CORPORATE ETHICS AT WORKPLACE
A CASE OF PAKISTAN STATE OIL, PAKISTAN

Faryal Fahim

Lecturer, Hamdard Institute of Management Sciences, Pakistan

faryalfahim@yahoo.com

Amena Sibghatullah ✉

Assistant Professor, Hamdard Institute of Management Sciences, Pakistan

amenasibghat@gmail.com

Abstract

Pakistan State Oil (PSO) has the biggest oil sector in Pakistan, they have fame, an excellent market standing. The primary shareholder of PSO is the government of Pakistan. As they have great reputation, a well corporate image but still PSO has not sufficient representation or accomplishment as it to be worthy of, this study was conducted specially to find out the hurdles that PSO is facing in implementing corporate ethics at work place, study used triangulation approach. By using both qualitative and quantitative methods study analyses the current situation of PSO with respect to the corporate ethics at work place. Through descriptive statistics responses were measured. Study found that overall performance of the employees is remarkable but PSO has some lacking in the management practices, the management must be corporative with the employees in order to achieve a common goal of the organization. PSO has a vast objective; it should be maintained by supporting their employees. Further Study found whether the members of the organization are professionally successful by adopting ethical behavior at work place.

Keywords: Ethical Behavior, Corporate Ethics, Ethical Standards, Corporate Ethics, Work Ethics, Implementing Ethical Standards

INTRODUCTION

Corporate Ethics are moral principles that guide the way a business behaves. Acting in an ethical way involves distinguishing between right and wrong and then making the right choice. The law is the key starting point for any business. The overall performance of the organization is greatly dependent on the ethical business activities and activities related to social and environmental benefits. In Pakistan there is an immense need to investigate this important issue: what possible hurdles public enterprises facing in implementing corporate ethics at workplace? As in the culture of public enterprise in Pakistan the Government has the most dominant part of ownership structure. As Pakistan being a third world country its resources are insufficient to providing all basic necessities and fulfilling the social needs of its public. The unethical behavior ranges from misleading financial statements and its shareholders.

PSO Pakistan state oil is a public limited company incorporated in Pakistan under the companies Act, 1913. Now companies ordinance, 1984 and is listed at all stock exchange of Pakistan. The principle activities of the company are procurement storage and marketing of petroleum and related products. The primary shareholder of PSO is the government of Pakistan with 22.4% direct shareholding and 54% aggregate shareholding. The general public has 11.7% of shares. The company is going through liquidity issues due to massive receivables. Believe this is just because a company is not following the corporate ethics properly that's why company facing lots of problem due to this society suffers badly.

Background

Before 1974, the oil marketing sector had a number of private sectors companies in it. In 1974 four of the companies were merged into one state run oil company, called Pakistan state oil company. Pakistan state oil company limited (PSO) is the oil market leader and one of the largest companies in Pakistan. It's overall market share is 64 % comprising 75.5 % share in black oil and 55.7 % in white oil. PSO serves a wide range of customers throughout Pakistan including retail, industrial, agricultural, aviation, and government/defense sectors. Professionals at PSO strive for providing unmatched and diverse services to the customers in line with best international practices. PSO'S new vision retail outlets (NVROs) are equipped with the most modern facilities including car wash, electronic dispensary unit, convenient stores, business centers, ATMs and internet facilities. For efficient handling of customer complaints, queries' and suggestion, PSO has a 24 hours customer service center furbished with state of the art customer relationship management module. PSO secures first position in oil and gas at best corporate report ceremony award organized by ICAP OR ICMAP.

The company code of conduct includes consistent lack of punctuality, giving illegal and unreasonable direction to others and unauthorized absenteeism, external pressure for promotion, unsatisfactory performance, conduct that violates morality, breaking of safety regulations, habitual sleeping in office time, breech of privacy and trust, gender harassment, discrimination on basis of caste, religion and gender. Workplace ethics and behavior are the crucial part of employment, as both are aspects that can assist a company in its efforts to be profitable. All companies specify what is acceptable behavior, what is not, when hiring an employee. PSO also specify their code of conduct but still management of PSO facing an issue. This research paper analysis the issues of unethical practices that are happening in PSO. The greatest competition that PSO faces is the lack of professional management. Shell Pakistan limited SPL, and Caltex Pakistan are both foreign owned companies. They have better management practices and are better able to control cost and market their products effectively so as to increase profits overtime.

Problem Statement

This paper is intended to find out the possible hurdles in implementing the proper corporate ethics in PSO, if not found accurately, this may lead to further problems for PSO. Particular identification of the same may be helpful for the company.

Research Question

What are the possible hurdles that PSO is facing at workplace?
How does PSO coping with difficulties in implementing the corporate ethics at workplace?

Objective of the Study

The objective of this study is to determine the hurdles in implementing the ethical standards within the PSO.

Structure of the Study

Chapter 1 gives us an introduction about the code of conduct of PSO along with the background, problem statement, research question, scope, limitations, and significance of the study. It also verifies the present status of ethical practices of PSO. Chapter 2 gives the literature review of different scholars. It also covers a case study of the different scholars that have been undergone corporate ethics recently Chapter 3 tells us about the research design and methods and methods used for research. Chapter 4 contains the analysis of the questionnaire and finally chapter 5 gives us the conclusion of the findings.

LITERATURE REVIEW

Conceptual Framework

The conceptual framework of this study is based on a case study in Ethics by Paul H dembinski, Carole Léger, et al, 1999, and 2006). The reason for selecting this case study is its flexibility in explaining attitude and behavior in diversified domains including attitude, behavior, norms, business ethics, implications for auditing, high risk accounting, trust in financial markets, trust in employees, courage and discipline, leadership & responsibilities, ethical decision making, rules & regulations, ethical standards, and unethical practices.

The main components are norms, courage & discipline, unethical practices, leadership & responsibilities which are directly dependent on corporate ethics. Actual behavior of an individual is dependent on his intention to perform a behavior. Corporate ethics in this study is (conceptual framework) has been explained through unethical behavior, ethical decision making, norms, attitudes, courage & discipline. The other variables include influence of external pressures, ethical standards, and government involvement. The conceptual framework is presented in Figure 1.

Figure 1: Conceptual Framework
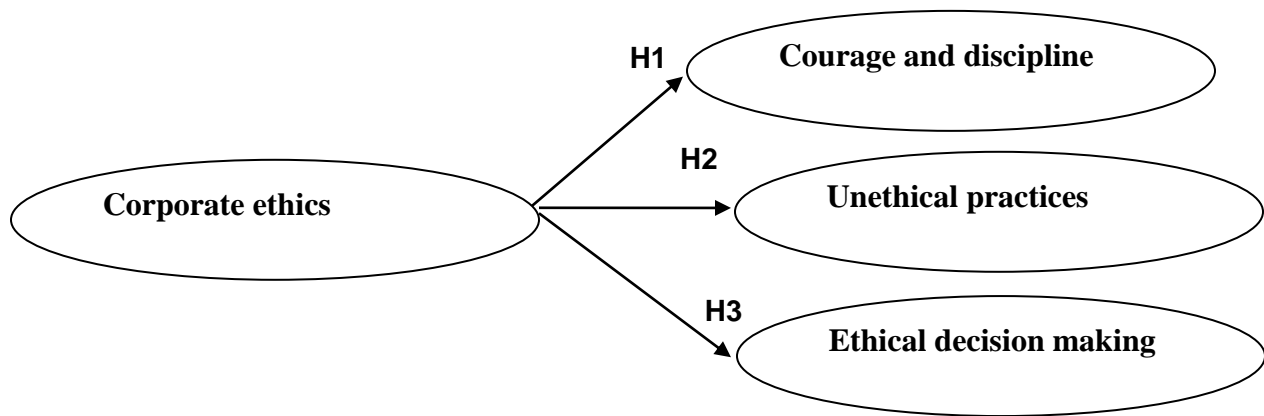
The components of conceptual framework are discussed as follows: initially corporate ethics is discussed, followed by discussions on the three construct and their relationship with corporate ethics. This section ends with a summary of derived hypothesis.

Corporate Ethics

J. von Neumann and O. Morgenstern (1947) they published there paper on ethics in which they highlighted that the rational behavior of any individual can be derive mathematically from the behavioral characteristics of that individual.

Robin and Redenbacher, (1987) investigated that business is a human activity. It must be evaluated from the individual moral point of view.

William Thomas, (2002) analyzed the corporate culture of Enron company and found that the market rapture and arrogance is the result of an individual and the collective greed of the environment.

John Dobson, (2005) has been explored that ethical guidelines must be viewed as legal rules. Without ethical guidelines organization never performed well in this competitive society. Ethical concepts such as honesty, fairness and integrity have a positive impact on the finance professional behaviors.

Unique feature of code of ethics is that they don't have any legal binding so they are not enforceable legally, Helen Keller.

During "Ethics Officer Association Conference" managers raised the concern about employees not reporting any misconduct or false business practices and to conquer this issue they use various strategies i.e hiring third party etc (Jeff Salters)

Courage & Discipline

Robert G Kennedy (2005) stated that Enron's executives quite deliberately and cleverly violated the *spirit* of the law, to say nothing of their fiduciary duties as professionals. They engaged in many acts of deception and manipulation, enriched themselves at the expense of their shareholders and employees, and corrupted or intimidated the people who might have prevented these abuses. He further stated that Courage is complemented by discipline. Where courage resists external pressures (fears and risks, for example) that incline a person to make bad choices, discipline deals with internal factors (desires and temptations). In other words, where courage helps a person to deal with pain (even small pains), discipline helps a person to deal with the pleasant things that can distract him or her into making bad choices. Discipline is 'right passion'. Business needs passionate people, but their passion must be directed towards the accomplishment of worthwhile goals, not towards self-indulgence. People who cannot moderate their personal desires are unlikely to be able to bring the right passion to their management responsibilities (the recent scandals have certainly given us a number of examples of both self-indulgence and incompetent management).Courage and discipline are essential to sound management but they are also fragile traits of character. In healthy companies, such virtues are nurtured and in turn strengthen the organization. Some companies, however, create an environment toxic to virtue, and the slow corruption of the managers undermines the effectiveness of the enterprise.

The important things in business ethics is to abide by the criminal law in official or business related activities and to avoid such actions or activities which are bad for company's reputation. Otherwise it may be unethical and may also affect goodwill and profitability of the business. On the other hand it is very difficult to manage and maintain such ethical standards without compromising on profitability (John Velentzas - Georgia Broni). In addition few ethical mistakes can bring fatal results which can ruin public image and value at share market of the company (David Finegold & Allison Moser)

Ethical Decision Making

Ethical branding is very necessary for any corporate management reputation, he further clarifies that consumer seeks to have a valuable good and this is only possible when the branding done ethically. This is all depending on ethical decision making. He investigated the positive relationship between ethical branding and corporate performance which is based on manager's ethical decision. Ying Fan (2005).

In another study it is stated the managers are basically ethical because of the values of the culture and the presence of specific code of ethics in the organization. Whereas decision making at lower level is programmed and simple, but as the seniority level of managers increases in the organization decision making becomes challenging (Paul W. Mwaponda)

METHODOLOGY

The research is conducted in the light of both qualitative and quantitative approaches, consisting of interviews, observations, open and structured questionnaires. This study focuses how corporate ethics are implemented fully at workplace and what is the problems organization is facing in implementation proper ethics. The central part of this study is how members gain benefit through their ethical behavior, which helps them in their profession. Many researchers have been researched on ethical behavior. The study uses qualitative approach to observe the organization members, through open ended question that allow respondents to understand how employees are doing. And what their experiences are. Through interviews it can be visualize how members maintain their behavior to be successful in their professions. Study needs to be investigated how the members of PSO keeps their behavior. It needs to be identified that whether the members of the organization is professionally successful by adopting ethical behavior.

Research Design

This study is descriptive in nature so that it will be easier to capture the specific details of a situation, social setting or relationship of corporate ethics phenomena. The corporate ethics phenomenon is already explored that's why it emphasizes to describe the nature and the benefits of corporate ethics. Scholarly researches have shown that corporate ethics is positively related to career success. The study describes how corporate ethics supports members in their profession .The study are not going to do explanatory research because of insufficient time and cost. Many studies have been studied on corporate ethics in UK and USA. Now in Pakistan this needs to be investigated. The study uses positivist approach, through that study emphasizes the relationship and look for causes of corporate ethics and mechanism that produces effects of corporate ethics.

Universe and Target population

The universe of population of this study is the top level employees of PSO. The target populations of the study are those employees who have been serving in the company for last ten years or so, in addition those employees whom performance level is high as compared to others.

Sampling Design and Technique

The study began with the 2005-2015 databases of accredited oil company and selected that is Karachi based. The study began collecting information randomly from available sampling frame

Instrument and Protocol

Structured questionnaire is used as instrument and data have been gathered through this questionnaire by email. 10 top level managerial appointment holders responded on the questionnaire.

Data Collection and Analysis

There are total 13 questions asked from respondents, responses of first 6 questions and their analysis is as under:

Figure 1: Question 1-6

In response to first five questions all responded yes, i.e. PSO has specific and declared ethical values which are communicated to all employees of the company. PSO also has complaint box or other established processes for reporting observed ethics violations. During the last one year, PSO does not give any reward to any employee who adhered to the Ethics policy. But during the same time period management of PSO punished employees who violated the Ethics policy.

In response to question 6, 30% respondents are of the view that the management of PSO remained consistent (while taking decisions) with the company's Code of ethics over the last one year. Whereas 70% believe that the management does not acted as per Code of ethics

In response to question number 7, 30% respondents are of the view that while taking decisions in ethically sensitive situations the focus of PSO management is the end result, i.e., what would be the benefits or consequences of the decision. Whereas 70% responded that in such kind of decisions the focus is the process of achieving the end result or the manner in which the activity is conducted.
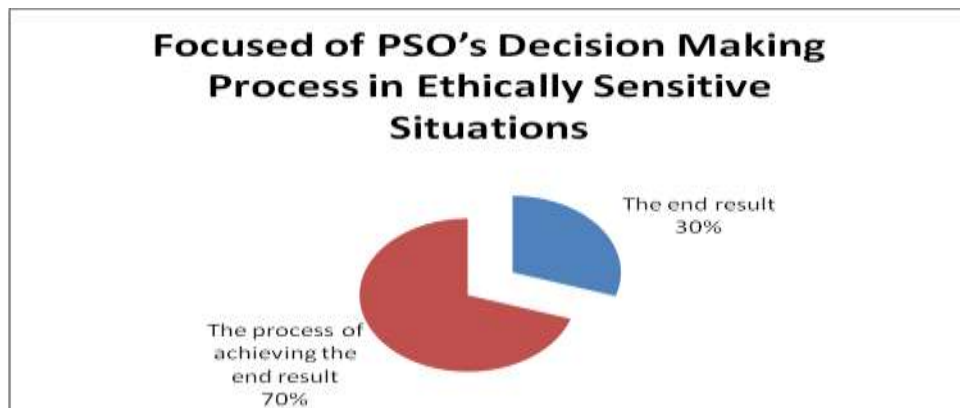
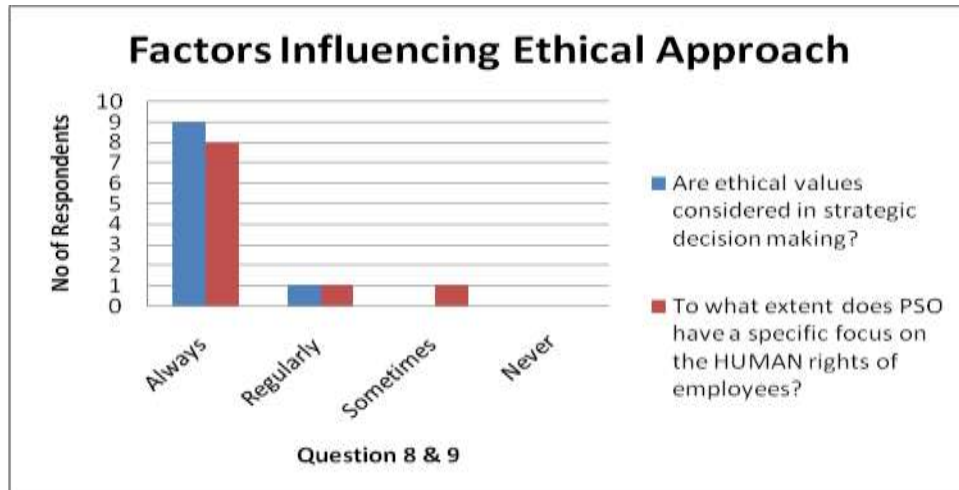Figure 2: Question 7

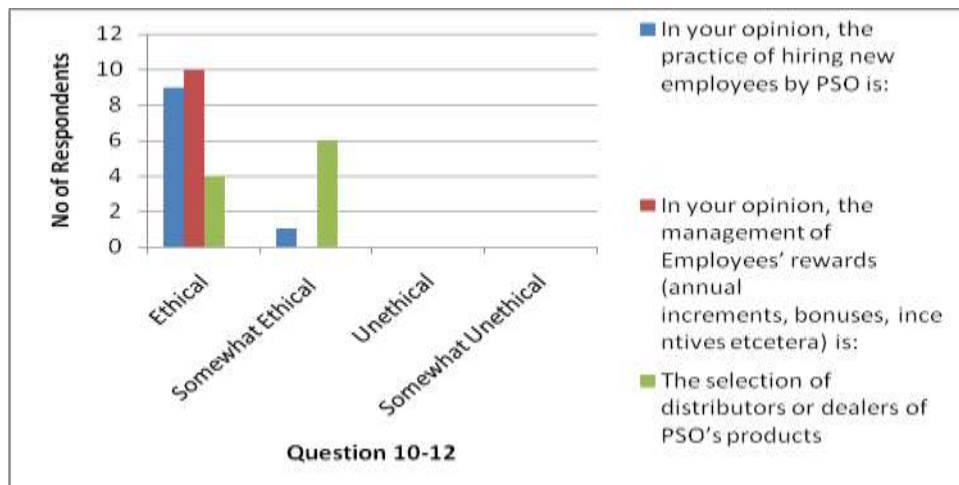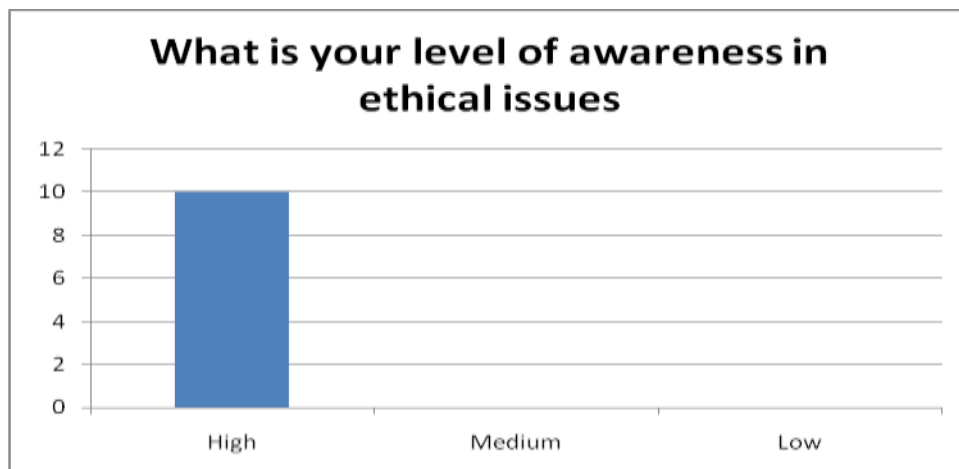Figure 3: Question 8 & 9

Figure 4: Question 10-12

Figure 5: Question 13

CONCLUSION

The main aim of the study was to determine the hurdles in implementing the ethical standards within the PSO (Pakistan State Oil), thus, study found that PSO is well established and they maintained corporate ethics very well. I.e. PSO has specific and declared ethical values which are communicated to all employees of the company. Up till yet they haven't faced any hurdles in implementing the policies and corporate ethics at work place. This is their strength that the management has maintained the environment very well. It is the biggest corporate oil sector in Pakistan. PSO secures first position in oil and gas at best corporate report ceremony award organized by ICAP OR ICMAP. The greatest competition that PSO faces is the lack of professional management. Shell Pakistan limited SPL, and Caltex Pakistan are both foreign owned companies. They have better management practices and are better able to control cost and market their products effectively so as to increase profits overtime. The study found that the members of the organization are trustworthy but management should support them in every matter. PSO need to work on even better management practices so that they will increase their revenue supplementary and can become the best oil sector market of the world.

RECOMMENDATIONS

- PSO can increases their market share by seeking competitive advantage as it is the only Pakistani oil sector that dealing in oil markets.
- PSO can improve their management practices by motivating their employees.
- They should give rewards on quarterly basis according to the performance of an employee.
- PSO must increase their export.
- They should improve their staffing; they should supposed to give an opportunity to young talents of Pakistan.

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QUESTIONNAIRE

Corporate Ethics at Workplace: A Case of PSO

Factors Influencing Ethical Approach of the Company

1. Does PSO have specific and declared ethical values?

Yes ☐   No ☐

2. Has PSO communicated you on the values of the company?

Yes ☐   No ☐

3. Does PSO have complaints box or other established processes for reporting observed ethics violations?

Yes ☐   No ☐

4. In the last one year, has PSO rewarded any employee/s who adhered to the Ethics policy/ Code of ethics/ Conflict of interest policy? (Please select either Yes or No)

Yes ☐   No ☐

5. In the last one year, has PSO punished any employee/s who violated the Ethics policy/Code of ethics/ Conflict of interest policy? (Please select either Yes or No)

Yes ☐   No ☐

6. Over the last one year, do you feel that members of the management team have acted consistently with the company's Code of ethics? (Please select either Yes or No)

Yes ☐   No ☐

7. Which of the following is mostly focused by PSO's decision making process in ethically sensitive situations? (Please Select Only One)

☐   The end result (Benefits/ consequences of the decision)

☐   The process of achieving the end result (The manner in which the activity is conducted)

8. Are ethical values considered in strategic decision making?

Always   Regularly   Sometimes   Never

9. To what extent does PSO have a specific focus on the HUMAN rights of employees? (Please select only one response)

Always   Regularly   Sometimes   Never

10. In your opinion, the practice of hiring new employees by PSO is:

Unethical   Somewhat Unethical   Somewhat Ethical   Ethical

11. In your opinion, the management of Employees' rewards (annual increments, bonuses, incentives etcetera) is:

Unethical   Somewhat Unethical   Somewhat Ethical   Ethical

12. The selection of distributors or dealers of PSO's products

Unethical   Somewhat Unethical   Somewhat Ethical   Ethical

Please indicate how ethical you consider the following employees in PSO to be

(Please select only one response for each question)

13. What is your level of awareness in ethical issues? (Please Select Only One)

High   Medium   Low