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# ETHICAL STANDARDS AND BUSINESS PRACTICES: THE ORGANIZATIONAL PERSPECTIVES

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## Abstract
This study Ethical Standards and Business Practices, the organizational perspectives analyzes the role ethics plays in the management of an organization. Management of ethics involves leaders protecting their stakeholders from any negative consequences that could arise from the actions of their businesses. The study was guided by the following objectives; To examine the effect of the application of ethical standards by the management on a business and to determine how ethical culture relates to the management of an organisation. The study is anchored on the utilitarian theory of ethics and is also influenced by stakeholder theory. A sample of 76 respondents was drawn from the population of the study. A questionnaire in addition to library research was used to collect data. The Likert scale of measurement was used to measure the responses of the respondents. The formulated hypotheses were tested with the Chi-Square statistical tool with the help of the IBM SPSS statistics package. The findings of the study revealed that maintaining good ethical standards positively affects organizations. It breeds trust and loyalty from customers and employees. Most employees will act ethically if the managers and employers act ethically. Some factors influence ethical or unethical values in individuals and organizations. It therefore concluded that the responsibility for the ethical culture of an organisation rests mainly on the management. The study recommends that, for ethics to be practised and integrated into the culture of business organisations, the study of ethics should be included in the organization's training programs.

**Keywords:** Ethical Standard, Business Practices and Organizational Perspectives.

## Introduction

Managers make decisions daily that concern their entire organization. These are decisions that can have either positive or negative consequences for the business as a whole or the personnel, customers and the community in general. These include decisions on issues of ethics. Chief Justice of the U.S. Supreme Court Potter Stewart once stated "Ethics is knowing the difference between what you have the right to do and what is right to do." Management ethics involves leaders protecting their employees, customers and society as a whole from any negative consequences that could arise from the actions of their businesses. It includes issues like customer safety, customer information security, honest advertising, corporate social responsibility, responsible use of company resources, coworker interaction, etc. In Nigeria, businesses are involved in many unethical practices and it is so widespread that some practices have become normal. Most business owners or managers convince themselves that some unethical actions taken by them are merely business practices peculiar to their line of business. They believe that so long as a businessman complies with the laws of the land, he is ethical. These unethical practices occur in every sector of the Nigerian business environment, marketing, banking, manufacturing, health, telecommunication, transport, education, oil and gas etc.

There exists poor customer service, nepotism, price-fixing, bribery, kick-back, production of sub-standard goods, tribalism, sexual harassment, false advertisement, espionage and so many other unethical behaviours among managers and employees in Nigeria. This leads to mediocrity, inefficiency and mistrust of each other within the country and internationally, with this lack of trust, comes a decrease in business activity for the company concerned. In Nigeria where the unethical practice of “obtaining by false pretences”, popularly known as “419”, is prevalent, there is an extreme loss of trust for business executives by their colleagues and by both the local and international business community. This has led to low foreign investment in many sectors in Nigeria and very stringent measures in the approval of loans to businessmen by banks. Everybody is suspicious of everybody.

Businesses must have leaders who can make ethical choices that put people ahead of the bottom line. Management ethics has a critical impact on overall business ethics within an organization, how a manager responds to ethical problems will impact how the rest of the employees will respond to situations of ethics. Managers should set the tone for ethical decision-making and behaviour for employees’ actions. If employees see their managers acting ethically in difficult moral situations they are much more likely to make ethical decisions themselves. Ethical problems can be complex and costly if left unattended or badly managed. This is why the study and knowledge of ethics are extremely useful for management. So, they need to seek information from both within and outside the organisation because ethical issues are inevitable.

Paine (1994) said, “An integrity-based approach to ethics management combines a concern for the law with an emphasis on managerial responsibility for ethical behaviour.” So, why is ethics such a vital component of management practice?

**Objectives of the study**

The following objectives were formulated for this study:

1. To examine how ethical culture relates to the management of an organisation.
2. To determine the effect of the application of ethical standards by management on a business.

**Research Questions**

1. How does ethical culture relate to the management of an organisation?
2. What are the effects of the application of ethical standards by management on a business?

**Research Hypothesis**

The following research hypothesis is formulated for this study:

**$H0_1$** Ethical culture has no relationship with the management of an organisation.

**$H0_2$** The application of ethical standards by management have no significant positive effect on a business organisation.

## LITERATURE REVIEW

Ethics in business relates to how an organization handles situations that require moral decisions. Doing business requires daily making countless decisions, both strategic and ethical. In this study, we will examine theories of normative ethics and stakeholder theories.

**Conceptual Framework**

Pareek (2016) states that ethics is “An area of study that deals with ideas about what is good and bad behaviour and with moral duty and obligation. The rules and principles define right and wrong conduct. It refers to well-founded standards of right and wrong that prescribe what humans ought to do.” However, ethical dilemmas faced by managers are often more real-to-life and highly complex with no clear guidelines even in law or religion. They go beyond whether to lie, cheat or steal, sometimes they are situations of right versus right. In the practice of ethics, the concern is not only for personal well-being but also that of other human beings. According to Encyclopedia.com, “In business, ethics can be defined as the ability and willingness to reflect on values in the course of the organization's decision-making process, to determine how values and decisions affect the various stakeholder groups, and to establish how managers can use these precepts in day-to-day company operations. Ethical business leaders strive for fairness and justice within the confines of sound management practices.” It studies the impact of actions on the good of the individual, the firm, the business community and society as a whole. Fenner (2015) describes managerial ethics as, “a set of principles and rules dictated by upper management that define what is right and what is wrong in an organization. It is the guideline that helps direct a lower manager's decisions in the scope of his or her job when a conflict of values is presented.” Green (2017) says "In today's transparent, social-media-driven world, senior executives, especially those with a high profile, will be tested and called to task over their morals and ethics in how they do business. This used to be more focused on business practices but is now shifting [to] leadership practices. Businesses, and their leaders, are under a microscope. How they act and interact with those around them professionally will have a significant impact on their ability to attract new talent and, ultimately, their bottom lines."

**Management ethics and the employee**

In an ideal organisation, everyone is expected to act ethically individually and corporately but it is management that sets the tone in the organisation. Ethical business leaders strive for fairness and justice within the confines of sound management practices. Choi et al. (2014) state that “Ethical Leadership is the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision making. Going further,” Hoyt and Price (2015) posit that their research confirms prior findings that social behaviour in groups is distinctly influenced by the leader; and the leader’s role can moderate the effect of self-construal on ethical decision making. In other words, for the XYZ Company to have ethical behaviour (i.e. decision-making) on the part of its employees it must begin with leadership”. Paine (1994) emphasises that, “Managers must acknowledge their role in shaping organizational ethics and seize this opportunity to create a climate that can strengthen the relationships and reputations on which their companies’ success depends.” The responsibility lies with leadership to initiate and keep the process ongoing. Stilz (2015) explains that, “in regards to establishing an ethical organizational culture there must be present a “tone from the top” that is both “sustainable and unambiguous.”

When employees don't think that their leaders care about doing the right thing, they might feel that their efforts to do right are not valued. Their morale will drop, there will be an increase in employee turnover, human resources costs will go up, and customer loyalty will suffer.

**Why is ethics such a vital component of management practice?**

According to Encyclopedia.com, “It has been said that it makes good business sense for managers to be ethical. Without being ethical, companies cannot be competitive at either the national or international level.” Paine (1994) warns that “Executives who ignore ethics run the risk of personal and corporate liability in today’s increasingly tough legal environment.” An article on the Southeastern Oklahoma State University MBA website states that “The effects of managerial decision-making go beyond any single, isolated decision. Of course, managers must make ethical decisions about each situation that arises; however, so much more than individual outcomes are at stake when a manager makes either an ethical or unethical decision.” According to O’Brien (2012), Jim Clifton (Chairman and CEO of Gallup) in an interview said, “In companies whom you name manager is the single most important impactful thing you do with ethics.” “Ethics, like politics, is local, local, local,” Clifton continues. “If I think my boss treats me ethically and honestly, that is what I think of the company. That is a pretty intense finding in all of Gallup’s work in the last couple of decades.”

O'Brien (2012), goes on to say, "How managers respond to moral dilemmas affects how their team members will respond to similar dilemmas in the future. Top leadership in a company can set the tone for ethical leadership, and managers can set a similar tone for employees' actions. If employees see their managers acting ethically in difficult moral situations … they are much more likely to make ethical decisions themselves." According to Truxillo, Bauer, & Erdogan, (2016) "Having an organizational culture that emphasizes ethical behaviour can cut down on misbehaviour of organizations. Research shows that whether an organization develops a culture that emphasizes doing the right thing even when it is costly comes down to whether leaders, starting with the CEO, consider the ethical consequences of their actions. Leaders with a moral compass set the tone when it comes to ethical dilemmas" Robbins & Judge (2009), advise management to "Be a role model and be visible. Your employees look to the behaviour of top management as a model of what's acceptable behaviour in the workplace. When senior management is observed (by subordinates) to take the ethical high road, it sends a positive message for all employees."

Stakeholders Theory is a management theory based on the moral treatment of stakeholders. MacDonald (2009), explains that "Stakeholder theory is a point of view within business ethics, popularized by Edward Freeman, holding that a company's managers are ethically obligated to pursue jointly or to balance the interests of its stakeholders in the conduct of its business. This reflects the idea that companies create value through the cooperation of their stakeholders." Freeman (1984) points out "In a narrow sense, the stakeholders are all those identifiable groups or individuals on which the organisation depends for its survival, sometimes referred to as primary stakeholders: stockholders, employees, customers, suppliers and key government agencies. On a broader level, however, a stakeholder is any identifiable group or individual who can affect or is affected by organisational performance in terms of its products, policies and work processes. In this sense, public interest groups, protest groups, local communities, government agencies, trade associations, competitors, unions and the press are organisational stakeholders."

Managers have a fiduciary duty of profit maximisation to the stockholders of their organisations but according to The Stakeholders theory, there is also a responsibility owed to every stakeholder by management and the organisation as a whole. Schimmel (2013) said "The relationship between ethical business leaders and the stakeholders in their business is that the ethical business leader treats all stakeholders as if they are important and takes their needs into account. The ethical business leader does not lead simply for the sake of one set of stakeholders while abusing others." The essence of the stakeholder approach is that executives must make a commitment to ethics throughout the organization, while the internal environment is very important, management spends a large amount of their time addressing a lot of stakeholder concerns. Tozer (2012) says, "A business perceived to lack integrity or to operate in an unethical, immoral, or irresponsible manner soon loses the support of customers, suppliers and the community at large". In addition to losing customers, suppliers and the community, it will also lose the support of employees. Moore (2020) explains, "Yet when business leaders do choose to put the benefit of those around them above personal gain or stakeholder profits, the rewards can be huge. This was the case in 1982 when Johnson & Johnson put consumers before profits and recalled millions of bottles of its bestselling painkiller, Tylenol after some had been sabotaged with cyanide. It was an immensely costly move in the short term, but by putting the consumer first, the company secured decades of shareholder trust, and Chairman James Burke earned a legacy as an exemplary leader.

There are countless benefits for businesses whose leaders make ethical choices: from securing long-term consumer and shareholder loyalty through creating a reputation of putting people above profits, to actively countering and reorienting negative behaviour within the wider workforce."

A good case study of an unethical organizational culture is the now-defunct Enron. Sims and

Brinkmann (2003) described Enron's ethics as "the ultimate contradiction between words and deeds, between a deceiving glossy facade and a rotten structure behind" Enron executives created an organizational culture that valued profits (the bottom line) over ethical behaviour and doing what's right. This is what crashed the organisation.

**Ethical Problems Common in Nigerian Small and Medium-Scale Businesses**

In Nigeria, small and medium-scale businesses are the main employers of labour, they contribute to the wealth and poverty alleviation of the nation. Small businesses have always formed the backbone of every economy, they provide growth and development of both developed and developing nations. Nigeria as an emergent economy is not only dependent on the extraction of raw materials but also on manufacturing, service provision, trading etc. For a country to become economically strong and a global player, it will need to attract foreign investors, be able to export goods and services that are competitive in the world market, have viable and growing small and medium-scale businesses etc. Foreign investment in the Nigerian economic sphere has not been as robust as would have been expected, Akinmayowa (2006) says "There are some difficulties in exporting finished goods produced with unethical practices in Nigeria. Therefore, the need for investors to conduct their businesses ethically cannot be ignored." Aluko, Odugbesan, Obadamosi and Osuagwu (2008) stated that the level of moral decadence in most societies has attained alarming dimensions, that the reports of mismanagement, misappropriation and embezzlement of funds among those saddled with managerial responsibilities through the fraudulent award of contracts with all kinds of "kickbacks" both in public and private sector was the order of the day.

Today, the situation is not different; there is, therefore, a general concern about the quality of ethical conduct in all types of organizations in several countries of which Nigeria is not an exemption.

Some of the Ethical problems common in small and medium-scale businesses in Nigeria as enumerated by Akinmayowa, J.T. (2008) are as follows:

i. Product adulteration and piracy.
ii. Inadequate information or misinformation of consumers by marketers.
iii. Deceptive packaging.
iv. Tampering with or manipulation of expiry dates on products including healthcare products.
v. Tampering with operating instructions of manufactured products.
vi. Wrong labelling.
vii. Poor customer service in banks and insurance companies.
viii. Lack of guarantee for mechanical goods.
ix. Misleading advertisement and deceptive business promotion.
x. Shortchanging customers.
xi. Exposing customers to health hazards by selling expired and substandard goods.
xii. Advance fee fraud, money laundering and document racketeering.

Ikelegbe, Samuel (2020), quoting Akpo, Aduma, and Uniah (2016) enumerated more ethical problems besieging Nigerian small and medium-scale businesses. They are as follows:

i. Making false, exaggerated and unverified claims.
ii. Distortion of facts to mislead or confuse potential buyers.
iii. Concealing dark side effects of products or services.
iv. Badmouthing rival products.
v. Using women as sex symbols for advertising.
vi. Plagiarism of marketing messages.
vii. The exploitation of customers.
viii. Demeaning references to race, age, sex or religion.

Ethical problems common in Nigerian small and medium-scale businesses are not limited to those listed above. It will also include sexual harassment, Lack of corporate social responsibility (this is usually left to big corporations), bribery of government officials to avoid paying some levies etc.

**Relevance of Ethics to Management**

"A business has a goal beyond the simple success of profitability and this fact must be recognized by the manager." This according to Aderinto (2006) is a lesson for managers. He emphasized that to ensure the survival of an institution, it must not dedicate itself to self-preservation, especially through nefarious means. Organizations are an integral part of society; they must make their contribution to this society to survive. Social awareness is not just a voluntary thing but must permeate every level of decision-making in such an organization. Fendrock (2008), observes that the conscience of the business executive is being subjected to great testing for which he is ill-prepared. This is a result of the increasingly competitive business environment. He says that "it has become increasingly difficult for them to act their parts well and still retain a free and clear conscience." The survey, according to Manley, W. (2002), shows that the reputation of a firm for ethics is usually an important consideration for university students when choosing an employer. He also said that ethics is of utmost importance to management because, without it, the reputation of the firm, employee morale, and the efficiency of the firm will suffer. Due to the highly competitive nature of the business, it is expedient that management takes the issue of ethics seriously to ensure successful operations. Drucker (1969), a management commentator stated that "… honesty and integrity are absolute requirements of a successful manager.

The duties of managers have diverged so much in recent times into areas which normally are not their areas of authority, coupled with the collapse of hierarchies of families, church, and school, most employees are in dire need of ethical guidelines." Aguillar (2004) believes that for management to determine the best step to take in proffering a solution to perplexing problems, it needs to have a good understanding of the problem through open discussions of ethical issues. By so doing, it can get the information and counsel needed. Due to these changes occurring in the business terrain, ethical issues are also changing in importance and nature. Managers have to develop a capacity to keep learning and be able to re-assess and revise their ideas and views about certain policies that are failing. This is because sometimes, these changes are very subtle and can take management unawares, unlike abrupt ethical issues which make a clear-cut signal for management to re-examine their view on certain ethical policies. Most ethical issues that arise in business are avoidable everyday issues, not necessarily extraordinary which makes it imperative that management must be concerned about ethics. Businesses are always under public scrutiny, be it the mass media, outside interest groups, etc., but the management of a company that is ethical will divert its energy, time, and attention to internal business relationships. Manley, W. (2002) further states that ethics gives a positive signal to suppliers and others that it rejects any business activity that is illegal and improper thus raising its credibility and trustworthiness. He advises that developing a good reputation takes time but to rehabilitate a damaged one will take much longer. Usually, most suppliers, consumers, etc., do not like to deal with an organization that does not adhere to a high level of ethical conduct and "without public confidence, a firm has a miserable, and probably short, future."

**Theoretical Framework**

According to Singer (2021), moral philosophy is usually divided into three categories: metaethics, applied ethics and normative ethics. According to Encyclopedia Britannica (2019), Theories in Normative ethics seek to set norms or standards that regulate right and wrong or good and bad conduct in humans, they are theories of what constitutes a moral action, how a man should behave and what it means to be good or to act the right way. There are three normative theories of ethics that are commonly used in business ethics, utilitarianism, deontology and virtue ethics. Each may lead to a different conclusion when applied to the same ethical dilemma. Vadi, Vissak& ProQuest explain that every human action has three basic dimensions and each theory addresses one particular dimension, (1) the Agent of action - Virtue theory, (2) The act itself - Deontology, (3) Consequences or outcome of the act – Teleology (utilitarianism).

**Utilitarianism**

Utilitarianism believes that an act is right or moral if it produces the greatest amount of good for the greatest number of people. It is well known for the phrase “the greatest good for the greatest number of people”. It also believes that one should act in a way that brings about the best consequences, this means that the outcomes determine the morality of the act or the end justifies the means. It will be legitimate to lie to get out of a serious problem, such as to save a person's life. Lying is therefore only considered immoral if the consequences of doing it are bad. So, utilitarianism asks the question, “Will my actions produce greater happiness for the greater number of people in society”? Modern utilitarianism was founded by Jeremy Bentham (1748-1832) and John Stuart Mill (1806-1873).

**Stakeholder’s theory**

Lin (2018) defines Stakeholder’s theory as “a theory of organizational management and business ethics that accounts for multiple constituencies impacted by business entities like employees, suppliers, local communities, creditors, and others” Parmar, Freeman, Harrison, Purnell& De Colle (2010) hold that “Stakeholder theory or stakeholder thinking has emerged as a new narrative to understand and remedy three interconnected business problems—the problem of understanding how value is created and traded, the problem of connecting ethics and capitalism, and the problem of helping managers think about management such that the first two problems are addressed.” Edward Freeman’s stakeholder theory states that “A company’s stakeholders include just about anyone affected by the company and its workings.”

Donaldson& Preston (1995) have pointed out, that the development of stakeholder theory has proceeded along three often-confused approaches: Instrumental, Descriptive and Normative approaches.

**Normative approach:** It assumes that managers should consider stakeholder interests, regardless of the consequences to the firm, because there is an ethical obligation to be responsive to several legitimate stakeholder claims. This approach is not about describing how stakeholder relationships are managed in the real world, but about prescribing how these should be managed, from an ethical point of view.” According to Donaldson & Preston (1995), some researchers view stakeholder theory as primarily or exclusively a moral theory, that is, to find a moral basis to support the theory and to show its superiority to a management preoccupation with shareholder wealth.

**Empirical Review**

Ingram D (2019), conducted a study on the effect of ethics on organizational human resources. The study made use of descriptive statistics in the analyses of data collected. They found out that Paying attention to business ethics is an important part of any business owner or manager's job. The human resources function deals with a variety of ethical challenges; being the department that deals directly with people employed by a company, HR includes numerous ethical pitfalls that can damage a company's reputation or financial sustainability if not handled properly. Understanding the importance of ethics in human resources is crucial for any business owner, whether in a local startup or a multinational powerhouse.” Symes, S. (2020) buttresses these findings by saying, “Conducting yourself ethically as a small-business owner and encouraging your employees to engage in ethical business conduct brings about several benefits for your company. Similarly, unethical conduct can hurt your business financially and tarnish its image, leading to diminished future opportunities for your company.” ethical conduct must permeate every member of staff of a business both employer and employee. He emphasizes that employees accepting or offering gifts or favours that create or suggest an improper business relationship that will “grease the rails”, is not only unethical but is unwholesome to effective competition and good business practice. There is a need to foster an ethical employer-employee relationship. He further says that employers must respond to their employee’s concerns for them to act ethically. This is of great importance for the success of the company and the requisite trust is thus developed between the two. Jones and Clifford (2020) conducted a study on ethical obligations and organizational employee health in selected Companies in South-South Nigeria. The study looked at the ethical obligations of businesses towards the health of their employees as another critical area of business management that needs serious attention. This is because the economic and social costs of workplace injuries and illness will be overwhelming if adequate measures are not put in place to address that. According to them, these issues are taken care of well and above the legal minimum, and the firms are, "… less likely to be troubled by problems such as employee lawsuits, high level of employee turnover, low worker productivity, and poor public images." Manley, W. (2022), further says that any funds saved trying to avoid this ethical issue will eventually lead to far costlier penalties.

**Methodology**

A survey research design was used in this study to gather the necessary data. The data were collected from both primary and secondary sources. The primary data was gathered using questionnaires with a five-point Likert- scale while the secondary data sources were from related published literature, the internet, unpublished books, journals, periodicals and magazines. Data were collected using a structured questionnaire. It enabled the researcher to get a response from a relatively large population within the specified time limit. It was also believed that the questionnaire would provide an opportunity for the respondent to answer the questions at their leisure. The Questionnaire has 5 questions and was prepared and distributed to managers and employees of the different SMEs. Altogether 76 structured questionnaires were randomly distributed to the staff of the different SMEs and 75 of them were returned giving a 98.7% response rate.

**Data Analysis**

The data collected through a questionnaire from respondents were rated using a five-point rating scale or a five-point Likert scale. The five-point Likert scale is as follows:
Strongly Agree = 5, Agree = 4, Neutral = 3, Disagree = 2, Strongly disagree = 1
Using the IBM SPSS statistics package, the data was arranged in tables and analyzed using frequency and a Chi-square test for independence, which determines the association between categorical variables (if any) was then used.
For the five-point Likert-rating scale-type questions, the Chi-square test was used to analyze the data.
Chi-square formula:

$$\chi_c^2 = \sum \frac{(O_i - E_i)^2}{E_i}$$

Where:
$\sum$ = Summation
O = Observed value
E = Expected value

**Data Presentation, Analysis and Interpretation**

The data gathered was statistically analysed and interpreted in this chapter. A total of 76 questionnaires were distributed and 75 questionnaires were completed and returned representing a 98.7% response rate. The responses have been organized in tables and their explanations and interpretations are presented for further understanding. The data were processed, recorded in tabular form and analysed using the IBM SPSS.

**Frequencies**

[DataSet1] /Users/ganiru/Seminar.sav

**Table 1**

**Statistics**

| | | An unethical manager will cause employees to be unethical too. | A Management staff acting ethically is more important and effective in influencing employees than any written rules and consequences. | An organisation that is unethical in its practice will lose the trust and business of its customers. | When employees are treated ethically they will be loyal and dedicated to the organisation. | Customers will trust an ethically troubled company after they change. |
|---|---|---|---|---|---|---|
| N | Valid | 75 | 75 | 75 | 75 | 75 |
| | Missing | 0 | 0 | 0 | 0 | 0 |

**Frequency Table**

**Research Questions 1**

How does ethical culture relate to the management of an organisation?

**Table 2**

**An unethical manager will cause employees to be unethical too.**

| | N | % |
|---|---|---|
| Strongly Disagree | 2 | 2.7% |
| Disagree | 8 | 10.7% |
| Neutral | 3 | 4.0% |
| Agree | 24 | 32.0% |
| Strongly Agree | 38 | 50.7% |

Source: Field Survey, 2023

From Table 2, it shows that 38(50.7%) of the respondents strongly agree that an unethical manager will cause employees to be unethical too, 24(32%) agree while 3(4%) are neutral, 8(10.7%) disagree and 2.7(2.7%) strongly disagree.

**Table 3**

A Management staff acting ethically is more important and effective in influencing employees than any written rules and consequences.

| | N | % |
|---|---|---|
| Strongly Agree | 6 | 8.0% |
| Disagree | 8 | 10.7% |
| Neutral | 4 | 5.3% |
| Agree | 22 | 29.3% |
| Strongly Agree | 35 | 46.7% |

Source: Field Survey, 2023

From Table 3, it shows that 35(46.7%) of the respondents strongly agree that a Management staff acting ethically is more important and effective in influencing employees than any written rules and consequences, 22(29.3%) agree while 4(5.3%) are neutral, 8(10.7%) disagree and 6(8%) strongly disagree.

**Research Questions 2**

What are the effects of the application of ethical standards by the management of organisations?

Table 4

An organisation that is unethical in its practice will lose the trust and business of its customers.

| **Table 4** | N | % |
|---|---|---|
| Strongly Disagree | 2 | 2.7% |
| Disagree | 7 | 9.3% |
| Neutral | 5 | 6.7% |
| Agree | 15 | 20.0% |
| Strongly Agree | 46 | 61.3% |

Source: Field Survey, 2023

From Table 4, it shows that 46(61.3%) of the respondents strongly agree that an organisation that is unethical in its practice will lose the trust and business of its customers, 15(20%) agree while 5(6.7%) are neutral, 7(9.3%) disagree and 2(2.7%) strongly disagree.

**Table 5**

**When employees are treated ethically they will be loyal and dedicated to the organisation.**

| | N | % |
|---|---|---|
| Strongly Disagree | 12 | 16.0% |
| Disagree | 7 | 9.3% |
| Neutral | 1 | 1.3% |
| Agree | 23 | 30.7% |
| Strongly Agree | 32 | 42.7% |

Source: Field Survey, 2023

Table 5, shows that 32(42.7%) of the respondents strongly agree that when employees are treated ethically they will be loyal and dedicated to the organisation, 23(30.7%) agree while 1(1.3%) neutral, 7(9.3%) disagree and 12(16%) strongly disagree.

**Table 6**

**Customers will trust an ethically troubled company after they change.**

| | N | % |
|---|---|---|
| Strongly Disagree | 6 | 8.0% |
| Disagree | 8 | 10.7% |
| Neutral | 7 | 9.3% |
| Agree | 44 | 58.7% |
| Strongly Agree | 10 | 13.3% |

From Table 6, it shows that 10(13%) of the respondents strongly agree that customers will trust an ethically troubled company after they change, 18(24%) agree while 11(14.7%) are neutral 20(26.7%) disagree, and 16(21.3%) strongly disagree.

**Chi-Square Test**

**Test of Hypothesis**

**Decision Rule**

Accept the Null Hypothesis (H0) if the calculated Chi-Square value is less than the table values or critical value at p = 0.05 significance level, 4 degrees of freedom. Reject the Null Hypothesis and accept the alternative hypothesis (H1) if the calculated Chi-Square value is greater than the critical values

**Hypothesis One:**

**H0** Ethical culture has no relationship with the management of an organisation

**Table 7**

**An unethical manager will cause employees to be unethical too.**

| | Observed N | Expected N | Residual |
|---|---|---|---|
| Strongly Disagree | 2 | 15.0 | -13.0 |
| Disagree | 8 | 15.0 | -7.0 |
| Neutral | 3 | 15.0 | -12.0 |
| Agree | 24 | 15.0 | 9.0 |
| Strongly Agree | 38 | 15.0 | 23.0 |
| Total | 75 | | |

**A Management staff acting ethically is more important and effective in influencing employees than any written rules and consequences.**

| **Table 8** | Observed N | Expected N | Residual |
|---|---|---|---|

| | | | |
|---|---|---|---|
| Strongly Agree | 6 | 15.0 | -9.0 |
| Disagree | 8 | 15.0 | -7.0 |
| Neutral | 4 | 15.0 | -11.0 |
| Agree | 22 | 15.0 | 7.0 |
| Strongly Agree | 35 | 15.0 | 20.0 |
| Total | 75 | | |

**Hypothesis Two:**
H0: The application of ethical standards by management has no significant positive effect on business organisations.

**An organisation that is unethical in its practice will lose the trust and business of its customers.**

| **Table 9** | Observed N | Expected N | Residual |
|---|---|---|---|
| Strongly Disagree | 2 | 15.0 | -13.0 |
| Disagree | 7 | 15.0 | -8.0 |
| Neutral | 5 | 15.0 | -10.0 |
| Agree | 15 | 15.0 | .0 |
| Strongly Agree | 46 | 15.0 | 31.0 |
| Total | 75 | | |

**When employees are treated ethically they will be loyal and dedicated to the organisation.**

| **Table 10** | Observed N | Expected N | Residual |
|---|---|---|---|
| Strongly Disagree | 12 | 15.0 | -3.0 |
| Disagree | 7 | 15.0 | -8.0 |
| Neutral | 1 | 15.0 | -14.0 |
| Agree | 23 | 15.0 | 8.0 |
| Strongly Agree | 32 | 15.0 | 17.0 |
| Total | 75 | | |

**Customers will trust an ethically troubled company after they change.**

| **Table 11** | Observed N | Expected N | Residual |
|---|---|---|---|
| Strongly Disagree | 6 | 15.0 | -9.0 |
| Disagree | 8 | 15.0 | -7.0 |
| Neutral | 7 | 15.0 | -8.0 |
| Agree | 44 | 15.0 | 29.0 |
| Strongly Agree | 10 | 15.0 | -5.0 |
| Total | 75 | | |

**Test Statistics**

| | An unethical manager will | A Management staff acting | An organisation that is unethical | When employees are | Customers will trust an ethically |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| | cause employees to be unethical too. | ethically is more important and effective in influencing employees than any written rules and consequences. | in its practice will lose the trust and business of its customers. | treated ethically they will be loyal and dedicated to the organisation. | troubled company after they change. |
| Chi-Square | 64.800[a] | 46.667[a] | 86.267[a] | 41.467[a] | 70.667[a] |
| Df | 4 | 4 | 4 | 4 | 4 |
| Asymp. Sig. | <.001 | <.001 | <.001 | <.001 | <.001 |

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 15.0.

In the test of hypothesis one on Tables 7 and 8, the calculated values of 64.8 and 46.667respectively are greater than the critical or table value at p = 0.05 significance level, with 4 degrees of freedom is 9.4877. Therefore, reject the Null Hypothesis (H0) and accept the Alternative Hypothesis (H1) which states that ethical culture has a relationship with the management of an organisation. In the test of hypothesis one on Tables 9, 10 and 11 the calculated values of 86.267, 41.267 70.667respectively are greater than the critical or table value at p = 0.05 significance level, with 4 degrees of freedom is 9.4877. Therefore, reject the Null Hypothesis (H0) and accept the Alternative Hypothesis (H1) which states that the application of ethical standards by management has a significant positive effect on business organisations.

## Findings

After the analysis of the questionnaire and test of the hypothesis, it was discovered that:

1. The responsibility for the ethical culture of an organisation rests mainly on the management.
2. Ethical behaviour of management influences the behaviour of employees. When management acts unethically, it will cause employees to act unethically.
3. Maintaining good ethical standards positively affects businesses significantly. It breeds trust and loyalty from customers and employees.
4. An unethical organisation will lose the trust and patronage of a lot of its customers.

## Conclusion

The Role of ethics in the management of a business is very important. The neglect of ethical practice in an organisation just for profit maximisation is like a Chinese saying which says “He who sacrifices his conscience to ambition burns a picture to obtain ashes.” Business enterprises are the high employers of labour in society and to thrive, grow and continue in business it must be profitable. From the study, it is obvious that for it to retain the loyalty and patronage of its customers and attract new ones, it has to act ethically and be seen to be ethical. This ethical behaviour includes the employers, managers, and employees.

Employees most times are the interface between outside stakeholders of an organisation and the organisation itself. They learn and imitate those higher up in the organisation, this includes ethical behaviour over and above what the code of conduct says. These employees also expect to be treated ethically. This will make them loyal and dedicated to the business enterprise which will in turn increase efficiency, productivity and overall employee morale.

Stakeholder trust is a very important factor in the success and growth of a business. A business that cannot be trusted by stakeholders, which includes employees, customers, suppliers, community members and governmental agencies will not only lose patronage but will always be under scrutiny. This can lead to costly lawsuits, fines and loss of patronage.

**Recommendations**

It is obvious from this research that ethics play a positive and important role in the management of businesses. The following are recommendations to help ethical conduct in organisations:

1. For ethics to be practised and integrated into the culture of business organisations, the study of ethics should be included in their training programs which should be conducted by a person with a good knowledge of organisational or business ethics. Emphasis should be laid on certain areas which are frequently violated for example Tax evasion, bribery, sexual harassment, discrimination etc.
2. Every organisation should have a well-written Code of Conduct which must be tailored to suit the peculiarities of each organisation. The employers, managers and employees should be involved in the formation of the code of conduct and it should be made available to them upon completion. This will motivate both employer and employee to uphold its contents and put them into practice.
3. The relevant governmental agencies, Non-governmental- organisations, religious bodies, educational institutions, regulatory bodies etc., must help create awareness about ethics in general through public campaigns and enlightenment
4. The knowledge and awareness of ethics should also be included in the curriculum of business students in tertiary institutions. The meaning, different facets and consequences of violation of business ethics will be emphasised.

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