

## Managerial business ethics in South Africa: An exploratory comparison - 1987 and 2009

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### ABSTRACT

A sample of 259 South African managers completed a survey originally administered by Nel (1992). The results of the current study indicated a favourable move on four of the 15 questionable actions used to assess each group's ethical predisposition. Furthermore, the grand means for the two temporal-based samples also provided anecdotal evidence of a positive transition. Virtually identical results were in evidence when the segment of 89 top managers was compared to the sample of its higher level peers from the earlier study by Nel. The results support the premise that today's South African managers have a more ethical predisposition than did their peers of some 20 years prior to them. However, the study concurrently documents the reality that there is ample room for further improvement.

**Key words:** Business ethics, Longitudinal, Managers, Nel, South Africa, Transition

### INTRODUCTION

A number of dramatic changes have occurred in South Africa over the past two decades. While some changes represent proactive modifications of strategic initiatives, others represent the uncontrollable variables to which business must react. Such is the essence of environmental scanning, a process by which businesses attempt to anticipate changes that they cannot control, yet dramatically impact what they can do and how they can implement strategies and tactics designed to create a differential advantage over their competitors. These changes within the uncontrollable components of the business environment include the following:

- On the political front, the first free and fair general elections were held in 1994, and a new political party assumed control. The African National Congress (ANC) came to power as the first democratically elected party after years of the predominantly white National Party's rule. The ANC has remained in the governing seat to date, but it has been challenged in its effort to create an economic environment that fosters growth and the alleviation of poverty.
- A policy of black empowerment has been

in effect in an effort to correct injustices of the past. In what has been characterised as a corrective employment policy, all employment policies, practices and procedures in the working environment have been scrutinised to identify any gender or cross-cultural barriers that could be responsible for the under-representation or under-utilisation of employees from designated groups. These policy corrections are supported by the South African Labour Act (Act no. 55 of 1998), and they require further investigation of employment policies to also identify more subtle or indirect forms of discrimination and stereotyping that could be responsible for certain groups of people not being employed in particular jobs. Examples of such exclusions are pregnancy, family responsibility, exclusionary social practices, sexual harassment and religious or cultural beliefs and practices (South African Web, 2000). South Africa's corrective employment policies, which provide opportunities to citizens who might have found apartheid to be a barrier to employment, are also in play so as to enforce the appointment of non-white employees in both the public and private sectors, while jobs that were previously

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**DOI:**

10.4103/1817-7417.86025

**Quick Response Code:**



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reserved by other exclusions are now open to all. Consequently, black economic activity has increased substantially, and as a result, a new generation of managers has assumed control.

- The South African economy was slowed via the implementation of interest rate hikes in response to the 2008/9 worldwide economic recession.
- Globalisation has dramatically affected the South African economy; for instance, the purchase of leading global beer-producing enterprises by South African Breweries has contributed to the substantial repatriation of profits earned beyond the South African borders.
- Brain drain has occurred due to emigration of skilled South African labour to Canada, Australia, New Zealand and other more highly developed countries (*Africa Research Bulletin*, 2006).

As a result of these transitional realities, it is fair to assume that the South African economy is functioning with a new genre of managers within a new business environment; and this poses a question regarding the relevance of past studies on managerial ethics. One such question is concerned with how a new generation of managers is coping with the making of decisions that have ethical considerations, while another pertains to the extent of the ethical values of the previous generation of managers that still persists today. Furthermore, a strong drive to create awareness and knowledge of ethical and anti-corruption practices is being implemented by private companies, as well as by the government. However, on the other side, numerous reports about fraudulent and unethical behaviour on the part of businesses operating within South Africa have been appearing in news reports far too frequently.

Against this backdrop, it is imperative that formal business research be directed towards the determination of the prevailing ethical standards of business in South Africa in order to gain a better understanding of the mindset of today's business leaders. In addition, the results emanating from these cross-sectional studies should be compared to those of similar earlier studies, such as the one undertaken by Nel in 1987, so as to determine whether or not the ethical profile of the typical South African manager has deteriorated or improved over the past two decades. (The study by Nel was performed in 1987 but published in 1992; therefore, any subsequent reference will be to date of the research, i.e. 1987).

Given the above stated exigency, the current research is designed to facilitate the comparison of the ethical profiles of today's managers and top managers (as a subgroup) to those of their predecessors of some 20 years ago. As such, this research addresses a dire need — specifically that of understanding the changes that have occurred in South Africa. Such information is essential, not only for South African companies operating within their domestic market

but also for foreign companies seeking to operate within South Africa as a host country. The result is a form of longitudinal study that addresses a series of changes in ethical predisposition that took place between 1987 and 2009.

## LITERATURE REVIEW

Across the globe, researchers have often attempted to assess the transition of ethical attitudes over time. The two most commonly scrutinised populations are university students — business students in particular; and business practitioners. Furthermore, the scrutiny began by looking at the United States and has subsequently progressed to include a myriad of Western European countries, Australia and Japan. More recently, attention has been directed towards a limited number of developing economies, such as China and the Republic of South Africa. However, for these developing economies, there have been no meaningful longitudinal efforts to assess changes over time; such is the case with South Africa. Despite this shortcoming, there have been a number of cross-sectional and cross-cultural studies from which some insight germane to the study at hand can be gleaned. Therefore, the assessment of the relevant literature will begin with a focus on the studies that correspond to the earlier of the two time frames addressed in the current study — the late 1980s and early 1990s.

### Republic of South Africa — The late 20<sup>th</sup> century

As a precursor to this literature review, a study of South African managers undertaken by Pitt and Abratt (1986) presented an all-too-common paradox. While these managers were quick to proclaim their disdain for a myriad of questionable actions, they concurrently admitted to knowing peers who had no qualms about engaging in such behaviour. Some eight years later, the King Report on Corporate Governance in South Africa (1994) resulted in heightened scrutiny being focused on the business environment. Other conceptual assessments dominated that era, during which South Africans were directing intense scrutiny on themselves. Consistent with the aforementioned King Report, the Institute of Directors (IOD) raised further concerns that there should be new “guidelines for ethical practice in business enterprises in South Africa” (IOD, 1994, p. 43). Within that same time frame, Rossouw's (1994) seminal writings on South Africa offered the argument that the Republic of South Africa (RSA), as a developing country where businesses were locked in a struggle for survival, could not afford morality. Therefore, there appeared to be a cultural mindset that ethics might succumb to questionable actions if businesses were destined to survive in the long run (Fullerton *et al.*, 2008).

Conditions and mindsets such as those just discussed served as a catalyst for perhaps the most compelling passage that could be invoked to begin this discussion. It involves

an oft-quoted statement made by a former — and then — president of the Republic of South Africa, Nelson Mandela. In a 1995 address to the South African Parliament, Mr Mandela's ominous statement captured both the past and the need to move forward — in a different direction — in the future. He stated that “we are conscious of the reality that corruption in many forms has deeply infected the fibre of our society. Precisely because we face the challenge of dealing with systematic corruption, we need a dispassionate and systematic approach to this question” (Mandela, 1995). This statement provides much of the impetus for research on the state of business practices within South Africa in the 1990s. Along this same line of discourse, there was documentation that the early 1990s were defined by increases in the number of cases of fraud, forgery, conversions and embezzlements. It prompted the *Weekend Argus*, a newspaper in Cape Town, to make this declaration with a headline that read *Commercial Crime Soars as Ethics Falls*. The accompanying article made the assertion that the decline in ethical standards could be attributed to years of sanctions, the uncertainty of the political environment, and the rapid contraction of the economy that had resulted in a decline in the standard of living for South African citizens in general (Cameron, 1993). Rossouw (1997) further argued that the business community was tarnished, as evidenced by the high levels of corruption and white-collar crime. Furthermore, others earlier asserted that ethical standards had eroded, in part, due to “deliberate and systematic colonial destruction” (Iya, 1999, p. 9). Perhaps even more problematic was the fact that business people believed that fraud was increasing, as indicated by an earlier study; fully 62 percent of those responding to the survey expressed this opinion (Britz, 1994). Based on a quantitative look at the population, Moore and Radloff (1996, p. 866) asserted that “business decisions involve a rational realism rather than moral philosophy.” Some disconcerting results emanated from their study. More specifically, there was general agreement among the respondents that “self-sacrifice is immoral.” This mindset represents a very narrow and self-serving perspective. Furthermore, it is contrary to Hofstede's (1980) assertion that the South African population possesses a collectivist personality. It is one that was commonplace in America in the 1980s, a decade that was characterised as the “me-decade”. With such a self-oriented perspective, it is hard to imagine that decisions would be made on a macro-perspective that focuses on the welfare of society as a whole. Even the students who represented the target population indicated their belief that change in the prevailing ethical standards would be slow; as such it was believed that it might be years before the ethics gap between RSA and the more developed Western countries would close in any appreciable way, and that profit motivation might well supersede social mores and legal statutes because the existing laws offered insufficient disincentives for engaging in unethical conduct.

Interestingly, many South Africans pointed to the ostracism by the international community emanating from the Apartheid policy. Because of the economic sanctions that were imposed, South African businesses were inclined to seek alternative methods for accessing these elusive global opportunities. Success was praised no matter how questionable the tactics were from a moral and ethical perspective. As such, a culture evolved such that unethical business practices were valued rather than repudiated. The inevitable result was a weakening of the moral standards possessed by the business community (Massie, 1993). In an article assessing the state of business ethics in South Africa, Rossouw (1997) indicated that the lifting of sanctions had done nothing to reverse this trend and that the moral abyss of which President Mandela spoke was, in fact, growing even deeper. Clearly, the South Africa of the 1990s was undergoing a significant environmental shift within the economic, social and political spectrums. Such a dramatic upheaval presented and magnified a myriad of perceived inequities that might have, in fact, led to a more *laissez faire* attitude that focused more on individual gains rather than the theoretical collectivist mentality, to which Hofstede (1980) had earlier referred. As such, it is only logical that South Africa would have to endure a constant barrage of questionable actions — some, illegal; others, simply unethical in nature. It is evident at this point that the aforementioned conceptual literature was consistent in its criticism of South Africa's recent past, the 1980s and early 1990s in particular. But any comprehensive review should incorporate empirical evidence, or else the conceptual literature can be taken as no more than an opinion. In this case, the empirical research does support the underlying arguments offered by authors who articulated their conceptual assessments.

In an empirical study of South African marketing research professionals, much of the aforementioned qualitative perspective was confirmed. The study's authors concluded that turbulence of the magnitude being incurred by South Africans was associated with lower standards in terms of informal norms as well as a corresponding belief in the efficacy of formalised codes of conduct (Morris *et al.*, 1996). And while turbulent times were associated with a propensity to declare one's claim to possess strong values and morals, the reality was that many individual managers were actually prone to abandon those beliefs when faced with actual ethical dilemmas. A number of additional studies prior to 2000 provide further support to Rossouw's (1997) assertion that the image of the business community in South Africa was tarnished. In 1995, only nine of the *Sunday Times* top 100 companies in South Africa had a formal code of ethics to serve as a guideline for their employees' conduct. Perhaps even more disconcerting is the study's finding that there was no discernable difference in the ethical attitudes when employees of firms with a code of ethics were compared to those employees who worked for companies that had not

yet articulated any such formal code (Young, 1995). Another study designed to measure attitudes towards an array of questionable marketing behaviours indicated that South Africans possessed reasonable beliefs and expectations; however, the scores were systematically lower than those exhibited by a comparable sample from the United States — particularly on the items that measured general honesty and integrity (Klein, 1999). Singhapakdi *et al.* (1999) used the Ethics Position Questionnaire (EPQ) developed by Forsyth (1980) to compare ethical predisposition in South Africa to that in America. Based on the premise that the Republic of South Africa possesses a lower level of individualism, the authors hypothesised that higher ethical standards would be exhibited by the South Africans. This assertion mirrors Hofstede's (1980) characterisation of South Africa possessing more of a collectivist cultural mindset. However, the South African managers were actually shown to be less ethical in their intentions to resolve the ethical dilemmas that comprised the EPQ instrument.

Concluding this section of the literature review, we start with the belief of Singhapakdi *et al.* (1999) that South African marketing enterprises and professionals of the late 1990s exhibited a willingness to change. Recent research in a number of countries — Australia, the United States and England, to name three — has shown that there appears to be a discernible progression towards a more ethically inclined mindset that guides the decision-making process. If this was indeed the case, it would appear that any study that set forth to explore ethical predisposition in South Africa after the turn of the century would document a movement towards a more ethical inclination. Therefore, the transformation in attitudes regarding business ethics in South Africa is certainly one that is worthy of being studied.

### Republic of South Africa — The 2000s

South Africa's transition was slow but nonetheless progressing as we entered the 21<sup>st</sup> century. However, any measure of progress will require a firm understanding of the past. In recognising the country's volatile past as a barrier to becoming an accepted participant in an increasingly integrated global economy, it was understood that the standards of conduct regarding corporate activities of the 1980s and 1990s were in need of a substantial upgrade (Rossouw *et al.*, 2002). Rossouw (2005, p. 104) subsequently stated that within South Africa, "business ethics are considered an integral and essential part of good governance. From the various codes of corporate governance that were analysed, it is clear that standards of good governance are intimately intertwined with high standards of business ethics." As a consequence, it is anticipated that the second generation of codes of corporate governance that have begun to emerge will result in positive changes that redirect the country towards a more ethical mindset (Fullerton *et al.*, 2008). The more recent empirical research does indeed offer cause for optimism.

The aforementioned study by Fullerton *et al.* (2008) involved a comparison of attitudes to those exhibited by Chinese business students. However, in doing so, detailed information was provided such that a profile of the South African students could be extracted from the information presented in the article. Fully eight of the 14 questionable business practices in question were deemed unacceptable, with the strongest opposition evident for the tactic of shipping unsafe products to overseas markets where there is comparatively less protection for consumers. At the same time, the most acceptable practice was that of outsourcing labour to low-cost countries. For the Chinese sample, eight of the actions were deemed acceptable; thus, it could be argued that the South African students exhibited higher ethical standards than did their Chinese counterparts. But how do the South Africans compare to other nationalities?

In a recent study of five countries where English is the prominent language within the business education community, the ethical predisposition of South African students was compared to that of their peers in Australia, Canada, New Zealand and the United States. Based on a series of vignettes, the South African students ranked behind only the New Zealanders in terms of their disapproval of the 14 behaviours under scrutiny. In fact, the South Africans exhibited the lowest level of tolerance for six of the 14 items (Fullerton & Neale, 2008a). As such, this study provides support for the premise that South Africans possess a comparatively strong ethical predisposition. While it is not longitudinal in nature, the implications are that South African business students appear to have moved towards a collective mindset where questionable business practices are less likely to be praised and more likely to be criticised. A companion piece by these same authors examined the other side of the buyer-seller dyad. Their assessment of attitudes towards consumer indiscretions in the same five English-speaking countries concluded that the South African students were by far the most critical group under scrutiny. As in their look at business behaviour, 14 scenarios addressing consumer actions were used to assess ethical predisposition. The South African students were the most critical group for all 14 of the actions (Fullerton & Neale, 2008b). Yet another five-country study involved a cross-cultural comparison on the basis of a measure known as the Corruption Perception Index (CPI). The results placed South Africa ahead of Turkey but behind the United States, Israel and Australia. Furthermore, the score of 5.0 — which fell slightly below the midpoint of the 11-point scale (0 to 10) — was deemed to be a cause for concern (Sims & Gegez, 2004). A more positive outcome was evident in a recent study that focused on the calculation of a Corruption Index. Of the 163 countries under scrutiny, South Africa's adjusted score of 5.4 placed it 112<sup>th</sup> on the list (Bernardi, Witek & Melton, 2009). By comparison, the adjusted rating of 2.7 placed the more ethically predisposed United States 143<sup>rd</sup> on that list. So while the South Africans were more

critical of corruption than were most countries, they lagged far behind the United States and 30 other countries with an even stronger disdain for such practices.

One study that focused solely on South Africa attempted to identify differences in the ethical predisposition among students in different fields of study. However, the conclusion by the authors was that all groups exhibited a relatively high level of ethical standards and that there was no inordinate cause for concern that they would possess a permissive mindset (Bisschoff, Fullerton & Botha, 2008). And although it is tenuous to draw conclusions about a population based on a single case study, one such study merits consideration as part of the body of relevant empirical literature. In assessing the perception of the appropriateness of the conduct of a large South African multinational corporation (MNC), one noteworthy study surveyed two important groups: employees of the MNC's Buying Department and members of supplier firms with whom these buyers interacted. The basic conclusion was that the MNC demonstrated a relatively strong ethical inclination in its actions (Bendixen, Abratt & Jones, 2007). Again, these results seem to provide anecdotal evidence that the South Africa of 2009 was not the same South Africa that existed in the late 1980s and early 1990s.

This literature review will now conclude with a brief overview of the studies that have been cited on the preceding pages. The literature of the 1990s documents the realisation that South African ethical standards lagged behind much of the world — Western Europe and North America in particular. And perhaps even more disconcerting was the fact that there were no apparent signs that the country was progressing towards a more ethical inclination. However, there was an acknowledgement that the country's acceptance as a bona fide member of the global economic community was dependent upon a change in that mindset and a corresponding change in behaviour. Referring to that earlier time frame, Rossouw (1997) referred to business ethics in South Africa as a "fairly young endeavour." As we entered the 21<sup>st</sup> century, such a characterisation was no longer appropriate.

The more recent literature seems to document a movement towards greater condemnation of questionable business practices, but ample room for improvement. The empirical research is relatively sparse, but it indicates that South Africa compares favourably in an array of cross-national studies.

While there are a number of studies that have assessed the ethical predisposition of South Africans 20 years ago and a few that have taken a similar look at the population post-2000, there have been no longitudinal studies that were specifically designed to measure changes over

time. Furthermore, the disparity of the data-collection instruments used over the years makes any type of meta-analysis that compares the results over the two time periods tenuous at best. As such, the literature confirms the existence of a need for a longitudinal study that facilitates the measurement of the changes that have undoubtedly taken place. Such is the focus of the current study.

## PROBLEM STATEMENT

The core problem presenting itself is the determination of the ethical predisposition of managers as economic role-players. This implies that managers, active in the market and possessing their own perspective as to what constitutes unacceptable behaviour, conduct their economic and business activities according to their own ethical beliefs. Several key questions arise. Firstly, do these views differ from the ethical standpoints or views of their managerial predecessors? If so, on what grounds and to what extent do they differ? That is to say, does a typical modern manager's ethical profile or viewpoint differ from that of the typical manager of 1987? Secondly, to what extent do these views differ among the various groups of managers based on their level of operation?

## OBJECTIVES

There are three primary objectives for this research endeavour. The initial task is that of developing an "ethical profile" for today's typical South African manager. The second objective involves the development of a comparative analysis between managers in 1987 and their contemporary counterparts of 2009. This leads to the third objective, specifically the determination of whether or not the two time-based profiles differ in any substantive manner. This research aims to do just that — namely, to

- perform scientific research that focuses on ethical predisposition and to construct an ethical profile of South African managers;
- determine the ethical predisposition of today's South African managers;
- revisit the results from Nel's 1987 study, which will serve as a benchmark; and
- draw a comparative analysis of ethical predispositions between 1987 and 2009.

## HYPOTHESES

The coding of the ethical profiles of the different groups is delineated in Table 1.  $Me_i$  and  $Ma_i$  represent the mean of the  $i^{\text{th}}$  group for respective studies. From Table 1, it can be seen that group 1 comprises all managers whereas group 2 represents the segment of top managers who completed the survey at one of the two points in time.

The hypotheses tested in this study are as follows:

**Table 1: Coding the ethical profile of groups**

	2009	1987
All managers	Me <sub>1</sub>	Ma <sub>1</sub>
Top managers	Me <sub>2</sub>	Ma <sub>2</sub>

Hypothesis 1:

$$H_0: Me_1 = Ma_1$$

$$H_1: Me_1 \neq Ma_1 \text{ (The groups differ)}$$

Hypothesis 2:

$$H_0: Me_2 = Ma_2$$

$$H_2: Me_2 \neq Ma_2 \text{ (The groups differ)}$$

## RESEARCH METHODOLOGY

Using the earlier instrument designed by Nel (1992), managers were asked to indicate their opinions regarding 15 questionable behaviours that managers might encounter in the routine course of doing business. As is common in ethics research, the respondents were asked to indicate the level of acceptability or unacceptability of a specific scenario that depicts a potential ethical dilemma. The respondents recorded their perceptions on a series of four-point Likert scales. It is well documented that laws have changed so as to make certain actions that were legal 20 years ago, illegal today. However, illegality does not always translate to unethical practice; studies over the years have documented some illegal actions to be acceptable. For example, bribery may be illegal, but in some countries it is viewed as acceptable since it levels the playing field with those competitors that do not operate in an environment where it is statutorily prohibited. Therefore, despite legal changes in South Africa since the original data were collected, that instrument was still deemed valid for the current study. The stated scenarios appear in Table 2. The sample used in the 1987 study comprised of marketing managers ( $n=151$ ), purchasing managers ( $n=146$ ) and top managers ( $n=161$ ). Therefore, an adequate aggregate sample of 458 managers provided the data that comprised the initial phase (This represented a credible response rate of 31% on the mail questionnaire).

Data collection during 2008 and 2009 was implemented by administering the survey to a sample of managers with at least two years of managerial experience. The sample was drawn from middle and top managers who were employed in the North West and Gauteng Provinces, and the Vaal Triangle region of South Africa. A total of 259 respondents completed the questionnaire. As these managers were requested in a personal capacity to participate, a response rate of more than 95% was attained. Of these 259 respondents, 89 (34.3%) were top managers. This figure compares favourably to the 35.1 percent that fell within that same top management category in the 1987 study.

The statistical software SPSS was used to address the primary research objectives germane to this project: the

**Table 2: Criteria comprising the ethics survey**

1. A purchasing manager is offered the sum of R5 000 on condition that he awards a large contract to a certain company. He accepts the offer
2. A project engineer awards a sizeable tender. A week later the company invites him on an all expenses-paid shooting trip to their private game reserve. He accepts their offer
3. Members of a company's negotiating team accept a potential supplier's invitation to lunch
4. On condition that he let them know of rival tender prices, a tender official is offered the opportunity of having his home carpeted throughout. He supplies every price tendered
5. A company official receives a bottle of whisky from a supplier as a Christmas gift. He phones to say thank you
6. Shortly after awarding a large contract, a company official and his son are invited to join suppliers at their private box at a major rugby match. He accepts the offer
7. Shortly before the announcement of a large new tender, one of the tender officials has half an ox and a case of whisky delivered to his home by one of the parties. He accepts the gifts
8. A geologist working for a mining group gains important information regarding the development of a new reef. He immediately buys 1 000 company shares
9. A branch manager receives a voucher for a weekend's stay at a holiday resort from a supplier, as a birthday present. His secretary telephones his thanks
10. A senior manager siphons petrol from his company car and transfers it to his wife's car for her shopping
11. The marketing manager and his wife entertain friends at a top restaurant. He books the bill to his expense account dined with potential customers
12. A company is known to be in the market for 20 heavy vehicles. One of the potential suppliers invites the specification engineer on an overseas trip so that he can "visit their highly sophisticated manufacturing facilities". He accepts the offer
13. The financial manager knows that the next company report will be the best yet. He instructs his broker to purchase R10 000 worth of shares on his behalf
14. On returning from a visit to a supplier, a buyer finds his boot filled with groceries. He does nothing about this
15. On arrival at his hotel in another city, a company purchasing manager receives a phone call from the secretary of the sales manager. Her boss, she says, has instructed her to take him out for a "night on the town". He accepts her invitation

establishment of a profile of the sample and the assessment of cross-study differences. Profiling was achieved via the use of simple descriptive statistics that allowed for the development of a snapshot of the respondents from each managerial group. The grand mean for each group was also calculated and treated as the basis for developing a single aggregate measure by which the ethical predispositions of the two samples could be compared. With each group profiled, differences across the two studies could then be determined. The primary assessment of the changes across the two waves was completed using the traditional t test. The criterion for the rejection of the null hypothesis that there had been no change regarding each scenario across the two time periods was a level of significance falling below the critical level of .05. However, it was determined that research of this ilk is generally best suited to utilise the calculation of the effect

size as the basis for identifying practical significance ( $d$ ) rather than statistical significance ( $p$ ). As such, practical significance was deemed preferable as it should yield more meaningful results from a managerial perspective (Ellis & Steyn, 2003). With a range between zero and 1.0, a  $d$ -value of 0.80 denotes the point at which a large level of practical significance (large effect) can be inferred. A  $d$ -value of at least 0.50 but lower than the 0.80 benchmark represents an outcome whereby a medium effect can be presumed (Steyn, 2007). Finally, a small effect is deemed to exist when the calculated  $d$ -value is at least 0.20 but less than 0.50 (Ellis & Steyn, 2003). For the duration of this study, significant differences in the ethical predisposition across the groups will be predicated upon the calculated  $d$ -value achieving a minimum score of 0.50, thereby reflecting either a high level or moderate level of practical significance. Therefore, the null hypothesis is rejected only if significant practical differences exist as denoted by the effect size ( $d$ ), where  $d \geq 0.80$  represents a larger effect, and where  $0.8 > d \geq 0.5$  represents a medium effect (Ellis & Steyn, 2003). The final analysis involved the comparison of the grand means that were calculated for the managerial groups.

The reliability of the data set was assessed via the calculation of Cronbach's Coefficient Alpha ( $\alpha$ ). For this genre of research, the minimum coefficient is set at  $\alpha \geq .70$  (Boshoff & Hoole, 1998, p. 77; Statistica, 2006). However, Kline (1999) in Field (2007, p. 668), reasons that with attitudinal or behavioural constructs, an alpha coefficient of .58 is sufficient and that such data are suitable to use for subsequent analytical scrutiny. Regarding other data types, Kline supports Boshoff and Hoole (1998) on a minimum coefficient alpha of .70. The attitudinal data used in this research resulted in a very satisfactory coefficient alpha of .79, a value that exceeds the .58 and .70 minimum coefficients.

The questionnaires make use of a four-point Likert scale, where a score of 1 represents "Definitely wrong", and a score of 4 represents "Not wrong at all". As a result, a low score on a criterion or postulated situation represents a higher ethical standard. The four-point scale used in this phase of the study was seen as most appropriate as it was used in an effort to exactly replicate the earlier study by Nel (1992). The 15 criteria used in both waves of data collection appear in Table 2.

## RESULTS

Hypothesis 1 addressed all managers; the comparative analysis of the two broad samples of managers between the two time periods germane to this study is illustrated in Figure 1. In comparing the mean scores, the 2009 managers appear to demonstrate a stronger ethical predisposition than did their 1987 counterparts. For example, criteria 3 (free lunch), 5 (free bottle of whisky) and 6 (free admission to a luxury box at a major rugby

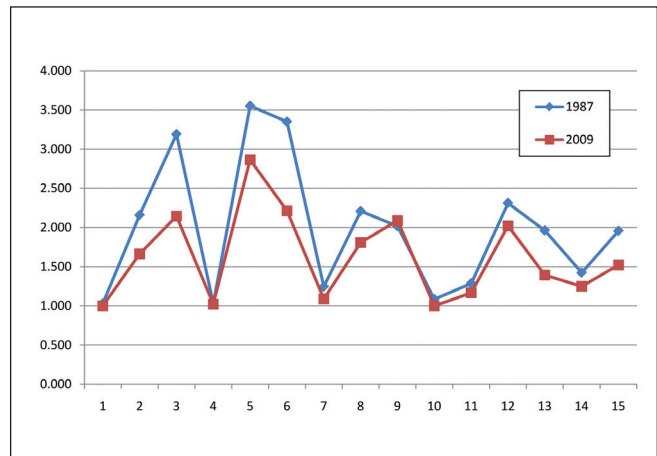


Figure 1: All managers: Mean scores for the 15 ethics scenarios

match) each reflect a high level of practical significance (based on the corresponding  $d$ -values), which favours the more recent group of managers.

An assessment of these differences was achieved by using a  $t$  test. Of the 15 scenarios under scrutiny, fully 14 exhibited statistically significant differences. Only scenario 12, the act of accepting an offer to visit an overseas facility, can be characterised as unchanged; that is to say that the null hypothesis of equal means for the two time periods was not rejected. Of the 14 scenarios where the hypothesis was rejected, fully 10 were in the desired direction. For only four scenarios the managers were more accepting of the action in question. Table 3 summarises the results of the  $t$  tests.

Table 3 provides a richer overview of the comparative analysis of all of the managers and the effect ( $d$ ) statistics that measure the practical significance of the observed changes in the ethical predispositions across the two groups.

The analysis of practical significance confirms that the ethical predisposition exhibited by the 1987 group was somewhat lower than that exhibited by the current managers. It documents large practical differences for criteria 3 (lunch) and 6 (major rugby match), while medium practical differences are evident for criteria 5 (whisky) and 13 (insider trading). None of the remaining 11 criteria exhibited significant practical differences. As an additional measure used to facilitate the comparison of the two groups, the grand means calculated for each group across all 15 criteria show that the ethical predisposition of all managers has improved from a score of 2.028 in 1987 to a score of 1.735 in 2009. Since this phenomenon was measured using a four-point scale, the movement of 0.293 is meaningful even though no measure of statistical significance was calculated. It should be noted that all four behaviours that exhibited practical significance were also characterised as having statistically significant differences. Furthermore,

**Table 3: All managers: Practically significant differences**

Criteria	2009				1987				
	n	Mean	Std. deviation	d (Effect size)*	n	Mean	Std. deviation	t test	Sig.
Q1	259	1.058	0.318	0.12	458	1.019	0.0322	2.60	.009
Q2	257	1.856	1.034	0.31	458	2.172	0.9541	4.12	.000
Q3	259	2.193	1.097	0.87	458	3.147	0.7412	13.85	.000
Q4	257	1.148	0.546	0.22	458	1.030	0.4270	3.20	.001
Q5	258	2.915	1.066	0.62	458	3.581	0.4199	11.84	.000
Q6	259	2.313	1.085	0.98	458	3.380	0.5076	17.88	.000
Q7	259	1.131	0.456	0.29	458	1.262	0.2823	4.75	.000
Q8	258	2.043	1.134	0.35	458	2.440	0.9118	5.12	.000
Q9	258	2.190	1.119	0.15	458	2.024	0.8040	2.29	.022
Q10	259	1.035	0.239	0.25	458	1.093	0.1111	4.42	.000
Q11	258	1.333	0.821	0.01	458	1.323	0.3507	2.04	.042
Q12	254	2.323	1.138	0.03	458	2.354	1.0392	0.37	.713
Q13	256	1.641	0.976	0.56	458	2.183	0.9201	7.38	.000
Q14	255	1.278	0.668	0.22	458	1.428	0.4021	2.29	.022
Q15	257	1.568	0.946	0.44	458	1.987	0.7617	6.46	.000
Grand mean			1.735			2.028			

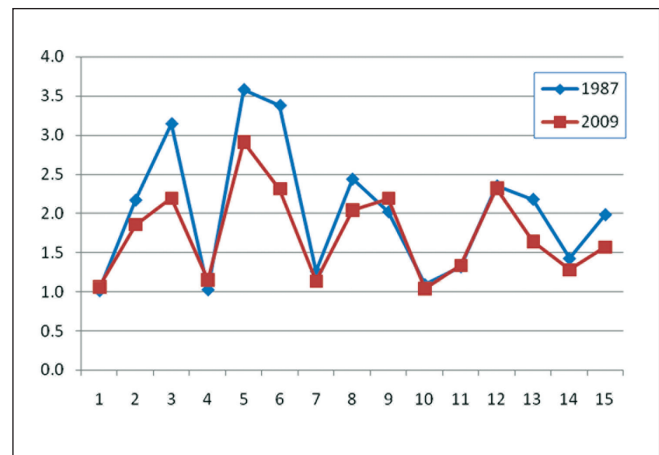
\*Practical significance:  $0.8 > d > 0.5$  (medium effect); and  $d \geq 0.8$  (large effect)

the change was in the desired direction of a higher level of ethical predisposition.

The analysis also extracted from both samples the ethical views held by those operating at the top management level. The earlier study collected data from 161 top managers, while the 2009 survey includes 89 top managers as respondents. The means for the two groups are shown in Figure 2, for an easy visual comparison. As such, the apparent similarities and differences can be readily identified.

As with the aggregate sample, the initial analysis involved the use of t tests in an effort to identify changes from 1987 to 2009 that were statistically significant. This was the case for 12 of the 15 scenarios. It should be noted that the 2009 sample had a unanimous opinion regarding two of the behaviors. This unanimity resulted in a standard deviation of zero. Therefore, the values for t and the corresponding level of significance could not be calculated. Conversely, it could be argued that the two statistics could be characterised as infinite and zero. In such cases, it is reasonable to reject the null hypothesis of equal means. For 10 scenarios where significant differences were shown to exist, the corresponding levels of probability were all under .05. However, the three scenarios where the null hypotheses were accepted produced probability statistics of .098, .582 and .746. These results are summarised in Table 4.

Regarding the analysis of the top managers, the focus now shifts to the statistic that addresses practical significance. Judging from the results presented in Table 4, it is evident that the 2009 top managers are also more aware of possible ethical dilemmas. This group of top-level managers possesses higher ethical standards than did their earlier



**Figure 2: Top managers: Mean scores for the 15 ethics scenarios**

counterparts. Once again, criteria 3, 5, 6 and 13 are deemed less acceptable behaviours today than they were in Nel's earlier study. These are the only four that exhibited both statistical and practical significance. Table 4 documents the calculated effect sizes for the comparison between the top managers of today versus those of some 20 years earlier.

Statistical analysis revealed that top managers do not differ from one another with regard to their ethical views on criteria 1 (accepting a R5 000 bribe) and 10 (stealing petrol from the company car). Since each respondent perceived these actions to be completely unethical, their answers were perfectly uniform (unanimously responding with an answer of '1' on these two questions). The superior experience of the selected group of managers, as well as the fact that these two criteria pose universally unethical and even illegal actions, could offer a plausible explanation for their similar views.



As a consequence of the lack of variation in their responses, the effect size cannot be calculated for these two criteria. As a result, these two criteria are designated as exhibiting no effect size and hence there are no corresponding values in Table 4. An examination of Table 4 further indicates that there was almost no variation in the responses regarding these two actions in Nel's 1987 study. For example, the standard deviation on criterion 1 in Nel's study was only 1.03, thereby indicating a close-to-unanimous consensus within the initial sample of top managers. It is worth noting that the standard deviation of zero would have resulted in statistical significance; therefore, the superior efficacy of the effect measure is confirmed since the minor variation between the two groups is not managerially significant.

Top management holds a view similar to that of the other managers. Once again, the four key criteria that show practical differences are criteria 3 (lunch), 5 (whisky), 6 (major rugby match) and 13 (insider trading). However, the difference for criterion 3 qualifies as a large effect, whereas the other three criteria exhibit a medium effect, thereby being characterised as possessing medium practical significance. None of the remaining 11 criteria exhibited significant practical differences. As was the case with all of the managers, the grand means calculated for each group across all 15 criteria provide anecdotal evidence that the ethical predisposition of these top-level managers has also improved. This premise is predicated upon an improvement in the mean from 1.987 in 1987 to 1.617 in 2009.

A closer look at the identified actions shows that three of the four are "softer" or unclear issues in ethics, namely, to accept lunch, accept a bottle of whisky, or accept an

invitation to a rugby match. These criteria differ from the very clear aspects such as siphoning petrol from the company car (representing theft of petrol) in the questionnaire. It is reasonable to presume that it was, and always will be, wrong to steal petrol, but the question of ethics is not so clear when the behaviour involves accepting a lunch or a bottle of whisky as gratitude. An explanation in this regard could be that the constant campaigns and warnings on ethical behaviour in recent years in the RSA have yielded fruit in the sense that a higher level of awareness regarding ethical behaviour has taken place. The criterion of insider trading and buying of shares can only be explained if one assumes that the 1987 sample accepted this as a normal fringe benefit of management and therefore did not perceive such trading to be an unethical action.

### ACCEPTANCE/REJECTION OF HYPOTHESES

Hypothesis 1:

$$H_0: Me_1 = Ma_1$$

$$H_1: Me_1 \neq Ma_1$$

Regarding the analysis of all managers (Table 3), it is clear that at least four criteria differ based upon the measure of practical significance. Two of these calculated effect sizes document a large difference, while the other two produced a medium difference. In addition, the grand means also document a marked improvement in the ethical predisposition held by the aggregate sample of the managers. Therefore, hypothesis 1 is rejected.

Hypothesis 2:

$$H_0: Me_2 = Ma_2$$

$$H_2: Me_2 \neq Ma_2$$

**Table 4: Top managers: Practically significant differences**

Criteria	2009				1987				
	n	Mean	Std. deviation	d (Effect size)	n	Mean	Std. deviation	t test	Sig.
Q1	89	1.000	0.000**	***	161	1.030	0.1720	na	na
Q2	89	1.663	0.929	0.51	161	2.159	0.9680	3.93	.0001
Q3	89	2.146	1.072	0.97	161	3.190	0.7820	8.82	.000
Q4	89	1.022	0.149	0.04	161	1.030	0.2050	0.32	.746
Q5	89	2.865	1.120	0.61	161	3.552	0.6300	6.21	.000
Q6	89	2.213	1.092	1.04	161	3.349	0.6610	10.21	.000
Q7	89	1.090	0.358	0.31	161	1.245	0.4980	2.59	.010
Q8	89	1.809	1.054	0.38	161	2.208	0.9650	3.03	.003
Q9	89	2.090	1.154	0.06	161	2.018	0.8850	0.55	.582
Q10	89	1.000	0.000	***	161	1.085	0.2810	na	na
Q11	89	1.169	0.588	0.20	161	1.288	0.5170	1.65	.098
Q12	88	2.023	1.124	0.26	161	2.312	1.0270	2.05	.041
Q13	89	1.393	0.748	0.62	161	1.963	0.9150	5.02	.000
Q14	88	1.250	0.630	0.26	161	1.423	0.6650	1.99	.047
Q15	88	1.523	0.959	0.45	161	1.957	0.8630	3.65	.0003
Grand mean		1.617				1.987			

\*Practical significance:  $0.8 > d \geq 0.5$  (medium effect); and  $d \geq 0.8$  (large effect), \*\*Standard deviation = 0: a result of all respondents selecting the option '1' on this question, \*\*\* = No effect size could be calculated.

Attention can now be redirected to focus on changes among the two groups of top managers. From Table 4 it is evident that four criteria differ based upon the measure of practical significance. Based on the direction of the changes, it can be concluded that there has been a marked improvement among top managers since 1987. One criterion shows a large effect, while the three others, which also differ, are characterised by a medium effect. In addition, the grand means calculated also document an improvement in the ethical predisposition held by the top managers. Therefore, hypothesis 2 is also rejected.

Two key conclusions can be drawn from these results. First is that the ethical predisposition of the overall population of managers in the two time periods under scrutiny has improved over time. Similarly, when partitioned out as segments of the overall samples, the ethical predisposition of top managers has likewise improved. South African managers in 2009 possess stronger ethical inclinations than did their predecessors of 1987.

## DISCUSSION

There was speculation that South Africa would make little progress in moving towards being a more ethically inclined nation without the implementation of systematic codes of ethics that would serve to provide direction in the difficult task of making and implementing business decisions. Furthermore, South Africa has long been under intense scrutiny, with any missteps routinely reported in the national and international media. Examples of missteps that were reported in detail by the media are numerous (Schabir Shaik's involvement in a corrupt arms deal for the Department of Defence; the corruption by the former national commissioner of the South African Police Service, Jackie Selebi). The 2010 Soccer World Cup served to heighten up that scrutiny. The world was watching — and perhaps many of the observers were anticipating an ethical breach.

The reality regarding ethics-based research in the Republic of South Africa is that there have been no meaningful efforts to engage in longitudinal studies that would allow for the measurement of the changes in ethical predisposition that have occurred over time. Still, there have been a number of cross-sectional and cross-cultural studies that provide insight as to where South Africa was 20 years ago and where it is today. This study replicates the one performed in 1987 and published in 1992. By doing so, we can gain better understanding of how the country has changed — and how it has stayed the same. Comparing the results from the 2009 sample to the published results from the Nel's 1987 study, specific changes can be documented. As anticipated by many of the authors of the conceptual research of the late 1980s and early 1990s, progress has indeed been made. The managers have exhibited a transition towards a

mindset that is more critical of certain breaches of what is deemed to be ethical conduct. However, at the same time, there is no meaningful change associated with the majority of issues addressed in this study. Therefore, it appears that ethical predisposition is situational rather than universal. That is to say that some actions are viewed much more favourably than are others. Furthermore, for virtually every action that is viewed with collective disfavour, there were some respondents who deemed it to be acceptable. Despite this lack of consensus, it is safe to conclude that we are witnessing a gradual move towards a more ethically inclined population of managers. While this is a reason for optimism, the absence of change in perception of the majority of actions represents a concurrent cause for concern.

A key consideration as we look at the results emanating from this study is that of how attitude translates into one's own behaviour. This concern is always present when assessing a sample's perception of the behaviour of others. While they may view an action as unacceptable, when confronted with that same dilemma, they might opt to engage in that same behaviour, which they had declared to be unethical. Despite this shortcoming, the results still provide a means of determining changes that have occurred in the minds of South Africans during the period under consideration.

While the results emanating from this study are of particular interest to South African business entities, it must be recognised that as the country's economic environment continues to improve, more multinational corporations will seek to establish, if not advance, their presence in the country. The current climate as it relates to propensity to act in an ethical manner and the corresponding trend over time should be of interest to Asian, European and North American companies seeking to expand operations into the region.

## CONCLUSIONS

The overarching reality is that progress is being made, a reality that is fully supported by the positive changes as documented by the t tests that documented a stronger ethical proclivity in 2009 as compared to 1987. However, when the focus shifts to practical significance, it becomes evident that there is still ample room for improvement. Yet the progress that is documented should be viewed as a precursor to continued improvement. If so, then the ethics gap between South Africa and the West — the United States in particular (Vogel, 1992) — will continue to shrink. So there is hope that Mr. Mandela's concern, like apartheid itself, will become a relic of South Africa's past.

There has been no systematic effort to examine changes within South Africa over any meaningful period of time. This study is a beginning in addressing that deficiency. Hopefully, it will serve as a catalyst for more studies of this

type as we anticipate that South Africa will remain a country in transition, one that may well be transitioning away from its collective *laissez faire* and *caveat emptor* mindset.

### Limitations

Two shortcomings are worth noting at this point. The 2009 sample, albeit a close representation when assessing the composition from the perspective of management level, was more geographically concentrated. By collecting data in only two provinces, the issue of representativeness could be raised. Any extension of this research should attempt to acquire a more representative sample of South African managers so as to have more certainty as to the changes that have occurred. Furthermore, some assessment on the basis of demographic considerations should be incorporated in future research, especially since the demographics of the population of managers continue to evolve. Combined with the relatively basic assessment of practical significance, some might argue for more sophisticated analyses that incorporate statistical significance.

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**How to cite this article: ???.**

**Source of Support: Nil, Conflict of Interest: None declared**

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