CODE OF ETHICS IN A MULTICULTURAL COMPANY AND ITS LEGAL CONTEXT

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Abstract

The entry of foreign investors and simultaneous expansion of different national cultures, religions, rules, moral and ethical standards is bringing up problems of cooperation and coexistence of different nationalities, ethnicities and cultures. Working in an international environment therefore requires adaptation to a variety of economic, political, legal, technical, social, cultural and historical conditions. One possible solution is to define a code of ethics, guidelines which find enough common moral principles, which can become the basis for the adoption of general ethical standards, while respecting national, cultural differences and practices. In this article, the authors pay attention not only to the analysis of the common ethical rules in a multicultural company, but also to the legal aspects of codes of ethics. Each code of ethics is a set of standards, which, like the legal norms, regulate the behaviour of individuals. These standards, however, must simultaneously meet certain statutory criteria that define the boundaries of regulation of employee's behaviour.

Key words

multicultural company, code of ethics, legal regulation, cultural differences

The fundamental issues of codes of ethics in a multicultural company

Entrance of foreign investors, but also the changes in the business environment that significantly interfere with the human resources and its needs, make the issue of cooperation and coexistence of different nationalities, ethnicities and cultures more topical. This problem can now be considered as very timely, because it strengthens the connection between members of different national cultures, religions, laws, moral and ethical standards.

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Working in an international environment means for employees of companies the adaptation to the various economic, political, legal, technical, but also social, cultural and historical conditions. With the increasing internationalization of business, the growing attention is paid to the ability to work effectively in a different cultural environment, to adapt the company employees to new cultural and social conditions, and even to recognize, accept and appreciate the differences between people, that were created in a different cultural context and to take advantage of management approaches that were created in this environment. In this case we are talking about the so called international management, which also includes the management of cultural diversity in business. The practical cultural diversity of a company should also include an active help to integrate employees coming from another culture into the working environment formed mainly by the dominant culture. Companies are increasingly coming into contact with members of various national cultures, religions and laws. One of the main tasks of management is to create the conditions for all employees regardless of their individual differences that make it possible to fully develop their personal potential and also solution of problems that may arise in meeting the individual companies and national cultures. It is therefore very important to find a way of respect, tolerance, dialogue and teamwork in order to avoid any misunderstandings and conflicts (1).

This solution can also lie in the defining of a code of ethics, or in the creation of rules that determine how, which way, and why to use the code under the terms of coexistence of several subcultures. It is necessary to create such a directive which contains plenty of common moral principles, which can become the basis for the adoption of general ethical standards, while respecting national, cultural differences and practices. Defining a code of ethics can be considered in terms of multiculturalism as an efficient instrument for elimination of fundamental problems arising from the diversity of cultural and social circumstances of individual employees. The introduction of moral principles common to all employees helps to redefine ingrained and learned forms of behaviour and to create in a company a quasi new fellowship of people led by the same rules of behaviour, regardless of their cultural and social conditions.

Before we move on to the defining and analysis of the issue of codes of ethics, it is necessary to answer the question of what the multiculture is. In general it can be stated that multiculture is linked to the existence of an infinite diversity of languages, religions, cultures and ethnicities in the world. Multiculture is a term that is used as a synonym of multiculturalism. It results from the culture relationships in a globalized world and it pertains race, ethnicity, socio-cultural groups, majority and minority relationship and today it includes also the themes of gender, sexual preference or social self-realization of handicapped individuals. Multiculture means not only the diversity of cultures, their expression in behaviour, and their traditions, values and norms, but also search for the ways of coexistence - from the existence side by side, to the respect, tolerance and dialogue and collaboration. The idea of multiculturalism and the resulting political activities arose in the second half of the 20th century (2).

R. F. Murphy (1990) defined five basic principles that are considered to be relevant in the conditions of multicultural and multinational context: integrity, honesty, truthfulness, respect and empathy. All these principles should be applied also in the Slovak market.

Elementary principle of multiculturalism is the consideration of the culture of any group as equivalent, so all cultures are equal and equivalent, irrespective of their economic and social conditions. Multiculturalism, i.e. confluence of cultures is not a mere existence of

different cultures side-by-side, but also the effort of understanding between cultures and the need to learn to live together. On the other hand, multiculturalism can lead to legitimization of inequality and oppression. Therefore, the discussion of the need, benefits and limits of multiculturalism does not always have a clearly positive nature. The idea of multiculturalism began to be considered as an instrument for targeted overcoming of cultural differences and the pursuit of intercultural communication has become one of the ways to prevent an emerging tension between the majority and minority society. Multiculturalism and thus intercultural understanding can be developed only in an atmosphere where there is a sense of security. Cultures that meet together and communicate with each other must feel that they do not compromise each other, and that only prejudices, customs and ideologies are actually in the background of any conflict. Diversity and differentiation of cultures is still growing and varied cultural groups are meeting more often (3).

On the other hand, it should be emphasized that the need to create some kind of common ethical behaviour rules is not only a matter of multicultural companies. Basically, every company must (or should) be guided by ethical rules. The issue of business ethics, therefore, did not appear with the emergence of multicultural companies. It is much older. The business ethics came into existence in the early 20th century, when it was necessary to create a positive image of the business. The first attempt to build the foundations of business ethics were before World War I and were associated with a critique of capitalism, socialism and the expansion of the distribution of wealth (4). Business ethics is currently a rapidly evolving discipline, the importance of which is growing due to unresolved issues of international trade and developing economic globalization. It faces a difficult task - to find in such a company enough common moral principles which will become the basis for the creation of generally accepted ethical standards, while respecting cultural differences and practices (5). It may also be noted that the reasoning of the need of ethical corporate behaviour has, naturally, also its economic backgrounds. The economic justification of why it is important to behave ethically consists in the reduction of transaction costs, in enhancing employee loyalty, in establishing and reinforcing the corporate image, in strengthening the customer satisfaction, in contributing to the loyalty of investors, in contribution to the profits, in cultivation of the business environment (5).

Legal context of codes of ethics

In analyzing the issue of codes of ethics, we must of course deal with the question of their connection or relation to the legal norms existing in society. Rules of law of any modern society are the foundation on which every human behaviour must be constructed. Rules of law represent some kind of general social consensus, certain agreed rules of conduct, violation of which is not only undesirable, but even directly sanctioned by the state. Rules of law are an essential element of the law. They are generally binding rules of conduct for the entire society. They are issued by the state authority in the prescribed manner and their maintenance is enforceable by a state power. They are highly formalized (6).

In the society, however, the rules of law are not the only regulatory tool. It is not possible and it would be a mistake to consider the law to be a sufficient instrument for regulating interpersonal relationships. Behaviour and actions of people are not enforceable only by laws, it is not possible that the law anticipate all possibilities of behaviour and action in interpersonal relations. Ethics covers a much wider area of the human life as the law. It is not

associated with state power or with any institution. Ethical standards apply generally and indefinitely. They are controlled by a human conscience or public opinion. Violation of ethical standards is punishable only if they also have violated the laws (7). "It is true that what is illegal is also unethical. On the other hand, not everything that is not illegal, it is ethical "(8).

The integrity of society are thus ensured not only by legal, but also by non-legal normative systems (moral standards, religious norms, ethical standards, political standards and so on.) through prohibitions, commands, and permissions and through determining the consequences in case of non-compliance. The law regulates primarily ownership, employment and other social relationships, while ethics regulates the relations between people in terms of good and evil, honesty and dishonesty, that is, in terms of ethical principles. Ethical standards can respond to a new quality of life. Rules of law and ethical standards must be valid simultaneously and must complement one another. Rules of law may not contradict ethical standards. It is said that the law is a moral minimum (9). In general it can be stated that the unethical way of behaviour may be encountered every day, whether in a personal or professional life, or indirectly, by information from the media. The public particularly is sensitive to cases of unethical behaviour committed by public authorities, for example ministers, judges, bailiffs. They are authorities that act on behalf of the State and carry out very important social roles. As very sensitive are also perceived the cases of unethical conduct of companies harmful to their clients, their cheating and lies. This has naturally resulted in the emergence of contempt for companies or their activities.

The expression of looking of large community of people living in a particular territory at the need of certain forms of behaviour is the existence of legislation. They are binding for all, and in the case of disrespect there is a possibility of a direct state enforcement. The legislation reflects the fundamental values of society and defines the basic requirements for the conduct of all the individuals. Its existence is based on the need of the social life of man as one of the basic necessities of life. This need can only be realized in the conditions of society (social group). Society cannot exist and develop without integrity, which is guaranteed by values and normativity. Values and norms, which are expressed in the legislation, therefore hold societies together.

The expression of looking of a certain community, a minority of people at the desired and desirable forms of behaviour in this group are called codes of ethics. They are mainly associated with the implementation of a specific activity by a specific group of people. This includes of course the pursuit of business activities. Ethical codes help to bring the public confidence in the ability, fidelity and proper performance of the duties of a particular profession. Ethical codes are, as opposed to the unwritten rules of ethics, characterized by its internal co-ordinated, structural and functional connection of rules. They contain rules violation of which usually results in imposing of certain disciplinary measures against infringer. Ethical codes do not have the character of legislation, but they create a system of rules of conduct that the members of a certain profession promise to observe (10).

The code of ethics can be defined as "a summary of ethical principles, standards and requirements that are mandatory for anyone who receives it. The Code of Ethics is the concretisation of business ethical values of the company, its vision and mission. By accepting the Code of Ethics the company lays an obligation on an employee not only to act expertly but also to follow the principles of business ethics and to take moral responsibility for their actions. The Code of Conduct should be the compass in deciding and the criterion of

behaviour of every employee of the company" (11). The Code of Ethics is a document that employees (in relation to the employer but also to the employee) can use as an argument supporting and justifying their opposition, if they are requested to act in violation of the content of the Code of Ethics (12).

"The aim of the Code of Ethics is to raise the moral standard of conduct for all employees and to promote ethical development of society. The adoption of a code of ethics inserts the ethics into the corporate culture and management. It specifies the moral space in which everyone who represents the company should move. The Code of Ethics is in favour of all, because it protects the interests of all who work in the company. It also protects the customers, business partners, suppliers, and in general each interest group of society. It is a guarantee that the company is a trusted and reliable partner. The Code of Ethics is considered to be a tool to improve human relations in the workplace, to create an atmosphere for constructive criticism, debate, to improve the company's reputation and to achieve economic growth. It is the application of ethical principles of accountability, integrity, humanism, tolerance and environmental activities in the company" (11).

It is interesting to note that while more than 80% of U.S. companies have developed codes of ethics, in Europe the codes of ethics are rarity in businesses. This "resistance" to the code is particularly evident in the French, Swiss, German and Dutch companies (13).

By the Code of Ethics the company declares the values of its foundations, and presents itself to the outside surroundings, inside the company and to other subjects. It takes the form of a written document that sets out the fundamental principles of ethical conduct applicable to the entire company. It emphasizes that every employee, manager, administrative authority, company owner should identify himself with the code and adopt its principles, as well as be informed about observing the principles (14).

The main function of any code of ethics is the regulation of conduct of individuals or the whole group in accordance with certain ethical standards. The Code of Conduct clarifies what behaviour is expected from the employee in different situations and at the same time it makes it clear that the intention of the organization is to imprint ethical dimensions of employee's work. It is one of the tools for management and leading the people in organizations and is based on voluntary compliance with required moral standard. Code of Ethics helps to resolve conflict situations and facilitates employees to decide what is right and what is wrong. It may also be noted that the Code of Ethics is a document to which employees can appeal in the case that they are asked to act dishonestly. By the adoption of a code of ethics, employees gain a habit to evaluate their actions in accordance with ethical standards. Code of Ethics helps to resolve interpersonal conflicts in the workplace in accordance with the requirements laid down in the Code of Conduct. Code of ethics fulfils in economic life the function of boundaries to maximization of profits (15).

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