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ADHERENCE TO ETHICS AND PERFORMANCE OF BUSINESS ORGANIZATIONS IN NIGERIA: AN EMPIRICAL ANALYSIS

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Abstract

This study examines the relationship between adherence to ethics and performance of business organizations in Nigeria. The study was carried out in Port Harcourt, the capital city of Rivers State. Callus-Miller communications limited; one of the major Global Services for Mobile communication (GSM) products distributors was selected for this study. Data was generated, using a combination of secondary and primary sources. Thirty (30) customers of Callus-Miller communications limited were randomly selected to form the sample frame. Unstructured questionnaire was designed to elicit response from respondents. The questionnaire was distributed to the respondents for completion and data collected were organized in a useable form, and presented in a table. Hypothesis one and two were tested using Spearman Rank Order Correlation and t-Statistic respectively. Result indicates that there is relationship between adherence to ethics and performance of business organizations. The relationship was found to be significant. It is proposed that business leaders and owners should understand that in order to win public trust and achieve performance, they should impose on themselves the responsibility of professional ethics. Conclusion is drawn that businesses which operate ethically reap many rewards in the form of wining public confidence, attracting customers, retaining employees and improve performance.

Key words: Adherence, Ethics, Performance, Ethical dilemma, Values, Moral roles

INTRODUCTION

Every human being is influenced by at least three environments – political, social and ethical (Umoh 2000), whether in business, government, or any other enterprise, they are equally concerned with ethics (Weihrich and Koontz 2005). Before now business organizations in many countries were indicted for sharp practices but today the story is changing as awareness of business ethics has taken the turn. In the same vein, the contemporary and twin issues of values and business ethics have come to occupy centre stage in management discourses. Values and ethics shape the corporate culture and dictate the way politics and power will be used and clarify the social responsibility of the organization.

Every day, managers and business owners make decisions based on what they believe to be right and wrong. Through their actions, they demonstrate to their employees what "are and what are not" acceptable behaviors that shape the moral standard of the organization. Society expects a reasonable ethical conduct on the part of business leaders as they make decisions that affect the lives of other people.

Businesses are expected to operate ethically right from the production to distribution of their goods and services. They are supposed to uphold their core values at all times and operate ethically. The idea behind ethical operation is that it makes an organization win the confidence and support of the public; attract and retain good employees and provide customers satisfaction. When organizations operate ethically, they win government approval and avoid sanction while maintaining cordial relationship with the government. All these may likely translate to increase in business performance.

Statement of the Problem

The levels of unethical conduct in most business organizations stink to high heavens (Aluko, 1998). Research evidence shows that all companies are vulnerable to a display of unethical behaviours by their employees (Hitt, Ireland and Hoskisson, 2001). Dishonesty, lack of trust, disrespect, fraud and unfairness is becoming the other of the day.

The production and sale of substandard, fake and adulterated goods are on the increase, cheating, inflation and price-war, hoarding to create artificial scarcity and unhealthy competition are gaining much ground. Fraudulent award of contracts of all kinds, kickbacks, ten percent, witch-hunting, and bribery are very pronounced among businesses operating in Nigeria. Workers work on unsafe and hazardous conditions, they are hired and fired, paid anything and at any time. These are just a few examples of ethical and moral problems affecting businesses in Nigeria.

Should one pay a bribe to obtain a business contact in another organization? Is it acceptable to allow your company to dispose off hazardous waste in an unsafe manner or to pollute the environment? Is it good to withhold information that might be useful to a job candidate from joining your organization? Is it appropriate to conduct personal business on company time? Sometimes managers face the problem of taking timely decision on ethical issues affecting their organizations.

Perhaps the loss of core values and these unethical behaviours are among the contributory factors for the poor performance of business in Nigeria. It is on the basis of the foregoing that this study is designed.

Objectives of the Study

1. To examine the relationship between adherence to ethics and business performance in Nigeria.
2. To investigate if adherence to ethics has any relationship with performance of business organizations.
3. To ascertain the level of relationship between adherence to ethics and performance of business organizations.

Research Questions

1. Does adherence to ethics have any relationship with performance of business organizations?
2. What is the level of relationship between adherence to ethics and performance of business organizations?

Research Hypotheses

1. Adherence to ethics has no relationship with performance of business organizations.
2. Adherence to ethics has no significant level of relationship with the performance of business organizations.

Rationale of the Study

There is a great concern about the quality of ethical conduct in business organizations in Nigeria. This study will allay that concern and benefit people in these ways:

It will help business organizations to know their bounds, the Dos and Don'ts, so that people who work in an organization are protected. If businesses know their bounds, the tendency is that they will operate ethically and earn public trust and support; this will improve their performance in product and service delivery. Researchers will glean information from the findings of this study and this certainly will help them improve further research. The study will equally benefit policy makers who chart the course of promoting socio- economic development of the nation.

CONCEPTUAL FRAMEWORK

Concept of Ethics

Ethics is a word with many meanings, none of them precise in the ways that written laws are precise. The meaning of ethics is hard to pin down and views many people have about ethics are shaky. In one sense ethics is defined as a branch of the philosophic thought that concerns itself with the moral concept of right and wrong (Ayodeji 2006). Solomon (1994) viewed ethics as all about achieving a life of honour and integrity.

Ethics is a set of moral standards for judging whether something is right or wrong (Gitman and Mc Daniel 2002). Lewis et al (2005) view ethics as the established customs, morals and fundamental human relationships that exist throughout the world. It is perceived as a set of legally driven codes, in the form of a list of do's and don'ts for the company executives that have to be complied with (Kazmi 2003).

Stoner (1995) sees ethics as how our decisions affect other people. It is the study of people's rights and duties, the moral rules that people apply in making decisions and the nature of the relationship among people. Beach (1980) in Ayodeji (2008) views ethics as a set of moral principles which should lay a very significant role in guiding the conduct of managers and employees in the operation of any enterprise. He sees ethics as being concerned with what is right and wrong in human behaviour.

Ethics is defined by Ottih (2003) as the study and philosophy of human behaviour and actions, with reference to determination of right and wrong. It covers such issues as how people's decisions affect other people's right and duties, moral roles and relationships with others. Lewis et al (1995) says that ethics reflects established customs, moral and fundamental human relationships that may vary throughout the world. They are of the opinion that an organization's ethical obligations to its immediate community may translate into provision of given economic infrastructures and social amenities to the people in terms of road, electricity, medical centers, scholarships and potable water provision.

Weihrich and Koontz (2005) assert that ethics is concerned with truth and justice and has a variety of aspects, such as the expectations of society, fair competition, advertising, public relations, social responsibility, consumer autonomy, and corporate behaviour in the home country as well as abroad.

In Webster's ninth collegiate dictionary, ethics is defined as 'the discipline dealing with what is good and bad and with moral duty and obligation'. From the above definitions/explanations, we deduce that ethics refers to precepts that a society regards as positive or negative for determining what should or should not be done in certain circumstances. Many people equate ethics with their feelings. Being ethical is clearly not a matter of following one's feelings. A person following his or her feelings may refrain from doing what is right (Baumhart 1968). Feeling frequently deviate from what is ethical (Velasquez, 1987). Nor should one identify ethics with religion as it would only apply to religious people. Being ethical is also not the same as following the law. The law often incorporate ethical standards to which most citizens subscribe and laws like feeling can deviate from what is ethical (Oghene & Yomere 2008).

Finally being ethical is not the same as doing whatever the society accepts. In any society, most people accept standards that are in fact ethical, but standards of behaviour in society can deviate from what is ethical. Moreover, if being ethical means doing whatever a society accepts, then to find out what is ethical, one would have to find out what society accepts, but no one ever tries to decide on ethical issues by doing a survey (Oghene & Yomere 2008).

Ethical Dilemmas

According to Lewis et al (1995), an ethical dilemma is a situation in which a person must decide whether or not to do something that although beneficial to oneself or the organization or both, may be considered unethical. Ethical dilemmas are common in the work place. Research suggests that managers encounter such dilemmas in their working relationships with superiors, subordinates, customers, competitors, suppliers and regulators.

Ethical dilemmas can arise when companies must comply with multiple and sometimes conflicting legal or cultural standards (Oghene and Yomere, 2008). Kazmi (2002) reports that among the typical dilemmas faced by managers is how to reconcile the pragmatic demand of work which often degenerates to a distortion of values and unethical business practices to the call of the 'inner voice' which prevents them from using unethical means for achieving organizations goals. He contends that the dilemma stems from the fact that apparently the value system of the organization has already been contaminated beyond redemption. As he puts it, some analysts attribute this to the acceptable behaviour in society at a particular point of time or justify it in terms of the rapid transition of a developing society where social mechanisms have become obsolete.

Kazmi is of the opinion that corruption in the industry which is a major by-product of the degradation of values and ethics, is also related to the inability of industry to stand up to the discrete on any powers of a regulatory system, designed and administered by an unholy alliance of bureaucrats and politicians; "a dog eat-dog mentality". Thus, repeated observations have shown that excellent organizations that have an explicit belief in, and recognition of, other values, draw economic growth and profit.

Ethical dilemmas facing the society today include paying and obtaining bribery, disposing hazardous waste in an unsafe fashion, distribution of fake and substandard goods, cheating and stealing, acquiring exemption from ordinary rules of personal behaviour, negligence of duty and responsibility etc. Common issues underlying the dilemmas include honesty in communications and contracts, gifts and entertainment, kickbacks, pricing practices, and employee terminations (Lewis et al 1985). Ethical issues are better approached by establishing or adopting some concepts, orientations or philosophies that guide behaviour. Lewis et al ibid had pointed out that ethical dilemmas can be handled specifically by using the following approaches:

- **Utilitarianism** – This is a philosophy that focuses on the consequences of an action to determine whether it is right or wrong: This holds that an action that affects the majority adversely is morally wrong.
- **Justice Approach –** This is a situation in which decisions are based on an equitable, fair, and impartial distribution of benefits and cost among individuals and groups, equality in pay/work.
- **Human Rights Approach**: This is a situation in which decisions are made in light of the moral entitlements of human beings e.g. legal rights. This is like the golden rule which involves acting in a way you would expect others to act towards you.

Other approaches for addressing ethical issues as prescribed by Lewis et al (1985) are: The proactive and reactive approaches. First, a manager can intervene to end unethical organizational practices by working against the persons and organizations unethical behaviour. Second, the manager can initiate ethical organizational change by working with others and the organization. Depending on the individual, the organization, the relationships and the situation, either or both approaches may be appropriate for addressing ethical issues.

However, ethical behaviour can be reinforced by use of ethical audit (using code of ethics) which measure specific compliance with ethical standard. Ethics training programmes have been shown to help employees avoid rationalization often used to legitimize unethical behaviour. Whistle blowing monitors the ethical conviction of the organization and its management. Whistle blowing occurs when an insider reports alleged organizational misconduct to the public. A whistleblower is someone who exposes organizational misconduct or wrong doing to the public.

Business Ethics

When ethics are applied to business dealings, they become business ethics (Ayodeji 2006). Business ethics operates as a system of value and is concerned primarily with the relationship of business goals and techniques to specifically human ends. This human ends mean viewing the needs and aspirations of individuals not merely as individuals but as a part of society. It means realization of the personal dignity of human beings.

Lewis et al (1995) applied the general ethical rules to business behavour thus:

If a society deems corruption and dishonesty to be unethical and immoral, then any one in business who is corrupt and dishonest with employees, customers, creditors, stockholders or competition is acting unethically and immorally.

Business ethics are shaped by personal choices and the environments in which we live and work. Since the laws of our society are guide posts for choosing between right and wrong, it is the task of leadership to inculcate personal values and import a sense of business ethics to the organizational members. Business ethics has traditionally been considered to integrate core values, such as honesty, trust, respect, and fairness into strategic management, policy-making, practicing management, and decision-making. The perspectives people hold about the purpose of business affects ethical practices. In fact, there have been differing perspectives about the purpose of business in a society; philosophers and others have disagreed. Some suggests that the principal purpose of a business is to maximize returns to the owners or shareholders. Some point out however, that self interest would still require a business to obey the law and adhere to basic moral rules, because the consequences of failing to do so could be very costly in fine, loss of licenses, or company reputation. Friedman was a leading proponent of this view (Wikipedia, 2007).

Other theorists contend that a business has moral duties that extend well beyond servicing the interest of its owners or stockholders, and that these duties consist of more than simply obeying the law. They believe a business has moral responsibilities to be called stateless people who have an interest in the conduct of the business (employees, customers, vendors, the local community, the society is as a whole) and the right of governance (Oghene and Yomere 2008).

Importance of Business Ethics

Managers, and especially business owners, should understand that in order to be permitted to remain autonomous and private; they have to impose on themselves the responsibility of professional ethics. Business pay attention to ethics because of the public expects a business to exhibit high level of ethical performance and social responsibility. Oghene and Yomere (2008) reports that the purpose of ethics in business is to direct business men and women to abide by a code of conduct that facilitates, if not encourages, public confidence in their product and services.

Many ethical rules operate to protect society against various types of harm, and business is expected to observe these ethical principles. High ethical standards also protect the people who work in an organization. Employees resent invasions of privacy, being ordered to do something against their personal convictions, or working under hazardous conditions.

Business that treats their employees with dignity and integrity reap many rewards in the form of high moral and improve productivity and people feel good about working for an ethical company because they know they are protected along with the general public. Many strategic management decisions, such as investment in human resources, modernization, product and service developments, marketing, environmental issues and executive salaries, involve ethical activities. Thus many organizations use ethical training programs to gain strategic advantage, increase employee awareness of ethics in business, decision making, and help employees be more attractive to ethical issues to which they may be exposed.

Theoretical foundation

This study is rooted on the human rights approach to ethics which was popularized by Arthur Anderson (Lewis et al ibid). The human rights approach to ethics holds that human beings have certain moral entitlements that should be respected in all decisions. These entitlements guarantee an individual's most fundamental personal rights (life, freedom, health, privacy, and property). A right means that a person or group is entitled to something or is entitled to be treated in certain way. The most basic human rights are those claims or entitlements that enable a person or group to survive, make free choices and realize his or her potentials as a human being. This is to say that denying other persons or group their rights or failing to protect their rights or using people for your own purpose, denying them their rights to their own goals and purpose, is considered to be unethical. Respecting others, even those we disagree with or dislike, provided others do the same to us, is the essence of human right (treating people as valuable ends simply because they are human beings).

METHODOLOGY

This study was conducted in Port-Harcourt, the Rivers State capital. Callus Miller communications limited; a small scale business and one of the major Global Services for Mobil communication (GSM) product distributors was selected for this study. The rational for the selection of this firm is that Callus Miller communications limited attracts more customer patronage than other GSM product distributors in the area.

Data for this study was generated using a combination of secondary and primary sources. The manager of Callus Miller communications was consulted who conferred us permission for the study in his organization. Details of the firm's yearly revenue from sales for the period of ten years (2004-2013), were made available to us as requested, and this served as the secondary data.

Because there was no ethical audit report in the organization, we resorted to use the firm's customers to enable us generate primary data. For that reason, thirty (30) customers who have been patronizing the firm for the past ten years were randomly selected to form the sample frame. The provision of quality goods and services for customer satisfaction; one of the indicators of a business firm's ethical compliance was used to measure the independent variable; "adherence to ethics" in percentage.

The dependent variable "performance" was measured by revenue generated from sales in Naira, in millions. Unstructured questionnaire was designed to ascertain the ability of the firm under study to provide quality goods and services for her customers for the period, 2004 to 2013. This questionnaire was distributed to the respondents for completion and data collected were further organized to make them more useable, this was presented in table one as follows:

ANALYSIS

Table 1: Data for Revenue from Sales and Provision of Quality Goods/Services for Ten Years

Year	Income from Sales Revenue (₦) M	Provision of Quality Goods/Services (%)
2004	65	42
2005	81	63
2006	94	64
2007	122	68
2008	141	72
2009	166	81
2010	98	66
2011	112	65
2012	63	55
2013	124	78

Year	Y	X	$R(Y_{1)}$	$R(X_{1)}$	$di(R(X_{1)-} R(Y_{1)})$	di_2
2004	6.5	42	2	1	-1	1
2005	8.1	63	3	3	0	0
2006	9.4	64	4	4	0	0
2007	12.2	68	7	7	0	0
2008	14.1	72	9	8	-1	1
2009	16.6	81	10	10	0	0
2010	9.8	66	5	6	1	1
2011	11.2	65	6	5	1	1
2012	6.3	55	1	2	1	1
2013	12.4	78	8	9	1	1
						$di_2 = 6$

To test hypothesis one, the test statistics of Spearman Rank Order Correlation, (r_s) was used. According Asika (2005), Formula for Spearman Rank Order Correlation, r_s, is given as:

$$r_s = 1 - \frac{6\Sigma d_i^2}{N(n^2 - 1)} \quad \text{………………….. …………………….Equation (1)}$$

Decision rule: the test was carried out at 0.05 level of significance using 8 degrees of freedom (i.e. n-2) =10 – 2 = 8

Perfect direct relationship = +1

Perfect inverse relationship = -1

Computation was carried out for r_s by substituting in equation (1)

$$= \frac{1 - 6\,(6)}{10(100 - 1)} \qquad \frac{1 - 36}{990} = \qquad 1 - 0.36 \qquad \text{rho} = 0.64$$

Applying the above decision rule, computed value (0.64) is positive and approximately 1,

To test the second hypothesis, "t" statistics was applied. Test statics of "t" according to Asika (2005) is given as:

$$t = r_s \sqrt{\frac{n-2}{1 - r_s}} \quad \text{………………………………………………. Equation (2)}$$

Decision rule: the test was carried out at 0.05 level of significance using 8 degrees of freedom (i.e. n-2) =10 – 2 = 8.

The computed value of r_s (0.64) above was substituted in the "t" formula to enable us test the level of relationship.

$$= 0.64 \sqrt{\frac{10 - 2}{1 - (0.64)}} \qquad = \qquad 0.64 \sqrt{\frac{8}{1 - 0.401}}$$

$$= 0.64 \sqrt{\frac{8}{0.599}} \qquad = \qquad 0.64 \sqrt{13.36}$$

$$= 0.64 \times 3.66 = 2.33 \qquad t = 2.33$$

Applying the decision rule, computed value (2.83) is greater than the tabulated value (1.860)

FINDINGS & DISCUSSION

In the test of Hypothesis one, since the computed value (0.64) is positive and approximately 1, there is perfect and direct relationship in the measured dimension. We reject the first hypothesis which states that adherence to ethics has no relationship with performance of business organizations. Alternatively, we accept that adherence to ethics has relationship with performance of business organizations. This finding aligns with that of Kazmi (2003) which says "excellent organizations that have an explicit belief in, and recognition of values, draw economic growth and profit".

In the test of Hypothesis two, since the computed value (2.83) is greater than the table value (1.860), we reject the second hypothesis which says that adherence to ethics has no significant level of relationship with the performance of business organizations. Alternatively, we accept that adherence to ethics has significant level of relationship with the performance of business organizations. Buttressing this finding; Lewis et al (1995) say that business that treats their employees with dignity and integrity reap many rewards in the form of high moral and improve productivity.

CONCLUSION AND RECOMMENDATIONS

To be ethical means to find out whatever a society accepts and do it. Because ethics are shaped by personal choices and the environments in which we live and work, managers can inculcate personal values and impart a sense of ethics to the organizational members. Business ethics integrates core values, such as honesty, trust, respect, and fairness into all types of business dealings, policy-making, management practice, and decision-making. Since ethical rules operate to protect the people who work in an organization and society against various types of harm, business is expected to observe these ethical rules.

Business that observe ethical principles reap many rewards in the form of high moral and improve performance, people feel good working for them because they know they are protected along with the general public. Managers, and business owners, should understand that in order to win public confidence, they should pay attention to ethics and impose on themselves the responsibility of professional ethics.

In this study, we focused on Callus Miller Communications limited; a small scale business organization because of difficulty of assessing bigger organizations in the city for data generation within the time frame of this study and concentrated on business ethics. We encourage further research in this area or a replication this study using multinational or blue chip organizations.

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