

## **Determinant of ethical standards in Nigeria business environment**

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### **Abstract**

The importance of ethics and moral values in business place has assumed front burner after the various scandals that rocked the corporate world, unearthed the moral decadence in corporate organizations. The objective of the study was to examine the determinants of ethical standard in business organizations in Nigeria. Code of ethics (COD), employees' rights (EMR) and work experience (WOE) were the determinant explored. The study made use of 100 questionnaires to elicit response from respondents carefully chosen from the corporate world. A regression test is employed in other to test the hypotheses. The result revealed that code of ethics (COD) and employee right (EMR) had significant positive relationships with ethical behavior in work place (ETHB). The result also revealed that work experience (WOE) had insignificant positive relationship with ETHB. Based on these findings, the study recommends that organizations should put in place ethical code of conducts that will regulate ethical practices in the organization, punitive measures should be melted out to defaulters and regular checks should be carried out to access level of compliance.

**Keywords:** Ethics, Ethical standards, Business organizations.

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### **Introduction**

#### **Background to the Study**

It is often said that business is the life wire of every community, wherever people gather there must be business activities to keep the environment alive and viable. Business activities are often managed by the owners or entrusted in the hands of other appointed individuals who help in managing it, the managers are ethically expected to give true and fair account of the business performance periodically to the people who appointed them, however events in recent times reveals that these stewards deviates from their expected role of serving the stakeholders that appointed them to pursuing self-interest of enriching themselves with public funds. (Ango, 2012, Gill, 2010, Smith-Davis & Kroncke 2009) <sup>[1, 9, 20]</sup>.

Svesson and Wood (2003) <sup>[21]</sup> opined that enhancing business ethics depend on two main factors, culture and time. The business environment's culture defines what is accepted and unaccepted, and it is influenced by traditions, values, and religion as well as individuals. Companies should not only use business ethics as a business code, rather ethics should be integrated into the business as a corporate philosophy because According to IPG (2003), without ethics and values, government business and the whole development process stand threatened.

Phatak (2005) <sup>[17]</sup> and Ojumu (2007) <sup>[14]</sup> in their study both agreed that there are several ethical dilemmas where international businesses have to take a stand. It can be situations regarding bribery, corruption, child labour, sweatshops and human rights abuses. When companies engage in international business they are often face with different laws, norms, and regulations and the acceptance differ from Country to Country. Robertson (2005) <sup>[19]</sup> identified a vacuum on the effective enforcement of codes of ethics as part of the corporate culture of Multinational Companies in developing Countries, especially Nigeria. Peter (2004) <sup>[16]</sup> has left a gap in his study on the difference between the level of commitment of

employees whose rights are abused and those not abused by Multinational Companies in developing nations.

Johnson, Scholes and Whittington (2005) state that there are three levels of business ethics where societal expectations have a great impact on companies and organizations. The first level is the macro level that is concerned with the ethical stance of the organization or in other words to which extent organizations exceed their legal requirements in connections with their stakeholders while the second level is the corporate social responsibility level that is within the macro level and is concerned with how organizations exceed the minimum requirements to live up to the ethical stance of the organization. The third and final level is the individuals' behavior's and actions such as behaving with integrity and whistle blowing. As captured by the International professional group (IPG), in Nigeria all the professions have their codes but, characteristically, the current trend is to set aside these codes and adopts personal codes which are based on greed, selfishness, lack of concern and care for others, intolerance, dishonesty and falsehood, these trends continues to be the bane of the urgently needed development in Nigeria both in public and in the private sector

#### **Statement of research Problem**

Ethical issues cannot be overemphasized in the society, the prevalent cases of unethical practices among business managers have led to lack of trust between employees and employers hence compliance and enforcement of ethical standards and guildlines constitutes great challenge to both parties.

According to Peter (2004), a gap exist on the difference between the level of commitment of employees whose rights are abused and those not abused by multinational companies in developing countries. In a bid to close this gap and other problems espoused, the following question will be used to address these problems;

1. What is the relationship between codes of ethics and ethical behaviours of employees?
2. What is the relationship between employees' rights and the level of employees' organizational commitment?
3. What is the relationship between work experience and unethical behaviour in an organization?

### Research Objectives

The major objective of this study is to find out the determinants of Ethical standard in Nigeria business environment while the specifics objectives are to;

1. Examine the relationship between codes of ethics and ethical behaviors of employees.
2. Examine the relationship between employees' rights and the level of employees' organizational commitment.
3. Examine the relationship between work experience and unethical behaviour in an organization.

### Research Hypotheses

The following null research hypotheses are formulated:

1. There is no significant relationship between code of ethics and ethical behaviours of employees.
2. There is no significant relationship between employees' rights and the level of employees' organizational commitment.
3. There is no significant relationship between work experience and unethical behaviour in an organization.

### Scope of the Study

The scope of this work is to find the determinant of ethical standards in business environment in Nigeria. This study will consider respondents who are staffs of financial institutions in Edo state for year

### Literature Review

#### Introduction

The word ethics is the principle of morality, including both the science of the good and the nature of the right. It involves doing the right thing in the right manner. It is a system of moral principles or rules of behaviors. Ethics is the discipline dealing with what is good and bad and right and wrong or with moral duty and obligation. In the words of Hurn (2008) <sup>[10]</sup> ethics is considered as the study of "human duty in its wider sense", underlining the common thread of the recognition of obligation and acceptance of responsibility for how one's actions would impact on other people. When ethics are applied to a profession, it becomes the standard rule that governs or influences the behavior of members of the profession, Izedonmi (2008) <sup>[11]</sup>. When applied in an organization, it refers to the application and strict adherence to the use of laid down rules or principles of behavior Okafor (2006) <sup>[15]</sup> Ethics is about making choices that may not always feel good or seem like they benefit a person but, are the "right" choices to make. They are choices that are examples of "model citizens" and examples of the golden rules: don't hurt, don't steal, don't lie or one of the most famous, do unto others as you would want them to do to you. These are not catchy phrases, they are words of wisdom that any productive and responsible member of the society should strive to live by Curry (2004) <sup>[6]</sup>.

Part of understanding ethics is realizing that we are all capable of the best and worst ethics at any time. Therefore, step zero in one's ethics education begins with recognizing the inherently

high ethical error rate in us all, appreciating the negative effect these errors can have on people, organizations, and ourselves, and making the prevention of these errors a priority in our personal and professional lives. Once this step is fully grasped, then the tools of ethical reasoning will come easily and benefit their users greatly. Ethics is a process of rational thinking aimed at establishing what value positions to hold and when to change them and requires the continuous realignment of value positions in accordance with ethical principles. In real ethics, we must be ready to adjust our thinking, positions and behavior to be ethical and to remain ethical over time. Hence, ethics demands a willingness to change Ethics Quality for Organizational Excellence (2006) <sup>[8]</sup>.

### Conceptual Frame Work

Rashid, Sambasivan and Rahman (2004) investigated whether organizational culture has an impact on attitudes towards organizational change in Malaysia. The researchers used a structured, self-administered questionnaire and found that there is association between organizational culture and the affective, cognitive and behavioral tendency of attitudes towards change. Different types of Culture had different levels of acceptance towards organizational change meaning some cultures facilitate the acceptance of change more readily than others.

Wrongdoing literary define as improper behavior or action, Under the Policy, The act of reporting wrong doing refers to: A violation of any law or regulation, Misuse of public funds or assets, Gross mismanagement, A substantial and specific danger to the life, health and safety of individuals or the environment and reprisal resulting from good faith disclosures of wrongdoing.

In research conducted by Smith (2006), it was found that the creation and use of the corporate code of ethics had provided the companies with an avenue to declare publicly their commitment to good ethics, by ensuring compliance but did not look at the larger issues of right or wrong. In today's competitive business environment, a corporate code of ethics should serve as the foundation upon which employees make decisions based on honesty, integrity, confidence and trust. A written code of ethics provides employees with an understanding and knowledge of what their organizations expect from them in terms of responsibilities and behavior. A code of ethics reflects corporation standards and establishes realistic modes of behavior that applies to everyone in the company, from the board of directors to the newest employee. A code of ethics may be considered as the manifestation of a company's ethical measures, or at least of a company's intentions or commitment to act ethically.

Even though codes of ethics are nowadays widely used and discussed, there is not an existing commonly agreed upon definition of what precisely constitutes a code.

As such, codes are used to establish a baseline for action within the corporation. According to Mathews (1990), corporations and their executives use written codes of ethics to demonstrate: (1) social responsibility, (2) a corporate culture that promotes anti-criminal behaviour patterns, and (3) the possibility of self-regulation. However, even if codes do provide a potential form of self-regulation, most research has shown that the relationship between codes of ethics and behaviour is minimal, (Mathews 1990, Donaldson 1992, Carasco & Singh 2003). This has naturally roused much discussion about whether codes

of ethics are merely window-dressing and a public relations activity rather than an indication of real intentions to put the made commitments into practice.

However, there is also some research arguing that codes of ethics do not typically stand in isolation but are associated with a greater attention to ethical issues than is found in companies without codes (Guillén, 2002). To evaluate the degree of commitment to ethical and responsible behaviour, one has to look at the reasons and aims that companies have for using codes of ethics. It feels reasonable to assume that deeply internalized values, such as moral considerations, behind codes of ethics tend to lead to high commitment whereas developing codes of ethics for superficial reasons, such as for the sake of public pressure or company image, most probably leads to low commitment. Business ethics researchers have traditionally treated companies as moral actors, assuming thus moral reasons behind codes of ethics and not really questioning the implementation of the pronounced intentions. This view is, however impugned by increasingly many people, as different kinds of revelations about company reality tend to suggest the opposite to be closer the truth. A code of ethics should also outline behavior's that would allow the business to display these characteristics. Peterson (2003) mentions that from the employee's point of view, an ethical conflict usually occurs when employees feel pressured by their co-workers or supervisors.

#### **Motivation relating to self-conception**

Self-conception may interact with motivation in at least two separable ways. One concerns the impact of the relatively stable core personality traits and the other the more volatile and context-relevant features of the self. The first alternative has been the focus of studies concerned with virtue ethics and the so called ethical identity. Several studies on moral motivation in accounting have adopted the virtue ethics framework (Minz, 1995; Thorne, 1998; Armstrong, Ketz, & Owsen, 2003<sup>[3]</sup>; Libby & Thorne, 2007)<sup>[13]</sup>. According to this framework the character traits of a person are treated as stabile determinants of moral motivation over time and across contexts. The cited research has followed the description of virtue ethics as presented by Pincoffs (1986)<sup>[18]</sup>. Other research has dominion in applied psychology, of which some studies have developed and tested a similar concept 'ethical identity' as a definition of various virtues that the individual level identity may adopt as self-descriptive. Moral identity has been defined as the moral aspect of one's self (Bergman, 2002)<sup>[4]</sup>.

The moral identity is a self-regulatory mechanism that motivates moral behavior (Blasi, 1984; Damon & Hart, 1992). The impact of the moral identity on motivation is explained by the self-consistency motive according to which a strong ethical identity compels the individual to act morally (Colby and Damon, 1992)<sup>[5]</sup>. Aquino and Reed (2002)<sup>[2]</sup> have demonstrated relationships between ethical identity and several moral behaviors such as self-reported volunteering and willingness to minimize harm.

These relatively stable core personality traits differ quite from the situation-driven, context-sensitive, and highly dynamic social identities that are associated with group membership and other social entities, such as the profession, to which the attention of the present study is directed. According to the

discussion above about the context-driven activation of fractions of the self, identities or working self-concepts (WSC), the self-concept approach offers a conceptualization that takes into account context variation and other dynamics (Kihlstrom & Klein, 1994)<sup>[12]</sup>. In this context a professional accountant would typically be under the influence of a professional identity during his/her work. An attempt to improve the accountant's ethicality through improvements of cognitive structures would thus primarily concern the professional identity that the particular individual holds.

#### **Methodology**

The research design adopted in this study is the survey research design as it enables the researcher elicit responses from respondents. The population of the study comprises of all money deposit banks in Edo state. A sample of eighty (80) respondents were used from five (5) randomly selected banks staffs in Benin city, Edo state. The study used primary data, which was collected through self-administered questionnaire. The data was analyzed using the ordinary least square (OLS) regression method in order to arrive at a more desired result.

#### **Model Specification**

The econometric model employed in this study is a multiple regression model. Our model is designed to measure the relations between ethical behaviour (dependent) and determinants (independent) of ethical behaviour in business organizations in Nigeria. The model set out in this study is neither adopted nor modified from any other study and is purposively developed for this study. Consequently, the model is express below in functional and empirical form:

$ETHB = f(COD, EMR \text{ and } WOE)$

$ETHB = \beta_0 + \beta_1 COD + \beta_2 EMR + \beta_3 WOE + \varepsilon_i$

Where:

ETHEB = Ethical Behaviour,

COD= Code of Ethics

EMR= Employee Right

WOE= Work Experience,

$\beta_0, \beta_1, \beta_2, \beta_3$ , = coefficients

$\varepsilon_i$  = error terms.

The a priori expectation of the model is  $\beta_0 > 0, \beta_1 > 0, \beta_2 > 0, \beta_3 > 0$

The study used a simple regression technique, ordinary least square (OLS) for data estimation and analysis. In the course of analysis, we conducted descriptive statistics, correlation analysis, pooled regression analysis. These were done with the aid of E view 7 econometrics software.

#### **Data Presentation and Analysis**

In this Section, we perform the presentation and analysis of the data used for the empirical evaluation of the study. The analysis involves the use of econometric methods in order to provide a rich background for the investigation. The statistical tools employed are the descriptive statistics and correlation analysis. The descriptive statistics are used to provide the initial characterization of the data. The econometric analysis extends the statistical analysis with the goal of performing the empirical analysis and obtaining estimated coefficients which are valid enough to test the hypotheses in the study.

**Table 1:** Descriptive Statistics of variables

	ETHB	COD	EMR	WOE
Mean	28.36	13.97	16.68	12.09
Median	28	14	17	12
Maximum	35	19	20	18
Minimum	16	6	10	6
Jarque-Bera	14.97	20.66	8.26	0.05
Probability	0.00	0.00	0.02	0.98
Observations	100	100	100	100

Source: Researcher's Compilation (2015)

The results of the descriptive statistics of variables are reported in table 1 above. The results showed that the average percentage for ETHB for the sampled opinion extracted is approximately 28.36%. But the maximum and minimum percentages for ETHB are respectively 35% and 16%. This maximum statistics is expected since the highest point on our research instrument is 35 point. The percentage values for perception of COD are 13.97%, 19% and 6% for average, maximum and minimum respectively. The next information is EMR. It registers a mean value of 16.68% while its minimum and maximum values are 10% and 20% respectively. The implication of this data is that EMR certainly affect ETHB. Once again, on our descriptive statistics information, we present data on WOE. Its mean value is 12.09% while its maximum and minimum values are 18% and 6% respectively. Aside the mean values, the Jarque Bera statistics and all the associated probabilities indicated that the distribution of the variables assumes a normal shape.

### Correlation Matrix

In an attempt to explore the relationship between variables used in the study, we carried out correlation analysis using Pearson product moment correlation method. The results are presented in the table below.

**Table 2:** Correlation Matrix

Correlation				
t-Statistic				
Probability	ETHB	COD	EMR	WOE
ETHB	1.000000			
	-----			
	-----			
COD	0.104553	1.000000		
	1.460497	-----		
	0.1458	-----		
EMR	0.683744	0.104696	1.000000	
	13.01712	1.462521	-----	
	0.0000	0.1452	-----	
WOE	0.041600	0.111036	-0.053479	1.000000
	0.578427	1.552166	-0.744019	-----
	0.5637	0.1223	0.4578	-----

Source: Researcher's Compilation (2015)

The table 2 above shows the relationship of how the variable relate to one another in the sampled data gathered through the research instrument. The table shows that the co-efficient of correlation of a variable with respect to itself is 1.000. This indicates that there exists a perfect correlation between a variable with respect to itself. The result also showed that there exist a high positive relationship between COD, EMR and WOE with ETHB. This means that the strength of relationship

between the variables are quite strong. The statistical implication of this is that COD, EMR, and WOE had significant relationships with ETHB since it had p-values >0.05 with P-value is less than the 5% level of significance.

**Table 3:** Estimation of variables

Dependent Variable: ETHB				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	11.23661	1.708098	6.578432	0.0000
COD	0.623867	0.071656	0.333082	0.0394
EMR	0.370782	0.073942	11.77650	0.0000
WOE	0.185530	0.066147	1.293035	0.1976
R-squared	0.877412	Mean dependent var		28.36410
Adjusted R-squared	0.866410	S.D. dependent var		3.024938
S.E. of regression	2.209635	Akaike info criterion		4.448838
Sum squared reside	927.6722	Schwarz criterion		4.532761
Log likelihood	-428.7617	Hannan-Quinn criter.		4.482817
F-statistic	2.39371	Durbin-Watson stat		1.744747
Prob(F-statistic)	0.000000			

Source: Researcher's Compilation (2015)

From the pooled ordinary least square (OLS) regression result above, it was observed that, code of ethics (COD), employee right (EMR), and work experience (WOE), were able to explain about 87% of the total variation in ethical behavior in work place (ETHB) while about 13% of the systematic variations in ETHB were left unexplained by the model. This means that our explanatory variables accounted fairly for the changes in ETHB among our sampled opinion.

On the basis of the overall statistical significance of the model as shown by F-statistics it was observed that the model was statistically significant since the calculated F-value of 2.39 is greater than the critical F-value at 5% level of significance. This means that the overall model is statistically significant. The Durbin Watson with a value of 1.74 indicates the absence of first order autocorrelation in the model.

The result revealed that code of ethics (COD) and employee right (EMR), had significant positive relationships with ethical behavior in work place (ETHB) since their probability values of 3.94% and 1% respectively were greater than the absolute critical t-values at 5% level of significance. The result also revealed that work experience (WOE) had insignificance positive relationship with ETHB on the basis of its probability value of 19.76%. The result also showed that COD and EMR agree with the *a priori* expectation in our model. But WOE failed to agree with *a priori* expectation of our model.

### Conclusion and recommendations

The need for high ethical standard have been argued by several scholars, It is argued that organization with high ethical values attract better investors and also have good corporate image. Most of the corporate scandal witnessed all over the world could be traced to lack of high ethical standard in such organizations, hence the need for this study. The study examined the determinants of ethical standards in Nigeria Business environment. It made use of questionnaire to elicit response from respondents. The study revealed that code of

ethics and employee right had a significant relationship with ethical behaviour in work place while work experience had an insignificant relationship with ethical behaviour. The study recommends that organizations should put in place ethical code of conducts that will regulate ethical practices in the organization, also punitive measures should be put in place to sanction employees who defy or go against organization ethical guidelines in order to serve as a deterrence measure to other.

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