

Research on Business Ethics in the context of Estonian business community in 1985-2005

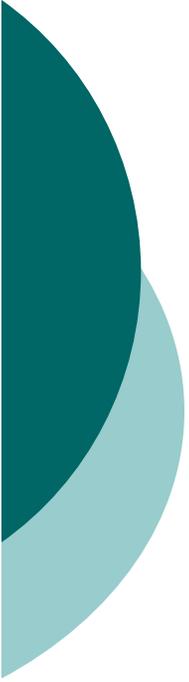
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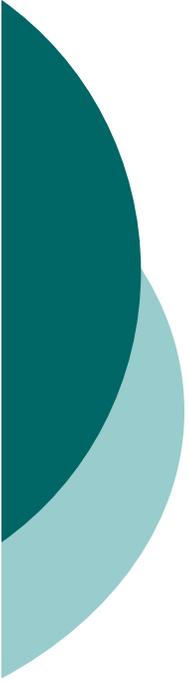
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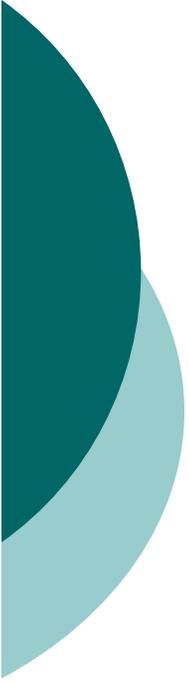
Short Bio

- Mari Kooskora, MA (TTU), MBA (EBS), PhD Candidate (JYU)
- Business experience – 6 years as Marketing & PR Manager in Estonian companies
- Academic Experience – 9 years, as lecturer, researcher, Founder and Director of EBS Centre for Ethics, Editor-in-Chief of EBS Review
- Academic Institutions - Estonian Business School, University of Jyväskylä, visiting lecturer – ISM University, Kaunas, Lithuania; University of Ljubljana, Slovenia
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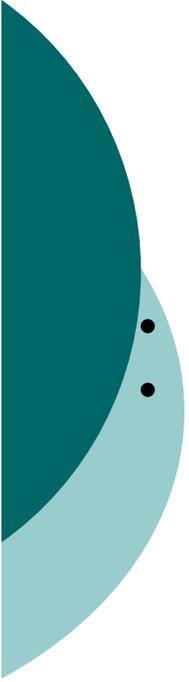
The purpose of the presentation

- Highlighting the results from business ethics (BE) and corporate social responsibility (CSR) research projects conducted at EBS;
- Introducing a research on corporate moral development (CMD) in Estonian business community in 1985-2005;
- Re-conceptualizing of the model of CMD better fitting into the context of transition society.



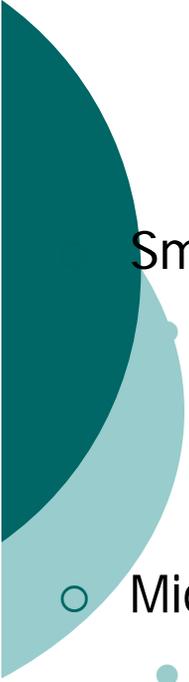
Brief overview of the main BE research projects at EBS (1), Values, Decision-Making

- Study of values of business students and managers (comparative study involving representatives from different countries - Estonia, Latvia, Russia, Finland, USA, Germany, France, Japan) 1996-2005;
 - Ethical values on 8-9th position in 2001; (4-5th in 2003; 2-3rd in 2005) among 10 value orientations.
 - Personal interest as the main value.
- Study on decision-making, 2001
 - Decisions not weighed from standpoint of ethics, but rather from standpoint of personal gain, success and prestige.
 - Managers tended to forget the interests of society and companies;
 - Power considered as most important.
 - Several mistakes in management and leadership caused severe consequences, such as: conflicts, damaged relationships, even failed businesses and bankruptcies



Brief overview of the main BE research projects at EBS (2); Conflict study 1998-2005

- Study of conflicts in Estonian society and organizations.
- Gathered, analyzed and systematized over 3500 really happened conflict cases.
 - Most conflicts in Estonian organizations either poorly managed or left unresolved.
 - In 2001 from 2000 conflicts 1640 and in 2005 52% left unsolved of the in 2001 unsolved.
 - In 2001 82% of conflicts identified as *vertical*, only 18% *horizontal*.
- Main reasons: poor communication, a lack of information, a lack of teamwork and unclear work procedures and rules, unwillingness to take responsibility.
- In 2005 main reasons unclear goals, rules, tasks (22,3%)

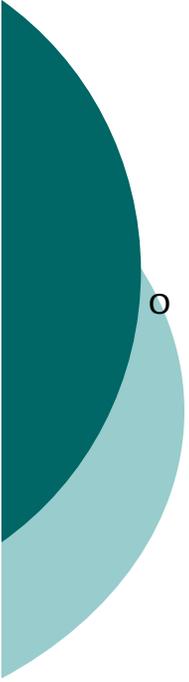


Brief overview of the main BE research projects at EBS (3); CSR-2004

~~Small companies (less than 50 employees)~~

CSR activities = providing work; coping in the society; number of activities as small as possible and only when exact benefits are seen; long-term planning and strategic thinking are not considered very important.

- Middle-sized companies (50-250 employees)
 - Awareness somehow higher, but often CSR is equalised to sponsorship; main purpose is to earn profit and CSR activities are considered to be a 'fad' which prevents organisations working with 'more important' issues.
- Large companies (over 250 employees)
 - Viewpoint that all their activities are in general social responsibility and the society can not cope without these companies; quite a perceptible distinction is made between different hierarchical levels, employees on higher levels are more 'own' than the others; at times involved in charity activities in order to gain a better reputation or earn benefits.



Brief overview of the main BE research projects at EBS (4); CSR-2005

- o **Respondents from 88 companies**, private sector, top managers, middle managers, entrepreneurs and specialists.

- o **Most important areas of CSR activities:**

- o Being a good employer
- o Obeying laws and regulations
- o Sponsoring and charity

- o **Main drivers for CSR:**

- o Improved relations with partners
- o Owners interest
- o Improving company image

- o **Main barriers for CSR:**

- o Lack of governmental support
- o Lack of financial resources
- o Lack of time resources



Brief overview of the main BE research projects at EBS (5); Corp Gov (2004-05).

In-depth interviews with 'generalists' top.-managers, owners

- Timeframe: periods 1995-99 and 2000-04
- Origin of capital: enterprises on foreign and domestic capital
- Main results:
 - Estonia is so small; country, society, practically everybody knows each other; 'You can not cheat your partner';
 - System is clearly owner-centered;
 - Hierarchical relations;
 - Economic responsibilities considered as most important;
 - Situation in legal sense has improved significantly;
 - Understanding of ethical responsibilities is improving, still a long way to go;
 - Situation in charity and philanthropic activities much clearer.

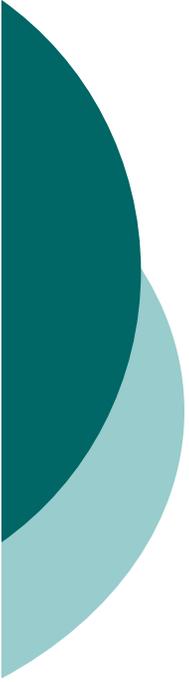
Business Ethics – this plant does not want to grow well on our limestone ground.

(EPL, H. Mets, nov 2005)



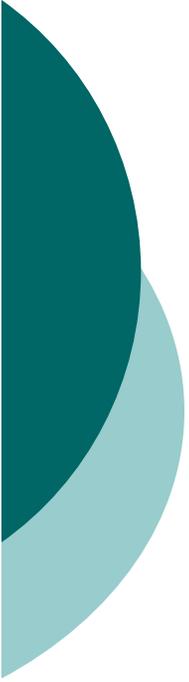
Tallinn, April 2008

BE against corruption
Mari Kooskora



CMD in Estonian business community in 1985-2005 (Kooskora, 2008)

- Research about Estonian business environment through the prism of ethics and responsibility in business and leadership in 1985-2005
- Holistic description of the situation and analysis, practical help to organizational leaders
- Synthesis of different studies
- Theoretically based on CMD model (Reidenbach and Robin 1991) put into the context of one concrete business community.
- Approach from three different angles – corporate governance, corporate social responsibility and ethical leadership – and in terms of how it can be enhanced through teaching.
- Diving the period 1985-2005 into 5 different periods, describing these in the context of political, economic and social changes.



Corporate Moral Development Model

(adapted from Robin & Reidenbach 1991)

<p>Developed ethical (principle-driven)</p>
<p>Emerging ethical (balancing ethics and profit, has ethical artifacts)</p>
<p>Responsive (helps local community, social responsibility if profitable)</p>
<p>Legalistic (follows the letter of the law, legal=ethical)</p>
<p>Amoral (maximum profit at all costs)</p>



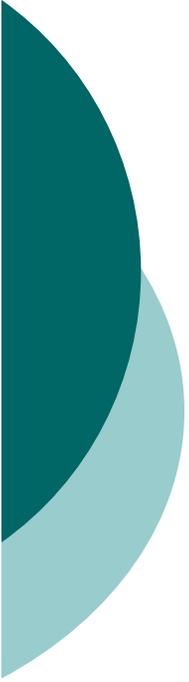
CMD understood and described through 3 angles: CG, CSR and EL

Organizations / businesses have to be seen in relation with society and environment; - business can not succeed when the society fails
Businesses are evaluated and judged according to the quality of activities (= ethics)

- Considerations of ethics and responsibilities give businesses the licence to operate, allow to be and stay sustainable over long-term.
- Leaders and their behavior set the moral tone in the organization they are the role models and give the face to the whole organization.
- The highest stage of CMD describes ethical and responsible leadership, where there is total balance between ethics and profits.
- CMD is socially constructed, context based phenomenon and is influenced by changes taken place in the society and environment;
- By using the concept of CMD we can analyze and describe the developmental process in Estonian business community context;
- CDM can be enhanced by education and training.

Kooskora, M. 2005. Business actors, purposes and perceived responsibilities 1985-2005

Business dev. stage Determinants	Socialist Erosion Period 1985-1990	Rough Entrepreneurial Capitalism 1991- 1994	Business Boom Period 1995 -1999	Catching-up Period 2000 - 2004	EU convergence Period 2005 - (forecast)
People in business, leadership style	Managers of big state-owned firms, demanding, giving orders & information, solving problems	Two types: older and younger, managers of former state-owned firms and young entrepreneurial start-uppers	Powerful individuals, tough, rough, rude, energetic, high level of initiative, unpopular hard decision-makers	Experienced, educated, good people & communication skills, visionary, knowledge sharing, cooperative	Higher level of awareness & knowledge, management and leadership soft and hard skills
Main business drivers	In the framework of planned economy, wanted to earn extra, to start with their own business	Clear focus on market economy, reaction to changed environment, fast growing markets	Economic success, remarkable development, willingness to accomplish something, big risks and big opportunities	Decreased risks & opportunities, gaining partner's trust, management's interests, customer's expectations	More stable environment, international collaboration, looking for opportunities in other regions
Business interests Main activities	Economic men searching for new business opportunities, various kinds of deals, barter deals, sales	Privatising former state-owned organisations, starting new businesses, earning profit	Short-term interests, restructuring, re-designing old Soviet style enterprises, starting from zero point	Long-term investments, planning period min 5 years, perspective 10, strategy & benchmarking	Maintaining success, looking for new opportunities, finding new markets, innovation
Perceived responsibilities	Taking paternalistic role, caring for workers and local community	A tendency to avoid responsibilities survival, economic responsibilities	Earning profit, tendency to find loopholes in legislation	CSR activities have positive affect on image & customer's expectations	Investors securing their investments, internal & external stakeholders
Perceived stakeholders	Ministries, higher & regional authorities, biggest customers, workers, local community	Politicians, foreign investors, owners, shareholders, boards	Banks, owners, shareholders, boards, customers	Important stakeholders – public, media, customers are treated respectfully	International stakeholders, international & local associations, NGOs
Illustration	'Compensating inefficiencies of planned economy by searching new 'business' opportunities'	'Unlearning old experiences was more demanding than learning new skills'	'It is not appropriate to ask about the origin of the first million'	'Good and wise business people do not neglect laws'	'Fast profit days are over, must find right partners, new opportunities'

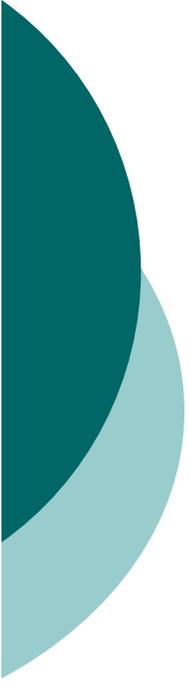


CMD in Estonian business community context 1985-2005, new model

- Double morality – referring to the period of Socialist erosion (1985 – 1990)
- Ethical vacuum – referring to the period of rough entrepreneurial capitalism (1991 – 1994)
- Instrumental – corresponding to the commercial boom (1995 – 1999)
- Legalistic – a period of catching-up (2000 – 2003)
- Responsive – referring to the period of EU convergence (2004 – 2005)

Synthesis of the dev. of CMD in the Estonian business context (1985 – 2005)

CMD Est. context	Double Morality	Ethical Vacuum	Instrumental	Legalistic	Responsive
Period Est. bus. community	Socialist erosion (1985 – 1990)	Rough entrepr.cap (1991-1994)	Business boom (1995 – 1999)	Catching-up (2000-03)	EU convergence (2004 – 2005)
General description	Officially a closed state-controlled system, soviet ideology with its norms and values; unofficially managers and politicians on higher positions utilizing opportunities for self-benefit, low level of trust, high level of corruption.	Nobody thought and cared about business ethics; short-term survival of the business at any price was the main aim. Reaction to the changed environment, practically no regulations, in places wild, often criminal activities.	Profit was the ultimate goal, there was no place for business ethics; maximum profits at all costs. Breaking the law was not considered serious, tendency to avoid and neglect laws and regulations.	Business ethics over the law has no place in business; however, following the letter of law is mainly respected, thus legal = ethical	Ethical statements and concerns are emerging in businesses as a tool to create positive image; business ethics pays when profitable
Tallinn, April 2008		BE against corruption Mari Kooskora			



Concluding remarks

- Clear progress is seen in CMD in the Estonian business community.
- The changes are caused by external sources (political, economic), while internal forces (organizational) had less impact.
- Social impact has been relatively lower until today.
- Particular attention should be directed at developing and implementing societal norms as a basis for sustainability in business and teaching BE and CSR as a priority in business schools.
- The 'modern' business environment in Estonia is very young and companies are still coming to understand new methods and concepts like BE, CSR, EL.



THANK YOU FOR
YOUR ATTENTION!

Questions?