

Business Ethics Education in Former Soviet Bloc Countries

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Abstract: In the past twenty years, as former Soviet-bloc countries have developed economically, business education has risen accordingly. While traditional business courses, e.g., accounting, finance and marketing, are prominent in schools there, business ethics, is less prevalent. This paper examines the environmental and cultural conditions of the region to present the challenges business schools in the region have in providing Business Ethics education.

Key words: ethics; education; international business

JEL codes: M16, N44, P37, Y80

1. Introduction

The fall of the Berlin Wall 1989 and the collapse of the Soviet Union 1991 not only symbolized the end of Communism, they also heralded the advent of market economies in Central and Eastern Europe. In a very short time, countries that existed for decades under highly centralized, government-led economies had to adapt to Capitalism and enter into an increasingly competitive global marketplace.

Such a transition doesn't come easily, and after two decades the region is still adjusting to Capitalism with varying degrees of success. For Capitalism, the fall of Communism was a wonderful boon as it opened new markets of the former Socialist Republics and other countries that had been aligned with the Soviet bloc (e.g., Bulgaria, Poland, Hungary, etc.). Similarly, it created opportunities for new businesses in these countries as well as for foreign companies, mostly from the west, excited to enter these previously unavailable markets. Moreover, the opportunity to legally accumulate wealth through entrepreneurial endeavors was a huge incentive in a region not accustomed to private sector enterprise.

Not surprisingly, the demand for business education quickly developed, resulting in the opening of many new professional business schools. Many of these were private, for-profit and independent of any accreditation (Bollag, 1997). Alternatively, many programs from established western colleges and universities entered the market by partnering with existing schools and bringing their curriculum to the region. In either model, the curriculum of these new programs began looking more and more like the American business school model, which makes sense since the U.S. has been the world leader in business and management education. Emulating American business education was an effective way for foreign schools to quickly develop credibility for their new programs. The imitative process that made business curricula similar across this region was assisted by other factors such as the expansion of the European Union, and more students learning English as their second language. Many foreign

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schools teach their business curriculum in English and assign American textbooks for their courses.

Therefore, in much of Central and Eastern Europe, business education has become quite similar to what is taught in the United States. For many courses covering the mechanics of running a business, the fundamentals transcend national and cultural boundaries. For example, in Marketing the “Four P’s” (product, pricing, place, and promotion) are fairly universal. On the other hand, not all business subjects are as transferable as Marketing; chief among them is Business Ethics.

The proposed paper will address the instruction of Business Ethics in the post-Soviet bloc. In so doing, it will question whether addressing ethics from a western perspective is appropriate for a region in which Capitalism is still relatively new. Additionally, the region is diverse enough from a cultural perspective that the expectation of common values is highly questionable. In making this argument, the paper will first discuss the author’s motivation for exploring this topic; after which it will provide brief overviews of the increases in business and business education in the region since 1991. The paper will then explore changes in the ethical environment of former Soviet bloc countries in terms of broad social ethics, business ethics, and ethics in their educational systems. Lastly, the paper will conclude by attempting to reconcile the challenges, and the need, for business ethics education in the region.

2. Genesis of the Paper

During the academic year of 2007-2008, I participated in a faculty exchange program by teaching (in English) at the University of Debrecen in Hungary. Although Debrecen offers courses in Hungarian covering business issues unique to that country, the School also provides a range of courses in English as an attempt to attract students from other countries. The campus participates in the Erasmus Programme, an initiative by the European Union encouraging European students to study in other parts of the European Union (“European Commission-Education & Training-Erasmus University Charter”, n.d.). For this reason, there exists a need for courses broad enough to benefit students from all over the continent, delivered in English, the second language of many European college students. The breadth of students studying at Debrecen mandates that the business courses they offer not be too specific to Hungary, and be transferable to other campuses. Thus Debrecen, like many other European colleges, modeled some of its curriculum after western business schools, offering the range of courses found in leading business programs including Accounting, Economics, Finance, Management, Marketing, and, to a lesser extent, Business Ethics. However, Ethics is becoming more common and there is increasing interest in the field. While in Hungary, I presented a public lecture and published a journal article (Keiser, 2008) about American business ethics education, and this paper presents an alternative perspective by presenting the issues and challenges of teaching Business Ethics in post-Soviet countries.

3. Rise in Business in Former Soviet-Bloc

In a region where private business activity was taboo two decades ago, commerce has exploded in terms of revenue and prestige. Based on his study of young adults in three ex-Communist countries (Armenia, Georgia and the Ukraine) Ken Roberts identified careers in business as being, high-status, high-profile and business people as being the high-spending role models in the region (Roberts, 2006). No doubt, the values and orientations of young people in these areas have changed accordingly. In a 2006 study of Russian college students, respondents identified careers in business and management most highly over other fields, and much higher when compared to

previous surveys (Mogil'chak, 2006). Not surprisingly, the overwhelming majority of students in that same study identified material prosperity as a reward for their careers to be significantly important. Just as college students seek material prosperity in their careers, successful businessmen have become the beacons for economic success. So much so, they have become the new "rock stars" in their countries, living glamorous and luxurious lifestyles. As evidence, of the rising consumer consumption in the region, Bentley, the high-end British automobile manufacturer didn't sell any cars in Russia in 2000, but by 2010 they had sold 113 ("Harper's Index", 2011) making Russia their largest market in Europe after Germany ("Bentley steps up a gear in Russia—RT", 2008).

4. Rise in Business Education

As market reforms increased the opportunities for businesses, the market for those skilled in commerce increased accordingly, and business education has grown rapidly in the region. Within ten years after the fall of the Soviet Union, an estimated 1,000 business schools had opened in Central and Eastern Europe. The earliest schools tended to pursue a for-profit model with little oversight from government or educational accrediting bodies (Bollag, 1997).

While the number of business schools was increasing, there was no single form or model for schools to follow. Moreover, the former Soviet-bloc countries were transitioning from their Communist pasts and hadn't yet established educational bureaus or accrediting agencies to monitor the new schools. Identifying a good business curriculum was a challenge for schools in societies where capitalism was new. Even harder was developing faculty who grew up with Communism to teach business courses competently in a market environment.

One approach to overcoming these obstacles was to partner with established business programs, often from the west, to provide business education to Central and Eastern Europe. Poland's first MBA programs were established in the 1990s as joint programs between Polish universities and western business schools. Many of these were so faithful to their western models that they were even taught in English (Kowalski, 2008).

Yet, there are risks to partnering with foreign colleges. In Poland, a successful partnership with a Canadian university was dissolved when the Polish Government and the European Union chose not to support it financially because of its affiliation with a non-European institution. Instead the governments preferred to provide funding to homegrown business programs (Paliwoda & Librowicz, 2007).

Over time, governments have increasingly supported business education as a means of improving their economic resources to better compete in the global marketplace. In recent years, Russia has been using some of its oil and gas revenue to support business programs at Moscow State University and St. Petersburg State in an effort to place these schools among the elite in Eastern Europe (MacWilliams, 2007).

Even if a college or university doesn't have a western partner school, there is a trend for schools in the region to mimic business programs in the west. This is a sound strategy; new programs can quickly legitimate themselves by modeling their curricula to well-established business schools. After all, American business education at the college level has more than a century-long history compared to only twenty years in the Eastern and Central Europe. Because many courses at these schools are taught in English, they have access to the rich abundance of textbooks and other course materials available to American instructors. Moreover, by offering English courses, they can participate in student and faculty exchanges, such as those offered by the Erasmus Programme.

Partnering with, or imitating an established western business school suggests the Soviet region school will offer the full range of courses offered by the western school; Accounting, Finance, Marketing.....and Business

Ethics. A business program without an ethics component would have difficulty being perceived as credible. The Association to Advance Collegiate Schools of Business (AACSB) requires ethics in a program's curricula, as well as expects the schools' faculty, administration and students to act ethically ("AACSB Business Accreditation Standards", n.d.).

However, when it comes to teaching Business Ethics in former Soviet-bloc countries, there does not appear to be a typical or common approach. From my time there, I discovered some schools taught business ethics on their own; other programs used western schools as their model and taught from English-language textbooks; and some schools didn't require or offer courses in business ethics at all. Considering the social variation of countries that were once the Soviet-bloc, it's not surprising ethics is treated differently from other business courses. The following section will highlight some evidence of the ethical variation in Central and Eastern Europe.

5. Ethical Changes in the Region

Under the Soviet reign, ethics, or how to behave appropriately, was taught to children early in a government-mandated curriculum in schools. The schooling emphasized obedience and conformance, and allegiance to the party and the state (Kowalski, 2008). This Marxist-Leninist ideology was reinforced throughout the students' educational careers to enforce a consistent homogeneous moral model, which has been changing since the fall of Communism (Kliucharev & Muckle, 2005).

What was once was a tightly controlled, almost regimented, approach to teaching ethics in the former Soviet Union and throughout the region, moral education and ethical influences are becoming more divergent, such that a typical Russian/Soviet citizen no longer is prevalent. Instead, there is a "moral maze" in which people navigate individually to find their own ethical compass. Interestingly, some long for the old ways and wish the state had a greater role in teaching ethics (Kliucharev & Muckle, 2005). In Belarus, the amount of ethics education is so lacking compared to the Soviet era, that the government and the Belarusian Orthodox Church were considering reforming ethics education in that country (Sidorovitch, 2005).

Values are changing. In Soviet Russia, there were traditional shared values of community, collectivism, and respect for a strong central authority. This was far different from the western ethics of individualism, democracy and liberalism. Since the fall of Communism, western values have been replacing old Soviet values. Prior to 1989 wages for most citizens were relatively equal based on egalitarian beliefs. Currently, wages are increasingly based on performance. These changes are not necessarily universally accepted. Critics of the new order claim that the newer corporate culture fosters a "ruthless and demanding attitude to people" (Kliucharev & Muckle, 2005).

As values have changed, so too have the economies in the region, and it's too simplistic to describe it as a shift from a Communist or Socialist economy to a market economy. More accurately, these countries are experiencing dual economies, the market economy that comes with Capitalism, and also a Gray Market that requires bribes, gifts, and other special considerations to grease the wheels of markets (Kliucharev & Muckle, 2005). In Poland, politicians are highly involved in major business transactions, so granting favor with those in power is helpful for businesses. This was the case as well pre-1989, but the difference now is that politicians are much more promiscuous with their loyalties. This means that their loyalties are much more based on self-interest rather than their political party (McMenamin, 2004).

Not only are markets and ethics changing across the region, they are changing differently across countries within the region. In other words, the ethical norms of one country are changing differently from the norms of

another country even though they were both part of the former Soviet bloc. In a study measuring the individualism in Belarus, Lithuania and Russia in 1990 and 2000, researchers found that all three countries were pretty collectivistic in 1990. This should not be surprising since it was only one year after Soviet rule. Ten years later, all three countries had become more individualistic, but norms for individuality were significantly greater in Belarus, and weaker in Russia (Shirokanova, 2011).

Threats to ethical behavior come from all directions, and not just from within the former Soviet bloc. Organizations from around the world might find this region ethically vulnerable and attempt to exploit their position of transitioning morals. In 2001, for example, Philip Morris was forced to make a formal apology to the Czech Republic after it argued that smoking would be beneficial to the young country because early deaths caused by smoking would lessen the country's long-term medical expenses (Fairclough, 2001).

What determines the rate of change among countries is a complex mixture of influences, social, political and economic. Some countries are developing more quickly than others. Perhaps there is no greater evidence of this than the Corruption Perceptions Index scores, tallied by Transparency International, a German-based organization whose mission is "to create change towards a world free of corruption" ("Transparency International", n.d.). Transparency International publishes an index in which they score the level of cleanliness/corruptness of a country based on "0" (highly corrupt) to "100" (very clean) scale. Of the former Soviet republics, Turkmenistan and Uzbekistan are the most corrupt with scores of 17. Estonia is by far the cleanest scoring 64. Russia (28) and the remaining republics differ with scores from the 20s to the 50s. By comparison, the United States scores 73, Canada is 84, and the cleanest countries in the world are Denmark, Finland, and New Zealand each tied at 90. The most corrupt country in the world, according to the index, is Somalia with a score of 8 ("Transparency International—the global coalition against corruption", n.d.).

Sadly, corruption is a very real problem in the region, so much so that in the 2004 Ukraine elections, Viktor Yuschenko got elected on a platform promising to end corruption (Round & Rodgers, 2009). Corruption is not just prevalent in business or government; it's apparently also evident in education. A Ukrainian survey found the nearly half (47.9%) of residents who had regular interactions with universities claimed to have encountered situations in which they were requested to pay a bribe. Approximately a third of the respondents claimed to have offered bribes in university settings (Round & Rodgers, 2009). In Russia, it is apparently a common practice for college professors to request bribes from students for good grades. This is true for strong and weak students, and it's reportedly true across academic disciplines (Fedorenko, 2006).

Anyone familiar with academics would be naïve to believe that college students are not immune to unethical behaviors regardless of their geography. Research suggests that high-narcissistic people with low levels of empathy are most inclined to act unethically. Unfortunately, business majors (especially finance majors) fit this profile (Brown, Sautter, Littvay, Sautter, & Bearnese, 2010).

6. Reconciliation and Conclusion

Since 1989, Central and Eastern Europe have experienced a seismic shift, politically, socially and economically. In twenty short years, the region has gone from a centralized Soviet political structure to a fragmented nonunion of autonomous countries. Moreover, the economies of these countries have morphed from passive participants of Communist leadership to individual players in the global economy. Such a transition doesn't come easily. To compete, the region quickly embraced business education as a means of positioning itself

in the market. Business schools sprang up, many attempting to emulate leading accredited programs from the United States and other western countries, so the area was brought quickly up-to-speed with current business theory and practices. Through imitative, normative and coercive forces (DiMaggio & Powell, 1983) the new Business schools started to look quite similar offering courses across the traditional business fields. While all these fields have their own idiosyncrasies with respect to geographic and political location, many of the most fundamental premises translate across national or cultural borders. Debits are debits and credits are credits regardless of which country the accountant is practicing.

On the other hand, ethics is a field of business that doesn't translate as easily to other countries and cultures. Therefore, is it possible to export a business ethics course from one country to another? This is a difficult question, since rules and norms vary across national boundaries. Just because the countries of the former Soviet-bloc all became capitalistic at about the same time, their ability to adapt to capitalism varied. The former Soviet-bloc is a large and diverse region. Countries like Poland and the Czech Republic are more influenced by Germany and other western European countries; Estonia has more Scandinavian ties due to its location on the Gulf of Finland; much of Russia is in Asia and is influenced by other Asian regions. Most of these countries have Christianity as their predominant religion, although a few others such as Azerbaijan are Muslim. It's not reasonable to expect a western business ethics course to satisfy the needs of these highly varied social and cultural regions.

Ethics should be an important component for these new business programs, especially as their countries are forced to compete in a global marketplace. Considering the abysmal Corruption Perception Index scores of some former Soviet-bloc countries, improving their ethical reputation is especially important. However, mimicking another region's business ethics curriculum makes little sense when their societies are so different. Business programs in the former Soviet-bloc should create their own business ethics courses that are relevant to their country and to the students taking the courses. It is wise to include components of other countries' ethics curricula as this enhances the internationality of the course, but ethics—even business ethics in capitalist countries—is not a one-size-fits-all endeavor. Students learning business ethics in a context they understand will retain more and appreciate the importance of ethics in business, which ultimately, is the goal of any business ethics course.

Acknowledgements

I would like to acknowledge the Faculty of Economics and Business Administration at the University of Debrecen, especially Maria Ujhelyi, for their hospitality and collegiality during my semester in Hungary.

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