

The Ethical Orientation of Russian Entrepreneurs

By: Steven M. Sommer, Dianne H.B. Welsh, and Boris L. Gubman

Sommer, S.M., Welsh, D.H.B., & Gubman, B.L. (2000). The ethical orientation of entrepreneurial Russian managers. *Applied Psychology: An International Review*, 49(4), 688-708.

Made available courtesy of BLACKWELL PUBLISHING LTD. The definitive version is available at www.blackwell-synergy.com

*****Note: Figures may be missing from this format of the document**

Abstract:

Ethics has been a significant concern in the management literature and recent efforts have investigated ethical orientations across culture. However, little, if any, work has looked at ethical orientations among entrepreneurs and managers in the transforming Russian economy. This study surveyed the ethical orientations of Russian owner-managers (n = 194) involved in entrepreneurial and privatisation activities. A cross-cultural comparison to US normative responses found no difference in Machiavellian orientation in general, though female Russian entrepreneurs perceived themselves as more likely to engage in opportunistic behaviour. Additionally, Russian entrepreneurs in general perceived themselves as more ethically rigid. These respondents also felt Russian organisations fostered more interpersonally collective but structurally opportunistic organisational climates.

Article:

INTRODUCTION

That business activity is becoming more global is a truism in contemporary management discussions (Earley & Singh, 1995). Since the collapse of communism, Central and Eastern European countries, and Russia in particular, have been a dominant focus of international management research (e.g. Lawrence and Vlachoutsicos, 1990; Puffer, 1993; Welsh, Luthans, & Sommer, 1993). Furthermore, recent studies have identified the critical role that entrepreneurs are playing in transforming these former centrally planned economies (e.g., Frese, 1995; Kaufmann, Welsh, & Bushmarin, 1996; Luthans & Riolli, 1997; Snavely, Miassoedov, & McNeilly, 1998). In fact, many US-based programmes have looked beyond financial assistance and towards attempts at knowledge transfer of Western principles of entrepreneurial and management practices to accelerate Russia's economic development (Rubens, 1995; Walck, 1995).

Russia has looked towards entrepreneurs and the creation of small private businesses to lead privatisation and economic transformation efforts for three reasons. The single most urgent reason has been to alleviate severe shortages of consumer goods, which has been partially accomplished. Second, small business is thought to provide a method for tapping into unused labour reserves (including housewives, pensioners, and students) which amounted to 20% of the population in 1988 (Jones & Moskoff, 1991; Plokker, 1990). Finally the "second economy", which Gosplan estimated at 14-16 billion rubles per year in 1988, has been tolerated because it

was needed to supplement the inadequate production of goods and services by the state (Plokker, 1990; Leontief, 1990).

However, Russia has not experienced the same level of transformational success as other Central and Eastern European countries. One common theme that emerges from the critical evaluations and pessimistic outlooks involves questions about ethical behaviour within the Russian economy (Matthews & Powell, 1998; Neimanis, 1997) as well as cross-cultural differences in perceptions of ethical behaviour in US—Russian joint ventures (Puffer & McCarthy, 1995; Snaveley et al., 1998). Ethical orientation has been cited as the major obstacle challenging the success of international business activities (Buller, Kohls, & Anderson, 1991; Wines & Napier, 1992). Yet, while cross-cultural research has identified differences in how people value work (Fiske, 1992), present their self-image (Earley, 1997), and react to motivational interventions (Kiezun, 1991; Welsh, Sommer, & Birch, 1993), a state of controversy exists concerning our knowledge of ethical orientation across culture.

Some argue that there is little, if any, legitimate empirical research on cultural ethical differences (Schmegelmilch & Robertson, 1995; Strong & Meyer, 1992). Others have stated the existing empirical body of literature is methodologically flawed (Allmon, Chen, Pritchett, & Forrest, 1997) or present findings too inconsistent to support any confident conclusions (Fritzsche et al., 1995). Our own review of the literature suggests that a primary focal point of these criticisms concerns sampling issues. Teagarden et al. (1995) discussed the difficulty of finding adequate and appropriate samples when conducting international research. Indeed most studies in the cross-cultural ethics research stream have involved native student samples in classes taught abroad by US professors, or surveys of foreign scholars and officials during training programmes conducted in the USA (Ford & Richardson, 1994). Following Teagarden et al.'s suggestions, we seek to overcome this hurdle by using personal contacts to identify and solicit specific participants who meet the study criteria (e.g. practising entrepreneurs).

Another major criticism is that most cross-cultural ethics research is atheoretical. Most studies take an exploratory route, or use popular measures without explanation. Again, our own review concurs. Ethical orientations have been empirically examined across a wide range of settings—Australia, Taiwan (Allmon et al., 1997; Fritzsche et al., 1995); Germany, England, Austria (Schlegelmilch & Robertson, 1995); South Africa, Australia (Abratt, Nel, & Higgs, 1992); India (Cyriac & Dharmaraj, 1994); Denmark, Sweden (Lysonski & Gaidis, 1991); Nigeria (Tsalikis & Nwachukwu, 1991); Japan, (Fritzsche et al., 1995; Taka & Foglia, 1994); Mexico (Volkema, 1998); and New Zealand (Alam, 1993)—using a diversity of approaches and with no apparent underlying pattern to the comparisons. Even so, one area notably missing in this research stream is Eastern Europe. Indeed, the scarce information that does exist is anecdotal (e.g. Puffer & McCarthy, 1995).

A recent discussion cites the critical role an individual's values play in entrepreneurial success in Eastern Europe (Frese, 1995). Yet despite several calls (Walck, 1994), there are few studies to date that rigorously examine Russian entrepreneurship (e.g. Kaufmann, Welsh, & Bushmarin, 1996; McCarthy, Puffer, & Shekshnia, 1993). Such information could have a direct effect on the success of joint ventures, the currently dominant approach to new business development (Snaveley et al., 1998; Volkema, 1998). This study seeks to address this gap in the literature. In

doing so, we recognise that descriptions of cultural differences are impervious to simplistic models (Oslund & Bird, 1998; Triandis & Gelfand, 1998) and one need exercise caution regarding broad generalisations (Pepitone & Triandis, 1987). Rather, we follow recent advice from both the entrepreneurship (Lorenzi & Ornati, 1988) and ethics (Aquino, 1998) literatures to identify specific contexts and behaviours for examination. Thus we seek to make two theoretical contributions. First, we expand efforts to describe ethical orientations into a new arena—Eastern Europe. Second, we use existing theory to determine if specific ethical differences may explain problems in US–Russian joint entrepreneurial ventures.

HYPOTHESES

Ethics has generally been characterised as the systematic attempt to determine the rules and values that govern human conduct (DeGeorge, 1990). Some have argued that ethical values are culturally determined, that they cannot be separated from one's greater social or political context (Evans, 1991; Missner, 1980) and in fact we are "hard wired" to perceive the world in certain ways that vary across culture (Hofstede, 1993). Others have suggested that a set of universal values exists, but people may place differences on their weight and priority (Rokeach, 1973); or they may differ in their level of moral development (Kohlberg, 1981). Finally, others have argued in favour of a universal code of right and wrong that transcends culture (Velasquez & Rostankowski, 1985).

One model for identifying ethical orientation involves classifying variations in an individual's moral judgments on two dimensions—idealism and relativism (Schlenker & Forsyth, 1977). The former assesses one's beliefs that "right" outcomes always and only result from "right" behaviours. For example, someone high on idealism would believe one cannot engage in "bad" behaviour for a "good" cause. The latter examines one's reliance on universal moral rules versus a need to individually analyse each situation. For example, one who is high on relativism would believe that it is appropriate to be untruthful or to steal in certain justifiable situations. These two orthogonal dimensions form a 2 x 2 matrix representing four ethical orientations: situationists (high relative/high ideal), subjectivist (high/low), absolutist (low/ high), exceptionists (low/low). In contrast to the popular Kohlberg (1981) model (self-interest, compliance, principle), this approach does not assume one style is superior to the others and in fact subsumes the Kohlberg model (e.g. absolute is comparable to principled, subjectivist to self-centred). In addition, the four Schlenker and Forsyth categories represent a wider set of moral philosophies than Kohlberg (e.g. egoism, deontology, utilitarian).

While there are no known studies that suggest which of the four categories the USA and Russia should be placed into, the extant literature allows for some initial speculation. The United States has been classified as a culture adhering to "natural law" (Fritzsche et al., 1995) where a set of fundamental principles transcend domain. This may best be illustrated by the USA's frequent attempts to legislate morality in international business interactions (e.g. the Foreign Corrupt Payments Act of 1977). By comparison, there is ample evidence to suggest that Russia is more situational in its ethical orientation. For example, a frequent criticism of Russian managers has been the less rigid concept of "right and wrong" regarding appropriate business practices (Puffer & McCarthy, 1995). For example, whereas US companies are adamant about an individual not using an organisation's resources in another venture, Russian managers view this as appropriate given their involvement in both activities. Whereas Russians

make a distinction between a "bribe" and "tokens of friendship and relationship building" (Snaveley et al., 1998), the USA is against any type of "tangible inducement". Therefore, we expect:

Hypothesis 1: Russian entrepreneurs will report a more relativistic ethical orientation than individuals from the United States.

Hypothesis 2: Russian entrepreneurs will report a less idealistic ethical orientation than individuals from the United States.

Again, scores on each dimension are plotted to determine which of the four cells is appropriate to use for describing US and Russian ethical orientation.

Recent recommendations call for moving away from generic cultural distinctions and towards investigations of specific cultural contexts (Oslund & Bird, 1998). Similarly, scholars have also cited a need and trend to examine specific ethical behaviours (Aquino, 1998). One particular behaviour is the extent to which entrepreneurs will "bend the rules" or "use others" to accomplish salient objectives. This "ends justify the means" type of situational ethics has long been referred to as "Machiavellian behaviour", and has been shown to be a significant influence on managerial behaviour (Cyriac & Dharmaraj, 1994). For example, high Mach individuals are more likely to engage in deceptive tactics to achieve personal objectives (Shapiro, Lewicki, & Devine, 1995).

The USA historically applauds entrepreneurial success, yet prides itself on delineating the boundary between "creative" and "exploitive" tactics. In contrast, past discussions suggest that Russia is more Machiavellian and that its culture promotes an attitude of "get the job done somehow, no matter how". While this was especially notable during the days of communism (Walck, 1995), recent evidence suggests that this attitude is still pervasive. Russian entrepreneurs may be less knowledgeable of free-market practices (Rubens, 1995) but they are highly competitive (Hisrich & Grachev, 1995), an antecedent to Machiavellianism. Breakdowns in the social order have led entrepreneurs to see tax evasion (Matthews & Powell, 1998) and paying crime gangs for a kryshe—a protective "roof"—(Nadler, 1996) as necessary behaviours to ensure viability. Indeed, "using" and "dumping" foreigners to gain necessary resources to promote one's own enterprise is seen as a legitimate and common practice. Given the perception that they must take "extreme measures" we hypothesise:

Hypothesis 3: Russian entrepreneurs will report more Machiavellian behaviour than individuals from the United States.

Finally, behaviour is significantly influenced by prevailing social pressures (Ajzen & Fishbein, 1980). In particular, a significant body of research illustrates the power that organisational climate has on an individual's ethical behaviour (Brief, Dukerich, Brown, & Brett, 1996; Trevino, 1986). The popular (Powell, 1998) and academic literatures (Puffer, 1993; Snaveley et al., 1998) cite the still present hostile climate for entrepreneurs in Russia. Many citizens have been killed as a result of "get rich quick" schemes and muggings (Duffy & Trimble, 1994). Small business entrepreneurs are portrayed as hustlers with no scruples in a mad dash to cash in on

free-market reforms (Ignatius, 1993; Michaels, 1994). Downplaying one's success has become a common method to avoid hostile public reactions. In fact, Puffer (1993) notes how businesses have even been shut down if perceived as too profitable. Organisations create ethical expectations in reaction to their environments (Victor & Cullen, 1988). Given the environmental hostility against entrepreneurs, yet the need for entrepreneurial ventures to grow the economy, we expect Russian entrepreneurs to create and experience organisational climates that promote self-interested over principled behaviour.

Hypothesis 4: Russian entrepreneurs will report climates that are more promoting of unethical behaviour than entrepreneurs from the United States.

METHODS

Russian Sample

The Russian subjects for this study were 194 owners and managers involved in entrepreneurial and privatisation activities in Russia. Private sector businesses (62%) and transition of state-owned enterprises (25%) were the most represented ventures. Given the tendency for Russians to "distrust" US research activities, the data collection was managed through and conducted by the native Russian coauthor. Again, use of in-country contacts to identify specific participants follows Teagarden et al.'s (1995) recommendation for enhancing sample validity. Sixty percent of these respondents had been involved in their organisations for two to five years, 70% were the primary decision maker, and they had an average of 60 employees. Demographically the sample is consistent with other published studies of Russian entrepreneurs. The respondents averaged 31 years of age, 45% were male, 60% were married, 57% had completed a college degree, and 25% were ethnically non-Russian. Subjects represented a cross-section of industries: construction, transport, entertainment, agriculture, manufacturing, retail, and professional services.

Subjects were asked to complete a series of instruments as part of a comprehensive data collection effort. Recent research has suggested the use of multidimensional measures (Motowidlo & Van Scotter, 1994) for diversely conceptualised variables, and ethical values and orientation has been stated as a phenomenon that has multiple definitions, causation, and accepted operationalisations (DeGeorge, 1990; Frese, 1995). Three specific instruments were chosen for this study based on the hypotheses and prior literature. The highly recommended back-translation method was used to produce the Russian version of the instrument. First a Russian colleague translated the scales into Russian, then a second colleague translated the survey back to English. The retranslated English version was inspected to verify integrity of the instrument.

Ethical Position Questionnaire. The EPQ was specifically designed to measure ethical orientation (Forsyth, 1980). This instrument measures individual ethical perspectives along the two dimensions discussed earlier (relativism and idealism) and the scores are then used to classify the respondent as one of the four ethical types. The instrument presents 20 statements (10 for each dimension) to which respondents rate their agreement on a nine-point Likert-type scale. Higher scores represent higher levels of the characteristic. The instrument is easily translated and understood in other languages. (We found this was not the case in a simultaneous attempt to administer the Defining Issues Test.) Scale reliabilities for this study (relativism, 0.83, and

idealism, 0.76) were similar to those found by Forsyth (1980) in developing the instrument (0.73 and 0.80).

Mach V Attitude Inventory. The Mach V is a popular instrument used to assess an individual's tendency to engage in self-serving behaviour. This instrument presents 20 sets of items and requires a forced choice among three responses within each item. Subjects are asked to rank order the three responses by identifying the item they most and least agree with. The instrument measures individual attitudes towards power and the use/abuse of power in the Machiavellian tradition that no absolutes exist in professional life, that professional and personal morality are independent, and that "the ends justify the means". The instrument is widely used and validated (Christie & Geis, 1970) and has shown cross-cultural validity. Scores range from a low of 40 (low Machiavellianism) to a high of 160 (high Mach). For this study the scale reliability was slightly less (0.59) than typically found in other studies (low 0.60s), although Nunnally (1967, p. 226) has stated that the alpha here can be acceptable for theory development or tests for generalising to new populations. We feel this study represents such an effort.

Ethical Climate Questionnaire. The ECQ evaluates the extent to which an organisational climate promotes ethical or unethical behaviour. For example, one ECQ dimension examines the extent to which the organisation is seen as encouraging members to follow legal and professional codes. Organisational cultures reflect how best to adapt to the market environment (Schein, 1985). Thus, perceptions that unethical behaviour is necessary to succeed in a hostile environment will be reflected in the organisation's formal and informal practices. The original version of the ECQ, developed by Victor and Cullen (1987, 1988), presents 26 items measuring six dimensions of ethical climate. Respondents rank their agreement with these items on a seven-point Likert-type scale. Subsequent work (Cullen, Victor, & Bronson, 1993) expanded the instrument to 36 items measuring nine ethical categories. However, wide use of the ECQ in the late 1990s has only supported six (Vaicys, Barnett, & Brown, 1996) or seven (Cullen et al., 1993) of the categories.

Our factor analysis of the 36 items was more consistent with the Cullen et al. (1993) seven-factor structure. However, the reliability for the personal morality dimension was so poor that it was discarded for further analysis. The remaining dimensions showed adequate reliabilities (as ranged from 0.66 to 0.86) and were comparable to other validation studies (0.65 to 0.82).

Comparison Samples

An unsuccessful attempt was made to collect data to develop a US entrepreneur comparison group. Consequently, the normative statistics derived during the original development activities of each instrument were used instead. All used US samples. While this may limit our conclusions, the practice is not uncommon.

Ethical Position Questionnaire. The comparison group for this measure were the 241 subjects used to validate the final 20-item version of the instrument (Forsyth, 1980). Forsyth reported using a student sample with a mean age of 21 (range 17-42, s.d. = 3.9); however he provided no description of their work experience.

Mach V Attitude Inventory. The comparison group for this study was drawn from the sample used in the original Mach V scale development procedures. This comparison group consisted of

the 764 white male and 832 white female respondents (Christie & Geis, 1970, p. 32). The 148 nonwhite subjects were excluded as not comparable to the Caucasian Russian sample. No descriptive information is given about this pool except that they are college students drawn from 14 different universities. However, the authors did later compare the factor structure of this group to a national sample of 1,482 adults, and the adult sample closely matched the US Census demographics at the time (p. 380). While they did not report the mean scores for the adult sample, the factor structures were "highly convergent" (p. 387). Furthermore, they cite the student sample as more discriminating among the items and less subject to social desirability and response biases. These comments suggest that the student-based data were considered more valid.

Ethical Climate Questionnaire. The original validation sample included 146 respondents from four occupational groups—academic, military, trucking, and MBA students (Victor & Cullen, 1987). Later studies broadened the pool and have included accountants and marketing professionals. For our purposes, the 75 MBA students used in the original validation study were deemed most appropriate (Cullen, personal communication). Unfortunately, demographics for this sample were not reported; however, later studies by Cullen suggest these particular respondents were at least 30 years old with several years of work experience.

RESULTS

Ethical Orientation of Russian Entrepreneurs

Demographic statistics and scale intercorrelations for the Russian entrepreneur respondents are presented in Table 1. Descriptive statistics for the ethics measures are provided in Table 1A, and the relationships of the ethics measures to respondent demographics are presented in Table 1B. As expected, subscales within instruments were interrelated. Additionally, intercorrelations between the instruments suggest some convergent validity. For example, high Mach V scores were related to low ECQ rule conformity scores. The Forsyth idealism scale was inversely related to Mach V and the ECQ self-interest scales.

Ethical Position Questionnaire. Consistent with Forsyth (1980), the EPQ dimensions were significantly and negatively related to age. For this sample, the correlation for both dimensions was greater than for US respondents. One might infer that one "learns the ropes" more quickly in Russia. The correlation between gender and relativism might reflect an orientation whereby female entrepreneurs are more likely to evaluate morality in relation to the specific situation and its consequences.

Mach V Attitude Inventory. Initial inspection of the Russian responses indicated that these entrepreneurs have a modest level of Machiavellian tendencies. Christie and Geis (1970) state that a score of 100 is the centre-point on their scale and represents a neutral perspective on the philosophy that the use/abuse of power can be justified by the objective for which it is applied. The averages approximating this mid-point reflect a self-perception

TABLE 1
Descriptive Statistics'

A. Intercorrelations for Russian entrepreneur sample										
<i>Item</i>	<i>M</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>
Mach V	99.93 (12.12)	[59]								
Idealism	6.52 (.90)	-.22**	[76]							
Relativism	4.96 (1.28)	-.03	.19*	[83]						
Self-interest	3.10 (.96)	-.08	-.22**	-.07	[66]					
Profit/ efficiency	4.02 (.77)	-.06	-.12	-.24**	-.02	[74]				
Team/ friendship	3.34 (.68)	-.10	.05	-.08	-.14	.61**	[86]			
Social responsibility	3.42 (.70)	.04	.09	.19*	-.08	.60**	.67**	[77]		
Rules/SOP	3.39 (.85)	-.20**	-.02	-.12	.08	.63**	.50**	-.17	[71]	
Laws/ professional codes	3.37 (.67)	-.08	-.14	-.06	.11	.58**	.58**	-.10	-.58**	[68]
B. Intercorrelation of ethical orientation measures to respondent demographics—Russian sample										
Age ^b	31.2 (8.5)	-.05	-.29**	-.31**	.33**	.18*	.04	.04	.09	.23**
Gender	45% male	-.05	.13	.27**	-.02	-.19**	-.16*	-.16*	-.26**	-.31**
Marital status	60% married	-.05	-.05	.02	.16*	-.10	-.08	-.14	-.04	-.01
Firm tenure ^b	3.50 (1.16)	.16*	.02	-.05	.05	-.08	-.06	-.09	-.11	-.01

a = decimals omitted, standard deviations in parentheses, reliability coefficients in brackets

b = measured in years

* = P < .05

** = P < .01

among these Russian respondents that they are not highly prone to abuse power to obtain personal or organisational objectives.

Ethical Climate Questionnaire. These results illustrate the perception that these Russian entrepreneurs have concerning the climate in which they work. There was a strong perception that their organisations place a high emphasis on individual commitment to and efficiency in productivity matters (M = 4.02/6.00), possibly to the exclusion of moral considerations. This "pressure to perform" was further illustrated by the data suggesting moderate compliance with organisational rules (M = 3.42) and professional codes of conduct (M = 3.39). The results for the remaining dimensions indicated a perception that these Russian organisations foster modest importance for team-oriented support, social responsibility, and self-interested behaviour.

Comparison to US Norms

Table 2 provides the results of the t-tests investigating potential cross-cultural differences in ethical orientation. Since we had hypothesised specific directions of difference for each of the measures, one-tailed t-tests were used to analyse differences in means.

Ethical Position Questionnaire. The difference in relativism scores was significant ($t= 10.41$; $P<0.01$), with Russians reporting lower scores than the US comparison sample. These results reflect a perspective in which the Russian respondents considered ethical values to be more universal in their relevance, and rigid in their application. Hypothesis 1 was supported. Contrary to Hypothesis 2, the Russian respondents scored significantly higher on the idealism dimension ($t= 1.71$; $P<0.05$). This counterintuitive finding suggests that these Russian entrepreneurs expressed a higher level of adherence to behavioural standards that protect the well-being and dignity of their fellow citizens. Whereas, Forsyth would assign the US responses to the "situationist" cell (separate moral analysis of behaviour in relation to each situation) the Russian responses would reflect Forsyth's notion of an "abolutist" orientation (good outcomes can only be obtained by dedication to "right" behaviour).

Mach V Attitude Inventory. The comparison resulted in mixed results for Hypothesis 3. As the original development of the Mach instruments distinguished respondents by gender, our analysis followed suit. There was no difference between Russian and US levels of Machiavellian orientation for the whole sample, or when contrasted for the male samples. However, Russian women entrepreneurs reported a greater orientation towards Machiavellian behaviour than the US normative response.

TABLE 2
Analysis of Differences in Sample Means for Russian Entrepreneurs Versus US Norms^a

	<i>Russia</i>	<i>US Norms</i>	<i>t</i>
Mach V Attitude Inventory			
Male	100.20 (11.01)	99.27 (11.17)	.75
Female	99.71 (13.03)	95.60 (10.09)	3.10**
Ethical Position Questionnaire			
Relativism	4.96 (1.28)	6.18 (1.13)	10.41**
Idealism	6.52 (.90)	6.35 (1.17)	1.71*
Ethical Climate Questionnaire			
Self-interest	3.10 (.96)	2.0 (1.03)	8.07**
Profit/efficiency	4.02 (.77)	2.6 (.79)	11.79**
Team/friendship	3.34 (.68)	2.4 (.89)	7.57**
	3.42 (.70)	3.0 (.93)	3.55**
Laws/professional code	3.39 (.75)	3.6 (.86)	1.69*
Social responsibility	3.37 (.67)	na	—

a = standard deviations in parentheses

* = $P < .05$ (one-tailed)

** = $P < .01$ (one-tailed)

Ethical Climate Questionnaire. While the Russian scores did not on their own paint a bleak ethical picture within organisational climates, they do suggest it is more opportunistic when compared to US organisational climates. Significant differences were found for five of the six ECQ dimensions. The sixth dimension, social responsibility, is composed of the newer items and norms were not available for the USA. We report it here for future comparison efforts.

In terms of differences, Russian entrepreneurs perceived lower levels of professionalism in their organisations. That is, legal, professional, or customer-based expectations or regulations were not as important a consideration in guiding behaviour. In addition, there was a correspondingly higher perception among these subjects that organisations induced members to engage in self-interested behaviour. Consistent with anecdotal evidence of "get the job done", Russian entrepreneurs reported a greater emphasis on organisational profit and efficiency than US managers. By contrast, they also reported a greater sense of concern for fellow organisational members. However, a close inspection of the scale suggests that the items look more at utilitarian or collectivism issues than at notions of individual fulfilment or procedural justice. Finally, Russians reported a climate promoting greater compliance with formal organisational rules. Given that most respondents were responsible for creating these rules, we might infer that they

felt these rules promoted self-interested efficiency and team spirit in the face of environmental pressures. In summary, we would conclude that Hypothesis 4 was supported.

DISCUSSION

This study sought to investigate potential differences in ethical orientations between Russian and US entrepreneurs. The data collected did not allow for a direct comparison but they did allow for a comparison to general US responses reflected in the norms used for validating each instrument. The results showed significant differences on two of the three theoretically derived dimensions. Russian entrepreneurs responded as significantly more idealistic and less relativistic in terms of their personal ethical orientation. They also reported organisational climates that were less encouraging of ethical behaviour. The third dimension, Machiavellian behaviour, only differed for the female respondents. Therefore, this study provides two contributions to the literature. One, it extends the extant ethics literature in providing the first known empirically based description of a sample of Eastern European entrepreneurs, especially after the collapse of communism. Second, it extends the entrepreneurship literature by demonstrating an important determinant of potential success and failure in international joint ventures—ethical orientations and climate across culture.

The finding that Russian entrepreneurs are more absolutist (high idealism, low relativism) in their moral perspective is counterintuitive. Much of the prevailing research in Russia has demonstrated the significant reliance on social exchange or other forms of horse-trading in order to fulfil individual and organisational objectives—the concept of *blat*. In addition, the flexibility with which Russian citizens rationalise the existence of seemingly inconsistent behaviour adds to an expectation that these subjects would be low in terms of idealism and high in terms of a relativist perspective. Here we will show that these unexpected findings can be explained by a deeper understanding of Russian culture, in particular the importance of personal relationships.

At face value, these results contradict anecdotal evidence. The academic (Neimanis, 1997; Puffer & McCarthy, 1995) and popular press (Klein, 1994; Economist, 1994a, 1994b) have frequently cited the difficulties faced by Russia during its attempt at economic transformation. Since 1989, there have been stories of extortion, murder, and theft. This sense of opportunism seems consistent with prior Russian practices during the days of communism. Many cited the double standard whereby communist ideology promoted a "just" society but encouraged its achievement by any means necessary—a Machiavellian approach. And yet the results of this study add to others (Nadler, 1996; Rubens, 1995) suggesting that these competing pressures still exist today in the free-market environment. Significant research has identified the stress created when one is balancing competing values between what one feels is right and what one's organisation expects (Schneider, 1987). While the changing economy may provide many with the opportunity to exit such stressful settings to create their own moral environment, many may find the new setting still hostile and thus still requiring opportunistic behaviour (e.g. *kryshe*). Indeed, recent reports (Powell, 1998) support this inference as the Russian population increasingly feels the "free-market experiment" has failed.

However, our results suggest that a more careful assessment is warranted. Most historical discussions of Russian moral values (including the pre-communist era) focus on the strong sense of loyalty, honesty, trust, fairness, and obedience (Kiezun, 1991). These are not dissimilar to

central US moral values of integrity, compassion, and fairness. Interestingly enough, Rokeach (1973) would classify these ethical principles as "terminal values"—outcomes sought to be obtained through one's actions. Puffer and McCarthy (1995) and Kiezun (1991) both discuss many cultural values that the US and Russia share. In fact, Forsyth's idealism items reflect these shared values of fairness, safety, and dignity.

Even so, there are many methods by which one may fulfil their ends. Rokeach (1973) spoke of instrumental values (ways one acts) and Bem (1970) spoke of vertical and horizontal syllogisms reflecting "one's belief structure" on how things should work. DeGeorge (1990) defined ethics as involving both the values worth pursuing and the rules governing conduct. The results here show that while there may be areas of convergence on the former, there are significant differences regarding the latter. The Machiavellian measure focuses on one such belief—opportunism—which surprisingly did not reveal strong cross-cultural differences. However, differences were shown in the ECQ questionnaire for those dimensions that reflect instrumental beliefs regarding appropriate style of behaviour (showing concern for others, efficiency, instrumentality, professionalism) in the conduct of business. These results are consistent with others' arguments and observations that opportunism and favouritism represent a US—Russian ethical divide.

The difference in Russian versus US focus on self-interested behaviour and company efficiency (defined as performance over methods) also deserves careful consideration. Again, our data suggest that these differences are situationally created orientations resulting from the environment existing for entrepreneurs in Russia (Lorenzi & Ornati, 1988). However, we think the most important implication relates to the importance to Russians of managing personal relationships. Russia has been classified as a collectivist culture (Lawrence & Vlachoutsicos, 1990). Collectivist cultures stress the importance of building relationships, and the preference to do business with those in this close, personal friendship network (Volkema, 1998). Consequently, the people—relationship impact is a primary emphasis in decision making. It has been frequently noted that building relationships is a critical antecedent to successful joint ventures in Russia (Snively et al., 1998). Our results suggest that this interpersonal commitment may be a foundation of Russian ethical principles. Indeed, a careful inspection of our results shows the cultural differences to follow a specific and peculiar pattern. These Russian entrepreneurs were not hesitant to engage in behaviour that exploited opportunities to "beat the system". However, they were very committed to maintaining a high ethical orientation to their colleagues. That is, these Russian respondents make a person—organisation distinction on moral absolutes that their counterparts in the USA do not.

Even so, one must exercise great caution in attempting to make broad generalisations from a limited set of measures (Oslund & Bird, 1998) or data. Furthermore, attempts to link across constructs might also suffer problems of oversimplification. For example, while collectivism is a central Russian cultural value, recent work on this dimension has indicated that it is more complex than previously recognised (Schwartz, 1990; Triandis & Gelfand, 1998). Individualism is typically defined as a single-minded focus on self-interest whereas collectivism is viewed as a subordination of self to promote the group's welfare. Recent work has also identified the importance that in-group versus out-group distinctions play in terms of how this dimension affects actual behaviour (Earley, 1993). In particular, collectivist orientations are associated with a high promotion of in-group interests, but strong boundaries drawn regarding out-groups. In

fact, collectivists tend to engage in more antagonistic behaviours towards out-groups than do individualists. While this prior empirical work has primarily focused on Asian versus US cultures (e.g. Earley, 1989), anecdotal evidence exists to suggest that the principle may also apply in Russian culture (Manoukovsky, 1993).

This further distinction helps to theoretically ground our unexpected findings in the existing literature. For example, prior research has stated that "cell loyalty" is a central value among Russian workers (Lawrence & Vlachoutsicos, 1990). Indeed, Welsh, Luthans and Sommer (1993) demonstrated the opportunities Russian workers would sacrifice to avoid the potential perception of "finking" on coworkers or team leaders. Interestingly, their "dissent" was conducted within the rules created for the participation programme! Thus, the opinions expressed by the participants in this study might be used to infer that strong ethical behaviour may be displayed within the "local community" (one's business venture and network) but behaviour that Americans might consider unethical would not be considered so if manifested towards an out-group member. Obviously, this is a question that should be addressed by future research.

This study provides some of the first known empirical evidence regarding the ethical orientations of Russian entrepreneurs. However, as with any study, certain limitations need to be recognised and precautions suggested. First, while we theoretically derived the measures used in this study, they are only a small subset of all the potential aspects of ethical orientation that could be employed. While the three measures used here are informative, they are by no means comprehensive in explaining the complexity of ethical orientation. Additionally, we only measured attitudes and not actual behaviours of these entrepreneurs (a limitation further exacerbated by the Defining Issues Test failure). Second, the design of this study was cross-sectional. More sophisticated designs should seek to link ethical orientation to behaviour and venture performance using causal research designs. Third, we were fortunate in being able to survey Russians engaged in privatisation and entrepreneurial activities across several industries in several different geographical locations. However, the sample presented here is still a small proportion of the Russian population, and comes from a specific region of the country. Indeed they represent those who might be more proactive, as evidenced by their agreement to complete our survey. Finally, while we did endeavour to provide an appropriate US comparison, the conclusions are not as strong as if we had been able to generate a sample of actual US entrepreneurs (typically, the difficulty is the reverse). However, a recent study comparing US entrepreneurs to managers and to the general population found that entrepreneurs displayed a more principled level of moral reasoning (Teal & Carroll, 1999). From this we might infer that the differences in ethical orientation found here are understated and would have been more distinct with a sample of actual US entrepreneurs.

In conclusion, this study adds to existing discussions cautioning against oversimplification in building theoretical foundations for, as well as discussions cautioning against, overgeneralisation of the results obtained from conducting research in both the entrepreneurship and cross-cultural arenas. Our study shows that examinations of value differences need to carefully consider the type of values under study. For example, US and Russian entrepreneurs may share similar aspirations and terminal values, yet possess divergent beliefs about instrumental values. Not accounting for this instrumental/terminal distinction may be one reason why past cross-cultural ethical comparisons have provided mixed results. Furthermore, our findings add to a growing

body of work in entrepreneurship that shows the need to consider the interaction of dispositional and situational factors. For example, past research has identified specific dispositional factors thought to distinguish entrepreneurs from managers (e.g. high need for achievement). However, cultural influences (e.g. collectivism) may be a situational factor that influences how achievement is defined. Our results support the emerging notion of "hyper-norms" (Donaldson & Dunfee, 1994). This concept suggests that a set of fundamental principles may exist that are universal across culture in the abstract. However, the appropriate behavioural expectations to fulfil them are negotiated and defined within specific contexts and thus may differ across culture. This study suggests ethics as an additional antecedent to consider in developing theories of entrepreneurship. While developing a universal code of ethics (Schmegelmilch & Robertson, 1995) may not be possible, future research may produce middle-range theories that identify specific sets of mutual expectations to explain and direct ethical, cross-cultural, entrepreneurial activities.

REFERENCES

- Abratt, R., Nel, D., & Higgs, N.S. (1992). An examination of the ethical beliefs of managers using selected scenarios in a cross-cultural setting. *Journal of Business Ethics*, 11, 29-35.
- Ajzen, I., & Fishbein, M. (1980). *Understanding attitudes and predicting social behavior*. Englewood Cliffs, NJ: Prentice-Hall.
- Alam, K.F. (1993). Ethics in New Zealand organisations. *Journal of Business Ethics*, 12, 433-440.
- Allmon, D.E., Chen, H.C.K., Pritchett, T.K., & Forrest, P. (1997). A multicultural examination of business ethics perceptions. *Journal of Business Ethics*, 16, 183-188.
- Aquino, K. (1998). The effects of ethical climate and the availability of alternatives on the use of deception during negotiation. *International Journal of Conflict Management*, 9, 195-217.
- Bem, D. (1970). *Beliefs, attitudes, and human affairs*. Belmont, CA: Brooks/Cole.
- Brief, A., Dukerich, J.M., Brown, P.R., & Brett, J.F. (1996). What's wrong with the Treadway commission report? *Journal of Business Ethics*, 15, 183-198.
- Buller, P., Kohls, J.J., & Anderson, K.S. (1991). The challenge of global ethics. *Journal of Business Ethics*, 10, 767-775.
- Christie, R., & Geis, F.L. (1970). *Studies in Machiavellianism*. New York: Academic Press.
- Cullen, J.B., Victor, B., & Bronson, J.W. (1993). The ethical climate questionnaire: An assessment of its development and validity. *Psychological Reports*, 73, 667-674.
- Cyriac, K., & Dharmaraj, R. (1994). Machiavellianism in Indian management. *Journal of Business Ethics*, 13, 281-286.
- DeGeorge, R. (1990). *Business ethics*. New York: Macmillan.
- Donaldson, T., & Dunfee, T.W. (1994). Toward a unified conception of business ethics: Integrative social contracts. *Academy of Management Review*, 19, 252-284.
- Duffy, B., & Trimble, J. (1994, March 7). The looting of Russia. *US News & World Report*, 116(9), 36-47.
- Earley, P.C. (1989). Social loafing and collectivism. *Administrative Sciences Quarterly*, 34, 565-581.

- Earley, P.C. (1993). East meets West meets Mideast: Further explorations of collectivistic and individualistic work groups. *Academy of Management Journal*, 36, 319-348.
- Earley, P.C. (1997). *Face, harmony, and social structure*. New York: Oxford University Press.
- Earley, P.C., & Singh, H. (1995). International and intercultural research: What's next? *Academy of Management Journal*, 38, 327-340.
- Economist (1994a). Out of work in Eastern Europe. 9 July, p. 48.
- Economist (1994b). Russia's Mafia: more crime than punishment. 9 July, pp. 19-21.
- Evans, R. (1991). Business ethics and changes in society. *Journal of Business Ethics*, 10, 871-876.
- Fiske, A.P. (1992). The four elementary forms of sociality: Framework for a unified theory of social relations. *Psychological Review*, 99, 689-723.
- Ford, R.C., & Richardson, W.D. (1994). Ethical decision making: A review of the empirical literature. *Journal of Business Ethics*, 13, 205-221.
- Forsyth, D.R. (1980). A taxonomy of ethical ideologies. *Journal of Personality and Social Psychology*, 39, 175-184.
- Frese, M. (1995). Entrepreneurship in East Europe: A general model and empirical findings. C. Cooper & D. Rousseau (Eds.), *Trends in organizational behavior* (Vol. 2, pp. 65-83). New York: Wiley.
- Fritzsche, D.J., Huo, Y.P., Sugai, S., Tsai, S.D.H., Kim, C. S., & Becker, H. (1995). Exploring the ethical behavior of managers: A comparative study of four countries. *Asia-Pacific Journal of Management*, 12(2), 37-61.
- Hisrich, R.D., & Grachev, M.V. (1995). The Russian entrepreneur: Characteristics and prescriptions for success. *Journal of Managerial Psychology*, 10(2), 3-9.
- Hofstede, G. (1993). Cultural constraints in management theories. *Academy of Management Executive*, 7, 81-94.
- Ignatius, A. (1993). In capitalist Moscow, young business grads reap money and envy. *The Wall Street Journal*, 2 August, pp. A1, A4.
- Jones, A., & Moskoff, W. (1991). *Co-ops: The rebirth of entrepreneurship in the Soviet Union*. Bloomington, IN: Indiana University Press.
- Kaufmann, P.J., Welsh, D.H.B., & Bushmarin, N.V. (1996). Locus of control and entrepreneurship in the Russian Republic. *Entrepreneurship Theory and Practice*, 20, 43-56.
- Kiezun, W. (1991). *Management in socialist countries: USSR and Central Europe*. New York: Walter de Gruyter.
- Klein, J. (1994). Primal enterprise. *Newsweek*, 11 July, p. 37.
- Kohlberg, L. (1981). *The philosophy of moral development*. New York: Harper & Row.
- Lawrence P., & Vlachoutsicos, C.A. (1990). *Behind the factory walls: Decision making in Russian and US enterprises*. Boston: Harvard Business School Press.
- Leontief, W. (1990). Some Soviet lessons. *Challenge*, 33(5), 14-15.
- Lorenzi, G. & Ornati, O.A. (1988). Constellations of firms and new ventures. *Journal of Business Venturing*, 3, 41-58.
- Luthans, F., & Riolli, L. (1997). Albania and Bora: Lessons learned before the recent chaos. *Academy of Management Executive*, 11(3), 61-72.
- Lysonski, S., & Gaidis, W. (1991). A cross-cultural comparison of ethics of business students. *Journal of Business Ethics*, 10, 141-150.

- McCarthy, D.J., Puffer, S.M., & Shekshnia, S.V. (1993). The resurgence of an entrepreneurial class in Russia. *Journal of Management Inquiry*, 2 (2), 125-137.
- Manoukovsky, A. (1993). Russian management: How far from the west? *European Forum for Management Development Quarterly Review*, 2, 28-32.
- Matthews, O., & Powell, B. (1998). What really ails Russia. *Newsweek*, 8 June, p. 38.
- Michaels, J.W. (1994). A nation of hustlers. *Forbes*, 153, 14 February, p. 10.
- Missner, M.M. (1980). *Ethics of business systems*. Sherman Oaks, CA: Alfred Publication Co.
- Motowidlo, S.J., & Van Scotter, J.R. (1994). Evidence that task performance should be distinguished from contextual performance. *Journal of Applied Psychology*, 79, 475-480.
- Nadler, J. (1996). Married (often happily) to the mob. *Canadian Business*, 69, 31-33.
- Neimanis, G.J. (1997). Business ethics in the former Soviet Union: A report. *Journal of Business Ethics*, 16, 357-362.
- Nunnally, J. (1967). *Psychometric theory*. San Francisco: McGraw-Hill, Inc.
- Oslund, J., & Bird, A. (1998). Beyond sophisticated stereotyping: A contextual model of cultural sensemaking. *Academy of Management of Meetings*. San Diego, CA.
- Pepitone, A., & Triandis, H.C. (1987). On the universality of social psychological theories. *Journal of Cross-Cultural Psychology*, 18(4), 471-498.
- Plokker, K. (1990). The development of individual and cooperative labor activity in the Soviet Union. *Soviet Studies*, 42(3), 403-428.
- Powell, B. (1998). Requiem for reform. *Newsweek*, 7 December, pp. 38-41.
- Puffer, S.M. (1993). A riddle wrapped in an enigma: Demystifying Russian managerial motivation. *European Management Journal*, 11, 473-480.
- Puffer, S.M., & McCarthy, D.J. (1995). Finding the common ground in Russian and American business ethics. *California Management Review*, 37(2), 29-46.
- Rokeach, M. (1973). *The nature of human values*. New York: Free Press.
- Rubens, K. (1995). The practice of human resource management in Russia: Part 2. *Benefits and Compensation International*, 24, 2-8.
- Schein, E.H. (1985). *Organizational culture and leadership*. San Francisco: Jossey Bass.
- Schlenker, B.R., & Forsyth, D.R. (1977). On the ethics of psychological research. *Journal of Experimental Social Psychology*, 13, 369-396.
- Schmegelmilch, B.B., & Robertson, D.C. (1995). The influence of country and industry on ethical perceptions of senior executives in the US and Europe. *Journal of International Business Studies*, 26, 859-881.
- Schneider, B. (1987). The people make the place. *Personnel Psychology*, 40, 437-453.
- Schwartz, S.H. (1990). Individualism-collectivism: Critique and proposed refinements. *Journal of Cross-cultural Psychology*, 21, 139-157.
- Shapiro, D.L., Lewicki, R.J., & Devine, P. (1995). When do employees choose deceptive tactics to stop unwanted change: A relational perspective. In R.J. Bies, R.J. Lewicki, & B.H. Sheppard (Eds.), *Research on negotiation in organizations* (Vol 5, pp. 155-184). Greenwich, CT: JAI Press.

- Snavely, W.B., Miassoedov, S., & McNeilly, K. (1998). Cross-cultural peculiarities of the Russian entrepreneur: Adapting to the new Russians. *Business Horizons*, March-April, pp. 8-14.
- Strong, K.C., & Meyer, G.D. (1992). An integrative model of ethical decision making. *Journal of Business Ethics*, 11, 89-94.
- Taka, I., & Foglia, W.D. (1994). Ethical aspects of "Japanese leadership style". *Journal of Business Ethics*, 13, 135-148.
- Teagarden, M.B., Von Glinow, M.A., Bowen, D.E., Frayne, C.A., Nason, S., Huo, Y.P., Milliman, J., Arias, M.E., Butler, M.C., Geringer, J.M., Kim, N.H., Scullion, H., Lowe, K.B., & Drost, E.A. (1995). Toward a theory of comparative management research: An idiographic case study of the best international human resources management project. *Academy of Management Journal*, 38, 1261-1287.
- Teal, E.J., & Carroll (1999). Moral reasoning skills: Are entrepreneurs different? *Journal of Business Ethics*, 19, 229-240.
- Trevino, L.K. (1986). Ethical decision making in organizations: A person-situation interaction model. *Academy of Management Review*, 11, 601-617.
- Triandis, H.C., & Gelfand, M.J. (1998). Converging measurement of horizontal and vertical individualism and collectivism. *Journal of Personality and Social Psychology*, 74, 118-128.
- Tsalikis, J., & Nwachukwu, O. (1991). A comparison of Nigerian to American views of bribery and extortion in international commerce. *Journal of Business Ethics*, 10, 85-98.
- Vaicys, C., Barnett, T., & Brown, G. (1996). An analysis of the factor structure of the ethical climate questionnaire. *Psychological Reports*, 79, 115-120.
- Velasquez, M.G., & Rostankowski, C. (1985). *Ethics: Theory and practice*. Englewood Cliffs, NJ: Prentice-Hall.
- Victor, B., & Cullen, J. (1987). A theory and measure of ethical climate in organizations. In L. Preston (Ed.), *Research in corporate social performance and policy* (pp. 51-71). Greenwich, CT: JAI Press.
- Victor, B. & Cullen, J. (1988). The organizational bases of ethical work climates. *Administrative Sciences Quarterly*, 33, 101-125.
- Volkema, R.J. (1998). A comparison of perceptions of ethical negotiation behavior in Mexico and the United States. *International Journal of Conflict Management*, 9, 218-233.
- Walck, C.L. (1994). Understanding the bear: Executive commentary. *Academy of Management Executive*, 8(1), 56-59.
- Walck, C.L. (1995). Global ideals, local realities: The development project and missionary management in Russia. *Journal of Organizational Change Management*, 8(4), 69-84.
- Welsh, D.H.B., Luthans, F., & Sommer, S.M. (1993). Managing Russian factory workers: The impact of US-based behavioral and participative techniques. *Academy of Management Journal*, 36(1), 58-79.
- Welsh, D.H.B., Sommer, S.M., & Birch N. (1993). Changing performance among Russian retail workers: Effectively transferring American management techniques. *Journal of Organizational Change Management*, 6(2), 37-53.
- Wines, W.A., & Napier, N.K. (1992). Toward an understanding of cross-cultural ethics: A tentative model. *Journal of Business Ethics*, 11, 831-841.