowerment, as it is necessary to care for the well-being of employees and the well-being of the community. To be respected by the community as a business, it is essential to provide employees with strong ethical leadership and acknowledging their efforts with rewards, for instance programs and activities such as skill teaching, regular trainings, open days to showcase the company's features or environmental clean-up.

#### **Environmental Responsibility**

According to Online.Marquette (2023) environmental clean-up is one of the many ways to promote environmental responsibility as a part of companies' ethical practices. To embrace environmental consciousness, businesses implement ethical and environmentally sustainable practices by using recycled materials, promoting remote work (reducing energy and oil consumption for far-living employees), enhancing local biodiversity (implementing bees or creating flower meadows), or implementing responsible waste management.

#### **Diversity, equity, and inclusion in the workplace**

As inequalities are naturally present in many companies, another ethical business practice is presented by embracing practices of diversity, equity, and inclusion in the workplace (Online.Marquette 2023). These are valuable practices since embracing them can help companies with more open communication (which affects better decision-making and planning), creativity and innovation, foster trust between employees and managers, or increase their employee's performance and potential (Herrity 2023).

## **Data protection**

According to Online.Marquette (2023) another ethical practice for companies should be treating employee private data and keeping them protected and secure. This applies also to ethical practices in prioritizing customer needs and protecting their data. Gaining trust and loyalty in employee and customer relationships is one of each company's key goals, while trust and loyalty can be ensured by fair and confidential employee care and customer service and ethical business practices (Studystarter.co 2024). According to a study done by OpenText (2021) *"Nine in ten global consumers want to buy products sourced in a responsible and sustainable way and 83% would pay more for goods that are ethically produced"*.

## **Business values**

In addition, lbe.org (2024) states that for a successful commitment to business ethics, addressing the values to set a business ethics policy is first necessary. No matter the size, field, or degree of commitment to ethics, the promoted business's values ground the ethical policy and the framework of the organization's ethical culture.

### **1.1.2 Ethical Responsibility Based on CSR**

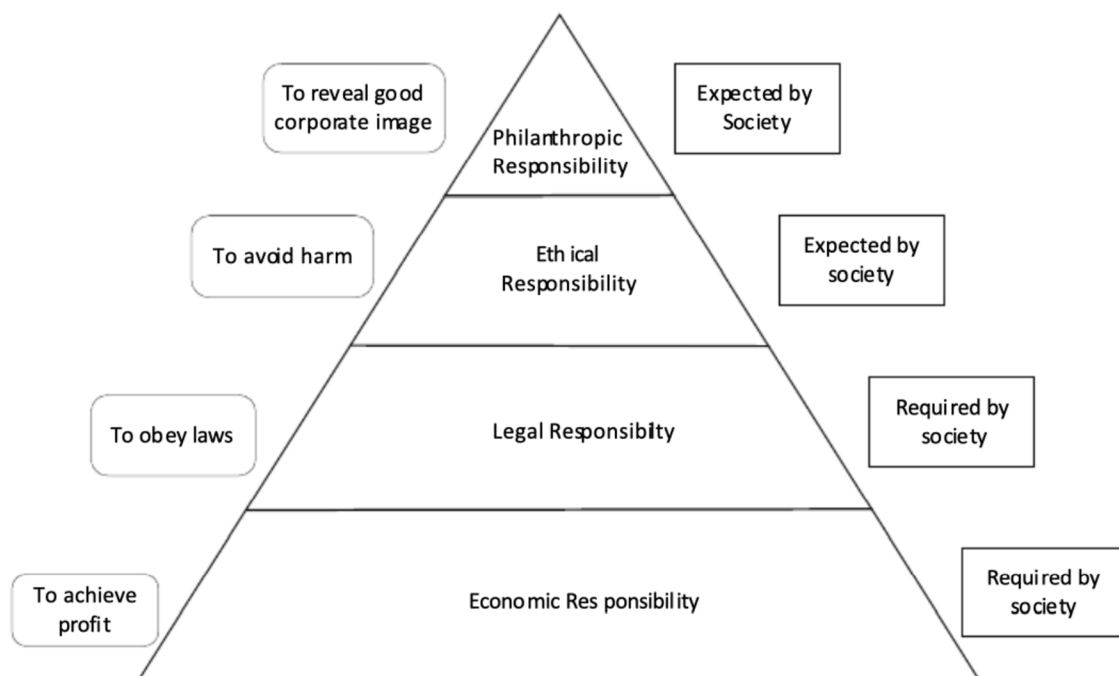
To promote and successfully practice ethics in businesses, it is crucial to behave in agreement with CSR obligations. According to Brin and Nehme (2019), CSR is a business concept that reflects responsibility towards society. Brin and Nehme (2019) state 3 concepts originating in CSR: Carroll CSR Pyramid, triple bottom line, and stakeholder theory.

#### **Carroll's CSR Pyramid**

Brin and Nehme (2019) states that Carroll's Pyramid of CSR, created by Archie Carroll, is a theory that describes four obligations of business responsibilities toward society.

Firstly, as Brin and Nehme (2019) states, there is an economic responsibility at the bottom of the pyramid, as an obligation to be profitable is required for business survival, to reward investors, owners, and employees, moreover, to ensure business

growth by reinvesting the profits back to the business to promote business operations, marketing, long-term financial and stakeholder strategies. The second level of the pyramid is a legal responsibility, as responsible companies act by laws and regulations, and a fair business positively affects the economy and society. This can be challenging for MNCs as different countries have contradictory legal frameworks. Thirdly, companies have an ethical responsibility to act in a good and fair way, not only to meet the law requirements but also to meet society's expectations. Finally, there is a philanthropic responsibility at the top level of the pyramid. It is a voluntary act to reveal a good image of the company by giving the community some satisfaction, for example, by sponsoring sports or events and making employees volunteer in donations. In conclusion, Carroll's CSR Pyramid starts with the first level of economic objectives, which are crucial for the sustainability and profitability of the company. After fulfilling this obligation, the company can successfully commit to regional and international laws and regulations. After that, there is a space to practice and commit to ethical standards. If all the tree levels are sustainable, it is possible to achieve the fourth level and contribute to the expectations of society and the environment.



*Figure 1: Carroll's CSR Pyramid*

Source: (Brin and Nehme 2019)

## **The Triple Bottom Line Theory**

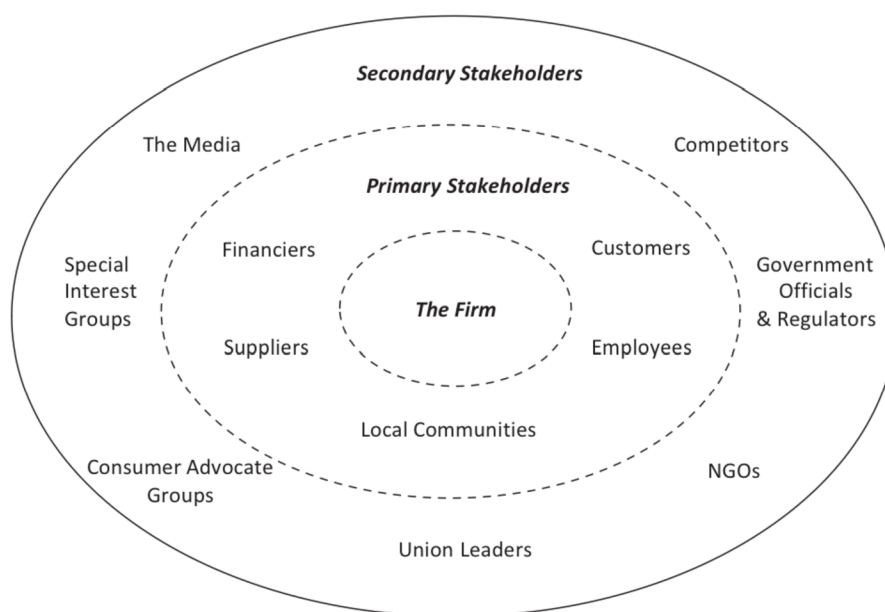
As Brin and Nehme (2019) states, The Triple Bottom Line Theory was created by John Elkington and represents a CSR sustainability framework with three dimensions of performance: economic (profit), social (people), and environmental (planet). All the mentioned dimensions must be practiced sustainably to achieve continuous profits (not only short-term high profits) and long-term social and environmental practices. In terms of economic dimension, long-term continuous profit is the key to business sustainability and can be ensured by an appropriately set strategic and financial plan, forecasting business climate factors (industry trends, competition, product mix, market share and other factors), avoiding risks and evaluating market benchmark to see how the business stands in comparison to competitors. Secondly, in terms of the social dimension, as Miller (2020) states, there is a need to commit to people and society and focus on stakeholders impacted by their activities. This can be ensured by fair hiring practices, treating stakeholders fairly and respectfully, and encouraging a well-perceived work environment. Finally, in terms of the environmental dimension, it is essential for a company to influence the planet and the living and working environment positively. Since industrial revolution, companies have had a significant influence on the environment in terms of higher levels of CO<sub>2</sub> emissions and pollution; adjustments like eco-friendly shipping practices, cutting down energy consumption, or using renewable energy or ethically sourced materials can make a huge difference not only for the society today but also for the next generations.

## **Stakeholder theory**

According to Brin and Nehme (2019), the stakeholder theory is based on CSR theory and states that the interests of different stakeholders must be respected and protected in CSR strategies to achieve the company's objectives. The theory describes the company's character and recognizes the connection between stakeholder management and CSR. In terms of incorporating stakeholder theory into business operations, it is advised to directors and leadership of organizations to be more responsive to the interests and needs of society and let stakeholders participate (under-representation of one stakeholder from each group of

stakeholders) in the company's board of directors, so strategies and stakeholder's goals would be agreed on.

According to Freeman et al. (2018) stakeholders are affected by the activities of the company and can affect the activities and achievements of the company's objectives. Companies within business operations deal with several stakeholders, primarily suppliers, employees, customers, investors, marketing consultants, stockholders, and insurance companies, and secondary with competitors, the government, or the media.



*Figure 2: Stakeholder map*

Source: (Freeman et al. 2018)

Freeman et al. (2018) argue that in the case of employees, which usually represent the biggest part of stakeholder engagement, and whose are critical in creating value as they pose an economic power for the company. Employees, as a crucial part of stakeholder theory and the most valuable asset of companies, pose economic power, especially when there is a lack of workers in the area. When the company needs them as workers' skills and experience are highly differentiated. When the company searches for concrete skills, when the competitors are strongly pursuing valuable employees and finally when it is expensive or difficult for the company to train their employees on requested skills. Stakeholder management is associated with business ethics and companies' environmental and social impact. Therefore,

the stakeholder theory is used to build an ethical business culture and stakeholder management strategy to set a sustainable business culture that benefits stakeholders and the company in the long run.

In conclusion, CSR activities and ethical behavior are crucial to building trust in stakeholder relationships and encouraging better cooperation and company performance, as stakeholder relations are essential to the company's success (Brin and Nehme 2019).

### **1.1.3 The Benefits of Business Ethics Implementation**

Business ethics implementation, as Studysmarter.co (2024) states, has many benefits, from guidance in business operations, keeping the business operations under law, mitigating risks, creating a motivating environment, building and maintaining trust with stakeholders and improving a well-perceived image of the company to gaining competitive advantage by behaving based on set ethical principles.

#### **Business growth**

According to Melé (2019) the company's approach to business ethics and the implementation and commitment to business ethics practices in all company departments are essential for building a well-perceived brand and promoting business growth and success of the company. Companies engage in business ethics to enhance business operations as well as the relationship with stakeholders.

#### **Positive public appearance and attraction of stakeholders**

According to Studysmarter.co (2024) an active commitment to business ethics helps to promote a positive public appearance, corporate reputation and company respectability. These factors are crucial for building credibility and ensuring competitive advantage through ethical attraction of customers, talents and potential employees, potential investors and the security of current investors. Melé (2019) argues that business ethics can be used to enhance and maintain the company's image and respectability but also to restore image. In this case, it is expected

to establish and implement ethical programs emphasizing compliance involving a code of ethics, employee training and consultations or ethics reinforcement involving ethical committees and sanctions.

### **Risks avoidance**

Another reason a company engages in business ethics according to Melé (2019) can be to avoid risks. Companies that do not accept responsibility for their power and actions may lose it. Unethical behavior and misbehavior are often illegal and in conflict with the law and consequently imply risks in the form of fines and penalties. There is also a risk of losing the trust of investors, employees, the public and the government as the demand for transparency, especially when it comes to large corporations, has increased in recent decades. Lastly, there is also a risk of losing employees' trust and loyalty, therefore business ethics implementation can lead to mitigating employee turnover risk.

#### **1.1.4 Employee Ethics Importance**

Employee ethics impacts the success of the company as ethical behavior and decision-making influences and shapes multiple factors.

### **Motivation and morality**

Firstly, motivation and morality as according to Studysmarter.co (2024) business ethics has a significant impact on employees' morality and motivation, which helps to promote excellent employee wellbeing and lay the foundation for better employee care.

### **Openness, honesty, and transparency**

Another important factor is open and honest communication and transparency. Openness, honesty, and transparency help to promote trust, constructive feedback, and willingness to collaborate on common goals. This consequently leads to a productive environment and successful teamwork. Finally, transparency which

enables stakeholders to understand policies and company's conducts, promotes accountability as it helps to build trusts and credibility. (Pandey 2023)

### **Customer trust**

Customer trust is significantly influenced by employee behavior. If this behavior is fostered by honesty, integrity, and ethical actions it promotes customer's trust. Ethical actions foster positive reputation, which consequently leads to attraction and retention of employees, loyalty of customers and valuable investors and business partners. (Pandey 2023)

### **Employee attraction and retention**

According to Studysmarter.co (2024) business ethics which influences employee wellbeing can consequently lead to a higher attraction of new talented employees and retention of current employees. In addition, great employee wellbeing helps to encourage employee productivity and loyalty.

### **Employee engagement and positive work environment**

Ethical actions among employees foster respect, fairness, trust and equity which leads to positive work environment and promotes employee engagement, which consequently impacts productivity, commitment and loyalty, teamwork, development, and overall employee satisfaction. (Pandey 2023)

### **Legal compliance and risk mitigation**

Ethical behavior of employees leads to avoidance of ethical and legal risks such as fraud, discrimination, or conflicts of interest which can lead to lawsuits or financial penalties or influence the company's image and reputation. (Pandey 2023)

### **Long-term sustainability**

Miller (2022) states that employees are considered the most important and asset of the company. High-quality employees represent a workforce with the best possible results and financial performance. This fact makes the business vulnerable and utterly dependent on its employees. Ultimately, the employees should be managed



with strong ethical leadership, HR support, well-set ethical culture, and principles. Proper ethical employee leadership fosters actions and employee satisfaction lead to strong ethical culture which shapes the success of company and long-term sustainability (Pandey 2023).

## **1.2 Ethical Issues in Businesses**

According to Melé (2019) business ethics not only provides benefits but also inspires improvements. For instance, according to the employer behaves morally according to the minimal ethical standard and treats the employees fairly. However, there is an opportunity for improvement and setting a higher ethical standard when the employer adds kindness and care. Although business ethics presents many benefits and inspires improvements, companies face unacceptable ethical issues and dilemmas.

Unacceptable ethical issues are clearly distinguishable and often forbidden by the law. It is for example, stealing from other employees, sexual harassment, or personal data misuse (Melé 2019).

Ethical dilemma, on the other hand, represents a problem in the decision-making process, as there are two options of choices or obligations, but neither is acceptable from an ethical point of view (Melé 2019). As Forbes (2021) states one of the ethical dilemmas' businesses oppose is keeping employees because of seniority. Businesses often feel responsible or owe seniority for years of work in the company. However, these people who got the company to its current point may not be the people who will set the business up for future success. Moreover, the retention of incompetent employees negatively affects the morale and effectiveness of competent employees, and this practice prevents the company from hiring a potentially productive and competent workforce.

According to Indeed (2022) ethical issues have always been present in business management, but the amount and type have changed due to globalization and digitalization. Nowadays, business management is becoming more complex, and the gravity of ethical issues is increasing. Therefore, a comprehensive understanding

of ethical issues and their mitigation management is necessary (Nuseir and Ghandour 2019). Ethical issues in businesses pose a conflict in activity, decision-making, or future planning, questioning the morality of the action. Ethical issues may represent a risk of non-compliance with the law or provoke stakeholders and third parties.

Kumar (2024) states that the reasons for unethical behavior vary from company to company and human to human. It is crucial to establish a moral, fair, and well-perceived working environment. If employees are stressed out and unsatisfied, they are more likely to behave unethically. Reasons for unethical practices of businesses might be individual, organizational, societal, or financial, such as cutting production costs, minimizing taxes, or being managerial in the form of unclear business ethics policies that determine what is ethical and what is unethical. Further, poor leadership is one of the reasons why employees act unethically, as they follow the example of supervisors deviating from ethical business practices.

Indeed (2022) states that as a business, it is essential to identify ethical issues, manage them, and deal with unethical behavior effectively and ethically. Proper issue management can be secured by establishing policies or frameworks for dealing with ethical issues. HR professionals and managers should be trained to ensure compliance and educate all employees within the company. To successfully deal with ethical issues, there is a need to identify be aware of what issues may occur. There are following examples of ethical issues in businesses:

### **Violation of human rights**

Violating human rights such as the right to education, food, clean water, sanitation, healthcare, and housing, participation in decision-making, and a living wage is according to OHCHR (2015) morally wrong and unethical. However, the businesses abusing these rights ensure their short-term profit instead of adhering to human rights to enhance the prosperity and promotion of human rights.

Kumar (2024) adds that violation of human rights also involves exploitative, forced, or child labor, which might be viewed differently in the international scope, and many cultures might have different opinions on this kind of work in developed modern countries (such as European and Western countries) is this kind of work perceived

as unethical and amoral. Exploiting employee and their skills is another unethical business issue. Mistreating employees, having them work unpaid overtime, and handling tasks outside their work agenda are widespread exploitation issues.

### **Discrimination**

Discrimination and unequal employment opportunities are things that many employees or potential applicants face all around the world. Amnesty International (2023) mentioned that everyone has the right to be treated equally, regardless of race, ethnicity, nationality, language, class, caste, religion, belief, sex, sexual orientation, gender identity, age, health, or another status.

### **Harassment**

According to Kumar (2024) another common issue is sexual harassment. It concerns promises of preferential treatment in return for sexual favors, physical contact advanced by the opposite or same sex, or even unpleasant and inappropriate comments of a sexual nature. The issue worsens as companies try to hide such reported issues from the public and company employees. At the same time, reporting such an issue can be complicated, as the victim might feel unsafe to report the issue or the harassment might come from a superior. Gillette (2022) argues that harassment is not limited only to a sexual nature, but there is commonly occurring also mental harassment, for instance, in the case of workplace bullying and mobbing. Mobbing refers to group bullying in a workplace, which involves persistent criticism, discrimination, isolation, ignoring, blaming without facts, and accusations of lying from coworkers. Nowadays, as Indeed (2022) states, many countries have antidiscrimination laws that protect employees against harassment of a sexual and mental nature and against discrimination based on sex and gender identity, race, age, religion, mental and physical disability, equal pay, or pregnancy. HR professionals and managers should be trained to educate and encourage employees to fight discrimination and determine the consequences of such unethical behavior.

### **Bribery and corruption**

According to Kumar (2024) this ethical issue is occurring practice in many businesses, especially when it comes to dealing a favorable agreement. Bribery includes financial

bribes but also items of value such as gifts, hospitality, sponsorships, or political support. On the other hand, corruption includes exploitation and misuse of given power for private gain. The motive of companies to act in such an unethical way may be to gain information or advantage over their competitors or to speed up the administrative decision-making process.

### **Nepotism and favoritism**

According to Indeed (2022) some business owners, managers, or recruiter specialists prioritize employing family members or acquaintances. Even though all recruitment policies are complied with, this may still be considered nepotism or favoritism. In addition, favoritism can be seen also between employees as supervisors may provide some subordinates with different treatment. This practice can hurt the morality of current employees as well as on the productivity and success of the company.

### **Workplace health and safety**

According to Indeed (2022) it is unethical and, in many countries, unlawful not to provide a healthy and safe working environment and work conditions. An ethical issue may arise if there needs to be a provision regarding occupational health and safety practices. OSH includes protection against hazardous substances, falls, and fires, training on OSH practices of the company, controlling dangerous machines, trucks, and energy sources (such as gas and oil), and respiratory protection.

According to Rasheed (2023) the consequences of poor workplace health and safety involve poor morale and employee engagement and so decreased productivity and efficiency, work-related stress, mental and physical health risks, increased risk of workplace incidents, legal and financial consequences, damage to the company's reputation and employee dissatisfaction and high turnover.

### **Whistleblowing as an issue**

*"On the simplest level, a whistleblower is someone who reports waste, fraud, abuse, corruption, or dangers to public health and safety to someone who is in the position to rectify the wrongdoing"* (The National Whistleblower Center 2021b).

Kucera (2020) states that when managed well, whistleblowing can be an excellent tool for managing unethical behavior, but it is also an issue when not managed carefully. If there is a lack of safety, which whistleblowers feel when reporting, it represents a significant reason for undetected unethical behavior. Employees may feel it is unsafe to report unethical behavior or speak up and may also feel worried about retaliation, insufficient listening, and resolution, or simply a negative response from their superiors. According to Ethics (2024) in 2023, 46 % of employees globally experienced retaliation for reporting misconduct. Protecting whistleblowers against retaliation and retribution for reporting is crucial to achieve higher reporting levels and mitigate risks. Other reasons for not reporting are justifying neglect of ethical behavior and the choice of employees not to intervene or just adjusting to the majority acting unethically (Kucera 2020).

Further, this issue becomes dangerous when whistleblowers report unethical company behavior or their dissatisfaction online. Dealing and punishing false and business-damaging whistleblowing is an ethical issue, as it is difficult to determine how to deal with it within ethical boundaries (Kumar 2024).

### **Technology and privacy practices**

According to Nuseir and Ghandour (2019) here is an ethical issue that arises with access to innovative technologies that are making it possible to observe and monitor the behavior and actions of employees in the workplace. On the one hand, technologies can be a great controlling, monitoring, and resolving tool (cameras, for instance, in case of injuries or theft). However, on the other hand, they might pose an ethical conflict as they allow personal and electronic surveillance. Although it is legal to check computer activity, browse websites, official email communication of employees and monitor the movement and presence at the seat, for instance, with pass-through chip gates or cameras, which can keep the workplace safe, the business policies should be clearly determined and all employees should be informed in advance about these policies and electronic checking and monitoring on their computer and internet devices provided by the employer.

Kumar (2024) states that all businesses store and handle customer data to understand customer preferences or communicate with customers.

However, misusing customers' data is another ethical issue regarding disclosing customers' data to third-party services without the customer's explicit consent.

### **Environmental responsibility**

According to Kumar (2024) causing environmental harm is one of the most discussed ethical issues of companies. Unethical behavior that contradicts the environmental responsibilities of companies involves poor waste management and handling of chemical substances in a way of dumping waste in water streams or polluting soil or air with chemicals without proper filtering. There is also raised concern for unethical behavior in international operations of MNEs, as they can destroy, pollute the host country's environment, misuse their natural resources, and negatively impact locals' health (Treviño and Nelson 2021).

Kumar states (2024) the consequences of unethical behavior in businesses can be detrimental to the company's credibility as the stakeholders, such as investors, customers, suppliers, or the public, find out about the unethical behavior of the company or its employees. Finally, unethical behavior of companies disrupts employee relations as employees lose their trust in their coworkers and the company, which not only affects daily operations but also leads to stress among employees.

Kumar (2024) argues that establishing clear ethical guidelines or policies is necessary to prevent unethical behavior. A policy such as code of conduct or code of ethics determine what is ethical and unethical. Further ethical issues may be prevented by establishing an ethical business culture supported by ethical leadership, openness, credibility, communication, and transparency and also by keeping everyone informed and with the reliance to confide in problems and complaints.

### **1.3 Ethical Culture**

According to Workzinga (2023) business culture and ethics are two different concepts that are affecting each other. In the relationship between ethics and business culture, business culture lays the basis for potential ethical culture and ethical decision-making processes.

### 1.3.1 Business Culture

So called business, company, corporate or organisational culture, is according to Karaoulanis (2021) a unique culture of beliefs, assumptions, and ways of interacting with one another. Even if the companies operate in the same industry, with the same products and the same niche, they all have unique way of doing things defined in their business culture. Business culture has an underlying and unique character. Thus, it is something you can feel, experience, or interact with.

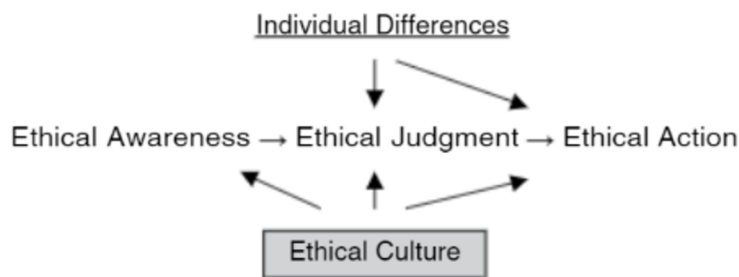
According to Culture Amp (2024) business culture can be defined with multiple different factors such as company mission and vision, company values, work environment, leadership and management structure, communication style or employee management involving compensation, recognition, hiring and retention practices and learning and development possibilities.

*"In a strong culture, standards and guidelines are widely shared within the organization, providing a shared sense of who we are and "how we do things around here" and a common direction for day-to-day behavior"* (Treviño and Nelson 2021 p. 117f). For instance, according to Fonseca (2023) if the business culture is well set it can positively impact sales, profit, recruiting efforts and employee morale. Well-set company culture causes the employees to have a positive experience, as they feel valued and supported by the organization. Consequently, the employee's morale, happiness, and satisfaction projects into the behavior of employees, which leads to the success of the company, lower turnover rates and to satisfaction of stakeholders interacting with the employees. If the business culture is strong, well communicated, and reinforced, the values and beliefs are shared among everyone, then company culture can pose a huge competitive advantage.

In conclusion good business culture leads to better business performance, stakeholder satisfaction, improved employee engagement and lower turnover rates, which was confirmed in study done by Columbia University, saying that satisfied employees are 34.5 % less likely to leave their company in comparison to those employees who are unsatisfied in their company (Culture Amp 2024).

### 1.3.2 Ethical Business Culture

As Treviño and Nelson (2021) shows in Figure 3, though individual background and opinions form our individual differences, which have a direct impact on the person's ethical judgments followed by ethical action, it is the ethical culture that shapes and influences the whole ethical decision-making process, starting with ethical values and awareness, which sets the elements of good ethical judgment resulting in good ethical actions and behavior.



*Figure 3: Ethical Decision-making*

Source: (Treviño and Nelson 2021)

According to Schwartz (2017) there are three elements necessary to develop and sustain an ethical business culture:

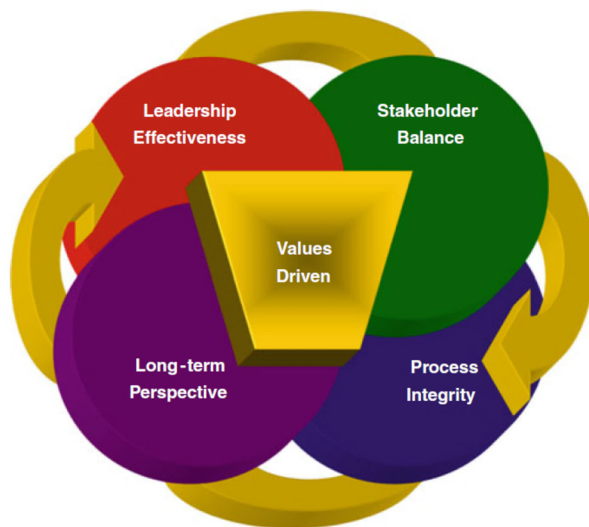
1. Placement of core values promoted through the business policies, practices, and processes.
2. Establishment of a formal ethics program (such as code of ethics, training, professional ethics officer or hotlines).
3. Presence of ethical leadership (promoting good tone at the top as leadership and managers on all levels of the business should ensure the interests of the board of directors, senior executives, and other managers).

Jondle et al. (2014) states that nowadays, ethical businesses promote ethical frameworks and training programs to increase ethical awareness among employees and stakeholders. However, with fundamental changes in business culture, such as creating a code of ethics, providing training, and reporting programs, all the efforts to establish protection against ethical issues may be sufficient. On the other hand, establishing a strong ethical culture is essential in business practices, communication,



symbols, and values. Moreover, Leigh (2013) argues that ethical business culture builds on strong values and principles that tell people how to behave, for instance, to act honestly, respectfully, fairly, or responsibly. Business values should be the center of the business efforts to establish an ethical culture, and their commitment and meaning for daily activities should be communicated to all stakeholders. Values alongside behavior, attitudes, sense of meaning, purposes, skills, and know-how leadership and management practices represent a foundation for well set ethical business culture. All the mentioned aspects can be influenced by the appropriate promotion of ethical principles and policies, as well as by assessing the issues and dealing with problematic approaches so that all the aspects align with current business values.

The model of ethical business culture by Jondle et al. (2014) reveals that values-driven behavior is significant in developing and sustaining an ethical business culture and positively impacts the company's longevity and employee congruence.



*Figure 4: Model of an Ethical Business Culture*

Source: (Jondle et al. 2014)

To identify and ensure a sustainable and compliant ethical business culture, there are various characteristics to be promoted in the business. These characteristics include ethical leadership, meaning setting ethical management practices at the top of the company's hierarchy is crucial. The supervisors directly above the employees in the company's hierarchy promote ethical practices and principles to establish

a sustainable, ethical culture and gain the employees' trust as their behavior creates, maintains, or changes ethical business culture. (Leigh 2013)

According to the study by Jondle et al. (2014), leaders should promote reciprocity and non-retaliatory policies for leadership to be ethical and effective. Secondly, it is essential to promote embedded ethical values that aim to set ethical practices and approaches to daily activities. According to the global business ethics survey, 40 % of employees stated that they work in a strong culture, but a strong culture is insufficient as not all employees on all levels of the business act ethically (Ethics 2024). Leigh (2013) states, that to establish an ethical business culture, it is fundamental to ensure the commitment and liability of the ethical practices of all stakeholders (Leigh 2013). To promote an ethical business culture, it is necessary to ethically treat all of the company's stakeholders governed by formal policies, rules and structures to follow an ethical business approach and a system to monitor the compliance of such ethical policies. According to Jondle et al. (2014) It is also necessary to maintain a stakeholder balance by distributing focused attention to the stakeholders with fairness and equality instead of focusing attention on one stakeholder for too long, which can bring tension between the stakeholders. Finally, to maintain a sustainable ethical business culture there is the importance of a business's process integrity and long-term perspective in defining its long-term purpose and mission.

According to the research done by Muel Kaptein, the partner of ASSETS.KPMG (2020), which is a company providing audit, tax and advisory services, there are seven factors of ethical culture to be identified to encourage ethical behavior:

1. Clarity - This means that the employees need to be informed on the core values and acceptable and unacceptable behavior, as well as on the consequences of non-compliance.
2. Openness – To stimulate acceptable behavior and agreement when dealing with tough questions, openness is crucial in promoting shared responsibility. In addition, it is essential for supervisors to listen and respond to any reports or suggestions of misbehavior.
3. Transparency – To promote open behavior and transparency, each individual within the company should be able to understand the impact of their actions

- and the impact of the actions of others. To foster transparency the company's policies and conduct should be openly communicated. Not only does it promote the practice of transparency and better relationships with stakeholders, but transparency also encourages the leaders and employees to act according to the core values and principles of the company.
4. Role-modelling – To ensure mutual respect within all company levels, the top leaders and employees must act ethically to represent the correct behavior.
  5. Achievability – The targets of a company must be set realistically, as unrealistic goals and objectives tend to lead to demotivation, resistance, breaking the rules, cutting corners, and leaning towards unethical ways to achieve these unrealistic goals.
  6. Commitment – It is crucial that the leadership show a commitment to ethical culture in order to set an example for the manager's and employees' commitments and also that the leadership ensures the feeling of trust and involvement among managers and employees.
  7. Enforcement – Finally, it is essential to set a clear enforcement framework that aligns with ethical core values and is either rewarding on one side or punishing on the other side (Assets.kpmg 2020).

According to Anne Van Heerden, the KPMG partner in Switzerland, if a company does not have a strong ethical business culture, they face issues during times of crisis to respond, both internally and externally, quickly, and appropriately (Assets.kpmg 2020). In conclusion, business culture is a crucial intangible asset that determines a company's operations, long-term sustainability, and success, while ethical business culture can help to comply with ethics and regulatory obligations, establish a well-perceived reputation, or attract skilled employees and other stakeholders (GoodCorporation 2018).

## 2 Ethical Management

According to Treviño and Nelson (2021), leaders and managers influence the business culture and create, sustain, or change it through their actions, behavior, and communication. They have the power to support policies and programs with needed resources and a proper environment to shape all aspects of the business culture, which also means an ethical business culture. Leadership power shapes ethical management and the way of doing things in the business.

*"Ethical management is the regulation and enforcement of ethical standards and behavior in organizations. Ethical management requires awareness, commitment, and action from all levels of the organization, especially the top management."* (Gutterman 2023 p. 3).

Ethical management practices in businesses provide benefits such as an increased sense of belonging, a positive atmosphere, improved relationships with stakeholders, employee loyalty, respect from society and communities, higher stability, and motivation, and, of course, better morale (Villirilli 2021). However, according to Gutterman (2023), promoting a well-set business culture, ethical leadership, codes, policies and programs, training, and auditing for successful ethical management is essential. It is necessary to establish a position or have some professionals within the company responsible for educating employees, creating, and implementing ethical policies and practices, and managing whistleblowing and violations. There is also a need for some professionals within the company to evaluate the behavior, morale, and integrity of leaders and the organization, and consequently be able to influence the decision-making of the company's leadership to achieve an ethical business operation.

### 2.1 Ethical Management in International Businesses

Gutterman (2023) argues that nowadays, with deepening globalization and globally dispersed activities, companies and their executives, managers, and employees interact with subsidiaries, co-workers, or companies from different countries with different outlooks on ethical behavior and management.

According to Onlinemba.wsu (2024), the rise of globalization, deregulation, and technological innovations reinforced the expansion of MNCs. These companies often expanded to regions and countries with different regulatory frameworks and tax mechanisms and with loose labor and environmental regulations, which made it possible for the MNCs to engage in unethical behavior. Expanding MNCs could face moral dilemmas and ethical challenges such as:

- Human rights, as some MNCs may expand to countries with governments who violate human rights and consequently can be pushed to stop conducting business in those countries.
- Child labor: in some countries, children need to work to survive, but MNC managers would never hire a child in their home country as this practice is illegal and immoral.
- Cultural diversity, as some values and cultural customs are lost in the internationalization process of MNCs or the other way around, MNCs do not obey international law to respect the local customs and culture of host countries.
- Corruption, as some countries allow bribery in foreign operations of MNCs. In response, in 1997, the German government implemented tax-deductible expenses for foreign bribes into German corporate law.
- MNCs could use Environmental standards and regulations more effectively and avoid practices such as improper use or overuse of local natural resources or liquidation of toxic waste, ensuring low liquidation costs.

## **2.2 Tools of Ethical Management**

According to Schwartz (2017) there are 3 pillars of developing and sustaining an ethical business culture (described in chapter 1.3.2): core ethical values, formal ethics program, and ethical leadership. These three pillars provide a framework for businesses and guidance for their managers and employees to help reduce potential unethical or illegal activities by improving ethical decision-making and preventing misconduct by reporting. This chapter will describe ethics programs necessary to establish and sustain an ethical business culture. There are several types of ethics programs, such as code of ethics, ethics training, whistleblowing,

ethics officer, or ethical audit. However, ethics programs are tools implemented to ensure compliance with ethical behavior (Schwartz 2017).

### **2.2.1 International Ethical Standards**

Official standards and certifications help businesses to show their commitment to ethics. This chapter describes some of the standards that can be used as a tool to enhance or positively influence employee ethics in international businesses.

#### **Global ethics standards**

The Global Alliance and the International Management Association (IMA) created applicable ethics principles and statements for international businesses and nongovernmental organizations. It defines four primary standards: competence, confidentiality, integrity, and credibility, and guiding and professional principles, for instance, to obey laws and respect local customs, support public relations and interests, honor privacy, avoid conflicts of interest, or recognize freedom of speech. (Online.Maryville 2021)

#### **International Labour Organization (ILO) Standards**

The ILO has 187 member states that agreed to standards, policies, and programs that aim to ensure the safety of workers and fair compensation. The organization's standards promote eight conventions and four governance conventions, for instance, the abolition of forced labor, right to collective bargaining, equal remunerations, or elimination of employment and occupation discrimination. The ILO standards enforcement is realized through the examination of reports submitted by member states on their implementation of the conventions. Moreover, an ILO's Decent Work Agenda aims to reduce poverty by creating jobs that pay a fair wage, are productive and meaningful, and secure in terms of the workplace. (Online.Maryville 2021)

#### **Ethical Trading Initiative (ETI) Base Code**

According to Ethicaltrade (2018), the ETI is an alliance of companies, NGOs, and trade unions that advocates for respect for worker's rights internationally, especially

the safety of workers and no exploitative work. More than 80 member companies, such as John Lewis, Primark, and Burberry, use the ETI base code. The code is based on the conventions of the ILO and provides an internationally acknowledged code of labor standards and practices. It promotes the implementation of 9 principles:

1. Freely chosen employment
2. Respected freedom of association and the right to collective bargaining
3. Safe and hygienic working conditions
4. No child labour
5. Paid living wages
6. No excessive working hours
7. No discrimination is practiced
8. Regular employment is provided
9. No harsh or inhumane treatment.

### **ISO 37000 – Good Governance**

According to Nortz (2022), this ISO can enhance compliance and ethics. Experts developed ISO 37000 from organizations in over 70 countries and presented the first-ever international standard for good governance. This standard aims to assist boards of directors and leaders of organizations of all sizes and kinds in governance based on good norms, practices, behaviors, strong culture, processes, and structures. Moreover, the requirements of the standard aim for the directors to promote good governance but also their environmental and social performance, as ISO 37000 standard stands on 11 principles of governance: purpose, strategy, value generation, oversight, accountability, leadership, stakeholder engagement, data and decision, risk governance, sustainability, and social responsibility.

### **ISO 26000 - Guidance on Social Responsibility**

ISO 26000:2010 offers guidance to ensure ethical operations and sustainable development as it cannot be certified as other well-known ISO standards. This ISO helps organizations of all sizes, fields, and locations to clarify and guide social responsibility by implementing principles into effective actions. ISO 26000 provides its users with a communication protocol (with appropriate word formulations

to communicate about the ISO) and training materials involving presentation and training protocol guidance. (ISO 2021)

### **ISO 14001 – Environmental Management System**

According to Qualios (2023) ISO 14001 is an internationally acknowledged standard for environmental management (EMS). This ISO provides a standardized framework for companies globally to implement environmental strategies to reduce the impacts of their actions on the environment and continuously improve this process. Implementing ISO 14001 presents some benefits, such as CSR compliance, as this ISO is a part of social, environmental, and ethically responsible practices. Another benefit is control and reduction of costs as the implementation leads to recycling waste, reduced use of raw materials, and impacts resource management efficiency. Finally, by implementing ISO 14001, companies show commitment to environmental actions, are more attractive to stakeholders, and enhance the company's good image internally and externally.

### **2.2.2 Code of Ethics**

An ethics program's outset is establishing a formal policies document such as a code of ethics or code of conduct (Schwartz, 2017). The difference between codes of ethics is the uniqueness and guidance of the documents. While code of conduct guides actions, code of ethics sets guidelines that define ethical principles, values, behavior and decision-making. These codes help businesses of any size to self-regulate, to establish positive public image and provide guidance to employees. (Nieweler 2023)

By integrating both codes, businesses can ensure controlled guidance of actions and intentions and create an effective compliance culture (ComplyLog 2024).

Code of conduct explicitly states rules and policies and involves matters such as dressing professionally, use of technology or attendance. Whereas code of ethics sets a tone for institutional statements (mission, vision, values, standards, moral principles, and code of conduct) and ensures ethical decision making and behavior by guiding employee's values such as kindness, integrity, and equity.



Additionally, code of ethics provides guidelines to navigate decision-making if ethical dilemmas occur. (Birt 2023)

### **The importance of code of ethics**

The importance and purpose of the code of ethics lies in defining the organization's principles, standards, and expectations for ethical and moral behavior and decision-making of all stakeholders (ComplyLog 2024). According to Schwartz (2017), a code of ethics protects employees from unethical behavior from suppliers, customers or managers, and co-workers. Secondly, the code encourages employees to inform others of acting inappropriately or unethically, which can reduce unethical practices and promote a well-perceived business culture. Moreover, the code is also concerned with informing relevant authorities and reporting ethics violations. Finally, it leads employees to discuss observed misconduct and business policies to ensure appropriate behavior. In addition, according to Treviño and Nelson (2021), when the code as a guiding principles document that provides communication compliance standards is well communicated to employees, they are more likely to avoid unethical practices, more likely to look for advice about ethical issues and more likely to report them.

According to ComplyLog (2024) there are several benefits that the code of ethics promotes:

- Encourages best standards and practices for external and internal behavior.
- Increases compliance to other regulations and directives as those can be involved in the conduct as act upon areas.
- Proves social consciousness and compliance with CSR.
- Increases the attractiveness of the business towards stakeholders, especially investors and customers.
- Attracts potentially talented and outstanding employees. Moreover, a code of ethics can positively affect diversity and inclusion by promoting insignificance towards age, gender, race, or sexual orientation.
- It helps to manage conflict of interest as the code can encourage the declaration or reporting of conflicts of interest.
- Provides employee guidance.

- It helps businesses of any size to self-regulate, to establish a good reputation and positive public image (Nieweler, 2023).

### **Process of developing, implementing and sustaining code of ethics**

Before establishing and implementing the code of ethics in business, it is essential to identify the goals and priorities of the company, define company values, and consider future preciseness, involvement, consistency, and clear communication of the code of ethics (Birt 2023).

According to Schwartz (2017), to develop an ethics program, it is necessary to identify the content and each element of the program. The code content may vary, but these are the topics to involve: confidential information, conflicts of interest, equal employment and discrimination, harassment, intellectual property, contracting, purchasing procedures, financial reporting accuracy, use of organizational assets, internet usage, gifts and entertainment, OSH, workplace relationships, monitoring employee activity, employee online activity and correspondence, employee expense reporting or employee substance abuse. Moreover, the code should state expected behavior and sanctions for unethical behavior and noncompliance. The nature of the code should be easily understandable in terms of language and syntax. It should not be legalistic and negative and should provide examples for better understanding in practice.

Schwartz (2017) further mentions that it is essential for a successful development and further implementation to involve stakeholders, especially employees and leadership, as their engagement in the creation process amplifies the relevance and realism of the code as well as a sense of ownership of the code. For the code of ethics to be well implemented and effective, ethical training and enforcement should be in place. Ethical training is further described in chapter 2.2.5.

In terms of enforceability of the code of ethics it is not easy to measure compliance, as the code does not state concrete rules and policies, but values and moral principles, which are challenging to measure and so identify violations of the conduct and enforce compliance (Birt 2023). According to Schwartz (2017), it is possible to enforce and ensure the effectiveness of the code of ethics through websites,

department meetings, notices, e-mails, newsletters, or leaders' speeches. For the enforcement to be effective and the code to have maximal impact on employees, it must be a constant process so that the employees perceive the importance and sincerity of the code of ethics.

According to ComplyLog (2024) to sustain the benefits of the code of ethics it is essential to promote the code by:

- An explanation of the employee's obligations to ensure compliance with the code should be clearly and understandably presented, and all relevant questions should be addressed and explained.
- The code of ethics should be accessible to all employees. The conduct can be shared digitally or as an overview at visible places and presented in regular training sessions or other meetings.
- Procedure for reporting inappropriate, unethical, or illegal behavior should be created, and all stakeholders should be informed.
- Procedures for investigating any noncompliance with the code should be created, and policies for managing whistleblowers and their reports. There must be defined sanctions for noncompliance or violation of the code of ethics.

Treviño and Nelson (2021) states that code of ethics needs to reflect the company's culture and values to be functional. Moreover, it is essential to revise the code regularly as the conditions in the business environment may change, especially when it comes to technologies, internet privacy, and data security.

### **Global code of ethics**

According to Michaels (2020), the process of developing, implementing, and sustaining a code of ethics in MNCs is more complex and faces challenges such as globally dispersed activities, different cultures, or diverse workforce and stakeholder base. Innovative, creative, and complex viewpoints are essential for the successful implementation of a global code of ethics, which needs to be universal for all employees. On the other hand, an ethical code does not have to be created separately for domestic and foreign divisions; it can be enforced

internationally by adopting a single set of codes of ethics promoting the same values, standards, and practices (Online.Maryville 2021).

Apotex (2024), Canadian-Based Global Health Company, proposes ensuring integrity and compliance with applicable laws and standards through global business ethics and compliance program. The MNCs can commission an officer, guided by a global ethics and compliance committee, to ensure compliance with the global code of ethics and conduct. Regional officers and committees can further support this system.

### **2.2.3 Ethics Officer**

According to Treviño and Nelson (2021) companies create the position of ethics officer or otherwise called as ethics program coordinator, vice president or director of ethics, compliance or business practices. Most large companies incorporate this function at the top management level to be able to report to senior executives, the CEO, the board of directors, or the audit committee.

*"These individuals are expected to provide leadership and strategies for ensuring that the firm's standards of business conduct are communicated and upheld throughout the organization."* (Treviño and Nelson 2021 p. 168)

Ethics officer is a professional who determines and evaluates the effectiveness and adherence to the company's and code of ethics. Ethics officer ensures compliance with ethics standards and law regulations by implementing ethical practices in business operations and developing ethical policies and codes of ethics and conduct. The professional works closely with the company's management, deals with reports of unethical or illegal activities from whistleblowers, and conducts needed investigation. Further, this person conducts audits or assists third-party audit providers to gain more information to provide the company with advice and feedback on business processes and their improvement, emphasizing ethics. (Indeed 2023)

## 2.2.4 Whistleblowing as a tool for Ethical Management

*"In business ethics, it means the reporting of an organization's unethical practices by a current or former employee, either within the organization ('internal whistle-blowing') or publicly ('external whistle-blowing')." (Melé 2019 p. 74)*

According to Melé (2019) there are the following principles of whistleblowing:

- Whistleblowing should be concerned with reporting moral, ethical, or illegal issues.
- Whistleblowers must believe that reporting an ethical or illegal activity will be effective.
- Employees should be trained by the company's appropriate, entrusted person on whistleblowing channels.
- Employees should have relevant facts on the matter before whistleblowing.
- Whistleblowing should not be used as revenge to damage a person or company.
- Whistleblowing within all ordinary channels should be provided by the organization. If they are shown to be inappropriate or ineffective, it is essential to turn to a third-party provider.

### **Whistleblowing issues**

Firstly, according to Stubben and Welch (2018), more whistleblowing activities within a company pose a sign of health. Companies whose employees actively use the reporting system are less likely to face unresolved issues or law violations. Low reporting rates can indicate a poorly set internal reporting system, with employees fearing the confidentiality, retaliation, or seriousness of dealing with the reported activity or issue.

Another issue in whistleblowing is the opportunity to report anonymously or confidentially. Reporting anonymously may be, for some employees, the only way to feel convinced and confident to report. As for confidentiality, these employees are willing to report because their names will not be revealed without their consent. (Ncvo.org no date)

A commonly discussed issue is the retaliation employees face when reporting unethical or illegal activities. According to The National Whistleblower Center (2021), to deal with retaliation, it is essential to prevent it by raising awareness about how to recognize and understand what it looks like and to avoid and stop it. Retaliation does not come in the same form; for instance, it can come in the form of harassment, termination of the contract, forced relocation, the pay of deductions, denying benefits, or blacklisting. It is crucial to provide an anonymous form of reporting. According to a study from Bradley University, 69 % of whistleblowers lost their jobs or were forced to retire, and 64 % were backlisted and prevented from getting a job in the field.

Lastly, Ncvo.org (no date) mentions the possibility of whistleblowers having a political motive or personal interest in whistleblowing untrue. However, this fact cannot affect the willingness to investigate the report, take the concern seriously, and handle it with confidentiality or legal guidance.

### **Whistleblowers protection**

To protect whistleblowers, there is a European Commission initiative for breaches of Union law called the Directive (EU) 2019/1937. This directive was put into force on 16 December 2019, and Member States of the EU had to incorporate the directive into their national laws by 17 December 2021. The directive provides a comprehensive legal framework for whistleblowers' protection. It guards the public interests in the EU, promotes easily accessible reporting channels and confidentiality, and prohibits retaliation by established measures. (Commission.europa no date)

In addition, according to Smartwhistle (no date), based on the Directive 2019/1937 in the Czech Republic, is from 1 August 2023, effective an act No. 171/2023 coll on the protection of whistleblowers. All companies and public organizations in the Czech Republic with more than 50 employees must, from 15 December 2023, incorporate an internal reporting system for submissions of illegal or unethical activity reports and designate an appropriate person to approach the reports and propose corrective measures. There are multiple organizations available to help deal with companies that comply with this act, as in case of violation of this act, organizations face fines of up to 1,000,000 CZK (Ochrana-oznamovatelů 2023).

## **Reporting channels for whistleblowing**

ComplyLog (2024) states that creating policies for managing whistleblowers and their reports is essential. There should be an independent person or department to deal with whistleblowing who is able to react to the reports and provide a result of the investigation within a set period.

Companies can handle whistleblowing by incorporating a whistleblowing tool to comply with ethical standards and promote their commitment to transparency and accountability (FaceUp 2024).

There are multiple options for whistleblowing channels and tools, such as ombudsperson, letterbox, ethical hotline, or online solutions.

### **The ombudsperson**

Ombudsperson is an externally entrusted person, usually a lawyer facilitated by email or phone, to receive and directly deal with the reports from whistleblowers. This channel provides a confidential and competent way of whistleblowing, but the limiting factor can be the lawyer's time. (Mengelkamp 2023)

### **The letterbox**

According to Mengelkamp (2023), a letterbox serves to submit whistleblower reports anonymously and confidentially. To deal with the reported issue, there is a problem of no possibility to contact the whistleblower. This channel does not comply with the Directive (EU) 2019/1937 as it prevents confirmation of receipt and the carrying out of information on results or measures.

### **Ethical Hotlines**

The way how to face whistleblowing is presented by ethical hotlines. An ethical hotline is an anonymous whistleblowing tool employees use when they do not want to report unethical or illegal activities to human resources, leadership, or ethical officers, or they may perceive standard reporting as ineffective or improper. Ethical

hotlines are beneficial in finding and addressing underlying issues, providing employees with feedback, and making them feel heard. (AllVoices 2021)

Ethical Advocate (2013) states that a third-party provider should administer an ethical hotline. There are several reasons, such as unbiased response, as all reports are executed with seriousness and propriety. Further, it is cost-effective as setting up a hotline and maintaining the infrastructure and staff can be expensive and time-consuming. In addition, hotlines provide anonymity and accessibility from home to anyone who must report unethical activities or get advice on ethics. When choosing an ethics hotline third-party provider, it is essential to consider aspects such as data security and confidentiality, multilingual reporting, and everyday services. Finally, according to a study by Grenny and Cullimore (2022), 37% of employees feel reluctant to turn to the HR department as they feel like HR is more likely to advocate for the company than its employees. This is one of the reasons why a third-party provider can represent a trustworthy and effective way to conduct whistleblowing. AllVoices (2021) states that the third-party provider sends more complex anonymous submitted reports to an appropriate department of manager, which can consequently investigate the report or pursue the matter with additional questions.

According to Ethical Advocate (2021), to make employees feel trustful and comfortable with whistleblowing through ethical hotlines, they must be provided with hotline training. Employees should be aware of how to access the hotline, how to submit reports, and what to expect. The process of getting feedback, the process of investigation, and the conditions, such as anonymous reporting, time of processing, or retaliation, should be delivered. Hotline training should involve real-life examples, and a code of ethics should be covered regarding what ethical issues may occur and what the procedure is when reporting or being reported.

### **Online reporting channels**

Nowadays, to whistleblow, there are used real-time chats with all-day everyday availability where whistleblowers can ask questions or can be asked in terms of investigation (Mengelkamp 2023). Companies also use programs and software to handle whistleblowing. For instance, there is an available software called FaceUp



Whistleblowing, which is compliant with EU Whistleblowing Directive and certified by ISO 270001 (data security management standard). This software introduces an anonymous channel for employees to report unethical or illegal activities within their company. An advantage of anonymous reporting of ethical issues is the empowerment in reporting employees to speak up and the decreased fear of retaliation. In terms of this software, whistleblowing itself is dealt with by entrusted company professionals, who should be unbiased. (FaceUp 2024)

### **2.2.5 Ethical Training**

According to Meltzer (2023), the purpose of ethics training is first to protect the business's bottom line by preventing law violations, ensuring all employee's rights, and ensuring they are heard. Secondly, it is essential to improve the work environment to be an ethical environment that has the power to innovate, motivate, and increase productivity. Ethical employees tend to collaborate better as ethical training helps promote employee trust. Moreover, this training helps improve the employee's moral competence (Schwartz 2017). According to Treviño and Nelson (2021), business leadership should provide training to increase employees' ethical awareness and discuss the ethical issues they may face and why they are perceived as ethically problematic. The leadership should encourage employees to think, interact, and discuss ethical decision-making. Appropriate ethical training should be provided to employees, managers, and leadership.

Treviño and Nelson (2021) state that ethical training should be incorporated during onboarding through formal orientation programs for new employees and then reinforced through regular mandatory training. Communicating the company's values, principles, mission, and history to new employees is essential to give them a perception of the ethical business culture. If the company has a code of ethics, training on the code of ethics should be communicated to new employees regularly during the onboarding process. The amount of communicated information during the onboarding process can be overwhelming for new employees; that is why regular training on ethics is necessary. The training as a part of a formal orientation program can provide only the most essential information on ethical practices. However, regular training should provide a detailed overview and offer more specific guidance. Regular

training can be done through online ethics training or face-to-face training, such as seminars, discussion groups, or workshops, including methods such as role-play, examples, and case studies of real situations (Melé 2019).

Ethical training is implemented differently in different companies, but ethics training should involve some programs presenting ethical practices to improve the work environment (Meltzer 2023). Weiss (2014) states that ethical training should not provide single-perspective rules or the best solutions to specific ethical issues. Instead, ethical training should provide the employees with ethical thinking, ideas, and vocabulary for their ethical behavior and decision-making. Moreover, ethical training should enhance moral notification, courage, and sensitivity to ethical and moral issues. Furthermore, implementing a code of ethics and audits can improve ethical business culture.

According to Schwartz (2017), for ethics training to be successful, it should be provided by someone other than external ethics agencies or outside consultants but by the company's managers or ethics officers, as they probably better understand the business culture and working environment. However, the person providing training should possess a certain level of legitimacy in ethics themselves. On the other hand, a code of ethics training should be provided by a qualified person; in this case, an external agency is appropriate.

The topics of ethical training vary from company to company. However, according to Escudro (2023), the most incorporated topics include workplace harassment, sexual harassment, anti-discrimination, diversity and inclusion, equal employment opportunities, anti-corruption, modern slavery, climate change, and environmental responsibility. According to Navex Global's study, they mainly provided ethical training topics were offered in workplace harassment by 56 % of companies worldwide and by 42 % of companies in discrimination.

Nowadays, there are multiple available training programs from specialized companies. For instance, ECI has an ethics training and certification program. This ethics training helps understand principles to evaluate ethical workforce and compliance and educates on effectively creating an ethical guidance program. As a part of this program the person prepares for a LPEC certification by passing the

Leadership Professional in Ethics Compliance examination. In addition, there is an Ethics Training Program – Supervisor Edition from the Compliance Training Group, which provides an understanding of being an ethically responsible manager or supervisor able to make ethical choices and recognize unethical practices. (Small 2023)

In conclusion, according to Melé (2019), ethical training helps reduce unethical behavior by increasing awareness of ethical issues, higher willingness to report ethical violations, better decision-making, and increased employee engagement and commitment. In terms of the code of ethics, employees need to be highly aware of the code's existence and content to be effective. Moreover, commitment to ethics must be ensured by proper ethical training, ethical behavior, and decision-making.

#### **2.2.6 Ethical Audit**

According to Treviño and Nelson (2021), to evaluate the state of ethical culture and to promote ethical behavior and practices within the company, it is essential to conduct comprehensive and regular ethical audits. Ethics audit determines the company's estate of ethics standards, policies, procedures, and code of ethics and ensures all set aspects are adhered to to build a strong ethical culture. If the audit identifies any shortcomings and any aspects of the culture that do not align with the set ethical culture standards, then it is necessary to revise and appropriately change the ethical culture and all related aspects.

The benefit of conducting an ethical audit is the opportunity to enhance the company's reputation and brand image, monitor risks, comply with legislation, and inform employees about the code of ethics and ethics itself, as some employees may not have access to the code of ethics since onboarding. Ethics audits also help identify new ethical concerns within the company's operations that need to be updated within the code of ethics. Ethics audit regular revisions also show the company's success, as they make it possible to compare the results. Ethical audits can serve not only as a control system but also as a reward system as success reviewed by audits can be celebrated, which enhances a positive work environment and rewards managers and teams. (Indeed n.d.)

An ethics committee and its ethics auditor usually conduct an ethics audit. However, some companies prefer professional and renowned audits such as the SEDEX SMETA audit. SEDEX is analytics reporting platform that facilitates sustainability practices in data storage, analysis, sharing, and reporting. SMETA is the world's most widely used ethical audit by third-party auditors from approved auditor companies. SMETA audit evaluates the company's labor standards, health and safety, environmental performance, and ethics. This audit also aims to protect employees from discrimination, unsafe conditions, overwork, low pay, and forced labor. In case of any identified wrongdoings or shortcomings, SMETA-approved auditor companies provide a corrective action plan for the audited company. SMETA is provided internationally in English, Spanish, and Mandarin, corrective action plans are provided in other demanded languages. However, they should be dual, so they still include English. (Sedex 2024)

## **2.3 Managerial Ethics**

Managerial ethics can be described as employee moral guidance and supervisory. It is a set of moral principles, values, and beliefs of managers and leaders that affect the behavior of employees. (Mtdtraining 2022)

Gutterman (2023) states that it is essential to promote a good tone at the top to promote ethical business culture, as leaders and top managers greatly influence business ethics. Leaders and managers set an example of ethical behavior for the employees, so they must behave ethically and enhance their moral development. However, leaders and managers should be able to encourage moral development and support and guide employee's ethical behavior.

According to Gutterman (2023), even though leaders and managers are influenced by the laws and regulations and the company's values, standards, and principles, their individual and ethical beliefs and values are based on their personality and behavior and are shaped by their families, social groups, and culture. So, the ethical manager's decision-making is heavily influenced by their personal characteristics such as strength of empathy, ego, confidence, independence, or personal moral development. Nasdaq (2019) states that there should be a certainty that leaders and

managers have the skills and ability to build and secure an ethical business culture. Managers must distinguish personal ethics from ethical management, as being an ethical person does not mean the manager will be naturally ethical in his managerial practices. Ethical managers need to understand their personal integrity and how employees' perceptions and behavior are influenced by team flow, motivation, and external and internal pressures. Good ethical manager should promote ethical management practices by speaking effectively about the business values and ethical statements. Moreover, managers should be prepared to recognize and respond to ethical compliance and whistleblowing violations.

<b>Executive Ethical Leadership Is about Reputation, Which Rests on These Two Pillars</b>	
<b>Moral Person</b>  Tells followers how leader behaves	<b>Moral Manager</b>  Tells followers how they should behave and holds them accountable
<b>Traits</b> <ul style="list-style-type: none"> <li>• Honesty</li> <li>• Integrity</li> <li>• Trust</li> </ul>	<b>Role Modeling</b>  Takes visible ethical action
<b>Behaviors</b> <ul style="list-style-type: none"> <li>• Openness</li> <li>• Concern for people</li> <li>• Personal morality</li> </ul>	<b>Rewards/Discipline</b>  Holds people accountable for ethical conduct
<b>Decision making</b> <ul style="list-style-type: none"> <li>• Values-based</li> <li>• Fair</li> </ul>	<b>Communicating</b>  Sends an "ethics and values" message

*Figure 5: Executive Ethical Leadership*

Source: (Treviño and Nelson 2021)

According to Treviño and Nelson (2021), ethical leadership and managers must care for their personal lives and moral reputation. They often can be seen as public figures by the employees and shareholders and strongly influence the perception of the company's ethical culture. As Figure 5 shows, there are two pillars of being perceived as an ethical leader or manager; it is essential to be perceived as a moral person (left side of the figure) and act as a moral manager (right side of the figure).

To be perceived as a moral person, promoting individual traits such as honesty, trustworthiness, and integrity is essential. Secondly, leaders and managers should be open and listen, act with personal morality, live a personally moral life, act with concern for people, and treat employees with respect, care, and dignity. Finally, to be perceived as a moral person among employees, it is essential to make decisions based on values, fairness, concern for employees and society, and ethical standards. Leaders and top managers are often seen from a distance as many employees do not get to interact with top leaders and managers, and so promoting traits, moral behavior, and fair and value-based decision-making are the visible factors of behavior that make employees perceive the leadership and company's culture as ethical. The second pillar, the moral manager perception, shows how moral and ethical managers can get ethical attention, promote ethical compliance among employees, and shape a company's ethical culture by prioritizing ethics. Moral leaders and managers need to act as role models and visibly initiate ethical action by communicating ethics to employees openly and regularly and holding employees accountable for ethics by using an appropriate control and reward system.

		Moral Person	
		Weak	Strong
Moral Manager	Strong	Hypocritical leader	Ethical leader
	Weak	Unethical leader Ethically silent leader ???	

Figure 6: Ethical Leadership Reputation Matrix

Source: (Treviño and Nelson 2021)

The two-pillar scheme of ethical leadership reputation from Treviño and Nelson (2021) was applied to an ethical leadership reputation matrix, which states four types of managers emphasizing the strengths or weaknesses of a moral person and moral management.

### **Unethical leader**

This leader can negatively influence the ethical business culture by being a weak moral manager and a weak moral person. Employees can be influenced or even forced by such a leader to behave unethically and be involved in unethical or illegal activities to meet the leader's objectives. (Treviño and Nelson 2021)

### **Hypocritical leader**

Hypocritical leaders present themselves with morality, ethical values, and integrity but behave unethically. This leader is strong in moral management by communicating ethical principles and values to employees, even ensuring ethical behavior by incorporating tools such as a code of conduct, ethical training, or audit. However, the hypocritical leader needs to be stronger in being moral and lacking ethical traits, behavior, or decision-making practices. (Treviño and Nelson 2021)

### **Ethically silent leader**

Thirdly, according to Treviño and Nelson (2021), the ethically silent leader type represents leaders perceived to be morally solid and may also be highly ethical. However, they are weak in moral management as they do not provide ethical leadership. In this case, employees lack ethical guidance from the top and perceive the leader as ethically silent, as if no ethical communication is being communicated. Finnih (2020) states that ethically silent leaders are the most dangerous as they may pose high moral standards and ethical values. However, they do not carry over these values to their leadership and so do not set any but silent, ethical tone from the top and reputation for ethical leadership.

### **Ethical leader**

Finally, there is an ethical leader who is strong in being a moral person and in moral management. This leader acts with consistent ethical behavior, honesty, justice, respect, integrity, responsibility, and transparency; these values accompany moral management as an ethical leader encourages and promotes these values in the employees by incorporating ethical management tools. Ethical leaders and managers do not tolerate violations of ethical codes and ethical principles and

policies. These leaders raise concerns or admit responsibility for their or their employee's mistakes so a recovery plan can be implemented, and the issue is solved. (Villirilli 2021)

### **2.3.1 Importance of being an Ethical Manager**

Leaders and managers have the power to directly affect and be responsible for the company's success as they can shape the business culture and ethical operations. *"Setting a good example, especially (but not only) in top management, is probably the most important factor in creating an ethical culture."* (Melé 2019 p. 228)

According to Villirilli (2021), the importance of being an ethical manager or leader lies in the benefits it brings to the company, the employees, and the manager.

1. Ethical leadership enhances morale. When the values are adhered to, an ethical leadership culture creates a positive work environment and, consequently, an overall better mood among employees than the stress and unexpected, which is more straightforward to overcome with a stable business culture.
2. An increased sense of belonging is the benefit of implementing ethical principles and aligning company values with the individual values of employees and managers. This creates a positive atmosphere and workplace dynamic and increases well-being, which consequently helps promote ethical behavior.
3. Ethical managers can improve relationships with stakeholders as they perceive ethical leadership, ethical business values, and stable and transparent business dealings and activities. This can attract new employees and investors and encourage customers and suppliers to continue doing business with the company.
4. Ethical leadership can promote loyalty among employees if they are treated fairly and with a culture of trust and respect. Loyal employees can have less urge to look for another job or move between the company's teams. Employee loyalty positively influences lower turnover, higher productivity, and effectiveness.



5. Ethical leaders who communicate the company's ethics, values, and mission and the part of each employee in this mission can expect higher motivation as the employees are aware that acting ethically is for their own and the company's benefit.
6. When ethical leaders develop and maintain an ethical leadership culture and adhere to ethical values, they can expect to overcome times of crisis with stability and support. In addition, companies with successful ethical leadership can develop higher stability in the market as they have a lower risk of unexpected crises due to internal factors such as high turnover, lack of qualified workforce, or poor productivity.
7. Respect from society and local communities is also one of the benefits of managers and leaders promoting ethics in businesses as they set not only a good tone from the top for employees but also the public and communities as they perceive the good ethical image of the company. According to Jamnik (2017), managers and leaders need to be ethical as they are expected to do so by society and as managerial ethics may be adhered to as part of CSR. In conclusion, ethical leadership is expected from society and stakeholders as it is perceived to be the right thing to do.

### **2.3.2 Ethical Manager's Values and Principles**

According to Villirilli (2021), honesty, justice, responsibility, respect, transparency, and integrity define an ethical manager or leader.

- Honesty promotes trust and fairness in relations with all stakeholders.
- Ethical managers and leaders promote justice by treating all stakeholders equally, offering everyone the same opportunities without favoritism, and preventing unethical behavior and harmful practices.
- Responsibility is ensured by being responsible for its employees, embracing duties, and being present and responsive as a top leader or manager.
- Ethical managers and leaders treat everyone with respect and so they prevent discrimination and promote inclusion and diversity (Villirilli 2021). According to Mtdtraining (2022), mutual respect must be ensured for each employee and

the manager or leader. Each manager or leader should ensure that employees treat each other respectfully regardless of opinions or cultural differences.

- Employees need to understand why certain decisions have been made and that unpredicted decisions are not based on personal beliefs or opinions. Villirilli (2021) argues that a transparent and ethical manager or leader enhances open communication with all stakeholders, accepts feedback, and effectively disseminates needed information to co-workers.
- Finally, ethical managers or leaders act with integrity as their values, actions, promises, and words are consistent and aligned.

### **2.3.3 Ethical Issues of Managers**

Managers can face all kinds of ethical issues concerning employees, such as harassment, discrimination among employees, or other ethical issues described in Chapter 1.2. However, the ethical responsibilities of managers differ from the responsibilities of other employees *“since managers are responsible for the entire range of human resource activities such as hiring, firing, disciplining, evaluating performance, and developing employees, as well as communicating ethical standards to employees and understanding how to deal with any ethical concerns that employees raise”*. (Treviño and Nelson 2021 p. 224)

Hiring and work assignments can become an ethical issue as prejudice and discrimination occur (Treviño and Nelson 2021). It can be perceived as an ethical issue that managers face as it requires equal opportunity and diversity treatment and, therefore, adheres to business culture objectives. The hiring practices of the company and manager are monitored to ensure no discrimination or favoritism occurs. (Johnston 2016)

Performance evaluation and compensation recommendation can represent one of the ethical issues for managers as they evaluate and compensate employees differently for the same skills based on the salary range. This also applies to newly hired employees who may have dealt with a higher salary than current employees. When the employees discover these differences, it can become an ethical issue and raise questions about gender, race, religion, or age. (Johnston 2016)

Managers can also face the issue of low employee engagement as they need to reward and recognize employees equally for their work efforts. Recognizing and rewarding employees can also lead to higher performance and a better workplace atmosphere. (Treviño and Nelson 2021)

Finally, discipline itself can pose an ethical issue as many managers need to pay more attention to set discipline standards, so ethical behavior expectations are neglected. This can negatively influence business culture and employee productivity. (Treviño and Nelson 2021)

Employee terminations can be an ethical issue for managers and companies as they affect the lives of terminated and current employees. The reasons for termination can be questionable and unethical, for instance, termination for discrimination, retaliation, violation of employee contracts, or inconsistent application of policies. (Fermin 2023)

Managing a diverse workforce, especially in the international environment of MNCs, can be challenging for managers. Managers need to deal with a diverse workforce, embrace workplace tolerance and acceptance, and positively influence employee relationships. (Treviño and Nelson 2021).

#### **2.3.4 Manager's Procedure**

Even if the ethical business culture and code of ethics seem to be well set and employees are trained and regularly informed, led by an ethical leader or manager, encouraged to communicate openly, offered support and guidance, aware of the consequence of ethics violation and their ethical behavior is assessed, managers should still be prepared to handle violation of ethics to promote good ethical business culture perception (Fortune Group 2023). Firstly, when getting an ethics violation complaint against another employee or the manager, managers should express gratitude for bringing the concern to the attention. This shows that the ethics violation reporting system works. Cooperating with the HR department is beneficial when getting an ethics violation report directly from the employee or HR department. It depends on the reporting channel. However, the HR department must provide solutions and recommendations to the reporting employee (Stark 2020)

Papadopoulou (2023) states four steps of procedures when getting a violation of ethics report:

1. Talking with the employee – An honest conversation between the manager and the employee is essential to understand what happened. The goal of the initial conversation is to make employees aware of the violation and get enough information as this step determines the way to other steps.
2. Providing the employee with a written warning – after a serious conversation with the employee, the employee should get a notice of concern explaining the committed breach of ethical actions, following procedure, and possible consequences.
3. Investigating the incident – to identify the disciplinary action, especially when serious ethics violations are made, the investigation may be necessary for the improvement of the employee's behavior. Regarding the investigation, the matter can be handled by the manager in cooperation with other departments or persons involved or can be entrusted to a third-party organization, the company's ethical commission, and the ethical officer.
4. Taking disciplinary action – this step is implemented after the investigation. There are multiple types of disciplinary actions, such as progressive discipline (the disciplinary action or consequences are harshened if the employee's behavior is not improved), performance improvement plan, reassignment, temporary suspension, or termination in case of serious ethics or law violation.

Finally, according to Papadopoulou (2023), it is essential to prevent ethical violations by increasing compliance with the company's ethics. To do so, a code of ethics or any ethical documents and policies should be regularly updated and communicated to employees. Ethical documents should be easily accessible and referred to regularly. To promote good ethical behavior, establishing a rewards program for ethical compliance is recommended to encourage employees to adhere to basic common standards and the company's ethics.

### **3 Aim and Methodology of the Research**

This chapter provides the aim of the thesis and describes the methodology of the research conducted in Drylock Technologies group.

#### **3.1.1 Aim of the Research**

This thesis aims to evaluate the perception of ethical culture, the state of employee ethics, and the degree of compliance with the code of ethics in the selected company and, in case of identified shortcomings, propose measures that would improve the application of ethical management in the company. The main research question *“What is the current state of employee ethics, and how do employees perceive the ethical culture within the selected company?”* was explored.

Further, there were researched the additional questions:

- What are the requirements of HQ on the ethical management of the subsidiaries in the group?
- What are the company's existing ethics policies and programs, and how are they communicated to employees?
- How is the company's code of ethics set and complied with?
- How do employees feel about whistleblowing as it can pose an ethics management tool and an issue?
- What measures and practices can be proposed to enhance the application of ethical management within the selected company, considering the identified shortcomings?

#### **3.1.2 Quantitative Research**

To conduct quantitative research, a survey was conducted in the selected company using two questionnaires. These employee ethics questionnaires focused mainly on quantitative questions. However, some parts of the questions could be perceived as qualitative as they provided the respondents with the opportunity to express freely their feelings or opinions.

To evaluate the employee ethics in the selected company, employees were sectioned into managers and regular employees. The first questionnaire focused on managers (leadership, managers, and supervisors), and the second focused on regular employees (everyone who is not a company's leader, manager, or supervisor). The reason to conduct a separate survey for managers and regular employees is to access the different opinions and views on the same ethical matter, which are then analyzed and compared as managers may be in different standpoints and have a different awareness of the company's processes and practices than regular employees.

### Method of data collection

The data were collected using two anonymous questionnaires, one for managers (Appendix A) and the second for regular employees (Appendix B). The company's employees were alerted via its app, Munipolis, the day before the survey started.



Figure 7: Survey announcement in the company's app

Source: own

This app enables the company to inform and announce its users (company employees) of various matters such as news and events. This short informative survey announcement (Figure 7 - in Czech) consisted of a subject matter with a hint, the text itself, which communicated the purpose and topic of the survey, and the survey's start day and method.

Both questionnaires were done in Google Forms and distributed via two different links, one for the manager's questionnaire and one for the regular employee's questionnaire. The links to the two questionnaires were sent out via email to both managers and regular employees. Managers were reached via company email addresses and regular employees via personal email addresses provided to the company for informing and communicating with employees about informative and organizational matters such as periodical medical check-ups or training or being noticed upcoming news or events. The emails with links were sent by the company's HR manager. Employees' privacy while using their personal email addresses was adhered to by sending emails in hidden copy.

The survey period lasted seven days; however, a significant number of respondents, 64 % (25 out of 39 respondents) of managers and 71 % (178 out of 251 respondents) of regular employees answered the questionnaire on the first day.

Both questionnaires were provided in Czech, as the company's employees speak Czech. However, some English-speaking managers were provided with a questionnaire in English.

### **Data sample**

For the survey, 61 managers were emailed, and the questionnaire return rate was 64%. Further, 1297 regular employees were emailed, and the questionnaire return rate was 19%.

The reason why manager's respond rate was higher than regular employee's may be because they were reached out to using their company email addresses, which are used for work purposes and most likely regularly checked. However, some managers were absent during the survey or were busy or reluctant to respond. As for employees, they were contacted using company email addresses or personal

email addresses, as most employees do not have company email addresses. However, there might be multiple reasons why 82 % of employees did not respond. Firstly, some employees may not check their email addresses regularly. Secondly, they may have differing views on the importance and purpose of the survey. Additionally, some employees may be unfamiliar with or disinterested in the researched topic and the purpose of this thesis, and some may find the questionnaire incomprehensible or not worthy of investing their time and effort. However, this could indicate a need for more engagement or motivation among regular employees to participate in surveys related to ethical culture, which may signify a disconnect between the company's ethical initiatives and its workforce.

Some employees, both managers and regular employees, confided that they were afraid to be honest and, therefore, did not complete the survey even though the questionnaires were completely anonymous. This note was displayed at the beginning of each questionnaire.

### **Questionnaire structure**

The two questionnaires for managers and regular employees were similar for the most part. Regular employees were asked 10 enclosed questions, and within the last 11 open questions, they were provided with space to freely express any thoughts or opinions on ethics and ethical culture in the selected company. Managers were asked 12 enclosed questions, additional enclosed questions on the level of management and on obstacles to building a strong ethical culture. The questions could be answered by single or multiple choice and statements with a 5-point Likert scale (strongly disagree, disagree, no opinion, agree, strongly agree).

The questionnaires were sectioned into four parts, evaluating first demographics such as age, gender, years of service, and management level in manager's questionnaires. These demographical questions could be answered with a single choice only.

The second part was evaluating the state of employee ethics and compliance with the code of ethics. All 3 questions in this part were structured in 9 statements answered with 5-point Likert scale. Most of these statements were adopted from an ethics



culture survey done by GoodCorporation (2018). Some of the statements adopted from GoodCorporation (2018) were adjusted, and some statements were added for this research and to provide a better understanding of respondents.

The third part was structured to evaluate employees' opinions on whistleblowing and channels for whistleblowing. The first question in this section was structured in 3 statements adopted from GoodCorporation (2018) and answered with 5-point Likert scale. The second question on whistleblowing channels was multiple choice.

The fourth and last part of the questionnaires examined the company's employee perception of ethical culture. The first question with 3 statements could be answered with a 5-point Likert scale. Second, additional questions in the manager's questionnaire asked about perceived obstacles to building a strong ethical culture in the company, which could be answered by multiple choice or free opinion answers within the last open line. The last question of this part evaluated the employee's feelings about financial and non-financial (employee recognition programs, benefits, positive work environment and motivation, meaningful work, achievements celebrations, and work-life balance possibilities) valuation. It could be answered with a yes/no/no opinion answer.

Additionally, at the beginning of the questionnaire, respondents were provided context about the company's ethical practices to make the questionnaire topic more comprehensible.

### **3.1.3 Qualitative Research**

To provide broader context and international aspect, insights, and interpretation of the quantitative research findings, qualitative research was conducted through an interview with the Belgian headquarters' R&D managers Laura Delgado Diaz and Pieter Hommez.

Laura Delgado Diaz has worked at Drylock Technologies since June 2023 as a sustainability project manager for the R&D department. Laura Delgado Diaz manages, together with her colleague Pieter Hommez, all the CSR projects that come

from a corporate level, involving environmental and social projects and governance projects that cover business ethics. (Delgado Diaz 2024)

The interview with the Belgian HQ's R&D managers was conducted online via Microsoft Teams using a prearranged interview guideline. The interviewees agreed to record and transcript the interview (Appendix C).

#### **3.1.4 Research Evaluation**

The questionnaires are evaluated based on mode (the most frequent response) as a measure of central tendency. The distribution of 5-point Likert scale responses is displayed in bar charts.

The questionnaires are evaluated by percentage response distribution and verbal evaluation. The evaluation of questionnaires is analyzed together with interview outputs. Finally, the results are compared to evaluate employees' and managers' questionnaires.

## 4 Analytical part

This thesis's theoretical part provides the literature review and analysis of the theoretical bases of business ethics, ethical business culture, ethical management, and managerial ethics. The analytical part discusses, evaluates, and analyzes the employee ethics in the selected international company. The selected international company is a company group called Drylock Technologies. Meanwhile, the quantitative research was conducted at the Czech plant Drylock Technologies s.r.o. (introduced in chapter 4.2).

### 4.1 Drylock Technologies

Drylock Technologies is a global, family-owned company manufacturing personal hygiene products. The company has an international presence in more than 60 countries, operates nine plants and five offices in 10 countries worldwide, and has more than 3500 employees. (Sofina 2024)



*Figure 8: Drylock Technologies' Logo*

Source: Drylock Technologies (2024)

#### 4.1.1 History

Drylock Technologies was established in 2011 by Bart Van Malderen in Belgium. The company expanded in eleven years from 2011 with operations in two countries and 368 employees to operating in 10 countries with more than 3500 employees and turnover exceeding one billion euros. (Drylock Technologies 2024)

Table 1: The History of Drylock's Expansion

Year	Employees	Turnover	Internationalization
2011	368	No data	Belgium, Russia
2012	427	No data	Belgium, Russia, Czech Republic
2014	488	€ 37 million	Belgium, Russia, Czech Republic
2015	699	€ 78 million	Belgium, Russia, Czech Republic, Italy, France, Germany, Spain
2016	1140	€ 117 million	Belgium, Russia, Czech Republic, Italy, France, Germany, Spain
2017	2600	€ 217 million	Belgium, Russia, Czech Republic, Italy, France, Germany, Spain, USA
2018	2859	€ 372 million	Belgium, Russia, Czech Republic, Italy, France, Germany, Spain, USA, Brazil, UK
2019	3204	€ 521 million	Belgium, Russia, Czech Republic, Italy, France, Germany, Spain, USA, Brazil, UK
2020	3402	€ 582 million	Belgium, Russia, Czech Republic, Italy, France, Germany, Spain, USA, Brazil, UK
2021	3505	€ 701 million	Belgium, Russia, Czech Republic, Italy, France, Germany, Spain, USA, Brazil, UK
2022	3579	€ 1046 million	Belgium, Russia, Czech Republic, Italy, France, Germany, Spain, USA, Brazil, UK

Source: own processing according to Drylock Technologies (2024)

#### 4.1.2 Plants and Offices

As Drylock Technologies (2024b) states on its website, the company is based in Zele, Belgium, where its HQ resides. The first plant was built in 2012 in Hrádek nad Nisou, Czech Republic. Since then, the company has strived for excellence in sustainability and resource-efficient production with the help of the highest development laboratory and modern equipment, as well as by incorporating leading industry practices to go beyond compliance and promote traceability and transparency. These core principles and practices are applied in all newly acquisitioned or built plants and sales offices:

1. Plant in Hrádek nad Nisou, Czech Republic
2. Plant in Nizhny Novgorod, Russia

3. Plant in Alabuga, Russia
4. Plant in Polig de Hontoria, Spain
5. Plant in Buccinasco, Italy
6. Plant in Reidsville, USA
7. Plant in Eau Claire, Wisconsin, USA
8. Plant in Sao Paulo, Brazil
9. Plant in Poá, Brazil
10. Sales Office in Cailloux Sur Fointaines, France
11. Sales Office in Hertfordshire, UK
12. Sales Office in Buchholz, Germany
13. Sales Office in Berlin, Germany

#### **4.1.3 Production**

According to Drylock Technologies (no date b), Drylock Technologies manufactures baby, feminine, and adult care products such as incontinence products, diapers, and feminine hygiene products. The company continuously invests and stands for innovation by being CO2 climate neutral and the first hygiene company to use 100% green renewable energy. Additionally, in 2023, the company launched the world's first compostable diaper.

#### **4.1.4 Mission, Vision, and Strategy**

Drylock Technologies strongly emphasizes innovation, sustainability, and excellence in its practices, which are supported by vision and mission statements. According to Bart Van Malderen (founder, the majority owner and CEO of Drylock Technologies), looking ahead with vision and strong belief is essential for the business's success. (Drylock Technologies 2024c)

These are the statements communicated by Drylock Technologies on their websites:

**always looking ahead with **vision** and a **strong belief****

**Bart Van Malderen**  
CEO Drylock Technologies

**vision**  
Innovation is part of our company DNA. We are constantly challenging the industry. That is our inexhaustible source of inspiration to innovate and continuously improve our products.

**mission**  
By combining customer focus with product innovation and manufacturing, we provide hygiene products of the future, today.

**belief**  
We believe there's always room for improvement. We strive for excellence and believe that the future is green.

Figure 9: Drylock Technologies' statements communicated at the company's website

Source: Drylock Technologies (2024c)

According to Drylock Technologies' (no date) Sustainability Progress Report 2022 – 2023, the company follows a CSR strategy and commits to the United Nations 2030 Agenda for Sustainable Development Goals (SDG) integrated across all company levels. The company adheres to these goals by ensuring good health and well-being, gender equality, decent work, and economic growth. The report is visibly communicated on the company's website (Fig. 10), which helps to promote transparency among all stakeholders and an overall positive public appearance.

Figure 10: Sustainability Report 2022-2023 communicated on company's website

Source: Drylock Technologies (no date)

#### **4.1.5 Organisational Structure**

According to Delgado Diaz (2024), regarding subsidiary (plant) organization, the company's HQ recognizes ownership by the plant in terms of management activities and practices. Thus, each plant is free to self-manage and the day-to-day operations are strongly led by the plants, however management on all levels is a joined effort influenced by shared vision (Hommez 2024).

The CEO is Bart Van Malderen, the founder and the majority owner of Drylock Technologies group. Each plant has its director and top management responsible for its activities, practices, and processes. Regarding ethics, each plant is responsible for its ethical management practices.

As plants are free to self-manage and they can develop their own initiatives, meaning they take ownership of implementing and following up with overall global vision. This freedom in self-management contributes to the company's development as there are several initiatives in the process of development and implementation, which consequently means plants in the group can learn from each other, and developed initiatives can be applied in other plants. This freedom promotes bottom-to-top initiative development and implementation approach rather than top-to-bottom. (Delgado Diaz 2024)

#### **4.1.6 Business Ethics**

Drylock Technologies emphasizes integrity and responsibility in legal and ethical ways. The company makes sure to adhere to and excel at ethics, compliance, and all regulations significant to the industry. Drylock Technologies introduced a Code of Conduct in 2021 applicable to all company's employees. The code is periodically reviewed, emphasizes the company's mission and vision, and communicates areas of legal nature such as human rights, the right to safe and healthy working conditions, the right to free association and free bargaining and discrimination, and harassment-free workplace. (Drylock Technologies no date)

Drylock's business ethics are incorporated in different key points and setups such as contracts, the code of conduct, ethical audits, and audits of customers

(Hommeez 2024). Regarding ethical management, subsidiaries have freedom of action, however Drylock Technologies requires their subsidiaries to conduct a regular ethical audit, Sedex SMETA. Moreover, each subsidiary must adhere to the policies developed by the HQs. Finally, the HQ R&D department is responsible for developing and implementing programs and policies, and the ethical compliance responsibility is divided between the R&D, legal, and sustainability departments. (Delgado Diaz 2024)

According to Hommeez (2024) mentions the importance of continuous and ongoing understanding of ethics in company offices and production and any identified ethical issues requires immediate action. Moreover, managers spent majority of their time in production talking and living with employees to ensure strong managerial presence, as it is important to monitor and prevent ethical issues and misconduct on daily basis.

### **Certifications and Assessments**

To promote ethical behavior, Drylock Technologies is certified among many significant quality, environmental, and product certifications by certifications such as ISO 14001 (environmental management certification, described in chapter 2.2.1) and Business Social Compliance Initiative (BSCI) (Drylock Technologies no date). BSCI is a supply chain management system with a Code of Conduct initiative by the Foreign Trade Association that guides companies' social compliance and improvements by providing auditing and reports to members of the companies (Seafish 2024).

From a group level, Drylock Technologies conducts EcoVadis, a third-party documentation and reporting audit covering all CSR practices, including social and ethical responsibilities (Delgado Diaz 2024). In 2022, Drylock Technologies gained a silver sustainability rating from EcoVadis, being in the top 15 % of assessed companies (Drylock Technologies no date).

EcoVadis is an environmental, social, and ethical performance certification assessment, in other words, it is a sustainability assessment. This assessment helps companies to navigate sustainability regulations, provides clarity in sustainability



performance, thus guiding where to start and how to improve and track progress, and creates a competitive advantage as it promotes a better reputation among consumers, all stakeholders, and competitors. (EcoVadis 2024)

Finally, regarding business ethics and employee care, Drylock Technologies HQ requires their sites to conduct Sedex audits regularly as assessments conducted by external party providers (Drylock Technologies, no date).

### **Internal policies**

Drylock Technologies internally communicates all kinds of policies, from financial policies to corporate policies. In terms of policies promoting business ethics, the company states on the internal websites (intranet) its code of conduct, ethics and compliance charter, anti-bribery and corruption policy, conflict of interest policy, human rights policy, career management and training policy, social dialogue policy, labor relations and working conditions policy, GDPR and security policies and finally, whistleblower policy provided in all operational languages of the group. As mentioned, the company has a policy called the ethics and compliance charter on ethics, which is considered a code of ethics with all essentials. However, this document is available only in English at the company's internal SharePoint, so the implementation as a guiding documentation and language accessibility for other plants is missing.

Further, the company provides via intranet training-introduction presentations for code of conduct compliance, code of conduct eLearning presentations, and antitrust competition workshops in English. Additionally, the company provides intranet policies and conducts documents mostly in English. Some policies, such as code of conduct and whistleblowing policies, are available in other plant's operation languages. Moreover, some policies and training documents are available via a shared drive.

### **Employee data**

According to Drylock Technologies' Sustainability Progress Report 2022 – 2023, the company group's number of employees was 3652 (2022). The company group employs people from 35 different nationalities in terms of diversity and equal

opportunity. Employees per category accounted for 3010 blue collars, 642 white collars, and 336 managers. Moreover, 55 % of employees are aged 30 – 50, 33% are younger than 30, and the remaining 12% are older than 50. The percentage of male employees is 59% and females 41%. Additionally, the percentage of women working in management is 34%. The turnover rate reported by the company is 24%. Moreover, in terms of ethics, the Report states that 90% of employees were trained in business ethics, and 90% of new employees were trained in the code of Conduct. (Drylock Technologies no date)

## **4.2 Drylock Technologies s.r.o.**

Drylock Technologies s.r.o. is the main plant site of the Drylock Technologies group. This plant site's employee ethics is evaluated for this thesis.

The plant site was established in 2012 in Hrádek nad Nisou. In 12 years, the site grew into two plants with 27 production lines and one fully automated warehouse complex with 1374 employees, which accounts for about 1/3 of the employees of the whole Drylock Technologies group.

This plant site manufactures incontinence products, baby and adult diapers and pants, and feminine hygiene products such as shape pads, light pads, and underpads. In 2023, the plant produced over 4 billion pieces, accounting for about 40% of the whole group's production. The products are manufactured for customers such as Rossman, DM, Lidl, Kaufland, Tesco, Globus, Rewe, Billa, Penny, Aldi, Walmart, and many more.

In addition, Drylock Technologies s.r.o. won the best employer of the region four years in a row (2020 – 2023) in the category of 500 – 5000 employees (Zaměstnavatel Roku 2023).

### **4.2.1 Employee Ethics**

As mentioned earlier, Drylock Technologies recognises important ownership by plants within the group in terms of management activities and practices based

on shared vision and strategy (Delgado Diaz 2024). Each plant is responsible for fulfilling the HQ requirements for Sedex SMETA audit and compliance with internal policies. Policies set by HQ, such as the code of conduct, foster ethics within the company, which is applicable to all the group's subsidiaries.

### **Code of ethics**

Drylock Technologies implemented two codes of ethics. One code of ethics (in the Czech language) in the form of a declaration of membership in the international non-profit organization Sedex SMETA since 2020 is represented in all boardrooms to stakeholders and provided to employees within the onboarding document folder to employees. The code of ethics (declaration), signed by top management, describes commitments to disseminate ethical principles to stakeholders and compliance with employment documents, internal regulations, and working conditions. Furthermore, the code declares that compliance with the code of ethics is a commitment that regulates the behavior of employees towards the employer, colleagues, customers, suppliers, and the public. This code of ethics (declaration), established in one A4 page, refers to a written code of ethics.

This written code of ethics communicates the liabilities and obligations and the system of ethical management according to Sedex SMETA, the employer's conduct towards the employees and reversed and further: forced work, safety of work, child work, rewarding, work times, discrimination, human rights, environmental responsibility, business ethics, GDPR and whistleblowing. The written code is emailed to employees before the Sedex SMETA audit and placed on the company's shared drive. However, employees are not trained regarding this code.

### **Ethics training**

The employees of Drylock Technologies s.r.o. are trained while onboarding and then once a year on ISO divided into 3 levels (1. managers, 2. technical-economic workers, 3. production operators). The training conducted by Quality manager informs employees on specific company goals, processes, policies, norms and regulations,

certifications and assessments including Sedex SMETA audit. Managers and technical-economic workers are tested on the content of the training.

According to Delgado Diaz (2024), the company is developing a learning/ training platform applicable to all subsidiaries in the group to expand official training further to promote the officiality of ethical training. All employees must be aware of this training, which will involve official ethical training concerning anti-corruption or anti-competitive practices and the Code of Conduct. (Delgado Diaz 2024)

## **Whistleblowing**

Whistleblowing, or reporting unethical behavior, is fostered within the Czech plant through two official channels: the trust box and the company's internal app section wishes and complaints. The HR manager manages these official whistleblowing channels. Additionally, there are unofficial reporting channels, as employees are always reminded of the option to confide in the HR department or their supervisor.

## **4.3 Analysis of Employee Ethics in the Selected International Company**

In this chapter, the data from the manager's and regular employee's questionnaires are analyzed, compared, and evaluated. Additionally, the analysis and evaluation of the survey are complemented by information gained in the interview with Drylock's HQ's manager (Appendix C).

### **4.3.1 Sample Characteristics**

Any characteristics did not limit the sample of respondents. The characteristics of the sample of managers and regular employees were selected according to gender, age, and years of service in the company.

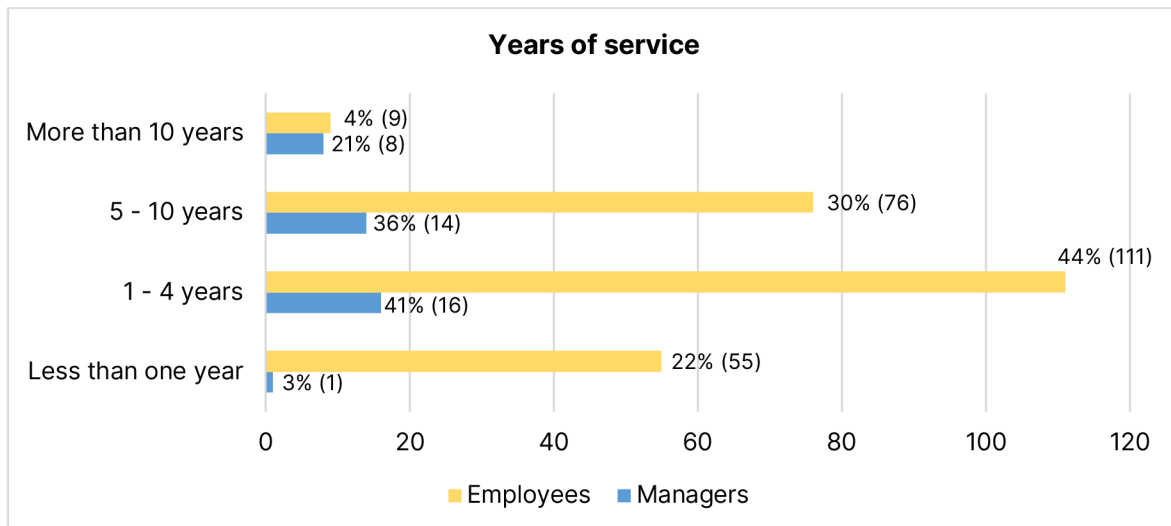
For the survey, 61 managers were contacted, and 39 managers responded, thus the manager's questionnaire return rate was 64%. Further, 1297 regular employees

were contacted, and 251 regular employees responded, thus the regular employee's questionnaire return rate was 19%.

The company employs 43% of women and 57% of men, which is considered equal. The regular employee questionnaire was answered by 45% of women and 55% of men, corresponding to the company's accurate and equal representation of women and men. The manager's questionnaire was answered by 74% of men and only 26% of women, which also corresponds with the distribution of women and men in managerial positions as most managers in the company are men. The reason why there are most men in managerial positions may be because of the technical field of operation.

In terms of age, the sample of managers consists of 54% of people aged 41-55 and 41% aged 26 -40. The research shows that only 1 manager is younger than 25, and only 1 manager is older than 56. Regarding regular employees, the research indicates that 46% of employees aged 25 – 40 and 29% 41 – 55. Very significant is also a group of employees aged 25 and less with 22% representation. However, as the company employs only people older than 18 years, this age group has an interval of only 7 years compared to the 25 – 40 and 41 – 55 years, which have an interval of 14 years. In conclusion, the company employs people of all ages. However, most managers are older than 41, as being a manager requires a certain level of experience and knowledge.

Both managers and regular employees were asked how long they had worked for the company to evaluate their loyalty and commitment to it.



*Figure 11: Years of service*

Source: own research.

More than 55% of managers worked for the company for more than 5 years, out of that, 20,5% of managers worked for the company for more than 10 years. However, the research does not indicate any connection between the years of service and level of management as the loyalty to the company is rather an individual than contingent on management level or working in an office/manufacturing. Regarding regular employees, the majority (66%) worked in the company for less than 4 years, which may indicate high fluctuation. As these regular employee respondents work in offices and directly in production, the fluctuation may be caused by issues with some production operators' working positions and the noise to which people are exposed in production. However, another reason may be the high number of new employees due to the expansion scope of the company.

Additionally, managers were characterized according to management level, thus top management (director, head of departments), middle management, and line management (Master). Of the respondents, 20% work in top management, 31% in middle management, and the majority of 49% managers work in line management.

#### **4.3.2 Employee Ethics in the Selected International Company**

Employee ethics are fostered by a set of principles that shape the rules for the conduct of employees at all levels of the company in their behavior and

decision-making. Employee ethics impacts the company's success as ethical behavior and decision-making influence open and honest communication, workplace safety, the company's reputation, customer trust, employee engagement and positive work environment, attraction and retention of employees, legal compliance, and long-term sustainability. (Invision Custom Solutions Inc. 2022)

### State of employee ethics

Both managers and regular employees were asked to answer the same statements on feeling supported by the company to do the right thing. These statements were asked to explore the support of employees in ethical and morally right behavior, as it plays a significant role in the success of ethical management and influences ethical business culture.

Additionally, respondents were asked if they feel like the company treats employees at least as important as profit. This question aims to evaluate whether the employees feel they are the most important asset in the company, as employee treatment directly influences employee well-being, which influences the company's success.

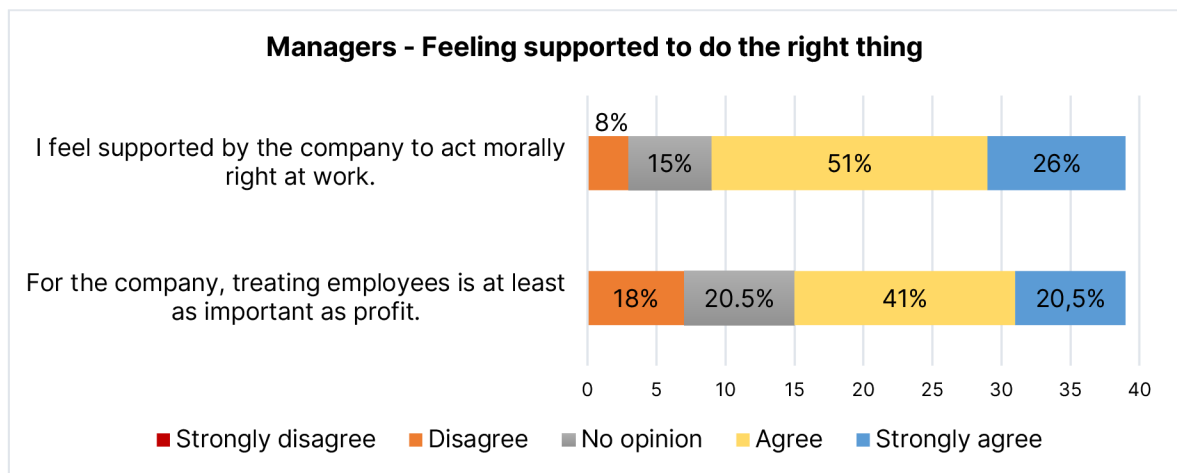


Figure 12: Managers - Feeling supported to do the right thing

Source: own processing.

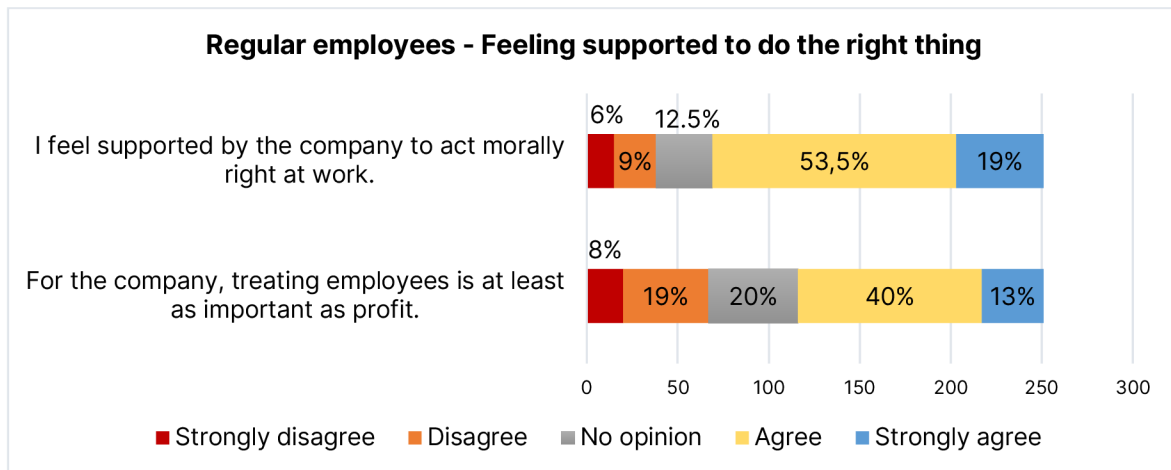


Figure 13: Regular employees – Feeling supported to do the right thing

Source: own processing.

Figures 12 and 13 show that most managers (77%) and regular employees (72.5%) feel supported by the company to act morally right at work. This high percentage of both managers and regular employees who feel supported by the company to act morally right at work indicates the employee’s confidence in the company’s policies, practices, and resources in place, promotes ethical conduct, and supports employees to make morally right decisions, and fosters employee trust. This confidence in the company’s practices is essential for fostering a positive workplace environment and empowerment to comply with ethical principles. Additionally, the managers (15%) and regular employees (12.5%) who have no opinion and the managers (8%) and regular employees (9%) who disagree with feeling supported by the company to act morally right at work may be new to the company. It may be too soon to create an opinion or indicate a perception gap in the company’s ethical support system regarding a lack of clarity, trust, communication, or understanding of its ethical policies, leadership actions, and practices. Managers who expressed disagreement pose an issue as managers play a crucial role in setting trust, integrity, and the right tone for ethical behavior and business culture.

In terms of the perception of employees being the most important asset for the company, most managers and regular employees perceive the company’s treatment of employees as at least as important as profit, which indicates alignment with the company’s values. However, 18% of managers and 27% of employees disagree with this statement, which suggests an opportunity for improvement



as employees play a significant role in driving the company’s success and long-term sustainability.

Additionally, managers and regular employees were asked in the last questionnaire question if the employees feel valued (financially and nonfinancial). However, 23% of managers replied no and 31% no opinion, and 24% regular employees replied no, and 23 % no opinion. The fact that a significant percentage of managers and regular employees responded negatively or expressed uncertainty suggests a disconnection between the company’s efforts to recognize and appreciate its employees. While most employees perceive the company's treatment of employees as necessary, dissenting opinions and concerns regarding employee valuation underscore the need for ongoing efforts to strengthen employee engagement, satisfaction, and retention within the organization.

The next question of the two questionnaires explored trust between managers and employees. Trust is an essential ethics principle that directly affects countless activities and operations. Therefore, implementing business ethics can promote loyalty, transparency, and ethical behavior and mitigate employee turnover risk if employees lose trust and loyalty.

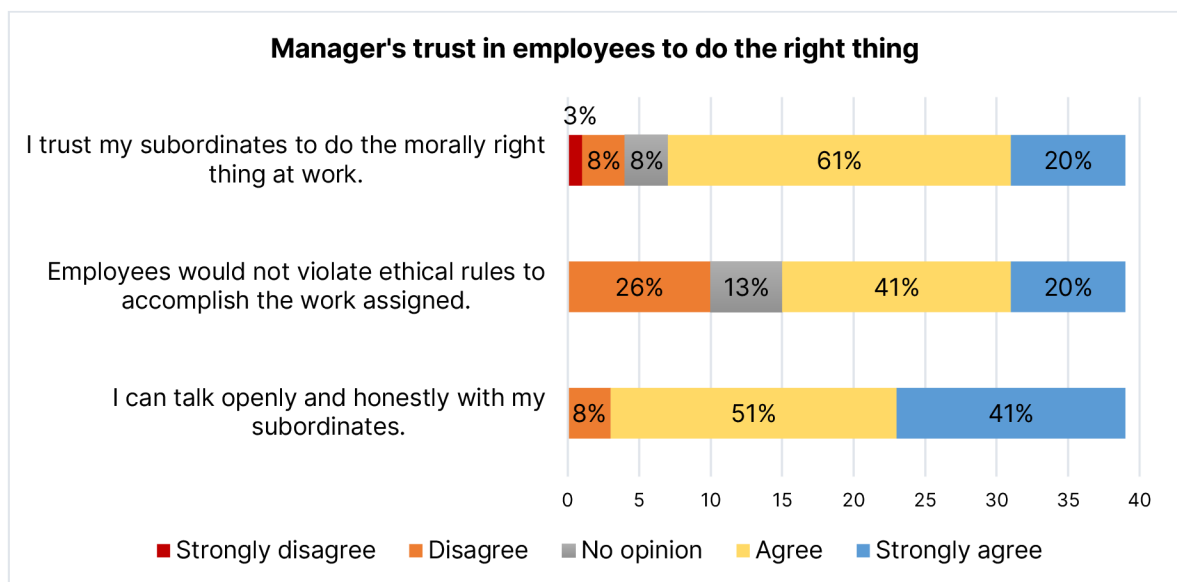


Figure 14: Trust in employees to do the right thing

Source: own processing.

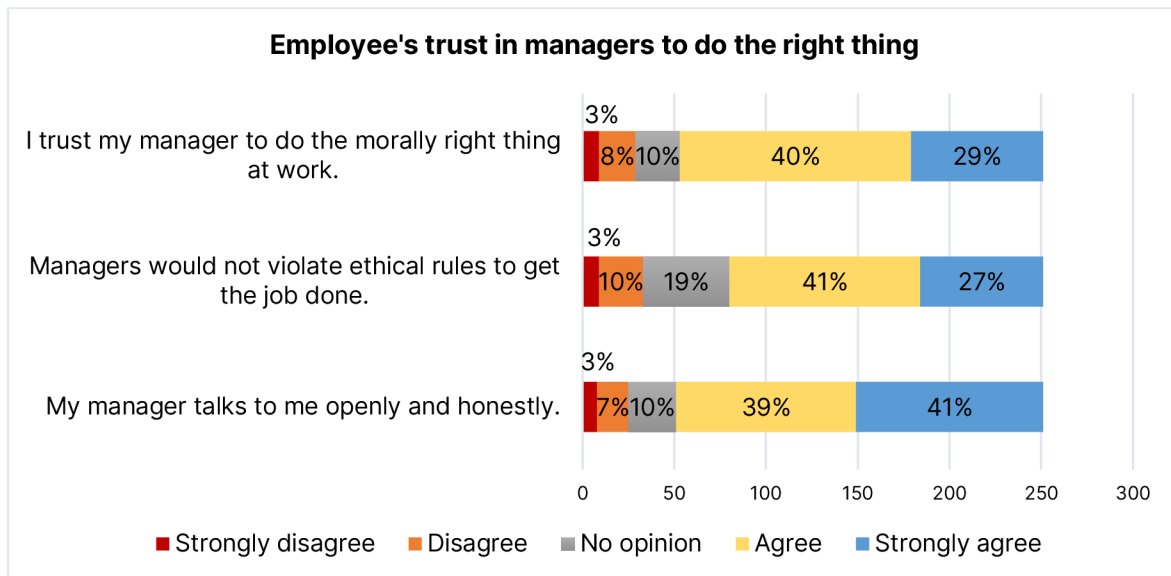


Figure 15: Trust in managers to the right thing

Source: own processing.

From Figures 14 and 15, it is clear that the trust and openness within the manager-employee relationship are at a high level. 81% of managers trust that their subordinates behave morally right at work, and 61% of managers believe that employees would not violate ethical rules to accomplish the work assigned. However, 26% of managers believe the employees would break ethical rules to accomplish their work assigned; this suggests some level of scepticism or concern regarding the potential for ethical misconduct, even though some level of concern is necessary, managers can influence ethical compliance by setting the right example, workflow, and operations right. As 92% of managers feel like they can talk openly and honestly with their subordinates, which agrees with the perception of regular employees as 82% of employees feel like their manager talks openly and honestly with them, this suggests managers' influence, which could be applied to ensure ethical compliance.

Regarding the trust of regular employees in their superiors, 69% trust their superiors to behave morally right at work, and 68% believe that managers would not violate ethical rules to accomplish the assigned work. However, a minority of employees (11%) expressed disagreement with the trust in their manager to do the morally right thing, adhering to ethical rules when getting a job done, and with openness and honesty in communication with their manager. In this case, this matter may be individual and may be influenced by the manager's personal behavior shaped

by personal values and opinions. Moreover, the perception of regular employees in their manager's behavior may be individual and influenced by individual perceptions and experiences. In this case, companies should take an individualized approach and, address employees' concerns and help them to build trust within the manager-employee relationship by facilitating open dialogue, providing channels for feedback and communication, and providing an ethical and positive work environment at all levels of the company.

### Awareness and compliance with ethics and code of ethics

Drylock Technologies s.r.o. has a sophisticated written code of conduct given by the HQ. The code of ethics is fostered by a declaration of membership in the international non-profit organization Sedex SMETA since 2020 and a written code of ethics that communicates commitments to ethical principles according to Sedex SMETA.

To evaluate employees' awareness and compliance with ethics and the code of ethics, managers and regular employees were asked four similar statements, visible in Figures 16 and 17.

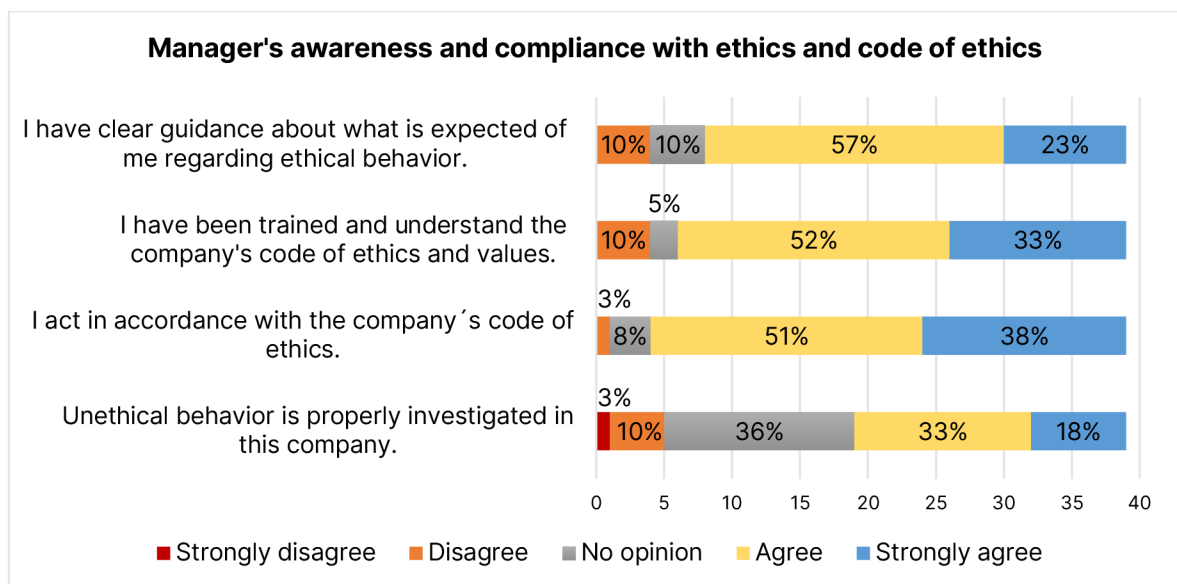


Figure 16: Manager's awareness and compliance with ethics

Source: own processing.



*Figure 17: Employee's awareness and compliance with ethics*

Source: own processing.

The results indicate an overall high perception of clarity in terms of clear standards and expectations of ethical conduct, as both managers (80%) and regular employees (88%) feel like they have clear guidance in what is expected of them regarding ethical behavior. However, 20% of managers are unsure or disagree with this clear guidance, which can be an issue when managers play a crucial role in promoting ethical guidance and principles and maintaining ethical standards. The uncertainty is supported by the comment of one top manager that “no one has trained me in ethics, but it is part of my professional competence to act ethically, to set an example and follow the - unwritten - code of ethics (both in corporate and private life)”. This comment shows the manager's awareness of ethical obligations. However, it highlights the need for official formalized training and education in ethics within the company. Additionally, the disagreement with clear guidance regarding ethical behavior may be caused by the confusion around the code of conduct and code of ethics and the reliance on an unwritten code of ethics, which should communicate clear ethical principles and guide employees' behavior and decision-making.

Further, most manager and regular employees agree with being trained in ethics and code of ethics and understanding the training. The company provides employees with the code of ethics (declaration) within a folder of informative document each new employee receives during onboarding. Moreover, the company provides ethics

training as a part of ISO training (described in chapter 4.2.1) during onboarding and then regularly once a year. However, the training does not communicate ethical principles, guidelines, and standards to employees, but provides employees with training in the requirements of Sedex SMETA.

Regarding ethical compliance, 89% of managers and regular employees agree with acting according to the code of ethics (code of conduct). The results suggest that despite the training focused primarily on Sedex SMETA requirements rather than ethical principles and the company's ethical standards, employees may still uphold ethical standards, possibly through exposure to the code of ethics during onboarding and ongoing communication of organizational values within the company's code of conduct, company websites, and social networks.

Regarding the investigation of unethical behavior, 49% of managers and 45% of regular employees disagree or have no opinion on whether the unethical behavior is properly investigated in the company. These results may be caused by poor communication and lack of transparency of ethical principles and practices in investigating unethical behavior and the unawareness of employees in this matter. Even if the company does not record breaches of ethical behavior, employees still need to be aware of the investigation process quality and transparency as it influences employee's trust and willingness to whistleblow and not perceive whistleblowing as risky.

### **Whistleblowing**

Respondents were asked to answer three statements to evaluate and analyze managers' and employees' perceptions of whistleblowing.

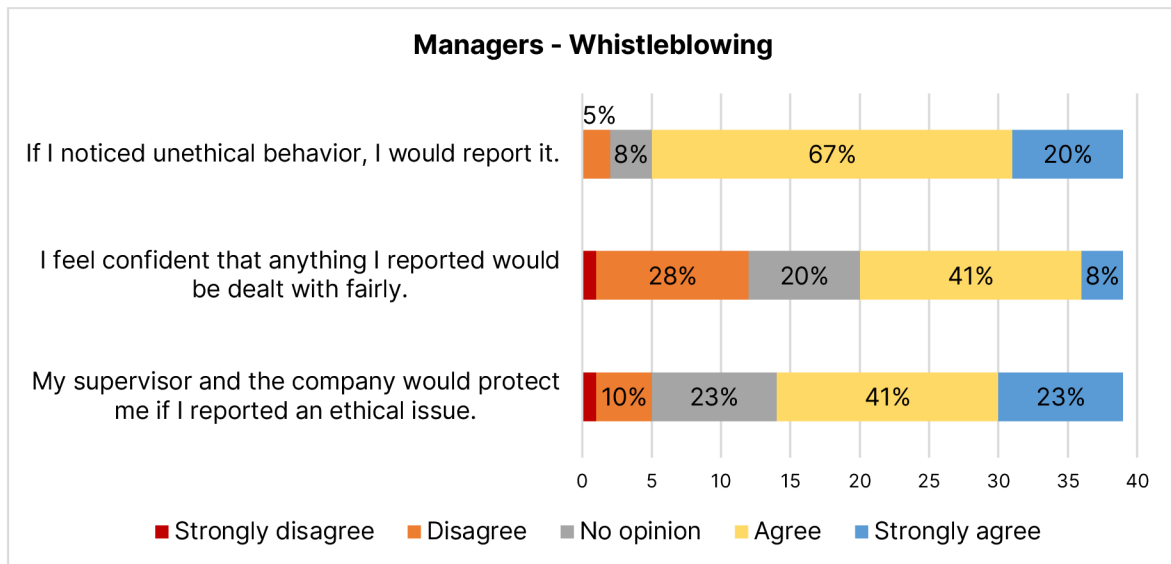


Figure 18: Managers – Whistleblowing

Source: own processing.

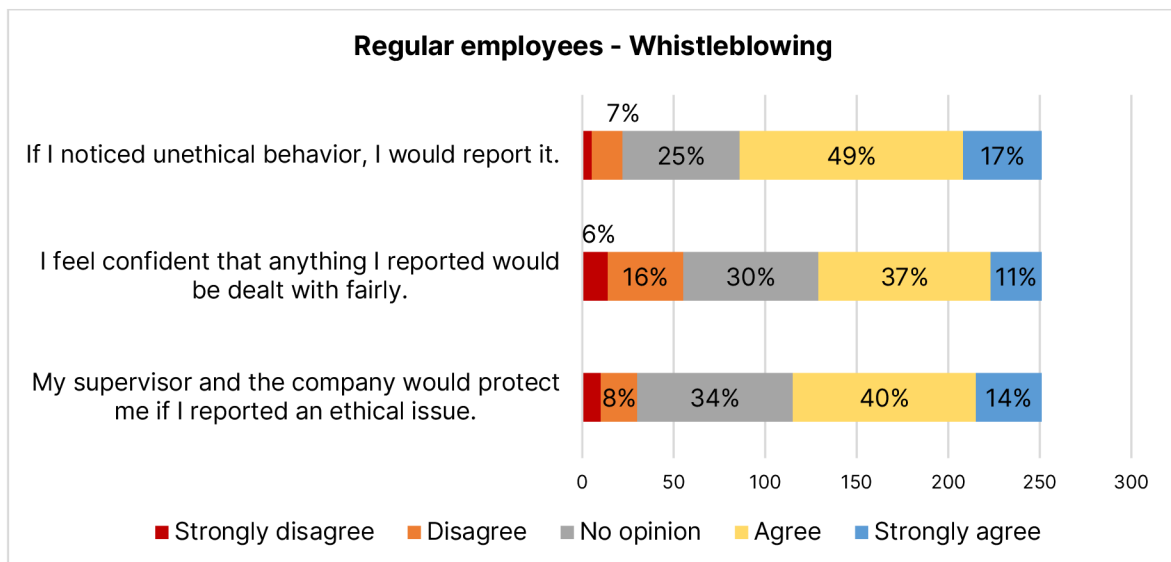


Figure 19: Employees – Whistleblowing

Source: own processing.

Figures 18 and 19 show the results of whistleblowing perception. 87% of managers and 66% of regular employees would report unethical behavior if they noticed it. Even though there is a high reporting intention, a significant portion of managers (13%) and regular employees (34%) are unsure or would not report unethical behavior if they noticed one. This uncertainty or reluctance to report unethical behavior can be influenced by concerns about potential retaliation associated with whistleblowing or gap in employees' awareness and confidence in the reporting channels and

investigation process, as 51% of managers and 52% of regular employees expressed concern or disagreement with feeling confident that anything reported would be dealt with fairly and as 36% of managers and 46% of regular employees expressed concern or disagreement with trusting their supervisor and the company to protect them if they reported an ethical issue. This indicates an opportunity to improve trust, confidence, and awareness in the company’s reporting processes.

Figure 20 shows the results of accessing and analyzing the whistleblowing channels that the employees would be willing to use to report unethical behavior, evaluating which channels make sense for the company, and assessing how the employees feel about them.

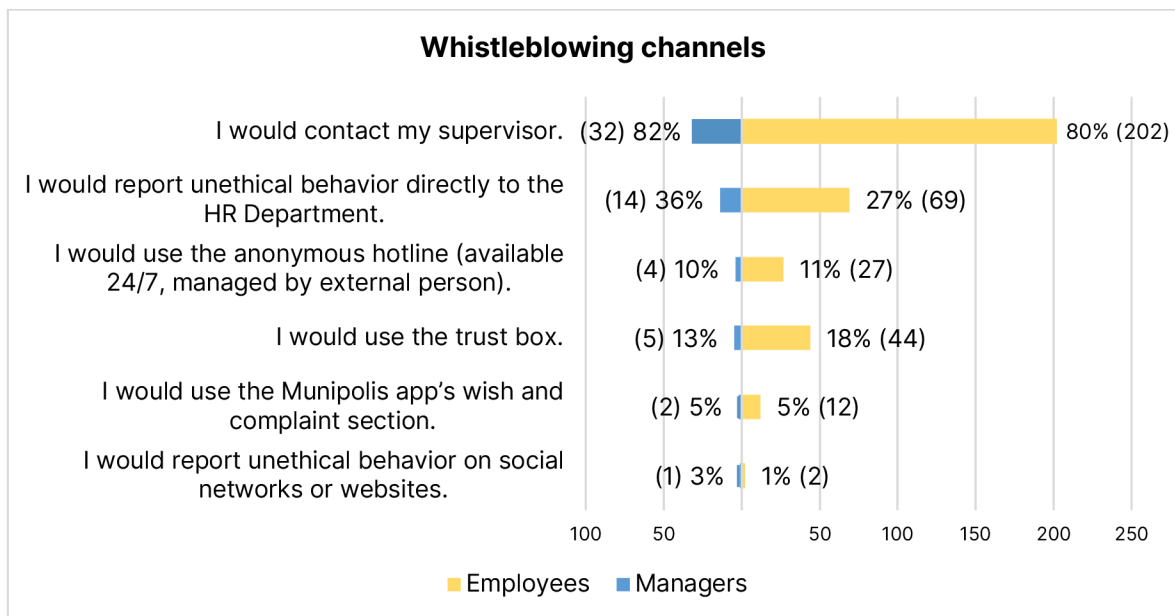


Figure 20: Whistleblowing channels

Source: own processing.

The survey results show that 80% of employees would report unethical behavior directly to their supervisor; this can, on one hand, indicate trust and confidence of employees in their supervisors, or on the other hand, this can indicate perceived secure options to get needed and expected response and help. Employees' inclination to report unethical behavior to their supervisors also highlights the importance of supervisor responsiveness in addressing concerns and maintaining trust and empathy, which supports the reporting environment and reinforces employees' confidence in the reporting process. Additionally, 36% of managers and

27% of regular employees would report unethical behavior directly to the HR department. This shows a certain level of trust and confidence in the HR department's ability to handle ethical misconduct. Employees may choose to report unethical behavior to the HR department due to perceptions of confidentiality and support, as HR professionals are usually trained to handle sensitive issues.

Moreover, 13% of managers and 18% of regular employees would use the trust box to whistleblow, as factors such as visibility, convenience, and perceived effectiveness may influence employees' decisions to utilize the trust box. Only 5% of managers and regular employees would use the company's app to whistleblow. This may be influenced by the preference and familiarity with traditional reporting channels, such as reporting directly to a supervisor or HR department, and on the other hand, employees may perceive limitations behind this channel, such as concerns about confidentiality, security, or the effectiveness of the reporting process. The company annually registers under five reports via the trust box and the Munipolis app's whistleblowing section. Additionally, as already mentioned, a significant portion of managers (13%) and regular employees (34%) are unsure or would not report unethical behavior if they noticed one. This can be a sign of barriers to whistleblow, such as fear of retaliation, lack of awareness about reporting channels, concerns about confidentiality, or scepticism about the efficiency of the investigation process.

Finally, only 3 employees would whistleblow on social networks (Facebook) or websites (Jobs.cz). This is considered a positive result as online reporting can cause harm to the company's image, and whistleblowers' reports do not get to be put through a proper investigation process. The survey indicates that employees prefer internal channels offering more protection and confidentiality. Employees may be aware of the risks of whistleblowing on public platforms, which may raise legal and ethical concerns about privacy, confidentiality, and the negative impact on ongoing investigations.



### 4.3.3 Ethical Culture in the Selected International Company

Employee perceptions of ethical business culture are highly influenced by the company's activities. Effective communication of ethics to employees and the public can promote a positive perception of the company's ethical compliance and the feeling of belonging to a well-operating company. This initial perception sets a default ground for employee satisfaction, workplace interactions, and the success of the company.

Positive employee perception of ethical culture does not only support internal activities and interactions, but also employees' feeling of belonging to a company with a well-set ethical culture promoted by strong values, mission, and vision and fostered by well-implemented policies and documents, consequently influencing the success and positive image of the company, as employees speak highly of the company and so contribute to the success of the company by promoting good public perception and the attraction of new talented employees.

To evaluate the managers vs. regular employees' ethical business culture perception, the respondents were asked to answer 3 statements evaluating the feeling of pride to work for the company, belief in operating ethically, and setting an example for others in how the business is conducted.

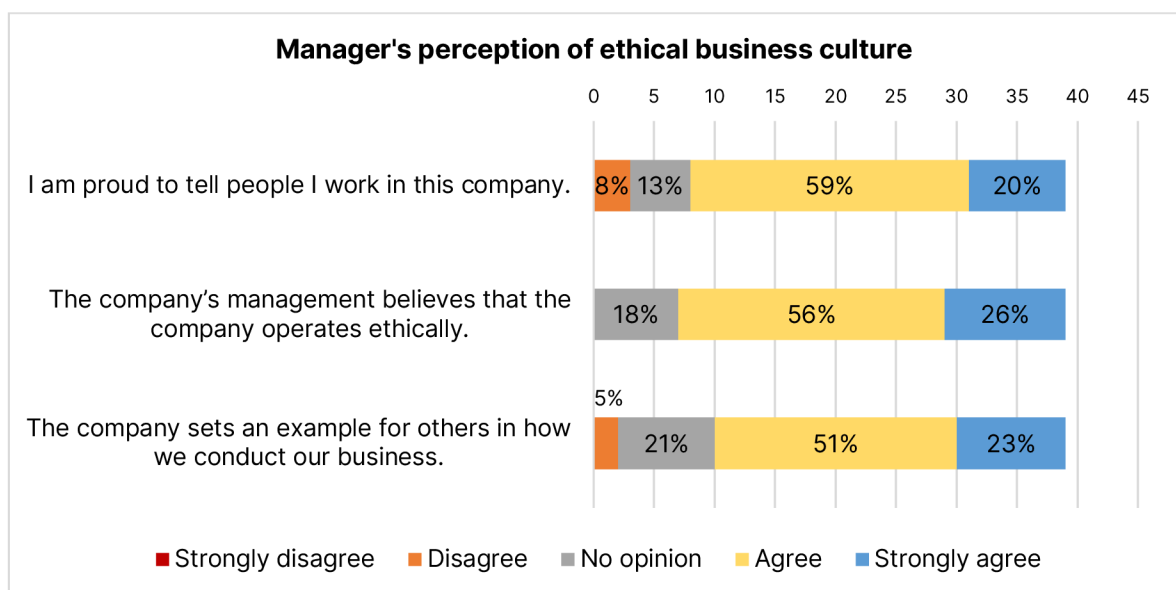


Figure 21: Manager's perception of the ethical business culture

Source: own processing.

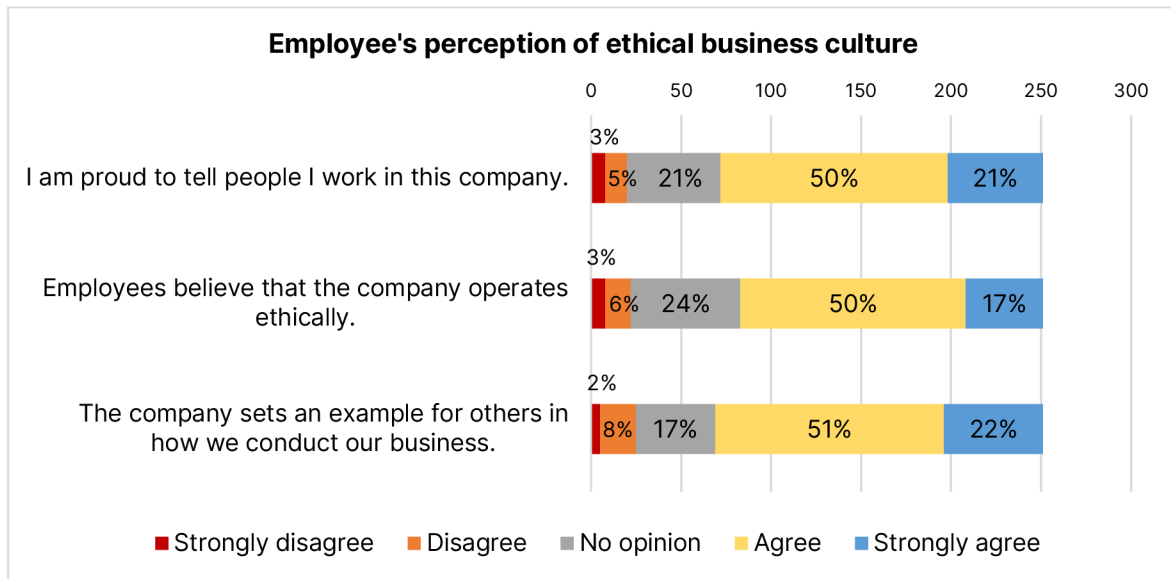


Figure 22: Employee's perception of the ethical business culture

Source: own processing.

Firstly, as a well-set ethical business culture promotes a feeling of pride, the feeling of pride to work in the company was assessed. Most managers and regular employees feel proud to work in the company and share it with others. This contributes to employee engagement, commitment, and brand advocacy, as proud employees are more likely to speak up for the company's well-being. Further, the fact that both managers and regular employees share a sense of pride suggests that the company's leadership promotes a positive, ethical business culture. However, 8% of managers are not proud to tell people they work in the company, in comparison, 5% of regular employees disagree, and 3% strongly disagree with being proud to tell people they work in the company.

Secondly, managers and employees were asked if they believe the company operates ethically. 67% of regular employees believe that the company operates ethically, and 9% disagree with the statement. This shows there is room for improvement as these negative responses may lead to ethical concern or dissatisfaction among a minority of employees. However, none of the responding managers disagreed that the company's management believes that the company operates ethically, but 82% agreed. This result indicates a sense of trust and confidence among managers

in management's commitment to ethical principles and promoting an excellent ethical business culture.

Thirdly, managers and regular employees were given to evaluate the statement that the company sets an example of how it conducts its business. Even though 5% of managers and 10% of regular employees disagreed with the statement, most respondents agreed, and over 20% strongly agreed that the company sets an example for others in how we conduct our business. This positive perception of the company's conduct among employees may be influenced by leadership behavior and the company's activities and achievements, which are communicated by the recognition of achievements as Drylock Technologies s.r.o. acknowledges and celebrates the company's and employee's achievements and communicates them to all employees via social networks and the company's magazine. This recognition of achievements may positively influence ethical business culture, as it reinforces positive behavior and inspires commitment and communication among employees.

Even though the employees' responses to the questionnaire survey indicate positive perceptions of business culture, there are still some disagreements with the statements. Multiple factors may cause negative employees' perceptions of ethical culture:

**Poor leadership:** Ten percent of regular employees do not feel that the company sets an example in conducting business, and nine percent do not believe that the company operates ethically. The employees may disagree with the company's leadership practices and decision-making. Further, eight percent of employees do not feel proud to work in the company. The negative feeling of pride or loyalty can originate from a lack of trust in leadership.

**Inconsistency:** Employees may perceive an inconsistency between the company's values and mission and its behavior, practices, and decision-making. If the company does not behave according to its set values and mission, it may make employees perceive the company's commitment to ethics sceptically.

**Lack of communication:** To foster a positive perception of ethical business culture among employees, it is necessary to effectively communicate the company's values, mission, vision, and ethical practices to them.

**Personal values misalignment:** Employees may have different personal values and opinions that do not correspond with the company's values and ethical practices. This can negatively influence the formation of ethical culture, especially when a manager experiences personal values misalignment, as it can cause a loss of credibility and trust between the manager and their subordinates, poor communication, and mixed messages to subordinates as the manager does not act with accordance to company values or lack of consistency in decision-making as a manager, in this case, may be challenged to decide in alignment with organizational values and ethical standards. Managers' misalignment with company values and practices can consequently lead to difficulty in enforcing ethical standards, increase the risk of ethical violations, and decrease employee engagement and morale.

**Past negative experiences:** Employees who have experienced or observed unethical behavior such as discrimination, harassment, or favoritism may be resentful and distrustful, which consequently negatively influences their perception of ethical culture. This consequently disrupts the ethical business culture, leading employees to doubt the company's commitment to ethical practices.

**Job dissatisfaction:** Some employees may not feel proud to associate themselves with the company as they are not satisfied with their position, roles, responsibilities, work environment, or the company's management practices.

Additionally, the survey results show that, on average, 19% of managers and regular employees have no opinion on the matter. Multiple factors could cause this:

**Lack of knowledge, experiences, and information:** The respondents may need more information about the company to form an opinion, as some employees may be new to the company or have not had significant interactions to form a perception. Moreover, some employees may lack information on the matter and may not want to answer inaccurately.

**Neutrality and conflicting feelings:** Some employees may feel neutral or have mixed feelings towards their workplace. They neither dislike nor like their job or the company, and they may view the company as a place of work to earn a living.

**Lack of engagement:** some employees can feel disconnected or disengaged from their co-workers, work, or the company's culture, as they might not feel they belong to the organization.

**Social pressure:** some respondents may feel the urge to answer positively, as they may not have strong opinions or may be worried about conflict for being honest and answering negatively. For this reason, even if the questionnaires were anonymous, some employees and managers confided that they could not complete the questionnaire or answer it honestly.

Moreover, to evaluate and analyze the ethical business culture, managers were asked to choose from possible obstacles in building a strong ethical culture (figure 23).

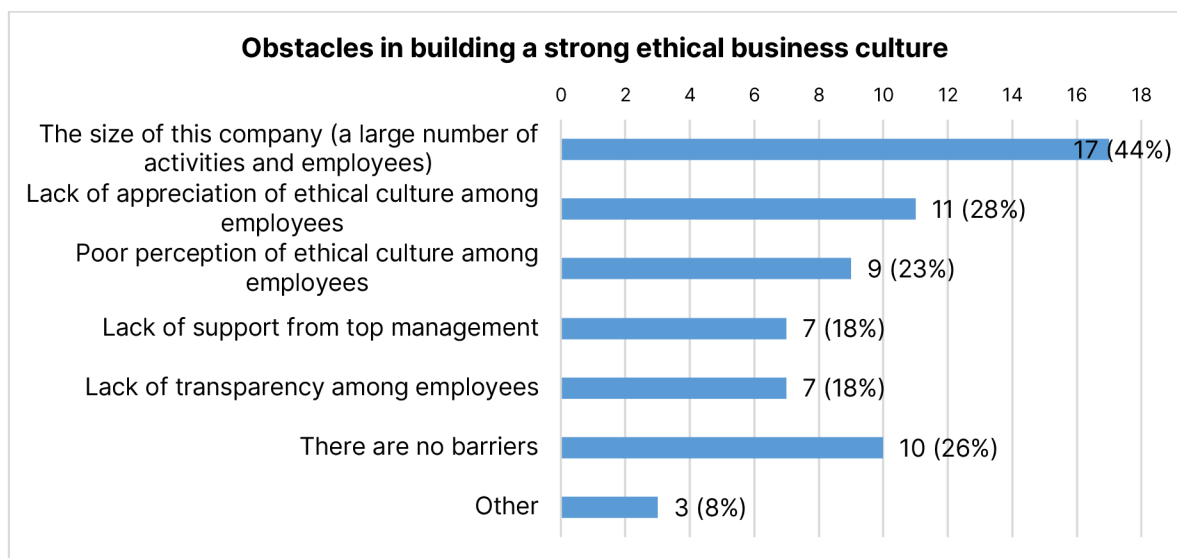


Figure 23: Obstacles in building a strong ethical business culture

Source: own processing.

The research results indicate that the biggest obstacle in improving and building a strong ethical culture may be the company's size, as there are many activities and employees to be managed. A large scale of operations and employees to manage can cause communication and organizational challenges, lack of alignment among leadership teams, numerous departments, and employees, and increased risk

of ethical misconduct as the communication, monitoring, and enforcement of ethical practices become more complex across all levels of international companies.

The survey also shows the space for improvement regarding the lack of top management support and employee transparency. Both obstacles can significantly hinder efforts to promote a strong ethical culture within the company, as the top management's commitment and support of ethical management is essential. Moreover, a good tone at the top is essential to promote ethical business culture, as leaders and top managers greatly influence business ethics and shape ethical business culture. (Gutterman 2023)

Moreover, 28% of managers also perceive the obstacle as the lack of appreciation of ethical culture among employees, and 23% of managers think the perception of ethical culture among employees could be better. This may indicate awareness of potential issues within the company and acknowledge space for improvement in ethical culture. However, ethical culture is something the company's leadership should work on as it shapes the company's and employee's behavior, decision-making process, and company's reputation.

Additionally, managers were allowed to share their ideas of obstacles and challenges in building a strong ethical culture (figure 23, column other).

One manager shared as an obstacle the double standard. A double standard is a set of actions or principles that apply differently in the same situation or rule of good behavior that some people are expected to comply with, but other people are not (Dictionary.Cambridge 2024). This issue can promote inequity, inconsistency, or unfairness, undermining efforts to promote a strong ethical business culture. Even though this can be the subjective perception of the obstacle of one manager, leadership should commit to fairness and consistency in applying ethical management standards.

Another obstacle a manager mentions is the missing formalization of processes (e.g., comprehensive ethical training). However, this manager believes that, in practice, most employees, from top management to regular employees, act ethically.

This mention reveals the opportunity for improvement and the need for formalized processes and guidance to foster alignment with ethical behavior.

Finally, one manager mentioned the Belgian superiority as an obstacle to building a strong ethical business culture. However, regarding ethical management, the subsidiaries are required to conduct an ethical audit and comply with the group's policies as Drylock Technologies s.r.o. is a part of the Drylock Technologies group. According to Delgado Diaz (2024), Drylock Technologies recognizes the plant's important ownership, meaning the plants within the group are free to self-manage. Every subsidiary/plant can come up with its initiatives.

In conclusion, most employees perceive the ethical business culture positively. In the last open-ended question, respondents were allowed to share anything related to ethical management and ethical business culture, the predominant comment was that they were completely satisfied with the conditions at this company and that Drylock is a company where they can be proud to be employed.

## **5 Identified Shortcomings and Proposed Solutions**

In this chapter the shortcomings based on the quantitative and qualitative research conducted in Drylock Technologies are identified and solutions in form of recommendations and measures are proposed.

### **5.1 Identified Shortcomings**

The survey results don't reflect the whole reality, as the employees' perception of the company is based on the respondents' opinions, which can be considered subjective. However, the perception of employees shapes the ethical business culture by influencing the working environment and employee well-being within the company. Thus, the perceptions, opinions, and feelings of employees should be considered.

The majority of statements asked in the two questionnaires were answered positively by managers and regular employees, and the overall perception of ethical business culture is positive. Even though the results from the questionnaire were answered positively for the most part, there are still some places for improvement regarding employee ethics, which would lead to a promotion of transparency, accountability, and awareness.

#### **5.1.1 Code of Ethics**

The written code of ethics is emailed to employees before the Sedex SMETA audit, and the document is placed on the company's shared drive. However, the written code is absent in production, public spaces, boardrooms, or offices. Thus, the main issue is the accessibility and communication of this code. Moreover, as the current one was last updated in 2020, the code of ethics needs to be revised. Finally, shortcomings have been identified regarding training, as the onboarding training does not communicate the ethical principles and written form of the code of ethics, and neither does the regular ISO training (mentioned in chapter 4.2.1).



### **5.1.2 Whistleblowing**

The identified issue is the management of the whistleblowing reporting channels, as the HR manager is the only one who manages the Munipolis app and trust box and reports to the HR department. This leaves some employees with only the option of resolution, which may lead to unwillingness to whistleblow and may be the reason employees turn to their supervisor, as this concentration of responsibility may result in delays in response times, potential bottlenecks in the reporting process, and limited availability as well as employees may perceive a potential bias or conflict of interest in having the HR manager as the sole manager of reporting channels.

Even though most of the employees would whistleblow to their managers or HR department, the results of the survey show some employees do not have trust in their manager, the HR department, and other internal channels and would use only the anonymous, independent hotline available 24/7 and managed by external entrusted person or agency to whistleblow, however, it is the only channel from the offered channels (to respondents to choose from) the company did not implement.

The research also identified a shortcoming regarding communication of possible whistleblowing channels and the whistleblowing and investigation process.

### **5.1.3 Communication and Accessibility**

The research identified a perception gap between managers and regular employees regarding ethical management. This lack of perception indicates that managers and regular employees may not fully understand or recognize the importance of ethical management within the organization. This could be caused by various factors, including insufficient communication, inadequate training, or a lack of emphasis on ethics in day-to-day operations.

#### **Communication of the code of ethics**

The code of ethics' lack of physical presence in key areas where employees work raises concerns about accessibility. Employees may not have easy access to the code

when they need to refer to it, potentially leading to unawareness of ethical guidelines and standards.

### **Communication of whistleblowing and transparency**

A significant part of managers and regular employees expressed uncertainty or reluctance to report unethical behavior, indicating potential concerns about the effectiveness or safety of whistleblowing channels. This suggests a need for clearer communication and assurance regarding the confidentiality and fairness of whistleblowing processes.

### **Accessibility of ethics management documents**

Accessibility is a shortcoming, as not all employees have their company email addresses and thus cannot access the company's intranet. Although the production operators have access to a shared computer available in production, they do not have time to read policy documents at work or look for something on the shared drive. At the same time, some employees may not be technically proficient enough to operate the computer. Therefore, a copy of the code of ethics and essential policies should be available to all employees.

Another shortcoming is the English language of the documents produced by HQ. Not all employees speak English, and even if they do, their understanding of the policies can be limited. Therefore, a translation of all company policies into Czech is essential.

This suggests a need for easy access to all company policies in physical and digital form and the Czech language.

### **5.1.4 Ethical Training**

The company provides ethics training as part of ISO training during onboarding and annually, but the focus is primarily on Sedex SMETA requirements rather than broader ethical principles. This indicates a potential gap in providing employees comprehensive ethics training and guidance, which could negatively influence their engagement in ethical behavior and decision-making. The HQ develops a project

regarding official ethical training (Delgado Diaz 2024). However, it is essential that this training is formalized, regularly conducted in the plant’s language, and concerns all employees.

The ethics training represents an opportunity to reinforce ethics policies among employees through proper communication of the code of ethics, which involves the importance of ethics compliance, whistleblowing, and the availability of ethical policy documents.

## 5.2 Recommendations and Measures

The shortcomings identified in the previous chapter represent an opportunity to improve the company’s ethical management practices.

Based on the identified shortcomings, a formalization of ethical management and changes in ethical management implementation are suggested within the action plan (Table 2), designed with a horizon of up to 1 year, which covers the areas for improvement: **Code of ethics, whistleblowing management, accessibility and communication of ethics documents** and **ethical training**.

*Table 2: Action plan*

Objectives	Objectives characteristics	Responsible managers	Economic evaluation
<b>Code of ethics</b>			
<b>Code of ethics revision</b>	Comprehensive review and revision of existing code of ethics to ensure it reflects and communicates current ethical standards and values to employees + creation of shortened code of ethics version.	HR department in cooperation with Quality department	This objective is primarily time-consuming and does not represent any economic expenditure as it will be met within the company's internal activities.

<p><b>Code of ethics communication and accessibility</b></p>	<p>Enhance communication, accessibility, and visibility by placing physical copies of the shortened code of ethics in prominent locations such as production areas, boardrooms, and offices.</p>	<p>HR department in cooperation with Quality department</p>	<p>Speaking of distributing 30 copies (one copy for CZK 4.5) of a shortened version of the code of ethics of 2 pages, that would fit as two A5 pages in one A4 page and placing them on prominent places in clip frame (one for CZK 140), <u>the total cost would be CZK 4335.</u></p>
<p><b>Whistleblowing management</b></p>			
<p><b>Whistleblowing reporting channels</b></p>	<p>To complement existing internal reporting channels, implement an anonymous, independent hotline available 24/7, managed by an external entrusted person or agency.</p>	<p>HR department</p>	<p>A Czech company called NNTB provides App or website for anonymous whistleblowing available 24/7 (which can be connected to the company's website, app, or intranet) and ensures compliance with the EU directive 2019/1937 and Czech act No. 171/2023 coll. <u>The cost of the standard package,</u> which provides an access for 10 administrators, 3 customised notification forms, 1 phone number (landline), sending attachments and availability in 113 languages, <u>is CZK 1490 per month.</u></p>
<p><b>Managing whistleblowing</b></p>	<p>Distributing the responsibility of whistleblowing management to the HR manager, HQ, and eventually to the external ethics officer or agency to ensure an unbiased</p>	<p>HR department in cooperation with HQ's R&amp;D department</p>	<p>This objective requires primarily cooperation between the subsidiary and HQ to designate the whistleblowing management to an unbiased entrusted person or team. So, this objective can be met within the company's internal activities. Other than that, as mentioned in the previous</p>

	whistleblowing process.		objective, a Czech company called NNTB would provide an app or website for anonymous whistleblowing available 24/7, and the responsibility to manage this whistleblowing can be delegated to a selected entrusted person.
<b>Communication and accessibility of ethics documents</b>			
<b>Ethics policies documents communication and accessibility</b>	Translation of policies related to ethical management developed by HQ in English to the Czech language.	HR department in cooperation with HQ's R&D department	The translation of documents from English to Czech is provided, for instance, by the Fox Translation Agency company. The price for the translation of one standard page is 200 CZK. There is a maximum of 12 policies with an average of 7 pages. <u>Total translation cost CZK 16 800.</u>
<b>Ethics policies documents communication and accessibility</b>	Simplify the process for accessing the company's intranet and shared drives by creating a regularly updated folder accessible to all on the shared drive with a full version of the code of ethics and all key ethical documents for employees to view.	HR management department	This objective does not represent any economic expenditure as it will be met within the company's internal activities.
<b>Ethics policies documents communication and accessibility</b>	Provide line managers with folders with copies of the full versions of the code of ethics and other ethics policy documents available	HR department in cooperation with Production department	The code of ethics (7 pages) and 12 policies (84), total 91 pages. With 17 of line managers and the price of double-sided color printing of CZK 9 per page, CZK 45 for folders, and CZK 65 for foils, the <u>total price</u>

	for production operators' view.		<u>of this objective comes to CZK 8 832.</u>
<b>Ethical training</b>			
<b>Formalization ethical trainings</b>	Conduct official training to all company employees regularly to ensure the perception of the importance of ethical management and its practices and principles.	HR department in cooperation with Quality and Production department	This objective is primarily time-consuming and does not represent an economic expenditure, as it will be met within the company's internal activities. Eventually, this objective will be achieved through an ethics training program currently developed by HQ.
<b>Code of ethics training</b>	Incorporating training on the code of ethics during onboarding and regular ethical training to ensure all employees are familiar with the content and can ask questions to be answered.	HR department in cooperation with Quality department	This objective does not represent any economic expenditure as it will be met within the company's internal activities.
<b>Whistleblowing training</b>	Provide clear communication and training on whistleblowing channels and the investigation process.	HR department in cooperation with Quality department	If needed, as mentioned earlier a Czech company called NNTB would provide professional advice on whistleblowing training and the implementation of proper whistleblowing channels and processes, and the cost of the services would be shared through consultation. Other than that, this objective does not represent any economic expenditure as it will be met within the company's training and code of ethics communication efforts.

<b>Accessibility of ethical training documents</b>	To ensure ethical compliance, the ethical training should include accessibility information on training and all ethical documents.	HR department in cooperation with Quality department	This objective does not represent any economic expenditure as it will be met within the company's internal activities.
<b>Economic evaluation</b> <b>- total sum + whistleblowing package (per month)</b>			CZK 29 967 + CZK 1 490

Source: own processing

To complement whistleblowing recommendations, it is recommended to diversify whistleblowing management responsibilities between the company's HQ and the HR manager of a subsidiary, assemble a team responsible for whistleblowing management, or delegate the whistleblowing channel's administration to an entrusted external person. In terms of the investigation process, it is recommended to cooperate with the legal officer or department to ensure an unbiased investigation. Moreover, to ensure the compliance with the EU directive 2019/1937 and the Czech act No. 171/2023 coll. on the protection of whistleblowers, a Czech company called NNTB is provides professional advice on whistleblowing training and the implementation of proper whistleblowing channels and processes.

Moreover, as mentioned in previous chapters, the HQ is working on an ethical training program. However, this program must be mandatory, collective, structured, and conducted on a regular basis. Regarding ethical policy training, it is also recommended to consider an e-learning platform. This platform allows employees to access training modules at their convenience, regardless of their location or schedule, promoting greater engagement and participation. These e-learning ethics trainings may involve interactive features like case studies, quizzes, and simulations.

In addition to the action plan, most of the policies, whistleblowing channels, or foundations for ethical training already exist within the company. It is only necessary to complete certain aspects of implementing ethical management. The action plan's total cost is not high, but the company would need to invest time and effort and ensure cooperation between departments to meet the objectives of the plan.

After implementing the action plan, the company can measure its effectiveness using the questionnaires from this thesis and consequently conduct a comparative analysis of the questionnaire results.

Given that the HQ of the group recognizes important ownership by plant, the recommendations and measures could be implemented without any obstacles to the Czech subsidiary or other subsidiaries in the group.

Successful action plan implementation could positively influence the commitment to ethics, reflected in their responses regarding the overall ethical culture. Positive changes in the accessibility of the code of ethics and ethics training could lead to greater transparency, accountability, and trust in the organization's values. With the implementation of an anonymous hotline and more transparent communication about whistleblowing channels and processes promoted through ethical training, the number of employees confident and willing to report unethical behavior and trustful in the whistleblowing investigation process could rise. Further, improved accessibility and communication of ethics documents, including translations into Czech, could enhance employees' understanding of ethical guidelines and their relevance to their roles, which consequently may lead to more informed environment and ethical decision-making. Formalized and mandatory ethics training, including sessions during onboarding and regular training intervals, may ensure that all employees are adequately trained on ethical principles and company policies, which could result in higher levels of awareness and compliance with ethical standards across the company. Positive changes in responses, such as increased confidence in the whistleblowing process or a better understanding of ethical guidelines, would indicate progress in strengthening the company's ethical management practices.



## Conclusion

Proper ethical management, prioritizing ethical conduct, and the implementation of ethical principles such as respect, accountability, and trust contribute to employee well-being, risk mitigation, enhanced company reputation, and sustainable business practices. Employee ethics significantly impacts a company's success by shaping employee motivation, stakeholder relationships, employee retention, and engagement. Ethical behavior fosters morale, openness, and transparency, leading to a positive and productive work environment and legal compliance. Additionally, prioritizing employee ethics and ethics in general ensures long-term sustainability and organizational integrity, which are essential for business prosperity.

This thesis aims to evaluate the perception of ethical culture, the state of employee ethics, and the degree of compliance with the code of ethics in the selected international company, and in case of identified shortcomings, to propose measures that would lead to improvement of the application of ethical management in the company. The research question *"What is the current state of employee ethics and how do employees perceive the ethical culture within the selected company?"* was explored.

Further, there were researched the additional questions, which are answered and analysed in the analytical and proposal part of this thesis and summarized within this chapter:

- What are the requirements of HQ on the ethical management of the subsidiaries in the group?
- What are the company's existing ethics policies and programs, and how are they communicated to employees?
- How is the company's code of ethics set and complied with?
- How do employees feel about whistleblowing as it can pose an ethics management tool and an issue?
- What measures and practices can be proposed to enhance the application of ethical management within the selected company, considering the identified shortcomings?

To assess the state of employee ethics and the ethical culture of Drylock Technologies s.r.o. and to answer all the research questions, employees' perceptions of employee ethics were researched by conducting two questionnaire surveys, one for managers and one for regular employees. Additionally, to explore the management practices and requirements given by HQ, an interview was conducted with Pieter Hommez and Laura Delgado Diaz - R&D managers from the Belgian HQ, in which it was found that HQ recognizes important ownership by the plant in terms of management activities. Thus, the subsidiaries can take the initiative to develop their ethical management practices unless they comply with the internal policies of HQ.

Acknowledging the limitations of the research, as the analysis focuses on employee's perception of business ethics and ethical business culture, it does not thoroughly explore the underlying root causes of these identified issues. Delving further into the organizational dynamics, structural challenges, and historical context could reveal more profound insights into the challenges faced by the company. The research reflects the employees' perception of ethical culture and employee ethics, but it may not reflect the whole reality. However, the research indicates and evaluates the real opinions of 64% of managers and 19% of the company's regular employees.

The researched sample includes managers and regular employees, ensuring a diverse representation based on gender, age, and years of service and perception based on managers' different standpoints compared to regular employees. While there's a higher response rate from managers compared to regular employees, the distribution aligns with the company's demographic profile.

Regarding the perception of the state of employee ethics, the research shows that most employees feel supported by the company to act morally right at work, indicating confidence in the company's ethical policies and practices. However, 23% of managers and 27.5% of regular employees still express uncertainty or disagreement, highlighting potential gaps in communication or understanding of ethical expectations. Moreover, most respondents perceive employees as the most important asset. However, some employees suggest room for improvement in employee valuation and recognition as a significant amount of both managers and

regular employees expressed negativity or uncertainty about feeling valued by the company, indicating a disconnect in recognition efforts. This highlights the necessity for continuous improvement in employee engagement, satisfaction, and retention strategies. Regarding trust between managers and employees, which appears strong overall, there are identified managers' scepticism and concerns about regular employees violating ethical rules to get the job done, which manager's integrity can influence in setting the right example, workflow, and operations to ensure ethical compliance.

Most respondents feel they have clear guidance in ethical behavior. However, some uncertainty exists, especially among managers, which can pose an issue as managers are responsible for promoting ethical leadership and setting the right tone at the top. Training in ethics and code of ethics is generally well-received. However, there is a need for more explicit communication of ethical policies and principles beyond Sedex SMETA requirements and enhanced written code of ethics accessibility. This suggests that 20% of managers disagree or are uncertain of the ethical expectations of the company, and 10% of managers expressed disagreement with understanding the company's code of ethics and values, which again can be an issue as managers are supposed to give an example and set the right tone at the top. Moreover, most employees agreed with acting according to the code of ethics, which indicates a positive compliance culture or social pressure to answer positively. In addition, concerns about unethical behavior investigation suggest areas for improvement in transparency and accountability.

Regarding whistleblowing, a significant portion of managers and regular employees expressed willingness to report unethical behavior. However, a notable percentage is unsure or reluctant to do so. Possible concerns about fair treatment and protection indicate a need for reassurance and improvement in reporting channels and processes. Employees prefer internal reporting channels, highlighting trust in supervisors and the HR department. However, some employees would report only through an external whistleblowing platform available 24/7 and managed by an entrusted person outside the company, which is not a channel implemented within the company. Moreover, given the fact that only the HR manager manages the whistleblowing channels and process and as there can be the perception of bias

and conflict of interest, which may cause an unwillingness to whistleblow, it is recommended that the company diversifies its whistleblowing management responsibilities between Belgian HQ and the Czech subsidiary HR manager or assemble a team responsible for whistleblowing management.

The HQ acknowledges the importance of leading by example, being in touch with the company's employees, treating them with respect, trust, and responsibility, and providing a culture of integration by promoting solid social connections and a speak-up mentality. Overall, managers and regular employees perceive the company's ethical culture positively, with pride in its ethics and belief in its ethical operations. However, some disagreement and uncertainty still indicate potential gaps in leadership, consistency, communication, employee engagement, personal values alignment, past negative experiences, and job satisfaction and valuation. Some of these factors may be influenced by the company's size. The research identified the company's size as the biggest obstacle in improving and building a strong ethical culture as there are many activities and employees to be managed.

In conclusion, while there are mostly positive aspects of employee ethics and ethical business culture, and the company's leadership strives for strongly value-driven, sustainable, and lead-by-example ethical practices, there are also areas for improvement. Firstly, there is a need for improved communication and accessibility of the code of ethics and other ethics documents, as they are not readily available to all employees. Secondly, whistleblowing channel management and communication issues raise concerns about effectiveness and trust. Thus, whistleblowing practices, channels, and investigation processes should be communicated to employees through a code of ethics and ethical training, and the trust of employees in the whistleblowing process should be ensured. Additionally, there is a lack of emphasis on broader ethical training, with a current focus primarily on Sedex SMETA requirements rather than comprehensive ethics principles, especially concerning managers who need to be trained in ethical management to apply ethical leadership to ensure the right tone at the top, employee engagement and ethical compliance.

The proposed action plan (chapter 5) provides measures to ensure ethics training, availability, and reinforcement among employees through proper communication

of the code of ethics involving the importance of ethics compliance, whistleblowing, and the availability of ethical policy documents. Enhancing communication, transparency, ethical training, and leadership commitment to ethics can foster a stronger ethical culture, ensuring alignment with organizational values and promoting trust, engagement, and sustainability. Overall, the successful implementation of the action plan can positively impact various aspects of the company's ethical culture and employee ethics management, leading to more favorable responses to the questionnaires and contributing to a sustainable, productive, ethical work environment.

All the shortcomings, recommendations, and measures were shared with the company's HR manager in a document translated into Czech. The outputs were discussed in a meeting with the company's HR manager, who will consider applying the proposed action plan. Additionally, as the Belgian HQ recognizes important ownership by the plant in terms of management practices and expresses support to its subsidiaries, there should be no obstacles to applying the action plan from the company's group perspective.

The aim of the thesis has been fulfilled, as the company's employee ethics and ethical culture have been evaluated, and all the research questions have been researched and analyzed. Subsequently, the shortcomings were identified, and an action plan was proposed.

Finally, to answer the main research question, even if there are some identified shortcomings, the research shows that the perception of business ethics and ethical business culture of both managers and regular employees is positive, and the company strives for comprehensive ethical management. It is necessary to underline that ethical management is an ongoing process that requires a certain level of commitment and attention from the company's stakeholders. As the world and business environment are changing at a fast pace, there will always be some opportunity for improvement.

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# Appendix A Questionnaire – Managers

## Employee Ethics and Ethical Culture Assessment

**Context:** In this company, adherence to ethical behavior, which includes proper and moral conduct, is supported by the SMETA audit and the code of ethics, which defines how employees should behave according to the company's ethical management and values.

### Demographics

1. Gender: *(single choice)*
  - a) Male
  - b) Female
  
2. Age: *(single choice)*
  - a) 25 years or younger
  - b) 26-40 years
  - c) 41-55 years
  - d) 56 years and older
  
3. How long have you been working for this company? *(single choice)*
  - a) Less than one year
  - b) 1-4 years
  - c) 5 - 10 years
  - d) More than 10 years
  
4. On what level of management are you? *(single choice)*
  - a) Top management (Head of Department)
  - b) Middle management
  - c) Line management (Masters)

### **The state of employee ethics**

5. Feeling supported to do the right thing:

*(Answer each statement with: Strongly Disagree/ Disagree/ No opinion/ Agree/ Strongly Agree)*

I feel supported by the company to act morally right at work.

For the company, treating employees is at least as important as profit.

6. Trust in employees to do the right thing:

*(Answer each statement with: Strongly Disagree/ Disagree/ No opinion/ Agree/ Strongly Agree)*

I trust my subordinates to do the morally right thing at work.

Employees would not violate ethical rules to accomplish the work assigned.

I can talk openly and honestly with my subordinates.

7. Awareness and compliance with ethics and code of ethics:

*(Answer each statement with: Strongly Disagree/ Disagree/ No opinion/ Agree/ Strongly Agree)*

I have clear guidance about what is expected of me regarding ethical behavior.

I have been trained and understand the company's code of ethics and values.

I act in accordance with the company's code of ethics.

Unethical behavior is properly investigated in this company.

### **Whistleblowing**

8. How do you feel about reporting unethical behavior (whistleblowing)?

*(Answer each statement with: Strongly Disagree/ Disagree/ No opinion/ Agree/ Strongly Agree)*

If I noticed unethical behavior, I would report it.

I feel confident that anything I reported would be dealt with fairly.

My supervisor and the company would protect me if I reported an ethical issue.

9. Which method would you use to report unethical behavior? *(multiple choice)*

a) I would contact my supervisor.

b) I would report unethical behavior directly to the HR Department.

- c) I would use the anonymous hotline (available 24/7 and managed by an entrusted person outside the company).
- d) I would use the trust box.
- e) I would use the Munipolis app's wish and complaint section.
- f) I would report unethical behavior on social networks (FB, IG) or websites (Jobs.cz).

### **Perception of an ethical culture in the company**

10. How do you, as a member of leadership, perceive the company's ethical culture?

*(Answer each statement with: Strongly Disagree/ Disagree/ No opinion/ Agree/ Strongly Agree)*

I am proud to tell people I work in this company.

The company's management believes that the company operates ethically.

The company sets an example for others in how we conduct our business (responsibly concerning the company's economics, employees, suppliers, the community, and the environment).

11. What may, in your opinion, be the obstacles to building a strong ethical culture in the company? *(multiple choice)*

- a) The size of this company (a large number of activities and employees)
- b) Lack of appreciation of ethical culture among employees (they don't see the purpose and benefits of ethical management)
- c) Poor perception of ethical culture among employees
- d) Lack of support from top management
- e) Lack of transparency among employees
- f) There are no barriers.
- g) Other...

12. In your opinion, do employees feel valued (financially and non-financially) in this company? *(single choice)*

- a) Yes
- b) No
- c) No opinion

Do you have anything else you want to share regarding the company's ethical management and culture? Feel free to share:

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## Appendix B Questionnaire – Regular employees

### Employee Ethics and Ethical Culture Assessment

**Context:** In this company, adherence to ethical behavior, which includes proper and moral conduct, is supported by the SMETA audit and the code of ethics, which defines how employees should behave according to the company's ethical management and values.

#### Demographics

1. Gender: *(single choice)*
  - a) Male
  - b) Female
  
2. Age: *(single choice)*
  - a) 25 years or younger
  - b) 26-40 years
  - c) 41-55 years
  - d) 56 years and older
  
3. How long have you been working for this company? *(single choice)*
  - a) Less than one year
  - b) 1-4 years
  - c) - 10 years
  - d) More than 10 years

#### The state of employee ethics

4. Feeling supported to do the right thing:  
*(Answer each statement with: Strongly Disagree/ Disagree/ No opinion/ Agree/ Strongly Agree)*

I feel supported by the company to act morally right at work.

For the company, treating employees is at least as important as profit.

5. Trust in managers to do the right thing:

*(Answer each statement with: Strongly Disagree/ Disagree/ No opinion/ Agree/ Strongly Agree)*

I trust my manager to do the morally right thing at work.

Managers would not violate ethical rules to get the job done.

My manager talks to me openly and honestly.

6. Awareness and compliance with ethics and the code of ethics:

*(Answer each statement with: Strongly Disagree/ Disagree/ No opinion/ Agree/ Strongly Agree)*

I have clear guidance about what is expected of me regarding ethical behavior.

I have been trained and understand the company's code of ethics and values.

I act in accordance with the company's code of ethics.

Unethical behavior is properly investigated in this company.

### **Whistleblowing**

7. How do you feel about reporting unethical behavior (whistleblowing)?

*(Answer each statement with: Strongly Disagree/ Disagree/ No opinion/ Agree/ Strongly Agree)*

If I noticed unethical behavior, I would report it.

I feel confident that anything I reported would be dealt with fairly.

My supervisor and the company would protect me if I reported an ethical issue.

8. Which method would you use to report unethical behavior? *(multiple choice)*

*(Answer each statement with: Strongly Disagree/ Disagree/ No opinion/ Agree/ Strongly Agree)*

I would contact my supervisor.

I would report unethical behavior directly to the HR Department.

I would use the anonymous hotline (available 24/7 and managed by an entrusted person outside the company).

I would use the trust box.

I would use the Munipolis app's wish and complaint section.

I would report unethical behavior on social networks (FB, IG) or websites (Jobs.cz).

**Perception of an ethical culture in the company**

9. How do you perceive the company's ethical culture?

*(Answer each statement with: Strongly Disagree/ Disagree/ No opinion/ Agree/ Strongly Agree)*

- I am proud to tell people I work in this company.
- Employees believe that the company operates ethically.
- The company sets an example for others in how we conduct our business (responsibly concerning the company's economics, employees, suppliers, the community, and the environment).

**Employee management perception**

10. In your opinion, do employees feel valued (financially and non-financially) in this company? *(single choice)*

- a) Yes
- b) No
- c) No opinion

Do you have anything else you want to share regarding the company's ethical management and culture? Feel free to share:

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## Appendix C Interview transcription

### Interview with HQ's managers Laura Delgado Diaz and Pieter Hommez

#### Introduction:

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1. **Please briefly introduce yourself by sharing your background within the company and your experiences related to ethical management.**

My name is Laura Delgado Diaz. I have worked at Drylock Technologies since June 2023. I work in the R&D Department, and I mainly focus on sustainability project management. I manage, together with my colleague Pieter Hommez (R&D manager), all the CSR projects that come from a corporate level, involving environmental and social projects and governance projects that cover business ethics. (Delgado Diaz 2024)

#### Organizational structure of Drylock Technologies:

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2. **Regarding plant organization, the company's HQ recognizes ownership by the plant regarding management activities and practices. Each plant has its director and top management responsible for its activities, practices, and processes. Regarding ethics, each plant is responsible for its ethical management practices. Is this statement correct? Do you want to add something?**

No, it is a joined effort and vision. There is an overall vision but of course for the day-to-day execution, follow up is strongly lead by the local plants. (Hommez 2024)

Drylock Technologies recognizes important ownership by the plant. So, each plant takes ownership of implementing and follow up of overall global vision (is free to self-manage), and every subsidiary/plant can come up with its own initiatives. Thus, there are several initiatives in the process of development and implementation, which is great because we can also apply these initiatives in other plants and learn from each other within the group. This freedom promotes more like bottom-to-top initiative development and implementation than top-to-bottom. (Delgado Diaz 2024)

Regarding legal responsibility, even if any ethical issue or noncompliance happens in the Czech Republic, in the end, it would be the responsibility of Drylock Technologies as a group, so the final legal responsibility goes to Drylock Technologies HQs as Drylock's HQs drafts all the policies which are then deployed to the subsidiaries. (Delgado Diaz 2024)

### **Ethical management within the Drylock Technologies Group:**

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#### **3. What ethical management requirements has the HQ for the subsidiaries of Drylock Group?**

Ethics are included in different key points and set-ups. It is included in contracts, in code of conduct, and is globally audited by Sedex SMETA Audits and is also part of several audits of our customers to our plants. (Hommez 2024)

We require the subsidiaries to conduct an ethical audit, Sedex SMETA audit, regularly. Each subsidiary must adhere to policies given by the HQs. Other than that, subsidiaries have freedom of action in terms of management. Additionally, from a group level, we are doing EcoVadis, a third-party certification covering all our CSR practices, including social and ethical responsibilities. It is an overseas documentation and reporting audit, which is the kind of documentation and policies we have in place and the information we report every year. (Delgado Diaz 2024)

#### **4. What are the company group's existing ethics tools, such as codes, charters, and programs?**

An implemented and regularly updated Code of Conduct, applicable to all Drylock Technologies subsidiaries, covers business ethics. Regarding HQ's existing policies, an English ethics charter is available via the company's SharePoint. (Delgado Diaz 2024)

Moreover, ethics and accountability play a significant role in company culture. It is extremely important that the right ethics is seen and done and if somebody is not taking ownership over these practices it is necessary to correct and adapt them. This is also a strong vision of management and leadership; that walks the talk.

This will drive a bigger change in an organisation than documents. Additional documents can be found and translated. As this ethics charter is a living document and is updated on the go it is important there is always 1 latest version available. (Hommez 2024)

#### **4.1. And how are these tools communicated to employees?**

It depends on the plant's management, but it is usually communicated through onboarding, regular training, and internal websites. In terms of onboarding, there is a list of mandatory training that employees need to comply with. (Delgado Diaz 2024)

#### **5. Are there any programs, measures, or strategies in development or implementation that could improve ethical management within the company group?**

Most important is that there is a continuous ongoing understanding of the ethics in a company in offices and on the floor! If there is any specific "issue" there needs to be immediate action or follow up. Today Sedex SMETA and additional audits of customers are done in plants with great scores. (Hommez 2024)

Additionally, we are installing a learning/ training platform to further expand official trainings. Today there is training on company policies, but we want to make it more official and traceable and so as there is no official training program yet, we are working on implementing a more official training program. This project is in the development stage, but it will involve official ethical training concerning, for instance, the anti-corruption or anti-competitive practices and the Code of Conduct. All the employees need to be aware of those trainings and that will be part of the onboarding but also communicated via different channels to current employees. Also, as soon as we have the final training system, it would be our goal to have multiple translations. (Delgado Diaz 2024)

## Employee Ethics Compliance:

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### 6. **How does Drylock Technologies assess and monitor employee ethics and ethics in general?**

First of all, on a day to day. The plant manager and HR manager spend majority of their time on the floor, talking with employees and living with them. (Hommeez 2024)

We monitor KPIs and report on them annually, the KPIs are involved in the latest sustainability report. (Delgado Diaz 2024)

### 7. **Is there a compliance office or compliance officer, ensuring ethical compliance?**

Drylock has not considered an entrusted person or office responsible for ethical management. The R&D department is responsible for implementing programs and policies. Compliance responsibility is divided between the legal, sustainability, and R&D departments. (Delgado Diaz 2024)

### 8. **Have you encountered any issues related to maintaining high ethical standards among employees?**

No. (Delgado Diaz 2024) But again, important is to avoid, and to monitor on a day-to-day basis (Hommeez 2024).

## Perception of Ethical Culture:

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### 9. **How does the company foster an ethical culture among the Drylock group's employees?**

Leading by example. Being in touch with the organization, listening to people, treating everyone with respect and giving them trust and responsibility. Interactions, having a strong social connection and a speak up mentality will drive a company's ethical culture. The prove that this works has been showcased by Bart Van Malderen over several companies and decades. (Hommeez 2024)

Trough the policies published by HQ, which are linked, for instance, to diversity and inclusion, personal development, and some others to the speak-up policy. However,

each plant is a little bit different, and to manage their plant, they start incentives and focus on improving ethics differently. From HQ, we always support our subsidiaries' initiatives as much as possible whenever needed. (Delgado Diaz 2024)

Additionally, during actual audit, auditors talk to people to understand the culture, behaviour, and business ethics. We see this as a higher value than having 100 documents in place and no correct culture, behaviour, and vision. Ethics and culture are driven by respect, decisions, values, focus, doing the right thing. This is integrated in each management level. Finally, Bart Van Malderen leads by examples. (Hommez 2024)