

## A response to and comment on Franz Rupert Hrubi

*Vincent Edwards*

Ethical behaviour is one of the salient issues which has emerged from the transformation of Central and Eastern Europe and the Former Soviet Union. The change in political system from one-party autocracy to democracy and the change in economic system from command to market economy have had profound implications for individuals and for the social context in which individuals relate with one another.

There have been numerous examples of unethical behaviour during the transformation process in CEE and the FSU. According to the Chief Public Prosecutor of the Russian Federation, Yuri Skuratov, more than 70 per cent of government officials are corrupt; 30-50 per cent of company profits are spent on developing 'privileged relationships' with state organizations; up to 40 per cent of loans end up in the pockets of government officials; highly placed government officials abuse their positions and authority and enrich themselves through the process of selling licences for petroleum, gas and non ferrous metals; and 70-80 per cent of privatized and private companies are compelled to make payments to criminal groups and corrupt officials (Skuratov, 1998: 93-94). The situation in Russia appears particularly acute; however, all the countries of CEE and the FSU have suffered from the same phenomena to varying degrees (they are, moreover, not unknown in Western Europe and the USA).

The transformation has up to now dealt predominantly with the economic and political spheres. Communism, however, was not just an ideology; it sought to determine individuals' attitudes and behaviour. Infringements of the 'moral' tenets of communism by many individuals (for examples from the economic sphere see Liuhto, 1993) are no more a criticism of communism than breaking the Ten Commandments is of Christianity. Certainly unethical practices were a constant feature of business practice under communism, from the illegal use of enterprise assets to bribery and 'hidden' economic activities. The disappearance of the old political and economic structures has not resulted in the disappearance of such unethical practices, they were in many respects given freer rein by the collapse of the old structures of control which were far more rigorous under the communist regimes than the controls of democracies. Furthermore, it takes time to develop and implement new legislation and the related codes of conduct for individuals. Communism as a social order disappeared, with in many instances no new collective moral order to replace it. It takes lengthy periods of time for such practices to become socially embedded (Granovetter, 1992). Even if

communism in CEE and the FSU has been of relatively short duration, it has had a substantial impact on the attitudes and behaviours of many individuals.

Under these circumstances the establishment of a new ethical order is all the more necessary. However, 'Ethics are to a significant extent shaped by a country's history and culture (and closely related to its laws) . . . ' (Davies, 1997:1). Breaking out of this constellation of influential factors is by no means easy, even if desirable, unless a substantial proportion of the population can be mobilized to attack the status quo and promote different, ethical values.

Such a movement could help to develop a more ethical environment for individuals and social interactions including business. However, ethical behaviour is in many ways only incidental, it is not an indispensable constituent of business and management (Pritchard, 1997: 93). It is unlikely therefore that business people will adopt more ethical attitudes and behaviours unless there are substantial social and legal pressures to encourage compliance. So long as criminality, corruption and abuse prospect, there will be little inducement for people to behave ethically (apart from their personal commitment to a particular ethical code). Whilst agreeing with Hrubi that capitalism as an economic system will not provide the impetus for the establishment of an acceptable framework of business ethics and alternatives to the current form of capitalism may be desirable, these alternatives appear poorly defined and developed at present.

## References

Davies P. (ed.) (1997), *Current Issues in Business Ethics*, London: Routledge.

Granovetter M. (1992), 'Economic Action and Social Structure: The Problem of Embeddedness', in Granovetter M. and Swedberg R. (eds.), *The Sociology of Economic Life*, Boulder, Colorado: Westview Press, pp. 53-81.

Liuhto K. (1993), 'Creating New Managerial Concept to Replace Management Sovieticus - Managerial Transition in Eastern Europe and in the Former Soviet Union', Turku School of Business Economics and Business Administration Research Report B4.

Pritchard J. (1997), 'Acting Professionally: Something that Business Organizations and Individuals Both Desire?' in Davies P. (ed.) (1997), op. cit., pp. 87-96.

Skuratov Y. (1998), 'La corruzione nella Russia di oggi e le vie per sconfiggerla', in La criminalità transnazionale organizzata, Dal riciclaggio all'usura, Torino: Società Editrice Internazionale, pp. 91-101.