

Business Ethics in Post-Soviet Economies: The Case of Moldova

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Abstract

Business ethics is an intriguing and constantly evolving phenomenon of post-Soviet economies, which are well known for corruption and questionable business practices. This study examines business ethics in the Republic of Moldova, a poor European country that re-emerged after the collapse of the Soviet Union. The academic perspective of the study traces a unique mixture of old perceptions and the contemporary approach to business ethics taken by foreign investors. A practical assessment indicates what to expect if one is planning to conduct business in Moldova. One of the authors, a permanent resident in the country, directed the pertinent field studies.

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1 Introduction

Academic and public interest in business ethics is growing, primarily as a result of the influence of organizational culture in business processes, corporate management, and performance evaluation. Many studies have demonstrated close relationship between the level of organizational culture and the selected performance metrics. More and more companies tend to promote higher standards

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of business ethics and organizational culture. Globalization diffuses these standards all over the world.

The interactions between business and ethics are complicated, because market relations require compromises and constantly evolve. On the one hand, the market offers opportunities to satisfy individual interests. On the other hand, the market cannot exist without relationships, and good market performance thus demands constant collaboration with others. Contractual relationships are based on certain social values: trust, loyalty, honesty, hard work, and mutual respect for business commitments. If the market is dominated by self-interest, a business becomes predatory and erodes the market (Plant, 1992).

Today the scope of market relationships is quite broad and encompasses many ancillary areas, such as employee health services, benefits, training, and information dissemination. Corporate moral standards affect employee rights and responsibilities. It is fair to say that conducting business now goes beyond purely market relations and governing policies and extends well into the areas of ethics, traditions, culture, and morality.

A company's reliance upon standards of business ethics greatly influences its economic performance. Studies by the Ethics Resource Center in Washington, D.C. and the Institute of Business Ethics in London indicate that companies that apply ethical codes of behavior obtain better long-term financial outcomes (Fulmer, 2004). Recent economic downturns have challenged even the most experienced businesses to find a proper balance between ethics and expediency to guarantee their survival. In the long run, however, a company should be able to develop a strategic mode of operations guided by ethical principles to maintain its public image and preserve a competitive advantage.

Post-Soviet economies have adopted a very specific attitude toward business ethics. Although ethical behavior is supported by traditional societal values, religion, history and the habit of obedience, a continuing fragile economic situation suggests to businesses in these economies that many tough and sometimes unethical decisions must be made quickly when a window of economic opportunity suddenly closes.

Moldovans in many ways share post-Soviet traditional values, despite their closeness to Europe and their long-established relations with Romania, now a member of the EU. To show how new and old post-Soviet perceptions coexist in Moldovan business ethics is one of the goals of this article. We also will compare business ethics in Moldova with global business ethics. Despite significant differences, there are many commonalities.

2 Review of the literature on business ethics

Business ethics is a relatively young field of academic analysis, and studies of the interaction of business ethics with organizational culture are relatively limited. The most important work on intercultural management has been done by Geert Hofstede (1980), who argues that culture is a “collective programming of thinking.” He identifies three levels of mental programming:

- 1) The individual level represents the unique, strictly personal, part of mental programming. This notion fully explains the potentially different behavior of two persons, even if they are a part of the same group.
- 2) The collective level refers to a social or economic group that differs from other groups in the same category. Hofstede argues that human nature usually differs at this level. The components of the collective level are the spoken language, traditions, and behavior of the group’s members.
- 3) The universal level affects the entire society and reflects general human biological or physiological needs and functions (Graham, 2013).

Hofstede’s theory has been applied in multiple research studies and has also been further developed and reviewed. Gray (1988), for example, hypothesized that countries with a high degree of individualism and a comparatively low degree of uncertainty avoidance and power distance are more progressive and demand high professionalism of managers.

Hofstede has been widely criticized, primarily for his use of surveys to analyze culture. In his second edition of *Culture’s Consequences*, published in 2001, he addresses some of these critical issues (Browaeys & Price, 2011). He argues that while research should not be limited to surveys, they are useful for purposes of analysis. With respect to the number of dimensions considered, Hofstede suggests that it be expanded if necessary. Indeed, he finds a significant correlation between dimensions, and believes that the meaningful number of dimensions is five.

Organizational culture has been far less widely analyzed in the former Soviet Union than in the West. However, some Russian sources that take a close look at post-Soviet societies may offer valuable observations. The researchers Diev and Ligdhenova (2011) hold that globalization is the main influence on business ethics and organizational culture in modern Russia. They consider Russian and post-Soviet societies to be characterized by strong paternal values and high risk avoidance.

Trufanov (2014) studied the impact of organizational culture on processes within a company, its operations, competitiveness, and overall efficiency. He found that such influences are tangible and observable. According to him, organizational culture shapes internal communication in vertical and horizontal dimensions. It also affects such matters as the career and social life of employees through the

process of decision-making and the establishment of an attitude toward one's career. Organizational culture usually determines operations, work attitude, and communications. Finally, organizational culture has an effect on the public image of the company, its reputation, and ultimately its market competitiveness.

Russian and other post-Soviet publications view business ethics and organizational culture mostly on a very abstract level. They are unable to provide broad empirical evidence, owing to a lack of long-term observations and reliable data and a limited history of applying quantitative research strategies to social phenomena.

Moldovan publications do not discuss developments in organizational culture and business ethics. However, some studies of the Moldovan economy have been published abroad. For instance, Ghedrovici and Ostapenko (2013) used a comparative approach to examine recent economic and business changes in Belarus, Ukraine, and Moldova through the lens of post-Soviet cultural perceptions. The authors concluded that despite strong skepticism about the practicality of ethical considerations, changes in the business environment and entrepreneurial spirit are taking place in Moldova. Alexander and Ghedrovici (2013) assessed the impact of cultural values on accounting and financial reporting in the country. They observed that habits inherited from the former Soviet "business arsenal" are serious barriers to present-day economic and social growth, and any attempt to introduce progressive change faces a long struggle.

As for other post-Soviet countries, available studies lack long-term observations and a strong academic foundation. The research is recent and offers few historic data comparisons with respect to private business and business ethics in particular.

Asaul (Asaul et al., 2006) analyzes corporate culture on the basis of ethical norms within different religions and societies. The study reveals that objectives, measures to achieve them, and results vary significantly by country. Specific national features cannot be ignored by large foreign companies that operating within a given country.

Many authors address the relationship between business ethics and organizational culture from the point of view of the impact of organizational culture on the corporate ethical pattern of behavior. Militaru and Zanzfir (2012) refer to the influence of organizational culture on ethical principles. They argue that organizational culture affects how various specialists think and act. At the same time, an organizational culture that is based on strong ethical principles can be a long-term competitive advantage. The authors show the reciprocal influence of organizational culture and business ethics.

Graham (2013) analyzes the role of corporate culture in business ethics. He identifies two approaches to the improvement of ethics in organizations. The first

approach entails creating a uniform corporate culture around core ethical values. Such an organization represents the “culture of character.” The second, the “subculture approach,” assumes that instead of trying to create a single cultural standard, an entity attempts to distinguish the value of differences between subcultures.

Demirtas (2013) examines how ethical aspects influence organization. Ethical conduct is decisive for corporate leadership, he believes, and the approach of analyzing business ethics as a result of organizational culture thus predominates in most research scenarios. It is not clear whether a reverse causality was considered. Besides creating a wide range of literature that seeks to define and conceptualize business ethics and organizational culture, many publications are dedicated to the interrelationship between the two. All authors agree that there is a relationship, although it is not always clear which variable depends on the other.

As a phenomenon and process, organizational culture has a high potential to affect both a business and the performance of its staff. This relationship seems to be extremely important for practitioners. In addition, according to some researchers (Kandula, 2006), the key to good corporate performance is a good corporate culture.

Performance can be defined as a degree of achievement of a mission in a workplace that triggers promotion (Cascio, 2006). However, definitions vary among organizational culture researchers. Stannack (1996) views performance as a measurement of transactional efficiency and input or output efficiency. Daft (2000) concludes that organizational performance is an organization’s ability to accomplish its goals by using resources effectively. These findings suggest that it is crucial for a company to develop strategic plans for its future growth and then to create a performance evaluation system that can evaluate the achievement of organizational goals.

The Strategic Performance Management System (SPMS) is a new approach to measuring performance that is strongly correlated with the corporate culture. Chenhall (2005), Vein, Burns, and McKinnon (1993) have suggested that the SPMS can translate and measure both financial and nonfinancial performance and thus provide means to increase the strategic competitiveness of an organization. The SPMS emphasizes team, rather than individual, performance, and shifts the role of supervisor from that of manager to that of coach or mentor. The SPMS begins with planning and an organizational commitment. At this stage, targets for achievement and the relevant measurements are established. The next stage concerns the monitoring of performance, to enable the organization to move to the next stage of evaluation with better results. The evaluation assumes an analysis of target achievement and overall results. At the end of it, rewards should be distributed, and then further planning ensues.

Denison (1990) developed a theory of the impact of organizational culture on performance. The theory focuses on four cultural traits: involvement, consistency, adaptability, and mission. These traits are viewed as key determinants of business performance. Denison argues that the performance of an organization is strongly correlated with the degree to which cultural values are comprehensively shared.

Ahmad (2012) analyzes the relationship between organizational culture and performance management practices. Statistical analysis reveals positive correlations, and Ahmad concludes that a strong organizational culture is associated with the application of performance management practices.

Other studies show that a relationship between cultural attributes and high performance is not consistent over time (Sorenson, 2002). However, all the effects of organizational culture on business and employee performance are based on the following conclusions (per Bulach et al., 2012):

- 1) Knowing the culture of an organization helps employees understand the organization's history and ways of operation. This knowledge provides guidance for potential and expected future events and behaviors.
- 2) Organizational culture contributes to a commitment to the organization's philosophy, goals, and values. This commitment generates a common desire to work together for shared results. Organizations can be more effective if employees share values.
- 3) Organizational culture can be viewed as a control mechanism to modify behaviors in a desirable direction. It can be used to recruit, select, and retain employees whose values correspond to those of the organization;
- 4) Some types of organizational cultures are more directly associated with significant effectiveness and productivity than others.

The last, but not the least important point concerns *corporate social responsibility* (CSR), measured in terms of effectiveness and performance. The benefits of CSR are hard to quantify. Some authors have found a correlation between social good and financial performance (Oritzky, Schmidt, Rynes, 2003). Others (Harrison and Freeman, 1999) have argued that there is a theoretical problem in determining whether CSR contributes to corporate performance because of "economic effects" or whether "social effects" are also economic. Research into the role of corporate social responsibility in business performance produces mixed findings. Naseiku, Togun, and Olugunmi (2014) state that the "relationship between CSR and economic performance is confusing and far from conclusive (Naseiku, 2014)".

However, a poll conducted in the U.K. in 1999 showed that 41% of consumers considered information about the social responsibility of the company "very important" in the decision to purchase goods or services, and for another 41% this information was "important enough (Golovnev, 2004)." This economic proof of the importance of social responsibility puts ethical interests in context with

economic interests and makes social responsibility a very attractive and useful tool of business growth. The ethical aspects of CSR have been described as “the alignment of business operations with social values. It is not ethical to give attention only to shareholders and neglect employers’ and customers’ interests” (Gotherstrom, 2012).

Review of the literature also shows that cultural dimensions are very specific to the regions and nations in question (Asaul et al., 2006). Because Moldova consists of two different cultural areas – a Slavic one and a Romanian one –it combines traditions of both. It was also significantly influenced by Soviet-style ambitions.

3 Moldovan business ethics: historical and cultural grounds

The Republic of Moldova, within its current borders, was shaped by the expansion of such large entities as the Ottoman Empire, the Kingdom of Romania, the Russian Empire (in the nineteenth century), modern Romania, and the Soviet Union (in the twentieth century). As a single state, it has been created from two culturally, historically, and ethnically different parts: annexed Bessarabia, long part of Romania, and a slice of Western Ukraine, characterized by Russian (Slavic) traditions. Moldova is still divided by these differences: a part of the country is pro-Russian; the rest is tightly controlled by the Moldovan government, which has a pro-Western European orientation. This division pulls the country in opposite directions and is reflected in its political, economic, social, and cultural makeup.

When Joseph Stalin published “Year of the Great Turn”(1929), which signaled a turn away from the New Economic Policy (NEP) and toward collectivization, the Moldavian Autonomous Soviet Socialist Republic, established in 1924,was an integral part of the Soviet Union. The economic miracle promised by Stalin was based on the exploitation of a free workforce and the fear of the people forced to share his ideals. Through massive repression, he sought to suppress all differences among the Soviet republics and eradicate national self-determination. Everywhere in the Soviet Union, the most talented and educated people were proclaimed to be “enemies of the state” and were executed or deported. Russians were ordered to migrate to Moldova and to promote “moldovenism” by turning Moldovans into Soviets. Mandatory expansion of the Soviet culture, including the use of the Russian language, denied individualism and brought societal values under Soviet government control as a main instrument for achieving mass obedience.

The belief in “shared values,” the absence of transparency, the lack of a sense of ownership, and inefficient control provoked widespread corruption in the country. At the same time, the acceptance of externally imposed rules impaired the

Moldovan population's sense of national self-esteem, personal responsibility, and independence of opinion. The Moldova artificially created from the fusion of two different cultures – Russian/Ukrainian and Romanian–became a serious impediment for people in search of national identity and national pride.

An analysis conducted by Gratchev (Gratchev, 2011) of the impact of culture on business in various countries demonstrates that the former Soviet republics were characterized by a “disproportionately significant number of disadvantages,” such as the unwillingness to invest in future economic development, the lack of a culture of rewarding outstanding results, and the ability to get away with poor job performance. All these traits have continued to flourish in Moldova since the breakup of the Soviet Union.

The system of “blat,” which allows one to get anything via in formal networks and contacts with important people, originally emerged as a solution to glaring retail deficit and selective distribution of desirable goods. The system functions to this day in Moldova. Quality products and services, profitable clients, and prestigious jobs are obtained not through market competition but through personal connections and “business reciprocity.”

For a long time, Moldovan business ethics has been influenced by the shadow economy, and informal economic activity has been based upon dubious business rules and regulations. The shadow economy principally involves the concealment of business (illegal entrepreneurship), business operations, labor recruitment, and income.

Informal economic activity is also widespread, and it affects the economic environment in various ways. First, there is legal informal activity, for example, household-based production and domestic farming for internal consumption and resale. There is also extra-legal economic activity, such as the creation of financial pyramids, which conflicts with the rights of other businesses. Finally, there is semi-legal economic activity, which generally complies with current law but occasionally extends outside it. Examples are working without a license, hiring without registration, and avoiding taxation (Kantemirova, 2004). The ethical standards established during Soviet domination informed the organizational mindset in Moldova. As a result of the forceful unification of two nations, Romanians and Ukrainians, the culture presents a complicated mix of Romanian and Slavic perceptions, fears, and attitudes in every area of business life, ranging from individual households to big businesses.

As a result of these historical preconditions and the economic and political influences coming from both East and West, business ethics in Moldova is a complex and rather confused phenomenon. Business culture is misunderstood and underdeveloped, and business ethics mainly represents a trend brought to the country by a few international companies operating there. Local Moldovan

businesses still have a long way to go to recognize the need to apply ethical norms for the success of their business operations.

4 Contemporary Moldovan business ethics

A radical shift to modern values is prevented mainly by the following obstacles:

- a) The fundamental principle of capitalist society, the inviolability of private property, is not fully accepted in the country. The traditional Orthodox view disdains materialism, money-making opportunities, and wealth. Moldovans continue to deny the merit of wealth, even when earned by hard work. Business competition is weak, and it neither rewards the best nor punishes the worst.
- b) Attitudes toward the rule of law are ambivalent. Unethical behavior is accepted as a means of survival under the prohibitive business regulations and abuses of the state authorities. The most successful businesses in Moldova, usually controlled by the oligarchs, easily ignore regulatory requirements and business laws. It is hard to focus on business ethics when the oligarchs are amassing wealth by openly manipulating the system, while the middle class has no choice but to accustom itself to the perpetually worsening economic situation. However, in September 2015, the longest and largest street protests ever occurred in Chisinau, Moldova's capital. The protests, a signal of the growing economic consciousness of the masses, were occasioned by the publicized theft of \$1 billion from Moldovan commercial banks that were closely associated with the government elite.
- c) The state and the private sector do not collaborate effectively. Attempts to demonstrate collaboration through business associations and discussion panels are superficial and unable to bring about meaningful economic changes. The European Business Association and the American Chamber of Commerce, the most powerful business associations in Moldova, recently witnessed the complete collapse of the dialogue between the government and the private sector. For example, in 2015, none of the traditional consultations of the government with business representatives about changes in fiscal and customs policy took place. The companies do not know what to expect in 2016 in terms of business taxes and fees.
- d) Corruption of the authorities is commonplace and is taken for granted in Moldova. Up to 40% of the population admits paying bribes for favors,

according to a Transparency International study (2014).³ This situation makes business ethics appear to be more a good wish than an action point.

Hofstede's comparative cultural dimensions were not measured for Moldova. Because the economies of Moldova, Ukraine, and Romania are quite similar, we will examine the Ukrainian and Romanian circumstances in an attempt to shed light on the Moldovan economy. Ukraine is close to Moldova in business culture, insofar as the countries share a common Soviet past. Romanians and Moldovans belong to the same ethnicity and share many common cultural values (see table 1 below).

Table1. Comparative illustration of Hofstede's classification for Ukraine and Romania⁴

<i>Hofstede's classification</i>	<i>Romania</i>	<i>Ukraine</i>
<i>Power distance</i>	Score 90. The society accepts hierarchical division without any objections and additional explications. The boss/supervisor must indicate what to do; the subordinates respect the orders.	Score 92. Close to Romania. Personal status is very important, as in Soviet culture, where people with power were influential and somewhat wealthy. All spheres of business interaction represent status roles.
<i>Individualism</i>	Score 30. Collectivism is popular. All relations in the society are perceived through group thinking and attitude. Employer/employee relationships are perceived in moral terms (as comparable to family ties).	Personal relationships and friendships are important in every sphere, including business.
<i>Masculinity</i>	Score 42. Relatively feminine society. In feminine countries the focus is on "working in order to live." Equality and solidarity are important. Conflicts are resolved by compromise and negotiation.	Score 25. Ukrainians talk modestly about themselves, and scientists, researchers, and doctors are most often expected to have a modest standard of living.

³http://www.transparency.org/whatwedo/publication/moldova_national_integrity_system_assessment_2014

⁴ Table compiled from <http://geert-hofstede.com/ukraine.html> and <http://geert-hofstede.com/romania.html>

	Free time and flexibility are favored.	Dominant behavior might be accepted from supervisors/bosses but is not appreciated among peers.
<i>Uncertainty avoidance</i>	Score 90. A very high preference for avoiding uncertainty. There is an emotional need for rules, therefore time is money. People feel an inner need to be busy and work hard, precision and punctuality are the norm, innovation may be resisted, and security is an important element in individual motivation. ⁵	Score 95. Ukrainians prefer to have context and background information. When they interact with unknown persons, they prefer to be very formal and distant. At the same time, formality is a sign of respect. ⁶

Many Russian and Moldovan researchers argue that all post-Soviet cultures have many rudimentary commonalities. Shared history is still an important determinant. Although the transition to a market economy is altering traditional business strategies and attitudes, post-Soviet societies share a high level of risk avoidance. In more advanced societies, there is widespread risk acceptance. The Moldovan business environment is based on high risk avoidance, as was the case during Soviet times.

Contemporary management in all transitional economies, including Moldova, is characterized by a specific attitude toward safety. Safety means protecting already-obtained wealth. Paternalism and vertical hierarchy are other values of Moldova's organizational culture. A supervisor must show a paternal attitude toward staff. Similar values exist in Japan, China, and other Asian countries; however, the Asian approach is more authoritative. In Moldovan and post-Soviet societies, the supervisor accepts responsibility for taking care of the personal life of his staff. The boss/supervisor not only issues orders but also personally cares, normally, about employees.

It is worth mentioning that power distance in Moldova reflects paradoxical attitudes. On the one hand, people do not respect power and privately criticize power structures. On the other hand, people rely on power distance in the search for order, and they often fear the powerful, as they did in the Soviet past.

⁵<http://geert-hofstede.com/romania.html>

⁶<http://geert-hofstede.com/ukraine.html>

According to Hofstede, Eastern societies are more unlikely to promote individualistic values and are more oriented toward risk avoidance. The modern organizational culture in Moldova is situated somewhere between the Western and the Eastern models; it combines characteristics of both. Risk avoidance is higher than in Western societies; however, an individualistic approach is more dominant than in the Eastern collectivistic societies.

The main hypothesis we have sought to test is whether the presence of foreign capital in the country changes the attitudes of employees, and whether the size of a company plays a significant role in employees' ethical perceptions. For this purpose, we interviewed employees at selected Moldovan companies. The format of the surveys was based on Oates (2010), with some modifications and additions. In the analysis, we used the Kitchenham & Pfleeger (2003) methodology developed for surveys. We tested the hypothesis that results can vary by company size, because organizational culture is strongly correlated with team spirit and frequency of employee interactions, depending on the size of the company. Also, we tested the influence of the presence of foreign capital on considerations of corporate ethics.

Small and medium-size companies account for more than 97% of all enterprises in Moldova,⁷ and are thus representative of the state of organizational culture in the country's economy. We divided companies into two categories: (1) micro, small, and medium-size and (2) big. The latter category was split into two subcategories: international and local. In total, 75 respondents were interviewed, 50 in the first category and 25 in the second. The size categories correspond to those identified by Moldovan Law 206-XVI of July 7, 2006,⁸ "On Support of Small and Medium-Size Enterprises":

- Micro enterprises with fewer than 9 staff members, sales of up to 3 million Moldovan lei, and total assets of up to 3 million lei;
- Small enterprises with 9 to 45 staff members and sales and assets of up to 25 million lei;
- Medium-size enterprises with no more than 249 staff members and sales and assets of up to 50 million lei.

The suggested discussion points of the survey were as follows: (1) My organization has a clear set of values and ethical standards that are well communicated and understood by all employees (Q1); (2) The leadership of my organization demonstrates sound ethical standards and leads by example (Q2); (3) My direct management sets a good example of ethical behavior (Q3); (4) I understand the values and code of ethics and comply with the highest standards of ethical behavior (Q4); (5) People within the organization generally comply with

⁷ <http://www.statistica.md/newsview.php?l=ro&id=3797&idc=168>

⁸ http://lex.justice.md/document_rom.php?id=A1FF626A:DAEE01B1

the highest standards of ethical behavior (Q5); (6)I am aware of people within the organization who have violated the values and code of ethics (Q6); (7)There is an anonymous means to report violations (Q7); (8)Management takes appropriate actions against employees who violate the code of ethics (Q8); (9)People outside the company believe that the company has a strong ethical culture (Q9); and (10)There is a need for significant improvements in the ethical behavior of employees (Q10).

The aggregate quantitative results of the responses are presented in Figures 1,2, and 3.

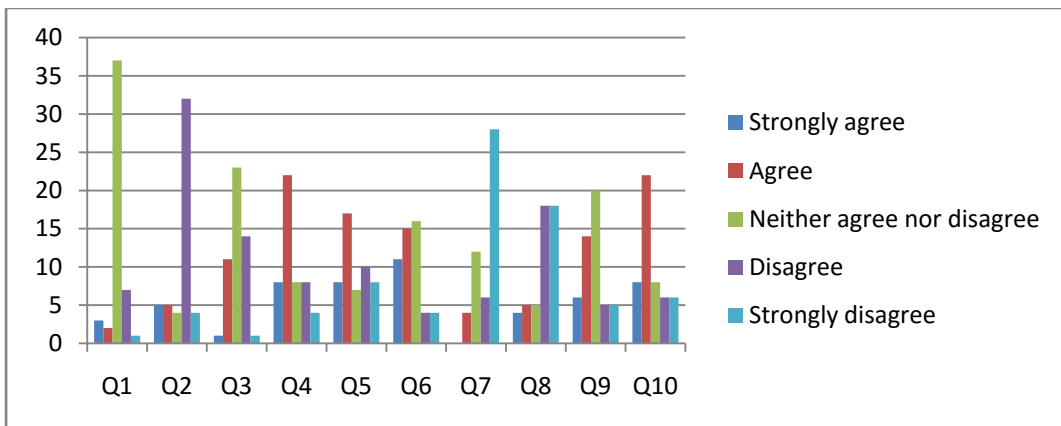


Figure 1.Survey of micro, small, and medium-size enterprises in Moldova

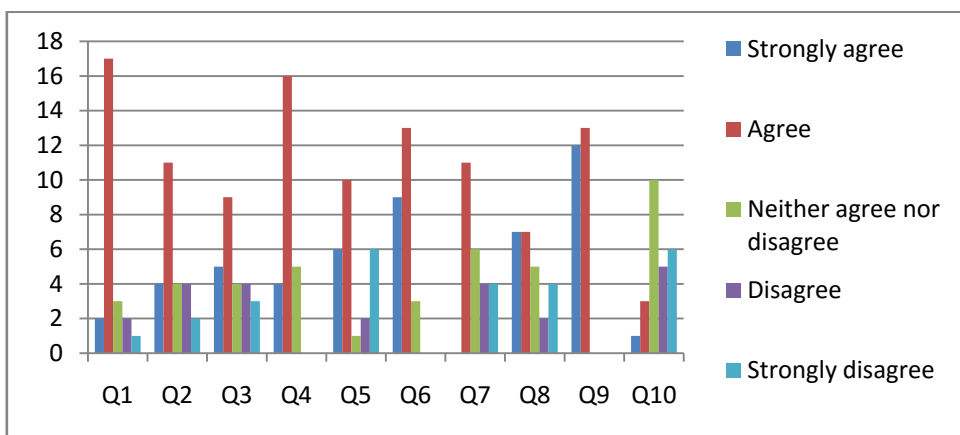


Figure 2.Survey of big enterprises in Moldova

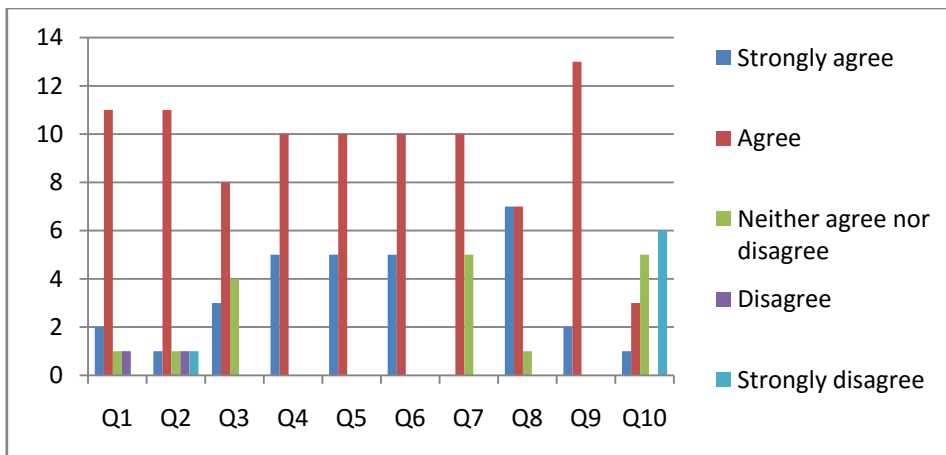


Figure 3. Survey of big enterprises with foreign capital in Moldova

The analysis produced the following conclusions:

1. Staff members at big companies are better informed about ethical values and how they should be addressed within the company.
2. Ethical values are not declarative but rather should be embedded in the work of supervisors and managers at big companies.
3. The staff members at big companies better understand and comply with the corporate ethical standards.
4. Problems with ethics are mostly not reported in small companies, while big companies usually have a procedure that brings them to light.
5. A strong ethical culture is important to enhance the corporate image.
6. In companies where the executives support ethical values, staff compliance with the ethical rules is better.
7. Companies with foreign capital more readily apply standards of business ethics in daily operations.
8. Employees of companies with foreign capital are better informed about corporate ethics.

In general, we conclude that the idea of a code of ethics was introduced to Moldovan business mostly through the foreign investments and operations of international companies in the country. Small companies are almost unaware of the existence and significance of business ethics in daily operations. This situation is indirectly confirmed by the results of an annual anonymous survey conducted by AXA Moldova about conditions of employment and attitudes toward ethics. In

2015, all the employers selected as Moldova's best represented big international companies, such as Coca-Cola, Gas Natural Fenosa, Moldcell, and Draxelmeyer.⁹

This result stems from the greater financial stability of big companies and their more frequent emphasis on long-term business strategies. Typically, they are members of the American Chamber of Commerce and the European Business Association of Moldova. These organizations send delegates to almost all government-run events to represent their interests. They are important and powerful partners of the government and parliament in developing and promoting business laws and regulations. The membership fees for the associations are quite high for small businesses, but they otherwise have no opportunity to be heard and to learn from others. Small companies struggle under permanent pressure from the state authorities, lenders, and customers and have extremely limited resources to fight for business rights. Obviously, under these conditions, issues of business ethics are at the bottom of the list of immediate priorities.

Making a moral commitment and building an ethical foundation are essential steps to integrate the efforts of all business stakeholders: employees, owners, unions, creditors, suppliers, the community. In the long run, adherence to ethical standards strengthens the competitive advantages of the businesses and makes the overall economy healthier. Knowledge of the rights, duties, and responsibilities of each economic agent can reinforce the links between a company and its stakeholders and contribute to overall economic growth. The success of a business is determined by its ability to offer a social good and to maximize profit. A popular single-dimensional profit motive alone generates a number of disadvantages for the general welfare and for the interests of the communities where specific companies operate.

5 International comparison of Moldovan business ethics

Business ethics and organizational culture vary around the world because they are determined by a host of economic, cultural, legislative, and social factors. It is widely acknowledged that U.S. companies often occupy top positions in world ratings of business ethics. Out of the top 132 most ethical companies in the world, selected by the Ethisphere Institute of Arizona, 99 are American.¹⁰ All other countries have more modest representation on the list.

Moldovan businesses are literally absent from broad academic discussions, especially from the standpoint of business ethics and organizational culture. The

⁹<http://unimedia.info/stiri/video-topul-celor-mai-buni-angajatori-din-moldova--unde-poti-avansa-in-cariera-si-avea-un-salariu-pe-masura-105062.html>

¹⁰<http://ethisphere.com/worlds-most-ethical/wme-honorees/>

country is very poor by European standards, and market relations there are underdeveloped. Therefore both business ethics and organizational culture are in an embryonic stage. A possible comparison of U.S. and Moldovan business ethics seems to have no reasonable grounds. Considering Hofstede's cultural dimensions, we noted contrasting situations: in the U.S., flourishing individualism, a cult of material values, high expectations in terms of professionalism, and an emphasis on entrepreneurial initiative (low risk avoidance); in Moldova, a still pro-collectivistic mentality, a skeptical attitude to accumulation of wealth, endless corruption in the government bureaucracy, and high risk avoidance.

However, major differences in organizational culture and business ethics are related to and dictated by the level of business maturity. As we have emphasized, Moldovan society and business are very close to Eastern traditions, owing to the country's Soviet past. However, profound cultural values and, more important, current tendencies are affected by globalization and the growing popularity of Western business strategies. In addition, problems with the application of best business practices to organizational culture are similar in many transitional economies, because they are greatly influenced by human nature and globalization.

Though Moldovan business ethics are not based on individualistic values, and indeed the mature generation of businessmen grew up with Soviet traditions, young entrepreneurs, especially those educated at U.S. or European universities, as well as those working for foreign companies in Moldova, are successfully modifying many remnants of the past. Understandably, America has along business tradition developed over generations of private business ownership, while Moldovan companies, especially small and medium-size ones, are hampered by a severe lack of market experience as they struggle to understand and implement basic business strategies.

6 Future trends in Moldovan business ethics

Moldova is actively participating in the globalization process, and its business culture is increasingly inspired by the Western economic model. Ethical business principles have yet to be developed in Moldova. The main effort to privatize state property has ended; therefore, market competition is expected to arise among companies and individual entrepreneurs. The fight to gain customers, new markets, and sales is becoming a daily routine for many successful businesses. The disregard of business ethics can now cost more than the expense of implementing ethical principles. In the end, adherence to these principles is more effective and sustainable than any gains achievable under current conditions. Some international companies have already successfully "imported" and implemented the parent companies' ethical codes. Cell phone operators (Moldcell,

Orange) and commercial banks (such as Mobisbanca, part of the Groupe Societe Generale) are actively promoting ethical values among their employees and partners.¹¹ Corporate social responsibility as a component of business ethics is becoming mandatory. Moldcell and Orange sponsor many academic and social programs, including support for vulnerable children and university conferences.¹² Mobiasbanca and other banks have become regular sponsors of Moldovan sports competitions.¹⁴

However, in discussing Western values and their place in the midst of Moldovan realities, we must be aware of the many challenges. A European survey conducted in 2009 demonstrated that tolerance for unethical behavior is still alarming (Oates, 2010):

- 47% of the respondents noted that one or more types of unethical behavior are acceptable if a business needs help to survive;
- 25% of the respondents said it is acceptable to pay bribes to start a new private business;
- 13% of senior managers and board members opined that misstating financials is justifiable under contemporary chaotic economic conditions (Oates, 2010).

At the same time, our analysis has shown that companies with foreign capital are more likely to implement principles of business ethics and to develop organizational culture in order to absorb best practices. There is a reasonable hope that the implementation of the EU-Moldova Association Agreement of September 1, 2014, and the country's growing visibility in the international arena will attract more foreign investment and thus expand ethical organizational culture among local companies.

The standards of business ethics primarily observed by big foreign companies should spread across the board. The business environment grows more civilized when guided by the rule-of-law principle. The reforms announced by the government to modernize the country's judiciary system contribute to a belief that neither personal relations nor "blat" will rule the future of Moldovan businesses, but that real market competition will instead prevail. That development will benefit both businesses and customers.

Moldovan companies that employ mostly young and educated people must adapt to European values in such matters as job equality, customer focus, and zero

¹¹http://mobiasbanca.md/responsabilitate_sociala

¹² <http://moldcell.md/node/22770>

¹³ <http://fundatia.orange.md/>

¹⁴ <http://mobiasbanca.md/noutati/Mobiasbanca-a-felicitat-Special-Olympics-Moldova-cu-cea-de-a-20-a-aniversare>

tolerance of corruption, and must avoid situations that can adversely affect their public image. Private business has started to accept this necessity. For instance, ROGOB, a well-known meat supplier, was recently accused in the press of having overly close relations with the oligarchs. The company immediately provided the public with proof to the contrary; otherwise, it would have risked losing many customers.

Business transparency is also improving. The Law on Accounting Practices, adopted in 2007,¹⁵ mandated use of the International Financial Reporting Standards (IFRS) in some sectors of the economy, such as banks, insurance companies, and pension funds. Other companies are voluntarily adopting the IFRS and steadily modifying their internal accounting policies. Many experts expect¹⁶ that the application of international standards of accounting will result in more realistic performance disclosure and thus in more transparent reporting in general. It is worth noting here that many international companies have operated with two sets of books, especially before 2008, when the law came into force. One set was prepared for the local tax authorities, another for the parent companies abroad. Use of the IFRS brings transparency by enhancing the accuracy of financial information and permitting international comparability. It enables investors and other market participants to base economic decisions upon accurate, complete financial information.¹⁷

Business ethics and organizational culture are at a very early stage of development in Moldova. To promote them, the country should seek to establish macroeconomic, legislative, and regulatory stability. Development of fair market competition and equal treatment of all market participants are vital. If achieved, business ethics, based on self-actualization and esteem as ultimate values, according to Maslow's hierarchy of needs,¹⁸ will grow from the inside out.

7 Conclusion

A broad array of literature addresses the nature of business ethics and organizational culture, their interrelations and cross-influences, and the impact of business ethics and organizational culture on business performance. Our study has found that, despite many recent positive changes and trends introduced by big companies with international affiliations, core business strategies in most

¹⁵<http://lex.justice.md/md/324098/>

¹⁶ <http://www.contabilsef.md/print.php?l=ru&idc=44&id=4444>

¹⁷ <http://www.ifrs.org/About-us/Pages/IFRS-Foundation-and-IASB.aspx>

¹⁸ <http://psychclassics.yorku.ca/Maslow/motivation.htm>

Moldovan businesses remain negatively affected by the traditions of Soviet times and popular perceptions from past decades.

There is no doubt that the nature of business in the country is slowly changing, but the emphasis on fast profit maximization remains dominant. Moldovan companies are too traditional, too conservative. They lack transparency and distrust the authorities. One feature of the Moldovan business environment is a visible divide between the interests of society, those of shareholders, and those of management. Doing business there means to have an idea, and implementing that idea is understood as putting together a money-making operation, regardless of the interests of the society, the community, or employees.

Ethics in business is not yet viewed as a part of management strategy to achieve long-term success. In internationally affiliated companies, ethics is a strategy adopted from the parent company. Large corporations invest in local community programs and know how to promote them. Involvement in social issues is beneficial to both company and community. In time, global brands are always associated with smart investment in many social projects. Telecommunications companies have become known, for example, for doing projects for children and supporting ideas within the corporate social responsibility program. Famous banks in Moldova have become important sponsors of many sports events.

Like technology, ethics keeps getting imported into the country. But in many companies, business ethics is not yet seen as a part of management strategy; it is regarded as a simple act of benevolence rather than a condition of successful market participation. Corporate social responsibility programs are reduced to mere sponsorship of sports events or random offerings of money or gifts to just a few recipients. Moldovan companies are not audited socially, and impressive community support programs are few.

In the contemporary business environment, companies are no longer isolated entities but rather are dependent on each other through market ties. Companies are like links in a chain; dropping a link can undo the whole chain. Most small and medium-size enterprises in Moldova still do not understand the advantages of building a strong organizational culture and business ethics. In addition, a resistant post-Soviet mentality is still present in many aspects of life, including business, as is evident in the appreciation of collectivism, the lack of critical thinking, and high risk avoidance. It remains to be seen how long Moldovan business will cling to the status quo.

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