

## Abstract

# Ethical attitudes and behaviour in Russia: How managers make their ethical choices?

by

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## Introduction

After twenty-five years of the political and economical transformation Russia is still on its transition to a market economy. The time of rapid growth between 2002 and 2008 has changed to slowing down and the recession. Experts and scholars have agreed that the country urgently needs a new economic policy to push the economy. Whether the new policy would direct its attention on internal or external markets, in any manner, ethical and responsible business practices will be one of the drives for further development. By the time, ethical and anti-corruption practices, compliance management, and sustainable behaviour have not yet received a proper attention from Russian companies. They are still underestimated not only as a component of competition and reputation but also as a factor of transaction costs. According to the Global Competitiveness Index 2015-2016 with respect to the indicator of “ethical behaviour of firms”, Russia has been ranked in the 66th place among 140 countries. With respect to the indicator of “ethics and corruption” in the 89th place ([www.reports.weforum.org](http://www.reports.weforum.org)). Why did the Russian business practices receive that often non-positive assessments? What ethical beliefs and behaviour are behind those practices? What kind of factors do influence ethical culture in the country? In the light of this concern, this study analyses two research questions: what relationship exists between ethical attitudes and intended behaviour towards local business practices and how do individual, organisational and environmental factors affect those attitudes and behaviour of Russian managers?

## Theoretical framework

The theoretical framework of the study is based on the concept of local ethical norms of the Integrative Social Contracts Theory (Donaldson & Dunfee, 1994, 1999) . The key idea of the approach is related to the notion that different business communities across the world generate their

own set of local ethical norms. These norms reflect context-specific values and traditions and promote business relationships in a specific environment. In order to be established, local norms have to combine two interconnected components: the aggregate attitudes and the aggregate behaviour of community members towards a certain business practice.

The nature of local ethical norms, their evolving and spreading are dependent on numerous factors. To define those factors, theoretical models of ethical decision making were employed (Ferrell & Gresham, 1985; Hunt & Vitell, 1986, 2006; Jones, 1991; Rest, 1986; Trevino, 1986). Based on that it was supposed that individual, organisational, and environmental factors establish a context within which an individual makes his/her ethical decision; in other words: shapes personal attitude and behaviour. Further the analysis of the empirical studies on business ethics in Russia (Avtonomov, 2006, Fey&Shekshnina, 2011, Michailova, 2002, Peng, 2003, Puffer&McCarthy, 2011) helped to select for testing the following factors: personal system of convictions, values, and beliefs, important referents' convictions, values, and beliefs, business goals of an organisation, norms and practices of executive leadership, systems of rewards and sanctions within an organisation, economic environment of business operations, legal regulations and norms and cultural-social norms.

## **Methodology**

The study involved a collection of quantitative data via a survey, on-line survey and formal interviews based on a self-administrated questionnaire in 2013-2014. The questionnaire consisted of five ethical scenarios which reflect the common business practices in Russia: using a favour to accomplish a business goal, disclosure of confidential information, payment of unofficial wages in cash, non-reporting to company management about the improper behaviour of a co-worker and evasion of the law. A respondent was asked to evaluate the ethicality of a manager's behaviour and to express likelihood of acting in a similar manner as a manager from a scenario; by this way providing his/her ethical attention and intended behaviour. In addition, a responded was asked to assess the influence various individual, organisational and environmental factors on his/her choice.

The sample of the study was 231 respondents including 66 percent of man and 34 percent of woman, wherein 37 percent were 31-40 and 29 percent were 41-50 years old. A majority of respondents had a graduate degree. With respect to a position in a company 44 percent of respondents hold a position of upper management while 45 percent hold a position at the middle level. On average respondents had about 8 years of work experience in his/her current company. A majority of managers worked for middle and big scale companies, 31 and 28 percent correspondingly. Sixty-six percent of the companies were located in the Central Region of Russia.

## **Preliminary findings**

The research questions were analysed using descriptive statistic, exploratory and confirmatory factor analysis as well as binary logistic regression models. Firstly, it was established a significant association between the ethical attitudes and intended behaviour for all five scenarios. Furthermore, an interesting pattern was revealed. If a respondent accesses behaviour of a manager described in a scenario as ethical, he/she expresses also a likelihood of acting according to the scenario and visa versa. However, a share of respondents who expressed both attitudinal and behavioural agreement are different for each scenarios. The most share was for a practice of evasion of the law (83 percent with 95 percent confidence interval of 78-88 percent), while the smallest one was for a practice of non-reporting (35 percent with 95 percent confidence interval of 29-41 percent). For other scenarios the share was similar between 45-55 percent.

Secondly, it was established that the ethical attitudes and intended behaviour of managers were significantly influenced by three groups of factors: individual, organisational, and environmental. However, the directions of factors' influence were different. While the individual factors decreased probability of the managers' agreement with the practices and their likely behaviour, the organisational and the environmental factors increased ethical agreement with the practices as well as likely behaviour. Finally, the regression analysis did not reveal significant influence of the control variable as gender, age, work experience etc. on the ethical attitudes and intended behaviour of managers.

## **Contributions**

This study contributes to literature on business ethics, organisational behaviour, and international business research. Opposite to others (Bucar, Glas, Hisrich, 2003, Hisrich, Bucar, Oytark, 2003), this study used a holistic conceptualisation taking into the analysis two components of ethical decision making: attitudes and behaviour. This approach allowed to make judgements not only about ethical beliefs of Russian managers but also about their behaviour determining the disconnections between them on a way of ethical behaviour shaping. Furthermore, business and organisational attitudes and behaviours of Russians are analysed in broad organisational and environmental settings. To do so, this study contributes to a discussion about the significance of taking into account historical, cultural, and institutional traits of a given context when passing judgement on behaviours there (Bailey & Spicer, 2007; McCarthy et al., 2012; Puffer & McCarthy, 1997; Spicer et al., 2004). This study also adds to the few conceptual and empirical works that investigate factors of ethical decision-making in transition economics like the Russian (Ledeneva, 1999; Puffer & McCarthy, 1997, 2011; Sidorov et al., 2000; Venard, 2009; Woolley, 1997). Besides these theoretical contributions, this study reveals interesting implications for management practice.

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