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ABSTRACT

This dissertation focuses on business ethics by researching the phenomenon of corporate moral development (CMD) within the context of a society experiencing rapid and radical change – Estonia. The study consists of two parts: an introductory essay and five articles. The introductory essay explains the key topics, outlines how the articles relate and highlights the theoretical and practical contribution that this dissertation represents.

The research argues that social phenomena are context-dependent and should be studied and understood as such. Consequently, the research adopts the idea that it is important to consider the wider societal context and history in order to understand CMD in businesses organizations.

The model by Reidenbach and Robin (1991) is used, considering the societal context in which a business organization operates. In particular, the following research question is answered: How can different stages of CMD be described and conceptualized when contextual influences on the Estonian business community during radical political, economic and social changes are taken into consideration?

The phenomenon is studied from three different angles – corporate governance, corporate social responsibility and ethical leadership – and in terms of how it can be enhanced through teaching. The dissertation applies both descriptive and normative knowledge, and makes three main contributions to prior literature, firstly by providing a holistic and rich description of the phenomenon from the viewpoint of the development of Estonian society during 1985-2005; secondly by investigating it from the contextual perspective, with particular attention paid to political, economic and social environments and thirdly by offering a practical contribution to present-day Estonian organizations and their managers.

As a result of this study the conceptual model of CMD was re-conceptualized by adding two lower stages that describe and conceptualize the impact of transformation in society. The results show that there has been clear progress in CMD in the Estonian business community.

The results suggest that the changes are caused by external sources, while internal forces had less impact. Therefore the model of CMD needs to be completed so that the triggers do not always have to come from within business organizations, but also from external forces. Further the research showed that in order to strengthen CMD in Estonian business life, particular attention should be directed at developing and implementing societal norms as a basis for sustainability in business and teaching business ethics and corporate social responsibility as a priority in business schools. In general it can be said, that the 'modern' business environment in Estonia is relatively young and companies are still coming to understand new methods and new paradigms such as corporate moral development.

Key-words: corporate moral development, business leader, case study, change, Estonia, ethics in business

Author   Mari Kooskora
                    Tuukri põik 4-4
                    10120 Tallinn
                    Estonia
                    e-mail: mari.kooskora@econ.jyu.fi

Supervisor   Professor Anna-Maija Lämsä
                    University of Jyväskylä
                    School of Business and Economics
                    Jyväskylä, Finland

Reviewers   Professor, research manager Pauli Juuti
                    Johtamistaidon opisto - JTO Campus
                    Österbyntie 617
                    02510 OITMÄKI
                    tel. 041 466 6012
                    email: pauli.juuti@jto.fi

                    Lappeenranta University of Technology
                    School of Business
                    P.O. Box 20
                    53851 LAPPEENRANTA

                    Professor Johanna Kujala
                    University of Tampere,
                    Department of Management Studies
                    33104 UNIVERSITY OF TAMPERE
                    tel. 050 381 1313
                    email: johanna.kujala@uta.fi

Opponent   Professor Johanna Kujala
                    University of Tampere,
                    Department of Management Studies
                    33104 UNIVERSITY OF TAMPERE
                    tel. 050 381 1313
                    email: johanna.kujala@uta.fi

To my dearest -

To Ahti, Maarja, Rasmus and Britta

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Tallinn, February 2008

Mari Kooskora

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PART II: THE ARTICLES

I   Kooskora, M. 2004. Estonia - Incubating Radical Political and Economic Change, In Habisch, A., Jonker, J., Wegner, M. & Schmidpeter, R. (Eds.), CSR Across Europe. Germany: Springer Verlag, 195-208. Published with kind permission from Springer Science and Business Media.

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IV   Kooskora, M. 2005. A Discussion of Ethical Leadership. Business Ethics and Corporate Social Responsibility, EBS Review, No 19, pp. 42-49. Published with kind permission from Estonian Business School.

V   Kooskora, M., Ennulo, J. & Virovere, A. 2005. Developing an Awareness of and Teaching Business Ethics in Emerging Societies –– the Case of Estonia, Journal of Business Ethics Education (JBEE) 2 (1), 29-50. Published with kind permission from Senate Hall Academic Publishing.

PART I: INTRODUCTORY ESSAY

1   INTRODUCTION

1.1 Research impetus and personal interest

The impetus for this dissertation and the personal interest in studying business ethics was created, developed and shaped by my work at Estonian Business School (EBS) since the beginning of 1999. Along with my colleagues, I was involved in two major research projects studying the values of current and future Estonian business managers, students of management and business at the Estonian Business School and real-life critical incidents and conflict situations in Estonian organizations and society. Besides direct involvement in research projects, I initiated the business ethics centre at EBS to help identify ethical problems in the Estonian business community and organizations as well as in leadership, and on the basis of research, to develop training programs for executives and university students.

In particular, a comparative study of values using a structured questionnaire, where we studied value orientations during the process of decision-making in business situations (n=2000), gave alarming results from the ethical viewpoint. We found that Estonian business managers and students preferred organizational-legal to cultural values and personal to social values. Ethical values were the least preferred values (Kooskora, 2001; Aaltio et al., 2002). This result was similar to other post-socialist countries, such as Russia and Latvia, and significantly differed from results in countries with a longer history of democracy and freedom, for example Finland (Aaltio et al., 2002) and the USA (Kooskora, 2001). We saw that in those countries, ethical values were ranked second or third and cultural and social values at much higher levels than in Estonia. Since a person can normally only take into account one or two of the most important values (Bowie, 1999, p. 125), we concluded that Estonian managers as well as business students were not used to considering ethical

values in the decision-making process. In other words, decisions were not weighed from the standpoint of ethics, but rather in terms of personal gain, success, prestige and power (Kooskora, 2001). We observed that it was very common for ethical criteria to be considered unimportant or even neglected altogether and this often led to ethical conflicts.

The second major research project focused on gathering and analyzing a number of critical incidents and conflict situations from Estonian organizations and society (Kooskora, 2003; 2002a; Virovere & Kooskora, 2000; Virovere et al., 2002). In total we collected and analyzed around 4000 conflict descriptions over several years and these revealed that most conflicts were vertical (between the manager and the subordinate) and the majority were either poorly managed or left unresolved. For example, 84% were vertical, and 82% of the 2000 conflicts studied in 2001 were left unresolved (Kooskora, 2002). The results led us to conclude that there was an obvious lack of ethical thinking and understanding in Estonian business organizations –– ethical considerations were regarded as unimportant, managers did not respect the human aspect, quite often employees were treated as the means for earning profit and not as independent human beings who have rights (for comparison see Kant's formulations of the categorical imperative Bowie, 1999; 2000, p. 185).

Moreover, as a result we found that in almost all cases managers tended to forget the interests of society, companies and power were considered more important than solving a conflict and a win-win outcome was almost never achieved. This fact and its relationship to the top three causes of conflict established from earlier studies (lack of information, lack of teamwork or unclear work procedures and rules) indicated that Estonian managers, while demanding a lot, often lacked realism about how to implement their tasks. Many of them were seeking immediate results without offering the employees the opportunities, information or equipment necessary for achieving them (Kooskora, 2002). Such ethical issues in organizational life as fair salaries (Juuti, 1993, p. 106-108), fair distribution of goods, not discriminating, hiring and downsizing (Lämsä, 2001; Lämsä & Takala, 2000) and even safe and healthy working conditions were not yet topics for wider discussion (Kooskora, 2002a). Discussion of the quality of working life and finding a balance between different areas of life (Juuti, 1991) were considered naïve and not appropriate in the Estonian business context. Furthermore, later studies (see Kooskora, 2005a; Kooskora et al., 2005) showed that, for example, corporate social responsibility (hereafter CSR) was often seen as a marketing or public relations activity, where priority was given to gaining a positive image or earning more profit.

Our studies clearly showed that the decisions people made in business situations were much too affected by the social pressure (Kooskora, 2001). In addition, we saw that the political system had a clear impact on the principles and traditions of a country's economy and, further, on managerial identity. Profit earning was considered the main and sometimes even the only objective of the organization.

In general, our results showed that there were great problems with business ethics in Estonia. Bad and unethical decisions caused severe

consequences: conflicts, damaged relationships, even failed businesses and bankruptcies (Virovere & Kooskora, 2000). Furthermore, our research indicated that very often in order to achieve short-term success or material wealth the interests of organizations and society were neglected and managers gave priority to their own personal interests (ibid).

We concluded that unethical decisions did much harm to the general development of Estonia and its business life. Moreover, the lack or weakness of education in the area of ethics as well as CSR contributed to a situation where people did not consider the consequences of their behaviour, and ethics was regarded as unimportant in business activities. These studies confirmed the relevance of studying business ethics in the Estonian business community. Therefore, I have studied the topic more thoroughly in this dissertation and, in particular, focus on the phenomenon of corporate moral development (hereafter CMD) in the Estonian business community. CMD is chosen since it has generally been understood as balancing a concern for ethics or morality and profits or business (Reidenbach & Robin, 1991).

1.2 Importance of the study

Amartya Sen (1993, p. 45) has written that the early authors dealing with economic matters, from Aristotle and Kautilya (in ancient Greece and ancient India respectively) to medieval practitioners, to the economists of the early modern age were all concerned, in varying degrees, with ethical analysis. In one way or another, they saw economics as a branch of *'practical reason'*, in which ethical and moral concepts of the good, the right and the obligatory were central. Thus, we can argue that the discussion of business ethics is not a recent phenomenon, but the intensity of these discussions has increased. Much has been written and discussed about corporate governance, corporate social responsibility, corporate citizenship, accountability, sustainable business, and ethical and responsible leadership (e.g. Carroll, 1995; Ciulla, 2004; Elkington, 1999; Freeman, 1995; Hoivik, 2002; Maak & Pless, 2006), but although the concepts differ and different authors have used various approaches, the content and meaning of these concepts refer to concerns for ethical and responsible business practices. Edward Freeman (2000, p. 172) expresses it well: 'The basis for ethics, or the moral point of view, is that most people, most of the time, take, or want to take, responsibility for the effects of their actions on others. And, if they did not, then what we call *'ethics'* and *'morality'* would be meaningless.'

We can argue further that people have discussed these issues for hundreds, even thousands of years, and not only talk but actual behaviour – real acts by people – are the things that matter most. Aristotle already suggested, in his Nichomachean Ethics (1996), that morality cannot be learned simply by reading a treatise on virtue. The spirit of morality, according to Aristotle, is awakened in the individual only through the witness and conduct

of a moral person. Thus, ethics and morality are not concerns exclusive to moral philosophers. Ethical issues have given rise to heated debates in the social and behavioural sciences as well, and this has resulted in empirical research on ethical issues.

We can say that it is becoming increasingly apparent that the full integration of ethical standards into business practice is not only preferable, but also necessary for long-term organizational survival (Freeman, 2000). There is no doubt that changes in the business world, such as globalisation, world-wide competition, the need for closer collaboration between organizations and people from different countries have raised the need for businesses to add concern for ethics and responsibility even more clearly to their activities and think carefully about their organizational purposes. According to Paine (1997, p. 378), "without a moral compass calibrated to society's expectations, business leaders risk forfeiture of their broad authority to act as creators of wealth and managers of society's resources. Without a compelling concept of purpose, they are likely to face great difficulty in mobilizing their organizations for outstanding performance into the future."

Similar concerns are seen and heard from all over the world, but this has become an even more significant topic for countries and business communities which have gone through rapid and radical changes, where the economic and business systems are still developing and can be considered immature. This is certainly the case for Estonia (Kooskora, 2004) and other post-socialist countries, for example Czech Republic (Bohata, 2004) and Lithuania (Vasiljeviene & Vasiljev, 2004). I have to agree with Fülop et al. (2000), who have stated that there have been very few studies on the moral aspects of businesses in former socialist countries and this heightens the need for more serious discussions and studies on these topics in these countries.

Even more, it is evident that these newly developed market-oriented systems require corporate behaviour and leadership with new values, different abilities, and more sensitivity to a wide variety of issues (Fülop et al., 2000; Kooskora, 2004; 2006; 2006a). Lämsä and Pučetaite (2006, p. 132) have explicitly argued for the relevance of studying ethical topics in businesses from a contextual perspective and shown that it is especially important in post-socialist countries, which historically could not experience the relationship between trustworthy behaviour and competitiveness in the market (ibid, p. 139). In Estonia, research into business ethics has not gained much attention, and therefore there is an urgent need for such knowledge in the Estonian business environment (Kooskora, 2004). This dissertation aims to bridge the existing gap by creating a better understanding and awareness of these issues.

Wicks and Freeman (1998, p. 123) argue that business organization studies need to be fundamentally reshaped and such a change is needed to provide more room for ethics. The authors claim that quantitative methodology is overtly hostile to ethics and they see the need for more qualitative research in the field. It has been said that although there is increased attention on business ethics, qualitative empirical studies are relatively few (Lämsä, 2001, p. 18).

Thus, with this dissertation I attempt to contribute to filling this gap by applying qualitative methodology.

It can be argued that the majority of studies on business ethics and, in particular, CMD have been based on hypothetical case scenarios and quite often the respondents have been under-graduate and graduate students. While research into moral reasoning in individuals may well be conducted without concern for real-life contextual factors (Maclagan, 1996, p. 646), by studying CMD we have to look at the context and include environmental factors. In this research, the wider societal context and changes to it through history have been considered in order to provide a better understanding of CMD.

Kujala (1997, cited in Kujala, 2001, p. 59) has pointed to the fact that a lot of attention in business ethics literature has been given to case studies describing life-threatening or demanding situations, corporate strategies or human catastrophes (see e.g. Beauchamp & Bowie, 1997; Crane & Matten, 2004; Hoffman, 1984; Velasquez, 1982). Kujala remarks that although these issues are of utmost importance, they more or less deal with unusual situations and unexpected behaviour. What has not been researched widely is how business managers see *'ordinary life'*, the everyday managerial situations where they have to face issues that are moral in nature (Kujala, 2001, p. 59). Therefore, analyzing practical moral issues in business in this study will bring us closer to an acceptable level of practice and behaviour in business and help us to identify issues we have to deal with and highlight ways for improvement.

Rosabeth Moss Kanter (1989, p. 362) has argued that while business ethics has always been important from the social and moral point of view, it has also become a pragmatic requirement in the 'corporate Olympics'. Werhane and Freeman (1999, p. 2) claim that just as the discourse on business has developed in isolation (for the most part) from ethics, so has the discourse on ethics emerged in isolation from the very practical, human institutions, such as business organizations that create value. Overcoming that which separates ethics from business, or developing a discourse that brings these concepts together, largely describes a number of research efforts, including this dissertation, in the field of business ethics. According to Freeman (1994), the separation thesis indicates a bankrupt discourse, because it forces false dilemmas on business practices – mental models that create the illusion that a business can either be morally good or profitable, or that doing good and doing well, for example, providing a larger return for shareholders, are often incompatible.

Werhane and Freeman (1999, p. 2) believe that ethical issues are an integral part of business, because all business decisions are choices made by people and every such decision or action affects people or relationships between people; and is embedded in a belief system that presupposes some basic values or their abrogation. They see business ethics as having a bright future in the continued debate on agency and responsibility, the emergence of a concern with ethics and leadership, and the development of new and exiting frameworks for a more comprehensive understanding of how business and ethics go together (Werhane & Freeman, 1999, p. 14).

As do Cavanagh et al. (1995, p. 399), I also view business ethics, most often defined as 'rules, standards, codes or principles which provide guidelines for morally right behaviour and truthfulness in specific (business) situations' (Lewis, 1985, p. 377-381), as an applied, practical discipline, which can be studied in a way that is a practical and a heuristically powerful aid for the business decision-maker. I believe that a more holistic approach through CMD can bring different aspects of ethics within business together, and thus deepen our understanding, make the topic more relevant for business leaders and help them to conceptualize their ethical problems and discuss them with colleagues in a familiar language.

Thus, seen from a practical viewpoint, I hope that the results of the present study could contribute to the discussion of ethics and responsibility in Estonian business organizations; increase awareness and foster the consideration of ethics issues and incorporating these ideas into daily business practices, although I understand that the relationship between research and practice is not simple and direct. In particular, it is my hope that in the future the most effective Estonian business leaders will invest more attention to the relationships between their companies and the society in which they operate, that they will think of corporate citizenship and social responsibility, not just as philanthropy and good public relations, but as an integral part of their business strategy (cf. Goodpaster, 2004).

1.3 Aim of the study

This dissertation focuses on business ethics by researching the phenomenon of *corporate moral development (CMD)*. It investigates CMD particularly with the help of the model by Reidenbach and Robin (1991), and takes the societal context in which a business organization operates into consideration. Reidenbach and Robin contend that corporations exhibit specific behaviours that signal their true level of moral development (Reidenbach & Robin, 1991, p. 273). They presented a conceptual model of CMD, comprising five developmental stages – amoral, legalistic, responsive, emerging ethical and ethical (Reidenbach & Robin, 1991, p. 274); and introduced the model as a balancing concern for ethics and profits. In particular, CMD is studied here from three different angles: *corporate governance, corporate social responsibility* and *ethical leadership*. Moreover, CMD is discussed from the viewpoint of how to enhance it through *business teaching*.

The CMD model by Reidenbach and Robin (1991) was chosen for this research as it covers both normative and descriptive dimensions of ethics and is thus useful in this thesis since it adopts both perspectives. With the help of the model it is possible to describe and analyze the present situation in balancing ethics and profits in Estonian organizations and show the development in this

area. Furthermore, the model allows making normative suggestions how the situation can be improved.

The dissertation is based on five previously published articles in which the aim has been to increase our knowledge and understanding of the research phenomenon from the above three angles as well as from the teaching perspective. The present study is conducted in a society undergoing rapid and radical changes – in this study, Estonia. In particular, I will combine theoretical and empirical knowledge to answer the following question: How can different stages of CMD be described and conceptualized when the contextual influences on the Estonian business community during radical political, economic and social changes are taken into consideration?

This dissertation makes three main contributions to prior literature on CMD. Firstly; it provides a holistic and rich description of CMD from the viewpoint of the historical development of Estonian society during 1985–2005. In this period, the society changed from the socialist economy to a free market system, which can be regarded as a rapid and radical change (see Laar, 1996). Since there is no prior research on the development of CMD in this kind of change process, this dissertation contributes to filling this gap. Secondly, the theoretical model of CMD by Reidenbach and Robin (1991) is developed from a contextual perspective. This perspective has been overlooked in prior research on CMD. The model was originally developed in the USA context based on a number of cases involving large corporations and is therefore limited to the American context and large multi-level corporations. Thirdly, the dissertation aims to offer a practical contribution by providing business organizations and their managers in present-day Estonia direction in order to improve their functions from the viewpoint of CMD. The dissertation applies and combines both descriptive and normative knowledge while studying its topic.

The underlying assumption of this study lies in the arguments that in order to remain sustainable, a business must be more than *'just a business'* (Carroll, 1995; Näsi, 1995), and businesses have to be seen in relation to society and the environment (Carroll, 1991; Freeman & Liedka, 1991, p. 95; O'Malley, 2003). Behaviour, ethical and responsible activities and relationships play a central role in successful and sustainable operations and development, and provide business organizations with a *'licence to operate'* (Paine, 1997). For Freeman (2000), the assertion that *'business is business'* and that ethics is what we try to do in our private lives simply does not hold up to close scrutiny. Business is a human institution, a basic part of the communal fabric of life. Just as governments come to be, out of the human need for order, security, and fulfilment, so too does business (Gini, 2004). Recent scandals have proven the need for moral considerations in business, the need for organizations to behave and act more ethically. Referring to the scandals involving Enron, WorldCom and others, Freeman et al. (2004, p. 367) claim that there is no clear moral grounding for the claim that business is about making money for shareholders and that views like this could foster a kind of tunnel vision, rationalizations (e.g., *'everyone else is doing it'*) and the self-dealing we see in ethics disasters.

1.4 Context of the study

Maclagan (1996) found that a significant part of the context is understood in terms of culture and other systemic factors that shape the prevalent ethical values and norms in the organization. Thus, business organizations are also embedded in societal and institutional environments that create expectations and standards of behaviour for individuals and entities (Logsdon & Yuthas, 1997, p. 1213). Thus, we can argue that CMD is historically and culturally bound, as historical events and cultural factors influence activities and the behaviour of people in general as well as business leaders in their daily activities in organizations.

The model of CMD by Reidenbach and Robin (1991) can be said to be generally suitable to be used for studying CMD since it is well-known and widely discussed by several authors (Baucus & Beck-Dudley, 2005; Jones, 1995; Maclagan, 1996; Logsdon & Yuthas, 1997; Snell, 1996; 2000). However, the model does not pay full attention to context. Going further we can say that the boundaries between phenomenon and context are not clearly evident – the phenomenon of CMD is context bound and is influenced by the changes having taken place in the environment; thus, by using the concept of CMD understood as context bound we can describe the changes that have taken place in perceptions about ethics and profit in business among business leaders in a particular context, such as in an Estonian business community in this study. Thus, in this research the Estonian real-life business community context and the changes that have taken place historically in that context play an important part. The research can be seen as a case study of Estonia, where the context of the Estonian business community plays a supportive role in creating our understanding of the phenomenon of CMD.

In general, the context involves different environments, which all play an important role in shaping the values and norms in a specific business community. In Wood and Wartick's (1998, p. 12) sense, there are different forms of environments: such as economic, political, social, technological and natural environments. In this research, I explore the phenomenon of CMD in the economic (including conditions of production, distribution and exchange), political (taking into consideration political influence, laws, public policies and governance) and social environments (meaning culture, values and forms of social organizing), with less attention being paid to technological and natural environments. All these environments are considered to have had a significant influence on CMD in the context of the rapid and radical changes over the last 20 years, starting from 1985, in the Estonian business community. Next, my discussion turns to highlight the main features of the environments and their rapid and radical change in Estonia.

The changes in Estonia were radical and rapid since practically everything was changed during a relatively short period. Within 14 years, Estonia moved out of the former Soviet Union's sphere of control and became one of the front-

running countries among the new member states of the European Union. Heidmets (2007) sees this situation not simply as the years of change, but as a rapid and fundamental reform, where almost everything has been transformed: the political and economic system, ownership relations and citizenship, friends and enemies.

The most apparent and radical changes took place in economic and political environments. For Estonians, economic change meant greater liberty and prosperity and this swift and efficient transition from a system of *state socialism* to a *free market economy* has been cited as one of the most interesting and most important issues in contemporary economics and in the development of the world economy (Tartur, 2004, p. 28; Vensel, 1996; Wood & Wartick, 1998). Estonians and some other countries from Central and Eastern Europe came out with bold solutions that could steer the continent out of stagnant waters (Lagerspetz & Vogt, 2004, p. 59; Successful Economic Model, 2005, p. 73). Estonia was at the forefront of economic reform, being the first to introduce its own currency, which is fully convertible today. The country has also had considerable success in attracting foreign aid and investment and reorienting foreign trade to the West. New economic institutions, regulatory agencies and development strategies were created; almost all former state-owned organizations were already privatized by 1995. The reform process was started in 1987 with the development of a plan for economic autonomy within the Soviet Union, and implementation was accelerated after restoration the country's independence in 1991.

This transition in the economic environment can be considered a complex phenomenon, affecting life in business organizations in a dramatic way (Kelemen, 1999, p. 199) as the business leaders had to learn and implement new management and leadership practices, change their understandings of the nature of ownership, business and organizations, learn how to produce quality products and compete in a market situation. We can argue that the radical approach to changes in the economic environment, although not always easy to implement and often attracting resistance from the people, was the right one. This can be seen today since the Estonian economy is characterised by steadily increasing, relatively high GDP growth and foreign investments, positive privatisation, and as a result the country has been considered one of the leading countries in the European Union in recent years with its remarkably high competitiveness and economic freedom.

Estonia's reforms are often referred to as the most thorough in the region, and have also been used as a model for other transitions. The contributions that the Estonian reforms have made are often categorized under three headings (Laar, 2006) – lustration (this term refers to the policy of limiting the participation of former communists, and especially informants to the communist secret police, in the successor governments or even in civil service positions), economic reforms (including hybrid privatization and thus avoiding many pitfalls of the earlier models, flat tax and banking reform) and geopolitical reorientation (Estonia was able to re-orient its trade from near total dependence on Russia after regaining independence in 1991, to less than 4% of

the total by 2004; and since 2004 Estonia has been a full member of both the European Union and NATO). The result of these radical reforms has been recognized by Transparency International, which ranked Estonia the least corrupt country in the post-communist region (Transparency International, 2006), and the Heritage Foundation/Wall Street Journal index, which qualified Estonia as the most economically free in all of Europe.

Politically, Estonia reinvented itself as a country, freedom was regained peacefully, and today the country has joined the European Union and NATO, the state is democratic and free. Because of this and an effective international public relations effort, it enjoys a remarkable reputation. In virtually all spheres of public life, Estonia has made so much progress since the collapse of Communism that it now begs comparison with states that have long had established free market economies, vibrant civil societies and well-institutionalized democratic governance (Goble, 2006). Estonia's adaptation of the country's legislation and regulatory schemes to EU standards have been more a less completed, the stage for Estonia's likely integration into the euro and Schengen zones has been seriously debated, moreover the country continues to pioneer in the use of e-governance, e-voting and other Internet-based technologies. It is argued that Estonia has become a laboratory of neo-liberalism in which political success is measured primarily in terms of economic success (Masso, 2003).

Changes have also taken place in the social environment. Positive changes have been recognized in the cultural sphere, Estonian people have regained the freedom to officially use their own language in public institutions, develop their culture without restriction, and remarkable achievements can be seen in the arts and sports in a global arena. However, in the mental atmosphere of post-socialism and dominance of the libertarian faith in the 'invisible hand' of the market, rapidly growing economic differentiation was not met with adequate redistribution or social protection measures and as a result, large groups of people who had felt economically and socially secure in Soviet society (such as agricultural and industrial workers, teachers, doctors, engineers, researchers and pensioners) suddenly lost incomes and found themselves in poverty. Thus, poverty, a lack of resources to satisfy even the basic needs, was a characteristic of a major part of the population in the beginning of 1990s (Lauristin, 2004). It was presumed that economic growth would automatically reduce poverty, and indeed, the level of poverty in the Estonian transition period has fallen, and since 2000 living standards have improved remarkably. For Estonians, although development has been rapid, they are still among the poorest countries in the EU, and the bitterness of poverty is doubled by everyday contact with their affluent Finnish neighbours; for example, the salary of an average Estonian worker is less than 20 percent of that for the average Finn, while in comparison with EU prices and salaries, the cost of goods in Estonia is rising more quickly than salaries.

We can argue that the dynamics of wages and prices in the context of growing market competition rapidly divided Estonian society into 'winners' and 'losers'. The 'winners', who were mostly young, ambitious, urban and

educated, enjoyed all the pleasures of the new consumerism, while the 'losers' comprised a more mixed group, characterized by age or ethnic, social, psychological and moral characteristics, and as these traits prevented their rapid and smooth adaptation to the new economic and political environment, this group felt more and more deprived of opportunity (Lauristin, 2004). As a result, inequality has perceptibly increased, the distribution of wealth is still one of the most uneven in the European Union, health indicators such as the life expectancy for men are low and salary differences between men and women are the largest in the European Union (Heidmets, 2007a). This situation has caused severe problems and led to serious criticism both within Estonia and abroad. These criticisms focused on the harsh social effects of the reforms, rash privatizations and economic measures that actually did not increase economic productivity and were innovation-unfriendly. Thus we can conclude that despite Estonia's comparatively good economic indicators of GDP growth and its position among new EU membership countries, the social cost of the reforms has been considerable.

Social scientists in Estonia and other countries have conducted considerable research and written numerous articles about transition in Estonia, trying to define why the process has been so successful politically and macro-economically (Bennett et al., 2003; Cicinskas 1998; Gorzelak et al., 2000; Jones et al., 2003; Kalmi et al., 1999; Kalmi 2003; Kurik et al., 2002; Postma & Hermes, 2002; Terk 1998; Terk & Varblane, 2001; Tiits et al., 2003; Ziacik, 2000 and several others), but only a limited number of studies have been conducted about management and business corporations (however, see examples Aaltio et al., 2002; Alas, 2004; 2005; Alt et al., 2003; Barnowe et al., 2003; Liuhto, 1996; 1999; 2001; Kooskora, 2005a; Terk et al., 2004; Virovere et al., 2002) and practically nothing has been written in the area of business ethics and related issues (however, see examples Elmik et al., 2004; Kooskora, 2004; 2005; 2006b and more recently Tuulik, 2007). Moreover, this research is the first attempt to study CMD in Estonia.

Our recent studies and examples of business practices have shown business ethics as a problematic area in our society, which needs to be studied and discussed further as the high social costs generated from the rapid and radical changes have created new challenges, and it is argued that the country now needs a new path towards a knowledge society necessitating a qualitative change in current management methods and political culture (Sustainable Estonia, 2005, p. 53). This raises the need for a new generation of educated and internationally experienced leaders in scientific, economic and political life, who will assume responsibility for their behaviour and activities and practice ethical and scientifically grounded management methods. Experts believe that only Estonia's national strategy for sustainable development, SE21, can help the country join the top countries in Europe in terms of both productivity and levels of social welfare (Sustainable Estonia, 2005, p. 54).

This dissertation is structured into *two main parts*. The first part consists of this introductory essay, the remaining chapters of which deal with the following areas: At the beginning the background to the study and its unique

relevance is introduced; this is followed by the theoretical framework, introducing the main concepts and three different angles used in this research; the third chapter deals with the methodological choices and gives an overview of the empirical data used in this research; the fourth chapter includes a brief presentation of the articles and a summarization of the results. The final chapter presents main conclusions of the research followed by the discussion and propositions for the future research. The second part contains the articles themselves in their original form.

2   THEORETHICAL FRAMEWORK

In this chapter I will discuss my theoretical framework by introducing the key concept of corporate moral development (CMD) based on Reidenbach and Robin (1991). Moreover, ethics, morality and business ethics will also be discussed since they are central to understanding CMD in the context of this paper. Discussion of the three angles – corporate governance, corporate social responsibility and ethical leadership – as well as teaching business ethics in order to enhance CMD will then follow. Particular emphasis will be placed on these concepts and their relationship to CMD.

2.1   The concepts of ethics, morality, business ethics and cognitive moral development

In its most general sense *ethics* is a systematic attempt to make sense of people's individual and social moral experience, so as to determine the rules that ought to govern human conduct, the values worth pursuing and the character traits that deserve development in life (De George, 1999, p. 20). The term *morality* refers to the principles or rules of moral conduct and is concerned with practices defining right and wrong, or good and evil (Beauchamp & Bowie, 1997, pp. 1-2; Velasquez, 2002, p. 8).

Although Parker (1998, p. 1) suggests that a distinction should be made between the terms ethics and morality, he (p. 274) claims that these concepts are frequently used interchangeably. According to Michael Josephson (1988), ethics refers to a system or code of conduct based on moral duties and obligations that indicate how we should behave. It deals with the ability to distinguish right from wrong, and the commitment to do what is right and moral refers to what is good and right in character and conduct. Josephson suggests also that the term is essentially interchangeable with ethics, but according to him since the term ethics does not include any dogmatic views on propriety, it is more neutral. Some authors argue, that morality is the result of long-term,

irreversible cognitive development and the most dominant determinants of overall ethical behaviour. A principled, highly moral person behaves ethically over the long haul and is able to withstand short-term environmental pressures to act unethically (White, 2002).

In this work, ethics is understood as what is right or wrong, good or bad and doing the right thing – the rules and values that should govern human activities, criteria for decision-making and values and how people should treat each other. Ethical principles are understood as practical behavioural instructions and ethics stands for practice as well as for reflection on that practice, ethical theories help people make ethical decisions and solve problems. Morality, for its part is understood as relating to, dealing with, or being capable of making the distinction between right or wrong conduct, principles, standards and habits.

We can say that the ethical and moral issues facing each person are age old, and these are essentially the same issues facing businesses – only written in large script. *Business ethics* is a branch of general ethics and some people interpret the phrase business ethics to mean business morality (De George, 1999, p. 20). Velasquez (2002, p. 15) has defined business ethics as a study of moral standards and how these apply to the systems and organizations through which modern societies produce and distribute goods and services, and to the people who work within these organizations. According to Freeman (2000), business ethics is 'how we treat each other, every day, person to person. If you want to know about a company's ethics, look at how it treats people – customers, suppliers and employees'. Business is about people and business ethics is about how customers, employees and other stakeholders are treated. It can be said that there is descriptive business ethics as well as normative business ethics (Bowie, 1998; 2000).

While normative ethics focuses on what ought to be, descriptive ethics is aimed at finding out what people think matters in ethics, how they act and what influences ethical stances. Minkes et al. (1999) assert that ethical behaviour is concerned with '*ought*' and '*ought not*', not just '*must*' and '*must not*'. Therefore, it implies that there are standards that may extend beyond what is required by law or which are commercially profitable. Wicks and Freeman (1998) find that the focus of discussions has to be on the concerns of managers, business communities and other key stakeholders rather than the abstract and often obtuse discourse of philosophers, and they see the *prescriptive approach* most suitable for making business organizations consider the need for more ethical and responsible behaviour and activities. Burns (2004, p. 2) believes that, for example, leadership 'is not only a descriptive term but a prescriptive one, embracing a moral dimension', and sees it as a moral undertaking, a response to human wants expressed through public values.

This research could be seen as both descriptive and normative. The aim is to provide a holistic description of CMD in the Estonian business context, as well as of the dynamics and changes taking place in order to understand and evaluate the situation, and then provide organizations and their leaders some

direction with a view to improving their function. Thus, the prescriptive approach also seems to apply here.

The subject of *cognitive moral development* has received considerable attention in the literature on ethics. Expanding Piaget's work (1960, cited in Kohlberg, 1968, p. 1021) on the cognitive development of individuals, Lawrence Kohlberg (1975, p. 49) proposed a model of cognitive moral development. As a follower of Piaget, he offered a new, more detailed sequence of stages for moral thinking (Crain, 1985). Kohlberg's theory has at its centre the notion that moral reasoning develops throughout childhood and adolescence in predictable stages. Kohlberg (1969; 1984) identified three broad levels of cognitive moral development, which encompass six *stages of moral development*. The lowest level (*stages 1 and 2*) is the *pre-conventional* level, where a person decides what is right or wrong based upon personal consequences (e.g., punishment, reward or an exchange of favours). The next level (*stages 3 and 4*) is the *conventional level,* where decisions about what are right conform to society's expectations, family or peer groups. The highest category is the *post-conventional level (stages 5 and 6),* where thinking about what is right is influenced by universal values or principles – the individual defines moral values apart from the authority of groups and relies upon self-chosen but non-arbitrary principles of justice and rights to guide their reasoning.

While Piaget basically found two stages of moral thinking, the second of which emerges in early adolescence, Kohlberg (1968, p. 1054) uncovered additional stages that develop well into adolescence and adulthood. He suggested that some people even reach a post-conventional level of moral thinking where they no longer accept their own society as given, but think reflectively and autonomously about what a good society should be. At the highest level of moral development, a person is capable of moral reasoning using abstract universal principles, such as human rights and justice, but the empirical research by Kohlberg and others found that most people did not reach that highest level (Colby et al., 1983; Kohlberg & Wasserman, 1980). Instead, most people were able to function at the level of peer and legally supported expectations.

Kahn (1990) and later Trevino (1992) have argued that the study of ethical behaviour has been guided by a number of paradigms and approaches, most prominent among them, a normative approach rooted in philosophy and a descriptive approach rooted in the social sciences. Trevino (1992, p. 456) suggests that Kohlberg's work is somewhat unique in the sense that his theory represents something of an integration of these normative and descriptive approaches. Kohlberg's highest stages are thought to be more desirable in that they are consistent with the justifications for moral reasoning by moral philosophers. The normative and descriptive approaches can be expected to continue to exist side by side, each making its distinctive contribution to, for example, business ethics. Kohlberg (1975) proposes that moral behaviour is more consistent, predictable and responsible at the higher stages, because the stages themselves increasingly employ more stable and general standards. Studying Kohlberg's stages of cognitive moral development and using these in the research is useful as these

reflect expanded insights into how and why people's perspectives differ and might be coordinated. Through socialization, individuals develop ethical principles or rules for deciding what is right or wrong, and with knowledge and experience, they advance in their level of moral development. Thus, Kolhberg's theory suggests that, for example, through socialization people in the Estonian context develop their ethical orientation, and with favourable knowledge and experience, they may develop morally.

Kohlberg's (1969; 1984) theory of moral development combines moral philosophy with cognitive psychology in asserting that individual cognitive development is a necessary prerequisite for moral reasoning, focusing primarily on the cognitive processes and judging what course of action is morally right. Kohlberg (1975, p. 50) has stated that moral judgment, while only one factor in moral behaviour, is the single most important or influential factor yet discovered, and while other factors influence moral behaviour, moral judgment is the only distinctively '*moral factor*' in moral behaviour. Several authors have described and analyzed Kohlberg's model of cognitive development (e.g. Burns, 1978; Carlson & Kacmar, 1997; Carroll, 2000; Jones & Hiltebeitel, 1995; Lewis, 1989; Loe et al., 2000; Rest, 1980; Snell, 1996; Trevino, 1986; Turiel & Rothman, 1972) and most business ethics books have also included this concept (e.g. Crane & Matten, 2004, p. 120-122; De George, 1999, p. 34-37; Velasquez, 2002, p. 27-33). Moreover, students at business schools are taught to understand moral reasoning through these stages. We can argue that the moral stages reflect expanded insights into how perspectives differ and might be coordinated. As such, the moral stages might be related to stages of logical and social that contain similar insights.

Kohlberg's theory has had a significant impact on business ethics and has become the most widely tested and cited popular theory of moral reasoning in contemporary behavioural science (Endler et al., 1978; Trevino, 1992). The theory has been accepted as a construct to help explain business ethics as well as social responsibility (Fraedrich et al., 1994), and it has been modelled and/or advocated as an important variable for explaining behavioural intent by several authors (e.g. Ashkanasy et al., 2006; Ferrell et al., 1989; Goolsby & Hunt, 1992; Trevino, 1986; Weber, 1990; Wood, 1991). For example, research has been concerned with discovering people's moral judgment strategies by presenting them with hypothetical moral dilemmas and then asking them to judge what is right and wrong and to explain why (Trevino, 1992, p. 445). Their explanations and justifications are then used to characterize how they reason about moral dilemmas. Theory and research have also linked moral judgment to moral action (Blasi, 1980; Rest, 1980), suggesting that the way people think is related to what they do. In particular, higher levels of moral reasoning have been found to be associated with more ethical decisions (Greenberg, 2002; Trevino & Youngblood, 1990; Weber, 1990).

During the 1970s several researchers developed a number of instruments to measure cognitive moral development (Trevino, 1992, p. 447). Kohlberg et al. published their longitudinal study of moral judgment along with an in depth treatment of the measurement issue in 1983 (see Colby et al., 1983).

Furthermore, Rest (1979) developed a different approach to measuring cognitive moral development, the Defining Issues Test, providing a framework for understanding moral behaviour and including moral sensitivity, moral judgment, moral decision-making and moral action. Kohlberg's model has been subjected to extensive empirical and conceptual validation (Gilligan, 1993; Colby et al., 1983) and has been recognized as a useful framework for understanding ethical development in individuals. In particular, Kohlberg's hierarchy of moral reasoning has been widely used to assist business students in rationalizing the essence of hypothesized moral dilemmas as well as their own moral reasoning towards those dilemmas.

Besides this broad application, the model has also been criticised. Carol Gilligan (1993) finds the model too masculine, neglecting the feminine side and the need to acknowledge the value of basic human care and solidarity. Fraedrich et al. (1994, p. 831) have stated that researchers particularly outside the business discipline have questioned the assumptions and utility of the theory. They assert that the main criticisms relate to disguised value judgements, gender-bias and the invariance of stages; the theory emphasises rights and justice principles and does not adequately account for other types of moral principles. Similarly, Snell (1996) has pointed to an exclusive preoccupation with justice and also to a possible cultural bias built into Kohlbergian instruments and procedures, which may detect higher ethical values less easily if expressed in non-Western codes, arguing that the roots of the six-stage model are deeply North American or Western European, and Kohlberg drew on the work of Western philosophers in developing the stage categories. Many of these criticisms have to do with empirical matters, such as the problem of invariant sequence, the prevalence of regression and the relationships between thought and action.

Several researchers have developed Kohlberg's work further. For example, Robin et al. (1996, p. 510-511) paid attention to the weak link between cognitive moral development and behavioural measures and developed a new multidimensional ethics scale (MES), a model to better predict behaviour and capture subtle differences in the perceptions of a respondent and consider different ethical principles (discussed in Reidenbach & Robin, 1990). Rest and Narvarez (see Rest et al., 1999) presented a so-called neo-Kohlbergian approach, where they related the theory more closely to information processing and decision-making in response to criticisms.

2.2 CMD – Corporate moral development

The classification of organizations in ethical terms has been attempted by a number of writers who have tended to draw upon Kohlbergian thinking, although their specific underlying reasons for conducting such an enquiry have varied (Maclagan, 1996, p. 647). Robin et al. (1996) found that the substantial

work on cognitive moral development by Lawrence Kohlberg and James Rest popularized the use of this construct in the literature on business ethics, and thus, it has been prominently used in models attempting to explain ethical/unethical behaviour in business organizations and their management. Applying Kohlberg's cognitive moral development model to organizations has been discussed in a number of different research projects. Several authors have used the model to examine whether organizations as moral agents can be viewed as passing through different stages of moral development depending on the type of moral reasoning employed to explain their behaviours (e.g. Baxter & Rarick, 1989; Carlson & Kacmar, 1997; Knouse & Giacalone, 1992; Logsdon & Yuthas, 1997; Petrick & Wagley, 1989; Reidenbach & Robin, 1991; Sridhar & Cambrun, 1993; Snell, 2000). (See also Appendix 1 for comparison).

The majority of studies in this field have been interested in the impact of organizational variables, especially cultural, on individual moral behaviour and on decisions made by individuals in the name of the organization (e.g. Baxter & Rarick, 1989; Reidenbach & Robin, 1991; Victor & Cullen, 1988). The focus has been on the importance of the organizational culture in determining the morality of corporate activities (e.g. Hoffman, 1984; Trevino, 1986; Robin & Reidenbach, 1987; 1990); Sridhar and Camburn (1993) had additional concerns for organizational moral learning, while Carlson and Kacmar (1997) integrated ethical models with organizational concern for self and others. Work by Victor and Cullen (1988) has contributed to understanding the morality of corporate activities by measuring the work climate. According to Schneider (1975, in Reidenbach & Robin, 1991, p. 274), work climates are defined as *'perceptions'* that are psychologically meaningful molar descriptions that characterise a system's practice and procedures.

Robin and Reidenbach (1991, p. 273) believe that the concept of corporate moral development (CMD) is useful for a better understanding of the dynamics that contribute to ethical decision-making, and it is the organizational culture that undergoes moral development. Corporate moral development is necessarily more complex than individual moral development because corporations are organizations composed of many people at different hierarchical levels with disparate beliefs, values and interests. Moreover, corporations involve many processes that require coordination. They are also embedded in societal and institutional environments that create expectations and standards of behaviour not only for individuals, but also entities such as business organizations (Logsdon & Yuthas, 1997, p. 1213). Sinclair (1993) recognizes organizational culture as one of the determinants of organizational behaviour, and Knouse and Giacalone (1992) view organizational culture as the personality of the organization, encompassing a widely shared philosophical direction, institutional attitudes and beliefs, reward structure, and corporate leadership style. Fraedrich et al. (2005) have stated that organizational culture and work ethical climate of many firms today draw substantially from the character of their founders (often owners) and top managers. In general, this prior research suggests that organizations, like individuals, can exhibit different levels of moral development that are parallel to the levels displayed by

individuals (Baucus & Beck-Dudley, 2005; Logsdon & Yuthas, 1997; Robin & Reidenbach, 1991).

Reidenbach and Robin (1991) suggested that an organization's stage of moral development is signalled by corporate behaviours. In their proposed model of corporate moral development, companies move beyond simply giving legalistic lip service to codes of ethics, becoming responsive, and finally leading to the creation of an ethical organization (1991, p. 197). The authors maintained that corporations do this through taking ethics issues to heart and then acting in the appropriate manner with company goals, policy, boards and discussions. They explained how corporations move across levels and described case scenarios typifying each of the developmental stages. Similarly, Sridhar and Cambrun (1993) argued that organizations can be categorized into stages based upon their behaviours. Their study showed that subjects are able to consistently categorize organizations by analyzing speeches made by organizational spokespersons following ethical crises.

Yuthas (1997 in Logsdon & Yuthas, 1997) combined the work of Kohlberg and Gilligan (1993) to develop organizational stages. She began to address organizational responses to stakeholders as a means of identifying the developmental stage, and proposed management control and reward systems as mechanisms through which to assess organizational morality. Carlson and Kacmar (1997, p. 150) integrated three ethical models, moral philosophies, cognitive moral development and ethical value systems to understand the perception of ethics in the organization. Snell (2000, pp. 278-279) developed a model to measure the organizational moral ethos by analyzing five interrelated sub-systems, such as approach to formal moral governance – the basis of moral authority; deep implicit socialization; morality behind normative structure; and corporate outlook towards social responsibility, thus focusing on organizational context and leadership and behavioural outcomes.

The above-mentioned authors developed stages of corporate moral development based on Kohlberg's stage model. These models are slightly different (see also Appendix 1) and each of them can be useful as well as criticised on some points. Below I will discuss the CMD model by Reidenbach and Robin (1991) in more detail and explain why this model has been selected as the most suitable for this research.

Inspired by the work on individual moral development by Kohlberg (1969), Reidenbach and Robin (1991) presented the idea that corporate moral development changes from strictly self-interested and self-serving to a broader consideration for others and society. The concept of the two models is seen in Figure 2.

The main idea in Reidenbach and Robin's (1991, p. 274) approach is that as individuals can be classified within a stage of moral development so too can organizations. The authors have identified five stages of moral development describing the behaviour of the corporation as: amoral, legalistic, responsive, emerging ethical and developed ethical. The stages exhibit the morality/moral maturity of an organization through certain behaviours, attitudes, values, corporate culture, and explicit or implicit artefacts. Originally their model has

the shape of a triangle with five stages or development levels, wherein one can position corporations according to their maturity in ethical proliferation. The corporations that give profit higher preference than ethics can be found in the first stages, and corporations that give ethics priority over profitability are found in the higher stages of moral development. As usual there are stages in between, and this is where most corporations find themselves.

Kohlberg's levels of Moral Development (MD), 1984	Kohlberg's stages of Cognitive MD of individual; social orientation	Reidenbach & Robin 1991, p. 274 Corporate Moral Development
Pre-conventional	Obedience and punishment orientation	
	Reward orientation; Individualism, instrumentalism, exchange	Amoral Maximum profit at all costs
Conventional	Good-boy / good-girl orientation Law and order	Legalistic Follows the letter of the law, legal=ethical
	Authority orientation	Responsive Helps local community, social responsibility if profitable
Post-conventional	Social contract orientation	Emerging ethical Balancing ethics and profit, has ethical artefacts
	Ethical principles orientation	Developed Ethical Principle-driven

FIGURE 1   The typologies of Kohlberg's cognitive moral development and Reidenbach & Robin's corporate moral development

In the corporate moral development model, *stage one* organizations are basically characterised as *'amoral'*. Such corporations see the owners and managers as the only important stakeholders and the corporate culture encourages maximizing profits at all costs. Being caught disobeying ethical laws is viewed as a form of *'normal'* business and punishment is consequently endured as part of doing business. It is argued that this type of organization is not too commonly found (Lindfelt, 2002, p. 33). *Stage two* organizations are defined as *'legalistic'*, these are seen as having reached a higher level of maturity and corporations on this level obey the law, but no more than that. *Stage three* organizations have begun to develop ethical concerns and are characterized as *'responsive'*. These organizations have developed some external relationships with the community, may behave ethically and take some social responsibility, but only for self-serving reasons.

Stage four organizations have already started to implement the artefacts of an ethical organization, such as codes of conduct and ethics committees. Such corporations are labelled as *'emerging ethical'* and they recognize that being ethical sometimes involves a trade-off with profits. Typically, such corporations also show a concern for values in their mission statement or its planning

documents. The documenting of ethically responsive actions is a part of a stage four organization's practice. Finally, *stage five* organizations have clearly articulated value statements and implement these in practice and are characterized as '*developed ethical*' organizations. Such corporations have worked out moral principles that can be relied upon to help the organization deal with ethical issues. According to Reidenbach and Robin (1991) this kind of corporation is quite rare.

Further, the authors (Reidenbach & Robin, 1991, p. 275) proposed that organizations can start their lives at any stage of moral development, most organizations at stage one do not leave that stage and if they do then it is caused by a significant structural and cultural change. They also argued (ibid), that corporate moral development does not have to be a continuous process, and organizations can skip stages, they can also regress to lower stages and the regression typically occurs because the concern for economic values is not adequately counterbalanced by the concern for moral values. Thus, from the ethical point of view, the corporations can develop in a positive as well as a negative way.

Laczniak and Murphy (1993) have criticised the model in that it does not specify why an organization should strive to move up the pyramid. However, as discussed earlier, long-term perspectives on growth and profit are often closely related to ethical behaviour. When a business organization wants to have and maintain the '*licence to operate*' it has to behave and act ethically and take full responsibility for its activities considering the needs and interests of its main stakeholders in the long run (Freeman, 2000). Corporate responsibilities are part of corporate existence; and for corporations and individuals alike having rights includes having responsibilities. As a result, by embracing an ethical business and leadership perspective, long-term sustainable success is more likely to be achieved.

The CMD model by Reidenbach and Robin (1991) is useful for this research because firstly, creating an ethical orientation is a result of a managerial orientation, which is built around the organization's moral values. Secondly, the model embraces the trade-off dilemma between profits and ethical behaviour. This dilemma often occurs and makes ethical issues difficult to handle for corporations that strive for maximum short-term profits. Thirdly, the model recognizes that ethical artefacts are an important aspect of organizational ethical development. However, the model is not regarded as enough, since it lacks several important components indicating the process of balancing ethics and profits, such as the direction and objectives of the corporation, relations with society and the wider environment, stakeholder relations and leadership/management style; and therefore, three angles were added in this study to deepen and enrich the understanding of CMD.

Corporate governance (CG) was considered important as it is seen as an essential mechanism to help the company attain the corporate objectives and is viewed as both the structure and the relationships that determine corporate direction and performance. For example, Snell (2000) integrated the notions of structure and governance as well as the corporate outlook for stakeholders into

his discussion about the organizational moral development. Corporate social responsibility (CSR) is understood to be the way a company achieves a balance or integrates economic, environmental and social imperatives, while at the same time addressing shareholder and stakeholder expectations and Logsdon and Yuthas (1997) showed that there existed a clear linkage with the organization's approach to CSR and its stage of moral development.

The capacity of organizational leaders for moral reasoning and behaviour has a direct impact on organizational moral development; therefore, ethical leadership (EL) was selected as the third angle in this research. For example, Burns (1978) based his classic study of leadership on Kohlberg's levels of moral thinking, looking at moral thinking (the means over ends reasoning) in the early stages of development and saw these leaders as '*transactional*'. He wrote (1978, p. 169): 'Transactional leadership requires a shrewd eye for opportunity, a good hand at bargaining, persuading, reciprocating' and a '*transformational leader*', on the other hand, 'recognizes and exploits an existing need or demand in a potential follower... (and) looks for potential motives in followers, seeks to satisfy higher needs, and engages the full person of the follower'.

According to Trevino (1986), two types of individual characteristics have been linked to ethical behaviour within organizations. One relates to a stage of cognitive moral development in decision-makers, and the other focuses on their personality attributes, (see, for example, Ashkanasy et al., 2006; Trevino, 1986; Weber, 1990; 1991; Wood, 1991). In particular, higher levels of moral reasoning have been found to be associated with more ethical decisions (Greenberg, 2002; Trevino & Youngblood, 1990; Weber, 1990). Caldwell et al. (2002, p. 157) believe that this process of framing the cognitive lenses profoundly impacts how leaders define their roles, the importance of others and their core values. Carroll (1999; 2000) made a distinction between immoral, amoral and moral managers and found that ethical leadership is a principal characteristic of moral managers. Thus, in this research, the phenomenon of CMD is studied from three angles: corporate governance, corporate social responsibility and ethical leadership as seen in Figure 3. Additionally, as the stakeholder idea is considered important for all three angles, it is discussed separately.

FIGURE 2   The three angles of the research

University education is one way of shaping and reshaping individual identities, both personal and organizational; and business schools are central agencies of the socialization of business people where the basic foundation in terms of attitudes, professional skills and value orientation in the next-generation business professionals are laid down (Aspen, 2001). Therefore, the role of teaching is also discussed and reflected upon.

2.2.1 Corporate moral development and corporate governance

The notion of corporate governance relates directly to the issue of management structure at the top of corporations. Today, corporate governance is considered to play an important role in the economic health of corporations and society in general. The term corporate governance relates to how corporations, firms and organizations are owned, managed and controlled and is most often viewed as both the *structure* and the *relationships* that determine *corporate direction* and *performance*. However, one may claim that the concept of corporate governance is poorly defined because it potentially covers a large number of distinct economic phenomena. As a result, different people have come up with different definitions that basically reflect their special interest in the field.

Narrowly it can be defined as the relationship a company has with its shareholders (Lawrence & Lorsch, 1986; Lazonick & O'Sullivan, 2000) or, more broadly, as its relationship with society (World Bank, 2001). The most well-known approaches associated with corporate governance theory are agency theory (Fama & Jensen, 1983; Jensen & Meckling, 1976); transaction cost economics (Williamson, 1988) and stakeholder theory (Brenner, 1995; Carroll, 1979; 1991; Freeman, 1995). Sullivan and Shkolnikov (2007, p. 1) have related corporate governance to business ethics, stating that corporate governance is about accomplishing the core values of transparency, responsibility, fairness and accountability. Because these values are also key concerns for business ethics, the two can be seen as being directly related.

However, the corporate governance aspect deals with setting up the structures through which these values are attained, while ethics is both a guide for behaviour and a set of principles (or a moral code). Sims (1992) recognizes that organizational culture has a significant influence on establishing ethical behaviour in an organization and enumerates normative recommendations for creating a culture that supports individual ethical behaviour. The shared operating norms, or 'normative structure' (Trevino, 1986), as well as the ethical and moral climate of the organization (Cohen et al., 1993; Victor & Cullen, 1988) are based upon the organization's level of moral development.

Corporate governance is seen as an essential mechanism to help the company attain its *corporate objectives,* and this includes the corporation's *relationships* with its *different stakeholders*. Corporate governance has implications for company behaviour towards employees, shareholders, customers and banks. Good corporate governance plays a vital role in underpinning the integrity and efficiency of financial markets. Poor corporate governance weakens a company's potential and at worst can pave the way for financial

difficulties and even fraud. If companies are well governed, they will usually outperform other companies and will be able to attract investors whose support can help to finance further growth. A major reason for increasingly adopting the stakeholder concept when setting business objectives, is the recognition that businesses are affected by the '*environment*' and society in which they operate. In the following I will describe how different stages of corporate moral development are related to factors of corporate governance.

At lower levels of CMD (*amoral, legalistic*), organizations have clear hierarchical structures, the organization's purpose is to make a profit, obedience is valued and rewarded (Reidenbach & Robin, 1991, p. 275); under domination, hierarchical rank could become a level for imposing unethical demands (Snell, 2000, p. 282); employees are often exploited and their needs and interests are not worthwhile. The behaviour and activities of organizations are unethical; subordinates have little faith in the integrity, care, wisdom and transparency of authority, but follow instructions out of fear or instrumentality (Jackall, 1988, p. 19). There is little trust in authorities that are seen to be concerned merely with their own needs. Relationships are often based on authority and power – those who have power can influence the organization's activities, and the owners are the most important stakeholders. Belief in a valueless business environment produces a valueless business (Reidenbach & Robin, 1991, p. 276). Company culture values productivity and profits.

At the *amoral* stage, when laws are considered obstacles to be overcome, rules can be broken if there is an advantage in breaking them. Then at the *legalistic* stage, legal compliance is valued most – relations are regulated by using the laws and regulations. The organization exhibits compliance with the letter of the law as opposed to the spirit of the law (Reidenbach & Robin, 1991, p. 276). Cultures dictate obedience to the law, codes of practice, and regulations; company values flow from the laws of the state; management is principally concerned with adhering to the legality of an action rather than the morality of the action. In this culture, law equates with justice and there is no difference between what is legal and what is right and just. Principal emphasis is still placed on profitability, but is also concerned with the legality of the profits, not necessarily the morality of them. The owners are still the principal stakeholders. The organization only does what it is required rather than what it should do.

At the *responsive* stage, corporations begin to evolve cultures that contain values other than productivity and a sense of legality. Responsive organizations begin to strike a balance between profits and doing right (Reidenbach & Robin, 1991, p. 278). However, doing right is still more to do with expediency rather than an end unto itself. The management boards of these corporations are more sensitive to the demands of society than those of the previous stages. Management begins to recognize that the organization's role exceeds a purely economic one and that it has certain social duties and obligations (ibid). Management's own rules and codes derive from tradition and appeal to a member's sense of duty, sometimes also to loyalty and the desire for approval (Snell, 2000, p. 279). Members help and are loyal to the groups to which they belong, or to individuals whom they respect.

Emerging ethical organizations can be described as organizations that have a strong orientation towards ethical business practices and behaviour, but 'are not yet there'. These organizations actively seek a greater balance between profits and ethics. There are visible manifestations of 'ethics vehicles' throughout the organization (Reidenbach & Robin, 1991, p. 279), codes of conduct have real value in coordinating the organization's activities, there is greater involvement in ethics activities and the culture supports an ethical climate. At the same time organizational actions are still characterised by ad hoc attempts to develop and instil organizational values. These attempts often lack direction in both the selection of the values and their implementation. Top management recognizes the importance and value of this type of behaviour, but lacks the experience and expertise to make it work effectively. Reidenbach and Robin (1991, p. 280) have observed that a growing number of organizations can be classified as *emergent ethical,* and have stated that what is important is that there is a visible shift in the culture, as it gives increasing emphasis to the morality of the bottom line and the organization strengthens policies enhancing the organization's social and environmental impact. The members clarify the meanings of wider social 'good' and develop a commitment to the overall approach (Snell, 2000, p. 278).

The highest stage of corporate moral development (*developed ethical* organizations) characterises organizations an organization-wide acceptance of a common set of ethical values that permeate the organization's culture. These core values guide everyday behaviour and activities. Decisions are based on inherent justness and fairness as well as profitability. This balance between the concerns for profits and ethics means the organization works to support a culture that has a strong inherent sense of moral duty and obligation. Reidenbach and Robin (1991, p. 280) did not find any organizations operating at this level, and it can be considered the ideal status that organizations have to aspire to.

2.2.2 Corporate moral development and corporate social responsibility

The area of corporate social responsibility (CSR) has grown dramatically all over the world in the last 10 years. More businesses than ever before are involved in serious efforts to define and integrate CSR into all aspects of their business. They believe that CSR has a positive impact on economic performance (Freeman, 1984; Matten & Moon, 2004; O'Malley, 2003). New voluntary CSR standards and performance measurement tools continue to proliferate amidst the ongoing debate about whether and how to formalize legal CSR requirements for companies.

CSR can best be understood in terms of the changing *relationship* between business and *society*. Different approaches to and theories about CSR have been evolving for decades (Carroll, 1999), and it has long been debated whether it is possible to demand more from a corporation besides producing goods and services and making a profit. Many people believe it is no longer enough for a company to say that their only concern is to make a profit for their

shareholders, when they are undertaking operations that can fundamentally affect (both negatively or positively) the lives of communities in countries throughout the world.

The concept of CSR does not have one generally understood meaning. Carroll used a typology of corporate responsiveness (Carroll, 1979; Crane & Matten, 2004, p. 48) and divided corporate social responsibilities into a four-level-pyramid (Aupperle et al., 1985, p. 455; Carroll, 1991, p. 39-48), naming separately economic, legal, ethical and philanthropic *responsibilities*. Dirk Matten and Jeremy Moon (2004) describe CSR as 'a cluster concept overlapping with such concepts as business ethics, corporate philanthropy, corporate citizenship, sustainability and environmental responsibility' (Matten & Moon, 2004, p. 335).

In Wood's (1991, p. 696) model of corporate social performance, the principle of corporate social responsibility (CSR) is multi-level with institutional, organizational and individual managerial components. At the institutional level, organizations must be concerned with legitimacy in fulfilling certain functions within the social system. Society grants legitimacy and power to businesses and in the long run those who do not use power in a manner which society considers responsible will tend to lose it. At the organizational level, organizations must be concerned with defining the scope of their specific areas of responsibility. Businesses are responsible for the outcomes related to their primary and secondary areas of involvement in society, and at the individual level, managers are seen as moral actors who have a responsibility to exercise such discretion as is available to them towards a socially responsible outcome.

Following this, Logsdon and Yuthas (1997) have shown that there exists a link between the organization's approach to CSR and its stage of moral development. They propose that how the organization views its responsibilities is an important indicator of its moral development. Reidenbach and Robin (1991, p. 275) have discussed the idea that organizations at the first stage of corporate moral development (*amoral)* are shaped by a strong belief in Adam Smith's invisible hand and the notion that the only responsibility of business is to make profit. Similarities can be found here with the first level of economic responsibility in Carroll's model of corporate social responsibility. Carroll (1991, p. 40) has listed the activities considered important by organizations focusing on economic responsibilities – to perform in a manner consistent with maximising earnings per share; to commit to being as profitable as possible; and to maintain a strong competitive position and a high level of operational efficiency. According to this view, a successful firm can be defined as one that is consistently profitable.

When it comes to organizations at the second stage (*legalistic*), society, for the most part, can expect organizations that adhere to the law, but do little as far as operating in their own enlightened self-interest is concerned. Again we may refer to Carroll's (1991, p. 40) legal responsibility, where it is important to perform in a manner consistent with the expectations of government and law; to comply with various state and local regulations and to be a law-abiding

citizen. This leads to the argument that according to legal responsibilities, successful organizations can be defined as those who fulfil their legal obligations and provide goods and services that at least meet minimal legal requirements.

In *responsive* organizations (*stage 3*), managements are more sensitive to the demands of society than managements at the previous stages. They begin to recognize that the organization's role goes beyond a purely economic one, and that it has certain social duties and obligations. Concern for social responsibility means that organizations seek opportunities to participate and if possible to play a leadership role in addressing issues of concern to the community (Reidenbach & Robin, 1991, p. 278), but often this manifests itself only in words, as these organizations still have a reactive rather than a proactive mentality.

Stage four (*emerging ethical*) organizations can be characterised by the following statement: 'business has a role beyond the generation of profits. By investing their goodwill, time and money, companies can and should serve as catalysts in helping deal with significant social issues'. The culture is less reactive and more proactive to social problems when they occur. But there is still an imbalance between profitability and ethics so that in times of stress it is not uncommon to see the pursuit of profitability produce unethical behaviour.

Although Reidenbach and Robin (1991) could not find any organizations at *stage 5*, they stated that e*thical* organizations are like a family with certain ethical family values that guide decision-making, and these core values are translated into ethical behaviour and actions. As opposed to Carroll's pyramid of CSR, researchers who have used the concept of corporate moral development (Logsdon & Yuthas, 1997; Sridhar & Cambrun, 1993) have not talked about corporate philanthropy or sponsorship – I consider this the right approach as too often the last level of a CSR model is referred to as the highest and most preferred. According to my view, philanthropy as well as altruism in ethics is important, but cannot be taken as the most advanced expressions of social responsibility or ethical principles.

2.2.3 Corporate moral development and ethical leadership

In this work, it is assumed that the highest level of the corporate moral development model describes behaviour characterised as *ethical leadership* – the ideal that organizations aspire to. We can argue that leadership and recently also ethical leadership have become important topics in business discussions, but the meaning of these concepts is still not very clear. Al Gini (1996) has stated that leadership is hard to define, and ethical leadership even harder. Over the last 30 years, several new leadership models have been proposed, including transactional, transformational (e.g. Bass, 1985; 1998; Burns, 1978; Yukl, 2002), charismatic (e.g. Bass, 1999; DuBrin, 1995; House et al., 1991) and servant leadership (Greenleaf, 1977; Whetstone, 2002). However, House (1998) explains that these 'new' theories actually contain 'components in varying forms of inspirational, intellectual stimulation and individualized consideration'.

Kets de Vries (1994) argues that there is no definitive, robust and conclusive definition of leadership, still Northouse (2001, p. 2-5) finds that there appears to be two common dominators: it is a process of getting things done through others based on an interactive relationship and that mutual goals are achieved by influence and emotions. Leadership can be seen as a process, act or influence (Storr, 2004, p. 416) and both the nature and the way it is exercised are important; according to Ciulla (2005, p. 325) the word leader carries emotional and normative baggage and its meaning is socially and historically constructed. Yukl (2002, p. 406) attempts to make a clear distinction between ethical and unethical leadership and lists criteria for determining the differences – *use of power and influence*, handling the diverse interests of multiple stakeholders, development of vision for the organization, integrity of behaviour, taking risks, *communication* of relevant information, response to criticism and dissent by followers and *development of follower* skills and self-confidence. Reidenbach and Robin (1991, p. 281) suggest that at the ethical leadership level ethical values guide the *daily behaviour of organizations and individuals*. Top management facilitates open, critical discussion of moral assumptions, and new moral policies emerge, consistent with basic justice and compassion (Snell, 2000, p. 278). Carlson and Kacmar (1997, p. 151) believe that at the highest level the focus may change from the self towards others and utilitarianism and deontology are the principal moral philosophies used when making decisions in the organization.

Wood (1991, p. 696) defines *managerial responsibility* as moral, and at the individual managerial level their task is to perceive and exercise choices about whether and how to make their organizations responsible. By virtue of their position of power and authority over organizational members, resources and processes, top managers hold the primary responsibility for interpreting the institutional and organizational aspects of corporate activities (Jones, 1995) and for embedding ethics and responsibility within their organizations. Takala (2006) believes that a combination of moral endurance and the ability to grasp the overall context is what above all allows an individual not only to survive an ordeal, but also to learn from it and emerge stronger, more engaged and more committed than ever. Such attributes allow leaders to grow as human beings and learn to overcome their trials instead of being destroyed by them. Leaders aim to jointly develop both organizational and individual purposes (Juuti & Vuorela, 2002, p. 108) and develop themselves as well as other organizational members.

We can argue that from a moral point of view, leadership is distinctive because of its range. When people are in positions of leadership, their moral failures have an impact on the lives of a larger number and/or variety of people (sometimes for a longer amount of time) than when they do not hold leadership positions. Because of this, leadership is morality and immorality magnified. Every ethical or unethical thing that a leader does can have a ripple effect. However, Ciulla (2005, p. 329) suggests that this does not mean that leaders should have higher ethical standards than everyone else. Most of the time, leaders do not get into trouble because they failed to live up to higher ethical

standards, but because they did not live up to the same standards as the rest of us. What we hope for in leaders is a higher rate of success at being moral because the failures are so costly.

Corporate leaders are the ones who give face to the organization and their behaviour and exercised management style give clear signals also about the level of moral development. Some authors indicate that transformational leadership tends to be characterized by high moral development, while transactional tends to be associated with lower levels of moral development (Petrick & Quinn, 1997). Aronson (2001, p. 250) relates ethical leadership to the level of moral development of the leader expressed in a leader's intent or motive. Kanungo and Mendonca (1996) maintain that it is essential for leaders to be motivated by the desire to benefit others. Aronson (2001) suggests that leaders whose moral development level is low are concerned with their own personal well-being and do not consider others important. Those leaders lack the desire to benefit others, but leaders who are concerned for others with no regard for the cost to oneself are regarded as leaders at a developmentally high moral level (Aronson, 2001, p. 251).

Proceeding from here we can argue that leaders/managers at the *amoral* stage of CMD are concerned about their own well-being and make decisions only to benefit them, there is no concern for followers and no emphasis on ethical values. Relationships with others exist to serve their own needs and desires, and are based on the use of power and influence, there is no open communication and relevant information is often kept from others, even from those who are involved. Since 'moral standards are supposed to override self-interest' (Velasquez, 1982, p. 10), strictly speaking there is no ethical reasoning at this level as it is normally understood. Instead, the motivation for the organization's decisions is based upon ethical egoism; that is, whatever benefits the top managers is appropriate, regardless of its impact on others.

According to Carroll's (1987; 1999) classification of *immoral, amoral* and *moral* management, *immoral* managers behave and act in a way considered opposite to what is regarded as ethical (can be characterized as the *amoral* stage of CMD). Their decisions are discordant with accepted and valued ethical principles, and an active negation of what is moral is implied (Carroll, 1999, p. 48). Legal standards for them are seen as barriers that must be overcome; strategy means exploiting opportunities for personal and organizational gains; their motives are selfish, caring about their own gain or that of their organization. At this level there is immunity to ethical training and managers intentionally and consciously decide for themselves that ethics and business do not fit together. They do not factor ethical considerations into their decision-making and actions because they believe business activity resides outside the sphere to which moral judgements apply. They simply think that different rules apply in business than in other realms of life. For them moral reasoning is too naïve and is not appropriate for the tough, competitive world of business (Carr, 1968). The concept of thinking ethically is not deemed appropriate in the business domain.

At the *legalistic* stage, top management is concerned about the legality of behaviour and activities, but nothing beyond that. Those managers/leaders follow the compliance strategy (Paine, 1994; 2002), are law driven and more focused on minimal compliance. They can be seen as rational maximisers of self-interest, indifferent to the moral legitimacy of their choices and ethics have no place in business or organizational thinking, policy, practices and decisions. At the lower levels, the subordinates are seen strictly as the resources or means to achieve the leaders' or organizational objectives, with rewards issued only to the extent required to maintain sufficient effort and sanctions applied without concern for followers needs (Aronson, 2001, p. 252).

At the *responsive* stage the top management is concerned with fitting in with industry and local community peers as peer expectations necessarily include some responsibilities toward others. The managers begin to realise the importance of employees and the community in which they operate, communication becomes more open, but still for example developing the followers is not regarded as important. The management projects a pleasant self-image by maintaining good relations with those who have the biggest impact on corporate activities. Reidenbach and Robin (1991, p. 279) have called this stage a learning stage wherein the management tests the efficacy of socially responsive behaviour and begin to understand the economic value of moral behaviour. Still, the management style is dominated by a reactive rather than a proactive mentality.

The *emerging ethical* stage describes EL, which is concerned with ethicality of behaviour and activities, but leaders/managers may lack sufficient time and or knowledge to fully realise the need for the ethical consideration of daily activities and integrating ethics into the management strategy. Management/leadership style encourages participation, but leaders leave themselves the right to make final decisions, open communication and the development of followers are regarded important, but might not be fully implemented in practice.

At the *developed ethical* stage of CMD, morality is both personal and organizational (Trevino, 1986). Carroll (1999; 2000) has described this as *moral management*, characterized by *ethical leadership* (e.g. Argandona, 2001; Aronson 2001; Bass, 1985; Burns, 1978; Ciulla 1995; 2004; Enderle, 1987; Kanungo & Mendonca, 1996; Kouzes & Posner, 1992; Northouse, 2001) and integrity strategy (Paine, 1994; 2002; 2003; Petrick & Quinn, 2001). This is a stage where ethics is the driving force of the organization, where managers/leaders encourage open and critical discussion of values and the organization's objectives (Pava 2002; Snell, 2000), and organizational ethics helps to define what the organization is and what it stands for. This embraces exercising moral imagination (Werhane, 1999), which is both creative and applied. Ethical leaders want to succeed, but only within the confines of sound ethical principles (Reidenbach & Robin, 1991, p. 281) – they create a culture that helps to integrate common morality into the decision-making process and moral judgements. Ethical leadership assumes that managers/leaders are interested in profits, but pursue financial success within the confines of legal obedience, and not only to

the letter, but also in the spirit of the law (Carroll, 1999, p. 49). They typically regard the law as an ethical minimum and by habit operate well above the mandates of the law; they are proactively addressing ethical issues with respect to all stakeholders. At the ethical leadership stage, leaders operate out of genuine concern for others, even raise their followers up through stages of morality and need; and turn the followers into leaders (see Ciulla, 1995, p. 15).

2.2.4 Corporate moral development and stakeholder orientation

In this work, the stakeholder concept is seen as important from all the angles described above, and therefore it is discussed separately. Freeman and colleagues (see Phillips et al., 2003, p. 480) suggest that stakeholder theory is at first a theory of organizational management and ethics. They continue that as with all strategic management theories, it has a moral content, which in this case means that the subjects of the theories are inherently moral subjects, for example, Jones and Wicks (1999) conceive stakeholder theory in terms that are 'explicitly and unabashedly moral'. Kujala (2001a, p. 234) suggests that the basic idea of analyzing stakeholder relations gives us a new way of looking at business life and that moral issues in business can be described and analyzed by looking at the interaction between companies and their stakeholders (Kujala, 2004, p. 144). Therefore it can be argued that, an organization's social performance is judged in large part by how it addresses stakeholder relationships and issues.

The need for considering stakeholders – including shareholders, analysts, regulators, activists, trade unions, employees, community organizations, and the media –has increased, as they are asking companies to be accountable not only for their own performance, but for the performance of their entire supply chain, and to satisfy an ever-changing set of business issues (Clarkson, 1995; Harrison & Freeman, 1999). We can argue that all of this is taking place against the backdrop of an ever more complex global economy with continuing economic, social and environmental inequities, and integrating the concepts of individual and organizational moral development with those of corporate performance and stakeholder orientation strengthens our understanding of complex decisions and outcomes. For example, Logsdon and Yuthas (1997, p. 1216) use the moral development stages as a framework for integrating concepts of corporate social performance and stakeholder theory into a fuller understanding of organizational moral development. They draw parallels between individual and corporate moral development and create linkages with concepts about corporate social performance and stakeholder orientation. Referring to the model of CMD, we can say that at the pre-conventional level (*amoral* and *legalistic* stages), decisions are made and stakeholder relationships exist only in the interests of the top managers or owners. While these decisions may also serve the interests of other parties, there is no requirement that they do so. It is also argued that executives can be opportunistic and self-aggrandizing to the detriment of legitimate claims made by other stakeholders (e.g., Donaldson & Preston, 1995; Jones, 1995).

According to Logsdon and Yuthas (1997, p. 1217), the commitment to some form of moral reasoning begins with conventional moral development (*responsive* and *emerging ethical* stages). The sources of moral standards in conventional reasoning are external forces that are accepted as legitimate and desirable within the organization's environment. They argue that at *Stage 3 (responsive* stage of CMD)*, the top management is concerned with fitting in with their peers and this involves some level of responsibility toward others, and concern for stakeholders begins as they begin to realise the importance of employees and the community in which they operate. The management projects a pleasant self-image by maintaining good relations with key stakeholders and considers media and public opinion important.

The following stage reflects a market-based stakeholder orientation supplemented by legal requirements that relate to specific stakeholders, as organizations try to understand the needs, expectations and moral claims of stakeholders, and executives accept society's legal standards as legitimate for preserving social order (Reidenbach & Robin, 1991). Thus, conventional moral reasoning focuses on a narrow range of stakeholders that are specified in economics and law; that is, owners, lenders, customers, employees, and others who have a market-based or contract-based relationship with the firm (Logsdon &Yuthas, 1997). The nature of the rights and duties between the organization and these stakeholders is specified in contracts, either explicit or implied, and subject to legal adjudication. However, by equating legal with ethical behaviour, they run the risk of lagging behind changing stakeholder expectations and also forego the benefits of meeting stakeholder expectations that are not required by law (Jones, 1995).

Post-conventional moral reasoning (*ethical organizations*) is what is usually associated with mature ethical analysis. Post-conventional analysis goes beyond peer and legal expectations to emphasize the active promotion of the welfare of stakeholders, based on respect for others. This level of moral reasoning necessarily involves a broad range of stakeholders, both market-based and non-market-based (such as local communities, environmental groups and the poor and disadvantaged members of society). Organizations at this level do not view themselves as separate from this broad range of stakeholders, but recognize their interconnectedness in pursuing the welfare of society. At the *developed ethical* stage, social contract orientation recognizes that peer and legal standards (as emphasized at *responsive* and *emerging ethical* stages) are not sufficient to be fully moral. Instead, top management participates in dialogue about social values and responsibilities that go beyond peer and legal requirements (see Donaldson, 1992; 1994; Dunfee, 1991; Logsdon & Yuthas, 1997). Organizations that operate at the *post-conventional* level have accepted a broader set of stakeholder relationships and thus are likely to be perceived as being more concerned about their legitimacy than organizations at the conventional stage of moral development, at this level top management encourages analysis of issues according to universal ethical principles, such as individual rights and duties, justice and utilitarianism (Cavanagh et al., 1981; Velasquez, 1982; 2002).

In this work, I focus on the three angles of CMD and the following table summarizes the determinants of these angles, which have been considered important in the process of investigating CMD.

Three angles of research	Determinants of these angles
Corporate governance	Corporate direction, performance, objectives, drivers, interests, organizational structure and main organizational activities and the consideration of and relations with different stakeholders and the wider environment
Corporate Social Responsibility	Concern for ethics and CSR, perceived responsibilities, attitudes toward CSR activities in relationships with main stakeholders and society
Ethical leadership	Personal and organizational morality (incl. ethical norms, motives, use of power and influence, leadership/management style, communication, development of followers)

FIGURE 3   Determinants of CMD angles in this research

2.3 Enhancing corporate moral development through teaching and training

Aristotle already stated in Nicomachean Ethics (Aristotle 1996) that within moral development, the theories of ethics and education are a practical and inter-related concern. According to Kohlberg (1969), moral development is not related to intelligence; advancement through the levels of moral development is based not only on time and experience, but also on education. It is argued that moral reasoning skills develop over time and improve with increasing experience in ethical reasoning through interaction and collaboration with others (Kohlberg, 1975), and ethics training has been shown to influence the moral views of business people (see Maclagan, 1996). For Kohlberg (1984), two processes contribute to advances in moral reasoning: (1) cognitive-structural organization and (2) the socio-moral perspective from which moral reasoning emerges. Cognitive-structural organization refers to the ability to logically analyze situations of moral consequence and apply concepts of justice, while the socio-moral perspective relates to one's ability to interact in role-playing opportunities in the environment. Weber (1990) related cognitive moral development and actual behaviour. Goolsby and Hunt (1992) indicated that ethics training can be more effective than simple moral imperatives, such as 'do the right thing'. A university education is one way of shaping and reshaping individual identities, both personal and organizational. Students studying business management in universities acquire the knowledge and skills for positions they will hold later on. According to Crane (2004), academia plays a significant role in developing an ethical perspective in strategic decision making that affects the entire organization and its stakeholders. Thus, business teaching plays a central role in a process where the basic foundation for the attitudes,

professional skills and value orientation of next-generation business managers are laid down (Aspen, 2001; Lämsä et al., 2008).

We can argue that countries characterized as transition economies face especially important issues concerned with identity transformation, because life in their business community is being shaped in close connection with political and intellectual developments in society (Aaltio et al., 2002). Numerous studies suggest that ethics training can change the moral philosophy scores of undergraduate students (Fraedrich et al., 2005, p. 28). Pinchot and Pinchot (1997) and Badaracco (1997, p. 34; 2002) have both implied that morals and values can be taught, and Trevino (1992) has suggested that one potential practical approach to influencing moral reasoning is through moral judgements-based teaching interventions. Izzo et al. (2006, p. 245) found that in terms of ethics education, interactive participation may significantly contribute to advancement in levels of moral judgement. It is believed that teaching business ethics should not only be part of the curriculum as a separate course, but should also be integrated into courses dealing with all the functional areas of business such as finance, marketing, accounting and others, and such teaching must necessarily incorporate practical ethical problem-solving skills.

It is argued that the proliferation of corporate scandals in recent years is not just evidence of a few 'rotten apples', but rather of the widespread and deep rooted problem of a severe lack of proper ethical education in business schools (Adler, 2002; Crane, 2004). A study by Aspen Institute covering the major business schools revealed that the education system in business schools not only 'fails to improve the moral character of students, but actually weakens it' (Aspen, 2001). Several studies suggest that although the ethical behaviour of graduate business students is reasonable at the beginning of the program, surprisingly it is found to be lower by the end of their studies, providing evidence of shortcomings in traditional business education (Adler, 2002; Crane, 2004).

It is believed that teaching BE and CSR is a business school's moral obligation (see e.g. Gandz & Hayes, 1988, p. 659; Crane, 2004, p. 149 and Weisul & Merritt, 2002, p. 8). It is an obligation to contribute to ethical development among students and increase their awareness of managerial decision-making in day-to-day business activities; however, quite often the universities and business schools tend to disregard these subjects as important factors of business education (Falkenberg, 2004). Hosmer (1985, p. 18-22) has outlined reasons for the rejection of a business ethics course in universities as follows: 1) lack of understanding about the nature of ethics in management; 2) lack of understanding about the complexity of the ethical decisions in business; and 3) the subject being unscientific. Additionally, Gandz and Hayes (1988, p. 664) and Kooskora et al. (2005, p. 15) have contended that the barrier to teaching business ethics is that most faculty members have little or no background in ethical analysis resulting in some educators not having the confidence to open BE or CSR related courses in their faculty. Therefore, Matten and Moon (2004, p. 239) have admitted that the questionable assumptions of some core doctrines, theories and concepts dominate the curriculum and discourage an awareness of

CSR and ethical behaviour. This is considered the main criticism of ethics education in business schools.

Quite often business schools themselves can also be treated as business organizations and following this we can argue that at different stages of moral development the attitudes towards BE and CSR education may differ. At the lower levels of CMD (*amoral* and *legalistic* stages) there is immunity to ethical education and business and ethics are seen as separate fields – business education does not include courses in BE and CSR, or CSR is understood and taught as the need to earn profit for the shareholders. At the *legalistic* stage, the need for legal behaviour and activities is emphasised and ethics and legality are equalized. At the *responsive* stage, business school authorities realise the need for teaching corporate social responsibility, but often this is treated as an opportunity to provide information about how to gain good publicity and the image of a responsible business organization/person – so the issues taught in those courses concern public relations and CSR reporting. At the next stage (*emerging ethical*), CSR activities are not only understood as forms of correct PR, but there is an increasing interest in courses in ethical and responsible behaviour and activities. At the *developed ethical* stage, BE and CSR are seen as integrated elements of business education and are provided as separate courses and also as integrated subjects in other business courses. Taking responsibility and acting ethically is treated as a strategic choice and implemented in teaching management strategy.

In conclusion, we can argue that while BE and CSR teaching and education cannot provide any quick fixes, what it can provide is the intellectual equipment to deal better or more adequately with the persistent phenomenon of moral ambiguity and perplexity. Raising awareness and stimulating the moral imagination is crucial. Maclagan (1996; Maclagan & Snell, 1992) found that 'people must recognize an ethical issue before they can act on it; and it's not a matter of common sense'. BE and CSR teaching programmes have to provide concepts, theories and analytical skills to enable individuals to engage in moral reasoning and decision making, and the underlying concern is to help business students to become future decision-makers who are capable and willing to create organizations that encourage and support ethical and responsible conduct and help prevent undesirable outcomes.

3 METHODOLOGY OF THE STUDY

3.1 Methodological cornerstones

This dissertation was initiated on the basis of Reidenbach and Robin's theoretical model of corporate moral development (1991) with the intention of investigating its applicability in the context of one business community – Estonia. The study can be called a 'case study of the Estonian business community', where the purpose is also to describe, analyze and interpret the case empirically in the context of rapid and radical political, economic and social changes. The methodological choices – a case study strategy and triangulation – used in this research will now be explained in more detail, followed by a description of the empirical data and the techniques for gathering it.

3.1.1 Case study as a research strategy

In this study, the *Estonian business community* is viewed as a *case*. According to Stake (1995), 'a case is a specific, complex, functioning thing'. A business community can be interpreted as a case, since it is a specific, complex and integrated system.

A case study is expected to capture the complexity of a case (Stake, 1995, p. xi). By definition a case study is a 'research strategy that involves the empirical investigation of a particular contemporary phenomenon within its real-life context using multiple sources of evidence (Robson, 2002, p. 178). Yin (1994) emphasises context by saying within a case study the boundaries between the phenomenon being studied and the context in which it is being studied are not clearly evident. In this research the case study strategy seeks to investigate, by using a variety of data collection procedures, the phenomenon of CMD in its natural context, with the purpose of 'confronting' theory with the empirical world (see also Welch et al., 2007).

In particular, I have chosen an *instrumental historical case study* (Stake, 1995; 1998), as the Estonian business community is examined with the purpose of providing insight into the phenomenon of CDM during the last 20 years (1985-

2005). In this research, the Estonian business community as a case is understood as instrumental, meaning that the case plays a supportive role in facilitating our understanding of the phenomenon under examination and the findings are placed in a social, historical and cultural context.

In general, a case study is usually defined as belonging to the *qualitative research paradigm* (Guba & Lincoln, 1994; 1998; Creswell, 1998). Stake (1995, p. 37) lists three major differences in qualitative and quantitative research: 1) the distinction between explaining and understanding the inquiry; 2) the distinction between the personal and impersonal role of the researcher; and 3) a distinction between knowledge discovered and knowledge constructed. Where quantitative researchers have pressed for explanation and control, qualitative researchers, for understanding the complex interrelationships among all that exists. Quantitative researchers try to nullify context in order to find out the most general and pervasive explanatory relationships and regularly treat uniqueness of cases as 'error'; while for qualitative researchers the uniqueness of cases and contexts are important for understanding and particularization is an important aim (see Stake, 1995, p. 39). For quantitative researchers it is important to find out the reality, make discoveries about the world at large, while qualitative researchers believe that knowledge is constructed rather than discovered (Schwandt, 1998).

In addition, Patton (2002, p. 40-41) names the major characteristics of qualitative research, describing the choices of research strategy, data collection and analysis strategies. This work has adopted *qualitative methodology* and I consider myself a *qualitative researcher*. Van Maanen (1988, p. 9) defines qualitative techniques as 'an array of interpretative techniques that seek to describe, decode, translate and otherwise come to terms with the meaning, not the frequency, of certain more or less naturally occurring phenomena in the social world'. Stake (1995, p. 16) finds that 'in a qualitative case study, we seek a greater understanding of the case; we want to appreciate the uniqueness and complexity of the case, its embeddedness and interaction with its context.' In designing the research strategy for this study, I chose to study the phenomenon of CMD in a real world context while being open to adapting the inquiry when my understanding deepened. Patton (2002, p. 40) argues that although qualitative researchers formulate research questions to guide their inquiry, they expect their questions to change or sharpen as the study progresses, and Stake (1995, p. 20) adds that 'in a qualitative research issues emerge, grow and die'. This particular work has been opened to new insights and several changes were made during the research process, research interests have been targeted on different topics and the research questions have changed over time (see *chapter 1.1 in this dissertation*).

Increasingly, authors and researchers who work in organizations and with managers argue that one should attempt to mix methods to some extent, because it provides more perspectives on the phenomena being investigated (see Easterby-Smith et al., 2003, p. 41; Niglas, 2004). Case studies involve a variety of data collection methods (Welch et al., 2007). The data collection for this particular research was mainly accomplished using *observations* and *interviews,* and to some extent written and web-administrated *questionnaires* were used. Moreover, qualitative researchers often gather their data by using themselves as instruments

-- observing, participating, and interviewing (Adler & Adler, 1994, p. 378), for this research the data was gathered using focused observations over the last 8 years and interviews with Estonian business leaders and managers.

Interpretation is a major part of all research (Stake, 1995, p. 9). Even more, according to Erickson (1986), the most distinctive characteristic of qualitative inquiry is its emphasis on interpretation, on the bases of observations and other data upon which researchers draw their conclusions. The interpretative approach involves a set of subjectivist assumptions about the nature of human experience and social order. Through an interactive relationship between researcher and participants, the researcher aims at an understanding of 'the complex world of lived experience from the point of view of those who live it' (Schwandt, 1998, p. 221) and the researcher's personal experience and engagement play an important part in the inquiry and are critical to understanding the phenomenon (Patton, 2002, p. 40). I consider the 6 years of managerial experience in Estonian organizations as a marketing manager and later engagement in focused observing and being active in teaching and training these subjects helpful for understanding the world of Estonian business leaders. The advantage of the adopted approach allows us to look at how processes change over time and helps us understand people's intentions, and additionally to adjust to new issues and ideas as they emerge, and to contribute to the evolution of new theories. This approach provides a way of gathering data that is seen as natural rather than artificial.

Qualitative researchers are interested in understanding the world from the perspective of the participants' frame of reference. Indeed, they want to take context fully into account, and to also consider their own biases in their research and assume reality to be multiple and shifting, and they see all inquiry as value laden and ideological (Patton, 2002). The aim of this research was to enter the worlds of the Estonian business managers and represent and interpret these worlds and place the findings into a historical, social and cultural context. Werhane (2006, p. 404) believes that each of us frames, orders and/or organizes our experiences in terms of socially learned incomplete mental models or mind sets that shape our experiences perceptually and are constitutive of all our experiences. It is usually argued that mental models are socially learned through culture, religion, education and a myriad of other influences (e.g. Senge, 1990; Werhane, 1999); thus, they are incomplete, parochial and sometimes biased and even distorting, but they affect the ways in which we make discoveries, our decision-making processes, our evaluations and justifications. Following this we can argue that these mental models impact business managers' moral reasoning and are directly related to CMD.

Each research strategy has its *advantages* and *limitations*. The advantage of the chosen research strategy is that it provides a deeper and richer understanding of the complex research phenomenon known as CMD, which cannot meaningfully be reduced to a few discrete variables and linear, cause-effect relationships (Patton, 2002, p. 41). According to Feagin et al. (1991) 'the case study is an ideal methodology when a holistic, in-depth investigation is needed'. Moreover, the strategy can strengthen what is already known through

previous research. Case studies like this emphasize a detailed contextual analysis of a limited number of events or conditions and their relationships (Easterby-Smith et al., 2003, p. 51).

Social scientists, in particular, have made wide use of this research strategy to examine contemporary real-life situations. Yin (1994, p. 23) says that the case study as an empirical inquiry is useful since it investigates a contemporary phenomenon within its real-life context and it contributes to understanding the case when the boundaries between the research phenomenon and the context are not clearly evident. An instrumental case study here is useful in understanding the particular phenomenon of CMD out of its boundaries, tracking its issues and pursuing its patterns of complexity. Arguments in favour of the case study include the depth and richness the data from a case provides (Yin, 1994); here rich, full information comes from multiple data sources, particularly from observations and personal interviews. The case study is considered suitable in complex situations, where many different significantly involved people have different 'realities' in their descriptions of the situation and even in their perceptions of the situation (Stake, 1995); and this is best matched with a method that gradually represents and reconstructs these multiple realities, rather than a method that assumes that a single 'truth' exists.

As for the first *limitation*, case studies seem a poor basis for generalization (Stake, 1995, p. 7). It is not possible to make wide generalizations based on case study research. Case studies investigate a particular phenomenon in a particular context, thus drawing general conclusions from these results may lead to incorrect outcomes; however, particularization here is an important aim, coming to know the particularity of the case (see Stake, 1995, p. 39). Another most often mentioned limitation is the threat of partiality (Yin, 1994). There are three main threats to impartiality: subjectivity, inaccuracy, and bias; however, a case method inherently requires subjective and judgmental elements and when proper procedural safeguards are used, these elements alone do not diminish the value of the research. A case study strategy is intensely personal and dependent on the investigator's sensitivity, insights and skill in noticing many things, recording them and providing interpretations (see Erickson, 1986). It is a demanding method, requiring specific skills and general self-awareness to maintain the fine balance between seeing things as others see them and identifying their perspective wholly with one's own; however, subjectivity is not seen as a failing needing to be eliminated but as an essential element for understanding (see Stake, 1995, p. 45). Case studies can consume more time and resources, be more labour intensive than any other research strategy; many of them are personal and privacy is always at risk. However, Stake (1995, p. 46) believes that there are times when all researchers are going to be interpretive, holistic and uninterested in cause, and then, by definition they will be qualitative inquirers.

3.1.2 Triangulation

Multiple sources and techniques in the data gathering process were chosen to increase the credibility and trustworthiness of the study (Yin, 1994). Case studies involve what methodologists call '*thick*' descriptions: rich, full information that should come from multiple data sources, particularly from first hand observations. The analysis is also extensive, and the method compares information from different types of data sources through a technique called *triangulation* (Stake, 1995, p. 107). In social research, the term triangulation is used in a less literal sense – it involves the use of multiple methods and measures of an empirical phenomenon in order 'to overcome problems of bias and validity' (Blaikie, 1991, p. 115). Furthermore, Jick (1984, p. 365) argues that triangulation 'can be something other than scaling, reliability and convergent validation. It can also capture a more complete, holistic, and contextual portrayal of the unit(s) under study'. Snow and Anderson (cited in Feagin et al., 1991) asserted that triangulation can occur with data, investigators, theories and even methodologies. Denzin (1989) identified four types of triangulation: data source triangulation, when the researcher looks for when the data remains the same in different contexts; investigator triangulation, when several investigators examine the same phenomenon; theory triangulation, when investigators with different view points interpret the same results; and methodological triangulation, when one approach is followed by another, to increase confidence in the interpretation.

This research uses multiple forms of triangulation: at first there is theory triangulation as the phenomenon of corporate moral development is studied from three different angles: corporate governance, corporate social responsibility and ethical leadership. Secondly, data triangulation with data coming from different sources, including research results from different studies, results of in-depth and semi-structured interviews, observations and written materials. Method triangulation is also used – the data is collected and analyzed using different methods, including in-depth and structured interviews and observations and questionnaires. Finally, the element of instructor triangulation is involved in the gathering of data, but not its analysis. In the context of data collection, triangulation serves to corroborate the data gathered from other sources (Bryman & Bell, 2003, p. 291), increases the reliability of the data and the process of gathering it. Next the data and its analysis are presented in more detail.

3.2 Empirical data used in this research

The empirical data for this paper was gathered using observations; semi-structured in-depth, focused and survey interviews; and structured and web-administrated questionnaires. Most of the data used is primary; 'gathered and assembled specifically for the research project at hand' (see Zikmund, 2000, p. 58). In addition, secondary data, such as written reports on studies conducted between 1985 and 1995 by Estonian management and organizational

researchers and the web-sites of the organizations investigated, were considered a valuable source for data analysis and synthesis. The majority of the studies, surveys and interviews and collection of other empirical materials since 1999 were conducted or carried out by me personally, or I was involved closely with the research projects mentioned in introduction, and the analysis of all the data was conducted by me individually. The empirical data used in the research articles is described below in Table 1.

TABLE 1   Data used in the research articles

Description of data	Data gathering technique	Used, analyzed & synthesized for discussion in articles
Personal notes about real-life Estonian business context, written down 1999–2004 and 1999–2005	Observations	Contextual overview *Article 1* Teaching and training *Article 5*
Value orientations of Estonian business students (1989–2001, survey, n= 900)	Structured questionnaires	Contextual overview *Article 1*
Written descriptions of conflict situations in Estonian business organizations and society (2001 – 2003, n= 2100) and (2001 – 2004, n= 3900)	Collecting descriptions of conflicts in the form of student assignments	Contextual overview *Article 1* Ethical leadership *Article 4*
Written answers from open-ended questionnaires about organization purpose and considerations of stakeholders by CEOs, marketing and PR managers (2004, n= 24)	Survey interviews	Contextual overview *Article 1*
Web-sites and annual and business reports of 6 leading Estonian organizations, interviews with CEOs, marketing and PR managers about CSR activities, (2004, n=6)	Study of web-sites and annual reports; open-ended interviews	Contextual overview *Article 1*
Written answers from open-ended interviews about attitudes towards CSR with CEOs, PR or marketing executives, (2004, n=30)	Focused interviews	Contextual overview *Article 1*
Responses, audio-files and written transcriptions of in-depth interviews with Estonian business leaders, owners and top-managers about corporate objectives, structures, CSR activities, stakeholder relationships, leadership, management styles, (2004, n=26)	In-depth interviews	Corporate governance *Article 2* Corporate social responsibility *Article 3*
The articles and written results of prior research in the Estonian business context by Estonian management and organization researchers (1985–1999)	Collecting the documented results of prior research	Corporate social responsibility *Article 3*
Written responses to questions about conflict situations and descriptions of solutions to ethical case studies, by MBA and senior students at EBS (2001, n=97) (my MBA research)	Focused interviews	Ethical leadership *Article 4*
Responses, audio-files and written transcriptions of in-depth interviews with one global leader from Turkey about ethical leadership	In-depth interviews	Ethical leadership *Article 4*
Written responses about CSR activities in Estonian organizations, by CEOs, marketing and PR managers (2005, n=88)	Using a web-administrated questionnaire	Teaching and training *Article 5*

Next I will reflect briefly on the data used in this research. *Focused observations* were used in order to collect data about the situation and changes occurring in the Estonian business community. Personal notes were written down over the last 8 years about the behavior and activities of business organizations and their leaders and their attitudes to ethics and responsibility in business as quoted in articles and expressed in media broadcasts. Adler and Adler (1994, p. 377) have discussed that as members of society, all people make observations about the everyday world, but what differentiates the observations of social scientists is their systematic and purposive nature. Social science researchers study their surroundings regularly and repeatedly, with curiosity spurred by theoretical questions about the nature of human action, interaction and society. I used observations because according to Adler and Adler (1994, p. 382), one of the great strengths of the observational method lies in the ease through which researchers can gain access to settings, these can provide direct and emergent data, and observers are free to alter the problems and questions they are pursuing as they gain a better knowledge of their subjects. However, besides the problems of validity and reliability frequently discussed (Adler & Adler, 1994, p. 381), observations can also be expensive and time-consuming and the selective perception of the observer may distort data – the observers have to be qualified experts in the issues being studied (Patton, 1987; 2002).

Observations conducted systematically and repeatedly over the last 8 years and having focused on collecting observational data related to the selected research angles helped in establishing and refining the relationships between the issues under study, and this was important for overcoming problems of validity and reliability. These observations were made with specific attention paid to subjects related to the phenomenon of CMD – balancing ethics and business in the Estonian business community. Combining these observations with other methods, in particular interviews, contributed to making this observational data 'hard evidence' (see Adler & Adler, 1994, p. 382).

The *interview* is often claimed to be '*the best*' method for gathering information (see Easterby-Smith et al., 2003, p. 86). According to Silverman (2000, p. 290) it is also the most used method in qualitative research. Interviews are also one of the most important sources in a case study (see Stake, 1995, p. 64). According to Yin (1994) three different types of interviews can be distinguished, namely open-ended, focused and survey interviews. In-depth and open-ended interviewing was used in this research to elicit information in order to achieve a holistic understanding of the interviewee's point of view or situation. As this type of interviewing often involves qualitative data, it is also called qualitative interviewing (Patton 1987, p. 113). Alvesson (2003) suggests that in any presentation of interview data, interview statements are limited in their efforts to reflect either an objective reality or an experienced subjectivity, rather, interviewees are affected by context and by 'the available cultural scripts about how one should normally express oneself on particular topics'. The interviews were conducted with business leaders who were able to offer 'rich information' (Bryman & Bell, 2003; Denzin & Lincoln, 2000) about the phenomenon, and these provided direct quotations about people's personal

perspectives and experiences, which led to the acquisition of valuable information about the perception of these topics by business leaders.

The interviews did not aim at empirical generalization about an entire population on the basis of a limited sample; moreover, interviewee responses reflect the perceptions of well-known and leading business figures that have generalized their views about the majority of the business organizations in the Estonian context. In this research, while studying the perceptions of business leaders, I am also aware of the subjectivity of the responses as well as the impact of socio-cultural factors; however, this is not considered a limitation, but rather a part of the research design. Moreover, careful selection of respondents according to the research purposes provided detailed rich data that captured direct quotations used in the analysis. One of the limitations of interviewing is that the quality of the information obtained is largely dependent on the interviewer's skills and personality (Patton, 1990), and what is covered in the interview is targeted and influenced by the interviewers (see Stake, 1995, p. 66); however, open-ended interviews allow maximum freedom and flexibility for the respondent to fully express themselves on particular topics. The interviewer's role is to listen carefully, take notes and ask for clarifications, in order to draw out most of the respondent's opinions, perceptions or feelings. Analyzing data from audio files and/or long well-written transcripts helped overcome this limitation and the reliability and validity of the analysis.

The focused and survey interviews, as well as the structured questionnaires were used to gain information from larger sample sizes relatively quickly, these where quite easy to analyze and gave direct and quantifiable data about the subjects studied. The responses made some generalizations possible and provided information that could be calculated and analyzed statistically. Selective sampling and clear and concise instructions for completing the questionnaires helped to get the required information. While the focused interviews involved open-ended questions that provided insightful information, giving data for qualitative analysis, then the formally structured survey interviews and questionnaires helped to provide answers to questions like 'what' and 'how many', but at the same time failed to give more and richer answers to 'why' and 'how' questions. Analyzing these together contributed to increasing the credence of the interpretation and to demonstrating the commonality of the assertion (see Stake, 1995, p. 112).

Using secondary data, in the form of previous research articles (explicitly Kalmi, et al., 1999; Liuhto 1996; 1999; Purju, 1996; Terk, 1998; 1999; Vensel, 1996) and also written documents from different research results (explicitly Elenurm, 1985; Gendorf, 1988; Leimann, 1978; Petti & Saame, 1985, Preeks, 1985; Saks et al., 1988; Terk, 1985; Üksvärav, 1986) provided valuable information from the prior studies conducted in the Estonian business context. This secondary data was particularly useful in describing contextual characteristics, and in identifying themes and issues related to the studied topics. It helped understand the situation, processes, values, priorities and concerns. Furthermore, they provided useful data for historical analysis. As this method was used in combination with other methods, then the limitations, such as

incompleteness and questionable accuracy were not considered as relevant limitations. The second type of secondary data used in this research involved annual and business reports and the web sites of the organizations under investigation. These are the largest and most powerful companies in their field in Estonia, and the purpose was to gather information about corporate activities related to ethical and responsible behaviour in these organizations.

It has also been said that qualitative research, such as case studies, often feels untidy because it is harder to control the pace, progress and end points (Bryman & Bell, 2003, p. 445). In order to increase the validity and reliability of the analysis, the qualitative research software NVivo was used in the last phase of the research. During the analysis process, the written documents, personal observation notes and clean interview transcripts were imported into NVivo 7, where they were coded into nodes representing the different themes of interest that either existed prior to the coding or were created along the way. Respondents and organizations were classified – attributes named according to whether they belonged to managers, owners and owner-manager groups, whether they represented local or foreign capital, and finally personal characteristics were added as attribute values, organizations were classified as small, medium or large organizations groups. In terms of coding, data documents were reviewed line by line, developing or applying codes to represent themes, patterns or categories. The codes were saved within the NVivo database as '*nodes*' that could then be re-ordered, duplicated, merged or removed to help visualize and locate analytical items or categories. Memos, containing personal thoughts and views on the issues, and also the theoretical and conceptual understandings of well-known researchers, academics and practitioners were linked to the categorized data in the nodes, enabling the location of relationships between respondents' views and understandings previously noted. I found the software helpful as it suited this type of analysis, allowing both data-driven and concept-driven coding. This analysis provided confirmation of the reliability of the results discussed previously in research articles. Although it is important to note that software does not analyze qualitative data, it only aids the analyzis, helps with data storage, coding, retrieval, and comparing and linking the data to different concepts and constructs.

4   PRESENTATION OF THE ARTICLES

There are five research articles included into this dissertation; all of them have been published in internationally recognized publications, after a double blind reviewing process and revisions according to the suggestions of anonymous reviewers. These articles have been written to deal with three levels – society, organization/leadership and business education. Below is a brief overview of the five articles including the main contributions.

Article 1 – 'Estonia - Incubating Radical Political and Economic Change'
Level of the article: Society, CSR angle of CMD

Aim of the article:	To describe the general situation, provide a historical and cultural background to the context and development of CSR ideas in the Estonian business community
Empirical aim:	To introduce attitudes in Estonian businesses towards CSR based on surveys conducted at the Estonian Business School in spring 2004.
Main concepts used:	Business ethics (BE), corporate social responsibility (CSR), stakeholder orientation (ST)
Study method:	Analyzis and synthesis of the results of quantitative and qualitative studies (interviews and questionnaires) conducted at EBS, observations.
Main findings:	CSR and BE are understood as new concepts in the Estonian business community; the majority of business people lack an awareness of the meaning of these concepts and do not see the need for ethical and responsible activities; and even when there is an awareness of the concepts and their importance, there is a lack of knowledge for implementing these ideas in organizations

In this article attention is focused on society's attitudes towards business, and the roles of economy, state and society. In addition, a brief historic and cultural overview is given. The description and analysis of the main drivers of CSR are based on studies conducted by analyzing CSR in leading Estonian companies. The article explores and describes the general situation of CSR in the Estonian business community as well as the development of the understanding of the

need for CSR. The study particularly highlights that although Estonia has been relatively successful in the economic and political sense, the societal perspective to business issues as well as a concern for ethics and responsibility have been neglected in discussions and, thus, not considered relevant in business decision-making practices in the different business eras since restoring the country's independence. In addition, the article provides a description of the historical and cultural background, and the process of building up the economy and business environment while the totalitarian soviet planned-economy was exchanged for a capitalist free-market liberal economy.

In the article I particularly discuss the drivers of CSR and attitudes towards CSR activities based on the results of the studies conducted at the Estonian Business School in spring 2004. The main findings of these studies can be summarised as follows: in business decision-making and activities ethics or moral values are not considered important, the ethical and moral dimensions seem to be even lacking and therefore quick profits, efficiency and consumerism have forced such concepts as long-term planning, environment friendly and human and value centred business practices backward. There is a perceptible social need to find, create or discover new values and a higher level of morality. Some business people have realised that CSR, and societal and environmental activities may provide better financial performance and reputation.

The article highlights that owners, the reputation of the organization, clients and peers are considered more important than competitors, the environment and society. Moreover, the article shows that companies do not have a clear concept of CSR, or they are not implementing one. Some Estonian companies deal with CSR, but they all understood the topic in a very different way depending on the size and opportunities of the organizations; having a business, providing employment, paying taxes, marketing and sponsorship activities were considered adequate contribution to ethical and responsible business activities.

It is concluded in the article that although CSR has been a widely discussed and debated topic in most developed countries of the world in the past twenty years, it is still a relatively new concept and phenomenon in Estonia. The long history of foreign rule and especially the 50 years of Soviet occupation have left traces in people's morality and attitudes. During the first years since regaining independence, Estonian people and businesses had to fight hard in order to survive and remain free. Therefore, for years most business leaders preferred financial success over ethics and CSR seemed to be something irrelevant and unimportant. And today, even if the business leaders are aware of the concept and find it important, they lack the expertise to implement it in their companies.

In this article I also point out the positive changes and developments in this field towards the end of 2003 and beginning of 2004. These changes refer to an increase in voluntary initiatives by successful business leaders, and more making an effort to implement some CSR ideas. The suggested explanations for this moral development in businesses are the stabilisation of the economic and

political situation, our integration into EU structures and increased international interactions. To sum up, the main contribution of this article is to provide an overview of the background, current situation and development of CSR in the Estonian business community, as well as to provide a basis for discussing the need for CSR and BE among business organizations in Estonia.

Article 2 – 'Corporate Governance from the Perspective of Stakeholder Theory and in Light of Perceptions among Estonian Owners and Managers of Relations with Stakeholders'
Level of the article: organizational/leadership, CG angle of CMD
Aims of the article:

Theoretical:	To provide a theoretical conceptualization of corporate governance from the stakeholder perspective, define different stakeholder groups
Empirical:	To analyze, discuss and interpret the findings from the study of the perceptions of Estonian business leaders in summer 2004
Main concepts:	Corporate governance (CG); corporate social responsibility (CSR), stakeholders (ST), corporate responsibilities and relations, stakeholder orientation (Cadbury, 1992; Carroll, 1991; 1995; Clarkson, 1995; Donaldson & Preston, 1995; Freeman, 1984; 1995; Harrison & Freeman, 1999; Lawrence & Lorsch, 1986; Mallin, 2004; Näsi, 1995; Paterson, 2001, Williamson, 1988)
Study method:	In-depth interviews
Main findings:	Owners and top-managers had different views of corporate relations and responsibilities and taking care of the environment, and helping the society or local community were not considered important – the main stakeholder groups included the media and public opinion, employees (except managers) and customers – and the importance of these three groups had increased

This article shows how corporate objectives, interests, activities and relations with different stakeholders and the consideration of stakeholders' interests are perceived in Estonia, and what are the main business drivers and how organizations are structured. The article draws particularly from such views of corporate governance that look at the corporation's relationships with its various stakeholders and explores the concept of CG from the perspective of stakeholder theory (Cadbury, 1992; 2002; Mallin, 2004). The empirical part of the article is focused on analyzing, discussing and interpreting the results of the study of Estonian business leaders, owners and top managers in summer 2004. The empirical study explores corporate objectives, structures and relations, corporate consideration for stakeholders, perceived responsibilities, as well as how and whether the general environment has influenced the activities of the corporation.

The research shows that there are clear differences between the views of owners and top-managers about stakeholders and a company's relations with society and the environment. Furthermore, the origin of the capital involved also has a clear impact on these issues. Representatives of the Estonian business

community operating on the basis of Estonian capital have a personalized rather than institutional approach to organizations, while the representatives of foreign companies see business organizations more as institutions. Moreover, it is not considered important that companies should take care of the environment or help society or the local community.

The study reveals that the owners definitely consider earning profit more important than moral and/or ethical issues. It is concluded that although top-managers consider the activities directed towards enhancing societal and environmental issues a growing area and there are changes taking place, Estonian business organizations are still more concerned with those interests that reflect their public image to their clients and partners, and not those that reflect the internal qualities, such as social and moral responsibilities of the company to their employees.

The main contribution of the article can be found in the in-depth discussion of the concept of CG particularly from the perspective of stakeholder theory. The practical contribution of the article is in showing how business leaders, owners and top-managers in Estonia perceive corporate relations, stakeholders and the consideration of stakeholder interests, and how these perceptions have changed during the years 1995–2005. This article focuses on the CG angle of CMD. The main limitation of the article lies in the fact that the connection between the theoretical and empirical parts in terms of corporate governance is not very tight, as the article is written as part of the collection of articles highlighting one particular view of CG.

Article 3 – 'Perceptions of Business Purpose and Responsibility in the Context of Radical Political and Economic Development – the Case of Estonia'

Level of the article:	Organizational/leadership, CSR and EL angles of CMD
Aim of the article:	To explore business purpose and corporate social responsibility (CSR) from the perspective of two contrasting views – the shareholder approach (SH) and stakeholder (ST) theory. To study, describe and analyze historical developments and changes in the Estonian business community over 20 years.
Empirical aim:	To analyze, discuss and interpret the research findings from studying the perceptions of business purpose and responsibilities among Estonian business leaders in summer 2004
Main concepts:	Corporate social responsibility (CSR), (Aupperle et al., 1985; Carroll 1979; 1991; Crane & Matten, 2004); shareholder (SH), (Friedman, 1970; Crook, 2005) and stakeholder (ST), (Clarkson, 1995; Freeman, 1984; 1995; Näsi, 1995) orientations
Study method:	In-depth interviews and analysis of the results and reports of studies in the Estonian context (1985-1999) conducted by management and organization researchers
Main findings:	CSR is a context-bound phenomenon and should be studied within the framework of that context; there are clear differences between the views of owners and top-managers about the purpose of business and business responsibility in the Estonian business community; the awareness of CSR is rather low, being

socially responsible often means sponsorship or giving money to charity, economic and legal responsibilities are considered the most important. However, regarding the development of the awareness of and need for CSR, the study shows that there are positive signs of advancement in CMD in Estonia.

This article examines how CSR is understood and perceived in Estonia. The paper offers an overview of the main results of surveys conducted about the transition process in Estonia and presents the different developmental stages to describe business purpose and perceived responsibilities over the last 20 years in Estonia. Drawing upon prior research, the contextual influences on the Estonian business community during radical political, economic and social changes that defined the different developmental stages are described and analyzed. Besides highlighting the main findings of surveys conducted on this topic, this paper presents the results from a study of corporate leaders within the general business environment carried out in summer 2004. The aim of the research was to discover how well-known Estonian business leaders perceive the purpose of business activities and the attendant responsibilities, whether they understand the importance of the issue, who they consider the most significant stakeholders and whether and how CSR activities are implemented in Estonian companies.

Topics under study include: people in business, their leadership styles, main business drivers, interests and activities, perceived responsibilities and perceived stakeholders. The research highlights how perceptions of business purpose and responsibility have changed in the context of the radical political and economic changes Estonia has experienced during the transition process. Based on the results, I categorized 5 different business periods during the last 20 years in the Estonian business community, namely the socialist erosion, rough entrepreneurial capitalism, economic boom, catching-up and EU convergence periods. I found that there is a clear distinction between the perceptions of business purpose and responsibility among business leaders at different times, and these views have changed due to changes in the environment that have led to different needs for businesses and their leaders. These results enabled me to see the development in the moral and ethical sense and allowed me to interpret these periods according to the CMD model.

This article stresses the role of a context while CSR is under discussion, thus, the topic should be studied within the framework of that context. Business creates value not only for itself but also for society, but the society and the businesses in it cannot develop without the well-being and the development of the entire environment. The results of the research reveal as the second article also shows that there are clear differences between the views of owners and top-managers about the purpose of business and business responsibility; most of the respondents have no clear understanding of CSR, for them often being socially responsible means sponsorship or giving money to charity. Recent rapid economic development has also been one reason why issues like CSR and ethics in business have seemed less important. The overall perception is that the

company's main goal is to earn profit, it can be socially responsible, but only when this helps create a positive public image and when it is profitable. It was obvious that economic concerns are still considered most important, and to many business representatives economic and legal responsibilities are the only ones companies care about.

In conclusion, it is suggested in the article that CSR activities in Estonia are still rather under-developed. In most cases, they go no further than simply providing employment, paying taxes and obeying the laws and the main priority of business leaders is still earning profit. However, some positive signs of progress in CSR among Estonian business leaders can be seen, so we can start talking about the next (responsive) level of CMD. Future research and discussion is needed in order to clarify the issues of CSR for business leaders and the business community. The main contribution of this article is the categorization of different developmental business eras over the last two decades according to the views of different determinants characterizing the understanding of the purpose of business and business responsibilities – the CSR angle of CMD.

Article 4 – 'A Discussion of Ethical Leadership'

Level of the article:	Organizational/leadership, EL angle of CMD
Aim of the article:	To discuss the need for ethical leadership (EL) and introduce different related concepts and theories
Main concepts:	Business ethics (Stewart, 1996; Trevino & Nelson, 1999), leadership (Burns, 1978; DePree, 1993; Kanungo & Mendonca, 1996; Rost, 1991; Yukl, 2002), ethical leadership (Aronson, 2001; Bass, 1999; Caldwell et al., 2002; Ciulla, 1995; 2004; Enderle, 1987), individual and organizational ethics, moral development, moral values (Carroll, 2001; Paine, 2003; Trevino, 1986; Trevino et al., 2000)
Study method:	Analyzis of conflict descriptions, focused interviews, an in-depth interview with one global leader
Main findings:	Both the character and behaviour of people in positions of leadership have a great impact on others; ethical behaviour is a necessary condition for the establishment of an ethical organization, but alone it is not sufficient, since ethical leadership is required; respect for people as a principle is the foundation of ethics; mutual respect is central to forming bonds of long-term commitment and it may also be the way to forge short-term bonds

In this article I argue that ethics is part of every field of human activity and gaining increasingly more importance in all societies. Ethical people make up an ethical society as well as an ethical business organization. A person's knowledge, skills and understanding of ethics are all revealed through the decisions s/he makes everyday and especially through the way problems and conflict situations are managed. The decisions leaders have to make as well as their actions often influence the life of individuals, businesses and even the

whole of society. The article discusses of how ethical behavior and ethical leadership form the critical keys to survival in the future. Moreover, the article brings forth how research results from the Estonian business community explicitly show the importance of this topic.

In the modern business world, increasingly more business people are tending to show a deeper interest in the issues of morality and ethics in business – albeit with a confused or distorted understanding of these issues. The article highlights that Estonian business leaders confuse ethical behaviour with altruism, and attitudes in society presume that a good leader must be tough and has to make hard decisions without considering others. This has led people to think that consideration of and care for others – being supportive and involving others – indicates weakness not strength. In particular, a fundamental problem in Estonia is to understand how an individual's ethics are related to organizational ethics, as people do not invent their ideals in a vacuum, but rather take these from the moral traditions of society and tailor them to their own needs. This leads to a need for better more moral leadership in the Estonian business community.

The article shows that leaders play a critical role in establishing and maintaining an ethical culture within their organization. In Estonia too often the emphasis is put primarily on the manager's expertise, skills, power, knowledge and strategic choices, at the expense of moral character. The article concludes that leadership excellence cannot be evaluated without an assessment of the leader's character, moral vision, integrity, values and care for others and willingness to take responsibility. The main contribution of this article lies in the discussion and clarification of the meaning of the concept of ethical leadership and its importance for the organizations in the Estonian context. In this article the highest level of CMD is discussed as an ideal the organizations and business leaders can aspire to. The empirical results derive from conflict studies, revealing a lot about business managers behavior and activities in organizations, thus the main limitation of this article is the lack of a particular empirical study of EL in the Estonian business context, which should be conducted later.

Article 5 – 'Developing an Awareness of and Teaching Business Ethics in Emerging Societies – the Case of Estonia' (written with co-authors Jaan Ennulo and Anu Virovere)

Level of the article:	Business education, enhancing CMD through teaching and training
Aims of the article:	To show how and why ethics education and training are especially important in post-socialist countries where an understanding of ethical and responsible leadership is not fully developed; to introduce the activities of the Centre for Ethics at the Estonian Business School (EBS)
Main concepts:	Business ethics (Badaracco, 1997; 2002; Ferrell & Fraedrich, 1997, Trevino & Nelson, 1999); moral development and moral reasoning (Kohlberg, 1973; 1985); ethics education and training

	(Carr, 1996; Izzo, 2000; Niekerk, 2003; Tanner & Cudd, 1999); the need for changes
Study method:	Analysis of conflict descriptions, web-administered survey, observation
Main findings:	Teaching ethics can increase the capacity for moral reasoning and it can be regarded as an important prerequisite for developing an ethical and responsible business community. There is an obvious need for ethics teaching and training in the Estonian business community in relation to the contextual influence, but the people teaching the subject have insufficient knowledge and competence in the field.

In this article the role of ethics education and the moral development of business students is discussed. Moreover, it is shown why the need has emerged to improve the general awareness of ethical issues and teach ethics reasoning skills to business leaders and future business professionals. It is argued that a university education is a way of shaping and reshaping future business decision-makers' identities, both personal and organizational, and that a good general character alone does not prepare an individual to deal with the special ethical problems in business that are likely to arise in one's career. The paper stresses that business students should be taught and trained to recognize and solve the ethical problems related to their business career. The ultimate purpose of business ethics education should be to equip future business professionals with the analytical tools needed to help them identify and carry out ethically sound actions in a particular situation.

The article highlights that the great discrepancy between the importance of ethical values and other categories indicate the ethical problems facing the Estonian business community. The typical ideological relics of a post-socialist society created the need for education in schools and universities in order to change ethical values, or in other words, to raise people's awareness of the importance of ethics and morals. We believe that by providing more know-how in the field of business ethics it is possible to shape people's attitudes and eventually change their behavior for the better, which is the ultimate goal of good business.

According to the article, the awareness of and the need for ethical and responsible business has increased among business leaders and students, thus some development according to the CMD model is evident, but on the behavioural level ethics principles were not yet being integrated into the daily activities in most organizations. In this article we suggest that the general level of competence with business ethics and ethical issues has to be improved significantly as very little attention is paid to moral development. We also discovered that although business ethics is a compulsory subject in most business schools in Estonia, the people teaching the subject have insufficient knowledge and competence in the field. Existing business ethics lecturers are incapable of satisfying the need for business ethics teaching and there is an

evident need for faculty members to obtain training in ethics on the one hand, and for the compilation of supplementary teaching tools on the other.

As a practical contribution we are introducing the activities we have pursued in our ethics centre on the basis of the research we have conducted over the last seven years. We argue that the lack or weakness of education in the field of ethics does not allow our people to foresee the consequences of their actions and conclude that the there is a real need for ethics education and training. Moreover, we suggest that ethics education has to be a part of managerial education in such a rapidly developing society, as the Estonian business community requires considerable skills to identify ethical issues, to reason these through and come to a justifiable resolution as to what should be done. In this article we discuss how the level of CMD can be enhanced through BE and CSR education and training and how significant this development is particularly in the context of the Estonian business community.

4.1 Summary of the results

Next I will summarize the results of the articles. Since the details of the results are to be found in the separate articles of this dissertation, the summary provides a holistic and rich description and theoretical conceptualization of CMD from the viewpoint of the development of Estonian society over the period 1985–2005 in a concise manner. Table 2 presents a general description of the stages of CMD in the Estonian context, and in addition, I will describe each stage or period paying attention to the determinants characterizing the research angles CG, CSR and EL (see also Figure 3 in Chapter 2.2 of this dissertation). In addition, the main characteristics of business teaching in these periods are highlighted.

TABLE 2   Synthesis of the development of CMD in the Estonian business context (1985 – 2005)

Stages of CMD in Estonian context	Double Morality	Ethical Vacuum	Instrumental	Legalistic	Responsive
Period in the context of the Estonian business community	Socialist erosion (1985–1990)	Rough entrepreneurial capitalism (1991–1994)	Business boom (1995–1999)	Catching-up (2000–2003)	EU convergence (2004–2005)
General description	Officially a closed state-controlled system, soviet ideology with its norms and values; unofficially managers and politicians on higher positions utilizing opportunities for self-benefit, low level of trust, high level of corruption.	Nobody thought and cared about business ethics; short-term survival of the business at any price was the main aim. Reaction to the changed environment, practically no regulations, in places wild, often criminal activities.	Profit was the ultimate goal, there was no place for business ethics; maximum profits at all costs. Breaking the law was not considered serious, tendency to avoid and neglect laws and regulations.	Business ethics over the law has no place in business; however, following the letter of law is mainly respected, thus legal = ethical	Ethical statements and concerns are emerging in businesses as a tool to create positive image; business ethics pays when profitable

This study began in 1985, and the first period 1985 – 1990 is referred to here as the period of *Socialist erosion*. From the perspective of CMD this period does not apply directly to the framework understood by Reidenbach and Robin (1991) and the approaches of other authors on this topic; the reason for this is that at that time free enterprise did not exist, and business activities often meant exploiting opportunities, feasible only for some to implement, but it is still possible to describe the situation based on the ideas of CMD. Thus, I call this stage of CMD in the Estonian context *double morality*.

Although it is not possible to speak about *CG* in the contemporary sense, it can be said that during this period the corporate *orientation* sought for new business opportunities within the planned economy, there was a willingness to earn more and for people to start their own business. The *organizational structure* of these state-owned, often monopolistic organisations, was formal and hierarchical, there were strict vertical power relationships, and superior – subordinate *relationships* dominated. Officially, the *purpose* of such organizations was to satisfy plans set by the central authorities; unofficially, the managers as well as politicians in higher positions were often involved in various kinds of deals, barter deals and sales activities, which were unethical and illegally oriented to personal gain.

CSR as we understand it today did not exist, but the Soviet system, especially in rural areas and large monopolies, made some managers take a

paternalistic approach to the care of the workers and the local community. The main 'stakeholders' were ministries, regional authorities, and larger customers.

It seems that the current understanding of EL does not suit this scenario well, as the organizations were manager-centred with several *managers* only taking care of their own specific fields of responsibility, often being autocratic, demanding, giving orders and information according to their own perceptions. However, while the employees were often exploited, their opinions were not considered, and morale was low; for example, stealing from the organizations (behind the state) was normal and even appreciated, there were also managers, especially in rural areas and in large monopolies, who took *paternalistic care* of their employees and members of their families. But in general, people at higher hierarchical levels had more opportunities to benefit personally than others, and they often exploited these possibilities for their own gain. During this stage, *dual management* was developed, officially meeting the purposes set by authorities, while unofficially involved in activities to benefit personally.

Business teaching in general and business ethics teaching did not exist, the main emphasis was on the centrally planned economy, preparing economists for large state-owned organizations, and there was a perceptible lack of knowledge about market economies.

This stage in the CMD model is called *double morality*, because under the Soviet system, while publicly emphasising soviet ideology with its norms and values, including equality, social security and democracy, powerful individuals (mainly managers in organizations, people higher in status and politicians) were looking for any opportunities for personal gain. The level of trust was low, while high levels of corruption made stealing from state organizations, bribery, and blackmail as well as utilizing opportunities for personal gain possible.

The next period, referred to here as *rough entrepreneurial capitalism*, lasted from 1991 to 1995. It started in the year Estonia regained its independence from the Soviet Union and began building up new political, economic and social systems. The entire society and particularly its economy were struggling for survival. At that time the legal system was only starting to develop, and the young government imposed very few restrictions on business activities. I call this stage in the CMD model the *ethical vacuum*, as practically no regulations or rules existed in business – it was like chaos – with people in business behaving any way that seemed 'right for them'. There were no ethical or legal considerations (for example, this time is characterized by many contracts being violated – when they existed at all – and abuse of power on the basis of position commonplace), wild, often criminal activities, took place. As with the previous period, this period does not directly relate to Reidenbach and Robin's model of CMD (1991), but it can be applied to the Kohlberg's (1969; 1984) pre-conventional level, and is also described by Baxter and Rarick (1989); Maclagan and Snell, (1992); Sridhar and Camburn (1993); Logdson and Yuthas (1997) and Snell (2000) in organizational context (see also Appendix 1).

When looking at the different determinants of the concept of CG, it can be said that at the ethical vacuum stage, the *orientation* of organizations was to find the necessary measures to cope and survive, with clear focus put on adapting to

the market economy. The main *business driver* at that time was the reaction to the changed environment, where personal gain and profitability were given preference, a willingness to accomplish something and earn as much as possible as fast as possible dominated over other *interests*. Organizations had hierarchical *structures*. The main *activities* included privatising former state owned organizations (often known as 'elimination', as the people in managerial positions and close to the power structures benefited personally from these privatizations) and starting new businesses, and these activities were often unethical, illegal and sometimes even criminal.

In terms of the different levels of *CSR*, only economic *responsibilities* were acknowledged, all others were neglected, even totally denied. The common belief was that everybody should find the means for survival by themselves, involving politicians, foreign investors (who were often seeking for fast and easy opportunities to financial success), owners (local owners where often in managerial positions or on the corporate boards, thus directly involved in corporate activities) and banks. All other stakeholders, including the employees were treated as the means to get things done.

The concept of *EL* was unknown and there were basically two types of *managers*. Older managers from former state-owned organizations who were autocratic and used the opportunities and power positions that came with the previous managerial positions, and younger starters, seeking new opportunities. The CEOs had considerable power to 'hire & fire', there was no open *communication*, no *concern for followers* within organizations, and employees were often exploited.

Ethics in business was not even an issue, and there was no consideration for *ethics* and humanity in business and there was total immunity to *business ethics teaching*.

In general, this stage can be seen as a reaction to the changed environment where the former Soviet values and norms no longer existed and nothing new emerged to replace the void – the level of risk as well as opportunity in business was high. Often business people were ready to make sacrifices in terms of economic subsistence; people in business, who were starting up their own enterprises, were ready to work 24 hours a day 7 days a week, owners and top-managers in organizations did whatever was needed and entire families were often involved. Often these activities came into conflict with ethics, but probably because ethics and responsibility were not acknowledged as being part of business, ethics was simply not an issue. In other words, businesses operated in an ethical vacuum.

By 1995, the private sector had achieved a dominant role in the economy partly due to privatisation and partly thanks to the emergence of a number of new private firms. The period 1995 – 1999 is referred to here as the *business boom*. This period relates to the *amoral* stage in Reidenbach and Robin's (1991) CMD model; however, in the literature on organisational moral development, the *amoral stage* has often been characterised as an *instrumental stage*, where culture (Victor & Cullen, 1988) supports the maximisation of self-interests at the individual or organizational level (Weber, 1993, p. 422; Snell, 2000, p. 279).

Additionally, it can be argued that the relationships and activities and behaviour of business actors in the Estonian business context at this stage can be viewed as instrumental, thus I call it the *instrumental stage* in the context of the CMD model in this study.

At the *instrumental stage* the *ultimate goal* is to earn *maximum profit*; in the Estonian context activities included restructuring former state owned organizations with the aim of increasing personal gain for business managers and higher officials, improving ones lifestyle and gaining prestige. Some rules and regulations governing business activities had been established, but these were usually avoided and neglected (not paying taxes, envelope salaries, no written contracts with employees, no consideration for working conditions, safety, use of tax-free companies – all these were widely practiced). The main priority was to earn profit without considering how it was done and what impact it had on others. Relationships were *instrumental*, using others as instruments for organizational and personal gain.

The orientation of the corporate world was making profits and the main *business drivers* were economic development, short-term profitability, productivity, efficiency and maximizing earnings per share. It was a period characterised by large risks as well as large opportunities. The majority of organizations still had formal hierarchical *structures*, and activities that exploited opportunities for organizational and or personal gain were often unethical and even illegal. Corporate activities and behaviour were in conflict with accepted and valued *ethical principles*; there was no ethical reasoning.

CSR was equated with making a profit, there was no consideration of ethics, and legal standards were just seen as obstacles to be overcome. Relationships existed to serve the needs and desires of companies and individuals; these were based on authority and power. Society and the environment were not considered important, and the main stakeholders included owners, board members, and shareholders – the employees were often exploited and treated as a means of earning a profit without any rights and no consideration for safety and healthy working conditions.

Looking at this stage from the *EL* perspective, it can be argued that the valued *managers* were powerful individuals – tough, rough, even rude, energetic, with a high level of initiative and were ready to make unpopular decisions without *considering* the impact on others. Managers lacked the understanding and willingness to see and consider the needs and interests of others and find resolutions to conflict situations. There were several managerial mistakes, *motives* were often selfish, obedience was valued and doing what benefited the management regardless of its impact on others was widely practiced. There was no open *communication*, relevant information was even kept from those who were involved and there was no *concern for followers*.

Business and *ethics* were seen as separate fields, and there was an obvious lack of ethical considerations and thinking. *The teaching* of *BE* and *CSR* began in some Estonian business schools and universities, but neither the school authorities nor the students took these subjects seriously.

In general, the main difference compared to the earlier *ethical vacuum* stage can be found in the fact that in the *instrumental* stage, business managers consciously and willingly avoided and neglected those laws and rules that were already established or intended to regulate business activities. There was a tendency to find loopholes in the *legislation* that allowed business actors to find ways of neglecting existing laws and exploiting the situation. It was even claimed that a 'wise' businessman in the 1990s was one who could avoid paying taxes and cheat others. In the *ethical vacuum* stage, no legal requirements for CMD existed, while in the *instrumental* stage, legal requirements were being developed in society. These laws were however, not understood as being so important and were easily broken when necessary in order to maximize profit and or earn organizational or personal gain.

The next period, *Catching-up* (2000–2003), is characterised by a clear orientation towards joining the EU and NATO and a context where *legal systems* were already in place. During this period compliance with laws and regulations became more important than during the previous period. This period refers to the *legalistic* stage in the CMD model, as the main focus is on following the letter of the law, and where ethics and legality are often equated. It can be argued that at the *legalistic* stage of the CMD model in the context of the Estonian business community, businesses were clearly oriented towards joining the EU and NATO, and thus, improving their business practices in order to be able to operate with corporations from other countries. As laws and regulations became more important in business activities and organizations, it was no longer appropriate to neglect and avoid the laws and regulations (incl. paying taxes, having written contracts and keeping such contracts, legal relations with employees regulating employment, etc.), and legality in business became a priority and 'legal' was equated with 'ethical'.

When discussing different aspects of *CG*, it can be said that during the first years of the 21st century, Estonian organizations were *orientated* towards making profits but according to the law. The main *purpose of business* remained maximizing profits, but within the framework of the laws and regulations. *Business drivers* included profitability, efficiency and productivity, but the opportunities as well as the risks had decreased and there was a sense of legality; thus, compliance with laws and regulations in business activities was valued. For example, it was no longer considered very wise to avoid taxes, and paying taxes was considered important and necessary; however, paying cash in hand was still quite common, especially in heavy industry and construction companies. B*usiness activities* and behaviour included concerns about legality, but not yet about ethics.

CSR was equated with paying taxes and the legal obligation to provide goods and services that met the minimal legal requirements. Economic and legal *responsibilities* were those that were seen as the most important; considering *society* and the *environment* was limited to compliance with laws and regulations. Legal contracts were used for benefit of the company and the individual – benefits existed, relationships were regulated by laws and

regulations, the main stakeholders included the owners, and authorities and stakeholders were treated according to the law. *Ethical* was equated with legal.

If we look at *EL,* it can be argued that *managers* in organizations were concerned with the legality of their behaviour and activities, followed a compliance-based strategy, were law driven, indifferent to morality and focused on minimum compliance. The multi-level *organizational structure* often produced 'superior-subordinate' relations between otherwise equally positioned individuals, thus managers at higher hierarchical levels often used their position and *power* to get things done in order to benefit themselves. Managers wanted to believe that *business* and *ethics* were separate, and that to comply with the laws and regulations was sufficient; thus, they were indifferent to the morality of activities and behaviour. Ethics had no place in organizational thinking and policies. Low level subordinates were often seen as resources or means to achieving organizational or managerial objectives, and there was no *open communication* and *concern about follower* needs and or interests.

Business teaching focused on laws and legal requirements, emphasizing the importance of avoiding fines. *The teaching of CSR and BE* was however, practiced at several business schools and universities, but faculty members often lacked a deeper knowledge of these subjects.

Thus, at this stage, businesses and their managers began to follow laws in practice, and as ethics come from the law, the *legalistic* stage can be interpreted as one of the stages in the CMD model, and furthermore development is seen in that here at least ethics in businesses is considered even when if is equated with remaining legal.

The period 2004 – 2005 is referred to as the *EU convergence period* in this study. These years are characterised by a more stable *environment* (politically, economically as well as socially), and the fact that business organizations recognized the need to go beyond purely short-term economic and legal *objectives*. This refers to the *responsive stage* in the CMD model, where many business organizations gradually become involved in CSR activities, especially when it is profitable or creates a good public image. At the *responsive stage* in the context of the Estonian business community, considerations of BE and CSR became important topics of discussion, much emphasis was put on public image and reputation, CSR activities were practiced in order to correct mistakes, when these were profitable and were seen as being good for the reputation. Being considered as an equal partner among other (EU and Western, not Eastern) countries became an important aspect in business activities.

Looking at this stage from the *CG* perspective, it can be said that organizations were *orientated* towards profits, but also sustainability – creating a good image and earning the trust of partners had gained importance. The main *business drivers* were profitability, efficiency, plus doing 'right', which meant what was expected, there was an appeal to a sense of duty, loyalty, desire for approval, and business organizations were interested in fitting in with industry and the local community. Planning periods became longer – a minimum of 5 years and in many cases even 10 years – strategy and benchmarking became relevant in order to be taken as equal partners especially in EU markets.

Organizations had flatter *structures;* the dominance of strictly vertical relations was decreasing. Businesses were concerned that their *activities* met customer and public expectations. They were interested in creating a good public image and having positive media coverage about their *activities* and *behaviour*.

There was also clear development seen in the consideration of *CSR*, as business organizations became more sensitive to the demands of *society*, especially of the *local community*, and started to recognize *social* duties and obligations, but the activities were mostly reactive, and often in the form of PR, sponsorship and charity, with the aim of gaining more profit or better public reputations. Maintaining good *relations* with those *stakeholders* who had the greatest impact and being concerned about fitting in with local community expectations was regarded important.

At this stage some aspects of *EL* can be found, as business *managers* started to recognise the need for moral management and understood the economic value of moral behaviour, *top-managers* who were experienced, well educated, had good people and communication skills, were visionary, able to share knowledge and be cooperative were valued. The management style was often reactive, *communication* in business organizations became more open, managers started to realise the importance of employees and the community; however, the *development of followers* was still not considered important.

Although *BE* and *CSR* became topics of discussion, CSR was treated more as a tool, as an opportunity for gaining a good public image. The emphasis in *BE and CSR teaching* was put on CSR reporting, and how to use CSR activities for PR and marketing purposes.

It can be argued that although CSR is often used as a marketing and or PR tool at the *responsive* stage, the level of CMD has improved in comparison with previous stages, where ethics and responsibility were not even issues worthy of discussion. Moreover, Reidenbach and Robin (1991, p. 279) have identified this stage as a pivotal point for most corporations, describing it as a learning stage wherein businesses test the efficacy of socially responsive behaviour and begin to understand the economic value of moral behaviour, and moving beyond this stage means changing their reactive into proactive behaviour and this requires a recognition of the social contract between the business and society.

However, the situation in the Estonian business context has not yet improved, and thus it is not possible to speak about the next *emerging ethical* and *developed ethical* stages of CMD in this particular business context. In other words, when looking at the results of this research, it can be seen that Estonian business organizations have not developed further than the *responsive* stage of the CMD model developed by Reidenbach and Robin (1991), but when we look at the situation from the historical viewpoint this study shows clear progress in CMD.

5 CONCLUSIONS AND DISCUSSION

Based on a suggestion by several researchers in the field of business ethics (e.g. Carroll, 1995; Freeman & Liedtka, 1991; Freeman et al., 2004; O'Malley, 2003; Paine, 1997), this dissertation began with the assumption that the integration of ethical standards into business is not only preferable, but also necessary for long-term organizational survival. In the field of business ethics the dissertation focused particularly on corporate moral development (CMD), which was understood as the process of balancing concern for ethics and morality with profits. While investigating the topic the theoretical model of CMD by Reidenbach and Robin (1991) was applied. Following the ideas of Logsdon and Yuthas (1997), Snell (2000) and Carroll (1999; 2000), the CMD model was studied from three main angles: corporate governance (CG), corporate social responsibility (CSR) and ethical leadership (EL). Moreover, CMD was discussed from the viewpoint of teaching business ethics (BE).

The basic argument of the dissertation was that CMD is context bound and is influenced by changes taking place in the environments in which businesses operate. CMD was investigated here in an Estonian societal context in the period 1985 – 2005. In this period, society changed from the socialist to a free market system, and this change was regarded as rapid and radical. Following a suggestion by Heidmets (2007), the rapid and radical change was defined as a fundamental reform, where almost everything in society was transformed in a short time period: the political and economic system, ownership relations and citizenship, friends and enemies. According to Wood and Wartick (1998), a societal context consists of different forms of environments and this dissertation focused particularly on economic, political and social environments. This period of rapid and radical change that the Estonian business community went through was viewed as an instrumental case (Stake, 1995; 1998), meaning that it played a supportive role in the study of CMD. Theoretical and empirical data was collected and combined to answer the following question: How can different stages of corporate moral development be described and conceptualized when contextual influences on the Estonian business

community during radical political, economic and social changes are taken into consideration?

The dissertation aimed to provide a holistic and rich description of CMD from the viewpoint of the development of Estonian society in the period 1985 – 2005. To fulfil this aim, a periodical description of the CMD stages presented in detail in chapter 4.2 was constructed as follows:

- Double morality – referring to the period of Socialist erosion (1985 – 1990)
- Ethical vacuum – referring to the period of rough entrepreneurial capitalism (1991 – 1994)
- Instrumental – corresponding to the commercial boom (1995 – 1999)
- Legalistic – a period of catching-up (2000 – 2003)
- Responsive – referring to the period of EU convergence (2004 – 2005)

The results show that CMD in the majority of Estonian business organizations developed from the double morality stage of the period of socialist erosion through the instrumental and legalistic stages to the responsive stage; however, only emerging by 2005. The higher stages of CMD – emerging ethical and developed ethical – were not detected in this study. According to Reidenbach and Robin (1991, p. 279), the responsive stage is a pivotal point in CMD since it is a stage where businesses test the efficacy of socially responsive behaviour and begin to understand the economic value of moral behaviour. We can conclude that from a historical viewpoint there was clear progress in CMD in the Estonian business community and CMD stages evolved along with the contextual forces. Over the 20-year period of the study, elements of the Estonian business community showed that they had reached the stage in which ethical statements and concerns are understood as a useful tool for creating a positive image and regarded as valuable when profitable.

An important point however, lies in the question of which contextual factors in the economic, political and social environments studied caused such developments to occur. The results of this study suggest that the main reasons for the changes were the political and economic environments, which had a significant influence on CMD while the impact of the social environment played a lesser role. In particular, the development of legislation and the political system, the impact of EU directives on businesses and growth in international trade and the resulting importance of a good reputation as a business partner were crucial triggers. The role of the social environment has started to gain some importance only recently. In this study the role of managers in companies' change in general is big, but their role in moral development is not as important as it can be expected based on the previous studies. Managers' own initiative to deal with business ethics and CSR issues is quite weak, however through studying managers' perceptions of these issues it is possible to see the change caused mainly by external sources.

This dissertation aimed to develop the model of CMD by Robin and Reidenbach (1991) from a contextual perspective. Three main aspects were

found to be important in developing the model. Firstly, two stages that describe and conceptualize the impact of transformation in society on CMD were added to the model. Secondly, Reidenbach and Robin (1991) bring forth the idea that CMD is based mainly around organizational culture in their model. According to them, shared values and beliefs in an organization are of particular importance. Moreover, they emphasize that the principal sources for such values and beliefs come from individual organizational members, especially top managers. Similarly, other studies in this area suggest that the main reasons for CMD derive from the internal forces of organizations (e.g. Knouse & Giacalone, 1992; Maclagan & Snell, 1992; Sridhar & Camburn, 1993).

However, the results of this study showed that during the rapid and radical changes in Estonia it was the external context, especially factors in the political and economic environments that played a more important role in shaping CMD than the internal forces within companies. Thus, it can be concluded that the model of CMD needs to be completed so that the triggers for CMD do not always have to come from within business organizations, but also from external forces. This dissertation showed specifically how external contextual forces shaped CMD in Estonia during the period of transition from a socialist to a capitalist system.

Thirdly, the CMD model by Robin and Reidenbach (1991) was created in a relatively stable western societal context – the USA – where companies have not faced such radical and rapid societal changes as Estonian companies as well as companies in other post-socialist countries have. In general, research on CMD assumes implicitly both a stable and western context. Thus, it is suggested here that when seeking a deeper understanding of the CMD model, researchers should include an explicit understanding of context. In this study, the focus was a post-socialist transitional context, but other contexts should also be investigated in similar future studies. For example, the role of China and India in world business is much discussed nowadays. However, the political, economic and social environments and their historical heritage in these countries differ from the western world where the CMD model was developed. For example, Snell (2000; p. 276) has suggested that Kohlbergians should consider emic models of morality alongside the Kohlberg model and abandon claims to universality and comprehensiveness especially when studying morality in societies where liberal individualism is not the dominant tradition. Moreover, studies in Chinese organizational settings (see Tan & Snell, 2002, p. 361) demonstrate that moral reasoning reflects a wider cultural heritage, and is not merely a function of corporate culture or individual moral development. So, whether the model makes sense in these societies is, for instance, a question that would merit research in the future.

This dissertation also aimed to provide a practical contribution. What is then needed in order to strengthen CMD in Estonian business life? The results indicate that triggers for strengthening CMD in Estonia in the near future may be further based on push factors emerging from a company's external context rather than a company's internal forces such as its organizational culture and the values held by its top managers. Thus, attention should be directed

particularly at developing and implementing societal norms that form a basis for sustainability in business. Despite the improvements made since the end of the 1990s, this is still a challenge for the legal as well as the political system in Estonia. Moreover, this represents a challenge for authorities to guide business organizations to follow such norms, more specifically, the laws and EU directives. This is a tough challenge. The importance of this can be seen in recent interventions between political and economic life, and the increased number of corruption cases involving high public officials and top-managers and the owners of big business organizations (Juriidiliselt on, 2006), resulting in a situation where market competition and best offers were replaced by party connections, benefiting only a few powerful business people and high level politicians at the expense of the interests of society.

Although political as well as economic environments will probably continue to play an important role in shaping CDM in the future in Estonia, the role of stronger social values is currently being discussed and publicly demanded. For example, if we look at the recent Estonian Human Development Report (2006) as well as presentations and addresses by the Estonian President (Ilves, 2007) and social scientists (Sutrop, 2007; Heidmets, 2007), it can be seen that the rapid economic development in Estonia, focusing more on economic and material issues at the expense of ethical values has resulted in serious problems, such as a perceptible increase in inequality, low health indicators such as the life expectancy for men and the largest salary differences between men and women in the European Union. Therefore, one of the central messages from the Estonian Human Development Report (2006) is that Estonia needs a caring, honest and just business community, where besides being willing to remain or become economically successful, companies should also pay more attention to ethics and consider the interests of different stakeholders in order to be sustainable.

It can be argued that in addition to the rules and norms in the external context, a major factor in developing successful long-term socially responsible and ethical business practices and thus progress toward the higher stages of CMD is future opportunities for management to learn ethical values and then to integrate them throughout the company (Aspen, 2001). Thus, this poses a challenge for business schools that are educating the next generation of business professionals. In particular, since teaching BE and CSR is still in its infancy in Estonia, the next generation of business people will not have been so socialized to ethical values in business during their studies. Consequently, it is crucial that teaching BE and CSR becomes a priority in business schools throughout Estonia. Future business professionals should understand that the argument that businesses need not be held to the same social requirements as the rest of the society is unrealistic from the viewpoint of long-term and sustainable survival and success (see Robin & Reidenbach, 1987, p. 48). This would allow them to go on to establish ethical values as a part of the company's mission and organizational culture.

Therefore, business ethics must be taught as a substantial topic within every business curriculum, integrated into all main subjects (incl. economics,

strategic management, marketing, entrepreneurship, leadership, etc.) and as a separate subject as well. In the long run, this could offer an avenue for companies to progress to the next stages of CMD, emerging ethical and developed ethical. Moreover, the effect of teaching BE and CSR on the basis of students' values would be an important and interesting issue to study further in future.

In addition, in order to increase awareness of the need for more socially responsible and ethical business behaviour, much more could be done with the help of media than is currently being done, since its role is important in shaping people's values and attitudes (Badaracco, 1997). In general, mass media interest in increasing awareness about business ethics in Estonia has been relatively low, but there have been some recent developments in this field. The development of a special index by a major Estonian business newspaper to evaluate and rate the most socially responsible business organizations in Estonia and the competition for the title of the most socially responsible enterprise in Tallinn are encouraging examples (CSR Foorum, 2007; Tallinna Ettevõtlusamet, 2007).

Finally, although CMD has improved in Estonia if we compare the current situation with the situation at the beginning of this study, twenty years ago; nevertheless, the focus is still the 'bottom line' and businesses still believe they need do little more than fulfil their legal and economic obligations, treating CMD as a tool to earn more profit and to gain a better public image. However, being cut off from the Western world without self-determination for almost 50 years partially explains why Estonian people still prefer to focus on personal and organizational benefits over the needs and interests of society. In general it can be said, that the 'modern' business environment in Estonia is very young and companies are still coming to understand new methods and new paradigms such as CMD.

TIIVISTELMÄ (FINNISH SUMMARY)

Tausta ja tavoitteet

Kiinnostus yritysetiikkaan kasvaa. Viime vuosina paljon julkisuutta saaneet eettiset ongelmat ja väärinkäytökset, kuten Enronin ja WorldComin tapaukset, ovat lisänneet mielenkiintoa yritystoiminnan etiikkaa ja moraalia kohtaan eri puolilla maailmaa. Tämän väitöskirjan lähtökohta perustuu ajatukseen, jonka mukaan voidakseen menestyä pitkällä tähtäimellä yrityksen toiminnan on oltava sekä taloudellisesti kannattavaa että eettisesti kestävää. Alhainen moraali vaarantaa menestyksen, minkä vuoksi yrityksen on järkevää noudattaa eettisiä pelisääntöjä sekä toimia hyvin ja vastuullisesti.

Tutkimuksen lähtöoletus on, että yrityksen moraalisuuden taso empiirisenä ilmiönä on suhteessa yrityksen ympäristötekijöihin, joten taso on kontekstisidonnaista vaihdellen eri aikoina ja paikoissa. Tässä tutkimuksessa kiinnostuksen kohteena on yrityksen moraalinen kehitys Virossa historiallisesta näkökulmasta. Viro on läpikäynyt lyhyessä ajassa suuria poliittisia, taloudellisia ja sosiaalisia muutoksia. Maan irtaannuttua entisestä Neuvostoliitosta siitä on tullut Euroopan unionin jäsenmaa ja sotilasliitto Naton jäsen. Yhteiskunta on siirtynyt sosialistisesta järjestelmästä markkinatalouteen; yrityksissä on opeteltu ja otettu käyttöön moderneja länsimaisia johtamisoppeja; käsitys omistajuudesta on kokenut muutoksen; yritysten kilpailutilanne on koventunut.

Taloudellisesti Viro on menestynyt suhteellisen hyvin viime vuosiin asti. Maahan on virrannut ulkomaisia investointeja, kansantulo on kasvanut ja taloudellinen ja poliittinen vapaus lisääntynyt. Erityisesti taloudellinen kasvu ja voimakas yksityistäminen on nähty yhteiskunnallisessa päätöksenteossa ratkaisuna köyhyyteen ja sosiaalisiin ongelmiin. Tavoite ei ole kuitenkaan käytännössä toteutunut, vaan muutokset ovat kärjistäneet sosiaalisia eroja. Yhteiskunta on jakaantumassa "voittajiin" ja "häviäjiin". Voittajia ovat tavanomaisimmin nuoret, hyvin koulutetut ja kunnianhimoiset kaupunkilaiset. Häviäjät koostuvat puolestaan etnisesti, iän ja psykososiaalisten ominaisuuksien suhteen melko heterogeenisesta ryhmästä, joka kokee mahdollisuuksiensa menneen. Tilanne on johtanut kritiikkiin, jonka kohteena on erityisesti voimakas yksityistäminen sekä kapea-alainen, yksinomaan taloutta painottava ajattelu ja toiminta. Yritysten toimintaa on syytetty lyhytjänteiseksi ja vain omistajien kovien voittojen tavoitteluun tähtääväksi. Tässä tilanteessa on syytä kysyä, millaiseen moraaliin yritysten toiminta Virossa perustuu. Entä millaista etiikkaa ja moraalia yrityksissä pitäisi kehittää ja miten? Tämä väitöskirja pureutuu näihin teemoihin.

Väitöskirjan tutkimuskohteena on yrityksen moraalinen kehitys (*corporate moral development, CMD*). Kohdetta tarkastellaan Reidenbachin ja Robinin (1991) esittämän teoreettisen mallin avulla huomioiden erityisesti taloudellinen, sosiaalinen ja poliittinen ympäristö, jossa yritys toimii. Reidenbachin and Robinin mallissa esitetään viisi yrityksen moraalisen kehityksen vaihetta: amoraalinen, laillinen, responsiivinen, alkava eettisyys ja kehittynyt eettisyys. Malli lähtee

ajatuksesta, jonka mukaan moraalisen kehityksen myötä yrityksen eettisyys ja taloudellinen tuloksenteko ovat tasapainotettavissa. Väitöskirjassa lähestytään yrityksen moraalista kehitystä kolmesta päänäkökulmasta: yrityksen hallinto-tapa, yhteiskuntavastuu ja eettinen johtajuus. Lisäksi moraalista kehitystä pohditaan liiketaloustieteellisen koulutuksen näkökulmasta.

Tutkimus on toteutettu Virossa historiallisena tutkimuksena, jossa yrityksen moraalista kehitystä tutkitaan vuosien 1985–2005 välillä. Siinä yhdistetään teoreettista ja empiiristä tietoa toisiinsa ja vastataan seuraavaan kysymykseen: Miten yritysten moraalinen kehitys on kuvattavissa ja käsitteellistettävissä historiallisesti Virossa, kun otetaan huomioon yritysten poliittisen, taloudellisen ja sosiaalisen toimintaympäristön radikaali ja nopea muutos?

Väitöskirja kontribuoi aikaisempaan yrityksen moraalista kehitystä koskevaan tutkimukseen kolmella tavalla. Ensiksi, se tuottaa kokonaisvaltaisen ja rikkaan kuvauksen yritysten moraalisesta kehityksestä kahdenkymmenen vuoden ajalta Virossa. Koska yritysten moraalisesta kehityksestä ei ole aiempaa tutkimusta Virossa eikä yleensä suuressa yhteiskunnallisessa muutoksessa, väitöskirjassa syntyy uutta tietoa. Toiseksi, Reidenbachin ja Robinin (1991) mallia yrityksen moraalisesta kehityksestä kehitetään kontekstuaalisesta näkökulmasta. Kontekstin näkökulmaa, joka tässä tutkimuksessa viittaa Viron yhteiskunnan taloudellisiin, poliittisiin ja sosiaalisiin tekijöihin, ei ole aiemmin huomioitu mallia koskevassa tutkimuksessa, vaan malli on rakennettu alun perin yhdysvaltaisen yritystoiminnan periaatteita koskevien oletusten pohjalta. Väitöstutkimuksen teoreettisena kontribuutiona on siten kehittää mallia kontekstiherkkämpään suuntaan. Kolmanneksi, väitöskirja tuottaa tietoa ja ajatuksia siitä, miten yritysetiikkaa voi pyrkiä kehittämään käytännössä nyky-Virossa.

Väitöskirja on luonteeltaan sekä deskriptiivinen että normatiivinen. Deskriptiivisyys tarkoittaa tutkimuskohteen kuvailua historiallisesti. Normatiivisuus perustuu puolestaan Reidenbachin ja Robinin teorian esittämään ideaan siitä, mihin suuntaan yrityksen moraalisen kehityksen pitäisi mennä. Malli on valittu tähän väitöskirjaan, koska se tarjoaa yhtä aikaa mahdollisuuden kuvailla tutkimuskohdetta mutta myös arvioida kehityksen suuntaa eettis-moraalisesti. Väitöskirjassa painottuu johtamisen näkökulma, koska yrityksen johto asettaa toiminnalle vision ja suunnan. Lisäksi johto pystyy vaikuttamaan organisaation muiden jäsenten käyttäytymiseen. Näin ollen johdon rooli yrityksen moraalisen kehityksen kannalta nähdään työn lähtökohdissa keskeiseksi.

Väitöskirja koostuu kahdesta osasta. Ensimmäinen osa sisältää johdantoesseen ja toinen viisi julkaistua tieteellistä artikkelia. Johdantoesseessä kuvataan ja perustellaan tutkimuksen tarkoitus, rakennetaan integroiva viitekehys artikkeleille, keskustellaan artikkeleiden sisällöistä ja metodologisista ratkaisuista, vastataan tutkimuskysymykseen sekä tehdään keskeiset päätelmät. Lisäksi johdantoesseessä selvennetään tutkimuksen kolmen näkökulman – yrityksen hallintotapa, yhteiskuntavastuu ja eettinen johtajuus – avulla yrityksen moraalista kehitystä. Johdantoesseessä keskustellaan myös yritysetiikan ja yrityksen yhteiskuntavastuun merkityksestä liiketaloustieteellisessä koulutuksessa. Toisessa osassa artikkelit ovat siinä muodossa kuin ne on julkaistu.

Päätulokset

Yrityksen moraalinen kehitys vuosina 1985–2005 Virossa kuvataan ja käsitteellistetään tulososuudessa viiteen historialliseen vaiheeseen:

- Kaksoismoraalin vaihe – sosialistisen järjestelmän rapautuminen (1985–1990)
- Eettisen tyhjiön vaihe – kova yrittäjäkapitalismi (1991–1994)
- Välineellisyyden vaihe – taloudellinen nousukausi (1995–1999)
- Laillisuuden vaihe – normien saavuttaminen (2000–2003)
- Eettisen reagoinnin vaihe – EU yhdentyminen (2004–2005)

Kaksoismoraalin vaiheessa (1985–1990) organisaatioiden toimintaympäristöä väritti rapautuva sosialismi. Virallinen poliittinen ideologia arvoineen ja normeineen perustui sosialismiin. Organisaatiot olivat valtion omistuksessa. Yksityinen liiketoiminta, silloin kun sitä ilmeni, merkitsi tavallisimmin järjestelmän hyväksikäyttöä. Tämä oli mahdollista yleensä vain korkeassa asemassa oleville johtajille ja poliitikoille henkilökohtaisten hyötyjen tavoittelemiseksi. Ihmisten sosiaalisia suhteita väritti alhainen luottamus, ja korruptio oli tavallista. Yritysten moraalisen kehityksen tätä vaihetta nimitetään väitöskirjassa kaksoismoraalin vaiheeksi, koska virallisesti organisaatioissa ja niiden johdossa noudatettiin sosialistista ideologiaa ja normeja, mutta käytännössä toimittiin usein niiden vastaisesti. Reidenbachin ja Robinin ja (1991) mallissa ei tunnisteta piirteitä kaksoismoraalin vaiheesta.

Organisaatioiden hallintotapa toimi siten, että valtio omisti organisaatiot, joita johtajat johtivat annettujen suunnitelmatalouden suuntaviivojen ja ohjeiden mukaan. Ihmisten kiinnostus oman yritystoiminnan perustamiseen ja sitä kautta taloudelliseen vaurastumiseen lisääntyi vaiheen aikana, mutta valtion omistamat organisaatiot olivat kuitenkin monopoliasemassa. Niiden toimintaa ja rakennetta värittivät muodollisuus, hierarkkisuus ja johtamisen autoritaarisuus. Työmoraalin taso oli tyypillisesti alhainen: esimerkiksi työpaikalta varastamista pidettiin normaalina, jopa arvostettavana. Vaikka yrityksen yhteiskuntavastuuta ei käsitteenä tai ilmiönä tunnettu, saattoivat joidenkin organisaatioiden johtajat erityisesti maaseudulla ja suurissa tuotantoyksiköissä olla johtajuudeltaan paternalistisesti suuntautuneita ja kohdentaa erityistä huolenpitoa työntekijöitä ja paikallista yhteisöä kohtaan, minkä voi tulkita jossain määrin eettiseksi johtajuudeksi. Organisaatioiden keskeisiä sidosryhmiä olivat ministeriöt, alueelliset viranomaiset ja suuret asiakkaat. Yritystoiminnan saati yritysetiikan opetusta ei ollut, vaan taloudellisen opetuksen painopiste oli suunnitelmatalouden opetuksessa. Näin ollen yhteiskunnassa vallitsi huomattava osaamisvaje markkinatalouden ja yksityisen yritystoiminnan johtamisen periaatteista ja pelisäännöistä.

Seuraava yritysten moraalisen kehityksen vaihe on *eettisen tyhjiön vaihe* (1991–1994). Poliittisesti Viro itsenäistyi vaiheen alussa ja alkoi rakentaa omaa markkinatalouteen perustuvaa talousjärjestelmää. Koska yritystoimintaa sääte

leviä laillisia ohjeita ja yritystoiminnan eettisiä pelisääntöjä ja tapoja ei ollut muodostunut, vaihetta nimitetään väitöskirjassa eettisen tyhjiön vaiheeksi. Vaihetta väritti käytännössä koko yhteiskunnan kuten myös alkavan yritystoiminnan kamppailu olemassaolosta. Yritykset ja niiden johtajat toimivat useimmiten omaksi edukseen kuten parhaaksi näkivät. Sopimusrikkomukset ja villit, jopa rikolliset, toimintatavat olivat tavallisia ilmiöitä. Lainsäädäntöä vasta kehitettiin, ja silloinen maan hallitus valitsi linjaksi hyvin vähäiset rajoitukset ja säännöt yritystoiminnan harjoittamiselle. Vaiheelle oli tyypillistä kovan yrittäjäkapitalismin aloittaminen ja rakentaminen.

Yrityksen hallintotavan näkökulmasta voidaan sanoa, että yritysten hallinnollisia käytäntöjä leimasivat voimakkaasti säilyminen ja selviytyminen: hallintotapaa voi luonnehtia tilannekohtaisiksi, eikä säännöstöjä juuri ollut. Yritysten suhde toimintaympäristöön oli jatkuvaa reagointia uusiin tilanteisiin, joissa yritysten perustajat ja johtajat keskittyivät henkilökohtaisiin etuihin ja mahdollisuuksiin rikastua. Yritysten organisaatiorakenteet olivat hierarkkisia ja johtaminen autoritaarista entisen sosialistisen tavan mukaisesti. Vaikka käsitettä ei tunnettukaan, yrityksen yhteiskuntavastuun näkökulmasta voidaan sanoa, että erityisesti omistajia ja johtoa henkilökohtaisesti hyödyttävät taloudelliset vastuut otettiin huomioon. Sen sijaan ympäristö- ja sosiaalisen vastuun ulottuvuudet laiminlyötiin, jopa kiellettiin. Omasta edusta huolehtiminen oli ensisijaista, minkä lisäksi rahoittajien ja ulkomaisten sijoittajien intresseistä oltiin kiinnostuneita. Muihin sidosryhmiin kiinnitettiin varsin vähän huomiota. Johtajuutta oli kahta päätyyppiä: entisistä valtionyhtiöistä tulleet vanhemmat autoritaariset ja asemavaltaan tukeutuvat johtajat sekä vasta-aloittaneet, nuoret ja kaikin tavoin uusia mahdollisuuksia etsivät johtajat. Johtajuus perustui yleisesti lyhyeen tähtäimeen, joten pitemmän tähtäimen eettistä johtajuutta ei ilmennyt. Ihmisiä palkattiin ja erotettiin nopealla tahdilla sekä hyödynnettiin tarvittavan ajan mahdollisimman täysimääräisesti. Yritysetiikka ei ollut edes puheenaihe, eikä aihetta opetettu korkeakouluissa, vaikka sinällään liiketaloustieteellinen opetus oli aloitettu.

Eettisen tyhjiön vaihe on tulkittavissa reaktioksi yhteiskunnan erittäin nopeasti muuttuneeseen poliittiseen ja taloudelliseen tilanteeseen, jossa Neuvostoliiton aikaiset normit purkautuivat, eikä uutta laillista ja/tai eettistä normistoa ollut ehtinyt syntyä tilalle. Riskit ja mahdollisuudet yritystoiminnassa olivat suuret. Normien vähäisyyden ja niiden yleisen aliarvioinnin vuoksi syntyi tilaa eettisesti kyseenalaiselle yritystoiminnalle. Toisaalta ihmiset olivat valmiita uhrautumaan ja työskentelemään kovasti taloudellisesti paremman tulevaisuuden eteen. Omia yrityksiä perustettiin, niissä tehtiin pitkiä työpäiviä, ja yrittäjät perheineen sitoutuvat yrityksen toiminnan edistämiseen. Kuten edellistä kaksoismoraalin vaihetta, tätäkään vaihetta ei voi tunnistaa Reidenbachin ja Robinin (1991) mallissa. Yhtymäkohtia on kuitenkin löydettävissä mallin taustalla olevan Kohlbergin (1964; 1984) ihmisen moraalista kehitystä koskevaan teoriaan, erityisesti esikonventionaaliseen kehitysvaiheeseen. Siinä ihminen katsoo asioita vain omasta välittömästä näkökulmastaan, ja oikean ja väärän arviointi perustuu henkilökohtaisten palkkioiden saantiin ja rangaistusten välttämiseen.

Vuoteen 1995 mennessä markkinatalous ja yksityinen yritystoiminta olivat vakiinnuttaneet asemansa. Vuodesta 1995 alkanutta ja vuoteen 1999 jatkunutta vaihetta nimitetään väitöskirjassa *välineellisyyden vaiheeksi*. Tässä vaiheessa yritystoiminta kasvoi ja alkoi menestyä, joten taloudellinen muutos nousukauden muodossa oli käsillä. Vaiheessa on selvästi piirteitä Reidenbachin ja Robinin (1991) mallin amoraalisesta tasosta, jota leimaa yrityksen oman edun ja omistajien henkilökohtaisen edun maksimointi. Tasoa on nimitetty kirjallisuudessa myös välineelliseksi (Weber, 1993, s. 422; Snell, 2000, s. 279). Tässä yhteydessä käytetään sitä ilmaisua, koska virolaisessa liike-elämässä toimijoiden suhteita leimasi kapea hyödyntavoittelu: suhteet, kontaktit ja toiminta nähtiin välineenä saavuttaa hyötyä itselle ja yritykselle. Välineellisen vaiheen pääero suhteessa edelliseen eettisen tyhjiön vaiheeseen oli, että vaikka yritysten johto ja omistajat pyrkivät tietoisesti välttämään lakeja ja säännöksiä, välineellisessä vaiheessa niitä oli jo säädetty. Eettisen tyhjiön vaiheessa normistoa ei juuri ollut.

Tässä vaiheessa yrityksen tavoitteeksi ymmärrettiin voiton maksimointi lyhyellä tähtäimellä, tehokkuuden ja tuottavuuden parantaminen sekä osakkeen arvon kasvattaminen. Suuret riskit ja mahdollisuudet leimasivat yritysten toimintaa. Vaikka lainsäädäntöä oli kehitetty, lakien noudattamatta jättäminen oli tavallista. Verojen maksamatta jättäminen, pimeät palkat ja ala-arvoiset työskentelyolosuhteet olivat tavallisia. Voiton tavoittelussa käytettiin usein keinoja, joiden oikeellisuutta ja laillisuutta ei juuri pohdittu tai arvioitu. Yrityksen hallintotavan näkökulmasta voi sanoa, että hallintomallit olivat monin tavoin puutteelliset, mutta niiden rakenteita ja säännöstöä kehitettiin. Vaikka käsitettä ei juuri tunnettu, yhteiskuntavastuu painottui taloudelliseen ulottuvuuteen tulkittuna kapeasti yrityksen välittömänä lyhytaikaisena etuna. Tärkeimmiksi sidosryhmiksi nähtiin omistajat, sijoittajat ja yritysten hallitusten jäsenet. Henkilöstö nähtiin yleisesti vain välineen roolissa voittoa tavoiteltaessa, ja ihmiset työskentelivät usein ilman oikeuksia epäterveellisissä, jopa vaarallisissa olosuhteissa. Johtajuus oli edelleen autoritaarista ja asemavaltaan perustuvaa. Yritystoiminta ja etiikka ymmärrettiin erillisinä alueina, jotka eivät liittyneet toisiinsa. Vaikka yritysetiikan ymmärryksessä oli puutteita, liiketaloustieteellisessä koulutuksessa alkoi viritä kiinnostusta yritys- ja johtamisetiikan opetukseen. Aihetta ei silti pidetty aina vakavasti otettavana opetuksen kohteena.

Seuraavaa yrityksen moraalisen kehityksen vaihetta nimitetään väitöskirjassa *laillisuuden vaiheeksi* (2000–2003). Tässä vaiheessa yritystoimintaa koskeva lainsäädäntö oli jo kehittynyt ja sen noudattaminen alkoi olla tavallista. Viro liittyi Euroopan unionin ja Naton jäseneksi, minkä voi nähdä yhtenä keskeisenä syynä siihen, että lakien ja sovittujen pelisääntöjen noudattamista alettiin pitää tärkeänä. Yrityksissä ymmärrettiin, että kansainvälisesti toimittaessa sopimuksenmukainen luotettava ja ennustettava toiminta olivat liiketoimintamahdollisuuksien, uskottavuuden ja maineen kannalta keskeisiä. Vaihe on rinnastettavissa Reidenbachin ja Robinin (1991) mallin lailliseen tasoon, jossa etiikka ymmärretään samaksi asiaksi kuin laki ja sen noudattaminen.

Yritykset pyrkivät voiton maksimointiin mutta lain puitteissa. Esimerkiksi verojen maksatta jättämistä ei pidetty enää viisaana, joskin käteiset maksut il-

man kuitteja olivat edelleen melko tavallisia käytäntöjä joillakin toimialoilla, kuten raskaassa teollisuudessa ja rakennustoiminnassa. Yrityksen hallintotavoissa pyrittiin noudattamaan säädettyjä lakeja ja määräyksiä. Yhteiskuntavastuulliseksi toiminnaksi tulkittiin verojen maksaminen ja hyödykkeiden tuottaminen lain minimimääräyksien mukaan. Yrityksen taloudellinen ja laillinen vastuu nähtiin tärkeimmiksi vastuiksi. Ympäristövastuuta ja laajempaa ymmärrystä yrityksestä yhteiskunnallisena toimijana ei huomioitu muuten kuin lakien noudattaminen näkökulmasta. Eettisen johtajuuden kannalta on todettavissa, että yritysten johtajat toimivat pääsääntöisesti lain mukaan, mutta noudattivat pikemminkin kuuliaisuuteen ja tottelevaisuuteen perustuvaa kuin ihmisten oma-aloitteisuuteen ja motivointiin perustuvaa johtamistapaa. Ylemmillä hierarkiatasoilla olevat johtajat käyttivät kuitenkin edelleen usein valta-asemaansa hyväksi saavuttaakseen itselle hyötyjä ja etuja. Johtaminen oli myös melko autoritaarista, kuten myös aiemmissa vaiheissa. Normien näkökulmasta liiketoiminnan opetus korkeakouluissa keskittyi pitkälti lainsäädännöllisiin velvoitteisiin, mutta yrityksen yhteiskuntavastuun ja eettisen johtajuuden opetusta kuitenkin kehitettiin, vaikka opettajilta puuttui usein syvempää tietoa aiheista.

Vaihetta vuodesta 2004 vuoteen 2005, johon väitöskirjan tarkastelu päättyy, nimitetään *eettisen reagoinnin vaiheeksi*. Viron yhdentyminen Euroopan unioniin edistyi. Erityisesti poliittisesti ja taloudellisesti yhteiskunnan tila alkoi vakiintua. Yritysten johto alkoi oivaltaa, että liiketoimintaa pitää tarkastella myös pitemmällä tähtäimellä, koska lyhyen tähtäimen voiton maksimointi ja lakien noudattaminen ei yksinään riitä menestykseen. Vaihe on liitettävissä Reidenbachin ja Robinin (1991) mallissa yrityksen moraalisen kehityksen responsiiviseen tasoon: yritys pyrkii vastaamaan ulkoisen ympäristön muutoksiin ja paineisiin. Kansainvälistymisen paineiden ja kansainvälisen yritystoiminnan kautta yritysetiikka ja yhteiskuntavastuu alkoivat kiinnostaa Virossa. Ne tosin nähtiin pääosin vain voitontavoittelun ja hyvän julkisen imagon mahdollistajina. Lisäksi yhteiskuntavastuu tulkittiin keinoksi korjata yritysten ongelmia reagoivasti eikä ennakoivasti. Yrityksissä haluttiin kuitenkin toimia kansainvälisten esimerkkien ja mallien mukaan.

Hallintotavan näkökulmasta voidaan sanoa, että lain noudattamisen ohella haluttiin lisätä toimijoiden välistä luottamusta. Yrityksissä alettiin kiinnostua yleisemmin velvollisuuksista omalla toimialalla ja lähiyhteisön piirissä. Johtaminen pitemmän suunnittelujänteen kautta yleistyi, kuten myös oman toiminnan vertailu ja siitä oppiminen muiden, erityisesti kansainvälisten, yritysten kanssa. Organisaatiorakenteet madaltuivat ja voimakas vertikaalisten suhteiden korostaminen alkoi hälventyä. Asiakkaat ja suuri yleisö alettiin nähdä tärkeinä sidosryhminä, joiden tarpeisiin ja odotuksiin oli syytä kiinnittää huomiota erityisesti imagosyistä. Yritykset olivat aiempaa sensitiivisempiä yhteiskunnan vaatimuksille, vaikkakin niiden toimintatapoja leimasi reaktiivisuus.

Yritykset pyrkivät myös pikkuhiljaa harjoittamaan sosiaalisia velvoitteita, kuten PR-toimia, sponsorointia ja hyväntekeväisyyttä paremman julkisen maineen ja menestyksen toivossa. Myös eettisen johtajuuden merkkejä oli nähtävissä siten, että johto tunnisti moraalisen johtamisen tarpeen ja ymmärsi vähitellen

moraalisen käyttäytymisen arvon myös taloudelliselta kannalta. Monet hyvin koulutetut ja kokeneet huippujohtajat kehittivät hyviä ihmisten johtamisen ja viestinnän taitoja. He olivat tulevaisuuteen suuntautuneita ja halukkaita yhteistoimintaan. Vaikka johtaminen oli edelleen pääosin reagoivaa, organisaatioviestintä tuli avoimemmaksi, ja henkilöstön merkitys alettiin tunnistaa paremmin yhteistoiminnan mutta ei juurikaan osaamisen ja motivaation kehittämisen kannalta. Yritysetiikan opetusta edistettiin liiketaloudellisessa koulutuksessa, mutta kuitenkin pääosin yhteiskuntavastuuraportoinnin ja mittaamisen näkökulmista. Tämä heijastelee yleisemminkin vaiheelle tyypillistä orientaatiota yritysetiikkaan välineenä hyvän maineen ja voiton tavoittelussa. Aikaisempiin vaiheisiin nähden moraalisen kehityksen taso oli kuitenkin noussut ja aiheesta keskustelun tarpeellisuus tunnustettiin. Reidenbach ja Robin (1991, s. 279) pitävät tätä responsiivisuuden tasoa, johon tämä vaihe on yhdistettävissä, käännekohtana yrityksen moraalisessa kehityksessä. Tasoa kuvataan nimittäin sellaiseksi oppimisen tasoksi, jossa yritys ensimmäistä kertaa tunnistaa ja tunnustaa moraalisen käyttäytymisen merkityksen taloudellisen toiminnan onnistumisessa ja alkaa vähitellen kehittyä reagoivasta asenteesta ja toiminnasta kohti ennakoivaa orientaatiota.

Päätelmät ja keskustelu

Väitöstutkimus osoittaa, että virolaisen yritystoiminnan moraalinen kehitys kulki kaksoismoraalin vaiheesta välineellisen ja laillisen vaiheen kautta eettisen reagoinnin vaiheeseen vuosina 1985–2005. Tutkimuksessa ei tullut esille yrityksen moraalisen kehityksen korkeampia tasoja, kuten alkavaa tai kehittynyttä eettisyyttä, jotka Reidenbach ja Robin (1991) esittävät työn viitekehyksenä käytetyssä mallissa. Tutkimuksen perusteella voidaan kuitenkin esittää väite, että yritysten moraalinen kehitys edistyi Virossa tutkitun reilun kahdenkymmenen vuoden aikana. Vuoteen 2005 mennessä saavutettiin moraalisen kehityksen taso, jota nimitetään väitöskirjassa eettisen reagoinnin vaiheeksi. Sille on ominaista yritysten ja johdon alkava kiinnostus ja tietoisuus yritysetiikasta. Tämä on erityisesti väline liiketoimintamahdollisuuksien ja hyvän maineen saavuttamiseen. Lisäksi vaiheelle on tyypillistä ymmärtää yritysetiikka reagointina yrityksen toimintaympäristön vaatimuksiin ja odotuksiin.

Väitöskirjan lähtökohtaoletuksena oli, että yrityksen moraalisuuden taso empiirisenä ilmiönä on suhteessa yrityksen ympäristötekijöihin. Tutkimuksen tulosten mukaan erityisesti toimintaympäristön poliittiset ja taloudelliset tekijät olivat pääroolissa vaikuttamassa Viron yritysten moraalisen kehitykseen. Lakien ja poliittisen järjestelmän kehitys loi raameja lailliselle normistolle, jonka mukaan alettiin myös vähitellen toimia tutkittuna aikana. Taloudellinen kasvu sekä kansainvälinen poliittinen ja taloudellinen yhteistyö olivat myös keskeisessä asemassa vaikuttamassa moraaliseen kehitykseen. Erityisesti korkeamman moraalisen tason mahdollistama hyvä maine, uskottavuus ja kyky toimia luotettavasti kansainvälisillä areenoilla nähtiin tärkeiksi tavoitteiksi liiketoiminnan edistämisessä Virossa tutkimuksen päätöshetkellä vuonna 2005.

Väitöstutkimus nosti esille kaksi uutta moraalisen kehityksen vaihetta: kaksoismoraalin ja eettisen tyhjiön vaiheet, joita Reidenbachin ja Robinin (1991) teoreettinen malli yrityksen moraalisesta kehityksestä ei tunnista. Tämän tutkimuksen näkökulmasta voidaan sanoa, että mallia on syytä kehittää näillä tasoilla. Malli on alun perin kehitetty yhdysvaltalaisen yritystoiminnan oletusten pohjalta, eikä siinä ole huomioitu eksplisiittisesti yhteiskunnallista, saati yhteiskunnallisen muutoksen näkökulmaa. Erityisesti tutkittaessa postsosialistisia yhteiskuntia ja niiden yritystoimintaa nyt löydetyt tasot ovat tärkeitä. Reidenbach ja Robin (1991) korostavat yrityksen moraalisen kehityksen keskeisenä tekijänä organisaatiokulttuuria. Lisäksi mallissa korostuu yksittäisten organisaatiotoimijoiden, lähinnä ylimmän johdon, rooli organisaatiokulttuurin muovaajana. Myös monet muut tutkimukset korostavat ylimmän johdon merkitystä yrityksen moraalisen kehityksen tason kannalta (esim. Knouse & Giacalone, 1992; Maclagan & Snell, 1992; Sridhar & Camburn, 1993). Mainittujen tutkimusten mukaan moraalisen kehityksen ja saavutetun tason lähde on siten organisaation sisäisissä tekijöissä. Vaikka sisäisiä tekijöitä ei voi väheksyä, osoittaa väitöstutkimus, että yrityksen ulkoisen toimintaympäristön rooli oli varsin keskeinen kehitysprosessissa Virossa.

Tutkimuksen perusteella voidaan väittää, että ulkoisen toimintaympäristön, kuten poliittisen ja taloudellisen ympäristön rooli tässä tutkimuksessa, saattaa olla huomattavasti merkittävämpi yrityksen moraalisessa kehityksessä kuin aiemmissa tutkimuksissa ja Reidenbachin ja Robinin (1991) mallissa on esitetty. Kehitystä eteenpäin työntävät voimat eivät tule läheskään aina yrityksen sisältä, vaan myös sen ulkopuolelta. Väitöstutkimuksessa ulkopuoliset tekijät olivat varsin määräävässä asemassa, ja yritysten johto etupäässä hyödynsi niitä ja sopeutui niihin, eikä niinkään toiminut kehityksen suunnannäyttäjänä. Tässä yhteydessä kiinnostus kohdentui postsosialistiseen yhteiskuntaan, mutta olisi ensiarvoisen tärkeää tutkia yritysten moraalista kehitystä myös muuntyyppisissä yhteiskunnallisissa konteksteissa, kuten esimerkiksi Kiinassa ja Intiassa, jotka ovat mielenkiinnon kohteena yritystoiminnassa tänä päivänä. Jatkossa olisi tarpeellista tutkia, miten selitysvoimainen Reidenbachin ja Robinin malli on näissä konteksteissa.

Käytännön liike-elämän kannalta väitöstutkimuksen tulokset osoittavat, että työntötekijät yritysten moraaliseen kehitykseen Virossa ovat tulleet pääosin yritysten ulkoisesta poliittisesta ja taloudellisesta ympäristöstä. Koska vaikutus on ollut ainakin tähän asti ulkoisiin tekijöihin perustuvaa, on todennäköisestä, että sama suunta saattaa jatkua myös tulevaisuudessa. Tällöin enemmän huomiota olisi kiinnitettävä poliittisten ja taloudellisten seikkojen ohella myös ympäristön sosiaalisiin tekijöihin, joiden rooli ei tässä tutkimuksessa näyttänyt keskeiseltä. Eettisiin arvoihin kasvaminen ja luottamuksen edistäminen yhteiskunnassa ovat esimerkkejä näistä asioista. Tässä suhteessa haasteita riittää Virossa edelleen.

Pitemmällä tähtäimellä katsottuna voidaan arvioida, että erityisesti liiketaloudellisen koulutuksen merkitys yritysten moraalisen kehityksen taustalla on tärkeää. Tulevaisuuden liike-elämän päätöksentekijät saavat koulutuksen tä-

nään, joten se, millaisia arvoja ja käytäntöjä koulutus viestittää hyväksyttävinä ja oikeina, on vaikuttamassa tulevaisuuden yritystoimintaan. Väitöstutkimus osoitti, että yritysetiikan opetus on Virossa vasta alkutekijöissään. Sen vuoksi näyttää ilmeiseltä, että aiheen opetuksen laajuutta ja syvyyttä on tarpeellista kehittää, jotta yritysten moraalinen kehitys nousee korkeammalle tasolle tulevaisuudessa. Aihetta on tarpeellista opettaa erillisinä kursseina ja integroituneena muihin aineisiin, kuten strategiseen johtamiseen, markkinointiin, kansantaloustieteeseen, yrittäjyyteen, johtajuuteen. Lisäksi median rooli yritysetiikan edistämisessä on tärkeä, sillä se on nykyään merkittävä mielipiteenmuokkaaja ja vaikuttaja. Yleisesti ottaen median kiinnostus aiheeseen vaikuttaa Virossa melko laimealta, joskin viime aikoina on virinnyt lisääntyvää kiinnostusta.

Lopuksi voi todeta, että nykymuotoinen markkinatalouteen nojautuva virolainen yhteiskunta ja sen yrityselämä ovat vielä suhteellisen uusia asioita. Yritysetiikkaa ja yritysten moraalisen kehityksen askeleita vielä opetellaan. Tutkimus kuitenkin osoittaa, että suunta on ollut myönteinen. Saman suunnan voi toivoa jatkuvan tulevaisuudessa.

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APPENDIX 1   Kohlberg's Cognitive Moral Development (MD) Model and Moral Development Models applied to organizations

Kohlberg's levels of Moral Development (MD)	Kohlberg's stages of Cognitive MD of individual	Reidenbach & Robin 1991, p. 274 CMD	Baxter & Rarick, 1989, p. 400 Decision-making in org.	Maclagan & Snell, 1993 Impact of organizational context	Sridhar & Camburn 1993, p. 732 MD of corporations	Carlson & Kacmar, 1997, p. 150 Integrated ethical models of org. (other & self-centred orient models)	Logsdon & Yuthas, 1997, p. 1214 MD stages applied to org	Logsdon & Yuthas, 1997, p. 1217 Organizational MD Stakeholder Theory and Orientation	Snell, 2000, pp. 278-279 Organizational moral ethos
Pre-conventional	Punishment orientation		Obeys rules to avoid punishment	Organisational context: Inhibits any form of moral thought or discourse	Avoiding harm to one's organization	Independent Maximiser Egoism	Obedience and punishment Act to avoid painful consequences to the organization	Emphasis on self-aggrandizing without regard to others	Coercion obedience & punishment Imposed rules, codes & commands are backed by threats and arbitrary sanctions
	Reward orientation	Amoral Maximum profit at all costs	Confirms to obtain rewards, to have favours returned		Gaining benefits for one's organization	Rights	Instrumental purpose and exchange Act to further one's interests	Self only – others are only a means to one's own benefit or pleasure	Instrumentality Imposed rules, codes & commands serving narrow interests are backed by clear penalties
Conventional	Good-boy / good-girl orientation	Legalistic Follows the letter of the law, legal=ethical	Confirms to avoid disapproval of others	Tends to impose an `organizational morality' on the individual	Confirming to norms / practices of the industry	Effective Crusader Relativism	Interpersonal accord, conformity to group norms Act to meet expectations	Emphasis on negative duties to others, operating within	Inter-personal approval Codes, rules & implied expectations appeal to

							of peer companies, industry or local Business community norms.	external constraints	member's loyalty & desire for approval
									Institutional conformity Rules & codes derive from traditions & appeal to member's duty
	Authority orientation	Responsive Helps local community, social responsibility if profitable	Upholds laws & social rules to avoid censure of authorities & feelings of guilt about not ,doing one's duty'		Confirming to existing laws & regulations	Honourable egoist Justice	Social accord and system maintenance Act to comply with current laws and regulations	Narrow market-based stakeholder relationships, such as with owners, lenders, customers, and employees as required by law	Conventional morality Social system & conscience maintenance
Post-conventional	Social contract orientation	Emerging ethical balancing ethics and profit, has ethical artefacts	Actions guided by principles commonly agreed upon as essential to the public welfare principles upheld to	Encourages the expression of individual moral viewpoints	Recognizing obligations to society	Virtuous Advocate Utilitarianism	Social contract Act to achieve social consensus on issues not fully addressed by legal standards	Emphasis on positive duties, internalizing respect for others and duty to promote their welfare	Post-conventional morality Stewardship social responsibility & concern for well-being & just treatment

			retain respect of peers & thus self-respect						
	Ethical principles orientation	Developed Ethical Principle-driven	Actions guided by self-chosen ethical principles (that usually value justice, dignity & equality) principles upheld to avoid self-condemnation		Upholding universal principles	Deontology	Universal ethical principles Act to identify, communicate, and apply universal moral principles in organizational decision-making	Broad range of stakeholders, including market-based relationships and non-market-based, such as to neighbours, communities, environmental groups, government agencies, etc	Meta-empathy community of moral enquiry improving traditions

PART II: THE ARTICLES

ARTICLE I

Estonia - Incubating Radical Political and Economic Change

By

Kooskora, Mari

ARTICLE II

Corporate Governance from the Perspective of Stakeholder Theory and in Light of Perceptions among Estonian Owners and Managers of Relations with Stakeholders

By

Kooskora, Mari

ARTICLE III

Perceptions of Business Purpose and Responsibility in the Context of Radical Political and Economic Development -- the Case of Estonia

By

Kooskora, Mari

ARTICLE IV

A Discussion of Ethical Leadership

By

Kooskora, Mari

ARTICLE V

Developing an Awareness of and Teaching Business Ethics in Emerging Societies -- the Case of Estonia

By

Kooskora, Mari, Ennulo, Jaan & Virovere, Anu