African Journal of Business Ethics

(Official Journal of BEN-Africa)

ISSN 1817-7417

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Bank customers' preferences and responses to Corporate Social Responsibility (CSR) initiatives in Ghana

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DOI:
10.15249/10-1-107

Keywords:
corporate social responsibility; Ghana; bank customers; initiatives

Abstract

The study sought to investigate Ghanaian bank customers' ranked preference for corporate social responsibility (CSR) initiatives and determine which initiative has the greatest effect on their attitudes and behaviour toward banks. A sample of 384 retail bank customers was employed in the study. The study applied a one-way MANOVA and two univariate ANOVAs. The study found that customers have the highest preference for corporate philanthropy initiatives, followed by customer-centric and community volunteering initiatives. Additionally, the overall effects of CSR initiatives on customers' attitude and behavioural intentions toward bank brands are found to be significant. More specifically, the study found, using a Scheffé post-hoc test, that corporate philanthropy initiatives have the greatest effect on both attitude and behavioural intentions towards bank brands. Based on the findings, the study recommends that corporate philanthropy initiatives are the best type of CSR initiative that retail banks should apply to enhance customers' attitudes and behaviour towards their brands in Ghana.

Introduction

There is substantial agreement that CSR is concerned with societal obligations, although the nature and scope of these obligations remain uncertain (Craig Smith, 2003). Maignan and Ferrell (2004) argue that companies should only be responsible to company stakeholders, while other authors argue that companies should be responsible to society as a whole (Brown & Dacin, 1997; Kotler & Lee, 2005). Exactly whom companies are beholden to continues to be debated. The key theme of corporate social responsibility is that companies are obligated to do work for the public betterment (Safi & Ramay, 2013).

Over the past few decades, corporate social responsibility (CSR) has been gaining prominence in organisations (Auger, Devinney, & Louviere, 2006; Luo & Bhattacharya, 2006; Ofori & Hinson, 2007) and many firms now engage in one CSR activity or another. The reasons why CSR has become such an important aspect of corporate life and strategy include pressure from governments, activists, consumers and the media on organisations to be socially responsible (Porter & Kramer, 2006) and the sometimes severe penalties that are meted out to socially irresponsible organisations. Porter and Kramer further posit that a myriad of organisations rank companies based on their CSR performance, and as such, businesses are compelled to be socially responsible.

Beyond the pressures that compel firms to engage in CSR, there is increasing evidence that links CSR to favourable stakeholder responses and firm performance indicators such as enhanced reputation, a motivated workforce, favourable consumer evaluations and increased purchases, the ability to attract potential employees and investors, and superior financial performance (Fombrun & Shanley 1990; Albinger & Freeman, 2000; Sen & Bhattacharya, 2001; Sen, Bhattacharya & Korschun, 2006; Brooks, 2010). Hence, beyond those factors that push firms into engaging in CSR (e.g. pressures and regulations), the mounting evidence of a business case for CSR may also account for the increased attention that firms are paying to CSR.

In light of these known positive effects, CSR strategies have been embraced by the international banking community. In spite of this increase in firms' attention to CSR, Guzman and Becker-Olsen (2010:211) argued that Africa is a region where there are "only sporadic efforts related to CSR and a consumer and governmental culture where CSR is not necessarily valued". Although there is mounting evidence against the assertion of 'sporadic' CSR efforts within the African region (Eweje 2006a; Visser, 2006; Ofori & Hinson, 2007; Hinson, 2011; Hinson & Kodua, 2012) – at least as far as countries like Nigeria, Ghana and South Africa are concerned – there seems to be little or no effort to validate or otherwise the assertion that CSR is not valued in Africa, especially from the perspective of African consumers. This study therefore contributed to filling a gap in CSR research by investigating Ghanaian consumer's preference and response to CSR.

Beyond the continental limitation of CSR consumer value research, as referred to in the preceding discussion, knowledge of consumer preference and response to CSR initiatives within the retail banking industry appears to be limited. McDonald and Lai (2011) have argued that within the retail banking sector, scant research has been carried out on customers' reactions to different CSR initiatives. Indeed, citing Rugimbana *et al.* (2008), McDonald and Lai (2011:51) assert that the way consumers view CSR within the banking sector is unclear due to the "surprisingly limited amount of research evaluating consumer reactions to banks' CSR activities". In the recent past, many companies, including banks, have reduced CSR to donations (Addo, 2014). Thus, customers appeared not to select firms based on their engagement in CSR activities.

Given that banks are important players in the financial sectors of developing economies in Africa and that banks have, for example in Ghana, been identified as adopting corporate social responsibility as a means of strengthening their reputation and improving relationships with stakeholders (Hinson, 2011), this study investigated stakeholders' preference and response to CSR from the perspective of consumers of the retail banking sector in Ghana. Specifically, the study was focused on the following:

1. Ghanaian bank customers' preference with regard to customer-centric CSR initiatives, corporate philanthropy and community volunteering;
2. the effect of customer-centric initiatives on Ghanaian banking customers' attitude towards banks than corporate philanthropy;
3. the effect of customer-centric initiatives on Ghanaian banking customers' attitude towards banks;
4. the effect of corporate philanthropy on Ghanaian bank customers' attitudes towards banks;
5. the effect of customer-centric CSR initiatives on the behavioural intentions of Ghanaian bank customers; and
6. the effect of corporate philanthropy on the behavioural intentions of Ghanaian bank customers.

Carroll's typology and CSR in the African context

Carroll (1979)'s typology of CSR is one of the most robust and widely employed in the CSR literature (Crane & Matten, 2004; Jamali, 2008). It advances the argument that the responsibilities of corporate entities to society are fourfold, namely economic, legal, ethical and philanthropic/discretionary. Carroll (ibid.) stipulates that the economic responsibility of business entails the responsibility to produce the goods and services that society desires and to sell them at a profit. The legal responsibilities cover firms' obligation of legal compliance and 'playing by the rules of the game'. The ethical responsibilities entail society's expectations of firms in relation to their morals and business ethos, which are not stipulated in law(s), while discretionary/philanthropic responsibilities refer to purely voluntary actions motivated by a business' desire to engage in social roles that are not mandated.

In spite of its widespread adoption in the CSR literature, Carroll's conceptualisation has been criticised as not being the best model for CSR globally (see Lindgreen, Swaen, & Campbell, 2009), and in Africa in particular (Visser, 2006). Visser (ibid) argues, for example, that Carroll's typology is largely a reflection of the views of American society on CSR (see also Dartey-Baah & Amponsah-Tawiah, 2011) and that the order or ranking of CSR initiatives, as postulated by Carroll (1979, 1991), is entirely different within the African context.

According to Carroll's (1979) typology, the least important type of CSR is what he terms philanthropic (discretionary). However, Visser (2006) contends that, in Africa, philanthropic CSR is the second most important form of CSR after economic CSR. He argues that the socio-economic needs of the African societies in which companies operate are so great that philanthropy is an expected norm and is considered the 'right thing' for business to do. Even more profound is Visser's (ibid) assertion that CSR is sometimes even equated to philanthropy within the African context.

Visser (2006) further argues that Africans are less concerned about legal CSR than their counterparts in more developed economies, since there is far less pressure for good conduct due to poorly developed legal infrastructures that lack independence, resources and administrative efficiency (see also Eweje, 2006b; Ndzibah, 2009). Visser (ibid) finally makes the assertion that, given the general level of corruption in Africa – to the extent that corrupt conduct is regarded as 'normal' – ethical CSR is least in the African mindset in respect of CSR.

A number of studies in southern Africa seem to provide support for Visser (2006)'s claims (Lindgreen *et al*., 2009). Enquiries into CSR in West Africa also seem to give credence to the same. For instance, Eweje (2006b:94) states that "[i] n least developed countries (LDCs), Multinational Enterprises (MNEs) are expected to provide some social services and welfare programmes in addition to their normal economic activities"; for example, they "provide education, scholarships and build roads in Nigeria; build clinics and provide drugs for AIDS/HIV patients in South Africa; and also provide medication and vaccination for malaria in Zambia". Similar assertions have been made by various other studies (Evuleocha, 2005; Frynas 2005; Amaeshi, Adi, Ogbechie, & Amao, 2006; Eweje, 2007; Lindgreen *et al*., 2009). This seems also to be the case in Ghana, where WBCSD (2000) found that respondents expected firms to fill in where the government failed.

In light of the preceding discussion about the level of importance Africans attach to philanthropic CSR, this study examined the preferences of Ghanaian bank customers for social initiatives that could be classified as philanthropic/discretionary CSR. However, given existing evidence that consumers are not willing to trade the quality of firms' offerings or products for CSR activities (Guzman & Becker-Olsen, 2010; Haigh & Brubaker, 2010), this study also compares consumers' preferences and responses with regard to philanthropic/discretionary CSR and customer-centric CSR, i.e. corporate strategies centred on the satisfaction of customers. The study therefore employs three categories of CSR: corporate philanthropy, community volunteering and customer-centric CSR. The first two types of CSR may be classified as philanthropic/discretionary CSR, while customer-centric CSR can be classified as economic CSR, based on Caroll's (1979) definition of economic CSR discussed earlier in this paper.

A firm is said to engage in corporate philanthropy when it makes a direct contribution to a charity or a cause in the form of cash grants, donations, and/or in-kind services (Kotler & Lee, 2005). Community volunteering, on the other hand, involves a corporation's support and encouragement of its employees, retail partners, and/or franchise members to volunteer their time to support local community organisations and causes (ibid.). For example, employees may volunteer their expertise, talents, ideas or physical labour in such activities as clean-up exercises in the community, organising blood donations to a hospital or breast cancer screening (Hinson, 2012). Customer-centric CSR, however, refers to all corporate strategies centred on the satisfaction of customers (Rashid, 2010b in Rashid, Abdeljawad, Ngalim & Hassan, 2013). For example McDonald and Lai (2011) classify staff being able to handle complaints and the opening of more bank branches as customer-centric.

Customers' ranked CSR preferences

There appears to be a growing body of research into customers' preferences for/rankings of CSR – utilising various conceptualisations of social responsibility – within the CSR literature (e.g. Maignan, 2001; Maignan & Ferrell, 2003; Auger *et al.*, 2006). Numerous studies analysing customers' preferences with regard to CSR initiatives and their views on the nature of the responsibilities firms have towards their stakeholders have been carried out in countries spanning Europe, America and South-East Asia (e.g. Maignan & Ferrell, 2003; Auger, *et al.*, 2006; Pomering & Dolnicar, 2006; McDonald & Lai, 2011).

In Auger *et al.*'s (2006) cross-cultural examination of American, German, Spanish, Turkish, Indian and Korean consumers' ethical beliefs on sixteen (16) different CSR initiatives, the study respondents seemed to be more interested in issues that favoured employees, the environment and animals over issues that favoured themselves (e.g. product safety information and genetically modified materials), with customer-centric initiatives receiving low ratings across the board. However, the findings contradict those of other researchers, for example Pomering and Dolnicar (2006) and McDonald and Lai (2011), who discovered that Australian and Taiwanese bank customers prefer CSR initiatives that favour themselves as opposed to those favouring other stakeholders such as employees, the environment and the community at large. In addition, in Maignan and Ferrell's (2003) examination of French, German and American consumers, study respondents indicated that they believed a corporation's responsibility towards customers was paramount compared to its responsibility towards employees or the community.

Although customers may appreciate the psychological benefits associated with purchasing from firms whose CSR initiatives favour causes that they (i.e. the customers) care about (Bhattacharya *et al.*, 2009), it has been contended that initiatives that provide direct benefits to customers may be preferred over those that provide indirect psychological benefits (McDonald & Lai, 2011). In other words, customers appreciate customer-centric initiatives more than those favouring other causes and stakeholders.

Based on the preceding arguments and the fact that Visser (2006) argues that philanthropic CSR in Africa is ranked second to economic CSR (which includes production of quality goods and services) (Carroll, 1979), this study hypothesizes as follows:

- *Hypothesis 1 (H1)*: Ghanaian bank customers prefer customer-centric CSR initiatives to corporate philanthropy and community volunteering.

In LDCs such as Ghana, philanthropic initiatives are required of firms as part of their social responsibility (Evuleocha, 2005; Frynas, 2005; Eweje, 2006a; Eweje, 2007). Initiatives in the form of contributing corporate funds for building schools, roads and health centres, and giving money to support causes, characterised as corporate philanthropy, are preferred. The emphasis on such initiatives may be attributed to the dire need for development in all forms apparent in the lack of governmental success in development projects. To illustrate this point: in an interview at the World Business Council for Sustainable Development (WBCSD), Ghanaians stressed such issues as 'building local capacity' and 'filling in when government falls short' when asked about their perception of CSR (WBCSD, 2000).

Community volunteering initiatives usually take the form of employees taking time to help in community projects such as tree planting or clean-up exercises, and volunteering in classrooms (Kotler & Lee, 2005). Such initiatives do not necessarily have a direct and immediate effect on the infrastructural development of society that Africans are known to favour. In light of the African emphasis on corporate philanthropy, the following hypothesis is put forward:

- *Hypothesis 2 (H2)*: Ghanaian bank customers prefer corporate philanthropy initiatives to community volunteering initiatives.

Attitudinal responses to CSR

A number of surveys have been conducted about the effect of CSR on customers' attitudes towards different brands. The majority of these studies report a positive relationship between CSR and attitude(s) towards a firm. Citing the Cone/Roper cause-related marketing trends report, Mohr, Webb and Harris (2001) state that each year since 1993 at least 80% of people surveyed reported having a more positive image of a firm if that firm engaged in causes that they (the respondents) cared about. This is supported by numerous other studies, for example: Murray and Vogel (1997) found that respondents indicated more positive attitudes towards socially responsible firms; Sen and Bhattacharya (2001) reported that CSR had a direct positive effect on consumers' company evaluations; and Mohr *et al.* (2001) found that consumers expressed positive attitudes towards socially responsible firms.

On the other hand, Brown and Dacin (1997), in an evaluation of the effect of different CSR initiatives on consumer product responses, established that CSR has a positive influence on product attitudes only through company evaluations (how the consumer views the company through such things as product quality). This finding is supported by the previously discussed evidence that indicates that consumers do not favour other CSR engagements at the expense of the quality of a firm's product or service. It is therefore evident that positive consumer attitudes towards a firm and its CSR initiatives may be predicated first and foremost on the firm's ability to produce good quality products and services (e.g. Sen & Bhattacharya, 2001; Brown & Dacin, 1997). In other words, when customers are satisfied with the level of the product or service quality, they tend to have positive attitudes towards the firm when it engages in CSR initiatives benefiting other stakeholders.

Customer-centric CSR initiatives may therefore be said to have the potential to provide greater levels of satisfaction (see McDonald & Rundle-Thiele, 2008) and greater value to customers than other CSR initiatives, and that customer-centric CSR would therefore result in more positive attitudes towards the firm than other CSR initiatives. Hence hypotheses 3_a and 3_b:

- *Hypothesis 3_a (H3_a)*: Customer-centric initiatives have a greater effect on Ghanaian banking customers' attitude towards banks than corporate philanthropy.
- *Hypothesis 3_b (H3_b)*: Customer-centric initiatives have a greater effect on Ghanaian banking customers' attitude towards banks than community volunteering CSR initiatives.

Based on the arguments made on the importance of corporate philanthropy in Africa and also in Ghana, the following hypothesis is advanced:

- *Hypothesis 4 (H4)*: Corporate philanthropy has a greater effect on Ghanaian bank customers' attitudes towards banks than community volunteering initiatives.

Behavioural responses to CSR

Some studies on different stakeholders have shown that social responsibility results in positive behavioural responses. Investors (Sen *et al.*, 2006) and employees (Turban & Greening, 1997; Greening & Turban, 2000; Sen *et al.*, 2006), for example, are reported as having a greater intention to invest and be employed, respectively, by socially-responsible firms. Customers are also reportedly more likely to purchase the products and services of socially responsible firms (see Sen *et al.*, 2006). Additionally, two-thirds of respondents in a survey conducted by Cone/Roper (Cone Communications Press Release, 1999, as cited in Mohr *et al.*, 2001) indicated they would switch brands and retailers to those participating in cause-related marketing. Additionally, Ross *et al.* (1990-91, as cited in Mohr *et al.*, 2001) found that 49% of respondents had purchased products based on firms' support of a cause, and 54% indicated that they were more likely to switch to a new brand as a result of cause-related marketing. Creyer and Ross (1997) also conducted a survey and discovered that respondents would pay higher prices for products from an ethical company.

Additionally, consumers have cited CSR as a purchase criterion (Lewis, 2003 in Beckmann, 2007). In an interview with customers on the value received from CSR, Green and Peloza (2011) found that, for the majority of the respondents, CSR that produces functional value (direct benefits) is the leading, and in many cases, the sole driver behind integrating CSR into their decision-making processes. However, in obtaining positive behavioural responses such as purchase intentions, Berens *et al.* (2005, in Mandhachitara & Poolthong, 2011) found that CSR only has a significant effect on purchase intentions when the company competency is high. This confirms that positive responses to CSR result only when the basic requirements of product and service quality are present, which McDonald and Lai (2011) and Rashid *et al.* (2013) classify as customer-centric CSR. Hence the following hypothesis:

- *Hypothesis 5 (H5)*: Customer-centric CSR initiatives elicit the greatest effect on the behavioural intentions of Ghanaian bank customers.

Given the arguments presented earlier on the importance of corporate philanthropy initiatives in the form of infrastructural development in Africa and also in Ghana, the following hypothesis is also drawn:

- *Hypothesis 6 (H6)*: Corporate philanthropy has a greater effect on the behavioural intentions of Ghanaian bank customers than community volunteering initiatives.

Methodology

A survey was used as the method of gathering primary data from respondents, the main reason being that surveys are effective in obtaining opinions, attitudes, and descriptions, as well as in investigating cause-and-effect relationships (Ghauri & Grønhaug, 2005).

Data collection instrument

The data collection instrument employed in this study was a semi-structured questionnaire, consisting of two parts: one pertaining to the demographic data of study respondents and the other to corporate social responsibility (CSR). A fictitious bank (First African Bank) was created for the purposes of the study and each respondent was presented with a scenario highlighting one of the three CSR initiatives (corporate philanthropy, community volunteering and customer centric CSR), which the supposed bank was purported to be engaged in. The use of fictitious companies in experimental research (see for example Brown & Dacin, 1997; McDonald & Lai, 2011) has proven successful in minimising any confusion due to pre-existing attitudes towards already existing companies (Groza, Pronschinske & Walker, 2011).

Three CSR initiatives, as discussed earlier, were employed in this study: customer-centric CSR, corporate philanthropy and community volunteering. Each description of the CSR engagements of the fictitious bank had four (4) components, as McDonald and Lai (2011, citing Brown and Dacin, 1997) and Murray and Vogel (1997) assert that testing multiple combined effects of related categories of CSR initiatives is effective.

All four components making up customer-centric CSR ('employees are competent'; 'employees are efficient and reliable'; 'members of staff have very good complaints handling'; 'staff show positive attitudes and behaviour towards customers') were adapted from McDonald and Lai (2011). One component for corporate philanthropy ('building school blocks for schools in underprivileged communities') was adapted from Hinson (2012). The other three ('sponsoring needy but brilliant children to go to school'; 'donating to orphanages'; ' providing potable water to deprived communities by drilling boreholes') were adapted based on a review of two Ghanaian bank websites and one other website which gave a summary of prevailing Ghanaian bank philanthropy practices.

For community volunteering, three components were adapted from Hinson (2012): 'the bank regularly involves itself in clean-up exercises in communities'; 'the bank encourages its employees to donate part of their working hours to volunteer in classrooms'; 'the bank helps plant trees in communities'. The fourth component of community volunteering ('the bank organises financial literacy clinics for its communities') was adapted from a website on the prevailing Ghanaian bank CSR practices.

Attitude and behavioural intentions scales were utilised in this study to examine the extent to which each CSR initiative has an effect on attitudinal and behavioural responses of bank customers. The scales contained five-point Likert items ('strongly disagree' to 'strongly agree'). The attitudinal scale consisted of three items: two ('I like my bank'; 'I feel good about my bank') were adapted from Baumann, Burton and Elliot (2007), and the third ('I am proud of my bank') from Pomering and Dolnicar (2006). For the behavioural intentions scale, which also consisted of three items, two ('I will speak positively about my bank to others'; 'I would use more of my bank's products') were adapted from Pomering and Dolnicar (ibid.), and the third ('If I had to pick a bank again, I would still choose my bank') from McDonald and Lai (2011).

Sample size

Due to the nature of the research design and analysis technique used in the study, we employed three samples (*n*), a sample each for the three CSR initiatives. Some scholars argue that an acceptable number of respondents per group sample (*n*) for the method of analysis selected (MANOVA) for this study is around twenty (20) (Hair Jr., Black, Babin, Anderson & Tatham, 2006), whereas others maintain that thirty (30) per treatment condition is adequate for detecting significant differences in group means (Iacobucci, 2001 as cited in McDonald & Lai, 2011). However, in order to obtain a statistically high observed power of at least .80 (Cohen, 1988 as cited in D'Amico, Nielands & Zambarano, 2001; Hair *et al.*, 2006), relatively large group sample sizes had to be obtained for each treatment group, seeing that the experiment had a low effect size. Hence each CSR initiative comprised approximately one hundred and twenty-eight (128) respondents. In sum, a sample size (*N*) of three hundred and eighty-four (384) was obtained for the entire study.

Data analysis

This study employed a one-way multivariate analysis of variance (MANOVA) as the method of data analysis. MANOVA is an extension of its univariate form, one-way analysis of variance (one-way ANOVA). It is used to examine group differences across two or more dependent variables concurrently (Malhotra, 2007).

Multivariate tests were run to estimate the MANOVA model and to assess the overall model fit, after the examination of the MANOVA assumptions. alpha was initially set to .05; however, the results of the test did not have a satisfactory statistical power level of at least .80 (e.g. Cohen, 1988 as cited in Wilson Van Voorhis & Morgan, 2007). This could have been attributable to the small effect size of the experiment (see Hair *et al.*, 2006). Consequently, alpha (α) was set to a less stringent level of .10. In cases where effect sizes are smaller than what is desired, as it was in this case, it is permissible to decrease alpha in order to attain sufficient power levels (Hair *et al.*, 2006).

The results of the multivariate tests revealed a significant main effect of the independent variable (CSR initiatives) on the collective set of the dependent variables (attitude and behavioural intentions). Further univariate tests were carried out for each dependent variable to determine if there were significant differences in the dependent variables across the three groups of the independent variable. Prior to running the univariate tests, a Bonferroni adjustment of the overall acceptable level of type I error was made. The tests showed that there were indeed significant differences among the groups in their effect on attitude and then on behavioural intentions.

Although the MANOVA and the univariate ANOVA results showed that there were significant differences across the three groups of the independent variable in respect of their effects on attitude and behavioural intentions, they did not indicate exactly where the differences lay. Additionally, a statistical main effect does not guarantee that every one of the group differences is also significant (Hair *et al.*, 2006). Hence, a Scheffé post-hoc test was conducted to examine those effects. The main reason behind the use of the Scheffé test over other post-hoc tests was that it is the most conservative with respect to type 1 error (Hair *et al.*, 2006). The Scheffé test was a comparison between groups of the three CSR types to determine which of the differences (between the groups) were significant. Multiple combinations of the three CSR initiatives (each combination comprising two CSR initiatives) were made and the differences in means between the initiatives in each group were examined at a 90% confidence level. Inferences about CSR and customers' attitudes and behavioural intentions were made from these results.

Results

Out of the total number of 384 study respondents, 40.7% ($n = 154$) were female and 59.3% ($n = 224$) male. The majority of respondents were aged 20 to 29 years (63.2%; $n = 239$). The sample population was relatively well educated. Over 74% of the entire sample had completed tertiary education: specifically, 55.9% ($n = 213$) had a first degree or a diploma; 16.8% ($n = 64$) had a second, postgraduate degree; and 1.1% ($n = 7$) had a PhD.

Reliability tests using Cronbach's alpha were carried out prior to running the one-way MANOVA. The Cronbach's alphas for the reliability of the attitude and behavioural intention(s) items were 0.813 and 0.759, respectively. Scales with a Cronbach's alpha of 0.70 and above are deemed to be internally reliable for conclusive research (see Hair *et al.*, 2006). Hence, the scales were internally reliable.

A one-way MANOVA revealed a significant main effect for CSR, with Roy's largest root $= 0.023$; $F(2, 381) = 4.459$; $p = 0.012$; and partial eta squared (η_{2p}) $= 0.023$. Power to detect the effect was .849 (see Table 1). The significant multivariate main effect indicates that there was a significant difference in the means across the three CSR groups with respect to the collective linear combination of the dependent variables, attitude and behavioural intentions. In other words, each of the CSR initiatives had a significantly different effect on the multivariate combination of attitude and behavioural intentions. Hence the null hypothesis, that the means among the three CSR groups are equal, was rejected.

Table 1: Multivariate tests

Effect		Value	F	Hypothesis df	Error df	Sigma	Partial η^2	Observed $power_b$
Intercept	Roy's largest root	44.894	8529.886_a	2.000	380.000	.000	.978	1.000
CSR	Roy's largest root	.023	4.459_c	2.000	381.000	.012	.023	.849

Given the significance of the overall multivariate test, the univariate main effects of the CSR groups on the dependent variables were examined. A Bonferroni adjustment for the two dependent variables, to hold α at the overall level of .10, was made prior to running the univariate tests of effects in order to reduce the chance of a type I error (Huck, 2000 as cited in Kinney, 2008). Consequently α was set to a more stringent level of .05 by dividing the overall alpha level of .10 by the total number of univariate tests to be conducted. The results of the univariate ANOVAs revealed that across the three CSR groups, there were significant differences in effects on attitude ($F\,(2, 381) = 3.917$; $p < 0.05$; $\eta_{2p} = 0.020$; $power_2 = .804$) and then on behavioural intentions ($F\,(2, 381) = 3.645$; $p < 0.05$; $\eta_{2p} = 0.019$; power = .776).

Although allowing for the rejection of the null hypothesis that group means were equal, neither the multivariate nor univariate tests indicated where the differences lay. Additionally, considering the fact that the CSR groups under consideration were above two, further one-way ANOVA post-hoc tests had to be carried out (Hair *et al.*, 2006).

The initial evaluation of the means of responses (attitude and behavioural intentions), led to the rejection of H1 which held that Ghanaian bank customers prefer customer-centric CSR initiatives to corporate philanthropy and community volunteering. This is because the means for the initiatives, across both attitude and behavioural intentions, showed that customers seemed to prefer corporate philanthropy ($M = 4.1510$ and $M = 4.0964$ for attitude and behavioural intentions, respectively) to customer-centric CSR initiatives ($M = 4.0315$ and $M = 3.9685$ for attitude and behavioural intentions, respectively) and community volunteering ($M = 3.9302$ and $M = 3.8682$ for attitude and behavioural intentions; respectively) (see Table 2).

H2's prediction that Ghanaian bank customers prefer corporate philanthropy initiatives to community volunteering, however, seemed to be supported based on an initial evaluation of the means of both attitudinal and behavioural responses to the two CSR categories. The means suggest that, overall, corporate philanthropy ($M = 4.1510$ and $M = 4.0964$ for attitude and behavioural intentions, respectively) is preferred over community volunteering ($M = 3.9302$ and $M = 3.8682$ for attitude and behavioural intentions, respectively) (See Table 2). To further test these hypotheses and to answer the remaining hypotheses, we proceeded to perform a Scheffé post-hoc test.

Table 2: Descriptive statistics

Dependent variable	CSR	Mean	Standard deviation	N
Attitude	Customer-centric	4.0315	.60046	127
	Corporate philanthropy	4.1510	.63281	128
	Community volunteering	3.9302	.66363	129
	Total	4.0373	.63780	**384**
Behavioural intentions	Customer-centric	3.9685	.67643	127
	Corporate philanthropy	4.0964	.64282	128
	Community volunteering	3.8682	.71494	129
	Total	3.9774	.68348	**384**

The results of the Scheffé comparison, however, indicated slightly different results. Although corporate philanthropy had a greater mean ($M = 4.1510$; SD = 0.63281) than customer-centric CSR ($M = 4.0315$; SD = 0.60046), indicating a slightly higher effect of corporate philanthropy on attitude than customer-centric CSR at a 90% confidence level, this difference was insignificant at a p-value of 0.322, as indicated in Table 3. Thus $H3_a$'s prediction that customer-centric CSR would have a greater effect on attitude than corporate philanthropy was rejected. Respondents had more positive attitudes to the bank in response to corporate philanthropy than to customer-centric CSR.

The post-hoc comparisons allowed for the acceptance of $H3_b$. Customer-centric CSR had a greater mean than community volunteering ($M = 3.9302$; SD = 0.66363), although the comparisons showed this difference to be insignificant ($p = .442$). Respondents possessed slightly stronger behavioural intentions towards the bank in response to customer-centric CSR than to community volunteering. Hence, customer-centric CSR generates a slightly stronger effect on Ghanaian customers' attitude than community volunteering.

H4 predicted that corporate philanthropy would have a greater effect on Ghanaian bank customers' attitude than would community volunteering initiatives. This was supported, as the post-hoc comparisons revealed that corporate philanthropy had a greater mean ($M = 4.1510$) than that of community volunteering ($M = 3.9302$), and the difference between the two (see Table 3) was significant ($p = 0.021$) at 90% confidence.

According to H5, customer-centric CSR would have the greatest effect on behavioural intentions. Again, this was rejected. Corporate philanthropy ($M = 4.0964$; SD = 0.64282) had a slightly greater mean than did customer-centric CSR ($M = 3.9685$; SD = 0.67643), though this was not significant ($p > 0.05$). Post-hoc comparisons also revealed that corporate philanthropy had a significantly higher mean than community volunteering ($M = 3.8682$; S = 0.71494), suggesting that corporate philanthropy has a greater effect on Ghanaian bank customers' behaviour than community volunteering ($p = .027$). Hence H6 was supported.

Table 3: Post-hoc comparisons of CSR, attitude and behavioural intentions

Multiple comparisons								
Dependent variable		(I) CSR	(J) CSR	Mean difference (I-J)	Standard error	Sig	90% Confidence interval	
							Lower bound	Upper bound
Attitude	Scheffé	Customer-centric	Corporate philanthropy	-.1195	.07928	.322	-.2902	.0511
			Community volunteering	.1013	.07913	.442	-.0691	.2716
		Corporate philanthropy	Customer-centric	.1195	.07928	.322	-.0511	.2902
			Community volunteering	.2208*	.07897	.021	.0508	.3908
		Community volunteering	Customer-centric	-.1013	.07913	.442	-.2716	.0691
			Corporate philanthropy	-.2208*	.07897	.021	-.3908	-.0508
Behavioural intentions	Scheffé	Customer-centric	Corporate philanthropy	-.1279	.08502	.324	-.3108	.0551
			Community volunteering	.1003	.08485	.498	-.0824	.2829
		Corporate philanthropy	Customer-centric	.1279	.08502	.324	-.0551	.3108
			Community volunteering	.2281*	.08469	.027	.0459	.4104
		Community volunteering	Customer-centric	-.1003	.08485	.498	-.2829	.0824
			Corporate philanthropy	-.2281*	.08469	.027	-.4104	-.0459

Based on observed means; the error term is mean square (error) = .461.

**The mean difference is significant at the .10 level.*

Discussion

With regard to the first objective on customers' CSR preferences, corporate philanthropy was seen to be the most preferred CSR initiative, followed by customer-centric CSR. Community volunteering was the least preferred. These results allowed for the rejection of H1, i.e. that customer-centric CSR would be the most preferred initiative, yet the results permitted H2 to be supported, i.e. that corporate philanthropy would be more appreciated than community volunteering. The findings were quite interesting, considering that the literature shows that customers may prefer initiatives that favour themselves, such as customer-centric initiatives, over those that favour other stakeholders (see for example McDonald & Lai, 2011; Maignan & Ferrell, 2003). However, the results are consistent with findings from other studies conducted in Africa, such as Amaeshi *et al.* (2006) and Eweje (2006a; 2006b), which report a strong emphasis on philanthropy among Africans.

This finding serves to add to the growing body of evidence about the importance of and preference for philanthropy within the African context.

As the findings revealed, corporate philanthropy had the highest mean in respect of both attitude and behavioural intentions, allowing for the rejection of H5 that customer-centric CSR would elicit the greatest attitudinal and behavioural response from Ghanaian bank customers. However, as the Scheffé comparison revealed, the difference between corporate philanthropy and customer-centric CSR was not significant, even though philanthropy had a higher mean on both dependent variables. The higher mean of corporate philanthropy may, however, be considered an indication of a stronger response to corporate philanthropy, which is consistent with other findings within the African context, as discussed earlier. Nevertheless, the non-significant p-value revealed through the Scheffé comparison of corporate philanthropy and customer-centric CSR initiatives also supports the existing literature that found that initiatives which are customer-centred elicit relatively high positive attitude and behavioural reactions from customers (see for example McDonald & Lai, 2011; Pomering & Dolnicar, 2006) and as such should form a focus point for businesses, especially in the banking sector.

Conclusions and recommendations

In this study, we investigated bank customers' preferences and response to corporate social responsibility (CSR) initiatives in an African country, Ghana. The focus of the study was to determine customers' ranked preferences for three forms of CSR: corporate philanthropy, community volunteering and customer-centric CSR, and also to determine which of these three initiatives has the greatest effect on attitude and behaviour toward bank brands. The findings of the study revealed a significant main effect for CSR on both attitude and behavioural intentions for both the MANOVA and the univariate ANOVA tests. Scheffé tests also revealed that the difference in means between corporate philanthropy and community volunteering was the only one with statistical significance. However, following McDonald and Lai (2011), the analysis of the means of the three CSR initiatives indicated a preference for corporate philanthropy, followed by customer-centric CSR, and lastly community volunteering.

The results of the study therefore indicate that in selecting CSR initiatives to elicit positive attitudinal and behavioural responses from customers, banks should focus on corporate philanthropy initiatives, such as building school blocks in underprivileged communities or sponsoring needy but brilliant children to attend school. However, given the insignificant difference between the mean responses to both corporate philanthropy and customer-centric CSR, banks in their quest to undertake philanthropic CSR must ensure that they also fulfil customer-centric initiatives that centre on ensuring that the basic needs of the customer are not compromised. Initiatives such as demonstrating good attitudes and behaviour towards customers and having a good complaint handling system should be pursued concurrently with corporate philanthropy. In other words, corporations ought not to ignore CSR focused on the customer whilst engaging in corporate philanthropy.

Banks could therefore leverage on the positive effects of both corporate philanthropy and customer-centric CSR on customers' attitudes and behaviour to design initiatives that enable to them succeed in the competitive marketplace.

Community volunteering recorded the lowest mean among the three types of CSR, with a significantly lower effect on both attitude and behavioural intention in comparison to corporate philanthropy. Hence, when banks are faced with a decision between these two, corporate philanthropy should be selected over community volunteering initiatives (such as clean-up exercises and financial literacy clinics). In the event that a bank wants to embark on community volunteering initiatives such as tree-planting exercises, volunteering in community schools, or organising financial literacy workshops, the core reason for their existence, which is to cater to the needs of customers, should be fulfilled. Customer-centric CSR recorded a slightly higher mean than did community volunteering, indicating a relatively higher preference for the former over the latter. Hence if the former is not attended to, there could be dissatisfaction on the part of customers.

This study was conducted in the banking sector, and the results could hence be said to be representative or peculiar to that industry alone. Replications of this study could therefore be conducted on other industries, such as the telecommunications sector. The majority of study respondents (63.2%) were aged between 20 and 29 years; hence results could largely be a representation of the ideologies of this age group. Other studies could be conducted, for example, on other age groups in order to determine if age has an effect on CSR perceptions and its resulting effect on attitude and behaviour.

Finally, since this study employed a one-way MANOVA, future studies could employ more complex MANOVAs, such as those with factorial designs, to determine the effect of other factors, e.g. CSR and educational qualification, or CSR and gender, on attitude and behaviour and examine their interaction effects as well.

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A construct of code effectiveness: empirical findings and measurement properties

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10.15249/10-1-95

Keywords:

business ethics; corporate governance; business policy; South Africa

Abstract

The purpose of the study is to examine and describe the use of codes of ethics in companies operating in South Africa. The population included the company secretaries of the top 500 companies operating in the South African corporate sector. The findings stipulate that South African companies need to understand that their employees are diverse in beliefs and opinions and as a result do not all have similar ethical value systems. Therefore, ethical education is imperative to ensure a stronger focus on the offering of ethics programmes aligned with the business philosophy of the company.

Introduction

Over the past two decades, South African business has experienced significant modifications in ethical outlook. The country is unique, considering that it experienced a fundamental change due to the termination of apartheid and the establishment of its first democratically voted government in 1994. The country has also seen an intense transformation to the corporate management approach that guides proper business conduct (Price & Van der Walt, 2013:430). This study therefore examines and describes the use of codes of ethics in 222 companies that have a code of ethics and operate within the borders of South Africa. Three dimensions that are influenced by the company code of ethics were tested, namely *altruistic*, *mercenary* and *regulatory motives* for action. Five statements in the questionnaire were used to measure 'altruistic', seven statements to measure 'mercenary', and four to measure 'regulatory'. A code of ethics (also known as a Code of Ethics Construct) refers to "a written set of guidelines issued by an organisation to its workers and management to help them conduct their actions in accordance with its primary values and ethical standards' (Business ethics dictionary, 2016).

Van Zyl and Lazenby (2012:65) and Somers (2001:186) argue that a code of ethics should highlight to a company's stakeholders and the business world that its commitment to an ethical corporate culture is strong. Kaptein (2008:982) argues that it should be noted that the focused interest of each stakeholder group is different and that the ethical accountability that companies have towards each stakeholder group also differs. For example, the key accountability that a company has to its investors is to secure a positive return on investments. On the other hand, the primary responsibility towards customers is to provide them with products and services of a high quality, and to employees it is to secure a healthy working environment. Considering this, a few cases of unethical business practices in South Africa are highlighted below.

The MTN Group, one of South Africa's largest corporate brands, is facing a \$4.2 billion lawsuit by Turkish cell phone company Turkcell based on accusations of corruption. Such business indignities have brought about an increased interest in South Africa in the field of business ethics (Loyd, Mey & Ramalingum, 2014:569). The company was also fined \$5.2 billion in 2015 by the Nigerian telecommunications regulator for its failure to disconnect five million unregistered SIM cards (Fin24tech, 2015). Clover South Africa, South African Airways (SAA), Allied Bank of South Africa (ABSA), Fidentia Asset Management, Leisurenet, Tiger Brands, Premier Foods, Foodcorp, and Pioneer foods are companies that have been found guilty of unethical business practices in the last decade. These business practices were characterised by "claims of milk and bread price fixing, insider trading, bribery and fraud. Although ABSA, SAA, Foodcorp, Pioneer Foods, Tiger Brands and Clover SA survived and rebuilt their reputations; the other organisations were not so lucky" (Ukwanada, 2015). Although it is assumed that unethical behaviour is the outcome of bad practice by a few employees in a company, there is increased confirmation that corporate culture plays a central role in the support of ethical behaviour (Zona, Minoja & Coda, 2013:267). Constantinescu and Kaptein (2015:337) emphasise that there should be more balance in the relationship between company culture and employee behaviour. They argue that there is a growing two-way relationship between company culture and employee behaviour within the business ethics realm, with one party supporting the other by stimulating and facilitating (un)ethical employee and company behaviour.

Considering the above discussion, it is apparent that a code of ethics in itself is not enough to guarantee that the employees of a company will actually exhibit ethical behaviour (Sims, 1992:507). Nor can it ensure that parties external to the company will be confident that the motives behind its development were purely altruistic and that the mercenary factor of business survival was not foremost in the minds of senior executives when they constructed and enacted the code. Globally, there is still much scepticism amongst the public regarding companies' motives for business ethics, because over the last forty years we have witnessed the same errant behaviours reappearing in a slightly different guise in different decades (Bisschoff & Fullerton, 2011:17; Wood, 2002:62). We regularly see such things as baby milk formula debacles, oil spills in pristine oceans, car safety issues ignored at the expense of the motoring public, the collapse of financial institutions and rogue stock market traders surfacing, to the detriment of those who encounter these sharp practices and who suffer because of them (Wood, 2002:63). Whilst having a code is important, embracing its ethos and inculcating that ethos in the organisational culture are imperative. Therefore, a code of ethics must become a document that promulgates ethical behaviour (Van Zyl & Lazenby, 2012:65). Kaptein (2011:236) agrees, stating that the success of a code of ethics depends on the ability of all stakeholders in the company (i.e. the board of directors, company management and employees) to understand its meaning and relevance to business practices. In addition, all employees should be empowered to practically apply such a code to daily business activities.

Literature discussion

This article builds on the work of Svensson, Wood and Callaghan (2004a; 2004b); Svensson, Wood and Callaghan (2006); and Svensson and Wood (2008), which examined reasons stated by companies as to why they believed that having a code of ethics had a positive effect upon their company. The previous work in this area suggested that the responses would fall into three categories, as illustrated in Figure 1:

Altruistic: A benefit was in evidence for the good of society, its stakeholders and employees that was not judged on the basis of a financial gain or a financial loss for the company.

Mercenary: A direct financial benefit to the company was believed to be in evidence.

Regulatory: A benefit was in evidence through the avoidance of behaviour that could lead to issues for the company, up to and including monetary fines from legal authorities.

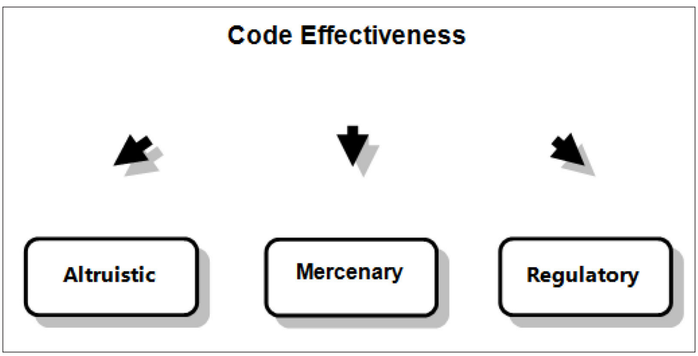

Figure 1: Code Effectiveness-construct: Properties of measurement model
(Source: Researchers' own construct)

Each of the three categories is now briefly discussed.

Altruistic ideals in the development of a code of ethics

At the opening of the South African Parliament on 17 February 1995, Nelson Mandela stated, "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." And in 1994 the Institute of Directors in Southern Africa (IODSA) suggested that "there should be new guidelines for ethical practice in business enterprises in South Africa" (IODSA, 1994). Commenting on the situation in the early 1990s, Bisschoff and Fullerton (2011:14-15) argue that, at the time, there seemed to be a cultural mindset in South Africa that ethics might succumb to questionable actions, as organisations might choose to secure their long-term survival at the expense of being ethical and of obeying the law. This conundrum has been faced by societies all over the world ever since the inception of the capitalist system, which often sets self-interest at odds with the interests of society.

The importance of corporate governance in South Africa was highlighted by the publication of the King Report on Corporate Governance in November 1994 (IODSA, 2002). The focus of the report, widely referred to as King I, was to emphasise that it is essential for companies to be accountable to the societies in which they operate (Dekker, 2002). The King II Report (which appeared in 2002) clearly suggested that companies should become more transparent and fair in their business practices and take more responsibility for their actions, calling for companies to "become more active in their annual reporting on the nature and extent of [their] social, transformation, ethical, safety and health practices, the different environmental management policies and practices [they apply], as well as reporting on [their] stakeholders" Loyd *et al.* (2014:572).

Unethical business practices are also prevalent in the global business environment, with ethical scandals constantly making headlines. Ethical failures result in various costs and consequences for companies, such as financial losses, fines, executives losing their positions, eroded reputations and, in extreme cases, company closure. The Enron and Arthur Anderson cases are two high-profile cases that remain fresh in the mind more than ten years on (Schoeman, 2012:25). South African companies can develop an ethical framework for business practice by ensuring that company stakeholders have a strong belief in the manner in which the company conducts its business. This implies that business practice must be perceived as being mutually beneficial to all parties involved and not only profiting one of the parties in the relationship (Rossouw, 2012:5-6).

Wood (2002:63) states that ethical behaviour should be

> [...] pursued for the altruistic desire to be ethical, not for the mercenary desire to profit from this latest strategic initiative. For if profit drives the motives, then one has missed the inherent truth in being ethical. That is, one does an action because it is the right thing to do, and not that if one appears to be ethical, then that action will be the "right" thing for the business.

The business practice of the company must therefore be guided by its business philosophy, which should clearly reflect ethical values, both internal and external to the organisation's operations. Ethical values are developed and managed from within the company to develop and strengthen external business relationships.

Mercenary ideals in the development of a code of ethics

All companies are in the corporate marketplace to make a profit. Profit should be the natural outcome of a company's business endeavours (Lea, 1999:152). In capitalist societies, companies come into existence and are permitted to flourish because it is believed that these companies have a critical role in enhancing the betterment of society (Goldman, Bounds, Buła & Fudalinski, 2012:77). Business Unity South Africa (BUSA) (2009) emphasises that South African companies have a responsibility towards society to be responsible commercial citizens. This echoes the King III Report, which states that "responsible corporate citizenship is necessary to protect the sustainability of the company and to ensure the ability of future generations to meet their needs. The interests of shareholders and stakeholders coincide over the long term" (IODSA, 2009:22). Therefore, South African companies should uphold ethical business practices, with an emphasis on taking responsibility for their decisions and actions. This can be achieved, among other things, through sound management strategies and operations and ensuring that all necessary legal and regulatory safeguards are in place, as well as supporting organisational practices that are economically, socially and environmentally sustainable.

Maclagan (1992:322) stated in the early nineties that the pressure to perform is strong in many companies, often to the extent where it overrides personal ethical standards. Management may want to reconsider company pressures such as management by objectives, surpassing the previous year's accomplishments, cost-savings plans, and pay-to-performance schemes (Cant & Van Niekerk, 2013:2-3), as these may be counterproductive to fostering ethical behaviour. In South Africa, as an emerging market economy, the concern is ever present that employees may be pressurised into engaging in unethical activities, and more so, that such behaviour may sadly be rewarded by the company, either overtly or covertly. Mirzayev (2015) supports this statement, asserting that "the corruption level in countries with developing emerging market economies is much higher than it is in developed countries". The business code of ethics should be one way of guiding the employees of companies to take the right course of action, one that considers simultaneously the potential benefits and downsides of their actions to a variety of stakeholders. Companies should not be lambasted for generating profits, but they need to examine the ways in which they achieve those profits and be cognisant of the value they place to much emphasis on the profit motive as maximiser of corporate effort (Loyd *et al*., 2014:571-572).

Regulatory ideals in the development of a code of ethics

The regulatory ideals of South African companies should be enforced to avoid litigation and fines and empower employees to be ethical in their daily operations, thereby preventing them from doing damage to the company. The King I Report (1994) thus focused not only on the fiscal and regulatory aspects of corporate governance In South Africa. By considering "a participative corporate governance system of enterprise with integrity, the King Committee in 1994 successfully formalised the need for companies to acknowledge that they no longer operate autonomously from the societies and the environments in which they function" (IODSA, 2009). The King III Report (2009) took a similar approach, but shifted from a 'comply or explain' paradigm to an 'apply or explain' one. This approach empowers company directors to decide that a proposed practice as stipulated in the King III Report is not necessarily to the benefit of the company and consider a different practice, provided that they are able to motivate their position (PWC, 2016).

The South African Business Ethics Survey 2013 established that there had been an increase in awareness of ethical standards and ethics management processes in companies since the late 2000s (Groenewald & Geerts, 2013:12). This is an important development to note, as the ethical culture of a company is the communal set of beliefs about what the correct behaviour is and how ethical issues will be managed. This corporate culture provides a foundation for decision making at all levels in the company in all circumstances (Van Zyl & Lazenby, 2012:62). Corporate culture in South Africa should therefore support the disclosure of practices in the organisation that are unethical or damaging towards internal or external stakeholders (Loyd *et al.*, 2014:573). Whistle-blowers in South Africa are protected against occupational detriment by the Protected Disclosure Act of 2000. Despite this protection, government and private sector employees are of the opinion that "the example set by associates of the party-political elite and/or their family members and affiliates, and the absence of steps taken to prosecute them, set a poor example and limit the willingness of people to speak up" (Irwin, 2011:15).

The King III Report on corporate ethics has driven increased awareness of ethics in corporate South Africa (SAICA, 2014). The report places significant emphasis on company leadership as moral corporate citizens with sound ethical values. Boards are also advised to become more aware of legitimate stakeholder interests when decisions are made. Key stakeholders are identified and direction is provided about how to manage these relationships and the level of disclosure required. In addition, the report highlights the importance of compliance with applicable laws, regulations, non-binding rules and standards. Companies are advised to have an appropriately independent compliance function to advise the board on such matters (Seegers, 2009:8).

Although the Companies Act requires social and ethics committees to report on the ethical performance to shareholders at the company's annual general meeting, reporting on ethical performance in the integrated annual report is a recommendation of King III (Schoeman, 2012:25). The report on ethical performance should include all responsibilities and practices of the social and ethics committee as well as the measurement of the company's ethics, both of which should be presented in relation to the company's business strategy and goals. Furthermore, Schoeman concludes that an added benefit of regular assessment of a company's ethics derives from the dictum that 'you can't manage what you don't measure'. While this is a slight overstatement, ethics can surely be better and more easily managed if it is measured. It is a fact that the governance of companies is influenced by external regulations. It would be naïve to suggest that compliance with regulatory elements in the business environment is not going to be a focus area in any code in terms of its perceived worth to the company (Loyd *et al.*, 2014:572).

Methodology

The construct of a code effectiveness study was quantitative and exploratory in nature and was conducted during 2014. The population of interest for the study consisted of the top 500 South African companies. The list of companies was obtained from the TopCo 2014 publication, which listed these companies based solely on their financial performance. A census was conducted, with responses received from 222 companies. The research method applied to the study was a questionnaire survey, conducted by means of the Computer Assisted Telephone Survey (CATI) method. The head of ethics or company secretary of each company was asked to answer up to fifteen statements relating to the effect of a code of ethics on their business practices.

Individual respondents at each company were contacted by telephone prior to the interview to determine their suitability to respond to the questionnaire. Each respondent was briefly orientated about the study to arouse their interest and stimulate a willingness to partake in the survey.

Measures

Participants responded to a five-point Likert-type scale anchored at 'Strongly agree' (5), and 'Strongly Disagree' (1). The indicators were adopted from Svensson *et al.* (2006) and are provided in Table 1.

Table 1: Questionnaire items

Construct	Statement: Our Code has a positive effect on ...
Altruistic	... earning respect of stakeholders.
	... that is integral to company philosophy.
	... being a good corporate citizen.
	... enhancing staff morale.
	... increasing staff confidence.
Mercenary	... improving business performance.
	... enhancing company reputation.
	... increasing long-term interests.
	... assisting profit.
	... improving competitive differentiation.
	... increasing customer loyalty.
Regulatory	... avoiding potential problems.
	... focusing on employee efforts.
	... avoiding litigation (i.e. lawsuits).
	... avoiding fines.
(Please indicate your response in the scales above from the perspective of YOUR company)	

Empirical findings

The sample corporate characteristics of this study are summarised in Table 2. The 'nature of business' cuts across South African industries and business sectors. The companies in the sample range from medium-sized to large or very large, based on annual turnover and number of employees. Overall, the sample represents a broad spectrum of the South African corporate environment.

Table 2: Sample characteristics: nature of business, turnover and number of employees

Nature of business	Count	Sector distribution (%)	Turnover (in USD)	Count	Number of employees	Count
Accounting, café or restaurant	4	1.8	≤5 million	25	≤200	9
Agriculture, forestry or fishing	4	1.8	5 million–<25 million	40	201–500	46
Communication services	14	6.3	25 million–<100 million	45	501–1 000	33
Construction	8	3.6	100 million–<1 000 million	26	1 001–5 000	65
Cultural or recreational services	1	0.5	1 000 million or more	17	5 001–10 000	23
Education	8	3.6	No response	69	≤10 001	25
Electricity, gas or water	4	1.8			No response	21
Finance and/or insurance	12	5.4				
Health and community services	12	5.4				
Mining	11	4.9				
Manufacturing	37	17.0				
Personal and other services	25	11.2				
Property and business services	12	5.4				
Retail trade	22	9.9				
Transport and storage	16	7.2				
Wholesale trade	5	2.2				
Other	27	12.1				
TOTAL	**222**	**100**	**Total**	**222**	**Total**	**222**

Table 2 indicates that the majority of respondents (17%) were from the manufacturing sector in South Africa, followed by personal and other services (11.2%); retail trade (9.9%); transport and storage (7.2%); and communication services (6.3%). The sector response to this study is in line with the contribution made by each of these major sector groups to the gross domestic product (GDP) of South Africa in 2013. SAInfo (2013) reported that manufacturing, personal and other services, the retail trade, transport and storage, and communication services contributed 12.3%, 5.9%, 16.2%, 9% and 9%, respectively, to the GDP of South Africa in that year. In fact, according to Media Club South Africa (2013), the five sectors that made the largest contribution to South Africa's GDP over the past decade were also the largest respondents in this study.

The majority of the companies participating in the study (96%) had a total of 201 or more employees in their service. This situation reflects the relative corporate size of the companies that responded, as in South Africa a business with an employee size of larger than 200 is classified as large (National Credit Regulator, 2011:25).

Finally, of the 153 companies that indicated their turnover, 65 had turnovers of less than US$25 million; 45 had turnovers of between US$25 million and just less than US$100 million; and 43 had turnovers of US$100 million and above, with 17 of these turning over US$1 billion and above. The high annual turnover (above US$25 million) of the majority of companies in the study indicates that they are large and corporate in nature. This is important, as the study was designed to reflect the current status of ethical behaviour within a corporate environment.

Table 3 shows the items used and the univariate analysis of items for the Code Effectiveness-construct. The univariate statistics indicate a satisfactory consistency across items.

Table 3: Univariate descriptives

Code has a positive effect on …		Univariate statistics		
Dimension	Item	Count	Mean	Standard deviation
Altruistic	a) … earning respect of stakeholders.	220	4.63	0.610
	b) … that it is integral to company philosophy.	222	4.55	0.689
	c) … being a good corporate citizen.	222	4.50	0.691
	d) … enhancing staff morale.	222	4.54	0.703
	e) … increasing staff confidence.	222	4.59	0.671
Mercenary	f) … improving business performance.	222	4.61	0.626
	g) … enhancing company reputation.	222	4.57	0.632
	h) … promoting long-term interests.	222	4.56	0.647
	i) … assisting profit.	222	4.50	0.710
	j) … improving competitive differentiation.	222	4.49	0.704
	k) … increasing customer loyalty.	222	4.47	0.716
Regulatory	l) … avoiding potential problems.	222	4.60	0.670
	m) … focusing employee efforts.	222	4.54	0.649
	n) … avoiding litigation (i.e. lawsuits).	222	4.57	0.654
	o) … avoiding fines.	222	4.61	0.641

Companies were questioned about the effect of their code of ethics on their overall business practices (refer to Table 3). The researchers were interested in whether any patterns would emerge. In general, it would appear that companies in South Africa do view their code of ethics as having a positive effect on their business operations. This positive effect is spread across the three broad dimensions of a code of ethics, namely altruistic, mercenary and regulatory.

In terms of the altruistic dimension, the statement "Our Code has a positive effect on the earnings of our stakeholders" received the highest score, with a mean value of 4.63, while the statement "Our Code has a positive effect on being a good corporate citizen" received the lowest rating, with a mean score of 4.50. Table 3 shows that the five statements in this dimension received mean scores ranging between 4.50 and 4.63 out of a maximum of 5, suggesting that South African companies put strong emphasis on developing employees to have a positive attitude towards ethical business practices and conducting their business in a manner that is in line with the ethical business philosophy of the company, so as to bolster their corporate image and strengthen stakeholder relationships.

When considering the mercenary dimension, the statement "Our Code has a positive effect on improving business performance" obtained the highest score, with a mean value of 4.61. The statement "Our Code has a positive effect on increasing customer loyalty" received the lowest rating with a mean score of 4.47. Table 3 shows that all six statements in this dimension received mean scores ranging between 4.47 and 4.61 out of a maximum of 5. This highlights the importance South African companies attach to ethical business practice in terms of enhancing the reputation of the corporate sector amongst the general public and its stakeholders. Ethical business practice establishes a basis for differentiation and instils trust in the company among the target customer base, resulting in enhanced customer loyalty, which in turn boosts profitability and promotes the long-term interests of all concerned, as all stakeholders want to establish a relationship or continue with an existing one.

As far as the regulatory dimension is concerned, Table 3 shows that the statement "Our Code has a positive effect on avoiding fines" received the highest score, with a mean value of 4.61. The statement "Our Code has a positive effect on focussing employee efforts" received the lowest rating, with a mean score of 4.54. All four statements in this dimension received mean scores ranging between 4.54 and 4.61 out of a maximum of 5. These results show that South African companies apply a code of ethics to empower employees to act with strong ethical intentions. The business practices of corporate South Africa should be based on ethical principles and comply with the country's regulatory environment, so as minimise any legal challenges that may arise as a result of their actions in the marketplace. Finally, it should be noted that ethical business practices are the foundation on which corporate South Africa conducts its business with customers and builds its relationships with stakeholders.

Exploratory factor analysis (Norusis, 1993; Norusis, 1994) was applied to assess the underlying pattern of dimensions and items of the Code Effectiveness-construct (Table 4). The principal component was used for factor extraction. The orthogonal approach of the varimax method was used to rotate the initial factor solution. A factor analysis of the Code Effectiveness-construct was subsequently performed. The factor solution contains three dimensions and eight items of a construct of code effectiveness. Note that a confirmatory factory analysis was not appropriate, as this study explores new ground for theory development. Previous studies used only qualitative data.

Table 4: Exploratory factor analysis of the Code Effectiveness-construct

Dimension	Item	1	2	3	*	**
Regulatory	n) Avoiding litigation (i.e. lawsuits)	0.767	0.172	0.278	0.695	0.899
	o) Avoiding fines	0.756	0.233	0.161	0.651	0.880
	m) Focusing employee efforts	0.713	0.149	0.366	0.665	0.834
Altruistic	a) Earning respect of stakeholders	0.108	0.901	0.148	0.845	0.823
	b) Being integral to company philosophy	0.299	0.757	0.345	0.781	0.791
	c) Being a good corporate citizen	0.552	0.607	0.112	0.686	0.840
Mercenary	f) Improving business performance	0.257	0.223	0.833	0.810	0.812
	g) Enhancing company reputation	0.283	0.186	0.808	0.768	0.879

* Communality per item

** Measures of sampling adequacy (MSA) per item

As shown in Table 4, the outcome of the factor solution of used dimensions and items of the construct was acceptable (Kaiser-Meyer-Olkin (KMO): 0.841 (overall MSA); Bartlett's test: approximate chi-square: 759,158: df 28: sigma: 0.000). Measures of sampling adequacy ranged between 0.61 and 0.75. Communalities ranged between 0.65 and 0.85. The Cronbach alpha for each factor ranged between 0.74 and 0.80. Three factors that indicate acceptable convergent, discriminant and nomological validity, as well as acceptable reliability for each dimension, were subsequently identified. It was concluded that the measurement metrics of the construct of code effectiveness assessed in Table 4 provide support for acceptable validity and reliability. If one examines the loadings against these three factors, the results are indicative of the emphasis placed on ethical business conduct in South Africa over the past twenty years. Since the move to a more inclusive South Africa in the 1990s, there has been a marked emphasis on corporate governance, business ethics and the implementation of legislation to reinforce desired business practices.

The regulatory factors that were loaded were: avoiding litigation in the form of lawsuits, avoiding fines, and focussing employee efforts. Legislation has been put in place in South Africa to ensure that companies act in accordance with acceptable business morals, as society expects of them. There was also a need to familiarise employees with relevant legislation so as to ensure their compliance and mitigate the risk of incurring penalties for the business. South Africa's Companies Act No 71 of 2008, which became effective on 1 May 2011, replacing the old 1973 Companies Act, introduced changes to the regulatory and governance requirements of companies and placed additional demands on them. Some of these requirements pertained to the social and ethical obligations of companies. Deloitte.com (2012) reported that, as a result of deliberations during the public hearings conducted on the Companies Bill by the Portfolio Committee on Trade and Industry in 2007, the need for companies that have significant public interest to not only act responsibly, but to also be seen to be doing so, was recognised and acknowledged to be important. It was felt that such companies should account for their decisions and the results of these decisions, especially with regard to public interest. This resulted in amendments to the act that provide authority to the Ministry of Trade and Industry to require certain companies to have social and ethics committees. Companies that are currently required to have such committees include state-owned companies, listed public companies, and companies with a public interest score of 500 points and above in any two of the previous five years.

The South African National Consumer Protection Act (CPA) came into effect on 1 April 2011. The aim of the act is "to promote fairness, openness and good business practice between the providers of goods or services and the consumers who use such goods and services" (Western Cape Government, 2013). Both the amended Companies Act and the CPA stipulate minimum requirements to ensure the protection of South African consumers (SAICA, 2013). Their development and passing into law over the last four years have further focused the attention of South African businesses on being cognisant of their actions in the marketplace and their vulnerability to less than expected employee efforts that may see them facing litigation for breaching corporate governance stipulations.

The altruistic factors that were loaded – i.e. earning the respect of stakeholders, exhibiting behaviour that is integral to company philosophy, and being a good corporate citizen – will become increasingly prominent in South African business as it strives to become more globally accepted as a role player with sound ethical business practices. Embedded in the first King Report of 1994 was the desire to do business for the intrinsic worth of the organisation and for the betterment of the society that encouraged its existence.

The King II Report emphasised the nature and importance of corporate governance (Van Tonder, 2006:14). It also highlighted the fact that corporate governance can only have an effect if an inclusive stakeholder approach is pursued. The report clearly indicated that companies cannot only focus on matters of economic efficiency, but should focus greater attention on creating a balance between economic efficiency and societal impact. The altruistic imperative was clearly signaled in the King II Report: economic efficiency must be married to a consideration of the societal impact of the actions of an organisation. The IODSA supports this position, stating that "[b]oards should recognise that companies do not act independently from the societies in which they operate. Accordingly, corporate actions must be compatible with societal objectives of social cohesion, individual welfare and equal opportunities for all" (2002:47).

The mercenary factors that were loaded were improving business performance and enhancing company reputation. All companies need to ensure that their reputation is protected and enhanced; if they do, one would expect their business performance to improve. The King III Report inspires companies to consider "the concept of integrated reporting in terms of which they are expected to report on their strategies, corporate governance, risk assessment, financial performance and sustainability dimensions, and to show how these components are connected to one another, so as to enable all relevant role players to assess a company's performance holistically in terms of the organisation's ability to create and sustain value" (Makiwane & Padia, 2012:422-423). This ability to sustain value will impact heavily on business performance and, in turn, company reputation.

Management implications

The South African corporate sector provided clear evidence of the positive effect of having a code of ethics on its business practices. Evidence provided illustrated that all three dimensions of business practices in corporate South Africa (i.e. altruistic, mercenary and regulatory) guide companies to apply ethical business approaches. It therefore appears that the measurement properties of a construct of code effectiveness do provides clear guidelines to South African companies about ethically responsible business practices that consider the interests of a wide range of stakeholders.

The findings of the study have both practical and theoretical implications. One important implication is that the tested measurement properties of a construct of code effectiveness provide an initial understanding of how such a code of ethics influences business operations in corporate South Africa. A code of ethics framework may also serve as a basis for further investigations on the subject. Other items and constructs may be considered and incorporated in testing the code of ethics framework. To the best of the authors' knowledge, the framework proposed in Figure 1 offers, for the first time, empirical indications of the measurement properties of a construct of code effectiveness.

Many companies perceive an ethical approach to leadership as being central to the development and maintenance of an ethical culture among employees. Conversely, unethical management practices have the largest influence on unethical business practices in the corporate sector. It is therefore imperative for company leadership to ensure that the company's ethical culture (i.e. embedding the organisational value system) is not limited to senior management, but is filtered down to employees throughout the company. McDonald and Zepp (1990:12) are of the opinion that the ethical example set by company leadership should at all times be impeccable. They quote Loucks (1987): "Indeed, without a good example from the top, ethical problems are probably inevitable within your company." Company leadership should therefore use every opportunity to communicate the company's position with regard to ethical business practices and value systems and the alignment of individual and corporate ethical beliefs. Importantly, they should lead by example. Such an approach would be compelling evidence – not only to the company management and employees, but also external stakeholders – of the veracity of what is claimed by the company.

South African companies adhere to corporate codes of business ethics to improve on their business performance. It is therefore imperative that they create an environment that is supportive of the ethical education and development of employees. Companies need to understand that their employees are diverse in their beliefs and opinions and, as a result, may not all share the same ethical values. Companies can strengthen their internal regulatory environment with regard to ethical principles through ongoing staff education. In particular, they should ensure a stronger focus on ethical awareness and ethics training programmes that are in line with the company philosophy and which foster an appreciation for the individual differences of people. They should also recruit potential employees who reflect the ethical values promulgated by the company.

A company can also enhance awareness of business ethics by distributing current articles on ethical business practice to employees, and presenting visual material such as DVDs on the topic of business ethics to staff. In addition to this, McDonald and Zepp (1990:13) suggest that companies "introduce a counsellor to discuss with employees previous decisions about which they have felt uncomfortable and to explore the reasons for this discomfiture; and in multinationals, discussions can be run on the cultural variations of business ethics, and their effects on decision making, e.g. different cultures view bribery with varying degrees of approval or disapproval, and employees should be made aware of these differences".

If South African managers want to promote ethical business behaviour, they must continuously evaluate how they reward employees and what they reward them for. Somers (2001:186) agrees with McDonald and Zepp (1990:13) when they argue that instead of providing "employees with an opportunity to fiddle their expenses, using the customary system of expense claim forms, some companies are allocating a fixed amount to their employees to cover expenses. The individual is then free to decide how he/she will spend the sum – 'fiddling' is no longer possible. By changing the system, the company has removed the ethical responsibility from its employees' shoulders".

Conclusions and suggestions for further research

It would seem that companies in South Africa consider the three domains of benefit – altruistic, mercenary and regulatory – as major factors in their profit generation. The question that remains to be asked is: Are companies in South Africa mostly motivated to be ethical through the mercenary consideration of profit maximisation; the altruistic consideration; or the regulatory consideration? Svensson *et al.* (2006) ask similar questions: Is being ethical seen by companies as a tool to gain competitive advantage in the market place? Is the adage 'good ethics is good business' becoming recognised as a truism by many companies? Do corporations simply view enhanced profit as a positive flow-on effect of ethical business practices, not viewing this as taking a mercenary perspective, but rather an inevitable and realistic one? If the latter is true, what are the motivations behind companies' pursuing this objective? Such research fell outside the scope of this study, but an investigation of this issue would bring deeper insight into the motivations behind South African companies' perceptions of the value to their company of having a code of ethics.

This study provides an empirical foundation for a general Code Effectiveness-construct that consists of specific items for each dimension. It may be used by both researchers and practitioners to assess code effectiveness across contexts and over time. This study is also unusual in that it addressed altruistic, mercenary and regulatory aspects of codes of ethics simultaneously, which is seldom seen and has not been tested in previous studies. Furthermore, the empirical findings of this study about corporate perceptions provide valuable opportunities for further research into how the dimensions of the Code Effectiveness-construct are intertwined and interconnected. In sum, the current study makes an essential and relevant contribution to previous studies and existing theory in terms of further developing the general measurement properties of a Code Effectiveness-construct.

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Perceived ethical leadership in relation to employees' organisational commitment in an organisation in the Democratic Republic of Congo

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DOI:
10.15249/10-1-122

Keywords:
ethical leadership; organisational commitment; Democratic Republic of the Congo

Abstract

The aim of this study is to determine the relationship between ethical leadership and organisational commitment. A cross-sectional quantitative survey approach was used, with a non-probability purposive sample of 839 employees from a railway organisation in the Democratic Republic of the Congo. The results indicate that ethical leadership perceptions have a significant influence on the level of organisational commitment. The study further indicates that ethical leadership predicted employees' affective, continuance, normative and overall commitment. These results add new insights to the construct of business ethics by showing that a positive perception of ethical leadership by employees is an important consideration in enhancing their organisational commitment.

Introduction

Researchers continue to focus on the importance of employees' commitment to the organisation. Indeed, meta-analytic research demonstrates that committed individuals are less likely to leave the organisation (Mathieu & Zajac, 1990; Meyer & Maltin, 2010); are more likely to be present at work (Meyer, Stanley, Herscovitch & Topolnysky, 2002); perform effectively (Ismail & Daud, 2014); and are regarded as valued assets for the organisation (Coetzee, Schreuder & Tladinyane, 2013). According to Richardson, Cook and Hofmeyr (2011), to achieve success with regard to employees' commitment, organisations need ethical leaders – individuals with strong human and interactive skills and competencies such as fairness and respect – to inspire, motivate and encourage their employees' intention to stay. Employee commitment refers to an affective attachment to and involvement with a particular organisation (Mowday, Porter & Steers, 1992; Nguyen, Felfe & Fooken, 2014). Ethical leaders are seen as being responsible for inspiring moral values and ethical standards among their followers, and serve as role models who promote ethical behaviour and good morals by fostering employee-organisation relationships, which, in turn, lead followers to be emotionally attached to their organisation (Nelson & Daniels, 2014).

Previous research has established that ethical leadership predicts employee outcomes such as job satisfaction, organisational commitment and organisational citizenship behaviour (Yates, 2014). However, the manifestation of this relationship has not yet been investigated in the organisational context of the Democratic Republic of the Congo (DRC). Research on the relationship between ethical leadership and organisational commitment is needed in the context of the developing world in order to clarify the universality of the influence of ethical leadership on the commitment levels of individuals.

The DRC work context

The DRC is situated in central Africa, with a population of more than 75 million and an abundance of natural resources, estimated at USD35 trillion. Despite these resources, the DRC remains one of Africa's poorest countries – the result of thirty-five years of dictatorial regime, political conflict, hyperinflation, mismanagement, corruption and unethical behaviour (Gilpin & Boor, 2012). At present, the business sector is desperately trying to speed up institutional, economic, political and social reforms in order to ensure good governance, stability, and reduced corruption and unemployment (Beya, 2012). For example, in transportation, the political and economic challenges are addressed by a group of positive leaders who act with moral intent, trying to influence the level of employee commitment. The focus is on the railway sector, which has deteriorated significantly since independence (influencing railroads, waterways and roads). Recent efforts by the World Bank and African Development Bank (ADB) to address human resource issues of employee commitment have made little progress because of the lack of visionary, positive and ethical leadership (ADB, 2013). It is believed that the absence of effective leadership prevents employees from being committed to their organisations. It is unclear in this context how ethical leadership may influence employees' commitment levels. Specifically, the relationship between ethical leadership and employee commitment in the context of the workplace requires further investigation. Hence, the aim of this study was to examine the relationship between ethical leadership and employees' commitment to the organisation. The literature predicts that ethical leaders who act in a normative way, with appropriate behaviours such as fairness and honesty, and who exemplify principled behaviour, exhibit trustworthiness and take responsibility for their actions, will influence their employees' levels of organisational commitment (Philipp & Lopez, 2013).

Literature review

The Ethical Leaders Work Behaviour (ELWB) model developed by Kalshoven, Den Hartog and De Hoogh (2011) and the Organisational Commitment (OC) model developed by Meyer and Allen (1997) provide a comprehensive overview of the theoretical and empirical lineage of this investigation.

Ethical leadership

Ethical leadership is an important topic for scholars and practitioners and has been described in many ways. Kanungo and Mendonca (2001) and Hassan,Wright and Yukl (2014) note that ethical leaders engage in behaviours that benefit others, while Khuntia and Suar (2004) posit that ethical leaders incorporate moral principles into their values, beliefs and actions. Brown, Trevino and Harrison (2005:120) define ethical leadership as 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".

Organisational and management literature on leadership ethics suggests that ethics and integrity are at the centre of leadership studies (Ciulla, 1995; Laurie, 2014). The ethics of leadership facilitates an understanding of a leader's behaviour and provides an answer to the question of what differentiates effective from ineffective leadership. Northouse (2010) posits that ethics is central to leadership: it may impact on leaders' values and relationships with followers and help them to establish clear and congruent organisational values. Leaders' values are found to influence employees' intentions, ethical behaviour and attitudes (Watson, 2010). Ethical leadership has been found to influence employee behaviour in terms of organisational commitment and job satisfaction (Brown *et al.*, 2005; Hassan, Wright & Yukl, 2014).

Key aspects of ethical leadership include the following (Kalshoven, Den Hartog & De Hoogh, 2011):

- *Fairness* – the extent to which the leader treats others with respect, honesty and fairness, and without favouritism.
- *Power sharing* – the extent to which the leader listens to followers' ideas and concerns and allows them a say in decision making.
- *Role clarification* – the extent to which the leader clarifies responsibilities, expectations and performance goals to ensure that followers know what is expected of them.
- *People orientation* – the extent to which the leader shows genuine care, respect and support for followers and ensures that their needs are met.
- *Ethical guidance* – the extent to which the leader communicates extensively with employees about ethics in terms of expectations, rules and rewards.
- *Concern for sustainability* – the extent to which the leader is concerned about impacts on stakeholders and society.
- *Integrity* – the extent to which the leader aligns what is said to what is done, keeps promises, behaves consistently, and is trusted and believed by followers.

Employee commitment

Organisational development practitioners and the literature on organisational behaviour have always valued the antecedents and consequences of employee commitment in explaining organisational behaviour (Zehir, Müceldili & Zehir, 2012). In a turbulent and competitive economy (such as the one being experienced in the 21st century), employees' physical and emotional attachments to the organisation deteriorate, manifesting in increased absenteeism and turnover intention. Grant, Dutton and Rosso (2008) indicate that employees are more mobile and thus less dependent on a single organisation, which necessitates new ways of addressing their organisational attachment patterns and commitment (ibid.). Mowday *et al.* (1982) define organisational commitment as the relative strength of employees' identification with and involvement in a particular organisation, the extent to which they are likely to work on its behalf, and the possibility that they will stay in the organisation for the long term. Organisational commitment is based on the following three facets:

- *Affective commitment* – the extent to which employees are psychologically and emotionally attached to, identify with, and are involved in the organisation.
- *Continuance commitment* – the extent to which employees desire and consciously decide to stay with the organisation, which stems from the physical, cognitive and emotional investment they have made in the organisation and makes separation from it an unattractive option.
- *Normative commitment* – the extent of employees' sense of obligation to an organisation. It appears that employees feel that they ought to stay with an employer because it is morally right to continue to work for the same employer or organisation. Employees who feel that they are treated fairly and are thus motivated by their supervisors may develop a strong trust in and loyalty to their leader, followed by a sense of obligation to stay with the organisation (Zehir, Erdogan & Basar, 2011). Similarly, Hansen, Alge, Brown, Jackson and Dunford (2013) add that when employees believe they are being treated unfairly, they are less likely to feel motivated to invest in the organisation or to develop sentiments of long-term commitment to the leadership or the organisation.

Consistent with the social exchange perspective, employees' emotional attachment to an organisation implies that they are more committed after having weighed the pros and cons, following their resignation or the intent to resign (Coetzee, Mitonga-Monga & Swart, 2014; Kuo, 2013). Organisational commitment acts as a key factor in the connection between employee and organisation, provides cohesion, and stimulates employees to devote their efforts to addressing external influences and meeting customer demands (Kuo, 2013; Zehir, Sehitoglu & Edgan, 2012). Organisational commitment can be differentiated from exchange-based forms of motivation and target-relevant attitudes. According to Madsen, Miller and John (2005), organisational commitment influences employees' behaviour and attitudes, even in the absence of extrinsic motivation. Employees who experience feelings of accomplishment and self-fulfilment tend to be psychologically and emotionally committed to the organisation (Hansen *et al.*, 2013). Although the literature provides evidence about how ethical leadership relates to employees' commitment, the extent to which these associations are sustained in the DRC organisational context is unknown.

Goal of the study

Based on the literature, the following research hypothesis was formulated:

H_1: Ethical leadership will positively relate to employees' organisational commitment.

The research question was formulated as follows: Do individuals' perceptions of ethical leadership relate to their level of commitment? The research is significant in terms of possible future human resource interventions with regard to promoting employee commitment. It is believed that such interventions will be successful in an environment where leaders act and treat others in an ethical manner (Žemguliené, 2013).

Method

Research approach

A quantitative research approach was followed to achieve the research objective. The study took the form of a cross-sectional research approach that generated data from a non-probability convenience sample.

Sampling and procedure

The research was conducted in a railway organisation in the DRC. All permanent employees were requested to complete the questionnaires. A non-probability purposive sample of (N = 839) was used. The sample consisted of 68% men and 42% women. The participants were predominantly (61%) in the age group 25 to 40 years (early and established career). The majority of participants (67%) had between six and ten years of service in the organisation and most were well educated, with nearly 38% having an honours degree. Table 1 presents the demographic characteristics.

Table 1: Profile of respondents (N = 839)

Demographical variables		Frequency	Percentage
Gender	Male	571	68.1
	Female	268	31.9
Age	25 years and younger	212	25.2
	26-40 years	529	63.1
	41-55 years	83	9.9
	56 and older	15	1.8
Job tenure	Less than 5 years	282	33.6
	6-10 years	510	60.8
	11-20 years and more	47	5.6
Educational level	National diploma	185	22.1
	Bachelor's degree	235	28.0
	Honours degree	319	38.0
	Masters degree and doctorate	100	11.9

Measuring instruments

The questionnaires were translated from English into French and back into English by a linguistic expert (to ensure validity).

The Ethical Leadership Work Questionnaire (ELWQ) (Kalshoven *et al.*, 2011) was used to measure participants' perceptions of their leaders' ethical behaviour. The ELWQ is a self-report instrument containing 38 items using a five-point Likert scale (1 = 'Strongly disagree', 5 = 'Strongly agree'). Example items from the measure include "Is interested in how I feel and how I am doing"; "Holds me responsible for things that are not my fault"; "Permits me to play a key role in setting my own performance goal"; "Shows concern for sustainability"; "Clarifies integrity guidance"; "Clarifies priorities"; and "Keeps his/her promises". The ELWQ has evidenced good psychometric validity and reliability in the Netherlands and South Africa (Kalshoven *et al.*, 2011). In this study, acceptable Cronbach alpha coefficients were obtained for all the measured dimensions, namely total ethical leadership (0.95); people orientation (0.85); fairness (0.83); power sharing (0.84); concern for sustainability (0.70); ethical guidance (0.82); role clarification (0.86); and integrity (0.83) (see Table 2).

The Organisational Commitment Scale (OCS) (Meyer & Allen, 1991) was used to measure participants' organisational commitment. The OCS is a self-report instrument containing 24 items using a five-point Likert scale (1 = 'Strongly disagree', 5 = 'Strongly agree'). Example items from the measure include "I would be happy to spend the rest of my career with the organisation"; "It would be very hard for me to leave my organisation right now"; and "I feel I have very few options to consider leaving this organisation". The OCS has evidenced internal consistency reliability ranging from 0.73 (normative) and 0.79 (continuance) to 0.85 (affective) (Meyer & Allen, 1997). In this study, acceptable Cronbach alpha coefficients were obtained for all the measured dimensions, namely total organisational commitment (0.83); affective commitment (0.86); continuance commitment (0.88); and normative commitment (0.88) (see Table 2).

Using Nunnally and Bernstein's (2010) desirability guidelines for internal consistency or reliability coefficients of between 0.70 and 0.90, both instruments gave reliable results.

Statistical analysis

Statistical analysis was performed using *IBM SPSS Statistics for Windows*, V22.0 (IBM Corp, 2013). Rasch analysis was used to evaluate uni-dimensionality, internal consistency and construct validity (Bond & Fox, 2013).

Firstly, means, standard deviations, Cronbach alpha coefficients and correlations between the ELWQ and OCS variables were calculated. A cut-off point of 0.50 (large effect) was set for practical significance of all correlation coefficients (Cohen, 1992). Secondly, standard multiple regression analysis were used to determine whether the participants' perceptions of their leaders' ethical behaviour (measured by the ELWQ) predicted organisational commitment (measured by the OCS) (Tabachnick & Fidell, 2013). In order to counter the probability of type I errors, it was decided to set the significance value at a 95% confidence interval level ($p \leq 0.05$). The *F*-test was used to test whether there was a significant relationship between the independent and dependent variables.

Prior to conducting the various regression analyses, collinearity diagnostics were examined to ensure that zero-order correlations were below the level of concern ($r \geq .80$); that the variance inflation factors did not exceed 10; and that the tolerance values were close to 1.0 (Hair, Black, Babin & Anderson, 2010).

Results

Descriptive statistics and correlations

Table 2 presents the descriptive statistics (mean, standard deviations and internal consistency Cronbach alpha) and correlations of the study variables, i.e. ethical leadership and employee commitment.

In terms of the ELWQ (ethical leadership) variables, concern for sustainability obtained the highest mean score (M = 4.04; SD = 0.56); followed by ethical guidance (M = 4.02; SD = 0.65); power sharing (M = 4.00; SD = 0.63); people orientation (M = 3.99; SD = .63); total ethical leadership (M = 3.98; SD = 0.55); role clarification (M = 3.95; SD = 0.70); integrity (M = 3.93; SD = .86); and fairness (M = 3.92; SD = 0.55).

In terms of the OCS (organisational commitment) variables, the total sample scored the highest on the normative commitment (M = 4.13; SD = 0.57) variable; followed by continuance commitment (M = 4.08; SD = .65); affective commitment (M = 4.07; SD = .55); and total organisational commitment (M = 4.07; SD = 0.54). All three components imply a relatively high level of organisational commitment within the sample.

Table 2 also presents the significant correlation coefficients identified between the ELWQ and OCS variables. The inter-correlations ranged from $r \geq 0.46$ (medium practical effect size) to $r \geq 0.70$ (large practical effect size). These results showed that the zero-order correlations were below the threshold level of concern ($r \geq 0.80$) of multi-collinearity. Total, affective, continuance and normative commitment were positively and significantly related to the ELWQ variables of people orientation, fairness, power sharing, concern for sustainability, ethical guidance, role clarification, integrity and total ethical leadership (with p-values ranging between $p \leq .01$ and $p \leq .05$).

Standard multiple regression

Table 3 contains the regression results. The ethical leadership variables ethical guidance, role clarification, people orientation, power sharing and fairness showed a significant regression model ($F_{(7, 834)} = 103.98$), accounting for 46% ($R^2 = 0.46$; $P \leq 0.001$; large practical effect) of the variance in affective commitment. More specifically, ethical guidance ($\beta = 0.23$; $p \leq .01$); role clarification ($\beta = 0.23$; $p \leq .01$); people orientation ($\beta = 0.16$; $p \leq .01$); power sharing ($\beta = 0.10$; $p \leq .05$); and fairness ($\beta = 0.9$; $p \leq .01$) contributed significantly towards explaining the proportion of variance in the OCS affective and continuance commitment variables.

Table 2: Mean, standard deviations, Cronbach alpha and correlations between variables

Variables	Mean	SD	A	1	2	3	4	5	6	7	8	9	10	11	12
Total ethical leadership	3.98	.55	.95	1.00											
People orientation	3.99	.63	.85	.76***	1.00										
Fairness	3.92	.64	.83	.77***	.56***	1.00									
Power sharing	4.00	.63	.84	.86***	.62***	.58***	1.00								
Concern for sustainability	4.04	.56	.70	.76***	.55***	.56***	.67***	1.00							
Ethical guidance	4.02	.61	.82	.87***	.59***	.61***	.76***	.64***	1.00						
Role clarification	3.95	.70	.86	.75***	.43**	.43**	.60***	.49**	.57***	1.00					
Integrity	3.93	.86	.83	.70***	.38**	.47**	.51***	.40**	.56***	.67***	1.00				
Total organisational commitment	4.09	.54	.83	.78***	.64***	.58***	.68***	.55***	.69***	.60***	.55***	1.00			
Affective commitment	4.07	.55	.86	.67***	.53***	.50***	.59***	.50***	.61***	.54***	.46**	.88***	1.00		
Continuance commitment	4.08	.65	.88	.74***	.60***	.52***	.66***	.54***	.65***	.58***	.52***	.91***	.72***	1.00	
Normative commitment	4.13	.59	.88	.70***	.59***	.54***	.60***	.47***	.63***	.50***	.50***	.90***	.71***	.74***	1.00

Notes: N = 839. Correlation values $r \leq .29$ are practically significant (small effect). Correlation values $r \leq .30 \leq .49$ are practically significant (medium effect). Correlation values $r \leq .50$ are practically significant (large effect).

***$p \leq .001$ – statistically significant

**$p \leq .01$ – statistically significant

*$p \leq .05$ – statistically significant

The ethical leadership variables of people orientation, ethical guidance, integrity, role clarification and power sharing produced a statistically significant regression model ($F_{(7, 834)} = 151.02$), accounting for 56% ($R^2 = 0.56$; $p \leq .01$; large practical effect) of variance in continuance commitment. More specifically, people orientation ($\beta = 0.22$; $p \leq .01$); ethical guidance ($\beta = 0.20$; $p \leq .01$); integrity ($\beta = 0.19$; $p \leq .05$); role clarification ($\beta = 0.17$; $p \leq .01$); and power sharing ($\beta = 0.04$; $p \leq .01$) contributed significantly towards explaining the proportion of variance in the OCS continuance commitment variable.

The ethical leadership variables of people orientation, ethical guidance, power sharing, fairness, integrity and role clarification produced a statistically significant regression model ($F_{(7,\ 834)} = 120.69$), accounting for 50% ($R^2 = 0.50$; $p \leq .01$; large practical effect) of the variance in normative commitment. More specifically, people orientation ($\beta = 0.26$; $p \leq .01$); ethical guidance ($\beta = 0.23$; $p \leq .01$); power sharing ($\beta = 0.13$; $p \leq .01$); fairness ($\beta = 0.12$; $p \leq .01$); integrity ($\beta = 0.12$; $p \leq .01$); and role clarification ($\beta = 0.08$; $p \leq .05$) contributed significantly towards explaining the proportion of variance in the normative commitment OCS variable.

The ethical leadership variables of people orientation, ethical guidance, role clarification, power sharing, fairness and integrity produced a statistically significant regression model ($F_{(7,\ 834)} = 194.71$), accounting for 61% ($R^2 = 0.61$; $p \leq .01$; large practical effect) of variance in overall commitment. More specifically, people orientation ($\beta = 0.24$; $p \leq 0.000.01$); ethical guidance ($\beta = 0.23$; $p \leq .01$); role clarification ($\beta = 0.19$; $p \leq .01$); power sharing ($\beta = 0.16$; $p \leq .01$); fairness ($\beta = 0.09$; $p \leq .05$); and integrity ($\beta = 0.08$; $t = 2.48$; $p \leq .05$) contributed significantly towards explaining the proportion of variance in the overall commitment variable.

Discussion

The aim of this study was to determine the relationship between ethical leadership and organisational commitment. The broader purpose was to determine whether ethical leadership significantly influenced employees' level of commitment in the railway industry in the DRC.

Overall, the results showed that ethical leadership did indeed influence employees' level of commitment towards the organisation. More specifically, *ethical guidance*, *role clarification*, *people orientation*, *power sharing* and *fairness* significantly and positively influenced *affective commitment. People orientation*, *ethical guidance*, *integrity*, *role clarification* and *power sharing* also positively influenced the participants' *continuance commitment.* The results also indicated that *people orientation*, *ethical guidance*, *power sharing*, *fairness*, *integrity* and *role clarification* positively influenced the participants' level of *normative commitment*, while *people orientation*, *ethical guidance*, *role clarification*, *power sharing*, *fairness* and *integrity* positively influenced their *overall commitment* to the organisation.

Table 3: The result of standard regression analysis: Ethical leadership as predictor of employee commitment

	Model 1			Model 2			Model 3			Model 4		
	B	β	t-value	B	β	t-value	B	β	t-value	B	β	t-value
(Constant)	1.21***		10.67	.36***		2.88	1.00***		8.41	20.85***		9.16
People orientation	.02***	.16	4.52	.03***	.22	7.07	.04***	.26	7.65	.72***	.24	8.21
Fairness	.01*	.09	2.29	.01	.04	.07	.02***	.12	3.55	.31**	.09	3.14
Power sharing	.02*	.10	.99	.03***	.20	4.97	.02***	.13	2.90	.55***	.16	4.30
Ethical guidance	.03***	.23	5.30	.04***	.17	4.38	.03***	.23	5.52*	.69***	.23	6.24
Role clarification	.04***	.23	6.00	.02*	.19	5.63	.01*	.08	2.27	.68***	.19	5.83
Integrity	.21	.00	.04	.36***	.22	2.22	.03**	.12	3.40	.38*	.08	2.48
F (df; mean square)	(7;826) = 103.98***			(7;286) = 151.02***			(7;826) = 120.69***			(7;826) = 194.71***		
R square	.47***			.56***			.57***			.62***		
Adjusted R^2	.46+++			.56+++			.50+++			.61+++		

Note: N = 839
***p ≤ 0.001
**p ≤ 0.01
*p ≤ 0.05 (two-tailed)

+$R^2 \leq 0.12$ (small practical effect)
++$R^2 \leq 0.13 \leq 0.25$ (medium practical effect)
+++$R^2 \geq 0.26$ (large practical effect)

B = unstandardised regression coefficient
β = standardised regression coefficient

The analysis showed that ethical leadership is related to affective, normative, continuance and overall organisational commitment. A high level of people orientation and power sharing was related to high commitment. Therefore, when individuals are supported and allowed to have a say in the decision-making process, they are more likely to be committed to the organisation. This is supported by the findings of Kalshoven *et al.* (2011). Since a high level of integrity and fairness relates to high commitment, ethical leaders who are perceived to be consistent in their words and who treat employees fairly and with dignity are likely to positively influence employees' level of commitment (Nelson & Daniels, 2014). Furthermore, a high level of ethical guidance, role clarification and concern for sustainability correlated with a high level of commitment. This indicates that when employees perceive their leaders to provide guidelines, clarify responsibilities and make them aware of ethical issues, they are likely to accept the goals and values of the organisation and to exert effort and have a strong desire to maintain membership in the organisation. These findings mirror those of Brundage and Koziel (2010); Ismail and Daud (2014); and Kalshoven *et al.* (2011). It is clear that ethical leadership has a strong relationship with employees' organisational commitment.

Affective commitment reflects an employee's emotional attachment to, identification with, and involvement in the organisation. This mindset also reflects a desire that develops when employees see their individual employment relationship as being in harmony with the goals and values of the organisation for which they are currently working (Meyer & Herscovitch, 2001; Ponnu & Tennakoon, 2009).

The regression analyses showed the following results:

- Affective commitment was predicted by ethical leadership (ethical guidance, power sharing and fairness). Hence, if employees perceive their leaders to be ethical – i.e. communicating expectations with regard to adhering to ethical rules, clarifying performance goals, involving followers in decision making and treating them fairly – they will be psychologically and emotionally attached to the organisation (Ismail & Daud, 2014).
- Continuance commitment was predicted by people orientation, ethical guidance, role clarification, integrity and power sharing. This implies that when leaders act ethically – i.e. they are concerned with the group's interests, promote ethical conduct, clarify responsibilities and performance goals, and are consistent in their words and deeds – employees will be committed and inclined to stay in the organisation. These findings confirm previous research (Ezirim, Nwibere & Emecheta, 2012).
- Normative commitment was predicted by people orientation, ethical guidance, power sharing, integrity and fairness, and role clarification. Employees who perceive their leaders to be ethical – i.e. promoting and rewarding ethical conduct, involving them in decision making, keeping promises, treating them with fairness, respect and honesty, and clarifying performance goals – employees will feel compelled to stay in the organisation. These findings confirm previous studies (Ko & Hur, 2014; Miao, Newman, Schwarz & Xu, 2013; Ram & Prabhakar, 2011).

Conclusions, implications, limitations and future research

The study showed a strong positive relationship between ethical leadership and organisational commitment. It adds value to the organisational commitment literature by shedding new light on how employees' perceptions of their leaders' ethical behaviour in the DRC's railway work environment relate to their levels of organisational commitment. The findings seem to support those of Ismail and Daud (2014), namely that employees who work under the supervision of ethical leaders who are honest and treat them with fairness and dignity are more likely to be psychologically and emotionally attached to the organisation and less likely to leave it. In practice, the knowledge gleaned from the observed association between the behaviour of perceived ethical leaders (in terms of people orientation, fairness, power sharing, concern for sustainability, ethical guidance, role clarification and integrity) and the participants' affective, continuance, normative and overall commitment may be useful in the retention of skilled employees in the DRC transport and railway sector.

Furthermore, the results have interesting implications for business leaders. In pursuit of organisational ethics, leaders at all levels should serve as role models by demonstrating ethical leadership before requiring employees to commit to the organisation and engage in ethical work behaviour. Given that ethical leadership has a positive impact on employees' attitudes and behaviour, organisations should hire people with strong ethical convictions and provide ethics training and ethical leadership programmes that can help them to not only develop ethical leadership skills, but also to influence their employees' level of commitment.

Although the study supports the importance of studying ethical leadership, it is not without limitations. Firstly, the sample consisted of employees employed in one organisation. The results cannot therefore be generalised to other organisations. Secondly, the researchers could not prove the causality of relationships, because the findings of the study used correlational data. Longitudinal studies should be conducted to establish the causal relationships between the variables.

Despite these limitations, the present study makes a meaningful contribution to the literature of business ethics, leadership and employee commitment. It expands the current understanding of the organisational dynamics of workplace ethics by theoretically and empirically demonstrating the value of ethical leadership with regard to employee outcomes such as commitment and satisfaction, and by specifying the ways in which ethical leaders affect these. With ethics being considered a universal value (Podger & Menzel, 2014; Schwartz, 2005) and ethical leadership being endorsed across cultures, this study serves as an example for DRC researchers to examine the effects of ethical leadership on employee outcomes such as job satisfaction, organisational citizenship behaviour and employee engagement. It is recommended that future research be replicated with broader samples across various organisations and manufacturing organisations. This would help researchers to gain further insight into the effects of ethical leadership on employees' attitudes and behaviour. Moreover, in this study it would have been beneficial to measure all study variables from the perspectives of both leaders and subordinates.

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Work ethics of different generational cohorts in South Africa

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10.15249/10-1-101

Keywords:

generational differences; work ethics; Generation Y; Generation X; Baby Boomers; hard work; delay of gratification; morality; ethics

Abstract

Although generational differences have been studied in developed countries, not much information is available about generational cohorts and how they differ in terms of work ethics in developing countries. A cross-sectional study was conducted in 2014 with a sample of 301 respondents from South Africa. The work ethics of three generational cohorts, namely the Baby Boomers, Generation X and Generation Y, were measured. The main finding of this research was that statistically significant differences and similarities were found between the different generational cohorts in terms of certain facets of work ethics. Statistically significant generational differences were indicated for hard work and delay of gratification.

Introduction

The decline in ethical behaviour in corporate South Africa is concerning. In an economy that is on the verge of a recession, additional burdens are being placed on employees, which often leads to them cutting corners, breaking rules, and engaging in questionable practices (Robbins, Judge, Odendaal & Roodt, 2009:16). It has been asserted that unethical behaviour, mainly in the form of corruption, particularly bribery, has reached "crisis proportions" within the South African context (Patel, 2013:1). Thus, it is becoming increasingly difficult to make ethical decisions, or to objectively assess the implications of a decision, in an environment that is rife with unethical behaviour.

Davis (2009:161) posits that ethical behaviour may be influenced by historical events and diversity variables, such as culture and age. In accordance with global trends, the South African workforce is becoming increasingly diverse, consisting of employees from different age groups, genders, ethnicities, cultural backgrounds, values, and beliefs, to mention a few of the variables (Robbins *et al*., 2009:12; Van der Walt & Du Plessis, 2010:1). In addition, as a result of globalisation, many organisations conceive and design products in one country, produce said products in another country, and then market them globally, giving rise to numerous dyadic relationships (Jonck & Swanepoel, 2015:78; Triandis, 2006:20). Due to the diverse nature of contemporary workforces worldwide, internationally in recent years much attention has been given to generational differences in the workplace. In a study by Burke (2004:4), 58% of human resource management practitioners reported conflict between younger employees and mature employees, due to differences such as perceptions of work ethics and aspects related to work-life balance. As such, a study by Meriac, Woehr and Banister (2010:315) reported that ideological and perceptual differences between generational cohorts led to conflict and misunderstandings. Consequently, organisational leaders need to be aware of these differences that exist between different generations. This will not only lead to appropriate prevention or management of conflict, but also a reduction in the number of misunderstandings, which will be conducive to organisational effectiveness (Van der Walt & Du Plessis, 2010:3).

In order to move South African society and its workplaces forward, more emphasis should be placed on work ethics, and, specifically, the advancement of ethical behaviour through human resource policies. Although some scholars have established that generations differ in terms of work ethics (Miller, Woehr & Hudspeth, 2002:2; Twenge, 2010:201), not nearly enough research has been conducted to test whether generational differences with regard to work ethics are present in the South African work environment.

In light of the background discussed above, organisational leadership needs to comprehend that a different approach may be required to successfully attract new employees, and to effectively manage and retain current human capital. Although considerable research has been conducted on diversity management (e.g. Bell, Villado, Lukasik, Belau & Briggs, 2011; De Wit, Greer & Jehn, 2012; Strydom & Erwee, 1998), there is a paucity of studies that have focused on generational or age diversity (Van der Walt & Du Plessis, 2010:1). Establishing whether different generations have different work ethics would assist organisational leadership in formulating strategic human resource interventions, such as retention and procurement strategies.

Generational cohort theory

Generational cohort theory is regarded as a theory of social history that describes and elaborates on differences and changes in generational and public attitudes over time (Wolf, Carpenter & Qenani-Petrela, 2005:187). Informed by the work of Mannheim (1964), this theory underscores two elements that are central to the conception of a generation, namely a shared location in historical time and a distinctive awareness of said historical time, shaped by events and experiences that are characteristic of that time.

Generational cohorts are individuals from the same generation, who have been exposed to the same external environment and events, which may potentially influence their behaviour and way of thinking (Napoli, 2014:184). Research investigating generational cohorts is based on the premise that each generation experiences a common and distinctive combination of circumstances and environmental forces that are prevalent during their formative years and which shape their behaviour patterns, distinguishing them from the behaviour patterns of other generations (Bevan-Dye, 2012:37). However, individual differences are acknowledged and one should guard against generalising behaviour. Moreover, there seems to be generational time span differences between different countries. The exact time span of the different generations according to country of origin is depicted in Table 1.

Table 1: Generational cohorts according to country

Generation	South Africa	USA	Europe/UK	Japan
The Traditionalists	1930-1949	1923-1942	1918-1945	1925-1945
The Baby Boomers	1950-1969	1943-1962	1946-1965	1945-1965
Generation X	1970-1989	1963-1983	1966-1984	1966-1985
Generation Y	1990-2000	1984-2001	1985-2001	1986-2001
Generation Z: born between 2001-2020				

Source: Codrington & Grant-Marshall, 2006:19

Within generational cohort theory, two opposing perspectives are held, namely that a generation is seen as consistent, regardless of different societies, or that a generation underscores the differences that may potentially exist between generational cohorts, due to the society in which they are cultivated. Turbulent life changes and/or important events that occur in a particular era (for example a war, or the abolition of apartheid) can shape a cohort living at the time (Codrington & Grant-Marshall, 2006:11). Furthermore, internalisation of the ideas characteristic of that time may result in stereotyping of members of that particular generational cohort. Table 2 provides a brief summary of the characteristics of the different generational cohorts (Gursoy, Maier & Chi, 2008:451; Robbins *et al.*, 2009:102; Roux, 2008:20).

Table 2: Characteristics of the different generational cohorts

Generation	Characteristics
The Traditionalists	Disciplined, hard-working, dedicated, respect authority and rules, loyal, stable, conservative lifestyle, directive, respect positional power, and self-sacrificing.
The Baby Boomers	Open-minded, workaholic, ambitious, optimistic, success-driven and crave job status, service-orientated, self-driven, build good relations, have team loyalty, live to work, respect authority, and live large.
Generation X	Individualistic, self-reliant, pragmatic, hard-working and enthusiastic, and focus on relationships. Not interested in long-term careers and have limited corporate loyalty or status. Have an open-to-change attitude, adaptable, technologically literate, independent, creative, and not intimidated by authority. They respond to instant gratification and they work to live.
Generation Y	Optimistic, confident, strong morals and ethics. Expect greater workplace flexibility, enjoy brainstorming and challenges, and want everything to be mobile, fast, accurate, and at their fingertips. Mobile-orientated, technologically informed, and able to multitask. “The more, the merrier”; “Rules are made to be broken”; “Here today and gone tomorrow”.

Although cognisance is taken of the different generational cohorts as defined by generational cohort theory, only three cohorts were included in this study, namely the Baby Boomers, Generation X, and Generation Y. The rationale for this choice of cohorts is that the sample was drawn from the South African labour force, which may be regarded as a "population of working age people that is working or that wants to work" (Barker, 2015:9). Since the Traditionalists were born between 1930 and 1949 (Gursoy *et al.*, 2008:451; Robbins *et al.*, 2009:102; Roux, 2008:20), they would represent pensioners and were therefore not included in the study.

Work ethics

Work ethics are attitudes and beliefs concerning work behaviour, and is a multidimensional construct reflected in decision making and behaviour (Miller *et al.*, 2002:453; Ravangard, Sajjadnia, Jafari, Shahsavan, Bahmaie & Bahadori, 2014:3). Thus, employees' work ethics may be regarded as the overall framework from which work values emanate, which, in turn, influences individuals' behaviour at work. In the current study, work ethics were measured using the Multidimensional Work Ethic Profile (MWEP). The reason for this choice of instrument was that the MWEP has previously been used to measure work ethics internationally (Van Ness, Melinsky, Buff & Seifert, 2010:25) as well as in South Africa (Kwizera, 2011:91). The MWEP is a 65-item scale that was developed to "measure seven conceptually and empirically distinct facets of the work ethic construct" (Miller *et al.*, 2002:1). The seven facets are self-reliance, morality/ethics, leisure, hard work, centrality of work, wasted time, and delay of gratification.

Self-reliance refers to a striving for independence in one's everyday work (Miller *et al.*, 2002:14), or depending on oneself and not relying on others (Dwyer, 2012:103). Some scholars (e.g. Simons, 2010:29) have characterised Generation X as self-reliant and individualistic, while Generation Y has been described as self-inventive and individualistic.

Morality and ethics, as measured by the MWEP, is regarded as one facet of work ethics, which refers to "beliefs pertaining to a just and moral existence" (Miller *et al.*, 2002:11). However, morality and ethics are often considered as separate constructs, where morality refers to customs or manners that are usually applied to one's behaviour, and ethics relates to an individual's character (Chidi, Ogunyomi & Badejo, 2012:117). Nonetheless, the two concepts are often used interchangeably to refer to the way individuals behave in the work context, or the way they are expected to behave (Van Ness *et al.*, 2010:14). Verschoor (2013:12) reports that a study conducted in the United States found that Generation Y often perceived unethical behaviour as ethical, which could result in this generational cohort interpreting this dimension of work ethics differently from other generational cohorts.

Leisure refers to pro-leisure attitudes and a belief in the importance of non-work activities, such as spending time relaxing (Miller *et al.*, 2002:14) or indulging in personally meaningful and pleasurable activities (Chun, Lee, Kim & Heo, 2012:440). According to

Twenge (2010:208), the findings of previous research have shown that Generation X and Generation Y are more likely to value leisure and are less willing to work hard.

Hard work may be understood as a belief in the virtue of hard work (Miller *et al.*, 2002:14), or the belief that one can become a better person and achieve objectives through a commitment to the value and importance of work (Van Ness *et al.*, 2010:16). It seems that younger employees and older employees may differ in their perceptions of what constitutes hard work as well as in their personal aspirations. As such, previous research indicates that hard work is not as important to younger employees as it is to older employees (ibid.:16). Tolbize (2008:8) also reports generational differences with regard to hard work, indicating that the Baby Boomers are workaholics, while Generation X will only work as hard as is required.

Centrality of work refers to a belief in work for work's sake (Miller *et al.*, 2002:14); the degree of importance that working has in the life of an individual at any given point in time; or the meaning of work (Schreuder & Coetzee, 2011:6). With regard to work centrality, Van Ness *et al.* (2010:17) report that professionals have a greater orientation towards work centrality than students, possibly because of the responsibilities that they face at the particular stage of life that they find themselves in, which stimulates a sense of work centrality. Twenge (2010:208) asserts that Generation X and Generation Y rate work as less central to their lives, while leisure is rated higher. Schreuder and Coetzee (2011:6) state that when leisure time increases, centrality of work decreases.

Wasted time relates to attitudes and beliefs that reflect an active and productive use of time (Miller *et al.*, 2002:14); i.e. not wasting time on activities that will not result in production of valuable goods or services (Horman & Kenley, 2005:52). Van Ness *et al.* (2010:18) explain that wasted time in the context of work ethics can be conceived as a continuum, with high commitment to time management at one end of the continuum and low commitment at the other. Regarding time management, Gursoy *et al.* (2008:158) reported that Baby Boomers are generally committed to their work and would rather work longer hours than leave work incomplete. Generation X prefers less demanding jobs with stable working hours, as this allows them to spend adequate time with their families (ibid.:455). Generation X are also more inclined to appreciate opportunities to divide their time appropriately between work, family and recreational activities, while Generation Y generally values flexibility in their work scheduling and work programmes (Van der Walt & Du Plessis, 2010:4).

Delay of gratification pertains to a future orientation and postponement of rewards (Miller *et al.*, 2002:14); in other words, sacrificing short-term rewards in order to achieve long-term objectives (Abd-El-Fattah & AL-Nabhani, 2012:93). The information presented in Table 1, for example, indicates that Generation Y values instant gratification. This has mainly been attributed to the fact that Generation Y grew up in a time of technological advances and social media, which afforded them access to immediate or instant feedback and rewards (Codrington & Grant-Marshall, 2006:19). However, other studies have indicated that it is not only Generation Y who values instant gratification, but rather all generational cohorts (Govitvatana, 2001:11; Schultz, Schwepker Jr & Good, 2012:35).

In light of the above discussion it is clear that generational cohorts differ in terms of the dimensions that encompass work ethics. Although it would be to an organisation's advantage to develop employees with respect to dimensions such as hard work and wasted time, organisations cannot ensure ethical behaviour through the provision of training and development initiatives. However, it does seem important that they should develop guidelines to assist employees to become more aware of ethical conduct. This will ensure that employees are aware of the basic principles and standards that they are expected to abide by, as well as the boundaries of acceptable conduct (Mafunisa, 2008:83). Bergh (2011:247) asserts that an organisation's reputation with regard to ethical behaviour will have an impact on the type of prospective employees who apply for vacancies at the organisation.

The aim of this study was to identify the work ethics that are important to different generations in a developing country, and to establish whether statistically significant differences exist between different generational cohorts in terms of work ethics. The aforementioned aim was investigated using the following research hypothesis: *Statistically significant differences exist between different generational cohorts in terms of work ethics.*

Research design and methods

For the purposes of this study, the positivist research paradigm was adopted, as the study relied on empirical data. A cross-sectional quantitative research design was employed to investigate the research hypothesis that was prompted by the nature of the study. Hence, data was collected once-off by means of the Multidimensional Work Ethic Profile (MWEP) survey referred to in the preceding section on work ethics. Individuals were the unit of analysis, and the population parameter was working-age individuals who were either working or currently unemployed.

South African organisations were approached to participate in the study, and three organisations in different sectors but situated in one district within South Africa confirmed their willingness to participate. In addition to the working population, senior students with some work experience who were enrolled in the Faculty of Management Sciences at a university of technology in the same area were included in the sample. The reason for their inclusion was their willingness to participate in the study, as well as logistical factors that made it conducive to use them. Thus, convenience sampling was used to select participants from the population, since only available individuals of the target population could be included. The use of convenience sampling allowed for inclusion of participants from all generational cohorts and precluded coerced participation.

Data was collected from respondents by means of a self-administered structured questionnaire, as this is deemed an acceptable method of data collection to use when literate individuals are the unit of analysis in a study (Mathers, Fox & Hunn, 2009:19). The questionnaire consisted of two sections, namely a biographical section and a section containing questions to measure work ethics. The first section included five questions related to the respondents' race, gender, age (to determine the respondent's generational cohort), years of service with the current organisation, and highest academic qualification.

As mentioned, the MWEP was used to measure work ethics. As previously mentioned, the MWEP is a 65-item scale that was developed to "measure seven conceptually and empirically distinct facets of the work ethic construct" (Miller *et al.*, 2002:1). The seven constructs are identified as hard work, self-reliance, leisure, centrality of work, morality/ethics, delay of gratification, and wasted time (ibid.:12). Participants were requested to select the most appropriate option from a five-point Likert scale, with options ranging from 'Strongly agree' (1) to 'Neutral' or 'Not applicable' (3) to 'Strongly disagree' (5). Miller *et al.* (ibid.:30) assert that the MWEP is a reliable measure of overall work ethics and the dimensions thereof. A Cronbach's alpha coefficient was determined to measure the reliability of the MWEP for the current sample. The Cronbach's alpha coefficient was 0.94, indicating very high reliability (Salkind, 2012:208).

The questionnaires were distributed personally by the researcher and collected again within fourteen days of distributing them, allowing the respondents sufficient time to complete the questionnaire in their own time and at their own convenience. Respondents were requested to put the questionnaires in a sealed envelope upon completion, and the researcher collected the completed questionnaires personally from the respondents at a central point, thereby ensuring confidentiality. Due care was given to ethical considerations such as informed consent, confidentiality, voluntary participation and anonymity during the data collection stage of the research. In addition, it should be noted that the consent of gatekeepers was obtained at various levels, including the research ethics committee of the higher education institution under whose auspices the research was conducted and the management of the participating organisations.

A total of 540 questionnaires were distributed. According to Babbie (2001:256), when conducting a mail survey, a response rate of 50% may be deemed adequate for purposes of analysis and reporting, while a response rate of 60% may be regarded as good. In total, 301 completed questionnaires were returned, which equates to a 55.7% response rate. Hence, the final sample consisted of 301 respondents, who varied in terms of socio-demographic variables. The employment status of the respondents was distributed almost evenly, with 170 (56.5%) of the respondents being unemployed and 131 (43.5%) working at the time of the survey. The gender distribution was skewed towards females, who accounted for 62.5% (n = 188) of the respondents, while 37.2% (n = 112) of the sample were males. The majority of the sample consisted of black African respondents (n = 275; 91.4%), followed by whites (n = 17; 5.6%), Coloureds (n = 7; 2.3%), and Indians/Asians (n = 1; 0.3%).

With regard to age, the majority of the respondents belonged to Generation Y (n = 155; 51.5%); followed by Generation X (n = 112; 37.2%); and the Baby Boomers (n = 34; 11.3%). Most of the respondents had 0 to 1 year of service (n = 133; 44.2%) at their current organisation. With regard to educational attainment, the majority of respondents had a Grade 12 qualification (n = 189; 62.8%), followed by respondents with a national diploma (n = 7; 23.3%) and those with an honours degree or equivalent (n = 23; 7.6%). The rationale for including different levels of educational attainment in the sample was based on previous research findings. In this regard, Chow and Choi (2003:119) reported that respondents with higher levels of education demonstrated more ethical behaviour than other respondents.

Data analysis

Descriptive and inferential statistics were computed to determine the relationship between age (divided according to the generational cohorts) and the dependent variable, namely work ethics. More specifically, a Kruskal-Wallis test was performed, due to the fact that the distribution was not normal.

Findings

The measures of central tendency, including the mean, the median, the standard deviation, and the maximum and minimum scores for each generational cohort are depicted in Tables 3 to 5, starting with Generation Y.

Table 3: Measures of central tendency for Generation Y for facets of work ethics

Facet of work ethics	Min	Max	Median	Mean	SD
Self-reliance	1	3	2.00	2.01	0.50
Morality/ethics	4	5	4.50	4.47	0.332
Leisure	3	5	3.75	3.8	0.502
Hard work	1	3	1.50	1.57	0.453
Centrality of work	1	5	2.10	2.13	0.597
Wasted time	1	4	2.00	1.99	0.559
Delay of gratification	1	5	2.00	2.06	0.593

The work ethics subscale of hard work had the lowest mean score (mean = 1.57), which indicates that hard work was of very low importance to Generation Y. The subscales of self-reliance, centrality of work, wasted time and delay of gratification had mean scores ranging from 1.99 to 2.06, indicating that these facets of work ethics were of low importance to Generation Y. The subscale of leisure had a mean score of 3.8, which indicates that leisure was of high importance to this generational cohort, while morality/ethics had a mean score of 4.47, indicating that Generation Y attached very high importance to this subscale.

Table 4: Measures of central tendency for Generation X for facets of work ethics

Facet of work ethics	Min	Max	Median	Mean	SD
Self-reliance	1	4	2.00	2.10	0.568
Morality/ethics	4	5	4.6	4.55	0.370
Leisure	3	5	3.83	3.83	0.484
Hard work	1	4	1.50	1.61	0.565
Centrality of work	1	4	2.00	2.07	0.626
Wasted time	1	5	2.00	2.00	0.649
Delay of gratification	1	5	2.14	2.17	0.705

Similar to Generation Y, Generation X indicated that hard work was of very low importance (mean = 1.61). In addition, four work ethics subscales had mean scores ranging from 2.0 to 2.17, namely wasted time, self-reliance, centrality of work, and delay of gratification, which indicates that these facets of work ethics were of low importance to Generation X. Similar to Generation Y, leisure was perceived as of high importance to Generation X (mean = 3.83), followed by morality/ethics, which was regarded as of very high importance (mean = 4.55).

Table 5: Measures of central tendency for the Baby Boomer cohort for facets of work ethics

Facet of work ethics	Min	Max	Median	Mean	SD
Self-reliance	1	4	2.20	2.23	0.551
Morality/ethics	3	5	4.60	4.50	0.395
Leisure	3	5	3.67	3.60	0.520
Hard work	1	5	1.85	1.89	0.643
Centrality of work	1	4	2.20	2.15	0.574
Wasted time	1	4	1.86	1.91	0.461
Delay of gratification	2	5	2.29	2.42	0.577

The results of the Baby Boomer cohort indicated that five of the work ethics subscales were of low importance to this group, with mean scores ranging from 1.89 to 2.42. These subscales were self-reliance, hard work, centrality of work, wasted time, and delay of gratification. The work ethics that were the most important to the Baby Boomers were morality/ethics, with a mean score of 4.50, and leisure, with a mean score of 3.60.

From the above findings, it would appear that there are similarities and differences between the generational cohorts in their evaluation of the measured facets of work ethics. In order to establish whether statistically significant differences exist among the generational cohorts in terms of work ethics, a Kruskal-Wallis test was performed. The results of this test are depicted in Table 6.

Table 6: Kruskal-Wallis test results for work ethics as dependent variable and generational cohort as independent variable

Level of the variable	Chi-square	df	*p*
Self-reliance	4.320	2	0.115
Morality/ethics	4.830	2	0.089
Leisure	4.531	2	0.104
Hard work	9.645	2	0.008**
Centrality of work	2.180	2	0.336
Wasted time	0.876	2	0.645
Delay of gratification	11.346	2	0.003**
**$p \leq 0.01$			

Statistically significant differences were found for hard work and delay of gratification. With regard to hard work, the Baby Boomer cohort had the highest mean ranking (mean ranking = 194.51), while Generation X (mean ranking = 146.33) and Generation Y (mean ranking = 144.83) differed by only a small margin. Thus, the Baby Boomer cohort valued hard work more than the other two groups. Similarly, with regard to delay of gratification, the Baby Boomer cohort had the highest mean ranking (mean ranking = 194.68), followed by Generation X (mean ranking = 153.45) and Generation Y (mean ranking = 139.65). It should also be noted that a post-hoc test could not be performed, as a non-parametric test was used to compute the results presented.

Discussion

The findings regarding the work ethics of the different generational cohorts (see Tables 1 to 3) show some similarities and some differences across the generational cohorts. With regard to similarities between the seven work ethics measured, leisure and morality/ethics are important to all the generational cohorts. With regard to leisure, the research findings confirm the findings of Twenge (2010:208), who asserted that previous research had indicated that all generations are more likely to value leisure over hard work. However, the findings show some inconsistency with the findings of previous research by Schreuder and Coetzee (2011:15), which indicated that the Baby Boomers do not value leisure time as much as Generation X and Generation Y. Secondly, the findings indicated that all three generational cohorts deemed morality/ethics to be the most important facet of work ethics. The findings of the current study with regard to morality/ethics disconfirm previous research findings; for example, Twenge (2010:204) asserted that most previous studies had found that Generation X and Generation Y have weaker work ethics.

In terms of differences, and specifically the research hypothesis – i.e. that statistically significant differences exist between various generational cohorts with regard to work ethics – two statistically significant differences were noted, namely hard work and delay of gratification. With regard to hard work, the literature indicates that Baby Boomers are perceived as workaholics who will stay at work until they have got the job done, and who will thus spend more time at work than at home (Shragay & Tziner, 2011:144). The findings of the current study confirm that the Baby Boomers do indeed value hard work more than the other two generational cohorts. Disconfirming the literature that characterises Generation X as "slackers" (see Codrington & Grant-Marshall, 2006), the current study shows only a small difference between Generation X and Generation Y with regard to the importance of hard work. In fact, the findings indicate that the importance of hard work is nearly the same for both Generation X and Generation Y, and is only slightly higher for the Baby Boomers.

With regard to delay of gratification, the findings of the current study contradict the findings of previous research, which indicate that all generational cohorts value instant gratification (Govitvatana, 2001:11; Schultz *et al.*, 2012:35). The findings of the current study indicate that the various generational cohorts significantly differed statistically in terms of delay of gratification. Thus, the Baby Boomer cohort most valued delay of gratification, followed by Generation X, while Generation Y valued delay of gratification least of all. It is therefore possible that Generation Y may value instant gratification.

One explanation for the difference in findings regarding this facet of work ethics may be that the current sample is becoming increasingly concerned about the future due the country's poor economic performance, hence the low importance that Generation Y attached to delay of gratification.

In light of the differences noted, the null hypothesis is rejected.

Generational profile of work ethics for a South African sample

A profile of work ethics in order of priority for a South African sample is depicted in Table 7.

Table 7: Work ethics profile of different generational cohorts working within the South African work environment

Cohort	Born between	Work ethics
Generation Y	1990-2000	• Morality / Ethics • Leisure • Centrality of work • Delay of gratification • Self-reliance • Wasted time • Hard work
Generation X	1970-1989	• Morality / Ethics • Leisure • Delay of gratification • Self-reliance • Centrality of work • Wasted time • Hard work
Baby Boomers	1950-1969	• Morality / Ethics • Leisure • Delay of gratification • Self-reliance • Centrality of work • Wasted time • Hard work

Limitations of the study

The following limitations should be taken into consideration when interpreting the findings of this study. Firstly, convenience sampling was used to generate the sample, which adversely influenced the external validity of the study. Secondly, it is estimated that the Free State province has a population size of 2 745 590 million, while the specific target area had a population size of 64 130. Thus, a sample of 384 or 381 would have been representative of the population, at the 95th level of confidence, with a 5% margin of error. As a result, it should be noted that the sample was neither representative of the target area nor the target province where the research was conducted. Caution is consequently advised when interpreting the results presented above. Despite these limitations, the study provides valuable insights into the work ethics of the various generational cohorts, and it can be used as a point of departure to stimulate further research within the South African context.

Conclusions

Most previous studies investigating the relationship between generational cohorts and work ethics have been conducted in First World countries. Unfortunately, sufficient empirical studies have not been conducted in developing countries with regard to different generational cohorts that currently exist or are about to enter organisations. It is for this reason that this study reported on generational differences regarding work ethics for a South African sample.

The facets of work ethics identified as being important to the three generational cohorts of the current sample differed from those identified by previous research studies in developed countries. However, the biographical data of the sample indicated that the majority of the respondents were of African descent. The findings of the study suggest differences in work ethics between developed countries and developing countries, as well as between generations of different descent (i.e. African and European). Consequently, further research is recommended to determine the generational differences in terms of work ethics and other variables between European and African countries. It is further recommended that studies be conducted to investigate perceptions of work ethics among Africans. One may also consider how Africans understand and conceptualise the construct of work ethics and its dimensions.

The most significant finding of the study was that all three generational cohorts included in the study valued morality/ethics as the most important facet of work ethics. This is an interesting finding, taking into consideration that South Africa has been stereotyped as a violent, aggressive and corrupt society where unethical behaviour is rife. In order to create more awareness of ethical behaviour, organisations should therefore mindfully consider creating strong ethical organisational cultures that are authentically embodied by organisational leaders. Furthermore, irrespective of their generational cohort, employees should receive morality and ethics mentoring so as to create a common understanding of this work ethic. Similarly, new employees entering the workplace need to be coached through induction programmes so as to maintain strong ethical organisational cultures that are embraced by all members within the organisation.

Hard work as a facet of work ethics was not considered important by any of the generational cohorts. This may encourage members of organisations to take short cuts to achieve goals, thereby maximising outcomes while minimising inputs. This finding may pose a problem for traditional organisational leaders, as in the past organisational performance has often been found to be positively correlated with hard work, and hard work has been rewarded. However, it may be possible that contemporary employees focus on 'working smarter, not harder' due to technological advances and other factors. Therefore, organisations should consider becoming more flexible in terms of strict adherence to company policies and procedures. This will require that current stringent policies and procedures be reconsidered in order to establish their usefulness and relevance in the contemporary workplace and to present-day employees. Based on the findings of the study, it is recommended that future research should focus on validating the current findings as well as extending the investigation to a larger sample, so as to advance the current limited body of knowledge concerning generational differences in terms of work ethics in developing countries.

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Mutuality: A root principle for marketing ethics

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DOI:
10.15249/10-1-128

Keywords:
marketing ethics; responsibilities to customers; consumer sovereignty; paternalism, perfect competition; mutuality; equality

Abstract

This paper seeks to identify a mid-level unifying ethical principle that may help clarify and articulate the responsibilities of business firms in the field of marketing ethics. The paper examines critically the main principles which have been proposed to date in the literature – namely consumer sovereignty, preserving the conditions of an acceptable exchange, paternalism, and the perfect competition ideal – and concludes that all of them are vulnerable to damaging criticisms.

The paper articulates and defends the mutuality principle as the most plausible candidate for the role of master principle in the relations between a firm and its customers. This principle requires that sellers look for reciprocity in their relations with their customers, seeking to provide to their customers something that helps them improve in some way their well-being and is commensurate with what they (the sellers) receive in return.

The paper also compares the mutuality principle with other ethical principles relevant to the field of marketing ethics.

Introduction

Many issues of ethical significance arise in the interaction between a firm and its customers. To refer to only a few: in relation to pricing, decisions may have to be made about whether to take advantage of lack of competition or a surge in demand by increasing prices well above costs, or engage in price discrimination; in relation to product design, issues arise such as how far to go in spending resources in an effort to increase quality or make products safer; in choosing target markets, problematic issues include how far to go in serving lower income segments that may benefit greatly from the firm's products, but are relatively less attractive than more affluent groups, and whether to target certain more vulnerable market segments; in promoting the firm's products, issues may arise as to whether certain advertisements are acceptable.

A rich literature has appeared, mostly during the last thirty-five years, addressing ethical issues in marketing. Review articles of work done in the field of marketing ethics by Gaski (1999), Nill and Schibrowsky (2007), and Schlegelmilch and Oberseder (2010), refer to over two hundred articles. It is fair to qualify this impressive result by pointing out, as the second review just cited does, that most of the work done relates to empirical questions, while normative issues have received substantially less attention. Still, as a cursory look at the works cited in this article will show, there has also been significant work on substantive ethical questions in the field of marketing.

When addressing problematic ethical issues in marketing, it is possible to try to go back to ultimate ethical principles. In fact some prominent ethicists have done so, sometimes with conspicuous success. It may be enough to refer to Tom Carson's treatment of personal selling (2001) and to Germain Grisez' discussion of several issues of business ethics (Grisez, 1997). The main problem with such an approach is that it is very difficult to do it well, as there are many points – both of philosophical theory and business practice – at which it is possible to take a wrong turn while trying to determine the bearing of an ultimate principle such as the Golden Rule or the eudaimonic principle on a specific business issue (Strutton, Hamilton & Lumpkin, 1997:545-546; Whysall, 2000:189). Matters are still more difficult when several ultimate principles are relevant. And the problem is even more acute for business people, who usually lack specialized training in moral philosophy (Smith, 1995:87).

Perhaps because of this difficulty, both business ethicists and (even more frequently) thoughtful practitioners often try to take a shortcut and address each issue as it arises on the basis of their intuitions on the ethical merits of the case. Some examples, among many, of this approach in the business ethics literature are Bhandari (1997), on the computation and disclosure of the cost of credit; Brenkert (1998), on marketing to vulnerable groups; and Ebejer and Morden (1988), on limited paternalism. However, this approach is inherently exposed to dangers of bias, inconsistency and arbitrariness. There is also empirical evidence that our moral intuitions may be unstable, in the sense that they vary significantly depending on the level of detail with which a situation is described (Freiman & Nichols, 2011). An even more radical problem with intuitionist approaches is that often different people have conflicting intuitions on what should be done in a given situation. In such cases there would seem to be no rational method to resolve differences in moral judgment within the limits of an intuitionist approach to moral decision making.

An alternative approach is to search for a unifying mid-level ethical principle that may help clarify and articulate the ethical responsibilities of business firms towards their customers. This has been done in other areas of business ethics (Enderle & Niu, 2012; Primaux & Stieber, 1999).

What is the meaning of the term 'mid-level ethical principle' in this article? Mid-level principles may best be understood by comparing them to 'ultimate ethical principles' and 'more specific action-guiding principles'.

Different schools of thought in ethics have different views as to the fundamental ethical principle. Kant, for instance, takes as the ultimate ethical principle the categorical imperative; for Aristotle, it is the eudaimonic principle; for Bentham, the principle of utility, or maximization of pleasure over pain. Whichever principle(s) a person accepts as fundamental will be taken to apply to all domains of human activity. Thus, for instance, a utilitarian will use the principle of utility to ascertain moral norms in fields as different as business, sexual activity, tax policy, communication and politics.

Someone who accepts one or more of these ultimate ethical principles will use them to justify concrete moral norms or principles capable of guiding their behaviour in specific circumstances. For instance, if a utilitarian believes that the practice of price discrimination maximizes total utility, he will conclude that price discrimination is permissible (or even required). Thus, while the principle of utility is an ultimate ethical principle, "it is permissible (or even required) to engage in price discrimination" would be what I called above a 'more specific action-guiding principle'.

I consider a principle to be a 'mid-level principle' if it has three characteristics: (i) it derives its force from ultimate ethical principles; (ii) it has a wide domain of application, so that it is applicable to all (or most of) the moral issues that arise in a given field of activity (e.g. marketing); and (iii) it unifies the more specific moral norms applicable in that domain, in the sense that it can be used to justify all (or most) of them. Thus, for instance, I consider the fiduciary principle to be a mid-level ethical principle in the field of corporate governance.

Within the field of marketing ethics, the main unifying mid-level principles which have been proposed in the literature over the past thirty years include consumer sovereignty (Smith, 1995); preserving the conditions of an acceptable exchange (Holley, 1986); paternalism (Brock, 1996; Kultgen, 1995; Penz, 1986); and the perfect competition ideal (Velasquez, 2006; Wertheimer, 1996). A potential problem with the approach of using mid-level principles is that there is need to be very careful in articulating them, so as not to be seduced into accepting what may ultimately prove to be an unsound principle by its apparent initial plausibility.

On the other hand, this method has two important advantages. First, as is exemplified in the field of human rights, there is often agreement on the validity of a mid-level ethical principle among people of different philosophical persuasions, each of whom justifies the principle in a different way. Secondly, the identification of such principles makes it much easier for enlightened practitioners to reason ethically (Smith, 1995:87; Whysall, 2000:189). It often proves impossible in practice for a practitioner to try to reason her way from ultimate principles to a reliable conclusion in any moderately complex ethical issue she meets for the first time, as principles are open to different interpretations and therefore leave too much room for rationalisation. In my experience, my own students seem to find it much easier to 'think ethically' whenever I have been able to provide them with mid-level ethical principles. Of course, the key question is whether any proposed mid-level principle for a given domain of activity (such as the field of marketing) is actually sound. In order to make progress on this there is need for business ethicists to focus on the discussion of such principles, as I propose to do in this paper.

This paper criticises the main alternative mid-level ethical principles that have been suggested for the field of marketing and argues that the principle of mutuality is superior to them. This principle suggests that in their dealings with buyers, sellers should seek to establish a cooperative relationship based on reciprocity, in which both parties can benefit from their interaction. This cooperative relationship is distinguished from others based either in pure beneficence (which focuses on the interests of the other party, to the point of forgetting those of the seller) or in egoism (which makes of the buyer a mere means to the advancement of the seller's interests).

Some suggested mid-level principles for marketing ethics

In seeking to identify a sound basic standard for marketing ethics it will be useful to start by examining critically the mid-level principles that have already been proposed by different authors and, in so far as the principles examined may prove vulnerable to telling objections, proceed to the positive task of trying to articulate a more satisfactory principle.[1]

Consumer sovereignty and preserving the conditions of an acceptable exchange

These are two different principles, which have been proposed independently by two different ethicists and are justified on the basis of different premises. However, they are very similar in their practical implications for marketers. Since my criticisms of these two principles focus on the consequences of applying the normative conclusions that flow from them, it will save space to consider them together. As will be seen, my main criticisms of these two principles are that they assume an implausible desire-fulfilment theory of well-being and that they unduly conflate the roles of seller and buyer's agent (and force the buyer to pay for both of them).

N Craig Smith (1995) has proposed the principle of *consumer sovereignty* as a standard to ethically evaluate marketing decisions. According to this principle, marketers must ensure that in their interactions with consumers, the latter should enjoy capability, information and choice. As explained by Smith, capability is denied by vulnerability and requires that the consumer be able to make effective decisions in relation to a given product. Information requires that consumers have sufficient knowledge to understand the risks of a given product and judge whether their expectations at the time of purchase are likely to be fulfilled. Consumers have choice if they have alternatives and are actually able to go elsewhere if they are not satisfied with a given seller's offer.

The principle of *preserving the conditions of an acceptable exchange* was proposed by Holley (1986). He argues that "[p]eople in business who support the market system and benefit from it have a responsibility for minimizing abuses which undermine the system's moral legitimacy" (Holley, 1986:18). Accordingly, Holley bases his ethical evaluation of sales practices on the idea that "the primary duty of salespeople to customers is not to undermine the conditions of acceptable exchange" (p. 5). He considers that an acceptable exchange is one that is "adequately informed, rational and free from compulsion" (ibid). Holley recognises that these conditions are subject to degrees of fulfilment, as "[k]nowledge can be more or less adequate. Individuals can be subject to various irrational influences. There can be borderline cases of external constraints" (ibid). Still, he asserts that "[e]ven when conditions are not ideal, we may still have an *acceptable exchange*" (ibid; Holley's italics). It is easy to appreciate that what this principle demands of sellers is very similar to the requirements of the principle of consumer sovereignty.

Much can be said in favour of these two principles *from the point of view of the consumer.* In a certain way they approximate the principle of mutuality, for which I will argue below, as, if one grants that consumers are the best judges of their own interests (admittedly, a heroic assumption if it is presented as something that is *always* the case), then in so far as consumers have capability, information and choice (in the words of Smith), or information, rationality and freedom from compulsion (in the broadly similar formulation of Holley), they themselves will be able to ensure that they get appropriate value in all transactions in which they engage. Still, there are problems. The first arises from the widely documented inability of consumers to make informed decisions on many occasions (Sirgy & Su, 2000:2-4 and 7-9; Sirgy, Lee & Grace, 2011:462-465). There is an enormous literature showing the systematic irrationality of many decision processes and therefore of the preferences to which they lead, as decision making is often affected by distorted perceptions, skewed memory of past events, errors in assigning probabilities to uncertain events, the way in which data is presented, inappropriate taking into account of sunk costs, and failure to take into account judgmental limitations (for good summaries of this literature, see Hardman, 2009; Hogarth, 1987; and Zamir, 1997).

Even more fundamentally, at the root of this issue lie basic assumptions that have been discussed in the contemporary literature by way of considering alternative theories of well-being. Most of these theories can be grouped into three main types: hedonistic theories, desire-fulfilment theories, and objective list theories (Arneson, 1999:4; Crisp, 2013: Section 4; Parfit, 1984:493-501). Broadly speaking, hedonistic theories identify well-being with pleasure; desire-fulfilment theories propose that well-being is a matter of achieving what we desire; and objective list theories consider that well-being is achieved by obtaining one or more good things or attaining certain conditions that make people better off.

There is near unanimity among philosophers of very different persuasions that the desire-fulfilment theory is vulnerable to fatal objections. One is that saying that well-being is identical with satisfying our desires is equivalent to saying that human beings (or at least sane adults of ordinary intelligence) never act in ways contrary to their interests. But of course, we all do, at least from time to time. Just think of desires that derive from erroneous information or psychological problems (e.g. addiction) in the subject and whose satisfaction is bound to result in impairment to that subject (Arneson, 1999:18-19;

Brandt, 1979:38; Broome, 1999; Griffin, 1986; Lewinsohn-Zamir, 2003:1678-1679; Scanlon, 1975:186). The phenomenon of learned overly modest preferences is also very significant and provides a strong argument against desire-fulfilment theories of well-being. Members of a subjugated group may adjust themselves to their subservient role and eventually feel satisfied with the modest achievement allowed them; they may set low goals for themselves and actually achieve them, and in doing so may at least succeed in reducing their feelings of frustration and generally reduce cognitive dissonance, but obviously this does not make for a good life (Anderson, 1995:30; Sen, 1985:191).

This is a very wide issue and it is impossible to address it adequately as a subsidiary matter within the limits of this paper. Suffice to say that if the desire-fulfilment theory is rejected, the attractiveness *from the point of view of the consumer* of the two principles we are examining here is severely undermined, and that currently this theory has few adherents among philosophers.

The principles of consumer sovereignty and preserving the conditions of an acceptable exchange suffer from even greater shortcomings when they are assessed *from the point of view of the seller.* Demanding that the seller *ensure* that her consumers enjoy capability, information and choice (or information, rationality and freedom from compulsion) in all transactions is a very exacting standard. Thus, for instance, consistent with the basic idea that the seller must provide information to consumers so that they may be in a position to effectively satisfy their preferences, Smith defends the idea that a salesman "has a duty to disclose information that could influence a consumer's purchase decision, such as an impending new model of the product" (Smith, 1995:92[2]). However, it is not self-evident that in a transaction between competent adults it should be the responsibility of the seller to provide the buyer with all the information that the latter might consider relevant. A seller may well undertake to provide a certain product without further undertaking to be a consultant for her buyers – far less an agent, with the consequent fiduciary responsibilities. Of course, on some occasions a seller may accept to play all these roles and presumably she will require to be compensated accordingly, but there seems to be no reason of principle why a seller should always be obliged to perform all these functions, and even less reason why all buyers should be obliged to pay for them, even when they would prefer to receive a more limited service from the seller and pay a cheaper price for it. In this respect, at least, the ideal of consumer sovereignty, as expounded by Smith, seems to be incoherent, for by insisting on the bundling of different products and services (the product or service on sale and the services of consultant and agent), it seems to deprive buyers of an important aspect of their sovereignty: the freedom to decide which services they want (and are ready to pay for) from the seller and which services they do not want (and prefer not to have to pay for). Also, as Carson (2001:283-284) has pointed out (addressing his comments to Holley), sellers may just not have enough time to provide the information required by these principles; or it may be the case that they (or the mass of their employees) simply lack the information themselves and it would be unreasonable to require them to make the investment of time and effort that might have to be made in order to obtain it. Carson also points out that the seller may just not know enough about the buyer to be able to estimate the information the latter would need in order to be able to decide if the purchase would be beneficial to her in her own circumstances.

It is also far from clear that sellers have the responsibility to ensure that their buyers should have effective freedom of choice. As Carson (2001:285) has pointed out, criticising Holley, holding that they have this responsibility yields unacceptable consequences in situations in which the buyer's alternatives are severely constrained. Carson gives the example of somebody of modest means trying to buy a house in a small town. If there is only one house that the buyer can afford, her freedom of choice would be severely constrained. How could it be the responsibility of the seller to ensure that there is freedom of choice in such circumstances?

Paternalism

The paternalistic principle has been put forward in various forms to orientate the relations between firms and their customers. In this section I will criticise paternalism on the basis of the importance of giving all due weight to the idea that self-determination is a great human good that is eroded by paternalism. I will also argue that the proper role of a seller is that of a servant who places his specialised knowledge at the service of the buyer and allows *her* to retain the ability to control the relationship in the light of her own values and preferences.

For the purposes of this paper, and consistent with the approach of several prominent philosophers who have studied this issue (e.g. Arneson, 2005; Dworkin 1988 and 2010; and Feinberg, 1986), I will take a conception of the responsibilities of marketers to be paternalistic if, according to it, a business firm has the responsibility of ensuring that, as much as possible, its clients do what in the view of the firm will advance their well-being, even if, were they free to do so, they would be likely, or certain, to prefer to do something different.

This way of acting is paternalistic in the sense that it advocates a model of conduct similar to that which is often adopted by parents with respect to their young children. Responsible parents, for their children's own good, can rightly decide to intervene in the life of their minor children, without giving them the opportunity to choose those alternatives the parents consider harmful. Those who advocate paternalistic principles feel that we often have a responsibility towards other people that is similar to that which parents have towards their minor children; that is, a responsibility to protect and advance the children's interests, regardless of, or even against, their own preferences. This conception of the responsibilities of marketers has, at least in its broad outlines, been defended by authors like Penz (1986), Kultgen (1995) and Brock (1996).

Kultgen offers both a long definition of paternalism (he calls it 'parentalism') and a shorter one. A reference to the short one will be enough for my purposes here. Kultgen characterizes an action as paternalistic (or 'parentalistic') "if it is an intervention in a subject's life for his benefit without regard to his consent" (Kultgen, 1995:62). This definition substantially coincides with the conception of paternalism I sketched above.

My conception of paternalism can be usefully contrasted with that of Ebejer and Morden (1988). They defend a thesis that they call 'limited paternalism', which, upon inspection, differs substantially, and not only in degree, from the conception of paternalism I have put forward and will be using here. Ebejer and Morden (1988:338) argue that marketers have a duty

> to inform customers fully about a product or service, to disclose fully all relevant information without hiding crucial stipulations in small print, to ascertain that they are aware of their needs and the degree to which the product or service will satisfy them [...].

On my definition this is not paternalism at all, since the crucial element of trying to substitute one's own judgement for that of the customer, for the latter's own good, is missing. By providing information to another, or by not misleading him, I neither deprive him of autonomy nor undermine his ability to self-govern in any way.

Examples of a paternalistic outlook are common in the practice of many professions. In the field of medical ethics, the Hippocratic tradition, with its view of the physician as a benevolent and wise caregiver who knows what is best for her patients and makes decisions for their benefit but without their participation, was dominant in most countries until around forty years ago (Pellegrino & Thomasma, 1993). Up to this day, other professionals often minimize the scope of choice they offer to their clients and try to steer them towards solutions they consider sound.

It is in principle possible to offer a variety of justifications for paternalism, but the sustained defences of this principle which I have come across, both within the field of business ethics and in the area of political philosophy, are consequentialist in character. Thus, for instance, Kultgen (1995:76) states that "[p]ersons are justified in acting [paternalistically] if and only if they believe that the expected value of the action for the recipient is greater than any alternative and they have reason to trust their own judgment despite the opposition of anyone, including the recipient". Brock's position is more complex, and she values the autonomy of the beneficiary more highly than Kultgen does, but ultimately the justification she offers is also consequentialist:

> Respecting someone's autonomy is a prima facie good. So is furthering someone's well-being. The issue is what to do when opportunities arise which require a choice between the two prima facie goods. One must weigh up which is to enjoy precedence in such cases. (Brock, 1996:541-542)

In broader contexts, the justifications of at least some degree of paternalism offered by Mill (1956), Arneson (2005) and Dworkin (1988) are also consequentialist in character.

However, even in consequentialist terms, the case for paternalism in the firm-customer relationship is very weak. (A somewhat stronger case can be made for paternalism in other contexts). In the first place, it is well to remember that there is great potential for self-deception when acting paternalistically. People who believe that they are trying to serve the interests of others while bypassing their capacity to choose, often are neither perfectly disinterested nor fully aware of their own prejudices and inclinations. In business contexts, in which there is frequently a tension between the interests of firm and customer, there are many opportunities for self-deception and for fostering one's own interests while believing oneself to be serving the interests of others.

Secondly, would-be paternalists often suffer from a significant deficit of knowledge, which greatly handicaps their efforts to do what is good for another, especially when the very strategy they pursue often prevents them from frankly asking their customers about their preferences. Each of us is differently circumstanced in relation to our own financial position and prospects, the portfolio of alternative possibilities and opportunities open to us, what we are trying to achieve in a given circumstance, and our overall long-term aims. Specific choices often only make sense against a background of circumstances, values, preferences and priorities, a given lifestyle and, even more fundamentally, a given life plan. This point has greater practical importance in view of the fact that most of us live in highly pluralistic societies in which people adhere to a wide variety of moral views and in which seller and buyer may have markedly different preferences and values. It is very possible, for instance, that something that could indeed be a great benefit for a person of certain values and purposes may not be a benefit at all, or could even be positively harmful, for somebody with different values and purposes. At the very least, the relative value of a given benefit, and therefore what one would be willing to give up in order to secure it, could vary greatly depending on one's circumstances and preferences. As each of us is in a privileged position to know our own specific circumstances in all these respects, it follows that we are much more likely to be able to assess what is beneficial for us here and now than a stranger, no matter how well meaning (and in the realm of commercial transactions we usually deal with strangers).

Thirdly, it is very important to keep in mind that self-determination is itself a great good, and that somebody's opportunity, or lack of it, to exercise control over her own life has to be weighed in making a consequentialist assessment of a policy of paternalism. That a person is the author of her own life, that she has the opportunity to shape her character and career through her own decisions, has great significance in itself, beyond the results that may flow from each concrete decision. When others take a decision on my behalf and without consulting me, even if in fact they act 'for my own good', they deprive me of an essential part of 'my own good': the opportunity to develop my capacity for making responsible decisions, and ultimately, of truly being the author of my own life. In this sense, they deprive me of an essential means for self-fulfilment.

Beyond all the preceding considerations, however, we cannot limit ourselves, in making a moral assessment, to weighing the consequences of the various courses of action open to us. There are many reasons for this – and this is a topic that has been canvassed extensively over the past thirty years – but the most fundamental ones are that it is impossible to commensurate rationally, in the way required for an overall moral assessment, the different consequences of any given action (Finnis, 1980:112-116; Grisez, 1978:37-41); and that the respect due to persons demands that their right to be the architects of their own lives, according to their freely chosen values and commitments, be recognised. As Isaiah Berlin eloquently put it:

> I wish to be a subject, not an object … deciding, not being decided for, self-directed and not acted upon by external nature or by other men as if I were a thing, or an animal, or a slave incapable of playing a human role, that is, of conceiving goals and policies of my own and realizing them. (Berlin, 1969:131, cited in Dworkin, 1988:13)

The capacity human beings have to responsibly choose and implement a life plan and make responsible judgments in living their own lives is an essential aspect of what it means to be human, and to undermine or try to circumvent that capacity constitutes a denial of respect, in so far as it constitutes a violation of their integrity and a removal of their responsibility for their lives. While we have a responsibility to help others to live their lives, attempting to take over their lives and make decisions for them in situations in which they are not actually deprived of their ability to make these decisions and harm to third parties is not in question, is incompatible with the respect due to them as rational agents.

It follows from all this that a firm is not justified in seeking to advance its customers' well-being when doing so requires acting in opposition to these customers' own values and preferences and actively depriving them of the capacity to make their own choices; and that in the relationship firm-customer, the role of the firm is that of a servant who places her superior knowledge at the service of the customer while refraining from forcing on him its own values and preferences, while it is for the customer to set the objectives of what is to be accomplished and to retain overall control of the relationship so as to retain the ability to shape his own life.

It is important to understand with precision the implications of the above discussion. From a denial of the soundness of a paternalist principle it follows that a business person is not justified in trying to force on the customer or client, 'for her own good', courses of action which are contrary to the client or customer's own preferences, or in trying to manipulate the information offered to her so as to ensure that she makes the 'right choice'. However, this is not to say that the business person has a responsibility to *actively help* his customers carry out their choices, no matter how self-destructive these may be (and we have seen above that they may indeed be self-destructive; that they are not guaranteed to advance the customer's well-being by mere virtue of the fact that they are her choices). This assertion of the right of the business person to not cooperate in the misguided choices of some clients is not grounded on a paternalistic foundation, but rather on the fact that the business person also has his own life to live, and has the right not to undermine it because others insist on following a self-destructive course of action (Pellegrino & Thomasma, 1993:96-97, 130).

The perfect competition ideal

One often gets the impression in discussions of business ethics and economics that their authors seem to believe that if the conditions of an exchange are such that what customers get is worse than what they would get under conditions of perfect competition, that is, insofar as it happens, an indication that the seller is not behaving fully ethically. In other words, it is assumed that the standards of perfect competition are themselves ethical standards. This is most often an unexamined assumption, but sometimes this position is articulated reflectively. A clear example of this way of thinking is provided by Wertheimer's discussion of justice in pricing. Wertheimer (1996:230-236) argues that, at least for a range of cases, a hypothetical market price – the price that would be generated by a competitive market – provides the standard for a fair transaction. Wertheimer does not work out in detail what he has in mind, but from the statements he makes and the examples he offers, it seems justified to conclude that his position is that when a seller is not constrained in fixing a price for his product by the actual existence of a competitive market, he should try to estimate the price at which the product would sell on the hypothesis that such a competitive market existed. That would be the fair price at which to sell that product.

Another example of this approach is provided by Velasquez (2006). He organises his discussion of ethics in the marketplace around the models of perfect competition, monopoly and oligopoly. Once he has made this crucial move, the reader will not be surprised when she learns that, for Velasquez, perfect competition is ethically superior to the other two possibilities. In his view, perfectly competitive free markets achieve three major moral values: they distribute benefits between sellers and buyers according to their contribution (see pp. 91 and 172-73); they maximise the utility of buyers and sellers by allocating resources in a way that produces the highest level of satisfaction possible from those resources (pp. 173-74); and they respect buyers' rights, as all exchanges are fully voluntary (p. 174). By comparison, a buyer who faces a monopolistic or an oligopolistic seller will not fare nearly so well. Velasquez, for instance, states that "the high prices the [monopolistic] seller forces the buyer to pay are unjust" (p. 180), and that "oligopoly markets, like monopolies, can fail to exhibit just profit levels" (p. 182).

But, of course, there are significant problems in moving from the advantages that the buyer would reap in a world of perfect competition to a prescription that actual sellers, in a world that by and large is far removed from that ideal, should approximate their actions to the way that they are presumed to act within that model.

In the first place, while a perfectly competitive market has clear advantages for buyers, it also has shortcomings which, on balance, make it not so desirable in many circumstances, especially in situations where there is room for innovation and product differentiation. There are many industries nowadays in which substantial fixed or sunk costs (especially from research and development) and very low marginal costs are the norm. Examples of such industries are pharmaceuticals and software development. If firms in such industries had to behave like sellers operating in a perfect competition market, they would be unable to recoup their research and development costs in many cases. This would mean that they would not engage in such research and development, and therefore there would be no new products, or at least no significant new products.

The requirement that sellers should behave in the way that they would in a perfectly competitive market is often also unfair. Sellers are asked to act as they would do if everybody (not only other sellers, but everybody else, including their suppliers, employees, investors and customers) were acting in ways that perfectly tracked the perfect competition model. But, as the perfect competition model is a model and not a description of the real world, in fact almost nobody else acts in that way. In an ideal world there would be universal peace and no country would need to have an army, a police department or a criminal justice system. This does not mean that it is a duty of justice for all states in the world to dismantle the institutions they have created to cope with the problems that arise in the less-than-ideal world in which we live.

The mutuality principle

My discussion of the four main mid-level principles that have been put forward to regulate the relations between buyers and sellers has unearthed some significant problems with these principles. The principles of consumer sovereignty and preserving the conditions of an acceptable exchange assume a flawed desire-fulfilment theory of well-being and make excessive demands on sellers. The paternalistic principle fails to accord due weight to the great value of self-determination. Finally, the perfect competition ideal seems to assume that we live in an ideal world in which the stringent demands of the perfect competition model are met.

I will now describe an alternative mid-level principle which I consider to have significant advantages over those already discussed, namely the mutuality principle.

The mutuality principle (MP) requires that sellers avoid seeking unilateral advantage in their dealings with buyers and that they aim instead to establish a relation of reciprocity. In accordance with this principle, the main responsibility of a seller towards his buyers is that of providing them with goods and services that are effectively capable of contributing to their well-being within the framework of a mutually beneficial exchange. While this principle demands that buyers should not be viewed merely as means to make a profit, it does not demand that the seller neglect his own interests. Moreover, it does not assume that the customer is helpless, nor that the responsibility of serving the customer is the only one the seller has or that it takes priority over all others. In consequence, it does not require that the seller provide the best possible deal to the buyer. I will now proceed to expand on this quick outline and endeavour to justify MP.

The mutuality principle is an ethical principle that reflects a concern with the well-being of others. It avoids the purely selfish policy of being ready to take advantage of the ignorance, special need or carelessness of the other party to lead him towards a transaction that is not in his own interest. As its name indicates, MP requires that a seller should instead seek to establish real reciprocity between what he provides to his customers and what he receives from them. As part of this endeavour to seek reciprocity, MP demands from the seller an active effort to do his best to ensure that his product is really useful to the buyer. One could translate this into contemporary jargon by saying that a seller guided by MP should look for his own profit (as we will see below, this is in no way excluded by MP) through win-win transactions. An exchange in which I win *precisely by inducing you to do something that I know undermines your interest* is radically incompatible with an active concern for your well-being.

Most fundamentally, MP is based on the idea of seeking that the transaction between buyer and seller be a cooperative undertaking for their mutual benefit. The idea is that the seller makes a profit as just reward for providing value to the buyer. Accordingly, the first requirement of this principle is that the seller make a reasonable effort to advance the interests of the buyer by providing to him something that is of value to him (Elegido, 1998:92-93 and 98-100; Melé, 2009b:276-279). It is therefore essential to this principle that the seller render a service to the buyer (Elegido, 1998:98-99; Guitián, 2015:66-70; Melé, 2009b:277-278).

As I will discuss below, there are important limitations of principle (such as respecting the autonomy of the buyer) and of a practical type (such as the ability of the seller to know accurately the circumstances and interests of the buyer) which place stringent limits on the ability of the seller to attain this ideal and actually provide a real service. It is obvious, however, that sellers will not be trying to provide a real service to their buyers if the very products they sell are ineffective or harmful, or if they systematically try to encourage their buyers to buy the product that is most immediately profitable, irrespective of the buyers' interests (Gibbs, 2004:9-10). Generally speaking, it would be incompatible with this active concern to provide buyers with something that will leave them better off for sellers to take advantage of buyers' weaknesses by selling them products or services that would neither contribute to solving any of their problems nor enhance their well-being, or that would do so less effectively than alternative products that the sellers also have available, or, even worse, by selling products that will be harmful to buyers. Examples of possible weaknesses of buyers that could make it possible for sellers to profit *at the expense of the buyers* are ignorance or inexperience; physical or psychological addictions (e.g. those that may afflict smokers or gamblers); situations of emotional weakness (e.g. the well-known example of the widow who is arranging for the burial of her recently deceased husband); special need (e.g. the patient who needs an urgent surgical operation); and monopoly (Baker, Gentry & Rittenburg, 2005; Smith & Cooper-Martin, 1997).

However, MP does not exclude a concern to advance the sellers' own interests in an all-out effort to give the best possible deal to their buyers. What mutuality demands may be stated negatively as requiring that one party does not gain precisely through the other's loss. It may also be formulated positively as requiring that, in so far as it is practically possible, sellers endeavour to make both their buyers and themselves better off through their activities. Therefore, there is nothing in this principle that precludes sellers from making large profits; all it requires is that they make their profits by creating very high value for their buyers and then insisting on receiving commensurate benefits from those buyers. If they succeed in doing this while keeping their costs low, it will be possible, in strict conformity with this principle, for such sellers to contribute a lot of value to others *and* to do very well for themselves and for those to whom they bear special responsibilities. It is also worth stressing that this principle does not require the seller to provide as much value as possible, or any given value at the cheapest possible price which can be sustained without pushing the seller into loss. For so long as the seller provides commensurate value in return for the money he receives from his buyers, the requirements of this principle will have been satisfied. Perhaps the simplest and most popular way to express this requirement is to say that sellers should provide 'value for money'.

It will be useful at this stage to identify some of the concrete requirements of MP. At this point I will limit myself to enumerating these requirements; their rationale will be better appreciated as we discuss the principle further in the rest of this article.

- In designing its products, a firm acting in accordance with the requirements of MP will endeavour to make them safe and functional, so that they may be capable of performing effectively and safely the tasks for which they are likely to be acquired. However, that firm will not feel obliged to attain the highest possible quality and safety, or to provide the best possible after-sales service.
- When making pricing decisions, such a firm will not just try to get as much as it possibly can, taking advantage of every opportunity to do so, but will endeavour to get a price commensurate with the value it provides to the customer (though not necessarily the lowest possible price, or even a price that is affordable to all or most customers) (Elegido, 2009 and 2015; Sirgy, 1996:250-251).
- The communication, promotional and selling activities of such a firm will not attempt to subvert the autonomy of its customers, and will be geared to preventing them from forming beliefs or expectations that may make it more difficult for them to act in such a way that a mutually beneficial outcome is reached (Holley, 1986:16; Sirgy, 1996:253). In addition, such activities will also refrain from inducing customers to consume products in a harmful way (Melé, 2009a:278). Thus, for instance, a wine marketing company will not try to encourage its customers to drink as much as possible or to drink in inappropriate situations. However, mutuality does not require that the firm provide buyers with all the information which it would be to their benefit to have, because it does not demand that the firm becomes the customer's agent.
- Finally, MP also demands that the seller refrain from undermining in other ways the interests of the buyers, as for instance by eroding their autonomy or privacy (Laczniak & Murphy, 2006b), or, in an effort to increase their sales, by promoting through their messages materialistic values which may lead to lower self-esteem (Chaplin & Roedder, 2007) and increased risk of anxiety and depression (Schor, 2004).

After this brief introduction of MP it is already possible to appreciate how it differs in important respects from each of the alternative mid-level principles discussed above.

Justification of mutuality

What can be said specifically in favour of following MP in business dealings? I will structure the justification of this mid-level principle in two stages. First, I will try to answer the question *Why mutuality?* That is to say, I will try to justify why a seller should concern himself with the interests of the buyer, even if this may not contribute to maximising his own benefit. After all, even with the qualifications I introduced before, the demands of MP may seem too strict to many business people. A writer as knowledgeable in the field of marketing ethics as David Holley has summarised his view of the standards commonly accepted on this issue by remarking that "it is usually expected that the activity of sales will involve a primary pursuit of the interests of the seller" (Holley, 1998:631). However, MP contends that it is ethically required to go beyond the pursuit of self-interest in market transactions.

As a second stage in the argument I will try to answer the question *Why stop at mutuality?* Some people may wonder whether it would not be more ethical to progress beyond mutuality to a more demanding effort to satisfy more fully the needs of the customer, and these concerns deserve attention.

Why mutuality?

The idea of mutuality has a certain intuitive attraction for ethicists. This is shown by the fact that, even though it is usually not justified or argued for, frequent reference is made to MP in the scholarly discussion of the ethical foundations of business activity. Thus, for instance, Spinello, while discussing the ethical pricing of pharmaceutical drugs, makes the point that "mutual benefit is the essence of a sound business relationship" (1992:624); Holley's theory of the duties of salespeople is based on his concept of a mutually beneficial market exchange (1998:638-639); Arrow (1973:309), in discussing the institutional underpinnings of the economic system, makes reference to the principles of ethics and morality, saying that "these principles are agreements, conscious, or, in many cases, unconscious, to supply mutual benefits"; and Miles and his colleagues refer to "the marketing concept premise that proper marketing relationships are mutually beneficial and create value for both the consumer and the marketer" (Miles, Munilla & Covin, 2002:290). Other references to the idea of mutual benefit in exchanges can be found in Ebejer and Morden (1988:339), Kotler (2002:290), Nash (1990:91-94), and Santos and Laczniak (2009:11).

But even though we meet in the literature many more or less vague references to mutuality as an ethical desideratum in the relations between a firm and its customers, the authors who refer to it for the most part do not articulate that idea nor apply it consistently. Thus, for instance, Spinello (1992) argues that concern for distributive justice should be a critical factor in the equation of variables used to set prices for pharmaceuticals. He then moves on to conclude that *the whole burden* of making essential treatments available to those who need them but cannot afford them should fall on the pharmaceutical companies that produce them, rather than being spread, through the social security and tax systems, among all the members of a given society. I cannot address this most complex issue here, but it seems clear that this view goes so far beyond the requirements of a principle of mutuality in commercial dealings as to negate it. Holley defends a mutual benefit rule in trying to render more precise the obligation of salespeople to disclose information to their customers. However, his main concern is to advance "the ends the marketplace is expected to serve" (1998:634), rather than to protect justice in each individual exchange, and his understanding of the requirements of mutuality is significantly different from the one I advance in this paper. Arrow (1973) and Miles (1993) only make passing references to the idea of mutuality.

It seems clear, therefore, that if MP is going to be more than a rhetorical flourish, much work needs to be done in defining and defending it. An important point of departure for this work is that there is very wide support in the ethics literature for the idea that in our relations with others we should go beyond mere egoism, even if this egoism is tempered by observance of the law. Perhaps the formulation of this idea that is most general and garners the widest acceptance is that of a principle of beneficence, which in Beauchamp's words can be described as "a moral obligation to act for the others' benefit, helping them to further their important and legitimate interests, often by preventing or removing possible harms" (Beauchamp, 2013).

The opposite of following the principle of beneficence is an attitude of systematic egoism. Approaching commercial transactions with an attitude of extracting as much value as possible from them, while being unconcerned with the benefits accruing from them to one's transactors, only makes sense for people who have adopted, or are ready to adopt, egoism as a general attitude in all spheres of their lives. For most ethicists, and for most ordinary people, this is too high a price to pay. Although in practice all of us often behave in a selfish manner, very few people consider egoism as an ideal according to which they wish to shape their lives.

The principle of beneficence is accepted by many different schools of ethics, and for my purposes in this article, this is a great advantage, as it means that in order to accept MP it is not necessary to accept fully the teachings of any given ethical tradition, which, as I have already mentioned before, is something that very few ethicists, and even fewer professional managers, do. From a broadly Aristotelian perspective – and this is my own way of approaching this issue, which I will elaborate briefly below – the principle of beneficence is justified by its linkage to a conception of human flourishing in friendship and harmonious communities, which are seen as being intrinsically, and not just instrumentally, valuable; and to an overall conception of life according to which one's own fulfilment is not advanced, but rather made impossible, by restricting one's attention to one's narrow interests (e.g. Grisez & Shaw, 1988:63-64; Solomon, 1993:74-90). Kantians also accept this principle and link it to a requirement of respect for persons which demands helping them to promote their ability to act autonomously when this is possible (O'Neill, 1989:115-118; Guyer, 2000:324-327; Hill, 1992). A beneficent intent towards others is also required by the personalist principle (Melé, 2009a:231-33), and even many broadly consequentialist authors argue that, in most practical circumstances, attempting to actively advance the interests of others is the policy most likely to result in promoting the general good (Kagan, 1989:9-10).

I will now sketch briefly an Aristotelian justification of the principle of beneficence. As I mentioned above, an important component of this justification is that acting in a beneficent way opens the way to participation in relationships of friendship and community. By entering into a transaction for mutual benefit, one in which the parties make a point of taking respectfully into account the other's the real interests (rather than imagined interests) and of structuring the transaction in a way that facilitates the satisfaction of their respective interests, buyer and seller engage in an activity through which "people who are not intimate cease to be strangers" (Markovits, 2004:1463);

establish a form of limited but real community; and enter into a harmonious relationship which has value in itself beyond the concrete benefits each of the parties may get from the transaction (Fried, 1981:8; Grisez & Boyle, 1979:457-458). On the other hand, a party who does not exchange on fair terms thereby refuses an opportunity of establishing community and prefers to use the other party as a mere tool for her own ends. The element of harmonious relations with others that is inherent in fair exchanges is most clear in the case of long-term relationships in which both parties seek reciprocity. But even in the case of an isolated transaction in which only one of the parties is mindful of the interest of the other, that party still defines herself through her (unreciprocated) choice in that isolated transaction as somebody who values just community and harmonious relations, and that in itself is already a good way to be. As Grisez and Boyle (1979:458) say, "[l]iving justly together is not merely a means to some other good; it is an important aspect of the self-fulfilment as human persons of all those who are dedicated to it".

We can go more deeply into these issues by trying to examine further the relationship between friendship and community on the one hand, and flourishing on the other.[3] The work of Aristotle provides a useful point of departure for considering this issue. For Aristotle, friendship is an important aspect of human flourishing, and he says things such as: "a good friend is by nature desirable for a good man"; "[friendship] is necessary for living"; "the happy man needs friends"; "[n]obody would choose to live without friends, even if he had all the other good things"; and "friends are considered to be the greatest of external goods" (Aristotle, 1976:VIII, i and IX, ix).

A possible difficulty in approaching a relationship of mutuality with one's customer as a form of friendship is that Aristotle himself, near the beginning of his treatment of friendship (1976:VIII, iii), distinguishes three varieties or species of friendship: friendship of goodness, friendship of pleasure and friendship of utility, and explicitly states that only the first class is "true friendship" (VIII, vi), perfect of its kind, while the last two are "secondary forms of friendship" (VIII, vi), "grounded on an inessential factor" (VIII, iii); and "of a less genuine kind" (VIII, iv), and can easily be dissolved (VIII, iii). Should we conclude from this that a relationship with one's customer can at best become one of these inferior types of friendship and that, though perhaps it may be useful for some purposes, it cannot possibly be an aspect of true human flourishing? This conclusion would not seem sound, as in his discussion of friendship Aristotle makes reference to many other types of friendship that, while not being instances of the focal case of friendship between two mature good men, are also not instances of any of the two secondary forms of friendship (pleasure and utility) which he specifically identifies. Examples are the "mutual friendliness between members [...] of the human species" (VIII, i); friendship among the members of a community (VIII, i and ix) or the citizens of a state (IX, vi); friendship between parents and their children (VIII, i), brothers (VIII, ix) and husband and wife (VIII, vii); and friendship among those serving on the same ship or in the same force (VIII, ix), or among members of the same social club (VIII, xi). All these cases of friendship can be best thought of as derivative instances of the concept (because, in Aristotle's view, they do not instantiate to the full all the traits of the central case), but which are still good and valuable as they exhibit some of these traits.

Probably a better way of thinking of the wide variety of cases that share a certain 'family resemblance' with the central case of friendship but fail to exhibit to the full its valuable traits, yet do not have any traits that are negative in themselves, is to consider friendship, as Finnis (2011a and 2011b) does, within the wider matrix of 'harmony'. Finnis considers several types of harmonious relations, including harmony within oneself ("between one's feelings and one's judgments [inner integrity], and between one's judgments and one's behaviour [authenticity]); "harmony between persons in its various forms and strengths; and "harmony with the widest reaches and most *ultimate source* of all reality, including meaning and value" (2011a:244 n). There are many types of harmony between persons, ranging, in the number of people they include, from the love between two lovers to the possible harmony among all human beings, through – to refer only to instances to which Finnis refers in his writings – harmony among fellow citizens, neighbours, family members and people sharing the same workplace or the same city. Finnis himself refers most generally to "the range of forms of human community/society/friendship" (1980:135) and explicitly makes this whole range the subject matter of his own study.

I hope that these summary comments go some way towards clarifying both how the relationship between buyer and seller *can* display this type of valuable harmony, and how that harmony is indeed a form of friendship, whose intrinsic value, as illuminated by the consideration of more focal cases of friendship, derives from the fact that the two parties share common goals and are committed, in a limited but real way, to the well-being of each other, though perhaps without the intensity and even exclusivity that is typical of the central cases of friendship.

It is interesting to observe that there is a long tradition of ethical reflection that specifically translates the general requirement of benevolence into a more specific requirement of equality in exchanges. Aristotle stated that 'equality', or equivalence, is the main requirement that has to be met for an exchange to be fair (1976:181). Scholastic authors accepted the basic idea that what many of them called commutative justice, that is to say, justice in dealings among private parties, is based on there being (or on restoring) equality between what is given and received in a transaction. Preeminent among them, Aquinas stated explicitly that "all contracts should observe equality between the parties in respect of their subject matter" (2006, II-II, 77 a. 1c). More than three centuries after Aquinas, we find the same idea reaffirmed by the members of the Salamanca School. To take only one example from this school, Tomás de Mercado said that "dealing in a just manner is to ensure equality and equity in contracts" (1975:112).[4]

It seems clear that in both Aristotle and Aquinas the requirement of equality is linked to a broader requirement of benevolence towards others. Without going farther afield, it may suffice to mention here that Aristotle includes in the middle of his account of 'corrective justice' (justice which rectifies inequalities that arise in dealings between individuals) a reference to how a temple to the Graces was set up in a public place to encourage the repayment of benefits, "because it is right both to repay a service to a benefactor and at another time to take the initiative in benefaction" (Aristotle 1976:V, 5). Similarly, just before Aquinas states that all contracts should observe equality, he says:

"Buying and selling seem to be established for the common advantage of both parties [...] Now whatever is established for the common advantage should not be more of a burden to one party than to another" (2006:II-II, 77, 1). These references to mutual benefits are premised on a conception of social life, and specifically of trading, as a cooperative undertaking. While neither Aquinas' nor Aristotle's arguments on this point are fully developed, from what they say the basic idea which seems to justify the requirement of equality between what parties give and what they receive is that people who violate this requirement do not behave like participants in a cooperative enterprise, but rather like people unconcerned with their responsibilities to others and out to get for themselves as much as they can.

Some may object to the preceding line of argument by arguing that it may be applicable to the exchanges of individual human beings, but that business organisations are not the type of entities to which these arguments can apply. As Duska has stated, "[a] company is not a person. A company is an instrument, and an instrument with a specific purpose, the making of profit. To treat an instrument as an end in itself [...] does give the instrument a moral status it does not deserve" (Duska, 1997:338). But this objection does not seem fatal to me. In the first place, even if the basis of the objection were accepted, it would still be possible to reply that, as Markovits (2004:1465) has observed,

> [exchange][5] involving organizations might engender collaboration among the individual persons who, as stakeholders in the organizations, stand behind the organizations and bear the consequences of their contractual activity; and second, [exchanges] involving organizations might engender collaboration among the individual persons who, as the organizations' agents, front the organizations and contract on their behalves.

More radically, however, we should object to the characterisation of a business firm as a *mere* instrument. For the limited purpose of this argument, it is not necessary to offer a full definition of business firms and their purposes. Whatever these purposes might be, the most superficial examination of a business firm shows it to be a group of human beings acting in concert to a certain extent, and it is always possible (however difficult it may be) to seek to establish community with a group of human beings through entering into fair exchanges with them as they act as a group.

From an Aristotelian perspective, another important link between the principle of beneficence and human flourishing is provided by the concept of 'intelligent action'. For Aristotle, the highest human good or eudaimonia is attained through the exercise of our intelligence in contemplation and in action (1976:I, vii)). How this can be related to the relationship of a seller with her buyers is most succinctly expressed by John Finnis (2011b:420): "[...] to violate the Golden Rule is to allow emotional motivations for self-interested preference – independent of rational grounds for prioritizing among persons – to override the rational rule of fair impartiality." In other words, by failing to practice fairness in her relations with her customers, the seller fails to allow her conduct to be governed by reason, and so fails to practice intelligent action.

Why not go beyond mutuality?

The arguments in the preceding subsection show why it is a requirement of justice for the seller to provide to her buyers economic value which is at least commensurate with the price they pay. But at this point, it could be asked whether it would not be even more ethical for the seller to do even better for her buyers by charging them a lower price, increasing the quality of the product, or providing better after-sales service. The answer to this is that if a seller manages to create significant value, for instance by coming up with a cheap way to make a very valuable product, *and leaving aside here cases in which a buyer finds himself in a situation of grave need*, there are no cogent reasons to argue that she should be under a duty to provide an even better value, or the same value at a lower price, until she reaches the limit of covering her costs and making only a moderate profit.

Think, for instance, of somebody who through her innovative efforts has succeeded in creating a product that delivers to her buyers higher value than competing products, but which costs significantly less to manufacture than those competing products, and therefore can be very profitable for the seller if it is sold at a similar price as that of competing products. It is possible, however, by incurring additional costs, to increase even further the quality of the product and the value it delivers to customers. The issue now is whether the seller has a duty to increase as much as possible the quality of her product in order to give her customers the best possible deal she can. It is highly relevant to this question to keep in mind that if the product delivers to buyers higher value than competing products, and it is sold at a similar price, there will be already a large element of gift implicit in each sale. By increasing the quality (and incurring additional costs) that element of gift would be increased even further. However, no mainstream theory of justice – Aristotelian, utilitarian, Kantian, Thomist or personalist – requires moral agents to provide the largest possible gifts they can afford to all individuals with whom they interact, provided they do not stand in a special relationship to those individuals and the latter are not in a position of special need. It is also relevant that, in the example we are considering, by increasing her costs in order to provide even greater quality, the innovator will reach the point at which she only captures enough value to secure for herself a moderate profit, and thus will not be able to come to the help of other people towards whom she has more pressing obligations, either by reason of her special relationship to them or of their special situation of need.

Even if we allow that it would be permissible in such circumstances for the seller not to increase its quality as much as it is feasible, we can still enquire whether it would be even more ethically praiseworthy for her to move beyond mutuality to beneficence; beyond reciprocity to free-giving. However, there are many reasons why this course of action, which indeed could be appropriate in some cases, cannot be generally recommended.

A general standard, suggesting to freely give away as much as possible to one's counterparties in commercial transactions seems to assume that free-giving is the ideal principle of behaviour. But free-giving is not the only, and in the great majority of cases not even the best, way of showing concern for the well-being of others. Generally speaking, cooperation for mutual advantage will be a more appropriate principle of interaction between competent, self-sufficient people, who are the typical actors in modern, developed, market-oriented economies. Also, as I indicated above, a blanket requirement of free-giving as a general principle of justice in business exchanges would leave no room for recognising a reasonable order of priorities in our responsibilities. People who do as well as possible for their counterparties in exchanges will be doing very well for many strangers, but very likely will fail to obtain enough benefits for themselves to be able to take care of some of the special needs of people (such as their employees, their investors, their relatives, and the members of their communities) towards whom they bear a greater and more immediate responsibility. Business people have a responsibility to support their families and dependents and to ensure that their employees and investors receive appropriate returns from their participation in the business, and such responsibilities will usually place stringent limits on what it will be appropriate to do by way of free-giving for one's business customers.

Another important consideration that in many cases will militate against a general principle of giving the best possible deal to the other party is that, in most commercial transactions, the specific counterparties with whom we deal are not especially needy people. It is not clear, to say the least, why a seller should be under a general obligation to give the best possible deal to her customers when many of them may be wealthier than she is and do not need any special help from her.

Of course, in certain circumstances giving as much value for money as possible might be the ethical course of action, and in some circumstances it may even be ethically required, but if the points made in the preceding paragraphs are cogent, this is not something that can be demanded generally. The main point I have tried to establish in this article is that the fundamental requirement of justice is simply to give equivalent value for money, not necessarily to give the best possible deal.

The reason why the arguments in the preceding paragraphs are very general is that it is only in this form that they can be compatible with different ethical frameworks, an objective that I have tried to attain throughout this article. Once a specific set of ultimate ethical principles is adopted, it should be possible in many cases to give a more definite form to the outline presented here.

A brief recap of the line of argument up to this point may be useful here. I have argued in favour of a principle of mutuality (MP) to guide decisions in the field of marketing ethics. MP encapsulates an idea of reciprocity in the relations between seller and buyer. It does not demand an all-out effort on the part of the seller to give to the buyer the best possible service and the lowest possible price to the point of neglecting her own interests, but it does demand a sincere effort to advance the interests of the buyer in the exchange transaction and that the seller's benefits from the transaction be a just (commensurate) reward for the benefits it has provided to the buyer. The basic justification for MP is that it reflects a more basic attitude of non-exploitative cooperation on the part of the seller, which still allows her to advance her own interests.

I have argued that MP is superior to the principles of consumer sovereignty and preserving the conditions of an acceptable exchange, because the latter principles depend on a desire-fulfilment theory of well-being that cannot withstand critical scrutiny and place unrealistic burdens on sellers. I also contend that MP is superior to a principle of paternalism, because the latter neglects the fact that self-determination is itself a great human good. Finally, I have argued for the superiority of MP over the perfect competition ideal, on the basis that the latter moves illegitimately from the advantages that would ensue for all in a model world in which that ideal obtained, to a prescription for action in the real world, which is often far removed from that model.

In order to round up the discussion of MP, I will now proceed to discuss further the implications of its being a mid-level principle rather than an ultimate ethical principle or a specific ethical norm.

A comparison of the mutuality principle with other ethical principles relevant to the field of marketing ethics

The role of a 'mid-level' ethical principle such as MP can be better understood if it is contrasted with other ethical principles which have been deployed in the marketing ethics literature. Note that the principles I will refer to in this section are different from those principles I have already examined above, such as consumer sovereignty and paternalism. These previously discussed principles are direct competitors of MP for the role of mid-level unifying ethical principle for the field of marketing, as: (i) they are not ultimate ethical principles, but try to capture the main implications of ultimate principles for the field of marketing; (ii) they are wide enough in scope to provide guidance in many of the ethical issues that arise in marketing and justify many more immediately applicable ethical norms for the field; and (iii) they can be justified from a variety of more fundamental ethical perspectives.

In contrast, the principles I will examine in this section, while they are useful and relevant when addressing issues of marketing ethics, are either applicable to a broad range of questions that goes far beyond marketing ethics, or are irrelevant to broad areas of the marketing field. I hope that these very abstract statements will become clearer as I discuss specific principles of this second type.

Many of the main ethical principles that can be applied in the marketing field are discussed in an excellent paper by Laczniak and Murphy (2006a). These writers present a set of seven "basic perspectives" which "address the broader moral dimensions that should ideally characterize the marketing and society interface" (p. 156). These "basic perspectives" are described as "a normative set of recommendations for elevating the practice of marketing ethics" (p. 54, article abstract). The fact that the authors list seven such perspectives (and list five precepts within one of them) already marks an essential difference with the type of mid-level principle I put forward in this paper. The aim of my effort is to propose a single unifying mid-level principle for the field which will capture the normative implications of the type of principles that Laczniak and Murphy identify.

I will now undertake a more detailed – though necessarily short – comparison of MP with the basic perspectives listed by Laczniak and Murphy in order to better illustrate my point.

The seven basic perspectives identified by Laczniak and Murphy (2006a) are:[6] BP1 – "Put People First"; BP2 – "Ethical Expectations for Marketing Must Exceed Legal Requirements"; BP3 – "Marketers Are Responsible for their Intent, as well as the Means and End of their Marketing Actions"; BP4 – "Marketing Organizations Should Cultivate Better Moral Imagination in their Managers and Employees"; BP5 – "Marketers Should Embrace a Core Set of [Five] Ethical Principles"; BP6 – "Marketers Should Adopt a Stakeholder Orientation"; and BP7 – "Marketing Organizations Ought to Delineate an Ethical Decision Making Protocol".

How do these basic perspectives relate to MP? BP1, BP2, BP3 and BP6 are more ultimate ethical principles than MP. The latter depends on (at least some of) them for its justification. BP5 is a composite of five ethical precepts that for the most part are consequences of MP. Once the latter is accepted, it provides strong support for them and makes it easier to accept them. Many people can see that these precepts have force precisely because violating them undercuts mutuality. Finally, BP4 and BP7 are more closely related to process matters – that is, they specify conditions and procedures that make it more likely for decision makers to reach sound moral conclusions – than to substantive moral issues.

Let me now attend in more detail to some of Laczniak and Murphy's basic perspectives, and specifically to those which can help us to better understand MP. As understood by Laczniak and Murphy (2006b), BP1 – "Put People First" – is complex. They state that BP1 "strongly suggests that *persons* (especially the consumers in a marketing transaction) *should never be viewed as merely a means to a profitable end"* (p. 159). As the authors state, this is a marketing-oriented version of Kant's second formulation of the categorical imperative. This is a bedrock ultimate ethical principle, and I have argued above that followers of Kantian ethics will use it to justify MP. Within this perspective, MP derives from the categorical imperative, rather than the other way around, and this is why I say that MP is a mid-level principle, while the categorical imperative is a more ultimate (in the view of Kantians, *the* ultimate) ethical principle. Therefore, it should be clear that MP is not offered as an alternative to other better known and more traditional ethical principles, but rather as a way of capturing, summarising and making more immediately operational the normative implications of these other ethical principles for the field of marketing ethics.

Laczniak and Murphy also state that BP1 requires as well that "the marketing decisions made by managers [seeking to provide satisfaction to a particular segment of customers] do not disadvantage society" (2006b:158; see also Santos and Laczniak, 2009), and that is why I said that BP1 is complex. This second aspect of BP1 reveals a limitation of MP. As I pointed out in introducing it, MP reflects the normative requirements of what is called commutative or restorative justice, that is to say fairness in relations between two parties. Wider issues relating to the overall welfare of society are not captured by it.

BP5, as I indicated above, is a composite of five different ethical precepts or norms. The fifth of them – the principle of stewardship, which reminds marketing managers of their social duties to the common good (Laczniak & Murphy, 2006b:166) – is also external to MP, which does not reflect its ethical demands.

The fourth precept contained in BP5 is the principle of distributive justice. As Laczniak and Murphy put it, "marketing practices are unethical if, over time, they contribute to the further disadvantage of those segments of the market that are least well off in terms of information, economic resources, access to supply, market literacy and other factors essential to marketplace transactions" (2006b:166, italics in the original. See also Santos and Laczniak, 2009). This is another ethical requirement that is, so to speak, external to MP. Let it be noted that this is so not because MP in any way contradicts any of these principles or norms, but simply because the scope of MP is not wide enough to capture them. In applying MP, one should be aware that it is only meant to reflect the requirements of justice in relations between the immediate parties to exchange transactions. Wider social considerations, such as the requirements of solidarity and distributive and social justice, demand to be given additional consideration in order to reach a conclusion that reflects all the demands of a sound ethics.

It emerges clearly from the points made in the preceding paragraphs that there are ethical principles, such as the categorical imperative (and others not discussed in this section but mentioned above, such as the eudaimonic principle and the Golden Rule) that are more basic and have a wider scope of application than MP. However, these more basic ultimate principles pose the problem that understanding them with the precision required to be able to apply them confidently in specific marketing situations requires significant philosophical training. This point also emerges clearly in Laczniak and Murphy (2006a). Thus, for instance, when discussing how to apply BP3 – "Marketers Are Responsible for their Intent, as well as the Means and End of their Marketing Actions"– they recommend the use of Garrett's (1966) proportionality framework, but recognise the difficulty of applying it:

> In the last analysis, Garrett's (1966) proportionality framework is still highly judgmental. For example, what constitutes a *major* negative outcome versus a *minor* negative outcome from an ethical standpoint? Which side effects are *intended* versus *unintended*? This entire approach rests on marketing decision makers being fairly sophisticated and reflective in their ethical perceptions and moral intuitions.
>
> (Laczniak & Murphy, 2006a:162; italics in the original)

Laczniak and Murphy (2006a) similarly stress the difficulty of applying some of the principles they identify when discussing BP4 – "Marketing Organizations Should cultivate Better Moral Imagination in their Managers and Employees" (p. 164) – and BP6 – "Marketers Should Adopt a Stakeholder Orientation" (p. 168). I do not point out these difficulties in order to argue for a rejection of the ethical principles recommended by Laczniak and Murphy. These are just difficulties inherent to the enterprise of trying to carry out a discriminating and accurate ethical analysis. My purpose is to stress that such more fundamental ethical principles are not easily applied by a practitioner. By comparison, MP, which incorporates the main implications of these more basic principles, is more easily understood and applied, even by people without specialised training in philosophy. In other words, MP is not a competitor but a complement of more basic ethical principles.

Other precepts or norms that Laczniak and Murphy (2006a:165) present as part of BP5 are: the principle of non-malfeasance –"*marketers should knowingly do no major harm when discharging their marketing duties"* (italics in the original); the principle of non-deception – "*marketers ought to never intentionally mislead or unfairly manipulate consumers"* (italics in the original); and the principle of protecting vulnerable market segments – "*marketers should always take extraordinary care when engaging in exchanges with vulnerable segments"* (italics in the original). These three norms are best presented – at least within the field of marketing ethics – as consequences or concretisations of the more general MP. Once one has seen the rationale for endeavouring to attain mutuality in exchanges, it follows that harming or deceiving customers is excluded, and also that special care should be taken when dealing with more vulnerable customers, as they are less able to look after their own interests.

Thus, the best way of thinking of the relation of MP to the ethical principles discussed by Laczniak and Murphy is to conceive of the overall process of ethical reasoning as running from the most fundamental ethical principles (as for instance the categorical imperative for Kantians) to a mid-level principle applicable to a limited domain of human activities (such as MP for marketing activities), and from there to more specific moral norms such as the duties to provide safe products (non-malfeasance) and not to intentionally mislead customers.

Conclusion

In this article I have discussed and criticised the main mid-level ethical principles that have been proposed by business ethicists to unify, clarify and articulate the ethical responsibilities of marketers. As I have concluded that none of these putative mid-level principles of marketing ethics is fully satisfactory, I have put forward MP as a more appropriate mid-level ethical principle to regulate the responsibilities of sellers towards their buyers. This principle requires that sellers avoid seeking unilateral advantage in their dealings with buyers and that they seek instead that there be real reciprocity in the relationship. In accordance with this principle, the main responsibility of a firm towards its customers is that of providing them with goods and services that are effectively capable of contributing to their well-being and personal advancement, within the framework of a mutually beneficial exchange in which there is equivalence between the benefits given and received by the parties.

I also have examined the main arguments that can be offered in support of this principle and ultimately have traced it back to a cooperative conception of social and business life that, while demanding that we do not regard our business transactors merely as a means to make a profit, does not require that we forget our own interests and those of our associates and dependents in advancing the transactors' interests.

By identifying MP as a sound mid-level principle from which the duties of transactors in market exchanges can be derived, this article makes two main contributions. In the first place, it makes it easier for business ethicists of different ethical schools to cooperate in the field of marketing ethics without having to compromise their more ultimate principles. In so far as their more basic ethical principles support MP – and we have seen how the ultimate principles of several important ethical schools do so – it will be possible for them to cooperate in identifying and refining concrete ethical norms for the field of marketing, for instance in drafting an ethical code for a professional association or a business firm. Secondly, MP makes it easier for practitioners to reason ethically in the concrete situations they face in their professional activity. It is very difficult for a medical doctor to identify all the fundamental ethical principles that may have a bearing on a treatment decision she has to make and to decide on their priority and bearing on that case, but is relatively easy to apply the principle of informed consent. Similarly, it is much easier to apply MP to a decision on pricing than to try to reach that decision on the basis of ultimate ethical principles. Business ethicists have already done work in trying to identify a mid-level unifying principle for the field of marketing, but I have argued in this paper that the main candidates they have suggested for this role are vulnerable to damaging criticisms and that MP is superior to them.

In acknowledging the limitations of this article, it is important to note that I do not claim that MP exhausts all our duties – not even all our duties of justice – towards other individuals and towards our communities. The duties specified by MP are the duties of transactors in exchanges among self-sufficient parties (that is, parties who are not unable to satisfy their basic needs). What the duties are that each of us has in relation to transactors who are not self-sufficient, other parties and our communities is simply not the subject matter of this article.

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Endnotes

1 I do not discuss in this article Ebejer and Morden (1988), even though it is an excellent paper and I substantially agree with the thesis for which it argues. The reason is that it is a very short paper which restricts itself to a consideration of sales situations, while I am interested in the full arch of the relationship seller-buyer. The thesis of that article was further discussed in Walters (1989) and Brockway (1993).

2 On this requirement, Holley is significantly more restrained, and would not be vulnerable to the criticisms I address to Smith.

3 In this and the following paragraphs I have made use of previous work in Elegido (2013).

4 All these authors speak of 'equality'. As I acknowledge them as my predecessors, the question may arise whether it would not be better for me to speak of a principle of equality in exchanges, rather than a principle of mutuality. I do not think that much turns on the term chosen; still, I prefer 'mutuality' for several reasons. In the first place, as I indicated above, the term 'mutuality' keeps cropping up in current discussions of the issues that interest me here, and there is much to be said for not straying too far from what seems to resonate with other scholars. More importantly, most of the authors I have referred to speak of equality in relation to what the parties give and receive, most often a price for a product. However, as I indicated above, in this paper I am trying to identify a principle capable of guiding not only pricing decisions, but, more generally, marketing activities, such as product design, advertising, promotion, distribution and personal selling. For this purpose, the term 'mutuality', with its undertones of reciprocity and cooperation, has the great advantage that it can be applied to a wider range of issues than 'equality'. As I will show below, Aristotle and Aquinas, also link the principle of equality to more general standards which are closer to the idea of mutuality, such as reciprocity, cooperation and the Golden Rule. To conclude, while I have no problem with a principle of equality in exchanges, and have actually deployed it in relation to the issue of justice in pricing (Elegido, 1998 and 2015), I think it better to speak of mutuality when trying to cover the wider arc of the responsibilities of a marketer towards her consumers.

5 Markovits speaks of contracts, rather than exchanges.

6 In formulating their principles I have combined the titles which Laczniak and Murphy (2006a) use as section headings, some of the statements within the body of their article, and the summary statements in their Figure 2.

The stakeholder theory of corporate control and the place of ethics in OHADA: The case of Cameroon

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10.15249/10-1-117

Keywords:

business; ethics; OHADA; stakeholder

Abstract

The rapid increase in globalisation in the last two and a half decades has resulted in a global culture of doing business. States respond to such flexibility by harmonising their business laws. Some of these laws are further supplemented by global values that are, in most cases, ethical. This article combines the stakeholder theory of corporate governance with ethical positivism to investigate the place of ethics in the OHADA member state of Cameroon. Using in-depth critical content analysis of primary and secondary data, it details the strengths and weaknesses of both models and shows the disconnection between the spirit and letter of OHADA laws. It further asserts that ethics is crawling into OHADA as a result of the forces of nature rather than the foresight of its architects. As such, the article puts forward some recommendations.

Introduction

With a wider and varied community of interests (shareholders, alter egos, employees, state, society and environment) affected by businesses nowadays, the role of ethics remains inevitable in the conduct of the latter. However, before seeking the finest possibilities of merging the two concepts (business and ethics), the case must be made of community law and business ethics in their sphere of coverage; in this case, the OHADA region.

OHADA is the French acronym for *Organisation pour l'Harmonisation en Afrique du Droits des Affaires*, which is also known in English as the 'Organisation for the Harmonisation of Business Laws in Africa' and occasionally referred to, by its English acronym, OHBLA.[1] It is a system of business laws and implementing institutions adopted by seventeen West and Central African countries.[2] In this study, 'business' is construed as the pursuit of commercial activities, whereby commerce is the buying and selling of goods and services.[3] In similar manner, ethics is taken to mean an inquiry into the nature and grounds of morality, where morality is taken to mean moral judgments, standards and rules of conduct (Taylor, 1975:1). Narrowing this definition down to the focus of this study, Velasquez (1998:7) defines business ethics as the study of moral standards (right and wrong, good and evil) in so far as they apply to business.

This article posits that a proper analysis of ethical values as related to businesses in the OHADA region entails investigating the intersections between the stakeholder model of corporate governance and the conforming ethical theory (ethical universalism), justifying collective though varying interests. It then proceeds to a brief overview of the OHADA Treaty and Acts, pointing to the ethical dilemmas that attend it with reference to Cameroon, in particular with regard to the host state's attitude towards OHADA instruments, corporate social responsibility (CSR), and shared competence in business law. The paper concludes with some recommendations for improving the ethical landscape.

Business ethics under the stakeholder theory of corporate control

The stakeholder theory or model of corporate control presupposes that a company owes a wider duty to all who can affect and/or be affected by its act(s) and/or omission(s), and not just its shareholders.[4] This theory comes to challenge the classical corporate control theory, better known in American literature (Gower, 1992:71; Martin & Turner, 2009:253-254) as 'stockholder democracy', and in England as 'shareholder primacy'. It asserts that those who control and manage a company (be it directors, managers, the chief executive or executive directors) do so for the benefit of shareholders and are effectively accountable to them. Until the 1930's, and despite the fact that it had become commonplace for directors' reports to declare that they recognise owing duties not only to the shareholders but also the company's employees, customers and the community, it had not occurred to company lawyers, at any point in common law, that if there were any such duties, they had anything to do with company law.[5]

However, Gower (1992:71) notes that since then, stimulated by the writings of Berle and Means (1932) and the debate between Berle and Dodds (1931-32) in the *Harvard Law Review*, company lawyers have, often with misgivings, faced the possibility that these wider duties may be owed, and that public companies may have developed a social conscience. This 'econo-legal' debate has become an ongoing feature of what is broadly referred to as 'corporate governance', which includes a company's corporate social responsibility towards a wider stakeholder community, including, but not limited to, the state, their workers, the community and the environment.

Business ethics pundits posit that corporate social responsibility is multidimensional, with four constructs, namely economic, legal, ethical and voluntary philanthropic responsibilities (Carroll, 1989:30-33; Ferrell & Fraedrich, 1997:6). Although these constructs may never be implemented on equal measure in any given business environment, it is difficult, if not impossible, to see a business operating nowadays without translating at least three of these constructs into concrete action or outcomes. This interwoven relationship between the shareholder and stakeholder models expose companies to a social conscience that can hardly be denied by proponents of pure stockholder democracy (Dimitriades, 2007). However, holding companies to each and every social responsibility they may have might not always fall within the ambit of the law, as they fluctuate from a low to high degree of socially acceptable organisational behaviours (Barney & Griffin, 1992:734-735).

As a result, ethics require companies not only to know that they owe such duties, but also to perform their obligations. Based on this line of thought, Hunt and Vitell (1986:5-11) advance *ethical positivism* as a descriptive rather than prescriptive value standard to assist in ethical decision making.[6] They argue that better decisions emanate from situations where one's ethical thought process is guided rather than being presented with a list of prescribed norms and standards. Thus, whereas the law prohibits companies from engaging in acts of bribery and corruption, the same law will not compel a company to sponsor water projects or build schools in the locality where it operates. It is the company's knowledge of right and wrong, good and evil, as related to its objectives and sphere of operation, that will compel it to act. Based on this interconnection between the stakeholder model of corporate governance and the theory of ethical positivism, the position of OHADA will be analysed in order to determine its responsiveness to such values in Cameroon.

OHADA legislation

Signed on 17 October 1993 by fourteen African heads of state, the Treaty on the Harmonisation of Business Laws in Africa[7] (OHADA Treaty) was established as an institution and vested with rights and duties separate and distinct from those of its founding members (Martor, Pilkington, Seller, & Thouvenot, 2007:1). The treaty, which was signed at Port Louis (Mauritius), went into force on 18 September 1995. Article 2 of the OHADA Treaty (herein after called the 'Treaty') gives the institution an express mandate to legislate on business law or any other matter unanimously deemed by the Council of Ministers as falling within the domain of business law. As such, Acts enacted for the adoption of common rules will, according to Article 5 of the Treaty, be referred to as 'Uniform Acts'.[8]

To allow it to properly exercise its functions, Articles 27-41 of the Treaty gives OHADA a quadruple institutional setting, which splits it into the Council of Ministers, the Common Court of Justice and Arbitration, the Permanent Secretariat, and a regional training centre for staff and judges.

Uniform Acts have direct applicability in member states once they are enacted. Article 10 of the Treaty stipulates that "Uniform Acts are directly applicable and overriding, notwithstanding any conflict they may give rise to in respect of previous or subsequent municipal laws". This unambiguous and clear language denotes two important requirements in the relationship between OHADA as a supranational body of laws and member states as recipients of the instruments of application. First, the article strengthens the position of OHADA laws by stating that they shall have *direct effect* on Member States once enacted. Secondly, it situates the hierarchy of same by stating that their applicability *override* domestic laws, notwithstanding any retrospective or future conflict between the two.

The importance of this article cannot be overstated, as it builds the bridge that connects OHADA to the member states. As will be demonstrated below, the attitude of host states may pose problems when it comes to interpretations based on the spirit of the law, on the one hand, and the letter of the law, on the other. In fact, an analysis of these conflicts will demonstrate the ethical problems attendant upon the bi-jural application of community laws in a state such as Cameroon, with its twin common and civil law foundations.

In the words of the chief architect of OHADA, Judge Keba Mbaye, the organisation serves as a legal tool for economic integration and development in West and Central Africa, as there can be no economic integration without legal integration (Martor *et al.*, 2007:VII). Among other things, OHADA was designed to facilitate cross-border trade and create conditions for free competition through the establishment of legal texts that are technically simple and efficient (Mouloul, 2009:10). Another advantage envisaged by its founders is the relocation of large companies in Africa through the encouragement of arbitration as a discrete means of dispute resolution. Politically, they foresaw this as an opportunity to avoid having conflicting laws in the harmonised areas of business law and to promote African unity (ibid). However, this article posits that instead of achieving the stated objective, OHADA has, arguably rendered the applicability of legal principles in the domain of business law more complex in some member states.

Host state's attitude

The selection of Cameroon as a test case for the importation of business ethics in the form of OHADA is not random. The country has a historical bi-jural culture of civil and common law traditions that are still in practice today. These systems of law each have unique attributes that can seldom, if ever, be reconciled when they meet at a cross roads, not to mention their receptiveness to ethical values pertaining to business. Despite their judicial disparity, Cameroon has a single constitution that serves as the primary law of the land. Whereas this document renders the 'letter of the law' the same under both systems, the 'spirit of the law' is subject to inconsistencies in the standards applied in the Francophone and Anglophone regions.

Directly linked to Article 10 of the OHADA Treaty is Article 45 of the 1996 Constitution of Cameroon (as amended) (herein after called the 'Constitution'), which legislates that "duly ratified treaties or international agreements shall, following their publication, override national laws, provided the other party implements them". This provision accords a supranational status to OHADA legislation and grants it legal priority should it conflict with any domestic legislation. This is the letter of the law in action. In fact, the provision pragmatically aims at harmonising and integrating legal rules for the conduct of business in the country.

Although this letter of the law has been welcomed under both legal systems, its manner of application has been one of constant criticisms. Challenges encountered by civil law judges in the Francophone region are minimal and often trivial, perhaps due to the familiarity of the civil law-inspired formulation and application of OHADA texts. As a result of the common law's attachment to doctrines and principles, as well as the importance of precedence, common law courts, by contrast, have met with difficulties in easily accepting and applying OHADA laws. They challenge the constitutionality of OHADA legislation in Anglophone Cameroon,[9] on several grounds.

In the first place, Article 42 (original) of the OHADA Treaty states that French will be the working language of the Treaty. This forms a sharp contrast with and utterly disregards Article 1(3) of the Constitution, which stipulates that English and French will be the official languages of the country. The same provision puts the burden on the state not only to guarantee bilingualism, but also to promote and protect national languages. In fact, the Constitution, which represents the *grundnorm* of the country from which every other law draws its validity, recognises the bilingual heritage of the country in the opening statement of the preamble: "We the people of Cameroon, proud of our linguistic and cultural diversity, an enriching feature of our national identity [...]."

Article 65 of the Constitution reaffirms the need to maintain the linguistic and cultural diversity of the country, as acknowledged in the preamble. Moreover, Article 68 confirms the validity of federal and state laws that existed before 1996, provided they are not repugnant to the Constitution and have not been amended by national laws or regulations; hence, the provisions of Article 46 of the Federal Constitution of 1 September 1961 and Article 38 of the Unitary Constitution of 2 June 1972, pertaining to the protection of Cameroon's linguistic heritage, remain valid and cannot be challenged by any OHADA instruments of application. Jean-Claude Gémar (in Melong, 2013:2) characterises this as the "inextricable link" between language and law, and argues that it leads to shortfalls in the functional equivalence of the French source text and the English translation. In fact, in *Akiangan Fombin Sebastien v. Foto Joseph & Others*,[10] Justice Ayah Paul, sitting at the High Court in Kumba, questioned the constitutionality of OHADA law in Anglophone Cameroon. His Lordship criticised OHADA as a piece of legislation that was allowed into Anglophone Cameroon through the back door. Citing the arguments enunciated above, he further referred to Article 36(1)(b) of the Constitution, which allows the President of the Republic to submit to referendum, after consulting with the Senate, National Assembly and Constitutional Council, any issue considered to be of paramount importance to the nation; in particular, international agreements and treaties. As such, Justice Ayah Paul argued that OHADA ought to have been put to a referendum before being ratified by Decree No 96/177 of 5 September 1996.

Although the Kumba High Court's reasoning holds pride of place in safeguarding the linguistic and cultural heritage upon which Cameroon's judicial systems are based, it has some lapses in relation to the Constitution. Questioning the constitutionality of OHADA law in Anglophone Cameroon is a fallacy of division that looks secessionist in form. Though administered by two distinct legal systems, the Constitution, in the first paragraph of the preamble, recognises Cameroon as "one and the same nation, bound by the same destiny". On this premise, the court ought to have questioned the constitutionality of OHADA law for the nation as a whole, not only Anglophone Cameroon. Besides, Article 46 of the Constitution gives the Constitutional Council the sole responsibility to rule on matters pertaining to the Constitution, without calling for the assistance of the courts. Only the President of the Republic, National Assembly and Senate can refer matters to the Constitutional Council (Tumnde, 2002:27-29). As democratic institutions have not been fully developed in Cameroon, the Supreme Court sits in place of the Constitutional Council. Tumnde contends that this complicates attempts at reform, as the persons or bodies with the power to do so are the very ones behind OHADA law.

From a positivist standpoint, and holding true to the conviction that language and law are inextricably linked, one must commend the decision of Justice Ayah Paul in *Akiangan Fombin Sebastien v. Foto Joseph & Others* for raising not only technical issues (in a system that blends civil and common law), but also ethical questions. If one were to fragment ethical positivism into its deontological and teleological frameworks, it would, arguably, be safe to say that the civil law system of Cameroon is more deontological. It holds the Uniform Acts as the legal standard, so that whatever substantive and procedural law considered to be right in terms of the Uniform Acts is taken as right, and whatever is considered wrong, is wrong. Where does that leave those who adhere to a different system than that on which the Uniform Acts are based, as is the case of Anglophone Cameroon? How can this be reconciled with a system that adopts a teleological approach by focusing on the consequences of OHADA Uniform Acts? These different perspectives on ethical problems will most likely result in different ethical solutions and outcomes. Hunt and Vitell (1986:3) point to the weakness of an ethical model based solely on an inherent standard created by a norm. Yet, they maintain that ethical positivism is the best approach, as it looks at both the norm and the possible outcomes which it can produce.

Given that the common law is founded on principles that allow judges wider latitude to question the legality of a given law, one can say that the OHADA law strips Anglophone Cameroon of its common law essentials and systematically displaces the ethical foundation upon which this system is based. Even so, Melong (2013:4) decries the lack of a standard translation technique in the OHADA system, blaming this as the principal reason for the multiple and varied translated texts, with no 'official' version. Could this be ascribed to a lack of expert translators; the ambiguity of the objective of Article 2 of the OHADA Treaty; or the curriculum at the OHADA training centre, ERSUMA?

Despite the Kumba High Court ruling on the illegality of the OHADA law in 2000, and the revision in 2008 of the OHADA Treaty to add English, Spanish and Portuguese to French as official languages under Article 42, much remains to be done. Contrary to the text and spirit of the revised Article 42, new Uniform Acts are routinely launched in French and only become available in other official languages at some later date, if ever: years after their adoption in 2004 and 2010, respectively, the Uniform Act on the Carriage of Goods by Road and the Uniform Act on Cooperatives are still only available in French on the official OHADA website. Likewise, at the time of writing, in spite of continued assurances that the English, Spanish and Portuguese portals on the ERSUMA website "will be available soon", the French portal remains the only functional one. Such glaring inequality in the treatment of the various languages (and by extension cultural) groups leaves one wondering whether the revision to Article 42 is but a device to placate contrary voices, or a reflection of OHADA's true commitment to inclusiveness, aimed at serving the interests of all stakeholders. And if the latter is true, how soon is 'soon'? How long will it take before the values upon which the common law is founded are safeguarded in text and application? How soon shall equality be accorded to *all* the cultures that make up OHADA?

The lack of legal clarity seem to be intrinsic to community law. A similar lack of precision in European Union community law prompted Lord Denning MR, in his judgment in *Bulmer v. Bollinger*,[11] to caution English lawyers on the lapses of community law:

> [C]ommunity law expresses its aims and purposes in sentences of moderate length and commendable style, but it lacks precision. An English lawyer would look for an interpretation clause, but he would look in vain. There is none [...]. There are gaps and lacunae which must be filled by the judges, or by regulations or directives. It is the European way.

The case of *Bulmer v. Bollinger* illustrates the impact of community law in the context of the host state, a scenario that also obtains in the common law regions of Cameroon. The case highlights the fact that community law leaves much to chance, and that in seeking to harmonise common practices, it opens the way for much legal wrangling in the courts. To take one recent example: In 2015, with tension mounting in the North West region of the country over an unwritten law compelling lawyers to make court submissions in French, despite the fact that the region is English-speaking, lawyers from this region moved to paralyse the courts before the matter was resolved.[12]

Compelling lawyers in the English-speaking regions to use French in court was seen as a move "to systematically kill the Anglophone judicial system or the common law practice in the country",[13] a blatant display of power hungriness and utter disregard not only of Article 68 of the Constitution of Cameroon – which provides for the continued existence of laws in the former federated states, provided that they do not contradict the Constitution and have not been repealed by any subsequent law – but also of the English language that forms the bedrock of the common law system. Should it really be necessary for lawyers to negotiate a temporary peace deal with the President of the North West Court of Appeal, or to remind his Lordship of the *grundnorm* that binds the nation?

The issues raised in the preceding paragraphs underscore some of the difficulties that may arise in the course of reaching a legal and or ethical judgment. Engel, Blackwell and Kollat (1978) and Howard and Sheth (1969), quoted in Hunt and Vitell (1986:9) argue that such judgments will impact on behaviour based on the intervening variable of intentions. In the case discussed above, the intention of the Anglophone lawyers was to safeguard the common law heritage of the English-speaking region, whereas that of the President of the North West Court of Appeal was, arguably, to work in a more ‘comfortable’ language essentially obviates the essential feature of the common law: the English language. Different or opposing intentions will invariably produce controversial outcomes. It therefore seems unsurprising that Anglophone lawyers regularly raise issues aimed at creating awareness and advocating for equal treatment.

Corporate social responsibility

Managing ethical behaviour is one of the most pervasive and complex problems facing business organisations today (Stead, Worrell & Stead, 1990:233). Researchers have identified a myriad of factors accounting for this problem, one of which is the locus of control (Levenson, 1974:377-383). Locus of control is the degree to which people believe that they have control over the outcome of events in their lives (internal), as opposed to being at the mercy of external forces beyond their control, such as luck, fate or powerful others and institutions. These internal and external factors underscore employees’ attitude toward an organisation, on the one hand, and managers’ ability to influence outcomes through their personalities, on the other. This takes ethics beyond compliance requirements set out in law and justifies the need for company codes to outline and provide guidance for obligations of this nature. Given that most of the provisions contained in a company code of ethics are only enforceable internally, much remains to be desired in this regard in the OHADA region in general, and Cameroon in particular, where these broad-based ethical business practice is underdeveloped and sometimes feigned (Ndzi, 2016:153).

It is important to note that OHADA laws are enforced in a region whose member states are rated among the most corrupt countries on earth, with Cameroon, placed 144th out of 175 countries surveyed for public corruption.[14] Hegarty and Sims (1979) assert that character and background determine people’s behaviour patterns and influence their sense of judgment. Although the business character of both the public and private sectors of Cameroon ostensibly reflects a culture of fair standards, dubious practices are ‘allowed’ as a *quid pro quo* to achieve high earnings. This double standard means that businesses may meet the strict letter of the law, but will be less inclined to achieving what John Stuart Mill called the *summum bonum*, or greatest good for the greatest number. In a recent case,[15] the applicant, a multinational corporation, had taken advantage of the corrupt nature of the country to manoeuvre its way through the system and began operating a palm oil business without carrying out an environmental impact assessment (EIA), a prerequisite for the approval of the operation. The court issued an injunction compelling it to conduct a proper EIA before operations could continue.

Another high-risk ethical environment in the OHADA region is the microfinance sector, which is regulated by the Central African Banking Commission (COBAC).[16] Having served as legal adviser to two microfinance establishments subject to COBAC compliance rules, the co-author contends that most managers and high-ranking board members of the former are found wanting in terms of the utilitarian rule. Their display of ethical egoism, using their credit union as a front to promote selfish interests, is alarming. They award loans to friends and relatives, negotiate kickbacks in union deals, use union money to finance personal projects, and above all, manipulate their financial records to hide any traces of wrongdoings.[17]

The sad irony is that these are the people who are entrusted with the vision of their credit unions; individuals who command respect and trust. The argument could be advanced that people learn appropriate behaviour by modelling the behaviour of others whom they consider as important: parents, siblings, peers, teachers, superiors, and so forth (Luthans & Kreitner, 1975). As powerful superiors, these managers and board members, by virtue of their position, wield great influence in shaping, either directly or indirectly, decisions in the boardroom. They become so powerful through the malpractices they commit in the union's name, that they inspire others to vie for membership to the board as well, so as to serve their own selfish interests and secure unlawful proceeds for themselves while ostensibly advocating on behalf of the credit union and its members.

Globalisation raises further ethical issues. The growth of multinationals and the increase in cross-border trade through regional partnerships and licensing agreements has led to a global culture of doing business (Kidder & Cleveland, 1994). This imports supranational ethics into domestic practices, which tend to directly or indirectly influence local practices. A case in point is BICEC Bank, a member of the Groupe Banque Populaire, with its head office in France. BICEC was identified in a 2007 International Monetary Fund (IMF) working paper[18] as the biggest bank, with the highest capital assets, in Cameroon. Yet it maintains lower ethical standards, not only compared to Banque Populaire in France, but a host of other commercial banks in Cameroon.[19] Long queues, poor customer service, and frequently defective automatic teller machines (ATMs) are but a few of the service shortfalls that customers suffer on a daily basis in Cameroon, but which are hardly seen in France. Moreover, BICEC's ATMs have very limited functionality (they usually offer only a withdrawal and/or account balance option), unlike its French counterpart, whose ATMs provide customers with a range of easily accessible banking services, including deposits, payments, detailed statements, etcetera. In fact, they replace in-branch service in most aspects of banking life in France. As most ethical principles are moral rather than legal in nature, they are difficult to enforce, and those who are most adversely affected by ethical lapses are often also the ones who are most powerless to enforce them. For this reason, the burden of creating and implementing codes of ethics for better standards in business falls on corporations and regulatory bodies.

Shared competence in business law

The proper interpretation of Articles 2 and 10 of the Treaty implies a continuation of national laws where no Uniform Act has been adopted to cover a particular area of business law. While this study focuses on Cameroon, the provisions of these articles make the discourse on labour and employment relations law a worthwhile subject for analysis across the entire OHADA community.

Skewed labour relations and a high rate of unemployment, coupled with a 2.9% inflation rate in 2015, make labour law reform a pressing matter in Cameroon.[20] Njonguo (2014:112) characterised the 2014 shift in the guaranteed minimum wage (GMW) from 28,216 FCFA to the current 36,270 FCFA as a hostile act of the state with an oversight effect of placing workers at the mercy of powerful employers. Other monthly GMWs in the OHADA community are at similar levels: Benin – 40,000 FCFA; Central African Republic – 8,500 FCFA in the agricultural sector and 26,000 FCFA in the public sector; the Republic of Congo – 5,000 FCFA; and Ivory Coast – 36,607 FCFA.[21] Most of these rates were established years ago and do not reflect the current socioeconomic reality in the region (Njonguo, ibid).

As a point in case, the GMW of 36,270 FCFA which was introduced in Cameroon in 2014 is not sufficient to support a rural family of five for two weeks (2014:112). If the GMW remains at this level while the cost of living keeps rising, life will become increasingly hard for minimum wage workers: shelter and education will become difficult to afford,[22] healthcare will become a luxury, and transportation will be a nightmare. Yanou (2009:40-42) calls this "contemporary slavery", which is allowed to continue despite Cameroon's commitment in the preamble to the Constitution, the Universal Declaration of Human Rights (UDHR), Article 23(3) of which recognises the right of every worker to receive a fair and favourable remuneration, capable of providing them and their dependents with the means to live with basic human dignity. Whether the GMW does in fact allow the majority of workers in Cameroon (especially in the informal sector) and their families to live a dignified life is hardly open to debate – any objective mind should be able to see that it represents a collapse of ethics in its legal and moral form, perpetrated by the law itself. In essence, the spirit of the law cannot conform to acceptable ethical norms if the system of the law is itself a violation of the wider community of interests which the stakeholder theory seeks to protect.

The question whether one Uniform Act is more important than another has frequently been posed. But one may equally ask why there should be several Uniform Acts addressing the immediate needs of business and investors, yet no corresponding Act to serve the interests of the workers whose services are essential to the success of these businesses? In this regard, the fourth paragraph of the OHADA Treaty, which refers to "a simple, modern and adaptable [...] business law", surely does not meet the expectations of the stakeholder theory of corporate control, which implies a body of laws where all stakeholders are appropriately taken into account.

On the contrary, the spirit of the OHADA Treaty shows wilful neglect of areas that may pose problems for profit-hungry investors. The third line of the preamble to the Treaty, which holds that "membership in the Franc zone is an economic and monetary stability factor and constitutes a major asset for the progressive realisation of [member states'] economic integration", contains more than a hint of lobbying by big businesses to secure a body of law that directly protects their interests. Indeed, French businesses are said to benefit most from such a fluid system, since France manages the foreign reserve of the CFA franc countries and therefore wields great influence within the OHADA arena (Bennyworth, 2011). Thus, it is argued that OHADA is an African law, but not of Africa, as it is designed to protect business, rather than to address the realities of job creation and security in its sphere of operation. This makes it ethically weak.

Conclusion

The vision of the architects of OHADA to seek harmonisation of business law and subsequent integration in the region has, to a remarkable extent, been realised. OHADA has brought about economic integration and has also created a higher degree of certainty for businesses in member states than was previously the case. However, these achievements seem to be felt more by French-speaking member countries than their non-French-speaking counterparts. The reason is self-evident: OHADA is basically civil-law inspired, and its primary language of use is French. This makes it easy for its provisions to be transposed into the national legislation of French-speaking member states. Again, ethical values associated with the civil law system will readily fit into this community law and adaptively applied.

Non-French-speaking states and regions like Equatorial Guinea, *São Tomé* and the English regions of Cameroon, however, find it difficult to accord the same degree of success to the OHADA law. As mentioned in this study, despite the revision of Article 42 of the OHADA Treaty, in terms of which French, English, Spanish and Portuguese enjoy equal status as official languages, Uniform Acts continue to be drafted in French, with translated versions only becoming available at some later time, when the French version has already been widely circulated, as is the case with the Uniform Acts on Cooperatives and on the Carriage of Goods by Road, whose translated versions have yet to be made public. This is not only bad in form, but also in effect, as it creates a certain division among member states, with some states and regions apparently enjoying a higher status than others. It is therefore crucial that certified translated versions of Uniform Acts not only be made available at the same time as the French, but also that they be equally accessible.

Similarly, this study shows that instead of adopting a hybrid model of African business law, OHADA robs Anglophone Cameroon of its common law culture by systematically wiping out the principles upon which this system is based. To rectify this situation, OHADA should adopt a truly unifying model, where all stakeholders are taken into account. An important element of such a model would be the appointment of common law judges to consider common law appeals in the Common Court of Justice and Arbitration.

Though Uniform Acts are progressively covering the domains of business law stipulated in Article 2 of the OHADA Treaty, national laws in areas of business law where Uniform Acts are yet to be legislated tend to create many imbalances and uncertainties, which affect OHADA's credibility. In the domain of labour and employment law, undignified and outdated guaranteed minimum wage legislation in Cameroon and other member states continue to put workers at the mercy of employers through unequal bargains. This study identifies poverty, limited access to formal education and poor healthcare as some of the ills resulting from low wages, and urges the Council of Ministers to hasten their efforts towards creating a Uniform Act on Labour to address this problem.

Finally, ethics imported into the region through multinationals must be cautiously applied, so as not to overstate its role or allow it to be used to achieve ulterior motives.

In conclusion, it is the finding of this study that OHADA is stuck between the common and civil law systems in Cameroon, which makes it very difficult to adopt a hybrid model onto which ethical values can readily be transposed. The fact is that while business ethics is steadily expanding its reach and assuming greater importance in the OHADA region, this might be the result of natural forces, such as globalisation, rather than the vision of its architects.

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Endnotes

1 http://www.ohada.com/jurisprudence/ohadata/J-10-122.html [Accessed: 13 November 2015].

2 Member states include Benin, Burkina Faso, Cameroon, the Central African Republic, Chad, Congo, the Democratic Republic of Congo, Equatorial Guinea, the Federal Islamic Republic of the Comoros, Gabon, Guinea, Guinea Bissau, Ivory Coast, Mali, Niger, Senegal and Togo.

3 http://www.merriam-webster.com/dictionary/commerce [Accessed: 05 July 2016].

4 http://www.corplaw.ie/blog/bid/317212/Shareholder-Stakeholder-Theories-Of-Corporate-Governance [Accessed: 27 November 2015].

5 See, for example, the decision in Percival v. Wright [1902] 2 CH 401, and Dillon L.J., in Multinational Gas & Petroleum Chemical Co v. Multinational Gas Petrochemical Services Ltd. [1983] CH 258.

6 This model is grounded on two major frameworks in moral philosophy: the deontological and teleological ethical standards. The main difference between the two is that deontological theories focus on specific actions (the inherent rightness or wrongness of a norm), while teleological theories focus on the consequences of such actions. For its part, ethical positivism suggests a combination of these standards in addressing any problem with an ethical content.

7 The full text is available at http://www.ohada.com/traite.html [Accessed: 12 September 2016]. The text of the original OHADA Treaty is available at the OHADA Secretariat in Yaounde, Cameroon; the Common Court of Justice and Arbitration (CCJA) in Abidjan, Ivory Coast; and the OHADA Training Centre (ERSUMA), in Porto Novo, Benin.

8 At present, there are eight Uniform Acts: the Uniform Act on General Commercial Law; the Uniform Act on Commercial Companies and Economic Interest Groups; the Uniform Act on Simplified Recovery Procedure and Measures of Execution; the Uniform Act on Collective Proceedings for Wiping Off Debts; the Uniform Act on Accounting; the Uniform Act on Arbitration; the Uniform Act on Securities; the Uniform Act on Cooperatives; and the Uniform Act on the Carriage of Goods by Road.

9 Formerly the Federal Republic of Cameroon, which was administered by the British as a trust territory of the United Nations until it gained independence in 1960, when it opted to unite with the Republic of Cameroon (a French trust territory of the United Nations). In consequence, the common law was also instituted in Anglophone Cameroon.

10 HCK/3/96 of 6 January 2000.

11 *Bulmer v. Bollinger*, 1974, Chapters 401-418.

12 http://www.cameroonweb.com/CameroonHomePage/regional/artikel.php?ID=321067 [Accessed: 20 March 2015].

13 ibid.

14 Amnesty International, 2013, pp. 6-7. http://www.ey.com/Publication/vwLUAssets/EY-Transparency-International-Corruption-Perceptions-Index-2013/$FILE/EY-Transparency-International-Corruption-Perceptions-Index-2013.pdf [Accessed: 29 March 2015].

15 SG Sustainable Oils Cameroon Ltd v. Struggle to Economize Future Environment (SEFE), HCN/03/OS/2011/4M/2012 (unreported).

16 The Central African Banking Commission (COBAC) is the authority that ensures that microfinance establishments in the Economic Community of Central African Sates (CEMAC) have proper and up-to-date accounting and financial records.

17 For reasons of confidentiality and pending judgments in a number of related court cases, the authors prefer to state the general state of affairs. For more information, readers are referred to the 2008 Auditor's Reports for Buea P & T Cooperative Credit Union Ltd. (p. 5) and the Buea Police Cooperative Credit Union Ltd., as well as the 2008 Auditor's Report for Mutengene Savings and Loans Cooperative Society, pp. 5-7.

18 See page 8 of the report found at https://www.imf.org/external/pubs/ft/wp/2007/wp0703.pdf

19 Based on observations in the field by the authors as well as interviews with officials of Banque Populaire Loire et Lyonnais in France who prefer to remain unidentified.

20 See Index Mundi at http://www.indexmundi.com/cameroon/economy_profile.html [Accessed: 31 March 2015].

21 A global list of GMWs may be found at http://www.nationmaster.com/country-info/stats/Labor/Salaries-and-benefits/Minimum-wage [Accessed: 13 September 2016].

22 Although government's policy on education is free tuition, secondary school pupils are subject to a Parents Teachers Association (PTA) fee that is equal to 60-70% of the monthly GMW.