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THE ROLE OF ETHICAL FACTORS ENSURING BUSINESS INTEGRITY IN ARMENIA

In this article, we have focused on how and to what extent socio-cultural characteristic factors of Armenian society affect the maintenance of business integrity. Socio-cultural factors profoundly influence business integrity principles. Understanding

these influences is strategically important for positioning oneself in a globalized economy and international business. Many large companies even have special departments that study the social and cultural characteristics of a given society, developing specific business strategies based on those results. The study of this topic is important because countries and organizations that take cultural factors into account can significantly more effectively cope with complex situations, establish flexible relationships with various stakeholders, and achieve sustainable success. As a result of this research, the most important socio-cultural factors that influence business ethics in Armenia have been identified. Among these factors, the greatest importance was given to the level of education and cultural characteristics. At the same time, corruption and patronage can be noted as negative factors that shape the low level of ethics.

Keywords: *integrity, socio-cultural factor, cultural norm, state sphere, private/public sphere, regulation*

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INTRODUCTION. Under the modern conditions, when globalization is transforming national economies, when international trade becomes one of the prerequisites for economic development, social, cultural, and ideological differences emerge, which become of primary importance, as they often determine the directions of development of international economic relations (Khalid, & Haseena, 2024).

Socio-cultural factors are influences that emerge from the society and culture in which an individual lives. These factors influence behavior, values, and perceptions, often determining how individuals or groups interact in a particular environment. The governments of many developing countries, the private sector still underestimate the existence and importance of clear integrity rules in the business environment.

In this article, we focused on how and to what extent socio-cultural factors characteristic of Armenian society affect business integrity. To answer this question, we have surveyed 50 employees in the public and private/public sectors, asking them 7 questions. These employees were treated as experts in ethics, integrity, and as people who understand the nature and source of ethical violations. These 7 questions were evaluative. The purpose of this article is to reveal the main socio-cultural factors that affect business integrity in Armenia and assess their influence, considering international experience and the results of expert opinion evaluation.

LITERATURE REVIEW. The word Integrity is related to its Latin root, "integras," which means "sincere, harmonious." The Cambridge dictionary defines morality as "the quality of being honest and having firm moral principles from which a person does not deviate¹."

¹ Cambridge dictionary, <https://dictionary.cambridge.org/dictionary/english/integrity> (01.03.2025)

Milton Friedman, in his book “Capitalism and Freedom” (1962), argues that the primary duty of business is to maximize shareholder profits within legal and ethical constraints. He believes that corporate social responsibility should be left to individuals and the government, not to business.

The role of government bodies in creating an ethical business environment includes development of certain regulations and restrictions for the business environment, implementation of these regulations through different ways, like training, as well as formation of certain connections and relationships between key stakeholders of a definite sphere or business (APEC Small and Medium Enterprises Working Group - SMEWG, 2002).

Although business ethics issues have been extensively researched, a comprehensive analysis of the literature shows that certain problems still exist, for example, in business-to-business relationships, in demonstrating respect and good conduct towards each other, particularly in the marketing context (Anand et al., 2023). While Edward Freeman, in his book “Strategic Management: Stakeholder Approaches” (1984), challenges Friedman's shareholder-centered model, arguing that businesses should consider the interests of all stakeholders (employees, customers, suppliers, communities), not just shareholders.

Norman E. Bowie, in his book “The Kantian View” (Bowie, 1999), presents Kant's moral philosophy to business, emphasizing the duties and rights of business. He argues for the need to treat people as ends rather than means. He also argues that businesses should follow universal moral principles in the pursuit of profit.

Another group of authors (DesJardins, 2011; Visser, 2011) conducted research to demonstrate that business ethics can have both positive and negative effects, even on global trade.

The results of an interesting study conducted in Singapore have shown that cultural differences, values, and beliefs affect the perception of ethics. According to the findings, survey respondents who accepted the distance from power were also convinced of consequentialism, i.e., they believed that the results of a person's actions showed how positive or negative their behavior was. This means that one cannot follow the norms if the result of actions for the majority of stakeholders has a positive meaning. At the same time, an inverse relationship was found between the distance from power and deontological thinking. In addition, if people with deontological thinking called illegal actions unethical, people with a conservative approach, in most cases, did not do so. The deontological approach means that ethical behavior corresponds to the rules (Kim & Krishna, 2023).

Boylan (2014) focused on the factors influencing decision-making in corporations, in which he attributed an important role to the business ethics that existed among decision-makers.

In his article “What Money Can't Buy: The Moral Limits of Markets” (Sandel 2012), the author argues that market values have infiltrated areas of life

where they should not be (e.g., education, health care). He warns that not everything should be exchanged or bought, and that ethical considerations should take precedence over pure market logic. Thus, it can be assumed that business ethics and integrity are very complicated categories. Business ethics can be formulated not only as a set of norms and regulatory documents that try to form required relations between business representatives, but also the relationships that arise between participants in business processes, between the business, government, and society (Sahakyan, et al., 2024).

RESEARCH METHODOLOGY. Socio-cultural factors are influences that arise from the society and culture in which a person lives. These factors influence behavior, values, and perceptions, often determining how individuals or groups interact in a particular environment.

As a result of our research, we have previously identified 40 socio-cultural factors that may have some impact on business integrity in different societies. Then, after studying and consulting with experts in various fields, we have identified 10 socio-cultural factors specific to the Armenian society from these 40 factors, which, in our opinion, may have a certain impact on business integrity. To assess the measurable impact of these factors on business integrity, we have compiled a questionnaire consisting of 7 questions and provided it to 50 people involved in management positions engaged with the government organizations, and also the private/public sectors. 61% of the respondents were from the state sector, 39% from the private/public sector. With this method, we did not expect to receive representative data that would allow us to make general judgments. However, given that the survey participants were people involved in the governing bodies of their field and were well-informed about the governing bodies and regulations of their field, the assessments and opinions obtained provide an opportunity to touch upon the issues related to the field and form a certain picture.

The respondents answered what ethics-related bodies are in their workplace, in their opinion, how effective the work quality of the existing bodies is, what factors negatively affect business integrity, what levers the state should have to maintain business integrity, etc. The questions that require a score are rated on a 0-10 scale, where 0 is the lowest score and 10 is the highest.

Next, we presented the 10 socio-cultural factors that were presented to the respondents.

1. Cultural norms and values
2. Education level
3. Consumption of technology and media services
4. Political ideologies and social movements
5. Peer influence
6. The influence of social media and online communities
7. Trust in the legal system

8. Economic stability and wealth distribution
9. Patriotism and civic duty
- 10.Respect for authority and hierarchy

FINDINGS, RESULTS, DISCUSSION. Our survey and opinion collection among employees involved in the State and Private/public sectors also yielded interesting results, which are presented below.

When asked **to what extent the listed socio-cultural factors affect the maintenance of business integrity in the Republic of Armenia**, the participants rated them on a 0-10 point scale as follows:

Of the 10 socio-cultural factors given, the Educational Level option received the most points (10), which was chosen by 35% of the participants, followed by Cultural Norms and Values (22%), and the third option with the most points (10) was Social Networks and Propaganda (18% of the participants), (see Figure 1 for more details).

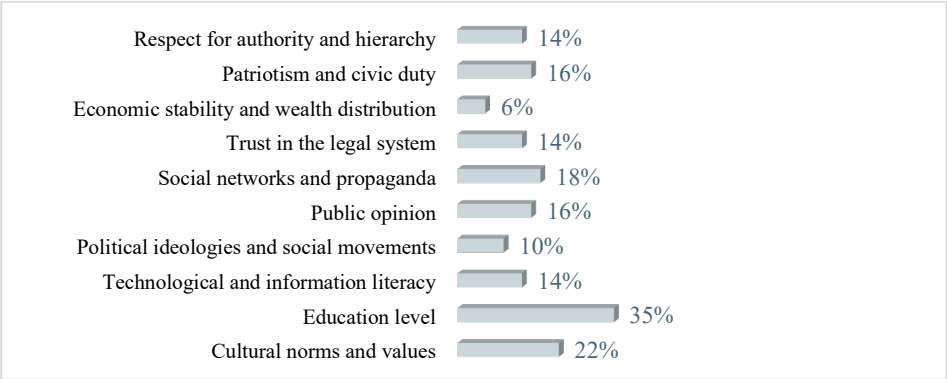


Figure 1. *The socio-cultural factors that received the maximum score (10) and that affect the maintenance of business integrity in the Republic of Armenia²*

Moreover, the averaged assessments of socio-cultural factors given by survey participants working in the public sector were as follows (see Table 1).

Table 1

Averaged assessments of the impact of socio-cultural factors on maintaining business integrity in the Republic of Armenia by public sector employees³

Factor				
Cultural norms and values	Education level	Technological and information literacy	Political ideologies and social movements	Public opinion
Average score				
6.1	6.1	5.8	5.0	4.9

² Elaborated by the authors, based on the survey results.

³ Elaborated by the authors, based on the survey results.

Factor				
Social media and propaganda	Trust in the legal system	Economic stability and wealth distribution	Patriotism and civic duty	Respect for authority and hierarchy
Average score				
5.6	5.4	4.7	5.6	5.2

The average score given to socio-cultural factors by survey participants working in the private/public sector was as follows (see Table 2).

Table 2
Averaged assessments of the impact of socio-cultural factors on maintaining business integrity in the Republic of Armenia by private/public sector employees⁴

Factor				
Cultural norms and values	Education level	Technological and information literacy	Political ideologies and social movements	Public opinion
Average score				
6.9	7.7	6.1	6.2	6.7
Factor				
Social media and propaganda	Trust in the legal system	Economic stability and wealth distribution	Patriotism and civic duty	Respect for authority and hierarchy
Average score				
6.8	6.5	5.8	6.7	6.0

Of the 10 socio-cultural factors given, the Respect for Authority and Hierarchy factor received the most 0 points, 8% of participants, followed by the Public Opinion option - 6% (see Figure 3 for more details).

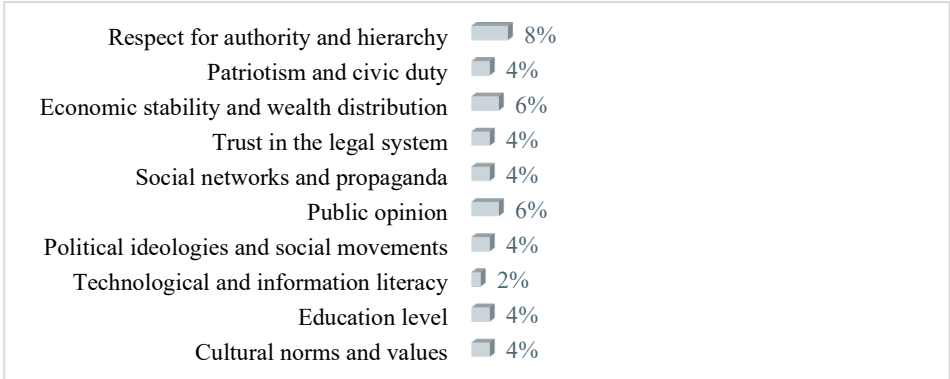


Figure 2. *Socio-cultural factors that have received the lowest score (0) and that affect the maintenance of business integrity in the Republic of Armenia⁵*

⁴ The table was compiled by the authors.
⁵ Elaborated by the authors, based on the survey results.

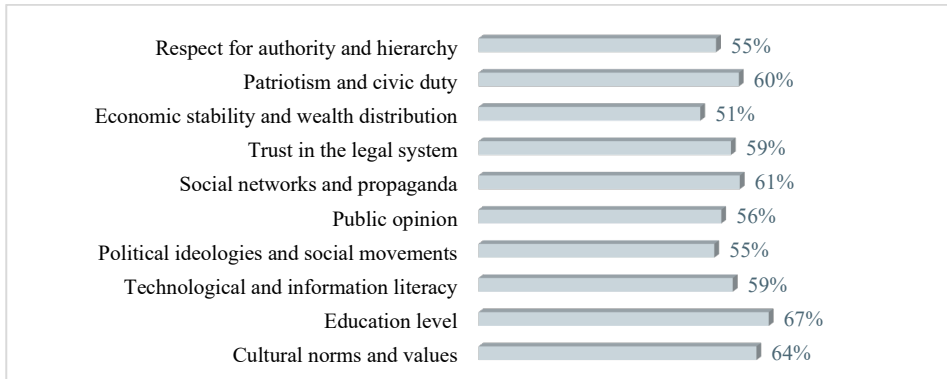


Figure 3. *The socio-cultural factors that received the highest cumulative score and that influence business integrity in the Republic of Armenia⁶*

As shown on Figure 4, among 10 socio-cultural factors given, the survey participants again gave the highest importance to the Educational Level option (the option that received the highest cumulative score) - 67%, followed by Cultural Norms and Values - 64%, and Social Networks and Propaganda - 61% (see Figure 4).

The least important option was Economic Stability and Wealth Distribution, with only 51%.

When asked **which of the following are present in the workplace of the survey participants** (more than one option could be selected), they answered as follows: 58% of survey participants indicated that they have an Ethics Code and Code of Conduct at work, 30% have Education and training aimed at ensuring ethics, and 18% have an Internal audit department (see Figure 4 for more details).

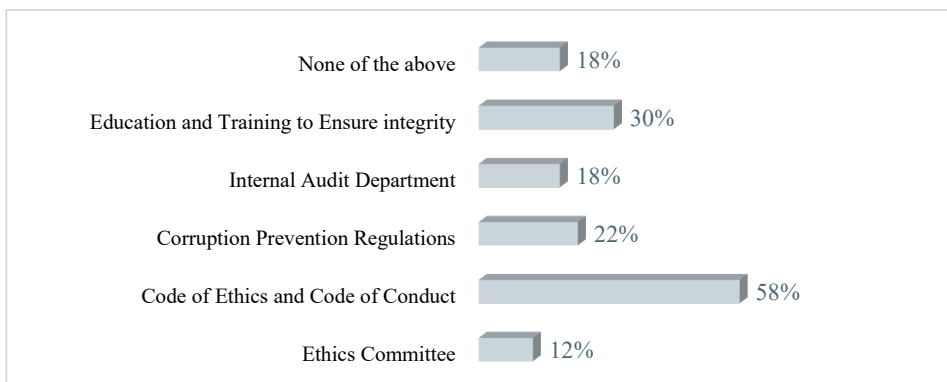


Figure 4. *Presence of the listed bodies/regulations at the workplace of survey participants: in percentages⁷*

Only 8% of participants were familiar with at least 3 of the 6 bodies/regulations listed.

⁶ Elaborated by the authors, based on the survey results.

⁷ Elaborated by the authors, based on the survey results.

When asked **how effectively the bodies and regulations listed in the previous survey operate in the business environment**, survey participants most often gave a score of 5. Moreover, the average score of survey participants working in the public sector was **5.6 points**, and that of those working in the private/public sector was **6.3 points**.

When asked **which of the listed factors had the most negative impact on maintaining business integrity** (more than one option could be selected), the participants answered as follows.

Low educational level, according to the participants, was the most negative factor affecting the maintenance of ethics, which was chosen by 64% of the participants; the second most negative factor was Corruption, 58%, then Patronage, 54% (for more details, see Figure 5).

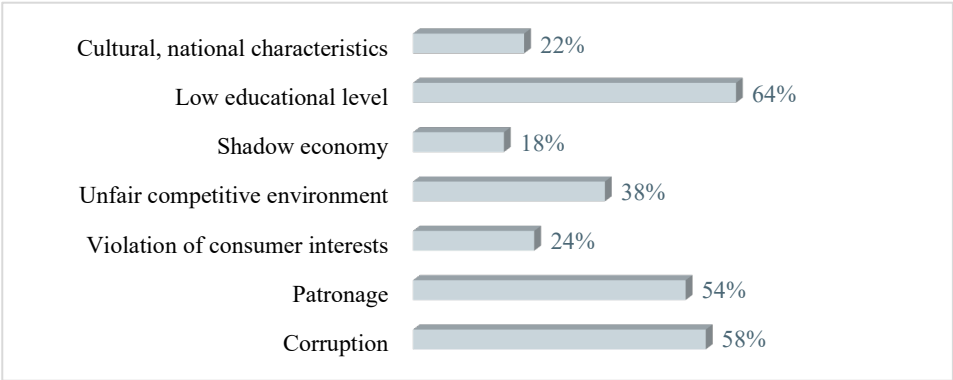


Figure 5. *According to survey participants, the factors listed below have the most negative impact on maintaining business integrity⁸*

When asked **what the state's main levers could be in ensuring business integrity** (it was possible to choose more than one option), the participants answered as follows: ensuring a fair, equal, and transparent environment and Monitoring, implementing prevention-oriented activities were given equal importance by 60%, followed by Implementing educational and awareness programs by 54%, and Creating an appropriate legislative framework by 42% of the participants (see Figure 6 for more details).

⁸ Elaborated by the authors, based on the survey results.

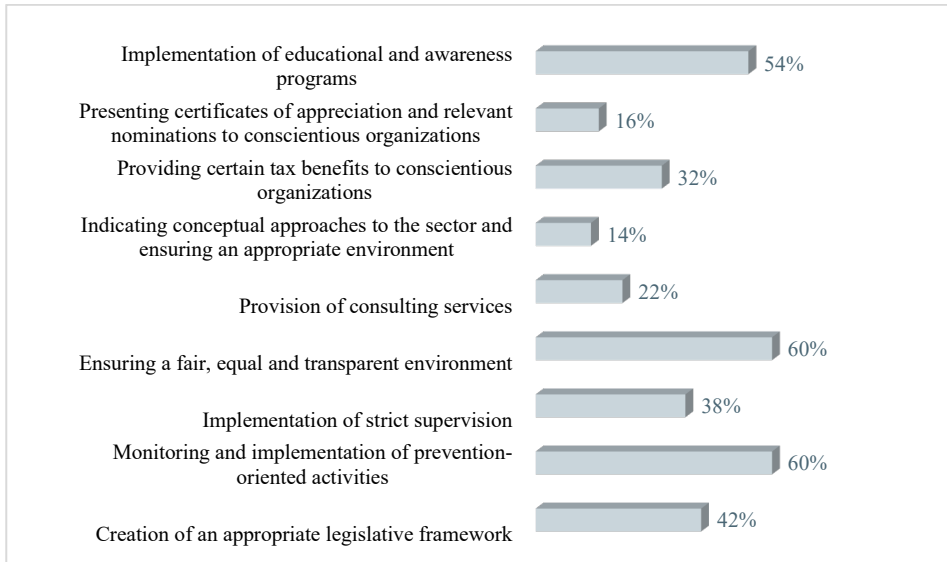


Figure 6. *The main levers of the state in ensuring business integrity: in percentages⁹*

When asked to **what extent the listed factors can affect the integrity of business owners**, the participants rated them on a 0-10 point scale as follows.

The option with the highest score of 10 was the Availability of a Trusted Brand, which was chosen by 39% of the participants, followed by Fair Competition with 27%, and the third option with the highest score of 10 was the Responsible Attitude in Relations with Partners option with 24% (see Figure 7 for more details).

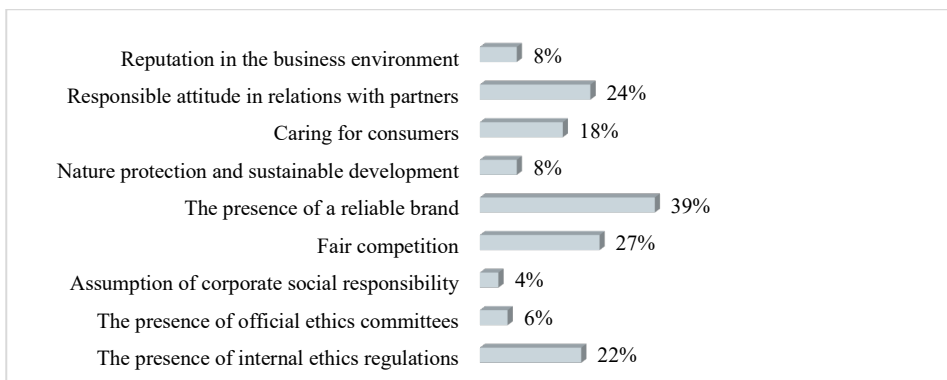


Figure 7. *Factors that received the maximum score (10) and can affect the integrity of a business owner¹⁰*

Moreover, the average scores of survey participants working in the public sector regarding the listed factors were as follows (see Table 3).

⁹ Elaborated by the authors, based on the survey results.

¹⁰ Elaborated by the authors, based on the survey results.

Table 3

Averaged assessments by public sector employees on the extent to which the listed factors affect the integrity of a business owner¹¹

Factor				
The presence of internal ethics regulations	The presence of official ethics committees	The assumption of corporate social responsibility	Fair competition	The presence of a trusted brand
Average score				
6.3	5.6	5.7	7.2	6.1
Factor				
Nature conservation and sustainable development	Care for consumers	Responsible attitude in relations with partners	Reputation in the business environment	
Average score				
5.2	6.1	6.9	7.3	

The average scores of survey participants working in the private sector on the listed factors were as follows (see Table 4).

Table 4

Averaged assessments by private/public sector employees on the extent to which the listed factors affect the integrity of a business owner¹²

Factor				
The presence of internal ethics regulations	The presence of official ethics committees	The assumption of corporate social responsibility	Fair competition	The presence of a trusted brand
Average score				
6.4	6.2	6.4	6.9	6.5
Factor				
Nature conservation and sustainable development	Care for consumers	Responsible attitude in relations with partners	Reputation in the business environment	
Average score				
6.1	6.7	6.9	7.5	

Survey participants again rated the Trusted Brand Presence category with the highest score of 0, 8% (see Figure 8 for more details).

¹¹ The table was compiled by the authors.

¹² The table was compiled by the authors.



Figure 8. *Factors that received the lowest score (0) and could affect the integrity of a business owner¹³*

Of the 9 factors given by the survey participants, the Reputation in the business environment option (the option with the highest cumulative score) was given the most importance - 74%, followed by Fair Competition - 71%, and Responsible Attitude in Relations with Partners - 69% (see Figure 9 for more details).

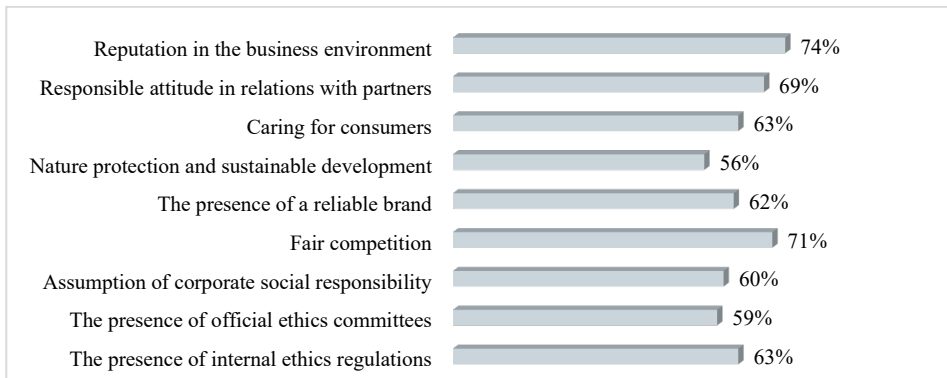


Figure 9. *The factors with the highest cumulative score that can affect the integrity of a business owner¹⁴*

Nature conservation and sustainable development were given the least importance, only 56%.

CONCLUSIONS. As a result of the study, it was possible to form a preliminary idea of what kind of impact socio-cultural factors in Armenian society have on the observance of business integrity. According to employees involved in both the state sector and the private/public sector, the most significant factor is the “Educational level”, and the weakest influencing factor is the factor “Economic Stability and Distribution of Wealth”. Respondents identified “Low educational level” as the factor with the most negative impact on business ethics. Respondents

¹³ Elaborated by the authors, based on the survey results.

¹⁴ Elaborated by the authors, based on the survey results.

also identified the “State’s levers” through which it is possible to apply ethical rules in the business environment. The three most frequently selected options were: “Ensuring a fair, equal and transparent environment”, “Monitoring, implementation of preventive measures”, and “Implementation of educational and awareness programs”. Thus, we can conclude that experts in the field working in the public and private/public sectors see a clear connection between the observance of ethical rules in the business environment and the educational level of the society. Since the research is ongoing, subsequent publications will clearly and more thoroughly present the results of surveys with a more comprehensive involvement of the private sector, which will also allow us to reveal the impact of business ethics on economic development and increase the country's competitiveness.

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