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# A Cross-Cultural Comparison of Business Ethics: Cases of Russia, Slovenia, Turkey, and United States

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## **Introduction**

In this article, the recent developments that have affected entrepreneurial activity in Russia, Slovenia, Turkey, and the United States are explored. Particular interest is in any economic, socio-political, and cultural factors that could influence the business ethics attitudes in each of these countries and their levels of productive business activity. We anticipate that we can robustly estimate the comparative ranking of various aspects of ethical attitudes across different countries by examining the quality of their institutional environment and the quality of economic activity.

In the first section, we provide a theoretical framework based on the integrative social contracts theory. This is followed by a brief description of the institutional and economic development in each country emphasising any major cross-cultural differences (Section 2). In the same section, we review recent national studies of business people and their ethical attitudes followed by the exposition of a hypothesis. Following the presentation of the empirical findings of cross-cultural differences in ethical attitudes of business people in Section 3, the article concludes with a discussion of the implications of the findings for practitioners and areas for future research.

## **Theoretical Framework**

Integrative social contracts theory (ISCT) has emerged in the last decade in response to two disparate approaches to business ethics, the empirical and the normative. The former used research methodology to examine relationships among key behavioural variables (Randall & Gibson, 1990; Trevino & Youngblood, 1990;

Jones, 1991). The latter introduced purely normative, non-empirical methods to the field of business ethics (Donaldson, 1982; Freeman & Gilbert, 1988). Donaldson and Dunfee (1994, 1999) claimed that normative and empirical factors influence one another; this was the basis for the development of ISCT, which incorporates empirical findings as part of a contractarian process of making normative judgements (1994, p.254).

The basis of the ISCT is the integration of two distinct kinds of contracts. The first is a normative social contract among economic participants, in which the entity is deemed legitimate by serving the interests of society in certain specified ways (Hasnas, 1998); and which, in turn, defines the normative ground rules for creating the second kind of contract (Donaldson & Dunfee, 1994). The second is an existing implicit contract that can occur among members of specific communities, such as firms, informal groups within firms, international economic organisations, industries and others (Donaldson & Dunfee, 1994). The interconnection between the two contracts (between what “ought to be” and what “is”) represents the essence of the ISCT.

Society utilises various mechanisms to specify the terms of a social contract (Axelrod, 1986). Among these, law plays the key role in legitimating the terms of the social contract (Rousseau and Schalk, 2000). While national legal systems introduce obligations regarding the behaviour of social actors, societies differ greatly in terms of the degree of freedom they support. There are important cultural patterns that influence ethical attitudes of businesspeople in different countries with many ethical standards being defined by common practice, which, in turn, is influenced by numerous factors and institutions within a society.

The theoretical framework of ISCT has three central components: hypernorms, authentic norms, and priority rules. Hypernorms are fundamental moral precepts for all human beings (Donaldson & Dunfee, 1999, p.95) that set boundaries to moral free space within which specific communities can define authentic norms. Genuine hypernorms should be empirically identifiable through convergence of global beliefs across different international communities. Authentic norms represent a microsocial contract that is agreed upon within a given community. Authentic norms should not contradict hypernorms. Priority rules are derived from the hypothetical macrosocial contract and determine how to deal with conflicting local norms. Donaldson and Dunfee (1999) argue that local economic communities possess moral free space in which they build institutions of certain quality, which determine ethical attitudes and behaviours, which in turn determine the quality of economic interactions. International comparative research on business ethics can provide a basis for the application of ISCT by identifying authentic norms for different international communities. In the next step, the relative importance of the various norms in a particular boundary-spanning transaction can be sorted out through the application of priority rules and hypernorms (Donaldson & Dunfee, 1994).

ISCT is not inconsistent with the main premises of Hunt and Vitell's (1986) general theory of marketing ethics; this theory connects previous personal experiences and three environment constructs (cultural, industry, and organisational) with ethical judgements, which in turn affect behaviour. This behaviour then has an effect on actual consequences (results, rewards), which, in turn, affect personal experiences. While certain aspects of ISCT have been criticised, it is generally felt that ISCT maintains a critical balance between cultural sensitivity and cross-cultural normativity (Douglas, 2000, p.110).

### **Country Specific Institutional, Economic and Personal Characteristics**

In this section, we describe the most important institutional, economic and personal factors that will help us develop a hypothesis regarding the comparative ranking of ethical attitudes in four surveyed countries. A society's allocation of scarce resources between productive activities such as innovation and unproductive activities such as rent seeking, mafia, and bureaucratism can significantly affect the economy's growth (Baumol, 1990). On the other hand, the institutional framework defines the prevailing value system and influences ethical attitudes of major segments of society. Because scarce entrepreneurial resources are allocated among its competing uses, the institutional systems should influence ethical attitudes in a way that would encourage productive uses of resources. The developments affecting entrepreneurial activity are explored in each country with an emphasis on those occurring most recently.

*Overview of all four countries.* Ageev, Gratchev, and Hisrich (1995) identified four basic business philosophies that motivate entrepreneurs and other groups of business people in a particular society: *bureaucratic entrepreneurship*, based on active initiatives but under state-run supervision; *pragmatic entrepreneurship*, based on maximum profitability on a technocratic basis; *predatory entrepreneurship*, based on the search for success through suppression of rivals including 'underground' or 'mafia' connections, and growth by any means including cheating on partners, consumers and the state; and *socially responsible entrepreneurship*, based on linking business with national interests, the resolution of social problems, and universal human values and beliefs. While examples of each of these business philosophies can be found in all four countries in this study, the more important question concerns the prevailing business philosophy in each country. Based on the characteristics of businesspeople and the prevailing economic conditions identified in the following sections it appears that Russia is characterised by the combination of predatory and bureaucratic entrepreneurship, Slovenia and Turkey by pragmatic and bureaucratic entrepreneurship, and the United States by pragmatic and socially responsible entrepreneurship.

*Russia.* Apressyan (1997) pointed out the main normative experiences affecting business ethics in Russia. In the pre-Soviet era, significantly influenced by Or-

thodox teaching, labour and business were considered “manifestations of mundane asceticism rather than means for sacred service and salvation” (Apressyan, 1997, p.1562). This was followed by the period from 1917-1991 when Russia was a part of socialist Soviet Union with devastating consequences for civil society (Fukuyama, 1995). For contemporary Russia, the continuing problems of low business ethics, the interplay of politics, business, and the mafia has become a paradigm for the period following perestroika.

Unethical business practices became a widespread phenomenon in contemporary Russia, which many feel was caused by the slow development of an institutional framework in the light of the very profound change of the value system. While the socialist system was a system of managed collectivism with no individual responsibility, the post-socialist system in Russia is based on individual initiative and responsibility. This radical transformation was not adequately accompanied by the development of political, economic, and social institutions which led to ambiguities about what is right/wrong or ethical/unethical in business conduct. In particular, slow changes in the legal system, and contradictory and confusing economic regulation created a number of grey areas, in which businesspeople found opportunities to operate outside the established legal framework (Neimanis, 1997). These problems became very apparent during the transition period (1991 to 1998) in which the Russian economy contracted about 45% and the gross national income per capita fell to \$2,300.

In terms of personal characteristics, Russian entrepreneurs respect leadership, risk-taking, courage, status and influence. Communications and information technologies are not well developed (with a few exceptions in former defence-oriented clusters) and personal relations are important. Since time is not highly valued, Russian entrepreneurs find it difficult to react effectively to market and technology changes. Even though group work is well developed, inter-group communication is slow (Hisrich and Gratchev, 1993 and 1995; Ageev, Gratchev, and Hisrich, 1995). Another study analysed the similarities and differences between American and Russian entrepreneurs (Hisrich and Gratchev, 1997). One hundred and twenty-seven individuals from a group of 180 managers/entrepreneurs visiting the United States were asked to compare themselves with their American counterparts. Even though the respondents had a heritage of monopolism and were experiencing a disabled centrally planned economy in transition to a market economy, 55% felt they had more similarities than differences compared to American managers/entrepreneurs. Among the similarities mentioned were: striving for success and profits, high energy level, and being very active, independent and patriotic. The features which the Russians felt they did not demonstrate as strongly as Americans included: professionalism, business experience, knowledge of and respect for the law, entrepreneurial heritage, self-confidence in the future, punctuality and access to sources of investment. Russian entrepreneurs were also

concerned over the lack of reasonable social security, personal security and the instability of laws and regulations.

*Slovenia* is in a process of transition from a socialist to a market economy. This process is similar only to a certain degree to the Russian transition process. A common point is that private companies were only allowed in the last decade<sup>1</sup> and the business legal systems are still being developed. However, one important difference between the two countries was that Russian companies were owned by the state, whereas companies in Slovenia were owned by employees - a situation somewhat closer to the private ownership. Even in the pre-transition period Slovene managers had substantial discretion over production and pricing decisions in their companies (Tyson, Petrin & Rogers, 1994). This special status of Slovene companies and their strong ties to Western markets helps explain the quick recovery from recession in the early period of transition. In years 1991-92 real gross domestic product (GDP) decreased by 15%; high inflation (over 200% in 1992) was coupled with previously unseen high levels of unemployment (9%). Recovery began in 1993 when real GDP grew by 1% and accelerated in the next three years when annual growth rates exceeded 4-5%. Slovenia surpassed its pre-depression GDP levels and now has the highest GDP per capita in Central and Eastern Europe, which is comparable to the poorest Western European countries (Portugal, Greece). According to recent reports, Slovenia is one of the strongest candidates to become a member of the European Union in the near future.

Entrepreneurship played a significant role in the process of transition. Following the changes in the legal and business environment, a large number of enterprises were established with the number of active companies growing from 3,000 in the '80s to over 30,000 in 1996. Some of the factors that accelerated the process included: a relatively liberal institutional and legal framework combined with the changed attitude towards private businesses; a crisis in large business organisations in Slovenia, which pushed the employees towards alternative possibilities; the existing craftsman sector that became a strong source of new enterprises; and an organisation of non-governmental institutions, which offered basic information and advice in the process of establishing new enterprises (Glas, et al., 1997).

Business ethics was never a priority in Slovene business curricula, and ethical issues started to occupy a more prominent place in the public discussion only during the transition period. Glas (1997) cited several reasons for this including the destruction of the former value system, the existence of poorly protected social ownership that opened an area for wild privatisation, slow legal changes that provided for grey zones for circumventing rules, a harsh economic recession, and a liberal, highly permissive environment. Kovac (1997) analysed a number of transition scandals indicating the low ethical standards of many managers and entrepreneurs and the inability of the judicial system to deal with these actions. However, Pleskovic (1994) argued that Slovene people are in principle good and

that the exhibited unethical behaviours reflect the differences between the old “socialist” ethics and new market standards.

*Turkey.* The history of the Turkish economy indicates the society’s negative attitude towards entrepreneurial activities. During the Ottoman Empire, Muslims were not involved in trade activities because these activities were mostly done by Non-Muslims (Müftüglü, 1996). The Ottoman Empire’s agricultural society was one of the barriers to the development of entrepreneurship. In order to understand the factors affecting economic and institutional developments in Turkey, after the establishment of the Republic of Turkey, it is best to look at four distinct periods. 1923-1930 can be defined as a period of the establishment of the national economy. In this period, some measures were taken to not only encourage entrepreneurship, but to reduce the dominance of foreigners in different sectors. In spite of these efforts, there were practically no important improvements in entrepreneurial activity, due to the ongoing effects of the independence war and problems such as lack of capital. In the second period (1930-1950), the government made investments in the fields where the private sector was not sufficient. Policies such as a 5-year-industry plan had only limited impact on the development of entrepreneurship due to the lack of capital and qualified labour and some international developments such as the 1930 crisis and World War II.

The third period (1950-1970) can be called a period of economic liberation and transition to the planned economy. While agriculture was still considered a dominant sector, there was also a significant increase in infrastructure investments. Another important improvement in this period was that the private sector’s share in industry grew to about 70 percent. The 1960s were the years of a planned economy with strong influence of the state, in which two 5-year-growth plans were implemented. The final period (1970-present) was a period of import substitution where most of the new companies were established to produce products that were previously imported from other countries. After 1980, the import substitution model was abandoned and Turkey adopted a model of export oriented economic growth. The rate of development in the industry has been slower than in the previous period but the rate of entrepreneurship in the service sector has significantly increased. High inflation and economic instability are still the barriers for the growth and development of the Turkish economy (Ekonomik, 1993).

Recent studies about business ethics in Turkey reported ethical problems ranging from bribery, tax evasion, insider trading and deceptive business practices. Ekin and Tezölmez (1999) recognised the importance of cultural differences among various countries for ethical standards, and thus compared the results of their study to previous studies from different countries. They reported that Turkish managers are rather similar to American managers in various aspects of ethical perceptions, but also found that Turkish female managers had higher ethical scores than their male counterparts. In a study of the ethical behaviour of Turkish

sales managers, Mengüç (1998) found that Turkish managers primarily rely on the inherent rightness of a behaviour with a focus on the individual in determining whether a salesperson's behaviour is ethical or unethical; the moral worth of a behaviour also plays a role. The author suggested that "powerful moral directives should be a key component of enforcing ethical behaviour in Turkish companies" (p.347).

*The United States.* Barley and Kunda (1992) identified five eras of managerial ideology, which paralleled broad cycles of economic expansion and contraction in the United States since 1870. The professionalisation of management and the rise of large corporations were the main characteristics of the first era of managerial ideology named industrial betterment (1870-1900). A new class of professional workers, managers, developed during this period that had increasingly become critical decision-makers in companies instead of the traditional owner-operators (Besanko, Dranove & Shanley, 1996).

The second period, scientific management (1900-1923), was the formative era for the traditional industrial corporation based on the assumptions of human rationality and superiority of scientifically optimised work procedures. The next period, welfare capitalism/human relations (1925-1955), which extended over the Great Depression and World War II, advocated that workers were primarily social beings and thus effective leadership should gain consent of the workforce to enhance a firm's integration. The system rationalism paradigm (1955-1980) largely coincided with the fourth wave of expansion (1945-1973) of the Western economies, based on the diffusion of electronics, air transportation, and synthetic materials (Barley & Kunda, 1992). By the 1980s American industry faced significant competition, especially from Japan and West Germany, with the workforce being less and less loyal to the firm. In this context, coupled with recession and high inflation, the discourse of organisational culture attracted the attention of academics and practitioners. The central tenet of culture theory was that "economic performance in turbulent environments requires the commitment of employees who make no distinction between their own welfare and the welfare of the firm" (Barley & Kunda, 1992: 382).

The last shift in managerial discourse also brought attention to small business owners and entrepreneurs as segments of economic society with the highest levels of value congruence (fit between personal and firm values), which were seen as agents of economic advantage. Similarly, data indicated that small companies were the major source for new jobs: while 2.7 million people lost their jobs in the 500 largest American corporations in the decade 1980-1989, 6.5 million people gained employment in the small enterprises sector during the same decade (Bygrave & Timmons, 1992). The United States experienced the longest period of continuous growth during the 90s, largely based on developments in information technology and biotechnology.

Previous research on American entrepreneurs has mainly focused on entrepreneurship practices, entrepreneurs' motivations and educational backgrounds, and profiles of entrepreneurs (Hisrich and Peters, 1997). The results of this research indicate that American entrepreneurs are highly individualistic and success-oriented; customer focused; and visionary. Their style is direct and communication with co-workers, employees, employers and consumers is important.

*Hypothesis.* Based on the premises of ISCT we develop our overarching hypothesis: considering the quality of institutions in the four surveyed countries (antecedents of ethical attitudes) and the quality of economic interactions (consequences of ethical attitudes), we hypothesise that the United States will rank the highest in ethical attitudes, followed by Slovenia and Turkey, and then Russia (see a summary of country specific factors in Table 1). In particular, Russia is expected to be on the lower end because individuals that have experienced totalitarian rule consistently score lower on measures of cognitive moral development (Taylor et al., 1997). However, one recent study that investigated potential cross-cultural differences in ethical orientations compared the responses of Russian entrepreneurs to US normative statistics (responses derived from same scales in previous studies) and, contrary to our hypothesis, found only few significant differences between Russian and US entrepreneurs (Sommer, Welsh & Gubman, 2000). We expect businesspeople from the United States to score the highest on measures of ethical attitudes because of the highest quality of institutions (antecedents) and the highest level of economic development (consequences) in the US. The comparative ranking of Slovenia and Turkey is not unequivocal: while Slovenia reached a considerably higher level of economic development than Turkey, it has also experienced a half-a-century of totalitarian rule, which may have affected the ethical attitudes of businesspeople in the country.

### **Research Design and Findings**

The primary intersection between ISCT as a framework for making normative judgements and empirical research in international business ethics concerns the identification and specification of hypernorms and authentic norms - ethical norms at the community level (Donaldson & Dunfee, 1994). One way for identifying hypernorms is by developing questions (or categories of questions) in which respondents consistently answer in the same direction (an overwhelming majority of respondents answer the same) without significant differences across different cultures. Questions without clear direction in responses (60% affirmative, 40% negative or similar combinations) that are significantly different across societies would point to authentic norms governing social life in specific communities.

In order to compare the ethical attitudes of business people in the four very distinct countries, a survey instrument was developed from a literature review with the objective to be replicable in different cultures and economic environments. The survey instrument contains four sections: 33 questions having a binary



**Table 1: A summary of institutional, personal, and economic characteristics for Russia, Slovenia, Turkey and the United States**

	<b>Russia</b>	<b>Slovenia</b>	<b>Turkey</b>	<b>USA</b>
1. Distinct milestones (periods) of development	a) Before 1917: pre-capitalist Russia; b) 1917-1991: socialist Soviet Union; c) from 1991: transition period	a) 1918: kingdom of SCS, agriculture; b) 1945-91: socialist Yugoslavia, industrialisation; c) 1991-92: transition-recession; d) from 1993 recovery and growth based on service sector	a) 1923-30: establishment of the national economy; b) 1930-50: state interventionism; c) 1950-70: planned economy; d) from 1970: industrialisation and privatisation	a) 1870-1900: industrial betterment; b) 1900-23: scientific management; c) 1925-55: welfare capitalism; d) 1955-80: system rationalism; e) 1980-90s: org. culture and entrepreneurship
2. Legal system	Extensive changes in the last decade; contradictory regulation	Extensive changes of legal principles in the last decade	Few recent changes	Centuries old Anglo-Saxon legal principles, no recent changes
3. Religion	Orthodox	Roman-Catholic	Muslim	Mixed; Judeo-Christian
4. Dominant type of entrepreneurial activity	Predatory and bureaucratic	Pragmatic and bureaucratic	Pragmatic and bureaucratic	Pragmatic and socially responsible
5. Population (in million, 1998)*	146.9	2.0	63.4	270.3
6. GNP per capita (US dollars in 1998)	2,250	9,780	3,160	29,340
7. Average annual growth of GDP (in 1990-1998)	-7.0%	2.0%	4.2%	3.2%
8. Telephone mainlines (per 1,000 people)	197	375	254	661
9. Personal computers (per 1,000 people)	41	251	23	459

\* Source of data for 5, 6, 7, 8, and 9: World Development Indicators database by the World Bank

GNP = gross national product

GDP = gross domestic product

Kingdom of SCS = Kingdom of Serbs, Croats, and Slovenes

response modified from Akaah and Lund (1994); twelve vignettes having a multi-dimensional scale (modelled after Reidenbach & Rodin, 1990); and seven scenarios using a seven-point Likert scale; comprehensive demographic information was also collected. The vignettes were intended to measure ethical judgements (Reidenbach and Robin, 1990), which are the basis of ethical attitudes (or intentions; Hunt and Vitell, 1986). The section with 33 questions was designed to measure ethical attitudes, while the section with seven scenarios was designed to measure projected behaviours (which are a function of individual's attitudes and situational constraints; Hunt and Vitell, 1986). The use of scenario techniques is well established in ethics research for testing behavioural science models (Hunt and Vitell, 1986). The questionnaire was pre-tested with a group of entrepreneurs and managers.

A total sample of 708 business people from the different countries was obtained. In Russia, a list of 200 entrepreneurs associated with the Academy of the National Economy was obtained. The entrepreneurs were from various regions in Russia - Siberia, Urals, and the Central Region - including Moscow. Due to anonymity being guaranteed and the fact that the academy is well known for its high quality academic programmes, 159 responses were obtained - an extremely high (80%) response rate. In Slovenia, the business directories from the Chamber of Economy and the Chamber of Crafts were used to obtain a sample of 887 businesses. The 166 returned questionnaires, a response rate of 18.7%, was good for research in Slovenia, considering the topic and length of the questionnaire.<sup>2</sup> In Turkey, a random sample was selected from members of the Young Businessman Association of Turkey and members of the Association of Turk Advertising Companies. 90 questionnaires out of 305 were returned from entrepreneurs and top level managers representing a response rate of 29.5%. In the United States, mailing lists were obtained from COSE (Council of Smaller Enterprises of the Cleveland Growth Association), EDI (Enterprise Development Inc., an incubator), and the Executive Management Development Programme of the Weatherhead School of Management at Case Western Reserve University, Cleveland. 1,243 questionnaires were sent to entrepreneurs and managers, of which 40 were returned as non-deliverable. The response rate of the mail survey was 24% (293 usable responses).

In terms of sample composition, there are some significant differences among the countries (see Table 2). The male/female percentages are close to the actual figures in each of the countries reflecting different historical development of the role of women in these societies. Largely due to economic necessity, women gained quicker access to similar employment and business opportunities as men in the former socialist economies, thus leading to higher percentages of female businesspeople in Russia and Slovenia. The age distribution of businesspeople is similar for Slovenia, Turkey, and the United States, while the Russian businesspeople are younger. In terms of educational levels, Slovene businesspeople have somewhat lower levels of attained education, even though representative of the educa-

tional levels in the general population, while Russian and Turkish<sup>3</sup> businesspeople are somewhat more educated than their respective general populations. The demographic characteristics of Russian people in our sample point out that the new generation with higher educational status quickly grasped the option of establishing a private business after the collapse of the socialist system. In terms of economic characteristics (company size and income level) there are significant differences between the observed countries due to the size of the domestic market (Slovenia being the smallest) and due to the different level of economic development in these countries (the United States being the most developed).

The section with 33 questions was designed to measure ethical attitudes. The first part with 19 questions examined what the respondents consider as ethical or unethical with only a binary response - the behaviour is either right or wrong (see Table 3). In comparison of responses from all four countries we find highly significant differences (at  $\alpha = 0.01$ ) on practically all questions. The question of 'calling in sick in order to take a day off' is significant at  $\alpha = 0.05$ . As expected, Russians are the least sensitive to the ethical issues explored in this study and in some cases exhibit discouragingly low levels of ethical attitudes. In two cases another country had a lower share of respondents evaluating certain type of behaviour as unethical: a) calling in sick (Americans had the lowest share - although statistically indistinguishable from Russians;  $\chi^2$  for a two-country comparison = 1.4 with sig. = 0.15), and b) taking longer to do a job (Slovenians the lowest, but again statistically the same as Russians;  $\chi^2 = 0.4$ , sig. = 0.30). In three other cases the lowest shares of respondents were statistically indistinguishable: a) removing company supplies for personal use (Russians and Turks), b) taking extra personal time (Russians and Americans), and c) use company time for non-company benefits (again Russians and Americans). In some business practices, the answers differed widely: insider trading was considered unethical by Americans and Turks but highly acceptable for Russians (no tradition of stock exchange operations;  $\chi^2 = 112.8$ , sig. 0.00 for a four-country comparison). Authorising employees to violate company policy was highly criticised by Turkish and Slovene businesspeople, followed by Americans. Russians, again, were the least sensitive and 34.2% of them did not consider this as unethical ( $\chi^2 = 43.8$ , sig. = 0.00 compared to the next lowest, Americans). On the issue of gifts and favours, Americans and Turks indicated the highest level of refusal; giving gifts was considered unethical by less than 50% of Russian entrepreneurs. While accepting gifts is considered highly unethical, giving gifts is more acceptable as a way of doing business in some societies.

Because Russians consistently expressed lower levels of ethical responsibility, we separately examined the differences between ethical attitudes of businesspeople in Slovenia, Turkey and the United States (see the last column in Table 3) with the Russian sample being excluded from this part of the analysis. On four questions no significant differences were found among respondents. Overstating

<b>Table 2: Sample characteristics (in %)</b>					
<b>Characteristic</b>		<b>Russia</b>	<b>Slovenia</b>	<b>Turkey</b>	<b>USA</b>
SAMPLE	Respondents	159	166	90	293
SEX	Male	55	72	80	73
	Female	35	28	19	25
	No answer	10	-	1	2
AGE	-30 years	35	8	7	13
	30-39 years	29	24	28	30
	40-49 years	25	45	36	35
	50-59 years	-	17	23	17
	60 and more	3	4	4	5
	No answer	9	2	2	1
EDUCATION	Less than second	-	3	-	-
	Secondary	1	28	8	6
	College	40	22	19	17
	University	10	35	41	25
	MBA, Ph.D.	35	12	31	51
	No answer	14	-	-	1
COMPANY SIZE	Small <sup>1</sup>	55	52	24	54
	Medium	28	32	58	17
	Large	7	16	18	27
	No answer	9	-	-	2
INCOME LEVEL	up to 20.000	77	92	<sup>2)</sup>	5
	20.000-39.999	11	1		15
	40.000 and more	2	7		80
	No answer	10	-		-

1 The company size: for Slovenia - small up to 50 employees, medium 51-250 and large over 250 employees; for the United States, Turkey, and Russia - small up to 99 employees, medium 100-999, large over 1.000 employees 2 Data not collected.

expenses for large amounts was considered equally unethical in all three countries with Americans being more permissive of smaller amounts of overstatement (comparison to Slovenia:  $\chi^2 = 9.0$ , sig. = 0.00). Respondents were strongly opposed to claiming other people's efforts and equally against accepting gifts for preferential treatment. The largest differences were found in the evaluation of the misuse of

Table 3: The share of respondents evaluating certain type of behaviour as unethical (in %)						
Activities Unethical?	Russia	Slovenia	Turkey	USA	$\chi^2(1)$	$\chi^2(2)$
Use company services for personal use	61.4	90.3	97.7	77.3	61.7***	27.3***
Remove company supplies for personal use	84.6	98.2	84.3	90.1	20.8***	16.5***
Overstate expense accounts by more than 10%	81.1	98.2	97.8	96.9	56.6***	0.7
Overstate expense accounts by less than 10%	81.6	97.6	97.8	90.1	30.7***	13.1***
Use company time for non-company benefits	72.3	93.3	95.5	76.2	41.3***	33.0***
Give gifts/favours for preferential treatment	49.7	77.9	82.8	86.3	78.9***	5.3*
Accept gifts/favours for preferential treatment	67.5	88.4	94.4	91.1	55.5***	2.5
Blame for errors an innocent co-worker	87.4	100.0	100.0	97.6	45.0***	6.2**
Claim credit for a peer's work	86.8	97.6	98.9	97.3	32.1***	0.8
Call in sick in order to take a day off	87.4	<sup>3</sup>	95.5	83.2	9.0**	8.6***
Taking extra personal time	69.8	92.1	93.3	69.8	49.0***	44.4***
Purchase shares upon insider information	46.2	77.0	88.6	89.0	112.8***	13.0***
Authorising subordinates to violate company policy	65.8	97.6	98.9	91.0	100.0***	12.8***
Fail to report a co-workers violation of company policy	43.7	85.4	88.2	69.4	83.5***	21.9***
Falsifying reports	86.2	99.4	97.8	95.5	32.1***	5.7*
Hiring competitors' employees to learn trade secrets	44.3	87.2	65.9	69.2	68.1***	21.3***
Fail to report a co-worker's violation of law	66.9	83.6	<sup>3</sup>	83.9	20.5***	0.9
Divulge confidential information to parties external to the firm	89.9	99.4	97.8	93.8	16.8***	9.6***
Taking longer than necessary to do a job	76.7	73.5	93.3	85.1	19.9***	17.7***

<sup>1</sup> Chi square test with Russia included <sup>2</sup> Chi square test with Russia excluded <sup>3</sup> Data not collected

(\*\*\*) Significant at .01 level or better (\*\*) Significant at .05 level or better (\*) Significant at .10 level or better

time for non-company benefits or for personal purposes, where surprisingly a large share of American businesspeople find such practices ethical. This, perhaps more than anything, reflects the strong belief in individualism in the US as discussed by Puffer & McCarthy (1995).

Fourteen (14) questions explored the concepts and beliefs of businesspeople in doing business with other companies and evaluated the degree of perceived government interference with business (see Table 4). The least differences between the countries were found regarding the government involvement in business as well as personal lives. Only two-thirds of businesspeople in each country feel that the government imposes too many laws on them. This finding is perhaps the most surprising for Russians, who in spite of complaints about the bureaucracy and the administrative barriers confronting businesses, do not blame the government for excessive legislation. While only 50% of Russians believed that others reciprocate honesty, businesspeople from the other three countries had statistically the same percentage.

Some other interesting findings in this section are that consistently businesspeople believe in the honesty of executives in small businesses rather than in large corporations (ranging from 74% in Russia to 91% in USA), despite the fact that only about 50% of respondents come from small businesses (24% in Turkey). Americans generally believe in the efficiency of the free enterprise system (94%) followed by Turkey (86%), Slovenia (79%) and Russia (76%). In the light of this finding, it is quite surprising that a high percentage of Americans (60%) as well as Russians (67%) and Slovenians (51%) felt that they had to sacrifice their personal ethics to business goals, while only 16% of Turkish businesspeople felt this way ( $\chi^2 = 6.15$ , sig. = 0.00 for a four-country comparison). Respondents did not consider themselves as less ethical than the average person, but this type of self-criticism was the strongest in Russia. This is an interesting finding because it runs against the general notion in the field of business ethics that individuals tend to believe that they are more ethical than their peers.

The third section contained twelve vignettes - short scenarios, describing certain questionable actions of different businesses (see Table 5). The respondents had to evaluate these actions along the following four dimensions, using a five-point scale: a) just/unjust - regarding the existing laws and regulations; b) fair/unfair - using fairness as a pure principle for judgement; c) right/wrong - regarding the prevailing ethical values from the point of view of the duty-based ethical principle; d) good or bad - using the utility-based approach, with the focus on the ultimate result for the company and other stakeholders. This section was the most difficult for respondents particularly in understanding the differences between the four dimensions. Because these dimensions were not explained in great detail to respondents, it is quite likely that they were not interpreted in the same way even within the same country.

**Table 4: Affirmative responses of entrepreneurs and managers about ethics and business (in %)**

Perception	Russia and managers about ethics and business (in %)					$\chi^2(1)$	$\chi^2(2)$
	Russia	Slovenia	Turkey	USA			
"Code of ethic" assists in decision making	62.7	80.6	70.0	72.3	13.0***	4.9*	
The executives more honest in large corporations than in small businesses	25.8	18.9	14.5	8.5	24.7***	10.3***	
Personal ethics sacrificed to goals of business	64.6	50.6	16.3	60.2	61.5***	51.2***	
Businesses tend not to care about individual consumers	50.3	30.3	47.1	28.3	28.2***	11.2***	
Personally dealt with fairly by businesses	67.3	94.0	86.4	90.7	58.1***	4.1	
Free enterprise the best form of an economic system	75.5	78.7	86.2	94.4	37.2***	25.7***	
Never purchase from door-to-door salesperson	68.6	51.2	56.2	46.2	28.3***	8.4*	
Most salespeople cannot be trusted	67.7	55.8	44.4	34.1	51.4***	20.3***	
Too many government laws regulating business	60.1	74.5	68.2	70.5	8.5**	1.3	
Too many government laws regulating people	59.7	66.7	68.6	66.3	2.8	0.2	
Man basically good	66.0	72.9	93.1	89.9	52.4***	29.1***	
Others reciprocate honesty	50.0	64.4	77.0	66.9	20.6***	4.3	
Things illegal are ethically wrong	51.9	42.0	67.8	46.5	16.7***	16.2***	
Less honest than the average person	38.3	16.2	12.0	5.2	78.8***	14.2***	

<sup>1</sup> Chi square test with Russia included <sup>2</sup> Chi square test with Russia excluded  
 (\*\*\*) Significant at .01 level or better (\*\*) Significant at .05 level or better (\*) Significant at .10 level or better

**Table 5:**

<b>Answers to situations (justice: just=1, unjust=5; fairness: fair=1, unfair=5; right: right=1, wrong=5; good: good=1, not good=5)</b>					
<b>Circumstance</b>	<b>Russia</b>	<b>Slovenia</b>	<b>Turkey</b>	<b>USA</b>	<b>F</b>
1. An auditor discovered an illegal loan made by a Savings and Loan Association. The auditor destroyed working papers involving the loan when instructed to do so by his supervisor.					
Justice	3.85	4.48	4.14	4.52	15.7***
Fairness	3.99	4.59	4.62	4.58	16.6***
Right	3.60	4.29	4.51	4.77	44.8***
Good	3.79	4.10	4.49	4.78	36.0***
2. After agreeing on a purchase for a new car, a salesperson accepted \$100 from a customer for getting the sales manager to reduce the car price by \$300.					
Justice	2.89	4.45	4.84	4.10	67.3***
Fairness	3.32	4.61	4.91	4.13	51.4***
Right	3.10	4.37	4.89	4.40	66.5***
Good	3.19	4.24	4.85	4.40	51.4***
3. After being barred from selling in a foreign market, a bicycle manufacturing company paid a foreign businessman \$500,000 to smooth the way to sell bicycles in that country and net about \$5 million annually.					
Justice	2.34	2.48	2.57	3.59	32.7***
Fairness	2.52	2.65	3.13	3.52	19.8***
Right	2.32	2.02	2.71	3.69	56.8***
Good	2.36	1.80	2.80	3.71	68.0***
4. A flour milling company developed a new milling process which created more dust than emission control could handle. The company ran the process on the third shift, when the pollution would not be detected.					
Justice	4.04	4.50	4.64	4.68	17.7***
Fairness	4.09	4.62	4.80	4.66	19.0***
Right	3.95	4.51	4.78	4.83	38.0***
Good	4.11	4.45	4.79	4.80	25.7***



**Table 5:**

<b>Answers to situations (justice: just=1, unjust=5; fairness: fair=1, unfair=5; right: right=1, wrong=5; good: good=1, not good=5)</b>						
<b>Circumstance</b>	<b>Russia</b>	<b>Slovenia</b>	<b>Turkey</b>	<b>USA</b>	<b>F</b>	
5. An auto parts contractor found that a transaxle tended to fail at 120% of rated capacity. Specifications called for the part to carry 130% of capacity. The contractor did not reveal the test results to the car maker.						
Justice	4.13	4.38	4.69	4.78	18.5***	
Fairness	4.25	4.51	4.76	4.76	12.6***	
Right	4.14	4.36	4.72	4.89	26.0***	
Good	4.15	4.38	4.76	4.88	26.0****	
6. A salesperson sells a more expensive product to a customer when a less expensive one would be better for the customer.						
Justice	3.20	4.17	3.75	3.86	15.8***	
Fairness	3.16	4.38	4.17	3.90	30.5***	
Right	2.97	3.80	4.05	4.11	31.8***	
Good	3.26	3.69	4.14	4.15	20.9***	
7. Upon washing a new dress according to manufacturer's directions, a woman found that her garment faded and the colours streaked. The retailers refused to return the customer's money.						
Justice	4.35	4.65	4.64	4.66	4.9***	
Fairness	4.30	4.68	4.65	4.66	7.2***	
Right	4.40	4.64	4.69	4.66	4.00***	
Good	4.42	4.69	4.69	4.72	5.5***	
8. In the trial run of a major presentation to the Board of Directors, the marketing vice president deliberately distorted some recent research findings.						
Justice	4.03	4.47	4.61	4.44	10.1***	
Fairness	4.13	4.60	4.73	4.39	10.7***	
Right	4.05	4.54	4.69	4.65	19.5***	
Good	3.99	4.46	4.64	4.67	21.9***	

**Table 5:**

<b>Answers to situations (justice: just=1, unjust=5; fairness: fair=1, unfair=5; right: right=1, wrong=5; good: good=1, not good=5)</b>					
<b>Circumstance</b>	<b>Russia</b>	<b>Slovenia</b>	<b>Turkey</b>	<b>USA</b>	<b>F</b>
9. A brassiere manufacturer asked two retail stores to put one-way mirrors in the foundations of their dressing rooms. Observers behind these mirrors gathered needed information.					
Justice	4.13	4.42	4.71	4.74	16.0***
Fairness	4.45	4.58	4.86	4.72	6.3***
Right	3.99	4.25	4.80	4.81	29.2***
Good	4.20	4.12	4.86	4.78	23.0***
10. A salesperson only stresses the positive aspects of a product, omitting possible problems a purchasing agent's firm might have with it.					
Justice	3.58	3.97	4.03	3.60	5.5***
Fairness	3.71	4.20	4.34	3.52	18.6***
Right	3.41	4.05	4.24	3.83	12.2***
Good	3.56	3.98	4.29	3.96	8.8***
11. A salesperson allows personalities - liking for one customer and disliking for another - to affect price, delivery, and other decisions regarding the terms of sale.					
Justice	3.35	4.39	4.30	3.93	22.9***
Fairness	3.21	4.38	4.40	3.95	31.8***
Right	3.29	4.17	4.42	3.92	23.4***
Good	3.27	4.24	4.43	4.05	28.3***
12. A salesperson gains information about competitors by asking buyers specific information about these competitors.					
Justice	1.99	3.03	2.00	2.08	18.6***
Fairness	2.03	3.21	2.28	2.02	27.1***
Right	1.90	2.82	2.19	2.21	12.5***
Good	2.02	2.71	2.32	2.25	6.5***

(\*\*\*). Significant at .01 level or better. (\*\*). Significant at .05 level or better. (\*). Significant at .10 level or better.

In responding to the results of the first vignette in which an auditor discovered an illegal loan and then destroyed the related working papers following the supervisor's instructions, Russians displayed the lowest levels of ethical responsiveness on all four dimensions (the F values for four-country comparison in the range from 15.7 to 36.0, all significant at 0.001 level). While Slovenians were on the same level as Americans in the evaluation of legality and fairness of this action (even higher than Turks on the legality dimension), they fell below the American and Turkish levels on the pragmatic dimension of good/bad. Perhaps Slovenians know what is ethically just or fair, however, when they make their business decisions, they bend under profit pressures and accept less honest behaviour. This may be explained by the transition that is still going on in Slovenia, where opportunistic behaviour is still not punished by the market or other institutions within the society. Similar results occurred on a number of the other vignettes (see Table 5).

The two vignettes with the largest differences between the countries offer very interesting insights into cultural influences on ethical judgements of businesspeople. The vignettes on bribery for personal benefit (#2) and bribery for business benefit (#3) reveal the use of local and universal norms in dealings with bribes. In general, it seems that in all the observed countries the exchange of business bribes is more acceptable than the exchange of personal bribes. In Slovenia, this distinction is accentuated. Although Slovenians deem personal bribes as very unjust and unfair (even more than Americans), they find business bribes quite useful and right (even more than Russians). Bribes were the fact of life during the socialist times. In the transition period, Slovenia established a number of institutions to curb this practice (such as consumer associations and financial police), which at least in this initial period may have been more influential in the area of personal bribes.

The section with seven scenarios was designed to measure projected behaviours. One of the scenarios is commonly used in research on business ethics (see Table 6, #1): "You could conclude a large order providing you promise the delivery in two weeks. However, it is beyond your current capability and one week delay is necessary, which will not really damage your customer. How likely it is, that you will give the (unrealistic) promise to get the order?" An ethical response would be admitting the need for an additional week for delivery in obtaining the order. In doing this, while running the risk of losing the order and maybe the customer, you might be able to persuade the customer that this further delay in shipments will not be exceeded and indicate that you can be counted on in terms of honesty and reliability. As in many other scenarios, Russians displayed the lowest level of business ethics, followed by Slovenians, Turks, and Americans. The differences did vary among the other scenarios (see Table 6).

**Table 6: Answers to scenarios (1 = likely, 7 = unlikely)**

Scenario	Russia	Slovenia	Turkey	USA	F
1. Guarantee shipment that you can not deliver on time	2.82	3.80	4.27	4.83	49.2***
2. Conceal your supervisor's wrong expense report	3.03	4.55	2.97	4.78	49.1***
3. Obtain a copy of secret competitor's new product feature	2.34	2.96	2.84	4.20	39.9***
4. Reveal the unethical actions of the plant manager to top management	3.13	2.30	2.34	2.19	10.9***
5. Buy ergonomically designed tools to avoid muscle injuries	2.89	2.28	2.06	2.33	10.7***
6. Offer the retraining option to the displaced employees	2.85	2.47	2.68	2.56	2.0
7. Look inside your competitors' written proposals	2.89	3.21	3.55	5.32	76.9***

(\*\*\*) Significant at .01 level or better (\*\*) Significant at .05 level or better (\*) Significant at .10 level or better

## Conclusion

This study provides a basis to empirically test the theoretical foundations of integrative social contracts theory. A comparison of ethical attitudes of businesspeople points out the universal and local norms operating in four surveyed countries. A few examples of hypernorms from our study include: efficiency norm (uniformly negative evaluations of large overstatements of expense accounts) and reciprocity norm (conflict of claiming credit among peers). Although the norm of promise keeping is widely accepted (hypernorm), we found that there is great variety in the degree of promise keeping between businesses and consumers across different countries. The micro-social contracts in Russia allow for much greater degree of deception (guaranteeing the undeliverable shipment) than the authentic norms in the United States. US society developed institutions, such as market competition, Better Business Bureau, and strong legal protection, to increase the reliability of its business organisations. In this way it has introduced authentic norms (such as admissibility of oral agreements in the courts in case of disputes) that are well aligned with the hypernorm of promise keeping.

Questions without clear direction but similar across societies would indicate the workings of competing norms. The 66/33 split of respondents in all four countries on the question of government involvement may reflect the polar forces of the norm of personal freedom vs. the norm of organising the social life through various political institutions. These polar forces may be quite similar in their strengths across different societies despite great differences in actual involvement of government in personal life and business activities. While the Slovenian government controls<sup>4</sup> a much higher percentage of gross domestic product (40%) compared to the American (21%), Russian (22%), and Turkish (26%) governments, the split of Slovenian respondents (66/33) regarding the government involvement is very similar to the other countries.

This study is not without limitations, which simultaneously provide opportunities for future research. We do not directly test for the influence of different social, political, and cultural factors in the ethical attitudes of businesspeople and subsequently on their economic activity. For this, samples from a large number of countries need to be collected to allow for greater variance in the variables. Additionally, variables in our study could be analysed simultaneously through structural equation modelling (or another advanced simultaneous analytical technique) based on models similar to Hunt and Vitell (1986). One issue in such analysis is due to measurement characteristics of our scales, in particular the first 33 questions. This is both a technical as well as a substantive question. We made a conscious decision to use binary variables through which respondents evaluated certain types of behaviour as only ethical or unethical, while other researchers may argue that respondents may see different behaviours in different degrees of ethical or unethical, and would therefore use different types of scales (for example a 5 point Likert scale). These issues need to be addressed in any future studies.

We also propose some implications for practitioners, in particular the ones operating in different cultural environments. Societies will agree to the existence of business only if they gain by doing so and only if the businesses agree to remain within the bound of the code of law (Hasnas, 1998). International managers should use the ideas from ISCT to identify relevant authentic norms and conform to local customs when appropriate, while maintaining the rule of not violating the hypernorms. On a macro level, governments should put great priority on the development of high-quality institutions that enhance trust among members of society and increase the quality of economic interactions among them. It is in the best interest of all societies to eradicate any unethical attitudes through educational, legal and economic efforts, which indeed is a long-term undertaking.

**Endnotes**

1. Only very small private craftsman shops were allowed during the socialist times (1947-1988). While these shops usually employed up to 10 people, the vast majority employed less than five.
2. Due to low response rates, we compared our samples to the general population in each of the countries - see discussion in the subsequent section.
3. Among the studied countries only Turkey had noticeable illiteracy rates, particularly among the adult population; in 1998 25% of women aged 15 and above were considered illiterate by UNESCO standards.
4. Measured as the share of central government revenues in gross domestic product in 1998.

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