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## Analysis of Moral-and-Ethic Business in Russia

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**Abstract:**

*The article studies the significance of corporate social responsibility. The authors have chosen aspects of social-and-ethic business as an object of the research. They identify the features of the development of Russian business in the area of moral-and-ethic aspects. The authors also have justified the necessity of forming corporate social responsibility taking into account moral-and-ethic principles. The authors have made the conclusion that an entrepreneur must understand that the compliance with the standards of moral-and-ethic business is the only possible mitigation of conflict of interests of the entrepreneur and the interests of the employee. The authors have suggested forming Russian model of moral-and-ethic business requiring an active role of the state in economic and social spheres combining employees' commitment in their performance and moral-and-ethic responsibility of the entrepreneur.*

**Key Words:** *Moral-and-ethic aspects of business, social-and-economic justice of business, entrepreneurship, social responsibility*

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## **1. Significance of social responsibility in business activities**

Corporate social responsibility is a process of making decision taking into account social and environmental consequences of business activities which are based on the respect to employees, consumers and care about the environment. In scientific researches the concept of corporate social responsibility is described as a mechanism of the cooperation between an employee and a entrepreneur, as an important tool of solving social economic problems of market economy, in which both the entrepreneur and the staff are interested. This concept suggests the search for new ways of its implementation, understanding business position, working out recommendations on the dynamic development of business activities (Arslan-Ayaydin *et al.*, 2014; Giannarakis, 2016; Thalassinos *et al.*, 2013).

Corporate social responsibility involves not only the improvement of technical-and-economic indexes but the use of social labour reserves, social and personal reserves, creative reserves. The term of corporate citizenship has arisen from a number of different standards related to the environment pollution, labour safety, and business issues in the developed countries. This has happened as a result of labour disposal within the context of recognizing the scarcity of labour, self-removal of an employee from business activity, from participation in the search for new ideas concerning labour and production management. Such changes appear more and more in modern business (Savina, 2016; Rusanov *et al.*, 2015).

Corporate social accountable activity obtains both legal and moral-and-ethic criterion which are the business ethics for any person doing business within the terms of market economy. Ensuring social-and-economic justice in business should be considered as the top criteria of social-and-ethic business. In market economy there is always a very complicated situation: there is business freedom for entrepreneurial people, i.e. energetic, resourceful, shrewd and decisive founders of a business. However, entrepreneurship does not suggest developing morally psychological qualities of an entrepreneur: there is bribery, theft, financial fraud, violation of labor legislation which appears in entrepreneurial society (Averina *et al.*, 2016; Hamid and Won Kie, 2016; Novokreshchenova *et al.*, 2016). As the opportunities of entrepreneurship are so essential and the consequences are so promising for an entrepreneur they have become the main constituent of market economy (Keisidou *et al.*, 2013; Havlíček *et al.*, 2013).

The purpose of this paper is to work out the recommendations on developing social-and-ethic side of Russian business based on the fact that having recognized future prospects of business activities a Russian entrepreneur infringe the rules of a morally ethic person, and the disobedience of such norms is the only way to mitigate the conflict of interests between the entrepreneur and the staff. To achieve the set purpose and to find the solution of the defined scientific problem is possible due to identifying the features of developing moral-and-ethic business in Russia, establishing the principles of Russian model of moral-and-ethic business.

Entrepreneurship is justified to the extent in which it provides accruing economic and social results of business performance, though, without infringement upon employees' interests. In Russia the established production relationships and management mechanism have created the environment in which an employee is just forced to follow the employer's dictate because of the situation on the employment market and the lack of the state and labour unions monitoring compliance with Labour Code of the Russian Federation.

## **2. Characteristics of moral-and-ethic constituent of Russian business**

There are different opinions on corporate social responsibility in market economy. We point out the problems of monitoring compliance with Labour Code of the Russian Federation – the compliance with the obligations given to the staff, the ban on child labour, provision of health and safety at workplace, i.e. social-and-legal issues reflecting modern trends of business activities, understanding corporate social responsibility as social reserves of production efficiency. The term “corporate social responsibility” should be considered as a form of responsibility for the staff, raising the level of social security. The state is interested in providing sustainable social-and-economic environment in the society, establishing the positive tendency in future business environment. All scientists and scholars have the same opinion on the concept of corporate social responsibility. For example, Belokrylova O.S, considers the responsibility as corporate responsibility to partners, consumers, employees, the public on the whole which is institutionalized by the society.

To achieve the set purposes of social responsibility we analyze financial, social, ethic and environmental factors affecting the sustainable development of business. The analysis of Russian market economy has revealed the avoidance of the capital from social-and-economic needs of the staff which has an objective constituent – striving to get immediate profit, and a subjective one - entrepreneur's misunderstanding of the reserves of raising the production efficiency at expense of social-and-economic reserves of labour productivity growth. Low economic awareness of an entrepreneur does not allow him to come to conclusion that economic interests in the structure of work motivation are the most crucial component characterizing personal awareness of an employee.

On the Russian employment market the interests of businesses are protected by a number of organisations, from Chamber of Commerce and Industry, Russian Union of Industrialists and Entrepreneurs, Union of profit-oriented organization of Russia (OPORA Russia) to a plenty of unions, associations within definite areas of business for which lots of highly-qualified lawyers work. Disunited legally illiterate employees try to stand against defenders of business interests. In small and medium enterprises there are no labour unions as businessmen, using an administrative resource, prevent their creation. The position “business ombudsman” has even been introduced while there is no the position “labour union ombudsman”.

Due to the lack of labour unions employers constantly abuse labour legislation of the country. "Informal relations" between an employer and employee have become a usual practice in which issues on hiring and dismissal, working hours, salaries and work measurement have become an area of private agreements between an entrepreneur and an employee. It should be taken into account that from the point of psychological aspect moral-and-ethic side of entrepreneurship is often predetermined by the character, temperament, the level of entrepreneur's intelligence. Moral-and-ethic standards define the perfect business model which one should tend to. In market economy entrepreneur's decency may have economic measurement as the goodwill of the firm provides the opportunity to make extra profit. Positive moral-and-ethic business activities may change consumers' attitude towards businessmen. It is necessary to identify moral-and-ethic principles of business within corporate social responsibility: fair wages of employees in compliance with their contribution into the overall performance of an enterprise, safe working conditions, remuneration system.

The held research shows that social factors have an influence on main technical economic indexes of business, there is relationship between social responsibility, business reputation and devotion to the enterprise: active social and charity policy – increasing loyalty among the staff, shareholders and other concerned parties; consolidating the reputation – the growth of business efficiency, firstly – capitalization.

In Russia large-scale researches of interrelation of social responsibility of businesses and growth of sales in connection with a commercial secret of their social programs have not been conducted. However, it is possible to claim that the firms performing social programs have favorable relations with municipal authority. The Russian researches show that public opinion and behavior of the population in the large cities of the country are becoming more demanding to social activities of business. Existing problems in moral-and-ethical entrepreneurship within labor collective is determined by objective conflict of interests of the entrepreneur and interests of hired employees. They have different attitudes: towards the purpose of production activity: interest of the worker – to receive a maximum wage, interest of the entrepreneur – to gain maximum profit; towards production means: interest of the worker – they should ease the work, interest of the entrepreneur – to elicit reserves and to intensify the work; towards motivation: interest of the worker – the salary, belonging to the socially protected group of the population, interest of the entrepreneur – the income, belonging to the middle class; towards the nature of work: interest of the worker – the consistency, uniformity, interest of the entrepreneur – impulsive rate of work taking into account order conditions. Furthermore, there are other contradictions.

An entrepreneur should understand that the compliance with the standards of moral-and-ethic business is the only possible mitigation of conflict of interests of the entrepreneur and interests of hired employees. In the Russian market economy the

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current transformations in production relations did not establish trust relations of the entrepreneur and the staff. The entrepreneur, under the pretext of production optimization, often worsens the worker's situation in labor process: does not meet labour safety requirements, provisions of the Labor Code in the section "Payment and Regulation of Work" regarding payment due dates of the salary and other amounts, and also the guarantees and compensations connected with termination of the employment contract, some other guarantees and compensations.

### **3. Aspects of establishing standards of moral-and-ethic business**

Moral-and-ethic business in a broad sense of this term is an important social element in the relations of the entrepreneur and the hired employee on which the practical success of the market economy is examined. The standards of moral-and-ethic business and social-and economic justice should be treated very carefully in business activities. Nowadays moral-and-ethic constituent of business is well down in the country. Business deviation from the established guarantees of civil rights, creating favourable working conditions, protection of rights and interests is on steady course.

In addition, an entrepreneur should take into account that the awareness of equality is a crucial factor which he is to follow while addressing members of the staff. The whole ethics of the entrepreneur must be imbued with the relation to the employee as a coworker in labour activity and take into account such social and psychological traits as dignity, professional pride. The understanding of regularities of functioning psychological qualities of social character in the exact staff is an important condition for raising the efficiency of business. Public organizations of the employers should define the term "positive entrepreneur" who creates friendly atmosphere among the staff, esteems a sense of dignity and self-respect of the employee, does not commit violation of labour legislation and other acts containing norms of labour right.

Entrepreneurs who value their reputation should understand that the development of corporate social responsibility is an important issue. Moreover, they have wider obligations to the whole society and the exact labour collective; they admit that their civil responsibility ensures business activities. Enterprises having declared about the priority of social protection of their employees have good reputation among the public, receive some advantages: keeping and attracting highly-qualified staff that ensures the reduction of costs on staff development; improving the reputation, i.e. the growth of the value of intangible assets; raising investment attraction, consumers' loyalty to their products, works, services; reducing penalty charges due to the lack of environmental damage that is proved by the experience of the countries with developed market economy; moreover, they get comparative advantages in different areas of their activity. Advantages do not appear immediately as different social projects have different time of showing their efficiency for business. Foreign researchers have defined main indexes of cost-benefit analysis connected with business participation in social programs: return on charity investment, the rate of efficiency of charity programs in comparison to the efficiency

of other means (advertising, sales promotion programs). Methods of assessing social programs were developed: triple method – creating the stability of business environment; balanced scorecard method – capitalization and financial policy, marketing mix; corporate philanthropy index – expanding the use of innovations, ensuring the market expansion and others.

The important principle of market economy: from everybody according to his ability, to everybody according to his need. The hired employee contributes into the created product within the definite business much more than he gets from his employer. The fair proportion is constantly disturbed in favour of the employer so that the staff subsidizes him. The state must protect the social and economic interests of hired employees, for example, giving recommendations and remunerating those employers who provide social package within the definite business.

The social package should include direct fringe benefits and indirect ones: participation in the income, bonuses, free meal, transport costs, discounts on produced goods, and also moral and social remuneration for extra workload: appreciation, gratitude, career promotion. The entrepreneur must take responsibility for his negative moral and ethic actions if he does not adhere to oral and written agreements. In business relations it is not acceptable to misbehave, deceive the partner in the industry of service and goods as it leads to losing the trust of business partners, the public, and, as a result, to decreasing the efficiency of the business. Positive business reputation is an asset which is gained for a long time but may be lost very fast. The state and business must care together about the decent life of their employees. Business is social accountable activity which is self-destructing without efficient measures of financial and moral protection of employees, without perspectives of decent salary and remuneration for extra workload. Creating decent working conditions, meeting safety requirements are the specific responsibility of the entrepreneur, violation of which puts the life and health of the employee at hazard.

The prerequisite of implementing moral-and-ethic business is democratization of business activities under the condition of market economy, eliminating the lawlessness to the hired employees. Ethics and moral behavior of the entrepreneur determines his actions and decisions which do not always bring profit, however, within the frame of social and economic responsibility they represent an important prerequisite of business feasibility.

#### **4. Conclusions and recommendations**

Nowadays business in Russia does not correspond to the standards of moral-and-ethic business. It is distorted by smart practice of entrepreneurs. Entrepreneurship must have clearly defined limits: we cannot take it as a total absence of authority in order to achieve someone's personal mercenary purposes. In Russia the great

majority of entrepreneurs do not consider employees' commitment in their performance as an element of sustainable development of the business.

The significant advancement of forming corporate social responsibility taking into account moral-and-ethic principles requires establishing economic relations focused on public profit. One can identify the way of overcoming such situation – raising economic profit of an enterprise from participating in the implementation of social programs. The state may promote the development of corporate social responsibility taking measures on raising the quality of produced goods, works, services, their safety for the public, optimizing their features, and also measures on improving staff policy, working conditions, introducing fair remuneration system, financial reward, social protection of hired employees, raising the qualification of workers and specialists. Such national policy must be designed for a long period.

In many aspects the low level of corporate social responsibility is determined by the lack of state and public support of the compliance with the established labour rights and human freedom by entrepreneurs. The state must provide the opportunity to implement business activity in various forms based on various types of properties. Only the state may bear the responsibility for creating necessary conditions to form and consolidate social accountable business.

We recommend forming Russian model of moral-and-ethic business requiring an active role of the state in economic and social spheres combining employees' commitment in their performance and moral-and-ethic responsibility of an entrepreneur using not only financial motivation but other incentives – moral-and-social recognition. To make a conclusion, moral-and-ethic business is connected with eliminating violations of many norms, established in the civilized entrepreneurial society, in addition, the entrepreneurship is not limited at all and is taken for granted. One should improve the system of raising qualification of entrepreneurs engaged in small businesses in order to eliminate the contradiction between the appeal to entrepreneurship and prevention of negative effects from its application.

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