Západočeská univerzita v Plzni

Fakulta filozofická

Bakalářská práce

Ethics in business: A research of Czech companies highlighting unethical actions in business

Tetyana Hornyak

Plzeň 2016

Západočeská univerzita v Plzni

Fakulta filozofická

Katedra anglického jazyka a literatury

Studijní program Filologie

Studijní obor Cizí jazyky pro komerční praxi

Kombinace angličtina – ruština

Bakalářská práce

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Tetyana Hornyak

Vedoucí práce: Alok Kumar, M.A.

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Plzeň 2016

Prohlašuji, že jsem práci zpracovala samostatně a použila jen uvedených pramenů a literatury.

Plzeň, duben 2016   ……………………

Chtěla bych poděkovat svému vedoucímu Aloku Kumarovi, M.A. za odborné vedení práce a cenné rady, které mi pomohly tuto práci zkompletovat.

Obsah

1 Introduction

The process of building a successful business creating a regular and solid income may bring about many ethical challenges. A questionable situation exists in each area of business and requires special attention in the decision-making process. The knowledge of the rules of conduct in the context of business has been gained with an intention to avoid unethical behaviour which creates a bad impact on the level of trust in business in the eyes of society. The topic of the thesis is relevant in the Czech Republic due to very little research that has been done in this area.

In the theoretical part of the thesis the business ethics discipline is defined and the main approaches to business ethics are described to provide knowledge about the process of ethical decision-making using the main philosophies of ethics and the perception of unethical behaviour according to them. Then, the reasons why unethical practices are conducted are shown that there are some situations, when an individual loses his ability to judge his behaviour properly. The next section contains a feature of the leader, which is important to maintain the ethical climate, but the focus is on the traits of the role-model, which have adverse impact on the business. The other most important chapters include the the problems of unethical practices with example.

The aim of the practical part of the thesis is to research the general awareness about business ethics and the attitudes about what practices are unethical in Czech businesses. The data was collected with the method of structured interview, and then the the gathered data was analysed in comparison with the theory described in in the theoretical part of the thesis. The findings have shown, that a majority of participants believe in a relativist approach to business ethics. They lay responsibility

for unethical behaviour on the leader and the example set by the leader, to give the advice of ways to avoid misbehaviour with the help of incentive systems and provide various examples of practices, which they consider to be unethical (workplace misbehaviour, unethical practices by businesses, by government and against the environment).

2 Business ethics

2.1 Terminology of Ethics

According to the definition from *American Heritage Dictionary of the English Language*, a meaning of the word *ethics* [ethic (ĕth′ĭk), n.], it is first of all "a set of principles of right conduct". A definition of philosophy discipline **ethics**, which is dealing with morals, is a "study of the general nature of morals and of the specific moral choices to be made by a person". The word can be used with a singular verb, or the other version, the meaning of which has more professional character can be "used with a singular or plural verb. The rules or standards governing the conduct of a person or the members of a profession: medical ethics."[1]

The roots of the word "ethics" are coming from ancient Greek. The word has originated from "ethos" meaning character, manners or custom as it is defined in the *American Heritage Dictionary of the English Language,*

" - ethic, ethos; cacoethes from Greek *ethos*, custom, disposition, trait,

[1]ethICS. (n.d.) *American Heritage® Dictionary of the English Language, Fifth Edition*. (2011). Retrieved February 15 2016 from http://www.thefreedictionary.com/ethics

1. the fundamental character or spirit of a culture; the underlying sentiment that informs the beliefs, customs, or practices of a group or society.

2. the distinguishing character or disposition of a community, group, person, etc.

3. the moral element in dramatic literature that determines a character's action or behaviour.

[1850–55;<Greek:custom,habit,character] "[2]

The academic ethics refers to the code of conduct that conforms with moral rules, norms and principles of behaviour which a group of society as a whole considers to be right. First of all, we define it as a science of how to achieve honesty in relationships, intentions, practices between people from the point of view of their good and bad consequences to each person as a unique being and for society as a whole. (Kline (2005),De George (2005), Beauchamp,N. Bowie (2001).

Taylor defines ethics as "inquiry into the nature and grounds of morality where the term morality is taken to mean moral judgments, standards, and rules of conduct"[3] Taylor is probably most famous for developing and defending a biocentric environmental ethic in his book *Respect for Nature*(1989). Taylor claims: "Ethical action and goodness of character naturally flow from the attitude [of respect for nature], and the attitude is made manifest in how one acts and in what sort of person one is" (1989, p. 81).

The term ethical is often considered to be a synonym to the term moral, which suggests a social system of norms, created by members of

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[2]ethos. (n.d.) *American Heritage® Dictionary of the English Language, Fifth Edition*. (2011). Retrieved February 15 2016 from http://www.thefreedictionary.com/ethos

[3] TAYLOR, P. W.: Respect for Nature: A theory of Environmental Ethics, Princenton: Princenton University Press, 1989, 329 s. ISBN 0-691-02250-X

the cultural group to determine what is good to do to conform to a society's norms of behaviour. Development of social relationships caused a need of behavioural prescriptions. An evolution of human communities depended on each others ability to apply rudimentary moral behaviours such as altruism, trust, and reciprocity in relationships within the groups. A moral doctrine is transferred from one generation to another same as customs and traditions, but the existence of such routine is determined by the acceptance of it norms by the exact individual [4] [5].

2.2 Definition of business ethics

The behaviour of managers in the working environment is approved and made acceptable in the conditions of commitment to ethical values. Ethical behaviour makes stronger the consistence and harmony of the corporate culture, because it brings trust into the relationships inside of the group.   Ethical conduct insures better stability of norms and high features of a product and develops awareness of business influence on society.[6]

> Business ethics (or corporate ethics) is a form of applied ethics or professional ethics that examines ethical principles and moral or ethical problems that arise in a business environment. It applies to

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[4] MOORE, C., & GINO, F. (2013). Ethically adrift: How others pull our moral compass from true North, and how we can fix it. *Research in Organizational Behavior*, *33*, 53-77. Available online: https://dash.harvard.edu/bitstream/handle/1/10996801/moore,gino_ethically-adrift_ROB_2013.pdf?sequence=1

[5] BEAUCHAMP T. BOWIE, N.,(1993). Ethical Theory and Business, 4th edn, Upper Saddle River, NJ: Prentice Hall, , p. 7. Available online: https://openlibrary.org/books/OL1716580M/Ethical_theory_and_business

[6] SIMS R. R., (2003)*Ethics and Corporate Social Responsibility: Why Giants Fall* (Westport, CT: Praeger,), p.7. http://www.questia.com/read/106810817/ethics-and-corporate-social-responsibility-why-giants.

all aspects of business conduct and is relevant to the conduct of individuals and entire organizations.[7]

Business ethics as a professional ethics discipline addresses the moral aspect existing in business — the business practices, the principles, the assumptions. Corporate ethic as a form of applied ethics is dealing with a range of practical tasks such as statutory obedience, observational research of behaviour and position of business workers, an array of ethical statements and endeavour ethical theories of integrity into operational business fields (e.g., marketing ethics, finance ethics, accounting ethics).[8]

3 Approaches to Business Ethics

A descriptive approach to business ethics is a factual description and explanation of moral attitudes and norms of organizational culture and it relate more with "what should appear" or "what shouldn't appear". It also compares all kinds of corporate artefacts of ethical conduct (policies on conflicts of interest, codes of ethics and obedience to it, strategies etc.) Therefore, the attention is given to the reality of organizational culture, its actions, and messages. (Sims, 2003).

Normative approach as a corporate practice is, on the contrast, prescriptive study, which articulates and foster ethical norms by which business is judged and decides what standards are important

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[7]*WIKIPEDIA.org*. S.v. "Business ethics." Retrieved February 15 2016 from http://encyclopedia.thefreedictionary.com/Business+ethics

[8]MARCOUX, A., "Business Ethics", *The Stanford Encyclopedia of Philosophy* (Fall 2008 Edition), Edward N. Zalta (ed.), URL = <http://plato.stanford.edu/archives/fall2008/entries/ethics-business/>.

to establish for improvement of ethical conduct of business organization.[9]

The conceptual approach may be broadly defined as a focus on the meanings of essential terms in business ethics. In other words, it is a special conceptual examination of such terms as integrity, justice, responsibility, morality (Beauchamp and N. Bowie,1993).

3.1 Descriptive approach

Descriptive or positive theories of business ethics have been evolved to examine ethics in corporate culture, explore the process of ethical decision making in managerial practices and explain a complex system of connections between the aspects of business ethics. Individual occurring in a questionable situation is facing various factors determining his behaviour.[10]

A knowledge about a process of ethical decision making is an instrument, which is helping to make right choices. James March provides the most eloquent description of decision making:

> As the construction of meaning has been explored . ., the argument has been developed that a choice process does many things beyond providing a basis for action. It provides an occasion for defining virtue and truth, for discovering or interpreting what is happening, what decision makers have been doing, and what justifies their actions.[11]

9 LACZNIAK, G. R., & MURPHY, P. E. (2006). Normative perspectives for ethical and socially responsible marketing. Journal of Macromarketing, 26(2), 154–177.

10 FRAEDRICH, J., & FERRELL, O. C. (1992). Cognitive consistency of marketing managers in ethical situations. Journal of the Academy of Marketing Science, 20, 245–255.

11 TAYLOR, PAUL W. 1975. Principles of Ethics: An Introduction. Encino, CA: Dickenson, (p. 218)

The first well-known positive framework model, which helps to understand how ethical decision-making function in organizations was developed by Ferrell and Gresham.[12] This model includes three concepts which influence an organizational employee - individual factors, significant others, opportunity. Individual factors are knowledge or education, values, attitudes, and intentions. Some authors represent this aspect as cognitive predispositions. Next dimension is an influence of significant other, such as co-workers, supervisors, and executives. Significant others may form individuals decision process by being a role model for them. Bandura social learning theory posits that people learn from one another via observation, imitation and modelling.[13] Opportunity to ethical or unethical behaviour depends on the presence of corporate policies, codes of ethics, and positive/negative reinforcement.

The researchers Hunt-Vitell introduced a process of ethical decision making in their General Theory of Marketing Ethics. The main idea of the model, which place moral philosophy theories has in deciding how to react to an ethical dilemma. This model is commonly used by researchers studying ethical decision making in business in general and marketing particularly. As Ferrell (2011) described in her commentary on the work of Shelby Hunt, the Hunt and Vitell model "attempts to combine deontological and teleological philosophical ethical decision traditions found in moral philosophy into a framework that describes ethical decision

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[12] JONES, T. M. (1991). Ethical decision making by individuals in organizations: An issue-contingent model. *Academy of management review*, *16*(2), 366-395. Available online: http://www.nipc.ir/uploads/Ethical_decision_9905.pdf

[13] BANDURA, A. (1977). Social learning theory. Available online: http://www.jku.at/org/content/e54521/e54528/e54529/e178059/Bandura_SocialLearningTheory_ger.pdf

making".[14] As Hunt and Vitell wrote in their original Journal of Macromarketing paper "to the extent that people actually follow the normative theories... these concepts should be incorporated into any positive theory purporting to explain their behaviour."[15] The model is described in Figure 1 below. Hunt and Vitell's (1986) descriptive model consists two stages. First, one is a sense-making stage of perception, in which the decision maker affected by personal experience, organizational culture, and the wider cultural environment perceives the ethical problems, alternatives, and possible consequences. The second stage is deontological and teleological evaluations and judgment. During this process, an individual compares conduct using established deontological norms and then evaluates the alternatives using teleological principles, in which he or she examines the outcome of each action on the stakeholders. Deontological and teleological approaches to business ethicswill explained below in section 2.3.1 and 2.3.2. Hunt and Vitell take into consideration stakeholder interests in their model shortly after this approach introduced.[16]

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[14] FERREL , L. (2011) "Commentary on Shelby Hunt and the general theory of marketing ethics. In J. N. Sheth & J. R. Sparks (Eds.), Legends in Marketing: Shelby D. Hunt, vol. 6 (p. 267). Los Angeles, CA: Sage Publications.

[15] HUNT, S. D., & Vitell, S. J. (2006). The general theory of marketing ethics: A revision and three questions. *Journal of Macromarketing*, *26*(2),p. Available online: http://sdh.ba.ttu.edu/JMacro06%20-%20A%20general%20theory%20of%20marketing%20ethics-A%20revision%20and%20three%20questions--PAGE%20PROOFS.pdf

[16] FERRELL, L. (2011), p. 269
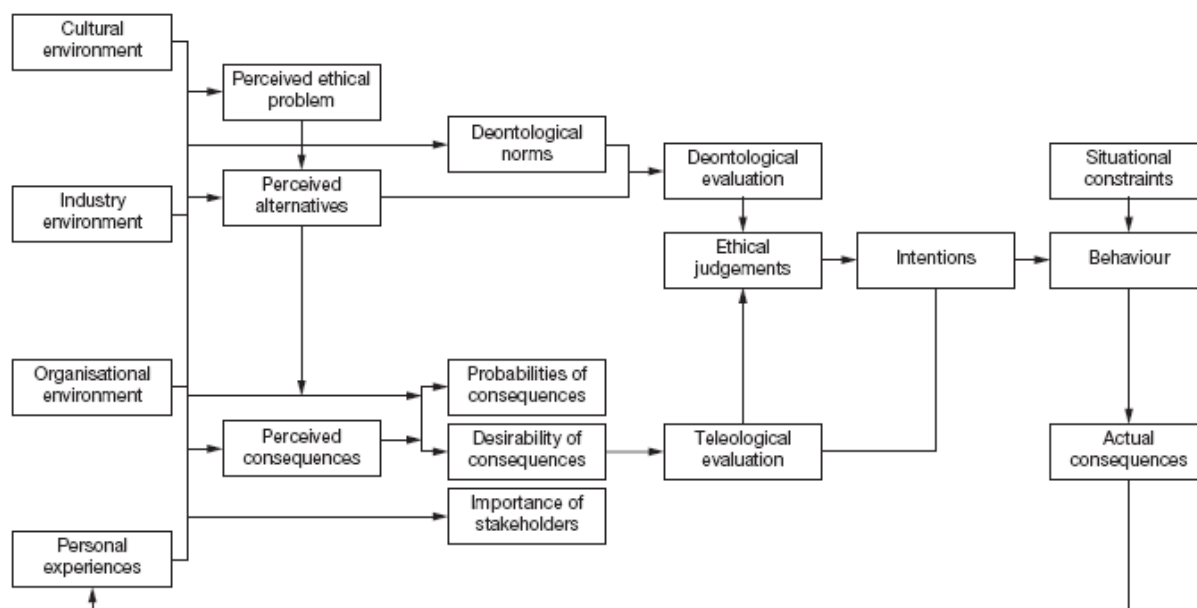
FIG. 1 Hunt-Vitel theory of ethics

3.2 Normative approaches

Over thousands of years, moral philosophy has produced many ethical theories for the purpose of differentiating between good and bad or right and wrong conduct. While there are many ethical theories, most can be classified as either teleological (consequentialist) or deontological (duty-based).

3.2.1 Deontological approach

Deontology is a philosophical section concerned with Kantian view of ethic, working with concepts of right conduct , with pure motives of duty and obligation. [17] In contrast to teleological evaluation, it is taken into consideration if an act by itself is done for the right reasons and for the sake of obligation regardless whether it is profitable or not. A moral decision is demanded to have purely reasonable intentions, such as duty

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[17] DEONTOLOGY. (n.d.) -*Ologies & -Isms*. (2008). Retrieved April 15 2016 from
http://www.thefreedictionary.com/deontology

and obligations and to be questioned if it can become a universal law [18][19]

Kantian ethical theory based on the categorical imperative, which is represented by "Golden Rule", expressed as 'do unto others as you would have done unto yourself'. Kantian maxims are categorical, therefore, absolutely necessary to be applied to everybody without exception. A universalizability of this maxim was proven by Shaw and Barry (1998), who cited quotations of examples of this rule in six religions from different time periods. Carr (1968) in his article in Harvard Business Review describes his view on business as it is a game with its own set of rules. He uses the analogy of poker game to emphasize impossibility to avoid deceitfulness in business since bluffing is a very strong tool in business interaction. He observed:

> The golden rule for all its value as an ideal for society is simply not feasible as a guide for business. A good part of the time the businessman is trying to do to others as he hopes others will not do unto him … The game [poker] calls for distrust of the other fellow. It ignores the claim for friendship. Cunning, deception, and concealment of one's strength and intentions, not kindness and open-heartedness, are vital in poker. And no-one should think any worse of the game of business because its standards of right and wrong differ from the prevailing traditions of morality in our society. [20]

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[18] HUNT, S. D., & Vitell, S. J. (2006).

[19] DEONTOLOGY. (n.d.) *Collins English Dictionary – Complete and Unabridged, 12th Edition 2014.* (1991, 1994, 1998, 2000, 2003, 2006, 2007, 2009, 2011, 2014). Retrieved April 15 2016 from http://www.thefreedictionary.com/deontology

[20] CARR, A. (1968) Is Business Bluffing Ethical? Harvard Business Review, Available online: https://hbr.org/1968/01/is-business-bluffing-ethical

The following implications of categorical imperative by Beauchamp and Bowie into commercial practices gives an insight into how the business relationship would work in ideal society. Kant's first formulation of the categorical imperative is "Act only on that maxim by which you can at the same time will that it should become a universal law."[21] Universalisability

the concept of Kantian ethics means that the action is right when it can be followed by all rational people on the planet. Bowie considers the implication of this principle to business reasonable, but this rule is not perfect, because someone who is ready to allow others to do an unjustice to him could, among the universalizability principle, continue to exploit, harm and cheat others. The second formulation of the categorical imperative: "Always treat the humanity in a person as an end and never as a means merely."[22] The freedoms which this principle require is about business relationships to be beneficial for both sides. Economic transactions where a stakeholder is used as a means are unethical because it harms a dignity of a human being.

3.2.2 Teleological approach

Teleological approach to business ethics means that the rightness of a conduct is determined only regarding the consequences of an action. Therefore, the other name of this theories is consequentialist. UtIlitarianism is one of the teleological theories grounded on the principle of utility. Nevertheless, the utilitarian theory itself was created by John Stuart Mill (1806 – 1873), the utility principle was suggested before by the philosopher Jeremy Bentham (1748– 1832), who stated: "The greatest happiness of the greatest number is the foundation of morals and

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[21] BOWIE, N., N. E. (2002). A Kantian approach to business ethics. *A companion to business ethics*, 3-16, , p. 4. Available online: http://stakeholder.blogs.bucknell.edu/files/2015/01/Bowie-Kant.pdf

[22] BOWIE, N. (2002). p.7.

legislation".[23] This pragmatic assumption favors an actions, which contribute to the accumulation of happiness and overweigh the pain. The standards of happiness in business can be understood by an increase of capital as it will bring more good to the members of the organization. Looking for the production through the utilitarian lens, the goal of businessmen is to maximize efficiency, what means to make production fast and quality using a minimum of resources. Efficient production is the main standard within the free market system of competing companies.[24]

The Hunt and Vitell model describe teleological evaluations in ethical decision making as an examination of the probabilities of consequences, the desirability of consequences, and the importance of stakeholders. The consequences of the decision are calculated during the cost-benefit analysis if they will asset a company, or which consequences are bringing less harm. It is taken into account which decision will be preferable to a greater number of stakeholders, an if the advantages are great enough to ignore the harm, which is done to some of the stakeholders. [25]

Egoism is a teleological theory, according to which a right decision is the one which provides the best for the one's own self. The maxim of the egoist can be declared as "The right act is the one that benefits oneself". No matter what self-interest an egoist pursue, making an ethical decision becomes problematic, if the ethical situation does not contribute to his own good. The companies with egoistic values are thinking in short terms and have a tendency to be opportunistic and take advantage of customers. Hedonism is the highest level of egoism because it

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[23] FISHER, C., & LOVELL, A. (2011). *Business ethics and values: Individual, corporate and international perspectives*. Mexico: Pearson Educacion. p.123 Available online: https://www.scribd.com/doc/73872673/Business-Ethics-and-Values-Alan-Lovell-and-Colin-Fisher

[24] BEAUCHAMP T. BOWIE, N., (1993), p.26

[25] HUNT, S. D., & Vitell, S. J. (2006).

determines the right conduct as the matter of deepest satisfaction. It classified on quantitative hedonists (more pleasure is better) and qualitative (not too much pleasure but luxurious kind). Pluralists have a wider range of interests, not just a satisfaction of owns needs.

For enlightened egoist self-interest remains the main goal, although the welfare of others is taken into consideration too. Therefore, an ethical dimension of the problem remains in their vision and it positively influences their attitudes on the embedding professional codes and social responsibility of the company. Although, the best practices, which are conducted by the enlightened egoist are made in order to improve company´s reputation, what is staying beyond the norms of egoistic behaviour?

3.1 Relativist approach

Relativism represents the approach of evaluation of the rightness of conduct in the relation to the context such as individual, group, role cultural norms. This system of beliefs consider universal norms of behaviour do not exist, because moral standards are inconsistent, or even do not exist in the case of situational relativism, which proclaims that there are no moral rules of conduct and the right behaviour is the one, which brings the greatest profit at the end. Therefore, the understanding of what is good and bad is impossible without knowing the situation in which an ethical dilemma has arisen, because it will let to determine the rightness of conduct according to the opportunities and if they were used in the most efficient way. Individual or naive relativist approach is based on the awareness of the fact, that in the

free society each person has the right to decide, which set of principles to follow. A naive relativist does not feel an obligation to follow particular norms of behaviour and decide what is right listening to his own senses, such as emotions and consciousness or the commands of spiritual entity. This approach is probably the simplest way of perception of ethics, because of the tolerance of any possible ideas of how one should behave. The medieval Latin proverb "When in Rome, do as Romans do" describes the position of cultural moral relativism, which means a need for conformity to the others around you. Following of this principle may leed to the adopting of the unethical practices, which have been routinized in the society, but they are not commonly accepted. For example, bribery is common is some developing countries, but as far as it is done secretly, it means that this is an apparent relativism, which does not construct shared morality. Real relativism is when the practices are commonly accepted as ethical and therefore do not need to be hidden. In a business context relativist is guiding his behaviour observing the general agreement of what behaviour is acceptable in the policy of the company or in the industry in general.[26]

4   Ethical leadership

Building on social learning theory, which is about an employee's tendency to use a behaviour of significant others as the model for their own conduct, ethical leadership is "the demonstration of normatively appropriate conduct through personal actions and interpersonal

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[26] MCDONALD, GAEL (2010), Ethical relativism vs absolutism : research implications, European business review, vol. 22, no. 4, pp. 446-464, Available online: https://dro.deakin.edu.au/eserv/DU:30032187/mcdonald-ethicalrelativism-post-2010.pdf

relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making". It is not an easy task for a leader to influence the ethical climate of the employee. But some leaders who have strong personality character can be a good role-model for the personnel. Honesty and a sense of justice make a leader an authority. To be able to gain a respect and get followers a person is better to behave in an altruistic manner rather than selfish. To create an ethical environment in the company a leader has to be able to focus en employee attention on the ethical pole of the decisions by effective transmission of ethical standards. One of the ways to improve the social learning process is by using rewards and punishment in the fair way to make it easier to learn the rules of conduct in an organization.[27] Different personality traits have positive and negative effects on the ethical leader. Interestingly, some of the desirable traits can have a bad influence, when they are extremely intense in the person. Traits of leader considered to be positive and the advantages they bring to the organizational culture are following [28]:

1. Conscientiousness – discipline, efficiency, justice

2. Extraversion – assertive, optimism, natural leaders

3. Agreeableness – altruism, empathy, credibility

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[27] BROWN, M. E., TREVIÑO, L. K., & HARRISON, D. A. (2005). Ethical leadership: A social learning perspective for construct development and testing. *Organizational behavior and human decision processes*, *97*(2), 117-134. [18.04.2016] Available online:
https://www.researchgate.net/profile/David_Harrison22/publication/223180438_Ethical_leadership_A_social_learning_perspective_for_construct_development_and_testing/links/545ed9270cf2c1a63bfc220e.pdf

[28] JUDGE, T. A., PICCOLO, R. F., & KOSALKA, T. (2009). The bright and dark sides of leader traits: A review and theoretical extension of the leader trait paradigm. *The Leadership Quarterly*, *20*(6), 855-875, [18.04.16] Available online:
https://www.researchgate.net/profile/Ronald_Piccolo/publication/222657204_The_bright_and_dark_sides_of_leader_traits_A_review_and_theoretical_extension_of_the_leader_trait_paradigm/links/02e7e523c5043df74f000000.pdf

4. Emotional stability – stress-resistance, patience, job satisfaction

5. Core self-evaluation – successful   strategic decisions, self-determination, goal-setting behaviour

6. Intelligence – professionality, legitimacy, decision-making

7. Charisma – ability to inspire and evoke loyalty

A dark side of the leader personality, as a reason for unethical behaviour, is represented by the following traits:

4.1 Narcissism

The narcissistic leader has a very strong attachment to his own self. This type of personality is often arrogant, insensitive and unable to participate in mutualy beneficial relationship. Because of the lack of empathy this type of the leaders are often mistreating their employees and make unfair selfish decisions. Narcissistic leaders are causing underachievement, because of the lack of loyalty of the employees. Such a leaders have a tendency to unfair apportion of organization resources in favor of themselves. [29]

4.2 Hubris

When a person has a tendency to overestimate own talents and skills, when it is obviously not true, it has a very strong disadvantage when this individual gets to the leadership position. A magnified self-confidence of a leader is making a process of communication with the employees problematic. The hubristic leader might be very vulnerable to the moral neglect of his actions, because of his tendency to be opposing against critical feedbacks and confidence, that he

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[29] Ibid.

is always right. Exaggeration of their abilities provokes extremely irrational decisions which make a bad influence on the economic achievements of the company. [30]

4.3 Machiavellianism

Machiavellian philosophy is based on works of the fifteenth-century Italian statesman and writer Niccolò Machiavelli. A personality of the main character in the book The Prince (1513) became a negative stereotype of coldblooded individual, who wouldn't waive his goals to achieve power and success at any cost, and is ready to manipulate and use others with absolute disrespect of human dignity. Machiavellians can be recognized by specific psychological characteristics, such as emotional detachment in interpersonal relationships, disconnection from traditional morality, psychopathic tendencies and ideological disengagement. However, As it is stated in the Guardian newspaper, *"neoliberalism sees competition as the defining characteristic of human relations"*, which makes conventional morals of current main ideology shifted enough to be suitable to Machiavellian personality. [31][32]

Machiavellianism is considered to be one of the three components of dark personality traits, together with narcissism and psychopathy.[33]

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[30] Ibid.

[31] O'BOYLE E. H., FORSYTH D. R., O'BOYLE A. S. (2011). Bad apples or bad barrels: An examination of group-and organizational-level effects in the study of counterproductive work behavior. *Group & Organization Management*, *36*(1), 39-69.

[32] MONBIOT G. , *The Guardian*, [15.04.2015] Available online: http://www.theguardian.com/books/2016/apr/15/neoliberalism-ideology-problem-george-monbiot

[33] PAULHUS, D. L., & WILLIAMS, K. M. (2002). The dark triad of personality: Narcissism, Machiavellianism, and psychopathy. *Journal of research in personality*, *36*(6), 556-563. Available online: https://www.researchgate.net/profile/Delroy_Paulhus/publication/222828329_The_Dark_Triad_of_perso nality_Narcissism_Machiavellianism_and_psychopathy/links/02bfe50d11fcb71305000000.pdf

Machiavelli wrote: "Any person who decides in every situation to act as a good man is bound to be destroyed in the company of so many men who are not good. Wherefore, if the Prince desires to stay in power, he must learn how to be not good, and must avail himself of that ability, or not, as the occasion requires."[34] True Machiavellian works very hard on his image of ethical businessmen, but they are ready to implement deviant strategy whenever it is necessary.

Machiavellian leaders in craving for financial gain are using their abilities to convince their employees to risky ventures for their personal advantage. This kind of managers is often not inclined to act in accordance with rules and disobey the ethical and moral norms.[35] It has been shown that Machiavellians are low in conscientiousness, as they "thrive in unstructured environments with less explicitly communicated norms and rules and exploit situations to their advantage"[36].

Bragues (2008) highlights the importance of using Machiavellian theme by modern management commentators such as Jay (1967), Calhoon (1969), Christie and Geis(1970), because moral flexibility and craving for money are important driving factors in modern competitive business, which requires certain transformation of individual values, on the other side of conventional morality.[37]

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[34] STEVENS, E., Business Ethics (New York, Poulist Press, 1979).p.49.

[35] JUDGE, T. A., PICCOLO, R. F., & KOSALKA, T. (2009). The bright and dark sides of leader traits: A review and theoretical extension of the leader trait paradigm. *The Leadership Quarterly*, *20*(6), 855-875. Available online: https://www.researchgate.net/profile/Ronald_Piccolo/publication/222657204_The_bright_and_dark_sides_of_leader_traits_A_review_and_theoretical_extension_of_the_leader_trait_paradigm/links/02e7e523c5043df74f000000.pdf

[36] BECKER, J. A., DAN O'HAIR, H. (2007). Machiavellians' motives in organizational citizenship behavior. *Journal of Applied Communication Research*, *35*(3), p.251.

[37] BRAGUES, G. (2008). The Machiavellian Challenge to Business Ethics. *Available online: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1093345*

Jay (1967) in his book *Management and Machiavelli* is showing that business leader has to be a skillful and active political manager to be able to cope with the problems and become favorable. The authoritative leader should avoid political neutrality, in the other words, withdrawing from the activities of a company by transferring it on a committee. Jay argues that transmission of responsibility postpone decision making and may result in collapse of the company.[38]

Christie and Geis define political personality as a predisposition to manipulate people using formal and informal power. Richard Christie constructed a Mach IV scale to measure a level of Machiavellian orientation in a person. The 20-item scale is developed to analyse emotional capability to skillfully influence others with the purpose of taking an advantage out of interpersonal situations.[39] Christie and Geis state:

> High Machs manipulate more, win more, are persuaded less, persuade others more, and otherwise differ significantly from Low Machs in situations in which subjects interact with others, when the situation provides latitude for improvisation and the subject must initiate responses as he can or will, and in situations in which affective involvement with details irrelevant to winning distracts Low Machs.[40]

Using the MachIV scale in the marketing field, Singhapakdi and Vitell (1990) explored a relationship between background aspects and ethics of the American Marketing Association sample, which consist 529 members.It was found that salesmen who have got high scores on the

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[38] JAY, A. (1994). Management and Machiavelli: discovering a new science of management in the timeless principles of statecraft. Jossey-Bass.

[39] HARRIS, P. (2010). Machiavelli and the global compass: Ends and means in ethics and leadership. *Journal of Business Ethics*, *93*(1), 131-138.Availeble online: http://www.phil-harris.com/wp-content/uploads/Phil-Harris-cm-edit.pdf

[40] CHRISTIE,R., GEIS L. (1970). Studies in Machiavelliallism. New York: Academic Press, p.312

Mach IV scale detected ethical matters as more frivolous. Moreover, they considered acceptable to leave unethical behaviour without any punishment.[41]

Miesing (1985) empirical study has compared 487 MBA students' attitudes on Machiavellian business ideology. The results demonstrate that alumni and those with work experience are less Machiavellian in comparison to undergraduates and individuals without work experience. Moreover, females compared to males, and religious individuals are less likely to agree with Machiavellian statements.[42]

5   Psychology of unethical behaviour

One perspective of the predisposition to ethics is based on an Aristotelian human virtue and explain the ethicality of individual as it depends on the personal character. Flawed human personal traits, which are standardly recognized by psychometric tests, have a defective moral compass and therefore not able to behave according to the rules of society.

According to Kohlberg theory, there are three levels of cognitive-moral development. Individuals on the low pre-conventional level recognize what is ethical or not with the considering the outcomes of the decision. They will behave in a good way to be rewarded, or get a compensation of efforts and avoid unethical act, because of fear of punishment. A person with a confirmation ethical standards established in a matter of association with a social group is on the conventional level

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[41] SINGHAPAKDI, A., VITELL, S. J. (1990). Marketing ethics: Factors influencing perceptions of ethical problems and alternatives. *Journal of Macromarketing*, *10*(1), 4-18.

[42] MIESING, P., & PREBLE, J. F. (1985). A comparison of five business philosophies. *journal of Business Ethics*, *4*(6), 465-476.

of cognitive-moral development. The highest post-conventional level includes a kind of people who have their own values not influenced by the peers. The reasons for their behaviour do not depend on gains but on the commitment to universal principles of justice. The ethical conduct of individuals with high level of cognitive-moral development is explained by their "need for consistency between thought and action".[43]

The moral compass is a term to describe a tool which is letting us know when our behaviour is getting to the point to be unethical by the inner voice inside of our heads. In certain conditions of the environment, the needle in navigational compasses get misdirected and an explorer, who are not aware of the problem gets lost. The same can happen to the moral compass because as the researches have proven that some powerfull situations can lead to the ethical adrift and shift individual values to the unethical side.[44] Moore and Gino belive that flexibility of moral values of a person cause them to be ethically adrift because of the intrapersonal reasons, which are coming from the imperfect conditions of the human mind or bad social influence of the environment. Cognitive limitations and social factors, which provoke moral neglect, moral justification, and immoral actions are described below.

5.1 Cognitive biases

The human mind is disposed to many patterns that serve as a trigger to unethical conduct. People, as egocentric beings, often do not notice their own misconduct. Having done something bad, in order to avoid

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[43] ASHKANASY, N. M., WINDSOR, C. A., & TREVIÑO, L. K. (2006). Bad apples in bad barrels revisited: Cognitive moral development, just world beliefs, rewards, and ethical decision-making. *Business Ethics Quarterly*, *16*(04), 449-473.[10.04.16] Available online: http://espace.library.uq.edu.au/view/UQ:79610/Ashkanasy-Windsor-Trevino.pdf

[44] MOORE C., GINO F. Ethically adrift: How others pull our moral compass from true North, and how we can fix it //Research in Organizational Behavior. – 2013. – T. 33. – C. 53-77. [18.04.16] Available online: https://dash.harvard.edu/bitstream/handle/1/10996801/moore,gino_ethically-adrift_ROB_2013.pdf?sequence=1

unpleasant feelings of regret, an individual is likely to neutralize the intensity of an act, or forget about it at all and be confident that his misbehaviour stays in the past and never repeat. Moreover, an individual, who made some very ethical act once, uses this fact as an excuse for the unethical act. Selfishness and materialistic values force individual judgment to be biased. This unconscious frames limit the personal vision of situation and bound the individuals ethicality. The wrong estimation of the unethical conduct can be caused by the use of false information as well. [45]

5.2 Social influences

As social animals, human beings have the predisposition to be influenced by the other people in the way that damage our moral compasses. First of all, some social processes can facilitate a neglect of ethical dimension of the decision.

5.2.1 Social norms

The most powerful influence on human behaviour belongs to social norms. The psychological phenomenon of social proof is a type of obedience of people, who in order to find an approval in the social group are acting and thinking in the same way as others around them.[46] A herd effect may cause a diminishing of widespread ethical standards and neglect of unethical behaviour inside of the group. During the process of socialization in the company, it is very hard for a new employee to avoid adjust to the unethical practices. A desire of belongingness as a part of human nature makes neglecting of ethical values easier for a person, but sometimes it is just unavoidable to adjust to unethical culture for the

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45 Ibid
46 Wikipedia. Org. Social proof
[15.04.16] Available online:
https://en.wikipedia.org/wiki/Social_proof#Uncertainty_about_the_correct_conclusion

newcomer as a matter of not to become a target of bullying and keeping a job.

Because of our tendency to social categorization we disgust those, who are not members of our circle and even dehumanize them.[47] The process called social categorization can cause a person to engage in an unethical behaviour when a person who they socially categorize with is misbehaving. People are likely to identify themselves with someone who share similar characteristics. Discrimination as one of the forms of misbehaviour at the workplace which is caused by the social process of categorization will be discussed further.

5.2.2 Roles

Each position in the company has established believes about the behaviour which is considered to be normal for anybody who start to work on this position. Sometimes, as in the Pinto case, an employer is working according to the scripts. A recall coordinator Gioia did not see a moral problematic of a decision because a script cues (guidelines for how the work should be done) which were giving guidelines about the role, where followed in the most precisive way. The problem with Pinto cars was that they were causing accidents, but the scripts were created with a prescription that those accidents were happening not so often to make a recall and people deaths continued.[48] A famous Stanford experiment is showing an extraordinarily powerful effect of the roles on the people. During this experiment, people who were in the role of the guards in the

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[47] HARRIS, L. T., & FISKE, S. T. (2006). Dehumanizing the lowest of the low neuroimaging responses to extreme out-groups. *Psychological science*, *17*(10), 847-853.

[48] GIOIA, D. A., & POOLE, P. P. (1984). Scripts in organizational behavior. *Academy of management review*, *9*(3), 449-459

mock-prison were humiliating the prisoners, who were totally obeying the unpleasant role which was assigned them.[49]

5.2.3 Goals

Setting goals is the very important in the managerial practice because its increase effectivity of the personal and push forward the working process. Nevertheless, when goals are too difficult to achieve, it causes an unethical practice of accountants such as false sales reports and "cooked books". Cooking the books occurs when corporations fraudulently alter their financial statements to make it appear as if they are in a better position than they actually are. Companies such as Enron and WorldCom have been involved in cooking the books in order to attract investors and it ended up in a big scandal and fall of the companies.[50] When making a goal for the employee, there is a number of conditions when managers should pay increased attention. Unethical behaviour is often happening in the corporate cultures with bonuses for the achievements and close to the end of the goal.[51] Moreover, goals are often understood by an employee that accomplishment of a goal is so important that any methods are good in order to achieve it. Establishing targets together with the motivational bonuses often makes an individual concentrate on the goal to such an

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[49] ZIMBARDO, P. G., HANEY, C., BANKS, W. C., & JAFFE, D. (1973, April 8). The mind is a formidable jailer: A Pirandellian prison,The New York Times Magazine [18.04.16] Available online:

http://www.prisonexp.org/pdf/pirandellian.pdf.

[50] Investopedia *Cooking the books*, [18.04.16] Available online:
http://www.investopedia.com/terms/c/cookthebooks.asp

[51] SCHWEITZER, M. E., ORDÓÑEZ, L., & DOUMA, B. (2004). Goal setting as a motivator of unethical behavior. *Academy of Management Journal*, *47*(3), 422-432. [15.04.16] Available online:
https://www.researchgate.net/profile/Lisa_Ordonez/publication/275859410_Goal_Setting_as_a_Motivato
r_of_Unethical_Behavior/links/5575c99d08aeb6d8c01ae4cb.pdf

extent, that it cause him not to mention anything else (moral dimension).[52]

5.2.4 Euphemistic language

Euphemistic language is used in business to reframe the unethical behaviour and make it easier psychologically for the people to participate, because of the powerful effect of moral justification, which euphemistic language has on the actors. A continuous using of euphemistic language during the business meetings makes people forget to think about the real meaning of the situations. For example, a term "business decision" instead of "ethical decision" is psychologically comfortable, because it associates with a pragmatical view of the situation and disengage an individual from the ethical aspect of the problem. Another example of euphemistic terms is "lubricant money" and "facilitation payments", which are used to such unethical practice as bribery to justify the misconduct as it is an unavoidable evil, which simplify the business process.[53]

5.2.5 Bureaucracy

Jackall argued that the reason for the unethical behaviour is not in individual's moral flaws, but in the bureaucratic system of modern organisations that push managers to behave immorally.[54] In the

[52] SHAH, J. Y., FRIEDMAN, R., & KRUGLANSKI, A. W. (2002). Forgetting all else: on the antecedents and consequences of goal shielding. *Journal of personality and social psychology*, *83*(6), 1261. [15.04.16] Available online:
https://www.researchgate.net/profile/Arie_Kruglanski/publication/10974302_Forgetting_all_else_on_the_antecedents_and_consequences_of_goal_shielding/links/549ddcdd0cf2b803713a7d65.pdf

[53] MCDONALD, GAEL (2010), Ethical relativism vs absolutism : research implications, European business review, vol. 22, no. 4, pp. 446-464, Available online:
https://dro.deakin.edu.au/eserv/DU:30032187/mcdonald-ethicalrelativism-post-2010.pdf

[54] FISHER, C., & LOVELL, A. (2011). *Business ethics and values: Individual, corporate and international perspectives*. Mexico: Pearson Educacion. p.123 Available online:
https://www.scribd.com/doc/73872673/Business-Ethics-and-Values-Alan-Lovell-and-Colin-Fisher

organizational structure as an office, the status and a role of a person are predetermined as an employee of a company brings the element of diffusion of responsibility. When there is some questionable situation, a responsibility for the act is shared with organization and individual do not feel personally responsible for his actions. The anonymity of the individual, who is covered under the organization name facilitate unethical behaviour, as the consequences of the unethical decision are displaced and it seems to be absolutely safe to misconduct. The empirical studies of Zimbardo proved that effect of anonymity makes an individual experience deindividuation, which means a "loss of identity or loss of self-consciousness," which result in reduce of ability to distinguish good and loss of fear of the sanctions. "In the eternal struggle between order and chaos, we openly hope for individuation to triumph, but secretly plot mutiny with the forces within, drawn by the irresistible lure of deindividuation."[55] The bureaucracy due to its efficiency is unavoidable monetary economy but its strict rules and regulations have a dehumanizing effect on people and as a result of the erosion of moral values. [56]

6 Problematics of unethical behaviour

Ethical issues require a decision maker to choose between ethical and unethical behaviour. Such an issues are emerging from the moral responsibilities and include unethical actions, which are coming out of this

[55] ZIMBARDO, P. G. (1969). The human choice: Individuation, reason, and order versus deindividuation, impulse, and chaos. In *Nebraska symposium on motivation*. University of Nebraska Press.

[56] AGEVALL, O. (2005). The Max Weber dictionary: key words and central concepts. Stanford University Press. pp. 18–21. [14.04.2016] Available online: https://books.google.cz/books?id=_c3Mcnh8hCgC&pg=PA19&redir_esc=y#v=onepage&q&f=false

issues. Ethical issues are classified as a matter of honesty, conflict of interest, fraud and discrimination.[57]

Honesty and fairness are the general moral feature of decision-making in business relations. When people act in their self-interest and harm customers, employees or even competitors with deceptive, intimidating acts, it destroys trust, which is a basic principle for a successful business.

Misleading unethical behaviour has its roots in the idea that business is a game and as it was cited before, the same as bluffing in poker, it is not immoral to be dishonest in business, because ethical rules in the free enterprize are not relevant.[58] This way of thinking is making people believe that in business all the tactics are good to get a profit. In a book *The Guerilla Marketing Handbook and Sun Tsu: The Art of War* for Managers the military strategy is applied to business and politics and the rules of it are far beyond the norms of conventional morality. It says: *"All warfare is based on deception."[59]*

Providing goods and services, businesses rarely can avoid a conflict of the interest, because of the problem of perceiving a business deal isolated from the personal needs. This conflict exists in the situations when an individual has to decide whether to persuade his own interest or the interests of the company. Corruption is a form of unethical behaviour coming out of the conflict of interest. Giving a bribery is an active form of corruption and taking bribery is a passive. Both of the forms of corruption

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[57] FERRELL, O.C., J. FRAEDRICH, and L. FERRELL (2008) Business Ethics: Ethical Decision Making and Cases (6th Edition),New York, Houghton Mifflin Co.

[58] CARR, A. (1968) Is Business Bluffing Ethical? Harvard Business Review, Available online: https://hbr.org/1968/01/is-business-bluffing-ethical

[59]Why Wall Street Loves "The Art of War" – A 13 Point Plan To Mastering Business Strategy, [20.04.16] Available online:

http://tweakyourbiz.com/global/2013/01/14/why-wall-street-loves-the-art-of-war-a-13-point-plan-to-mastering-business-strategy/

are unethical, but the most harmful for society is a "grand" corruption committed by the officials because the consequences of the act are affecting a larger number of people. Personal payments to the government official from a business to impact a legislation is an example of corruption. There is cross-national evidence that bribery of government officials is causing efficiency losses and economic discrepancy, making a gap between poor and rich bigger. Paying bribery is unfair due to the enterprise competition, as it a disadvantage for ethical companies. Transparency International is a global non-profit non-governmental organization, whos goal is a monitoring and reduction of corruption. This organization is fighting against numerous cases of corruption and empowering people to speak up by offering legal advice and protection for whistleblowers. Every year this organization provides monitoring of the countries with the index of the level of corruption: *"The 2015 Corruption Perceptions Index clearly shows that corruption remains a blight around the world. But 2015 was also a year when people again took to the streets to protest corruption. People across the globe sent a strong signal to those in power: it is time to tackle grand corruption."*[60]

Fraud is related to deceitful information, manipulating the facts in order to create a false impression about the company. Fraud has different forms and it is one of the main ethical problems in the business worldwide. In order to get an investors money, companies change the numbers in financial reports. A colloquial phrase for this type of accounting fraud is "cooking books". This practice can promote a company in a short run, but if the misconduct will be disclosed, a scandal which will occur in the media will result in a huge loss of company value, because of the damaged reputation. Comparing to other misconducts, a financial misrepresentation is the most costly to the company, because its

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[60] Corruption perceptions index 2015 [20.04.2016] Available online: https://www.transparency.cz/wp-content/uploads/Corruption-Perceptions-Index-2015.pdf

hurt a reliability in the eyes of investors and customers. [61] Moreover, financial fraud is the most common white-collar crime in the business world. Edwin Sutherland, who coined the term white collar crime and pioneered early research, argued that corporate misbehaviour damage the social structure more so than street crime because they deteriorate trust in authorities and institutions.[62]

Another type of fraudulent practice is emerging from the marketing area, which is false advertising. In order to sell the product, marketers are making misleading claims about licences, or exaggerate information without   approval.   Misleading the customer with giving a false information, or omitting an information is unethical in relation to the customer, who has a right to know the truth about the product to make a good transactional decision.

Discrimination is a preconception against an individual based on the race or sex. Minorities, older people, and women are discriminated against by the companies, when they are denied to be hired without a reason or when employed, they don't get the same opportunities to advance in their carrier. Prejudice against a particular group of people exists because of the stereotypes, which are defined as a "generalization of beliefs about a group or its members that is unjustified because it reflects faulty thought processes or overgeneralizations, factual incorrectness, inordinate rigidity, misattributions, or rationalizations for

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1   [61] AMBLE, B. The real cost of cooking the books, [20.04.16] Available online: http://www.management-issues.com/news/3780/the-real-cost-of-cooking-the-books/

[62] SUTHERLAND, E. H. (1949). *White collar crime* (p. 9). New York: Dryden Press.

prejudiced attitudes or discriminatory behaviours".[63] Discrimination of people, who is different from the majority arose from the process of social categorization, which was already mentioned as a social influence of unethical behaviour. There is a subconscious need for a human being to choose people, who are similar to us because it comes out from the tendency to simplify a complex world. The dominant groups in the organization are privileged upon the minorities because they are considered to be normal (middle-aged white men). The conflicts in fights for limited resources, (decision-making authority, opportunities for advancement, access to information), which often emerge from the dominant group and minorities are influencing work progress by slowing down a team performance.

6.1 Unethical B2C practices

A legal document Directive of the European Parliament and of the Council 2005/29/ EC, concerning unfair business-to-consumer commercial practices in the internal market, implemented changes into the EU legislative in order to protect consumers against misleading and aggressive marketing and guarantee fair competition in the area of commercial practices. Business-to-consumer commercial practices are defined as "any act, omission, course of conduct or representation, the commercial communication including advertising and marketing, by a trader, directly connected with the promotion, sale or supply of a product to consumers".[64] The Unfair Commercial Practices Directive define

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[63] DIPBOYE, ROBERT L., COLELLA,A. eds. *Discrimination at Work: The Psychological and Organizational Bases*. Mahwah, NJ: Lawrence Erlbaum Associates, 2005.
http://www.questia.com/read/104606687/discrimination-at-work-the-psychological-and-organizational.

[64] *Directive of the European Parliament and of the Council 2005/29/* EC [online] 2011-2016 — Last update: 01.10. 2015, [cit. 13 .04. 2016] Dostupné z:
https://webgate.ec.europa.eu/ucp/public/index.cfm?event=public.directive.browse2&elemID=226#article_204

commercial practices to be unethical, first of all, when it fails to fulfil the requirements of professional care and, second of all, it using a commercial practice to remarkably disrupt the group of customers ability to make a free transactional decision (placing an order, making a reservation, accepting a commercial offer).[65]

6.1.1 Misleading commercial practices

The Unfair Commercial Practices are divided to misleading and aggressive. A commercial action is misleading when it deceitfully operates with information, which has a significant influence on a customers transactional choice. Hence, there is a various aspect where manipulation with truth is forbidden, for instance, an origin of a product; the main features of the product (availability, composition, delivery, results and material features of tests or checks carried out on the product etc.); missing part or repair requirements; trailer identification; dangers of usage. Comparative advertising as a type of confusing marketing of a product, which using a competitors brand name or logo is unfair as it damages the trustworthiness of advertising. It is unethical for a trader , as it follows in the Directive, to brake a not aspirational commitment to a code of ethics if he had displayed his conformity to it in commercial practice. [66]

Taking into account whether the communication media put any limitations, the omission of material information, which is necessary to make an informed transactional decision (the product characteristics, the trader's geographical address and identity, and the total price) might be a

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65 (Ibid, a.5)

66 Ibid, a.6

reason to consider a commercial practice as misleading, as it is stated in the next article. [67]

The „black list" of practices which are forbidden in all circumstances included in Annex I of the Directive provide a legal awareness of concrete actions which cross the line of ethicality in European internal market. According to this list, there are 23 prohibited misleading commercial practices as follows:

(1) Claiming to be a signatory to a code of conduct when the trader is not; 2) displaying a trust mark, quality mark or equivalent without having obtained the necessary authorisation; (3)claiming that a code of conduct has an endorsement from a public or other body which it does not have; (4) claiming that a trader … or a product has been approved, …by a public or private body when he/it has not…; (5) …(bait advertising); (6) making an invitation to purchase products at a specified price and then: (a) refusing to take orders for it or deliver it within a reasonable time; or (b) demonstrating a defective sample of it, …(bait and switch); (7) falsely stating that a product will only be available for a very limited time, …in order to elicit an immediate decision and deprive consumers of sufficient opportunity or time to make an informed choice; (8) undertaking to provide after-sales service to consumers with whom the trader has communicated prior to a transaction in a language which is not an official language of the Member State … and then making such service available only in another language…; (9) stating or otherwise creating the impression that a product can legally be sold when it cannot; (10) presenting rights given to consumers in law as a distinctive feature of the trader's offer; (11) using editorial content in the media to promote a product where a trader has paid for the promotion without making that clear in the content

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[67] Ibid,a.7

…(advertorial)…; (12) making a materially inaccurate claim concerning the nature and extent of the risk to the personal security of the consumer …if the consumer does not purchase the product; (13) Promoting a product similar to a product made by a particular manufacturer in such a manner as deliberately to mislead the consumer…; (14) establishing, operating or promoting a pyramid promotional scheme…; (15) claiming that the trader is about to cease trading or move premises when he is not; (16) claiming that products are able to facilitate winning in games of chance; (17) falsely claiming that a product is able to cure illnesses,…; (18) Passing on materially inaccurate information on market conditions…; (19) claiming in a commercial practice to offer a competition or prize promotion without awarding the prizes described or a reasonable equivalent; (20) describing a product as "gratis", "free", "without charge" or similar if the consumer has to pay anything other than the unavoidable cost of responding to the commercial practice…; (21) including in marketing material an invoice …seeking payment…; (22) falsely claiming or creating the impression that the trader is not acting for purposes relating to his trade, …,or falsely representing oneself as a consumer; (23) creating the false impression that after-sales service in relation to a product is available in a Member State other than the one in which the product is sold.[68]

6.1.2 Aggressive commercial practices

Using of physical force, badgering, intimidation and other technics of exploitation of a position of power in relation to the customer to pressure him into purchasing a product falls into the second section of unfair commercial practices. Aggressive practices are those, which

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[68] Ibid, Annex I.

include abusive and coercing language, manipulation with a discomfort circumstances, deterring a customer from the usage of his rights drafted in a contract or impeding him to prefer another trader. Actions, which are considered to be aggressive in any circumstances are emphasized in the "black list" of the Directive:

> " (1) creating the impression that the consumer cannot leave the premises until a contract is formed;(2) conducting personal visits to the consumer's home ignoring the consumer's request to leave…; (3) making persistent and unwanted solicitations …(4) requiring a consumer who wishes to claim on an insurance policy to produce documents which could not reasonably be considered relevant…, or failing systematically to respond to pertinent correspondence,…; (5) including in an advertisement a direct exhortation to children to buy advertised products or persuade their parents or other adults to buy advertised products for them. Demanding immediate or deferred payment for or the return or safekeeping of products supplied by the trader, but not solicited by the consumer …(inertia selling); (6) explicitly informing a consumer that if he does not buy the product or service, the trader's job or livelihood will be in jeopardy; (7) Creating the false impression that the consumer has already won, will win, or will on doing a particular act win, a prize or other equivalent benefit, when in fact either:
> - there is no prize or other equivalent benefit, or
> - taking any action in relation to claiming the prize or another equivalent benefit is subject to the consumer paying money or incurring a cost."[69]

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[69] Ibid.

6.1.2 Example of unethical B2C practice

Price-gouging sale event

The Czech Trade Inspection Authority receives the most complaints from the customers, who attended the Price-gouging sale events, where they were aggressively manipulated into buying products of a pure quality for high prices.[70]

The behaviour of the sellers on this events is extremely unethical because they are taking advantage of elderly people, who are considered to be vulnerable consumers according to the Directive of the European Parliament and of the Council 2005/29/ EC. An organization of the event carefully choose their targets that are why attendants who are capable of understanding that they are being manipulated can hardly get to the event. Romana Mazalova in her thesis uncovers the misleading and aggressive practices of direct marketers.[71] Evidence which proves the unethical behaviour of this companies were possible to get only escorting her elder relative because the first three times she failed to get to the event alone. During the aggressive presentations, the sellers claim of severe price reductions, "while they last" time limitations, ease of purchase to captured buyers with low resistance. Participants are prevented to leave the presentation, they are becoming a target of threatening or abusive language, some of them are ridiculed as a part of a manipulative strategy. The marketing strategy used by this company, who organize such an events is chosen for the reason, that an offered products are not quality enough to be sold other way. The defective product sold without a receipt were therefore not possible to reclaim. An

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[70] Available online: http://www.asociace-sos.cz/predvadeci-akce-a-podomni-prodej/
[71] MAZALOVÁ, Romana. Manipulace při přímém prodeji. Olomouc, 2011. diplomová práce (Mgr.). UNIVERZITA PALACKÉHO V OLOMOUCI. Filozofická fakulta

interesting finding of the thesis is a difference of attitudes of the sellers on their work, examined during the interview. In contrast with former workers, who were sharing their feelings of guilt and unsatisfaction with the unethical philosophy, current workers were satisfied with the ethicality of the strategy of their company, justifying questionable practices as if it is helping people with making "right" economic decisions. A former seller willingly described a regular sophisticated motivational meetings, which were mentioned by the current seller only as introductory lessons. This tendency to omit some sensitive information, while working in an environment with routinized unethical practices has roots in a previously described psychological effect of ethical blindness, which disappears after leaving the job. In this case, we can see, that a brainwashing tactics of the managers used on the sellers were forcing them to neglect the moral dimension of their acts and make it look like their conduct is right while they were mistreating the vulnerable customers, without feeling any regret.

7 Applied research

7.1 A purpose of the research

An interest in business ethics is growing subsequent to the numerous cases of unethical behaviour of businesses. The importance of applying business ethics into the management of companies is very high due to the deteriorations of values in society targeted towards the capital growth. The pure knowledge of ethical principles among business people leads to misconduct, which has a bad influence on everybody due to the effect of interconnection which is one of the causes of globalization. Learning how

to make ethical decisions can help to prevent a repeat of the recession caused by the speculations of the banks.[72]

7.2 Aim of research

Therefore, an aim of the research was to explore general awareness about business ethics among Czech business people and their perception of which business practices are unethical.

7.3 Methodology

For data collection, a qualitative method was selected. A research was conducted in a form of a semi-structured interview. The answers were therefore analysed with the logical methods of abstraction, generalization, synthesis and induction and compared with the theory.

The method of structured interview was chosen, because answering questions about ethical issues and unethical practices, in particular, appear to be a risk for a business people as it is might be used against them by competitors. Therefore, it was assumed that   personal contact will insure better results from a survey. Since all the interviews were conducted during the Exhibition of Job Opportunities, all the respondents were influenced by the same factors during the interview, what makes a qualitative analysis less biased. The condition for participation in the research was to be economically active in the profitable sector, where unethical behaviour is the most common. There were seven representants of the companies, who were asked the same set of questions. All of the respondents were promised that they will maintain anonymous as it the name of the company is not relevant to this thesis.

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[72]Financial crisis and recession [18.04.2016] Available online:
http://positivemoney.org/issues/recessions-crisis/

Taking into consideration an ethics of research, respondents were told about a fact that the interview is recorded. So, because of recording, they were struggling to give the right answers, not the sincere ones.

The questions for the interview and the gathered data from the interviews were translated from The English language to the Czech language, using a method of faithful translation. The exact meaning and the context was preserved as it was in the source to avoid a misinterpretation of the answers.

7.4 Transcript of interviews

7.4.1 Why do you think a personal example of firm leader is the most important factor of ethical culture in the company ?

- Personnel manager

A leader of a team is not someone who is working as a manager, but a person with natural abilities to be a good leader. Anyone in a team who have a personality of a leader has the power to influence decisions and actions of colleagues. A good behaviour of a leader is a powerful way to manage an ethical climate in the workplace. Ethical canons of a leader transfer on the employees and become a norm of conduct. A new employee has his own norms of behaviour and becomes a member of a team, adopting   ethical principles from a leader.

- Engineering student with part-time job

The leader, who has a tendency to be very demanding, but doesn't follow his own rules has no authority in my eyes. A leader has to show an example by his own behaviour to his employees.

- Merchant

An ethical culture in the workplace is important because it has an effect on the work. I would have to disagree that an example of the leader is the main factor.   Behaviour of the employees can be very well regulated by financial rewards or benefits.

- Administrative worker

Nobody will respect the leader if he doesn't behave according to his own words.

- Production manager

A personal example of a leader is the most important factor considering the ethical behaviour of the employees. That means that a leader has to follow certain rules, which he establish for his employees.

- Software developer

I think a behaviour of a manager is very important because he is the one who has to motivate a team. There is a saying, a fish stinks from the head. That means that if a manager behaves unethically, his team can become unethical too.

- Investment Manager

A good leader must be an example of right behaviour at a workplace. Everybody govern their conduct looking at their leader. An ethical leader has an ethical team

7.4.2 How can leaders best communicate the firm's ethical norms to employees?

- Personnel manager

Ethical norms can be communicated in the form of training. A trainer has to be someone, who knows leaders of the company and can influence them. Another way to communicate ethical norms is to establish rules. Sometimes it is enough to have unwritten rules, which are communicated on the moment when someone is close to breaking it. A leader must clearly declare ethical boarders by his own behaviour, which are transferred down to the employees.

- Engineering student with part-time job

Ethical norms can be communicated by notification in some public space, which employees can read on their break. Employees could be gathered together to talk about ethical norms on the working hours.

- Merchant

The best way to communicate ethical norms is to organize a team building session, where everybody can brainstorm how to improve the situation.

- Administrative worker

Ethical norms are better to be communicated during the training period to avoid unethical behaviour.

- Production manager

Ethical norms have to be established in the company by the top management as a part of a strategy of a company, which also includes goals and a vision.

- Software developer

A capitalistic system corrupted the minds of people. Media brainwashing has a big impact on people's behaviour and their mind set is unethical. The implementation of ethical norms would work if people learn how to gather an information from the different source and think critically.

- Investment Manager

A mood of the employees is changing according to the situation in the company. A bad situation in a company can be a trigger for unethical behaviour. It is a responsibility of a leader to be continually aware of the processes inside of the group to be a guide in the questionable situations.

7.4.3 What advice about incentive systems would you give leaders who wished to create an ethical firm culture?

- Personnel manager

This is a complicated ethical question because our country has too little laws, which would intervene into such problems. A monitoring of employee behaviour will help to recognize when he is crossing the line and stop him before he is going to the wrong thing and there will be no need for any kind of punishment.

- Engineering student with part-time job

If the company has a draft of ethical code then an employee, who faithfully follows the rules, deserves to get benefits from the company to motivate others.

- Merchant

If an employee has been brought to follow ethical or unethical standards of conduct, he will behave in this way, disregarding the fact of the motivational benefits, which the company offers.

- Administrative worker

Motivational benefits for following an ethical code would be reasonable. As I know, operators in the call-centres get them. Why not apply those bonuses to higher positions also.

- Production manager

Incentive systems are complicated because it depends on the manager if he is capable of making measurable goals for his employees. Bonuses should be given to those, who comply the rules, but not to the minions as it happens sometimes.

- Software developer

The incentive system could work in the form of bonuses to the wage. Employees would appreciate it because it would work as a feedback of their performance.

- Manager of investment projects

Benefits are often given basing on who is your friend among employees, even if his performance and compliance with the ethical code is not perfect.

7.4.4 What driving forces of ethical blindness (organizational pressure, psychological factors, environment conditions) do you consider to make a person behave unethically?

- Personnel manager

Relationships are influencing employees a lot. A very important factor, which influences an ethical decision is how good is a leader and how well the processes in the company are established.

- Engineering student with a part-job

A person is definitely influenced by situational factors when making an ethical decision. Emotions and feelings are a strong factor, which changes a perception of a human being. An organizational pressures, such as overtimes play a big role too.

- Merchant

It can possibly happen, that a good person will behave unethicaly when the conditions in the working place are not perfect.

- Administrative worker

When a senior is older than you, this might be a situation when his unethical behaviour would be impossible to stop. The age gap between you and him would force you to listen to what he says.

- Production manager

Special situations which require other manners are first of all some special customer requirements and also time-pressure. At this moment, a person, in other words, stops at nothing.

- Software developer

People behave unethically because of money. As it is said, everyone has debts. The ethical code of each person has a cost. A right amount of money can break it. If not money, withdrawal of ethical values will surely be possible when a safety of a family is in danger. Ethics has its merit to be bought. When talking about organizational pressures it is difficult for me to judge, because as a developer, I don't have a contact with a customer, so I don't deal with money and questionable decisions.

- Investment manager

When working with competitive tendering, a process of choosing a supplier let a physical person, who is processing an information, to make

a choice. A situation like that brings an ethical dilemma because personal preferences don't allow to make a dispassionate decision.

7.4.5 Do you believe there is a set of universal values important to all people? If so, what are they? If not, why?

- Personnel manager

Ethical standards are relative. Every person has its own set of rules of behaviour. This rules can be the shared by the individuals in the group, where there is an established code. But basically, everyone has their own values.

- Engineering student with a part-time job

Universal values would certainly have to exist. But I'm not sure if it exists in the Czech Republic.

- Merchant

There are no universal standards. Though there are some basic rules of polite behaviour. If the bible is not taken religiously, it can give people a lesson of what is good and what is bad. I don't know though if it is making religious people more ethical.

- Administrative worker

A standard of conduct depends on the person character and a culture he grew up in.

- Production manager

Every company has its own values, which depend on its goal. A sales company would have another value, than a production company. The first one will probably have a value such as honesty and politeness I interaction with a customer and standards of a company , which goal is a production are a reliability and a quality of a product. So the values can be universal only in the companies, which function at the same field.

- Software developer

This is a very weird question because there are no universal standards for sure. The person, who travels a lot and get into the contact with different cultures can see that each of them has some different rules, which is taken as a norm. The only thing in common of what all of us need is to have a safe house for our family and be able to satisfy our needs. People don't need anything else. Those are the main values, which unfold from the norms in capitalistic society.

- Investment manager

I believe that values as humanity, love and heroism are the values, which have to be universal and denominated by everyone. It would be perfect.

7.4.6 What kind of behaviour do you consider to be unethical?

- Personnel manager

Unethical behaviour of the employee is when they are using the working time for some other activities. For the employer, it is unethical not to give an employee sick days when they need it.

- Engineering student with a part-time job

Releasing toxic waste into the environment is unethical. That would be very expensive and time-consuming for the company to install an equipment, which will protect the environment from the pollution, but I think the improvement of the ecological situation is an important step to have a bright future.

- Merchant

The extreme unethical practice is when big companies produce their product in fabric in the developing countries, which are using children as slaves and force them to work in extreme conditions. These companies are behaving very unethical. Talking about bad working conditions in the offices, it is when an employer is humiliating his workers just because he is a boss.

- Administrative worker

When the employer thinks only about a profit and exploits his employees by forcing them to overtimes. This kind of behaviour is damaging the company because no one will work in such conditions.

- Production manager

Unethical behaviour? People behave unethically when they are not behaving in a polite way. A person should be reliable. That means to come to the meetings on time and follow the other rules of the company.

- Software developer

Technology has evolved enough to be able to produce an enormous amount of grocery, but those who rule the world do not let this technology to be used because they need to keep the prices high. When there is a demand, the prices are high, but when there will be enough products for everyone, the money would not have any weight and they will lose their power.

- Investment manager

From my personal observation, companies are Slovenian countries, such is Czech Republic, Poland, Slovak, are used to practice favoritism , when they have to decide, what supplier to chose and while hiring the new employee. Personal preferences are more important for them than characteristics, such as quality, price, and good timing. In a contrast with the countries, such as Germany and Korea.

7.5 The analysis of the interviews

Research has shown the attitudes about the ethical aspects of the company's culture. The interview has shown that the attitudes of the participants on the ethical leadership are very similar. An ethical leader is perceived to be the most important factor for the establishment of ethical behaviour in the organization. The leader with leadership qualities can influence the others around him by his own example of ethical behaviour and prevent misconduct in a company. The respondent on the merchant position as an exception has stated that the other organizational factor such is existence of rewards and punishments in the company is the most

important, but his answer about the incentive system he is contradicting this statement, saying that neither reward nor punishment can not help to avoid unethical behaviour. Because of the opportunity of observing the respondent in a person, it is possible to conclude out of the emotional reactions to the questions, that a contradiction between the answers can be explained by the disinterest to the topic. The prior research has shown that the most important part of decision-making is a perceiving an ethical dimension of the situation. Disinterest in the topic might be a signal, that a person does not see the importance of business ethics, consequently, has no real views or attitudes on the topic.

According to the answers, an ethical leader has to be continually monitoring a situation in the team to be able to prevent unethical behaviour, which has a tendency to be conducted during the periods of recession. Training about ethical norms provided by someone, who is aware of company's issues, in the form of team building events, or during the first working days, were mentioned as a way to avoid unethical behaviour. Writing a code of ethics is not perceived to be important if the leader is capable of communicating the importance of avoiding misconduct at the right moment to the individuals, who have been called in the business ethics as "bad apples". One of the respondents sees the regulations of unethical behaviour in the company as a matter of changing the enlightening sources of the people, who are ethically blind as a reason of being manipulated by the media, which are serving the immoral ideals of the capitalistic system.

Participants consider benefits and bonuses to be a good way to regulate behaviour and employees would appreciate it. Converging with a theory social learning is the attitude that employee would learn better how to behave properly when they observe that someone got rewarded for ethical behaviour, and it will encourage them to behave in the same way. One of the advice coming from the representative of the business area of

technology production, the bonuses are recommended to be set as rewards for the achieving the goals. As we know from the theory, this strong managerial tool has to be used with a caution, because of the risk of unethical behaviour, which is coming from the influence of opportunity to get more profit. The interesting finding coming out from two respondents is the fact of their awareness of the ethical problematics connected with rewards. Both of them have mentioned the unethical practice of unfair distribution of the rewards. Instead of giving the benefits to those, who obey the ethical code, it is given to the minions. Additionally, a few more complications with the implementation of incentive systems were mentioned during the interview. First of all, there is no definite list of behaviour, which is unethical and has to be punished, because the legislative system of Czech Republic does not provide the laws, which would regulate business ethics issues. Second of all, according to the merchant's answer, a level of moral development is not such a powerful factor in the matter of ethics in the workplace, that rewards nor punishment can help to avoid the unethical behaviour of someone, who has a predisposition for that. Though, the well-accepted Kohlberg model of cognitive moral development assumes that an individual on the pre-conventional stage of punishment and obedience is guiding his conduct by determining the right behaviour in the relation of personal gains and avoid a conduct in a fear to be disciplined by the powerful authority.

As we know already, a process of ethical decision-making is influenced by the situational factors. Knowing about such a factors can help to avoid unethical behaviour and respondents has shown the awareness of organizational (overtimes, time pressure, environment conditions) individual (emotionality), and ideological facilitators of unethical conduct. The important factor, which was also mentioned, is the significant impact of social networks and ethicality of the leader on the ethical environment

in the company. The expansion of the unethical conduct is, indeed, depends on the ability of the leader to recognize individuals, who have a bad influence on the team and discipline them to show everyone, that unethical behaviour is not acceptable in the company.

The existence of universal values has been denied by the vast majority of respondents. Though two of the respondents admitted the need for those values. One of them still do not think that any universal values exist, but the other one believes in the universal values, such as "humanity, heroism, love". The rest of the participants consider the rules of conduct to be guided by situational, cultural, or individual relativism. The personal comfort and safety have been mentioned as universal values and nothing else matters more.

A following unethical practices have been named during the interview. Unethical practices were divided into three types, according to the agent of the misconduct.

1. Misbehaviour at a workplace:
- Being late to the meeting
- Being rude to customers
- Favouritism in hiring practice
- Favouritism in the choice of supplier

2. Unethical behaviour of the companies:
- Child-labour
- Bad working conditions
- Releasing toxins into the environment
- Not paying employee wages
- Forcing an employee to overtimes
- Humiliating the employee

3. Unethical behaviour of the government:

- Suppressing of tech-innovations

8 Conclusion

As we have seen, philosophical theories represent the basic approaches to business ethics. The ethical climate in the company can be established with the help of decision making models, in which the importance of perception of ethical dimension is emphasized. It was also shown that there are certain individual and organizational factors, which create an opportunity for unethical practices. This thesis has explained the central importance of ethical leader to be an example of uncorrupted behaviour for the employee and which personal traits of the leader considered to be a predisposition to unethical behaviour. The findings of the research suggest that in general, an attitude of the participants on the aspects, which influence the spread of unethical practices coincide with the theory, such as an importance of ethical role model and effects of the organizational and individual factors on the occurence of unethical practices. One of the more significant findings, which can emerge from this research is that the relativist approach to business ethics is the most popular. The research has shown which unethical practices in business can not be tolerated by the represantatives of Czech business. Therefore, a respondent has shown an awareness of the problems of unethical behaviour and the factors of ethical blindness, what might prevent them from acting ethically.

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10 Anotace

Bakalářská práce se zaměřuje na podnikatelskou etiku a neetické chování v podníkání. V teorerické části jsou popsány základní filozofické přístupy k neetickému chování a psychologické tlaky, které způsobují ztratu morálního kompasu v podnikatelském prostředí. Součástí praktické části je provedení rozhovorů mezi pracujícími v ziskovém sektoru s cílem odhalení názoru na etiku v podnikání a analýza poskytnuté informaci.

Klíčová slova: podnikatelská etika, neetické chování, morální kompas, etický lídr, nekalé praktiky, etická slepota, organizační tlak

Annotation

This bachelor thesis focuses on business ethics and unethical behaviour in business. The theoretical part describes basic philosophical approaches to unethical behaviour and psychological pressures that cause a loss of moral compass in the business environment. A practical part consists conducted interview among the employees in the profitable sector to examine their attitudes about business ethics and analysis of the information.

Key words: business ethics, unethical behaviour, moral compass, ethical leadership, unethical practices, ethical blindness, organizational pressure