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Business Ethics and Competitiveness Factors Across Central-Eastern Europe and CIS

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This contribution investigates the responsible conduct of businesses in emerging markets, with a focus on the 'transitional' economies from the Central-Eastern Europe and Commonwealth of Independent States (CIS). In more detail, the study analyses the relationship between business ethical behavior and the other determinants of competitiveness/productivity. After a theoretical review of literature, a cross-country empirical analysis has been conducted in order to test the hypotheses: data and information from 21 economies drawn from an international executive opinion survey along 8 years are thus scrutinized. It emerges that business ethics (in more recent years not improved) is positively associated especially with some specific corporate governance/performance issues (as the protection of both minority shareholders' and investors' interests), as well as with the financial market development; in turn, ethics thrives especially where quality of public institutions and infrastructures is reputed more satisfying and reliable. The findings are robust and for comparison purposes the investigation was repeated to a sample of (17) developing Asian markets, counting China and other "neighbors". The study can be included in the business ethics academic research framework, a branch of CSR and business & society literature, with the scope to explain the major features and context conditions of business ethics among several determinants in challenging economies, evidencing the relation with indicators and sub-indicators of competitiveness achieved in recent times.

JEL Codes: M00, M14, D22 and L00

1. Introductory Aspects

The present contribution deals with the responsible conduct of businesses in the context of emerging markets, particularly referring to economies of the ex Eastern "bloc" (i.e., Central-Eastern Europe and Commonwealth of Independent States markets), in light of a cross-country empirical analysis. It can be included in the research framework known as academic business ethics, which is a relatively recent branch of corporate social responsibility (CSR) and business & society literatures. In this perspective, calling for a reconceptualization of the corporation (Berle & Means 1932), Freeman (1984) clarified that firms have obligations towards all their stakeholders (shareholders, employees, suppliers, customers, and all others who have a stake). In turn, Jones (1995) offered an interesting instrumental theory of stakeholder management based on a synthesis of the stakeholder concept, economic theory, behavioral science and ethics, whose core thinking is that a subset of ethical principles (trust, trustworthiness, and cooperativeness) may definitely result in significant competitive advantage.

Moreover, research in the field of business, management, accounting and society increasingly suggests that ethics – in parallel with corporate social responsibility – can be

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profitable for firms and their stakeholders. Several scholars, as Waddock and Graves (1997), Hosmer (1987), Cochran and Wood (1984), have indeed argued that social responsibility is positively related to business performance. On the contrary, Friedman (1973) denied the existence of a positive correlation and stated that the cost of social responsibility of a business would overcome its potential outcomes. Therefore, the literature presents some conflicting results. In our work, business ethics is to be concerned centrally with questions about the corporation's proper role in the economy and the relationship to the social order: in this sense it is a powerful indicator of social action and performance.

The scope of the research, in brief, is to explain the major features and context conditions of business ethics in the challenging economies (whose role in the international field has been recently heightened by the global financial crisis and the ensuing developments) highlighting the possible relation with competitiveness indicators and sub-indicators. That makes it possible to assess ethicalness of firms in an effort to reveal to some extent its relevance – in association with different co-determinants – in the process of creating, maintaining and stimulating the productive wealth. In brief, we analyze business ethics among several determinants of the overall competitiveness, *as one of the competitive factors*.

It is well known that, in general, compliance with the law, risk management models, reputation enhancement, value added to the community, communication of results through sustainability reporting and diffusion of value are only some core elements upon which to found the judgment about the ethical, or rather sustainable and socially responsible behaviour of enterprises. The impact of these on performance regards, in practical terms, both businesses (their competitive advantage, profits, efficiency / effectiveness, etc.) and community (outcome, economic progress, welfare, etc.). In order to improve their results and ensure growth for both themselves (Damodaran, 2016) and the whole economy which they belong to (Solow, 1956; Barro, 1997), firms are required to improve (beyond the traditional proprietorship governance mechanics fulfilling) the vital relationships with their key stakeholders.[1] At a glance, a company should support customers and consumers' interests, provide gainful employment to workforces, guarantee an adequate return to investments, compete intensely and fairly, join strategic partnerships, sustain community infrastructure, respect environment, as well as human rights, help build social capital network, participate in political and civil society processes, etc.

In this way, Abramov & Johnson (2004) describe several principles and instruments deemed helpful to facilitate the reach of those enhancing objectives, as: establishing clear standards and procedures to guide employees and agents; focusing on anticipating and meeting the needs / desires of customers and consumers more effectively and efficiently; attracting, hiring and bringing out the best in employees, suppliers and service providers; establishing internal control mechanisms to ensure confidence among dispersed owners and investors; developing and maintaining strategic alliances with enterprises sharing the same value. The focal question, hence, is to put them into practice and learn from experience. The transcendent principle that postulates a fruitful correspondence between ethicality/sociality and competitiveness should be universal, valid to both advanced economies and developing ones.

In this respect, it is hardly necessary to note that often emerging markets[2] are made by firms that may lack the crucial requirements of responsibility and preconditions of sound governance, sometimes touching acute levels of bad habits and causing ethical issues to be seriously faced.[3] The question to cope with is whether an alleged lower level of ethics, supposedly typical of poorer or less developed areas, corresponds to an effective lower level of wealth. In other words, can bad ethics affect competitiveness? *Will higher ethics or morality improve competitiveness?* And, much more interesting: *what is the relationship between ethics and other productivity factors of a certain economy or area?*

This study thus aims to fulfill a gap in the literature through the analysis of business ethics in a specific, contingent and important emerging area that has not been investigated yet under this perspective, endeavoring to detect and estimate the interrelationship with competitiveness / productivity factors. In order to achieve this goal, the rest of the article is therefore organized as follows: the next (second) section presents a short review of the literature gathering the most relevant considerations about business ethics, performance and competitiveness of undertakings and nations, both in general field and with a special focus on emerging economies; the third section analyses the possible relationship between business ethics as an indicator of social action and general productivity (performance) in the ambit of a very peculiar – and in many ways homogeneous – developing area, the ex-collective Eastern area, providing pertinent and significant empirical evidences (also in comparison with developing and emerging economies from Asia, as China and other neighboring countries); the last (fourth) section contains the findings and concluding remarks.

2. Literature on Business Ethics, Corporate Performance and Competitiveness: A Special Reference to Emerging Economies

This section, first of all, intends to depict how the literature conceives business ethics in relation to performance / competitiveness of a given entity. After that, special considerations will concern the developing markets. Business ethics is a system of moral principles, rules, values and standards (Ferrell & Fraedrich, 2015, 7) regarding businesses' founding and functioning. It recalls an inquiry into the nature and grounds of morality concerning businesses (Hoffman et al., 2014); where the term morality is taken to mean moral judgment, standards and rule of conduct (Taylor, 1974), relating to the principles and problems arising from a specific business environment, prescribing what agents ought to do, usually in terms of rights, obligations, benefits to society, fairness, or specific virtues (Velasquez et al., 1997). Crane & Matten (2016), in simple words, define business ethics as the 'study of business situations, activities and decisions where issues of right and wrong are addressed'.

Baumhart's pioneering studies in the 1960s are generally considered early contributions to business ethics (see Baumhart, 1961). In more detail, De George (2005) detects three inherent strands, going from ethics-in-business, to academic and then applied business-ethics, with different levels of concern.[4] Indeed, ethics is relevant both theoretically and practically. Hence, under increasing pressure from national legislation, supranational organizations (United Nations, European Union, OECD etc.) and the general public, firms today are sensibly called to establish a corporate-ethics officer position and introduce ethical / governance codes and mechanisms for monitoring and enforcing them. In general, undertakings are also required to keep a multidimensional accounting (economic, environmental and social), turning their attention to the corporate social responsibility (CSR) with respect to the communities within which they operate.

It is worth underlining that the linkage between CSR and firms ethicality is more than apparent, being two faces of the same coin (business conduct), often used interchangeably.[5] Ethically responsible behaviour is in the new century intended as a strong need / duty that cannot be postponed, a requirement more in line with ethical rhetoric, which should be able to positively impact the ethical climate of business decision making, of corporate governance, finance and managerial choices (Premeaux 2009). As a consequence, the study of corporate ethics applied to entrepreneurship, business administration and management[6] becomes increasingly established and implemented, while their scientific intersection receives growing scholarly attention (Harris, Sapienza & Bowie 2009).

In a nutshell, we can assert with Hosmer (1994) that ethics should be positioned as central, not peripheral, to the overall management of the firm: it appears, nonetheless, an essential condition for success in the competitive global economy. Being an interesting and versatile form of applied ethics, Business ethics has several nuances: therefore it can be examined from various perspectives, as extant literature did. Recently it has been particularly in vogue the search for the relationship between business ethics and corporate performance. In this regard, Chun et al. (2013) note that despite the growing significance of corporate ethics, few studies have explored the intermediate mechanisms explaining the relationship between corporate ethics and firm financial performance.[7]

It is hardly necessary to underscore, more generally, that corporate environment, structure and functioning can be viewed through two different lenses: shareholders' value vs. stakeholders' interest view. On the one hand, the older agency theory has dominated the traditional analysis of corporate governance and performance with the cynosure of maximization of profits, i.e. shareholders' return (value creation) above all. On the other hand (under a wider, modern, social perspective), there has been felt the awareness that manager's decision exerts a certain impact on all stakeholder groups; consequently, the manager can be viewed as the stakeholders' agent, and not just the shareholders' agent (Goodpaster 1991; Hill and Jones, 1992; Jones, 1995). A firm should not be conceived as a bilateral relationship between shareholders and managers, but as a multilateral set of relationships amongst different stakeholders (Aguilera and Jackson, 2003). Hence, Jones (1995) offers an instrumental theory of stakeholder management based on a synthesis of the stakeholder concept, economic theory, behavioral science and ethics, where the core theory postulates that a subset of ethical principles (trust, trustworthiness, and cooperativeness) can definitely result even in significant *competitive advantage*.

In general terms, it seems possible to argue that building an ethical reputation among employees, customers etc. produces several benefits and ultimately pays off (Ferrell & Fraedrich 2015, 18). In brief, ethical culture in the business context will determine stakeholders' trust, commitment, loyalty and satisfaction, then higher profits / returns, at least in the long-run. This way ethical value is expected to create and diffuse financial and social value. In such a framework analysis, increasingly research in the field of business, management, accounting and society suggests that ethics – in parallel with corporate social responsibility – can be profitable for firms and their stakeholders.

To conclude this part highlighting the important binomial of performance and competitiveness of firms and markets, there seems to be a positive connection between CSR/ethics and performance/competitiveness (and relative factors), although the precise nature and elements of the relationship often may appear unclear (see, among others, Mackey et al., 2007; Van De Ven and Jeurissen, 2005). In this regard, it is useful to point out that competitiveness is the strength of an organization/entity in comparison with its competitors (see Murtha et al., 1998).[8] Amongst others, Stephenson (2009) investigates about the pursuit of CSR and ethics policies by organizations, demonstrating that it can be an important source of competitive advantage and performance with positive repercussions on the entire economy.

In this context, the World Economic Forum (WEF, 2013) has detected for the private institutions several co-determinants of global competitiveness regarding ethicalness, corporate governance and accountability, alongside important ‘external’ elements of the comprehensive competitiveness relevant at a cross-country level. These important issues appear worthy of further study and analytical tests. But first we want to sum up the question of developing markets and ethics through the analysis of prior literature.

In sum, undertakings that operate in emerging countries, for instance BRICs, normally are reputed weaker just from the ethical/social point of view.[9] More exactly, given that anti-corruption is felt as a priority in all markets, across the world firms of all kinds are expected to be more and more responsible and this is susceptible to create new value. The same principle is valid *a fortiori* for emerging markets where firms – opposite to even deep-rooted corruption scenarios and eager to legal enforcement – should endeavor to develop an ethical reputation, choose intermediaries more wisely, build a culture of meritocracy (through public policy engagements), settle a proactive dialogue with regulators and put in general the law on their own side.[10] Therefore, practices like adoption of social standards, disclosure (transparency) on ethical management and improving audit quality (Ararat & Dallas, 2012), might be constructive solutions in marketplaces generally characterized by lack of industrialization, low per capita income, and widespread poverty.

Culture is also a fundamental aspect of life and doing business. Rossouw (1994), accordingly, remarks the conviction that it is of utmost importance that business ethics should be an integral part of business culture in all as well as in the developing countries.[11] The Author, by providing a possible explanation for the lack of business morality (and indeed the lack of public morality) through a theoretical model, tries to stimulate the diffusion of a moral business culture in developing economies (focusing mainly on Africa). In response to this view, Schwartz (1996) extends a caution against the acceptance of economic advancement as a pre-condition for the appearance of moral business practices (likewise for the contrary view that economic growth is the harbinger of moral decay). Elegido (1996), instead, contributes to review the fundamentals of business ethics from a developing country perspective (Nigeria).

More specifically, an increasing number of recent applied studies in addition to the above mentioned literature deepen these interesting topics with a special center. Amongst others, Christie et al. (2003) realize a cross-cultural comparison of ethical attitudes of business managers (especially focusing on Indian and Korean ones). Robertson, Gilley & Street (2003) examine the relationship between ethics and firm practices in Russia (in comparison with the United States), while Jaffe & Tsimerman (2005) study business ethics, particularly in a transition economy perspective. Baskin (2006) investigates the extent of corporate responsibility uptake in leading emerging markets, comparing it with the situation in developed economies: by using a number of generic indicators, including the Dow Jones Sustainability Index (DJSI), the Global Reporting Initiative (GRI) and ISO 14001, the Author concludes that the reported corporate responsibility in emerging markets (especially in South Africa, Brazil, India and parts of Eastern Europe) is more developed than commonly thought.

More lately, Weisberg (2009) has addressed the topic of ethical challenges in developing markets after analyzing the important relation between freedom, democracy, transparency and corrupt practices (such as briberies). Choi & Zuzaan (2011) analyze business ethics in emerging markets, providing special evidence (from Mongolia) founded on the base of a questionnaire survey (which reveals that unethical decision-making practices do exist and, though situational, are quite common). Mullins & Rhodes (2011), more in general, deal with managing ethically in corrupt environments. On the premise that nowadays companies which seek to expand their global presence are increasingly entering emerging markets, they assert that the rules for doing business are not always the same in less developed countries and explore ways people can do business ethically wherever they choose to go, proposing at this point a set of creative and systematic tactics (a sort of best practices toolkit).

With Radin (2008), ultimately, we can state that "Business ethics of developing countries refers to the moral standards governing responsible business practices in countries that are still working toward an acceptable standard of living"; the Author, allegedly opposite to commonplaces, retains that ethical and moral standards in developing economies are often simply "different" and this does not necessarily and always translate into "lower" (for instance, China settled a collective good system not coincident with the western capitalist one) (see, Moody-Stuart (2004)).

Pertinent are additional works on cross-cultural analysis with social and environmental responsibility focus [see Egri et al. (2010), on the attitudes toward corporate responsibilities in Western Europe and in Central and East Europe; Ralston et al. (2011), on the assessment of values across the global workforce; Reynaud et al. (2007), on the differences in values between managers of the European Founding Countries with societal or financial orientation].

That said, this work is going to analyze, under the above mentioned WEF operating framework (*infra* for details), the relationship between business ethics and other competitiveness drivers (essentially corporate governance and accountability of private institutions, plus quality of external conditions, as public institutions and infrastructures/services, economic environment and market efficiency enhancers) with reference to an important area which certainly needs more insight from this critical point of view for historical and socioeconomic reasons.

3. Relationship between Business Ethics and General Productivity in the European Eastern & CIS Economies. Empirical Evidence

3.1 Introduction

This research reflects on the responsible conducts of businesses considered amongst the productivity factors in emerging / developing markets. In such complex panorama, it intends to verify and assess to what extent enterprises operating in a specific and problematic emerging area turn out to be ethically responsible in their factual behaviour and, as a consequence, may entail (or be associated with a) growth in competitiveness.

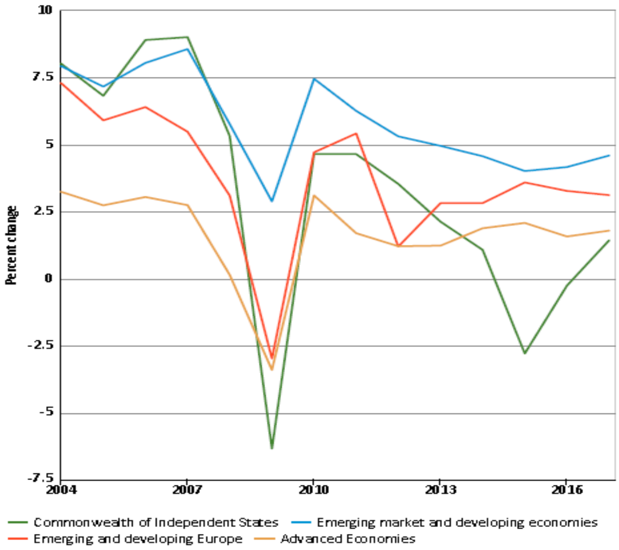
Therefore, after clarifying the scope of the empirical research, we utilize a regression model which elaborates interesting statistics referring to the following developing economies that belong to the examined region (according to the relating IMF's classification):

- Albania; Bosnia and Herzegovina; Bulgaria; Croatia; Hungary; Latvia; Lithuania; Macedonia, FYR; Montenegro; Poland; Romania; Serbia; Turkey, as concerns *Central-Eastern Europe* economies; and:

- Armenia; Azerbaijan; Georgia (out from 2009 onward); Kazakhstan; Kyrgyz Republic; Moldova; Russian Federation; Ukraine (associate from 2014 onward), as concerns C.I.S. (*Commonwealth of Independent States*).

This developing macro-region, which now has definitely entered into a new and modern phase of reforming the economy and society, has maintained high or moderate growth rates for several years after the end of collectivism (even with all the notorious problems of different kind), and this trend looks set to continue, despite the depressing influences of the recent crisis. A supplementary analysis was conducted for comparison purposes with reference to a sample of (17) developing Asian 'neighboring' economies (exactly: Bangladesh; Bhutan; Brunei Darussalam; Cambodia; China; India; Indonesia; Laos; Malaysia; Myanmar; Nepal; Pakistan; Philippines; Sri Lanka; Thailand; Timor Leste / East Timor; Vietnam). The following diagram depicts the recent % change in GDP registered by both Emerging and Developing Europe and CIS, comparing them both to the entire Emerging/Developing markets and to the Developed economies in order to show their proportion and positioning.

Figure 1: Gross domestic product, constant prices (% change)



It is a fact that a growing number of businesses in emerging and developing Europe and CIS (especially Russia) are progressively implementing standards of business ethics. Our research basically works out analytical data and information featured by accredited international sources at a historical time when the world economy undergoes significant shifts. In detail, our analysis considers, under the above mentioned WEF perspective, the selected dimensions of Central-Eastern Europe & CIS as follows: private institutions; public institutions; infrastructure; macroeconomic environment; health and education; goods market efficiency; labor market efficiency; financial market development; technological readiness; market size; business sophistication; innovation. These variables basically relate to corporate governance and accountability of private institutions, quality of public institutions and infrastructures/services, economic environment and market enhancers.

3.2 Scope and Hypotheses

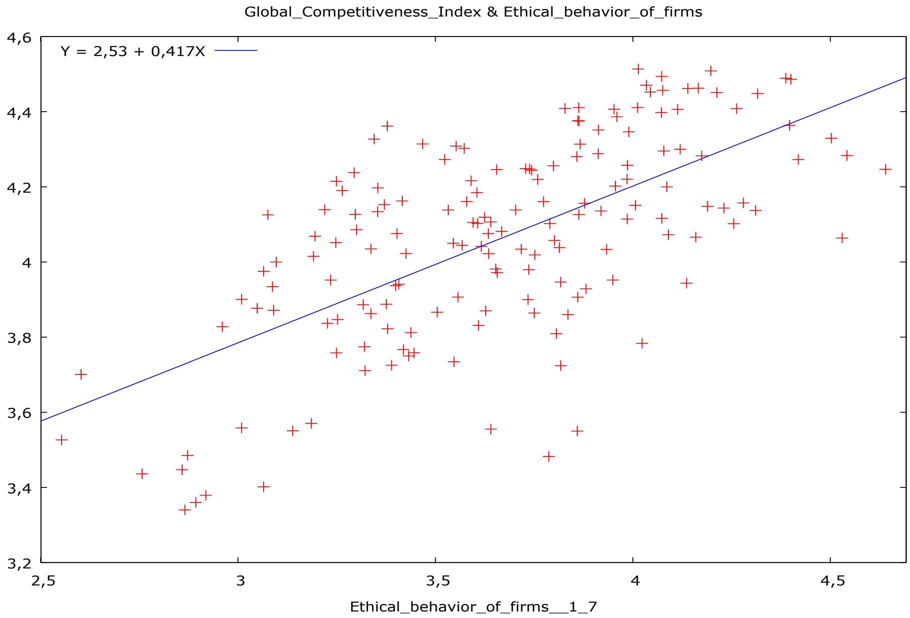
The research points to a better understanding of ethical behaviour and tests plausible hypotheses regarding the relation between ethics and the other drivers of competitiveness (on the basis of *ad hoc* indexes); consequently, it adopts an econometric model in order to give empirical evidence of such relationship in the observed region for recent years verifying in which cases they might be deemed (if not rejected) significant in terms of R-squared, F-test and p-values. This is the major expected contribution of our research.

In other words, the scope of the analysis is to investigate the real, empirical *relationship* between business ethics and business competitiveness, which may be in general *postulated as positive*. In fact, in line with the prevailing literature, ethical behaviour of businesses should enforce corporate value and performance drivers through reputation, efficiency, competitive advantage and risk reduction, thus facilitating the convergence between the shareholder's and the stakeholder's view (Clarkson, 1995); besides, under the WEF framework, ethics is a vital element of the private institutions' quality and the latter is a pillar of the global competitiveness of nations. This will improve the value of markets and the socioeconomic wealth of nations at once.

In more detail, the research is addressed to find, if existing, a significant association between ethical behaviour of firms and the other responsible and *performant* competitiveness factors as derived from extant contributions. That aims at providing insight into the drivers of competitiveness (ethics, on the one hand; productivity and global prosperity, on the other hand) with regard to a peculiar, once collectivist, region (by means of a survey that considers over a 8-year period a landscape of 21 economies, of whom: 13 belong to Central-Eastern Europe, i.e. Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Hungary, Latvia, Lithuania, Macedonia FYR, Montenegro, Poland, Romania, Serbia, Turkey; and 8 belong to the Commonwealth of Independent States, ie Armenia, Azerbaijan, Georgia (ex member), Kazakhstan, Kyrgyz Republic, Moldova, Russian Federation, Ukraine (associate) (Belarus was not scrutinized); the comparative sample of (17) developing Asian economies instead counts: Bangladesh, Bhutan, Brunei Darussalam, Cambodia, China, India, Indonesia, Laos, Malaysia, Myanmar, Nepal, Pakistan, Philippines, Sri Lanka, Thailand, Timor Leste (East Timor), Vietnam).

First of all, it is not superfluous to control the empirical relationship between corporate ethics and global competitiveness in the markets/period under examination. The relationship clearly appears *positive*: a higher corporate ethics is associated with a higher degree of competitiveness.

Figure 2: Competitiveness and ethics. A global diagram



Now we can select as follow the competitiveness drivers / variables (whose individual scores are assessed on a 7-point Likert scale, where 1 represents the lowest and 7 the highest possible rating) to be tested empirically in association with corporate ethics, consistently with our specific hypotheses (see *infra*) in order to discover the interrelation degree between the global competitiveness factors, thus detecting which ones are *de facto* mutually connected, more or less, to ethics. It is important to note that international data are drawn from the recent and very interesting *Executive Opinion Survey* (WEF, 2013), which is able to capture the *voice of the business community*. The Survey carried out by WEF [12] is widely used in academic research (Black & Carnes 2006; Van de Walle 2006; Yang & Huang 2009; Boolaky 2012). Some necessary control hard data - basically quantitative - are collected from a variety of reliable sources (as the World Bank and United Nations). This global survey takes place through the wide landscape of 148 economies, as said, along 8 years (from 2006/07 to 2013/14). We restricted our focus to the above mentioned markets from *Central-Eastern Europe* and *Commonwealth of Independent States.*
The special variables employed in our study are:

EBF: Ethical behaviour of firms, which enables to compare corporate ethics of firms in one country from Central-Eastern Europe and/or CIS (precisely, ethical behaviour in interactions with public officials, politicians, and other enterprises and stakeholders) with firms in other countries; the survey question, vital in our study, is indeed: *In your country, how would you rate the corporate ethics of companies (ethical behavior in interactions with public officials, politicians and other firms)?* Where *1 = extremely poor, among the worst in the world; 7 = excellent, among the best in the world*;[13]

ECB: Efficacy of corporate boards (monitored investigating whether management has little or high accountability to investors and boards);

PMSI: Protection of minority shareholders' interests (analyzing to what extent the interests of minority shareholders are protected by the legal system of the considered region);

SIP: Strength of investor protection (which as a consequence affects the capital attraction of the considered emerging economies);

SARS: Strength of auditing and reporting standards (entailing the quality of the financial reporting of firms);

PINST: Public institutions (whose quality is reflected by property rights, government efficiency, security, irregularities and bribes in public administrations, etc.);

INFR: Infrastructure (transport, electricity, etc.);

ME: Macroeconomic environment (budget balance, inflation, savings, etc.);

HPE-HET: Health and primary education - Higher education and training (incidence of malaria, tuberculosis, HIV, quality of education at different levels, training etc.);

GME: Goods market efficiency (domestic and foreign competition, quality of demand conditions);

LME: Labor market efficiency (flexibility, efficient use of talent);

FMD: Financial Market Development (efficiency, trustworthiness and confidence);

TR: Technological readiness (adoption of technology, ICT use);

MS: Market size (both domestic and foreign market size);

BS: Business sophistication (local supplier quantity and quality, state of cluster development, nature of competitive advantage, value chain breadth and control distribution, etc.);

INN: Innovation (R&D, advanced technology, etc.)

The above variables represent fundamental elements or (sub-) pillars of global competitiveness; in particular, variables from EBF to SARS regard the perceived quality of private institutions (ethicality, corporate governance and accountability principles). The rest recall the perceived quality of public institutions (PINST) and infrastructures/services (INFR, HPE, HET), economic environment (ME) and market efficiency enhancers (from GME to INN).

In light of the literature and in accordance with the common sense, we may in general expect, first and foremost, a positive association between business ethics and the remaining drivers of global competitiveness, believing that ethics may grow (decline) where and when the environmental factors are more (less) favorable. More particularly, we assume and test the following hypotheses concerning the indicators of perceived quality of private institutions, since *the higher the expressed quality of private institutions in terms of corporate governance and accountability, the higher should be the degree of business ethics documented*:

- *The level of Efficacy of corporate boards of firms is positively associated with the level of corporate ethics;*
- *The level of efficacy of Protection of minority shareholders' interests is positively associated with the level of corporate ethics;*

- *The level of Strength of investor protection is positively associated with the level of corporate ethics;*
- *The level of Strength of auditing and reporting standards is positively associated with the level of corporate ethics.*

We also assume that *the higher the quality of other 'external' environmental factors (ie, public institutions, infrastructures, economy and markets) gravitating 'around' private organizations, the higher the degree of business ethics*. The hypotheses regarding the quality of public institutions and infrastructures/services, economic environment and market efficiency enhancers, whose fairness, transparency, compliance, efficacy, usefulness, solidity, reliability, and credibility, should favor – by creating better / advantageous *context conditions* – honest behaviors of individuals, businessmen and firms, are thus:

- *The level of Public institutions' quality and infrastructures / services (basically health and education) is positively associated with the level of corporate ethics;*
- *The level of Macroeconomic environment strength is positively associated with the level of corporate ethics;*
- *The level of Efficiency enhancers (goods market efficiency, labor market efficiency, financial market development, technological readiness, market size, business sophistication and innovation) is positively associated with the level of corporate ethics.*

Therefore, we can state the null hypothesis as follows: There will not be a significant association between the above mentioned *environmental variables* and ethics referred to the examined economies. Ultimately, we point to reveal the major systematic correlations between the investigated variables, in order to reveal which (sub-) pillars or elements of competitiveness are more/less connected to ethicalness and learn, as a consequence, to what extent business ethics can be, both directly and indirectly, associated with a better level of productivity and wealth creation context. In more detail, starting from the assumption that productivity/competitiveness aspects are strictly interconnected with each other, our study focuses on the possible impact (if any) that ethicality may reveal with special reference to the socioeconomic performance. By exploring the intermediate mechanisms explaining competitiveness more or less in line with ethicalness, some indicators might be more than other particularly "close" to ethics *status* and dynamics in the observed region, signaling (by means of positive interdependencies) a sort of possible virtuous "path of development".

3.3 Data, Methodological Approach and Results

Technically, after showing some descriptive statistics and correlations, an adequate econometric method is implemented. As said, the main data in order to analyze EBF - consistently with our stated hypotheses - in relation to the other competitiveness factors (from ECB to INN, whose scores are assessed on a Likert scale, except for some control hard quantitative data) that characterize the Central-Eastern Europe and Commonwealth of Independent States (through the landscape of the 21 economies indicated above) are collected from the cited *Executive Opinion Survey* over the time period from 2006/07 ("1") to 2013/14 ("8"). As known, this survey – completed by about 90 top management business leaders (as participants / respondents) per country, asked to evaluate, on a scale of 1 to 7, the current conditions of their particular operating environment – aspire to represent the *voice of the business community* (in our case, including the supplementary analysis on the Asian economies, we can rely on the opinions of nearly 3,400 leaders per year, that implies about 27,000 business respondent-years). Here follow the descriptive statistics.

Table 1: Descriptive Statistics

Variable	*Mean*	*Median*	*Min*	*Max*	*Std. Dev.*	*Coeff. of Variat.*	*Asymmetry*
Ethical behaviour of firms (EBF)	3,666	3,662	2,553	4,640	0,421	0,115	-0,141
Strength of auditing and reporting standards (SARS)	4,297	4,281	3,054	5,420	0,485	0,113	0,217
Efficacy of corporate boards (ECB)	4,307	4,301	3,430	5,185	0,327	0,076	0,269
Protection of minority shareholders' interests (PMSI)	3,665	3,710	2,640	5,020	0,474	0,129	-0,091
Strength of investor protection (SIP)	5,480	5,700	2,700	8,000	1,067	0,195	-0,070
Public institutions (PINST)	3,492	3,507	2,574	4,563	0,419	0,120	-0,017
Infrastructure (INFR)	3,532	3,617	1,815	4,744	0,665	0,188	-0,293
Macroeconomic environment (ME)	4,737	4,714	3,204	6,416	0,615	0,130	-0,164
Health and primary education (HPE)	5,650	5,700	4,723	6,633	0,325	0,058	-0,334
Higher education and training (HET)	4,184	4,173	2,999	5,152	0,460	0,110	-0,041
Goods market efficiency (GME)	4,026	4,063	3,369	4,555	0,300	0,074	-0,169
Labor market efficiency (LME)	4,374	4,405	3,507	5,075	0,321	0,073	-0,370
Financial Market Development (FMD)	3,948	3,944	3,177	5,015	0,400	0,101	0,341
Technological readiness (TR)	3,587	3,637	1,973	5,003	0,626	0,175	-0,280
Market size (MS)	3,651	3,569	1,313	5,780	0,974	0,267	0,364
Business sophistication (BS)	3,678	3,670	3,027	4,445	0,345	0,094	0,319
Innovation (INN)	3,012	3,085	2,010	3,726	0,364	0,121	-0,622

On average, scores are higher for SIP and HPE, lower for PINST & INFR and for PMSI & EBF (business ethics is thus improvable: as known, corruption and conflict of interest are serious and continuing challenges in this region often characterized by a 'new' and 'transitional' capitalism without scruples, and good practices take time). Whereupon, the following matrix identifies the (Pearson) correlation coefficients.

Table 2: Correlations

	EBF	SARS	ECB	PMSI	SIP	PINST	INFR	ME	HPE	HET	GME	LME	FMD	TR	MS	BS	INN
EBF	1	,67 **	,43 **	,74 **	,1 ns	,74 **	,37 **	,35 **	,26 **	,34 **	,74 **	,13 ns	,6 **	,42 **	,09 ns	,71 **	,5 **
SARS		1	,45 **	,78 **	-,01 ns	,71 **	,52 **	,21 **	,41 **	,61 **	,79 **	,08 ns	,66 **	,66 **	,14 ns	,68 **	,55 **
ECB			1	,46 **	,11 ns	,44 **	,24 **	,23 **	,11 ns	,46 **	,54 **	,44 **	,24 **	,3 **	,08 ns	,51 **	,35 **
PMSI				1	,14 ns	,71 **	,28 **	,23 **	,22 **	,40 **	,80 **	,08 ns	,65 **	,47 **	,06 ns	,71 **	,43 **
SIP					1	,19 *	-,04 ns	-,02 ns	-,15 ns	-,01 ns	,32 **	,24 **	,01 ns	,06 ns	-,19 *	-,07 ns	-,22 **
PINST						1	,54 **	,19 *	,17 *	,43 **	,81 **	,28 **	,59 **	,58 **	-,14 ns	,59 **	,51 **
INFR							1	,2 *	,28 **	,68 **	,52 **	,10 ns	,10 ns	,76 **	,31 **	,47 **	,59 **
ME								1	,07 ns	,16 *	,26 **	,21 **	,22 **	,24 **	,26 **	,31 **	,38 **
HPE									1	,53 **	,23 **	-,21 **	,34 **	,43 **	,21 **	,3 **	,34 **
HET										1	,56 **	,14 ns	,35 **	,75 **	,44 **	,64 **	,69 **
GME											1	,18 *	,60 **	,62 **	,12 ns	,74 **	,51 **
LME												1	-,02 ns	-,0 ns	-,17 *	-,02 ns	,06 ns
FMD													1	,37 **	-,02 ns	,61 **	,41 **
TR														1	,24 **	,55 **	,55 **
MS															1	,44 **	,52 **
BS																1	,76 **
INN																	1

** Correlation significant at 0.01 level (2-tailed) - * at 0.05 level (2-tailed) - ns = not significant

From the above we may learn that several variables are high-positively correlated to each other (e.g., SARS/PMSI, SARS/PINST, SARS/GME, PMSI/GME, PMSI/BS, PINST/GME, INFR/TR, HET/TR, GME/BS, BS/INN): for this reason we have to control for possible multicollinearity phenomena by means of VIF tests and hence eliminate some factors. Finally, the regression models that have been alternatively tested are the Pooled OLS, the Fixed-Effects and the Random Effects estimator (GLS). These techniques are commonly used in this kind of research.

In technical detail, our empirical implementation primarily adopts the common ordinary least squares method (pooled OLS), after verifying (and excluding) the opportunity of Panel models through the Breusch-Pagan (1980) Lagrange-multiplier and Hausman (1978) tests. The unknown parameters of a linear regression model here are estimated minimizing the sum of the squared vertical distances between the observed responses in EBFs dataset and the responses predicted by the multivariate approximations. In this model estimators are consistent when the regressors are exogenous and (multi)collinearity is absent and unbiased if errors are homoskedastic. Yet, the VIF test ultimately suggests eliminating the following variables: Public Institutions, Goods market efficiency, Technological readiness and Business sophistication.

In addition, we consider a *dummy* variable with values 1(or 0) in the case of membership (not) to CIS, in order to control if any significant difference may emerge from the circumstance of being established in CIS rather than in C-E Europe. Besides, the T variable, expressing the time period (1, 2 , 3, …, 8), has been added to control if the passing of time (progress) influences or not the level of ethicality.

The regression can be expressed by the equation:

$$EBF = const. + b_1\, SARS + b_2\, ECB + b_3\, PMSI + b_4\, SIP + b_5\, INFR + b_6\, ME + b_7\, HPE + b_8\, HET + b_9\, LME + b_{10}\, FMD + b_{11}\, MS + b_{12}\, INN + b_{13}\, T + b_{14}\, CIS + \varepsilon_i$$

Whose results are summarized by the following table (HAC, heteroskedasticity robust standard errors and autocorrelation consistent).

Table 3: Pooled OLS, Dependent variable *Ethical behaviour of firms*

	Coefficient	*Std. Error*	*t-statistic*	*p-value*	
const	-1,02432	0,640501	-1,5992	0,11191	
SARS	0,0220231	0,104169	0,2114	0,83285	
ECB	0,159203	0,0869451	1,8311	0,06911	*
PMSI	0,405018	0,0919855	4,4031	0,00002	***
SIP	0,0504248	0,0138344	3,6449	0,00037	***
INFR	0,232014	0,0538281	4,3103	0,00003	***
ME	0,0569281	0,0269657	2,1111	0,03645	**
HPE	0,203126	0,101352	2,0042	0,04689	**
HET	-0,329842	0,0753513	-4,3774	0,00002	***
LME	0,00128073	0,0754461	0,0170	0,98648	
FMD	0,235082	0,089652	2,6222	0,00966	***
MS	-0,00324707	0,0185874	-0,1747	0,86156	
INN	0,154035	0,0895077	1,7209	0,08737	*
T	-0,0247595	0,0109305	-2,2652	0,02496	**
CIS	0,0550153	0,0623044	0,8830	0,37867	

Regression Statistics

Var. depend. Mean	3,665529	*Var. depend. Std Dev.*	0,421201
Sum Squared Errors	8,813369	*Standard Error*	0,244857
R-squared	0,691441	*Adjusted R-squared*	0,662055
F(14, 147)	23,52919	*P-value(F)*	9,59e-31
Log Likelihood	5,949413	*Akaike Criterion*	18,10117
Schwarz Criterion	64,41512	*Hannan-Quinn*	36,90534
rho	-0,022286	*Durbin-Watson*	1,800

*** level of significance 1% - ** level of significance 5% - * level of significance 10%

Maintaining the assumption of no-autocorrelation, standard errors have been adjusted for heteroskedasticity (for unequal variance in regression errors) - after White's tests - with Arellano (2003) in guise to avoid biased statistical inference and inappropriate t- and F-statistics (heteroskedasticity robust and autocorrelation consistent standard errors) (Newey & West, 1987). The test for *autocorrelation* in the residuals registers a number quite close to 2 (*Durbin-Watson* statistic), which shows no autocorrelation in the sample, while multicollinearity detection test has been effected through VIFs (Variance Inflation Factor).

The F-test upon the variance of residuals (p-value 0,297666), the Breusch-Pagan test (p-value 0,411931) and Hausman statistics (p-value 0,0238702) confirm that pooled OLS model in this case is superior to Panel data model (both in fixed effects and casual effects case).[14]The Ramsey test indicates that the model is well specified. After that, since public administration is still particularly important and quite ingesting in the region, also it is proper and useful to test separately the interrelationship between business ethicalness and the perceived quality of public institutions in order to appreciate the relating strength. In other terms, the subsequent further model restricts the analysis to public institutions because – though excluded from the previous model for variance inflation factors (around 6) – it appears to potentially exert a remarkable impact on ethicality (see correlation index *supra* and the elements of EBF as well).

In more detail, in this case we carried out (after an OLS model) a Panel Data regression model (enabled by *ad hoc* statistical tests), as follows. Again, standard errors are adjusted for heteroskedasticity (for unequal variance in regression errors). The test for *autocorrelation* in the residuals registers no autocorrelation, while variables are not collinear. The F-test upon the variance of residuals (p-value 0,0232161), the Breusch-Pagan test (p-value 0,123966) and Hausman statistics (p-value 0,215862) imply that the Panel data model with fixed effects can be chosen in this instance.

Table 4: Panel Data Fixed Effects, Dep. variable *Ethical behaviour of firms*

	Coefficient	*Std. Error*	*t-statistic*	*p-value*	
const	1,75008	0,35989	4,8628	<0,00001	***
PINST	0,790923	0,0482012	16,4088	<0,00001	***
T	-0,184371	0,0743184	-2,4808	0,01430	**

Regression Statistics

Var. depend. Mean	3,665529	*Var. depend. Std Dev.*	0,421201
Sum Squared Errors	8,971027	*Standard Error*	0,254047
R-squared	0,685922	*Adjusted R-squared*	0,636212
F(14, 147)	13,79840	*P-value(F)*	4,20e-25
Log Likelihood	4,513250	*Akaike Criterion*	36,97350
Schwarz Criterion	107,9882	*Hannan-Quinn*	65,80655
rho	-0,265417	*Durbin-Watson*	2,219783

The F-Test for group differences in the intercepts denotes an acceptable p-value (P(F(20, 139) > 1,56528) = 0,0697212). We underline that, to our knowledge, this kind of findings are novel: in fact, our study addresses the research gap regarding the absence in literature of an empirical cross-country study on the correlation between business ethics and the environmental determinants that jointly influence global competitiveness with reference to a number of (homogeneous) emerging economies.

Furthermore, we obtain qualitatively similar subsample results when we partition them on the basis of C-E Europe or CIS membership. Rather similar are also our results – which thus may be generally confirmed – coming from the supplementary and comparative sample made of 17 developing Asian economies (including China, India, Indonesia, Malaysia, Pakistan, Philippines, Thailand etc.), except for these findings: significant is the negative association of EBF with the Market size (coefficient -0,172614; p-value <0,00001); the positive association with both Financial development and Strength of investor protection is not confirmed; moreover, here is confirmed the positive association with both the Strength of Auditing and Reporting standards (coefficient 0,232304; p-value 0,0004) and Innovation (coefficient 0,635263; p-value <0,00001); Adjusted R-squared and F-statistics are more than adequate (OLS and FE Panel data).

4. Concluding Remarks

An acceptable level of ethicalness in doing business today is *a must*, everywhere. Business ethics recalls in absolute an inquiry into the nature and grounds of morality concerning the entrepreneurial behaviour. It is plausible to believe that business ethics, fostering and meeting the reasonable expectations of firm's stakeholders thanks to good governance policies and management practices and a culture of responsible conduct, may impact favorably on corporate performances, co-determining the level of competitiveness of firms as well as of the region (economies) where they are active (Fig. 2).

Hence, it seemed quite fascinating and useful to investigate this issue (*business ethics in the midst of the competitive factors*) with regard to a particular and vast area – the ex collective “bloc” of Central-Eastern Europe & USSR – sometimes known for bribery and linkage between business and malfeasance as a means of eliminating competitors (to be honest, not very different from a number of emerging and even developed regions all around the world). Indeed, the recent influence of changes in the social-economic system has been ambivalent for social morals (however, the reforms could stimulate an improvement as well as the development in the cultural environment of business can testify to the emerging space of civilized business, manifesting that it is practically useful for businessmen to be ethical; Apressyan 1997).

At the core of such a critical and important region is historically (but not only) the major influence and tradition of the Russian culture. And it is known that, in the ambit of the CIS nowadays «Russian companies are forced to divert substantial resources that would otherwise be used to finance fast expansion to protect themselves against criminal extortion and unfair competition, to "feed" a system of state and commercial graft, to repeatedly check work quality, and to monitor their business partners and their own employees to the best of their possibilities.» (IDA-RID, 2004, p. 8). At this point, it is not superfluous noting that in 1912 (before the USA; for a comparison see Beekun et al. 2003), the Russian business community adopted at a nationwide the "Seven Principles Governing Business in Russia".[15] Afterwards, with the Soviet period come - which brought to the command economy system - business ethics has been characterized by functionalism and even ‘cynical’ moral standards of behaviour (more in general, because oriented to the public good and to selfless aspirations by the agents, business has been featured essentially by passivity and avoidance of risk).

Nowadays there is undoubtedly a growing awareness of the benefits of adhering to business ethics principles in the examined emerging/developing region (i.e., Central-Eastern Europe and CIS economies), while transparency, reliability, and honesty are becoming as imperative as other economic criteria in doing business there. The need for sound business ethics in corporate governance is the *high road* to re-structuring the system of relationships between shareholders, boards of directors, managers, employees, and other related parties (suppliers, distributors, vendors, end buyers, local population, authorities, etc.) and, as a consequence, to create (both financial and social) new value. At the same time, it must be recognized that this region is still characterized by high level of administrative pressure exerted on businesses, along with the possible opportunities for corruption that it may determine. For this reason, even a study concerning ethics and public institutions appeared necessary.

As described above, in general, the present study has searched empirical evidence for the possible interrelation between business ethics and several productivity/competitiveness drivers by conducting *ad hoc* regression analyses. The research provides a better understanding of ethical behaviour and tests plausible hypotheses regarding the above mentioned relationship (on the basis of specific indexes). The overall results on business ethics in relation to the other competitiveness determinants in Eastern-Europe & CIS could support both scholars and practitioners involved in the economy of developing countries by deepening the mutual influences of ethics and environmental factors (seen as context-conditions more or less favorable) to competitiveness and wealth, contributing to reduce the actual gap compared with the advanced markets and their quality of business and life.

We studied the role of environmental factors in affecting corporate behaviour, contextualizing business ethics with reference to the competitiveness drivers of Central-Eastern Europe & CIS (rather similar are our results from further developing Asian economies as the neighboring China, India, Indonesia, Malaysia, Pakistan, Philippines, Thailand etc.). Therefore, business ethics is not considered as a transcendental and exogenous fact / behaviour, independent from the (internal and external) environmental factors, but even a result of the global factors of competitiveness that represent the ground where firms operate, believing that ethics may grow (decline) where and when the environmental conditions are more (less) favorable.

Our findings (firstly coming from the main multidimensional OLS model), can be summarized highlighting the satisfaction degree of our assumptions, as follows. Across the region, the major results (in terms of both regression coefficients and p-values) regard the quality of external factors (financial market, education/training, public institutions and infrastructures) rather than, in general, the quality of private institutions features (corporate governance and accountability); in more detail they concern the following group of variables: i) corporate governance (especially the efficacy of Protection of minority shareholders' - and investors' - interests); ii) Financial Market Development; iii) Infrastructures' quality, and iv) Higher education and training.

More precisely, variables from i) to iii) are positively / significantly associated with ethics, as expected, whilst, unexpectedly, the sub-variable iv) is connected negatively to corporate ethics. Then, high levels of minority protection (as a major signage of the respect and dutiful consideration afforded, in general, to corporate stakeholders staying in weaker position) and investors' protection as well (with the encouraging effect of attracting resources and capital), financial development (synthesized by the characteristics of efficiency, trustworthiness and confidence of the financial markets) and infrastructures (along with all the vital services available to firms as transport, electricity, health etc.), will specifically create better / advantageous *context conditions* which (in presence of fairness, transparency, compliance, efficacy, usefulness, solidity, reliability, and credibility of institutions and markets) may promote and facilitate as an 'invisible hand' more honest and fair behaviors of individuals, businessmen and firms (in turn, competitiveness may even be empowered in future by business behavior, showing a possible 'virtuous circle', following the example of more advanced economies). On the contrary, corporate ethics unexpectedly seems to find fertile ground where the degree of higher education and training is lower (unlike health and primary education, higher education does not appear to impact positively on practical ethics in doing business in the region - indeed, it would somehow hinder it).[16]

Our positive hypotheses on Efficacy of corporate boards, Health and primary education, Innovation and Macroeconomic environment are confirmed too, although denoting a weaker statistical significance. Instead, the hypotheses about the Strength of auditing and reporting standards, the Labor market efficiency and Market size cannot be confirmed. These indicators do not register relevant (often null) coefficients (for their no significant p-values): they may appear neutral to ethicality and this is particularly strange in the case of labor efficiency (and partly for financial reporting: for instance, business ethics should be associated with material aspects of sound reporting as earnings quality, low or no manipulations of accounts etc. (Onesti & Romano 2016)). The supplementary control for

Asian economies reveals a positive coefficient for this aspect and a rejection of the market size hypothesis (EBF seems to grow in smaller markets).

Lastly, the passing of time is slightly negatively associated with EBF, meaning that in recent years the level of business ethics has been decreasing (against any progress impulse), whilst belonging or not to the Commonwealth does not affect the level of ethics from the empirical survey. Maybe, the negative sign of Time is to some extent justified by the explosion of the GFC and its negative effect on the perceived ethics.[17] The spatial dummy variable (CIS) witnesses a substantial homogeneity of behavior in the region.

In the case of the last separate/restricted analysis, findings are excellent: ethical behaviour of firms and quality of public institutions (as a 'supplementary' context condition, valued on property rights, government efficiency, security, irregularities and bribes in public administrations, etc.) are positively associated each other, with a very impacting coefficient. Ethics and public administration in this region show to be a fruitful combination with positive possibilities also for the future. That is, qualitative public institutions mean also ethical public administration which in turn may stimulate ethical relationships with private institutions and citizens and even ethical behaviour of firms, through further 'chain reactions' that propagate profitably, as a positive tide, across the socio-economic environment.

Recapping, our study focused on the emerging economies of the Central-Eastern Europe and Commonwealth of Independent States may entail that ethical behavior of firms is particularly associated/related to corporate governance/performance issues as the Protection of minority shareholders' interests and of investors (above all), as well as to the Financial market development; in turn, business ethics thrives especially where and when the quality of public institutions and infrastructures is reputed more satisfying. Such environmental factors coexist with business ethics, contributing together, in combined role, to enhance competitiveness; after all, ethical behavior of firms raise the *reputation* of business and, once more, the level of wealth.

To conclude, the adjusted R-squared of the selected regression models (equal to 66% in the first case - Pooled extended OLS -, 80% in WLS-HSK case, and 63% in the restricted Panel Data with fixed effects model), as well as the overall significance of the statistical outcome expressed in terms of F-test, appear consistent and good. A limitation may be the fact that several independent variables show high correlation between themselves (to solve the problem, a separate analysis based on fewer variables provides helpful results; while, anyhow, VIF tests indicate acceptable levels of fitting; nonetheless, this precludes us from assessing the exact marginal impact of each variable). Besides, in general, we cannot infer causality from all our results (while we can document *association*, stronger tests are required before confirming causality through panel data covering many more years: due to the lack of such massive data *causality* cannot be strictly confirmed). Further research could deal with the study of the interrelationship between ethical behaviour of the undertakings and competitiveness of other or all emerging / developing markets, also in comparison with more developed economies and other times.

Endnotes

[1] Whose needs are as essential as value-relevant (customers and consumers, employees and agents, suppliers and service providers, shareholders and owners, lenders and investors, government and agencies).
[2] Whose relative average GDP growth rate over the past 15 years has been very rapid and about twice than the more advanced nations: a trend expected to continue in the foreseeable future (PWC, 2013).

[3] Even with some dilemmas in cases of advanced nations' companies, multinationals (Luo, 2002), international businessmen or foreign investors when they intend to relocate their activities/investments in emerging marketplace, in a context of very different cultural and legal values and business practices, sometimes adapting themselves and habits.

[4] The mentioned three strands are: 1) the ethics-in-business strand, i.e. the long tradition of applying ethical norms and principles (either secular or religious: from Aristotle, Thomas of Aquinas, Machiavelli, Locke, Smith, Hume, Rousseau, Marx, Rawls etc., to Judeo-Christian, Islamist, Buddhist, Hindu and Confucian beliefs) to business and personal / social life; 2) the business-ethics strand as development of an academic field, divided into the philosophical branch, that is normative and critical (Kantian objective morality thought above all, here), and the social-scientific branch, primarily descriptive and empirical (management ethics above all); 3) the actual application of business-ethics through the integration of ethics into business practices / codes and the commitment to corporate social responsibility. De George (2005, 53) clarifies that business ethics includes six different levels of concern: individual level; firm level; industry level; national level; international level; global level.

[5] They both concern business behavior: if the former usually regards information and communication aspects (representation/display of company's obligations/duties to society) by integrating economic, social and environmental targets in one strategy or policy to benefit the community, the latter instead involves at an higher and more general level the whole administrative conduct of firms (essence of operations and decision-making) inspired by moral principles, hence influencing each single (good/right or bad/wrong) action - internal or external - beyond the mere satisfaction of social obligations/duties. An important difference may reside in the ascertainment that if CSR can be just an esthetic maquillage strategy/policy to raise artificially performance, substantive ethicality is not susceptible to be simulated (it would be an oxymoron) because directly responds to human conscience.

[6] Especially strategy, organization, finance, accounting, social responsibility and marketing branches are worthy of mention as devoted areas.

[7] Drawing on institutional theory and strategic resource management literature, they hypothesize that the internal collective processes based on employees' collective commitment and citizenship behaviour mediate the ethics–performance relationship at the organizational level, thus connecting corporate ethics to firm financial performance.

[8] Indeed, there are several dimensions of competitiveness, among which (Vilanova et al., 2009): (a) Performance, including standard financial measures such as earnings, growth or profitability (Hamel and Prahalad, 1989); (b) Quality, not only of products and services, but also a the capacity to satisfy customer expectations (Barney, 1991); (c) Productivity, in terms of higher production and lower use of resources (Porter, 1985); (d) Innovation, including products and services as well as management processes (Mintzberg, 1993); and (e) Image, including corporate branding in terms of building trust and reputation in the relationship with stakeholders (Kay, 1993). Su (2014) documents that business ethics has positive impacts upon the development of intellectual capital, which is today the most powerful source of competitiveness.

[9] So that: their choices and actions do not systematically foster and meet the reasonable expectations of enterprise stakeholders; a number of them are not characterized by sound governance policies and management practices; the culture of responsible conduct may be defective; the challenges and complexities of business and natural environment might not satisfactorily be inspired nor governed; no business ethics program could be designed, launched, implemented, controlled etc.; there might be urgent and troubling issues to address to, like child labor, working standards and conditions, business corruption and so on.

[10] Also bearing in mind Bertrand Russell aphorism: *Ethics is […] the art of recommending to others the sacrifices required for cooperation with oneself*.

[11] Nonetheless, business ethics has to a much larger extent become part of the business culture in developed countries rather than in developing countries, where it has been fighting an uphill battle. In this regard, the Author states: "In these countries, the concept of business ethics also arises ever more frequently, but it has not by any means succeeded in transforming the business culture to the same extent than it has in developed countries" (1994).

[12] Which collaborates closely with a network of over 140 partner institutes, as economics departments of national universities, independent research institutes, or business organizations; the survey has been completed by 12,297 top management business leaders in several countries, representing an average of 91 respondents per country. The Survey asks participants to evaluate, on scale of 1 to 7, the current conditions

of their particular operating environment (where 1 represents the worst possible operating condition or situation; 7 represents the best; 4 means indifference).

[13] The best ten ranks are registered by the following countries: New Zealand; Finland; Singapore; Switzerland; Norway; Sweden; Denmark; Qatar; Netherlands; Luxembourg. The worst ones are: Romania; Venezuela; Haiti; Paraguay; Argentina; Chad; Angola; Bangladesh; Burundi; Mauritania.

[14] In order to minimize any heteroskedasticity problem, after the OLS technique an empowered WLS-HSK variant (second model) has been attempted. General results are not very different from the first model; anyhow, OLS results are preferable owing to their greater conservatism compared to the more aggressive WLS-HSK model.

[15] *1. Respect for government; 2. Be honest and truthful; 3. Respect private property rights; 4. Love and respect your fellow man; 5. Be true to your word; 6. Do not live beyond your means; 7. Be purposeful.* More recently (1995), was adopted the 'CIS Convention on Human Rights and Fundamental Freedoms'.

[16] Maybe in this macro-region the grade of instruction has somehow fostered the human attitude towards egoism and sensibility to personal enrichment, even due to a context where individuals, often overwhelmed by a new, tough capitalism, look too strenuously for a sort of personal redemption at any cost, while unscrupulous managers act only for their utility function maximization with no respect to any other circumstance. As a result, at odds with common sense, higher education and training (competences), at least and probably temporarily, in this transition time, might negatively influence altruistic decision-making criteria.

[17] In fact, during hard times, a growing number of firms may be prone to some misconduct, deception or subterfuge in guise to take advantage from them, i.e. 'keep the wolf from the door'.

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