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Business Leadership and Social Responsibility in a Transition Country

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BUSINESS LEADERSHIP
AND SOCIAL RESPONSIBILITY
IN A TRANSITION COUNTRY.
A RUSSIAN ORTHODOX PERSPECTIVE

Pavel Shashkin, Russia

1. From Socialism to Consumerism

Nowadays the moral evaluation of economic processes and the fair distribution of material welfare have become enormously actual topics in Russia. The Russian Orthodox Church has always testified about two religiously justifiable labour motivations. The first of them is to work for creating adequate living conditions for oneself and one's family. The second is the labour for the benefit of the needy.

Unfortunately, the contemporary system of economic values, making people do their best to increase consumption to the detriment of spiritual development, is considered to be sinful by the Russian Orthodox Church. The Church reminds the business society that any economic activity can be morally justifiable only if a person works not only for himself but also to help the needy. This labour motivation can be called a moral dimension of economy. Its sense is that any employee, and particularly any employer, must work so effectively to make as much profit as possible from his/her activity to be able to transfer the surplus to those who cannot earn their crust or to those who do not produce material values by profession. The effectiveness and fairness are the principal requirements of the orthodox ethics to economy.

Only such an economy can be viable as its aim is not to satisfy egoistic interests of an individual corrupted by sins, but the interests and needs of the whole society and nation. Such a model might seem illusive. According to the position of the Russian Orthodox Church it is not. And it is quite well proved by the experience of orthodox business that existed in the Russian Empire at the beginning of the twentieth century. It is a mistake to believe that the only possible stimulus for the development of economy is the desire to get more material goods. The successful merchants were not only the promoters of business activity in pre-Revolutionary Russia, but also pedantically followed the norms of traditions and customs, sincerely and actively participating in the life of the Orthodox Church. Such a

moral attitude to welfare is a convincing alternative to the principles of the consumption society. The businessmen who are willing to work productively are supported by the Orthodox Church, as long as the results of such work are used for social initiatives, for the maintenance of social peace and stability.

Unfortunately, the old socialist economic system used to create a gap between a person and the results of his/her work. Therefore, employees were not personally interested in making more profit. Labour was not beneficial and any business activity constituted a crime under the criminal law. Such a system could not exist for a long time. The lingering crisis of both Soviet and Russian economy was caused by the absence of personal interest in the results of the work.

However the economic and political reforms of the 1990s did not have the desired effect. The collapsed state-planned economy was replaced by an even more awful idol – the cult of consumption, greed and unfair distribution of public income. Finally, the vast majority of Russians were deprived of the opportunity to earn enough money for an adequate level of life. Many highly-qualified and professional specialists were among them as their knowledge and skills were no longer needed under the new circumstances. In the new conditions of ‘wild capitalism’ some high-tech branches of industry were destroyed (the decrease in some branches was up to 40-50% compared with 1990). Meanwhile, the raw material and trade sectors, which were flourishing, left people in the position of slave-like servants of the new owners of the principal capital goods. The profit from such an industry was and is distributed among 2 percent of the population, whereas 98 percent are deprived of the opportunity to provide a normal level of life for themselves and their families in a legal way. As a result, Russian society is in the situation of permanent instability and social mistrust. How can the current situation be changed?

2. Orthodox Labour Ethics, Charity and Justice

It is up to the state to change the unfair system of distribution of public income. Not interfering in governmental functions, the Orthodox Church supports the idea to create a socially responsible economic regime. The first step here is to draw the attention of the Russian business society to the fact that only moral understanding of economy by the business leaders of the country can create conditions for economic growth, secure a stable position for different social groups and can provide a respectful attitude to labour and property. The most important element of the process is the creation of a moral attitude to the participants in public life. The propaganda of the ideals of orthodox labour ethics is also very helpful.

What are the real mechanisms for social responsibility of the business sector in modern Russia? Charity plays an important role in the redistribution of surplus material means. History shows the importance of charity in the country's social life. However we should keep in mind that charity cannot be the only means of fair public income distribution for the benefit of the needy, conduction of social initiatives, payments to those who create spiritual and intellectual goods. The state has to play the main role. It must be the state that is responsible for the fair public distribution of income, i.e. for the spiritual dimension of the economy. The instruments of the state are reasonable tax and budget policies aimed at fair profits of the few and its redistribution for the benefit of the whole society, including for the help of the needy and for the support of necessary institutions such as armed forces, scientific and educational organisations, medical centers, governmental structures, etc. Unfortunately, modern Russian legislation predominantly based on neo-liberal values in the economy, is incapable of solving this task. Moreover, today's legislation is often to blame for the bankruptcy of small business entities as it creates various preferences for the big business such as monopolies in the raw material and banking sectors. To abide all prohibitions, to pay all taxes and duties together with corruption, means to put your small or medium business in danger.

In this situation, the Orthodox Church urges the state to work out an effective and fair legislation that is not only an economic but a moral and even a religious task. Society realises step by step that morality is a means of survival of the Russian people and a warranty of stable and secure development in the 21st century. However the process is only at a primal stage. The current situation does not stimulate the formation of business ethics and economic ethics. The problems of tax evasion, outflow of capital and corruption are still unsolved.

3. New Beginning of Business Ethics

The following should be done to change the situation. First, to work out legal mechanisms that will strengthen the system of collection and distribution of means. And, second, to give the business sector an opportunity to work for the benefit of society. History proves that involuntary welfare redistribution never leads to the creation of a fair society. It is possible to build an effective and fair economy without revolutions and coups, by means of permanent and reasonable dialogue between the state, business, trade unions and employees. Only in such a way will it be possible to deal with the social strain in Russia. All the organisations of the civil society must

participate in the creation of the fundament for a fair and socially responsible economy. Among them are organisations of businessmen, trade unions and, certainly, religious organisations.

At the moment the Russian Orthodox Church, fully realising its mission in the post-soviet space, develops and supports many social activities. The core of this activity is to strengthen dynamic and effective business based on moral traditions and business ethics. In their numerous statements, orthodox hierarchs (among whom His Holiness Patriarch of Moscow and all Russia Alexy II and His Eminence Metropolitan of Smolensk and Kaliningrad Kirill) stressed that the problems of economy and social fairness, of taking care of the poor and the oppressed are important elements of the mission of the Church. This is particularly important in today's transition period of Russia. The consciousness of the Orthodox Church has never escaped from economic problems. The ideas of economic regress and stagnation are alien to it. The Orthodox Church is ready to be a moral arbiter and pastor of the Russian businessmen.

It is pleasant to note that recently some positive tendencies are visible in the area of business ethics. Many documents, stating the principals of internal corporative responsibility of business are adopted. An example is The Charter of Corporative and Business Ethics adopted by the Russian Union of Manufacturers and Businessmen. The Chamber of Industry and Commerce of the Russian Federation actively realises a 'Russian business culture' program. Within the scope of the program the principals of the business code of conduct and a program to introduce business ethics in organisations are worked out. Some big Russian companies such as SUAL-holding, Norilsk nikel, Ruskij aluminiy showed interest in working out the principals of business ethics.

The rebirth of the business culture of contemporary Russian businessmen is based on the traditions of tsarist Russia. There existed a well organised system of the merchant's guilds with its code of honour, rules of work and rank system. In 1912 Russian merchants worked out seven principals of business in Russia, which are actual, even today. The content of them is below.

4. Seven Principals of Business in Russia

1. Have respect for the authorities. The authorities are a necessary condition for effective business. Keep order everywhere. In this context demonstrate your respect to the officials who are in power.
2. Be honest and truthful. Honesty and truth are the fundament for business, prerequisite for normal income and harmonic business

- relations. A Russian businessman must be a stainless example of the virtues of honesty and truth.
3. Have respect for property. Free business is a key to the welfare of state. A Russian businessman must work for the benefit of his Fatherland and give all his best. Such efforts are only possible on the basis of property.
 4. Have love and respect for each person. Such love and respect for a worker from the side of a businessman, stimulates love and respect in response. Harmony of interests appears in such circumstances. In such an atmosphere, people develop different talents and express themselves in the best way.
 5. Keep your word. A businessman must keep his word: 'If you tell a lie once, who will trust you?' Success in business depends on the extent of trust others have for you.
 6. Live in accordance with your income. Do not show off. Choose such a business you can cope with. Act in accordance with your means.
 7. Be purposeful. Always have a determined aim. A businessman needs an aim as air. Do not be distracted with other aims. It is unnatural to work for two masters. On the way to the desired aim, do not break moral rules. No aim can be above moral values.

The adoption of the law on 'Self-governed Organisation' by the Russian Federal Assembly, in 2004, is considered to be an important event. The law prescribes imperative abidance of rules and standards of business and professional activity, of business ethics and trade usages by all non-governmental structures. But the Russian community, including the Russian Orthodox Church, emphasised that the implementation of the standards must be done in a transparent way, only in accordance with the law. That must not be turned into a strict state control over business. The business ethics of the business sector and its social responsibility can be initiated only by businessmen, and not imposed from somewhere.

The Russian Orthodox Church realises that contemporary Russian businessmen bear a great responsibility. As businessmen are the most active and prosperous part of the population, they are obliged to cooperate with the state in taking care of the needy. The state and the unions of businessmen in Russia come to the conclusion that social responsibility is the only way to decrease social strain and to support the authority of the state power and business.

At the same time, there is an ideological and spiritual vacuum in the Russian business society. The old socialist economy collapsed but

the new economy is built on principles which are far from Christian. In this situation the Russian Orthodox Church, the most important and influential structure of Russian civil society, puts forward an initiative to organise a dialogue between society and the state on the aims and principals of economic development of the country.

The Church suggested to evaluate modern economic realities from religious points of view (in a broad sense, not only from the point of view of Christian values) and working out basic moral principles and business rules that can be used by private businessmen, trade unions, employees and state entities in their everyday work. Society should be united to build a fair and competitive economy. The result of the work is the 'Code of Moral Principles and Rules of Economic Activity' (see below Chapter 28).

The World Russian People's Council, an influential forum of different Russian and foreign non-governmental organisations united by Orthodoxy, initiated to work out the Code. In December 2002 the Council, devoted to the topic 'Faith and labour. Spiritual and Cultural traditions and economic future of Russia' decided to work out the document. The final version of the draft was adopted on the 4th of February 2004 by the VIII World Russian People's Council. The representatives of all traditional religions of Russia, including Islamic, Buddhists and Jewish leaders, participated in the work of the Council and support the Code.

The document, prepared by a working group which included well-known Russian economists, gives a clear moral evaluation of objective economic realities of today's Russia and simultaneously helps the representatives of power, business and employees to undertake effective economic activities not only for the benefit of oneself and one's family, but also for the benefit of society as a whole.

The draft of the Code was discussed by all main representatives of business and trade unions, leaders of the Chamber of Industry and Commerce of the Russian Federation, the Russian Union of Manufacturers and Businessmen, organisations of small and medium business 'Support of Russia' and the Federation of Independent Trade Unions. All of them supported the Code without reservations, what can be considered to be a first step in opening a reasonable dialogue between all social groups about the role of moral values in economy.

The appeal of the Russian Orthodox Church to businessmen to follow the ancient Orthodox business traditions voluntarily was heard. So, during the Economic Forum held in May 2004 in Tver, a contract giving a binding force to the Code was ceremonially signed. The Tver Union of Manufacturers and Businessmen, the Administration of the Tver region and the Tverskaja and Kashinskaja diocese of the Moscow Patriarchate consented the Code to be bound in their relations.

The Code reflects the values which are common to all traditional Russian religions: effective and fair economy, free and responsible business, protection of the weak and poor, respect to the state-power, fair labour. We hope that comprehensive discussion of the Code and its use in everyday life will help the Russian business society to see its place in the future of the country in a more responsible way.