Ethical Conduct in Business Organisations: The Opinion of Management Students in Gauteng

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ABSTRACT

Objective: This study investigates the perceptions that business and management students have towards ethical practices of businesses organisations in terms of the environment, their employees, community, regulators and competition.

Research Design & Methods: This study employed an exploratory survey design to collect primary data via a self-administered questionnaire. Data were collected from 251 business and management students at a national university in Gauteng, South Africa. Apart from reliability statistics and descriptive statistics, one sample t-tests were employed to test stated hypotheses.

Findings: The findings showed that students perceived certain aspects of organisations’ ethical conduct in a relatively negative light.

Implications & Recommendations: As the study concluded that business and management student perceived the ethical conduct of business organisations in a somewhat negative light, organisations should take heed and better outwardly promote the interests of all stakeholders.

Contribution & Value Added: As more than 75% of the students surveyed had working experience, they represent also the opinion of people in the working world. This study reiterates the fact that what whilst organisations profess to act ethically, this does not necessarily seem to be the case. As more research on this issue reaches the same conclusion, this groundswell should effect change in due course.

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INTRODUCTION

For some time now, business ethics has been viewed by some as something of a contradiction in terms (Rossouw & Van Vuuren, 2006). Ethical behaviour of organisations could potentially be viewed as insincere and nothing more than just a pretence for customers (and other stakeholders) to see and feel at ease with and to be reassured that the individual organisation is “doing the right thing” (Harvey, 2002).

On the other hand, some authors, such as Abratt, Bendixen and Drop (1999) are of the opinion that business people in general do desire to do what is ethical and right. Harvey (2002) supports this notion and adds that most organisations participate in legal, honest, right and fair dealings each day. The motivation for acting ethically is in enhancing the organisation’s reputation, which in turn contributes to the firm’s performance and shareholder value (Simms, 2006; Rushton, 2002).

Many authors (Baker, 2011; Kenexa Research Institute, 2010; Paramasivasn, 2010; Garriga & Mele, 2009; Rossouw & Van Vuuren, 2006; Simms, 2006; Harvey, 2002; Abratt et al., 1999) suggest that organisations’ desire to do what is ethical in order to be successful, boils down to the reputation of the organisation and in what light stakeholders perceive the behaviour and intentions of an individual organisation. However, years of training within business organisations have led the authors to different insights as far as the rank-and-file employee is concerned. Inevitably, this has raised questions regarding the bona fides of organisations in this regard.

This paper argues that organisations do not necessarily act as ethically as they would like their external stakeholders to believe. The literature review interrogates the aspect of ethics from a general point of departure through to a specific look at ethics in the business context and addresses the question of why it is important for organisations to act ethically.

LITERATURE REVIEW

Ancient Greek philosophers were arguably the first to study ethics (Rosenstand, 2005). Ethics stems from morality, which tries to differentiate between what is right and what is wrong. Morality is not the same as ethics; ethics endeavours to establish guidelines according to which one can differentiate between right and wrong. Ethics can, therefore, be considered as “the science of morality” (Nieman & Bennett, 2006). Ethics has long been part of the philosophical discourse, as philosophy is concerned with Mankind’s purpose in the universe. As such, philosophy inevitably questions why and how we behave as sentient beings, it questions what values we have and makes us provide reasons as to why we agree with certain things and not with others (Rosenstand, 2005).

Ethics is defined by Grobler, Warnich, Carrell, Elbert and Hatfield (2006, p. 32) as: “the discipline dealing with what is good or bad, or right and wrong, or with moral duty and obligation.” Dart (2004) is of the opinion that ethics is a rule or set of rules that govern activity or conduct and that “moral” implies conforming to established codes or accepted views of what is right or wrong. Duty, as Dart (2004) points out that ethics can be viewed as tasks, functions or services that are obligatory and arise from the position that a person holds. Although these sentiments are divergent, it is noticeable that morality, right and wrong, is a central notion here. Furthermore, the emphasis on
discipline in both points of view highlight that ethics involves a choice that should be enforced. This, as Dart (2004) rightly points out, differs from duty. Duty refers to an obligation one has, something involuntary, whereas ethics implies a choice.

Being ethical therefore involves:

− doing what is honest, right, and good (Harvey, 2002);
− integrity (defined as uncorrupted, and therefore honest (Bradley & Schrom, 2004);
− values (the worth and usefulness of ideals and customs (Bradley & Schrom, 2004) that do not change over time and differ according to different circumstances. Moral values include aspects such as fairness, honesty, and responsibility (Brandl & Maguire, 2002).

Business ethics is a particular context to which ethics can be applied. According to Nieman and Bennett (2006, p. 239), business ethics becomes apparent “…where the moral duties of ethics apply to the activities and goals of an organisation.” Therefore, business ethics is the discipline that deals with the values and rules of behaviour of society, while pursuing the objectives of an organisation. Bradley and Schrom (2004) describe business ethics as rules that govern the conduct of the profession that a person pursues. However, much more emphasis is placed on profession-specific norms of behaviour than on business ethics.

Hertz (2006) states that organisations have a duty to regard all those affected by decisions it takes. Ethically questionable behaviour may have enabled organisations to acquire a competitive advantage in the past, but today such practices are frowned upon on a societal level. As mentioned, competitive pressures could result in dishonesty, focusing on short-term benefits, and compromising quality in return for expediency (Harvey, 2002). Simms (2006) also indicates that too little attention is being paid to the long term, due to extreme demands on people in organisations. Behaving ethically has a very important place in business operations and performance. However, focusing on the short term, cutting corners, and placing short-term financial gains above all else may be regarded as the breeding ground for unethical behaviour.

Ethical codes, compliance officers, and ethics departments are established in organisations to avoid the bad publicity that follows ethical blunders (Harvey, 2002). In the end, however, ethical behaviour begins and ends with the individual. Therefore, organisations must be cautious as to who they employ and with whom they form relationships (Monaghan, 2005). Brandl and Maguire (2002) mention that guaranteeing ethical behaviour is a huge challenge, but organisations cannot afford to ignore this challenge, as ethical behaviour contributes to long-term sustainability.

Friedman (1970) postulated that the only responsibility an organisation really has is toward its own shareholders. Friedman’s Shareholder Theory purports that managers (who, in turn, represent the organisation) should manage the organisation in the best interests of the shareholders by maximizing their return on investment (Rossouw and Van Vuuren, 2006). With increased emphasis on the rights of employees, protection of the natural environment and fair competition, this view has come under scrutiny, as the environment within which the organisation operates has evolved since Friedman presented his declaration in 1970.

In reaction to Shareholder Theory, Freeman and Evan (1993, p. 76) asked: “For whose benefit and at whose cost should the organisation be managed?” What Freeman
and Evan concluded was that there were several arguments that led to a rejection of Friedman’s original stance. These included:

- **Legal arguments**: Many courts have ruled that the organisation has duties towards parties other than just shareholders, and the organisation should therefore balance the pursuit of shareholder interests with the interests of other stakeholders.

- **Economic arguments**: In contrast to the ‘invisible hand’ argument (according to which the organisation would automatically serve the greater good by serving shareholder interests), the reality of the situation is that the modern organisation has damaged and polluted the environment and disrupted society on a collective and an individual level (Rossouw & Van Vuuren, 2006). Organisations reaped the benefits of their actions, but were not willing to take responsibility for the consequences of their actions. This led to organisations being heavily regulated, so as to prevent them from transferring the cost of their actions to society at large.

These arguments support the view that managers of organisations need to serve the interests of more than just shareholders. According to Rossouw and Van Vuuren (2006), managers:

- have an obligation not to violate the legitimate rights of others,
- are responsible for the effects of their actions on others.

Different literature sources reveal that the exact number and labelling of stakeholders differ, with some authors identifying 6 stakeholder groups, while others expand this to 11 groupings (Carroll, 1999; Grisi & Seppala, 2010; Lewis et al., 1998; Volberda, Morgan, Reinmoeller, Hitt, Ireland & Hoskins, 2011). Stakeholders identified by various authors include owners (shareholders), employees, suppliers, customers, environmental groups, media, society, local communities, managers, business partners, trade unions, and government.

Carroll (1999) provided a classification of stakeholders based on the nature of their relationship with the organisation, and identifies two broad categories:

- **Primary stakeholders**: Those who have a formal, official, or contractual relationship with the organisation, e.g., shareholders, employees, suppliers, and customers;
- **Secondary stakeholders**: Those indirectly affected by the activities of the organisation, e.g., environmental groups, society at large, the media, consumer groups, and the government.

Within these groupings, one can then identify specific stakeholders.

Critique against the Stakeholder Theory centres around the diverse interests that emanate from these stakeholder groupings. Goodpaster (1993) purported that if managers view all the interests of diverse stakeholders as equal, they will be reduced to little more than public institutions, as public institutions have an obligation to act in the best interests of the broader society within which it functions. Goodpaster (1993) agreed that managers’ primary responsibility is toward shareholders (a fiduciary obligation). However, this fiduciary obligation should not result in maximising profits at the expense of other stakeholders. The organisation therefore has a moral obligation towards all stakeholders of the organisation (Goodpaster 1993).

Developed from Stakeholder Theory, the concept of corporate citizenship (CC) endeavours to (Van Marrewijk, 2003, p. 98) “…a connect business activity to the broader
social accountability and service for mutual benefit.” This view equates the organisation to a member of society, with rights and accompanying obligations to which it should be subservient (Waddell, 2000). CC is a view that impresses characteristics of a person upon the organisation. “Person” does not imply a natural person, but rather a social construct. It implies legal personality, with the organisation being able to enter into legally binding contracts, negotiate, and be accountable for its actions. This, in turn, translates into rights, obligations, and responsibilities to which the organisation needs to adhere. Although Friedman (1970) did purport that the only responsibility a business organisation has is to maximise profit, he did concede that an organisation is a social construct and, as such, has characteristics associated with humans ascribed to it. He did, however, also stress that these are done on behalf of the organisation and not by the organisation.

Criticism of the suitability of the term 'corporate citizenship' aside, the notion of CC exists, whether within the organisation or in the eye of stakeholders. As such, stakeholders have certain expectations of organisations in terms of 'doing the right thing.' Certainly, one would assume that organisations are not oblivious to these expectations, but the extent to which these expectations are fulfilled is debatable.

MATERIAL AND METHODS

Purpose of the Study
From the overview of literature, it is evident that much is being done within organisations to act ethically (Rossouw & Van Vuuren, 2006; Simms, 2006; Harvey 2002). This, however, poses a problem, as seeming ethical and being ethical imply two different things. Being perceived as ethical implies mere compliance, embarking on ethically courses of action to be seen as being ethically correct. It implies something superficial and not sincere to win favour with stakeholders. Being ethical, on the other hand, implies sincerity and a heartfelt belief in doing what is morally correct, irrespective of the popularity of the action. Literature seems to be moot on this issue. It would thus be interesting to investigate whether ethical actions embarked upon by business organisations are actually perceived as such by parties external to the organisation.

Consequently, this study endeavours to answer the following research question: How do economically active people, specifically students, in Gauteng perceive the ethical conduct of South African business organisations?

To answer the stated research question, the primary objective of this study is to measure the opinion of economically active Gauteng residents, namely students, toward the ethical conduct of South African business organisations.

Much of the literature on Business Ethics/Corporate Social Investment/Corporate Citizenship focuses on what should be done, and has been done, from the organisational point of view to promote ethical behaviour. However, not much literature exists on peoples’ opinions of the ethical behaviour of organisations. This study therefore attempts to shed more light on how students perceive the ethical behaviour of organisations as corporate citizens.
Exploratory Model Employed in this Study

This paper considers whether a sample of Gauteng residents\(^1\) were of the opinion that organisations acted in an ethical manner or not. In this regard it would be prudent to consider the behaviour organisations exhibit towards their stakeholder groupings, as this would represent an obvious manifestation of their ethical conduct. From the literature review, however, it is apparent that numerous stakeholder groups exist, and that the exact number of stakeholders can differ from organisation to organisation.

Consequently, the decision was made to collapse certain groupings together and to use stakeholder groups loosely based on the Strategic Stakeholder Grouping classification presented by Post, Preston & Sachs (2002). According to this classification, stakeholders are categorised on the basis of their strategic environments. This, in turn, provides the organisation with direction in terms of how to deal with different stakeholders. The Strategic Stakeholder Grouping classification proposes three groups of stakeholders (Post \textit{et al}., 2002):

- **Core stakeholders**: Those vital to the existence of the organisation, such as investors, employees, and customers;
- **Competitive environment stakeholders**: These stakeholders define the company’s competitive position in a particular industry and market, e.g., business partners, unions, competitors, and regulatory authorities; and
- **External environmental stakeholders**: These stakeholders challenge the company to foresee and respond to developments as they arise, e.g., social and political actors.

For the purposes of this study, five stakeholder groups were used:

- The environment (including environmental groups), an external environmental stakeholder group;
- staff (encompassing employees and managers), a core stakeholder group;
- the community at large (encompassing society and local communities), an external environmental stakeholder group;
- regulatory bodies, an external stakeholder group,
- competition (focusing on the whole competitive landscape), a competitive environment stakeholder group.

Shareholders were not included as one of the stakeholder groups in this study, as the core of stakeholder theory and corporate citizenship revolves around the way an organisation treats the stakeholders towards whom the organisation has a moral obligation. It is implicit that organisations act responsibly toward shareholders. The decision to extract three distinct groupings from the external environmental stakeholder group of Post \textit{et al}.

\(^1\) It must be noted that all conclusions learned from the study apply only to the sample and cannot be extrapolated to the entire population, because the sample is not representative on the national level. However, as an exploratory study, the findings of the paper are valuable.
the increased emphasis on social accountability and the impact of the business on society,

the increased emphasis on governance and fiduciary responsibility.

From the groups identified, the study endeavours to test the following hypotheses:

- Ethical conduct towards the environment (ENV).
  \[ H1: \text{Organisations do not act in the best interests of the environment.} \]
  \[ \text{Alternative: Organisations act in the best interest of the environment.} \]

- Ethical treatment of staff (STA).
  \[ H2: \text{Organisations do not act in the best interests of staff.} \]
  \[ \text{Alternative: Organisations act in the best interests of staff.} \]

- Ethical conduct toward the community at large (COM).
  \[ H3: \text{Organisations do not act in the best interests of the broader community.} \]
  \[ \text{Alternative: Organisations act in the best interests of the community.} \]

- Ethical conduct toward regulators (REG).
  \[ H4: \text{Organisations are not committed to being good corporate citizens.} \]
  \[ \text{Alternative: Organisations are committed to being good corporate citizens.} \]

- Ethical conduct in competition (COP).
  \[ H5: \text{Organisations do not compete fairly.} \]
  \[ \text{Alternative: Organisations compete fairly.} \]

These constructs can be portrayed as shown on Figure 1 below:

![Diagram of Ethical Conduct](image)

**Figure 1. Conceptions of ethical behaviour by organisations**

*Source: own study.*

**Research Design**

A positivistic paradigm was adopted in order to satisfy the aim of this study. Positivism is associated with deductive reasoning aimed at inferring universal principles applicable to a certain research population from a representative sample (Collis & Hussey, 2003). This study employed an exploratory survey design to collect primary data. As mentioned, not much work has been done on how students view the ethical conduct of organisations. Consequently this study endeavours to deepen our understanding of this issue.

The research population comprised business and management students at the University of Johannesburg. As the authors are academics, the student population is, of
course a convenient outlet for conducting research. However, it was felt that certain parameters needed to be imposed. Firstly, it was decided to target students who are studying toward a qualification in commerce, as so doing, they would be familiar with the concept of business ethics on a theoretical level. Secondly, final year and post-graduate students were pursued in this study. This decision was very important as, firstly, third year (and above) students would have more theoretical knowledge on the issues under investigation. Secondly, and most importantly, there is a greater probability that senior and post-graduate students will be employed, and therefore will be able to comment on the ethical conduct exhibited by business organisations. Non-probability sampling, in the form of a convenience sample, was employed. A target of at least 250 respondents was decided on.

The study employed a customised measuring instrument that was developed by the authors. The items that measured how students perceived the ethical conduct of business organisations derived from literature and were measured on a 6 point Likert-scale. The choice of a six-point scale was deliberate so as to attempt to discourage notions of central tendency from respondents. The measuring instrument collected demographic data (Section A) and data pertaining to the five constructs that comprise the conceptual model (Section B – see Appendix A). The questionnaire was distributed in March 2010 amongst University of Johannesburg students. Student participation was voluntary and surveys were administered directly to lecture venues by a student assistant.

Data analysis consisted of reliability tests, descriptive – and inferential statistics. Cronbach-alpha reliability tests were performed on each construct to measure the internal reliability of each of the constructs employed. "Reliability" relates to the extent to which a particular data collection approach will yield the same results when used on separate occasions (Lancaster, 2005). The Cronbach-alpha computation provides an index that is scored between 0 and 1, with a score of 0.7 or higher being deemed reliable, according to Burns and Burns, 2008. Exploratory factor analysis would also be employed to assess whether the stakeholder groupings that were identified in literature do in fact appear in the data. This would bolster the validity of the findings.

Descriptive statistics were compiled to assess the nature of the normal distributions of each construct. This would illustrate how commerce students perceived the ethical behaviour of business organisations – positive or negative – in terms of the identified constructs. Here, the mean value of each construct would be analysed against the average value of the measuring instrument. As the scale was coded from 1 = Always through to 6 = Never, the average value was 3.5. Therefore, 3.5 was an objective “midway” in determining whether opinion was negative or positive towards a given construct (lower than 3.5 would be positive and higher than 3.5 would be negative). Due to the fact that the mean value of each construct would be crucial to the analysis of the data, it is also imperative to describe the nature of the distribution of the data, as this will determine how relevant the conclusions are that can be made. One sample t-tests would also be performed to test the hypotheses derived from the conceptual model.
RESULTS AND DISCUSSION

The survey realised 258 survey questionnaires, of which 251 were usable. Table 1 reflects the demographic data applicable to the sample. 72.5% of respondents were employed at the time of completing the questionnaire. This is crucial, as the respondents had working experience and could express valid opinions about the ethical behaviour of organisations. In terms of experience, 78.4% of respondents had work experience. This underscores that the sample surveyed were in a position to express valid opinions concerning the ethical conduct of organisations.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Answer variants</th>
<th>Number of questionnaires</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total usable questionnaires</td>
<td></td>
<td>251</td>
</tr>
<tr>
<td>Gender:</td>
<td>Male</td>
<td>117</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>134</td>
</tr>
<tr>
<td>Age:</td>
<td>Under 20</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>21 – 30</td>
<td>188</td>
</tr>
<tr>
<td></td>
<td>31 – 40</td>
<td>45</td>
</tr>
<tr>
<td></td>
<td>41 – 50</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Above 50</td>
<td>2</td>
</tr>
<tr>
<td>Highest Qualification:</td>
<td>High School</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>Post School Certificate / Diploma</td>
<td>43</td>
</tr>
<tr>
<td></td>
<td>Degree</td>
<td>139</td>
</tr>
<tr>
<td></td>
<td>Post-Graduate degree</td>
<td>33</td>
</tr>
<tr>
<td></td>
<td>More than one post-graduate degree</td>
<td>6</td>
</tr>
<tr>
<td>Employment status:</td>
<td>Not employed</td>
<td>69</td>
</tr>
<tr>
<td></td>
<td>Part-time employed</td>
<td>55</td>
</tr>
<tr>
<td></td>
<td>Permanently employed</td>
<td>127</td>
</tr>
<tr>
<td>Employment History:</td>
<td>No experience</td>
<td>54</td>
</tr>
<tr>
<td></td>
<td>Less than 5 years’ experience</td>
<td>107</td>
</tr>
<tr>
<td></td>
<td>Between 5 and 10 years’ experience</td>
<td>45</td>
</tr>
<tr>
<td></td>
<td>More than 10 years’ experience</td>
<td>45</td>
</tr>
</tbody>
</table>

Source: own study.

Reliability of the Measuring Instrument

Table 2 indicates the Cronbach’s Alpha values per construct. With the exception of “Ethical conduct in competition” (COP), the Cronbach’s Alpha values range between 0.63 and 0.79. This is satisfactory for exploratory research (Scheepers, Bloom & Hough, 2008). Althayde (2003) and Nunally (1978) are also of the opinion that α > 0.5 is acceptable for exploratory research and this notion was applied to the data. As the scales were made up of a low number of items (4 – 6), Cronbach values could be low. Therefore, the mean inter-item correlations have also been scrutinised. Here, a range of 0.2 to 0.4 indicates internal consistency. Most of the mean inter-item correlations do fall within the specified parameters (Table 2). The notable exceptions are “Ethical conduct toward regulators” (REG), but here the alpha value is high enough to warrant the construct reliable, and COP.
Table 2. Reliability statistics

<table>
<thead>
<tr>
<th>Construct</th>
<th>Number of items</th>
<th>Cronbach’s Alpha</th>
<th>Mean inter-item correlations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethical conduct toward the environment (ENV)</td>
<td>5</td>
<td>0.63</td>
<td>0.27</td>
</tr>
<tr>
<td>Ethical conduct towards staff (STA)</td>
<td>4</td>
<td>0.69</td>
<td>0.40</td>
</tr>
<tr>
<td>Ethical conduct toward the community (COM)</td>
<td>6</td>
<td>0.74</td>
<td>0.34</td>
</tr>
<tr>
<td>Ethical conduct toward regulators (REG)</td>
<td>5</td>
<td>0.79</td>
<td>0.49</td>
</tr>
<tr>
<td>Ethical conduct in competition (COP)</td>
<td>5</td>
<td>0.32</td>
<td>0.08</td>
</tr>
</tbody>
</table>

Source: own study.

As a result of an alpha value of 0.32, the construct COP was discarded as this construct seems to have evoked inconsistent responses. In summary, all constructs (except for COP) are reliable for this study.

Descriptive Statistics

Descriptive statistics, such as the mean, median, variance and standard deviation were calculated for the survey. The mean for each construct is of importance, as this indicates the opinion of respondents toward a construct.

Table 3. Summary of applicable Descriptive Statistics

<table>
<thead>
<tr>
<th>Construct</th>
<th>Mean</th>
<th>Mean std. error</th>
<th>Dev. (from 3.5)</th>
<th>Median</th>
<th>Std. dev.</th>
<th>Range (out of 6)</th>
<th>Skewness</th>
</tr>
</thead>
<tbody>
<tr>
<td>ENV</td>
<td>4.154</td>
<td>0.0410</td>
<td>-0.654</td>
<td>4.200</td>
<td>0.650</td>
<td>3.35</td>
<td>-0.287</td>
</tr>
<tr>
<td>STA</td>
<td>3.475</td>
<td>0.0468</td>
<td>0.025</td>
<td>3.333</td>
<td>0.740</td>
<td>4.00</td>
<td>0.140</td>
</tr>
<tr>
<td>COM</td>
<td>3.427</td>
<td>0.0447</td>
<td>0.073</td>
<td>3.500</td>
<td>0.707</td>
<td>4.67</td>
<td>0.306</td>
</tr>
<tr>
<td>REG</td>
<td>3.651</td>
<td>0.0475</td>
<td>-0.151</td>
<td>3.750</td>
<td>0.752</td>
<td>4.25</td>
<td>0.159</td>
</tr>
</tbody>
</table>

Source: own study.

Five items (B1, B3, B11, B13 and B21)\(^2\) constituted “Ethical conduct toward the environment” (ENV). The ENV mean value was 4.154, a 0.654 “negative” deviation from the measuring instrument average of 3.5. A “negative deviation” implies that the opinion of the respondents toward this construct was negative (albeit slightly), therefore respondents were of the opinion that organisations did not behave in the best interests of the environment. “Ethical conduct toward staff” (STA) comprised four items (B4, B6, B8 and B10). The STA mean was 3.475, a 0.025 deviation to the “positive” side of the scale. “Positive deviation” implies that the opinion of the respondents toward this construct was positive (albeit very slightly), thus respondents were of the opinion that organisations behave in the best interests of their staff. “Ethical conduct toward the community” (COM) consisted of six items (B12, B14, B16, B20, B22, B23). The COM mean value was 3.427, a 0.073 “positive” deviation. “Ethical conduct toward regulators” (REG) consisted five items (B7, B9, B17, B18 and B24). The REG mean was 3.651, representing a 0.151 deviation to the “negative”. COP was deemed internally unreliable and was discarded. No further statistical analysis was applied to this construct.

\(^2\) See Appendix A for the wording of the items in section B of the questionnaire
When viewing the nature of the distribution of the data, one can see that the median and average (mean) for each construct are very close together. Variances for each construct are also small. Furthermore, skewness per construct is smaller than 1. All of these are indicative of a relatively normal distribution of data. As can be expected, data is quite diverse in terms of distribution of responses, but there is a marked concentration of 50% of the responses around the median and mean, indicating a spike in the distribution around the mean and median. The concentration of responses is quite important, as this shows that the mean is representative of a large percentage of the responses.

The deviations are quite small (ranging from 0.025 to 0.654) and, as such, can be seen to be neutral and meaningless. This argument has merit, but in the context of this study, event neutrality is meaningful, as it would represent something other than what the organisations profess in terms of ethical conduct.

Initially it was decided to perform exploratory factor analysis on the data. However, when the factor analysis results were reviewed, no clear categorisation was evident in the data and it was decided to discard these results and to concentrate more on the testing of the constructed hypotheses. The inconclusive results of the factor analysis do not suggest that the findings are invalid, but rather suggest that the boundaries between different stakeholder groupings are not clear, a sentiment portrayed in literature (Carroll, 1999; Griseri & Seppala, 2010; Volberda et al., 2011).

### Hypothesis Testing

To prove whether the “positive” and “negative” mean deviations are statistically significant and not the result of coincidence, the findings are subjected to one sample t-tests. This would also serve as basis for rejecting or not rejecting the hypotheses associated with the exploratory model.

<table>
<thead>
<tr>
<th>Construct</th>
<th>Test Value</th>
<th>T</th>
<th>Df</th>
<th>Sig. (2-tailed)</th>
<th>Mean difference</th>
<th>95% confidence interval of the difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>ENV</td>
<td>15.936</td>
<td>250</td>
<td>0.000</td>
<td>0.653</td>
<td>0.573 - 0.734</td>
<td></td>
</tr>
<tr>
<td>STA</td>
<td>-0.541</td>
<td>250</td>
<td>0.589</td>
<td>-0.025</td>
<td>-0.117 - 0.067</td>
<td></td>
</tr>
<tr>
<td>COM</td>
<td>-1.639</td>
<td>250</td>
<td>0.102</td>
<td>-0.073</td>
<td>-0.161 - 0.015</td>
<td></td>
</tr>
<tr>
<td>REG</td>
<td>3.183</td>
<td>250</td>
<td>0.002</td>
<td>0.151</td>
<td>0.058 - 0.245</td>
<td></td>
</tr>
</tbody>
</table>

Source: own study.

Table 4 indicates that, Ethical treatment of the environment (ENV) and Ethical conduct toward regulators (REG) have t-values of larger than 2 and significance levels of <0.05, indicating statistical significance for these constructs. The deviation for STA and COM from 3.5 has no statistical significance and can be ascribed to coincidence. Thus the stated hypotheses for these constructs can be neither rejected nor confirmed.

It must be noted that it was imperative to collect data from respondents who have work experience, as it was felt that this would lead to more informed responses concerning organisations' ethical behaviour. As was indicated in Table 1, 78.4 % of the
sample had some work experience, and 21.6% had no work experience. It can be argued that the opinions of students with no work experience could skew the responses. The decision was therefore made to disaggregate the sample into those with work experience and those with no work experience and to subject each group to the one sample t-test in an effort to see if there would be any notable differences in the opinions of the two groups (see Tables 5 and 6).

Table 5. One sample t-test for respondents with no work experience

<table>
<thead>
<tr>
<th>Construct</th>
<th>Test Value = 3.5</th>
<th>T</th>
<th>Df</th>
<th>Sig. (2-tailed)</th>
<th>Mean difference</th>
<th>95% confidence interval of the difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>ENV</td>
<td>6.905</td>
<td>53</td>
<td>0.000</td>
<td>0.615</td>
<td>0.436</td>
<td>0.793</td>
</tr>
<tr>
<td>STA</td>
<td>-0.441</td>
<td>53</td>
<td>0.661</td>
<td>-0.049</td>
<td>-0.274</td>
<td>0.175</td>
</tr>
<tr>
<td>COM</td>
<td>-0.186</td>
<td>53</td>
<td>0.853</td>
<td>-0.019</td>
<td>-0.218</td>
<td>0.181</td>
</tr>
<tr>
<td>REG</td>
<td>2.171</td>
<td>53</td>
<td>0.034</td>
<td>0.218</td>
<td>0.017</td>
<td>0.419</td>
</tr>
</tbody>
</table>

Source: own study.

Table 6. One sample t-test for respondents with work experience

<table>
<thead>
<tr>
<th>Construct</th>
<th>Test Value = 3.5</th>
<th>T</th>
<th>Df</th>
<th>Sig. (2-tailed)</th>
<th>Mean difference</th>
<th>95% confidence interval of the difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>ENV</td>
<td>14.347</td>
<td>196</td>
<td>0.000</td>
<td>0.664</td>
<td>0.573</td>
<td>0.756</td>
</tr>
<tr>
<td>STA</td>
<td>-0.364</td>
<td>196</td>
<td>0.716</td>
<td>-0.019</td>
<td>-0.119</td>
<td>0.082</td>
</tr>
<tr>
<td>COM</td>
<td>-1.762</td>
<td>196</td>
<td>0.080</td>
<td>-0.089</td>
<td>-0.187</td>
<td>0.011</td>
</tr>
<tr>
<td>REG</td>
<td>2.463</td>
<td>196</td>
<td>0.015</td>
<td>0.133</td>
<td>0.027</td>
<td>0.239</td>
</tr>
</tbody>
</table>

Source: own study.

It is clear from Tables 5 and 6 that the results for the one sample t-test for those respondents without work experience practically mirrors the results of the one sample t-test for those respondents with work experience. Respondents with work experience responded the same as those respondents without work experience. Therefore, work experience is not a prerequisite for business and management students to be able to provide informed responses pertaining to the ethical conduct of business organisations.

Table 7. Effect sizes (Cohen’s d) per construct

<table>
<thead>
<tr>
<th>Construct</th>
<th>Effect size</th>
<th>Meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td>ENV</td>
<td>1.00</td>
<td>Large</td>
</tr>
<tr>
<td>STA</td>
<td>-0.03</td>
<td>Small</td>
</tr>
<tr>
<td>COM</td>
<td>-0.10</td>
<td>Small</td>
</tr>
<tr>
<td>REG</td>
<td>0.21</td>
<td>Small</td>
</tr>
</tbody>
</table>

Source: own study.

However, statistical significance only proves that the findings are not the result of coincidence, but this does not imply that these findings are meaningful. Again, one needs to calculate the effect size for these results to be able to deduce meaningfulness of the
data. Cohen’s d was used to calculate the effect size for the one sample t-test (Cohen, 1988). To interpret the effect sizes, a value of 0.2 to 0.5 is regarded as small, 0.5 to 0.8 is medium and 0.8 and above is large\(^3\). The effect sizes are portrayed in Table 7.

With the exception of ENV, all effect sizes are small. Thus, only the opinion expressed toward organisations’ ethical treatment of the environment (ENV) can be viewed as a meaningful opinion.

The following can therefore be concluded as far as the stated hypotheses are concerned:
- **ENV**: Hypothesis not rejected and alternative hypothesis not supported;
- **STA**: Statistically insignificant results;
- **COM**: Statistically insignificant results;
- **REG**: Hypothesis not rejected and alternative hypothesis not supported;
- **COP**: Inconclusive, as the construct was deemed unreliable.

### Discussion of Findings

The statistical analysis for this study can be summarised as follows (Table 8):

<table>
<thead>
<tr>
<th>Construct</th>
<th>Reliable Construct?</th>
<th>Opinion</th>
<th>Statistically significant?</th>
<th>Effect size</th>
</tr>
</thead>
<tbody>
<tr>
<td>ENV</td>
<td>Yes</td>
<td>Negative</td>
<td>Yes</td>
<td>Large</td>
</tr>
<tr>
<td>STA</td>
<td>Yes</td>
<td>Positive</td>
<td>No</td>
<td>Small</td>
</tr>
<tr>
<td>COM</td>
<td>Yes</td>
<td>Positive</td>
<td>No</td>
<td>Small</td>
</tr>
<tr>
<td>REG</td>
<td>Yes</td>
<td>Negative</td>
<td>Yes</td>
<td>Small</td>
</tr>
<tr>
<td>COP</td>
<td>No</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Source: own study.

The findings indicate that the following opinions are statistically significant:
- Respondents are of the opinion that business organisations do not act in the best interests of the environment or the community at large.

Also, the following opinions are meaningful from a practical point of view:
- Respondents are of the opinion that business organisations do not act in the best interests of the environment.

Therefore, in summary, two of the constructs presented (ENV and REG) seem not to reject the stated hypotheses, although one should take into account that effect sizes do not always indicate that these measures are meaningful.

### CONCLUSIONS

From the above discussion, the exploratory model can be confirmed as in Figure 2.

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\(^3\) The terms 'small, medium, and large' are relative, not only to each other, but also to the area of behavioural science and to the specific context and research method being employed.
The ethical conduct of South African organisations towards the physical environment (ENV) and their ethical conduct towards regulatory bodies (REG) are questioned by a large percentage of respondents. There is, therefore, mistrust amongst many respondents toward the intentions of organisations to comply and serve the interests of the environment legally. The findings tend to converge on the notion that organisations act in their own best interest. As far as STA and COM are concerned, findings reveal that the students surveyed have a more lenient view how organisations treat their staff and the community at large. However, these findings are not statistically insignificant. This does not mean that what was reflected is necessarily incorrect, but rather that that it cannot be proven that this sentiment is more than coincidence. As already mentioned, COP was deemed unreliable. This does not imply that ethical conduct in competition is not important, but rather that the way the items pertaining to that specific construct were formulated was not properly understood by respondents.

**Recommendations and Managerial Implications**

Before recommendations and managerial implications are presented, it might be prudent to reiterate the fact that although the sample consisted of students, 73% of the sample were employed, and as a consequence the inferences drawn from the sample do not only represent the views of students, they also represent a view of employees, although these employees happen to be studying at the time. It is also possible that a small number of respondents are business owners, therefore employers.
From this study, it is evident that there is a disconnect between what organisations are professing to be doing in terms of ethical conduct toward different stakeholders, and how students perceive these actions, hence the following recommendations.

A business is able to sustain itself by having managers and employees who are able to act morally and ethically. Managers must recognize and acknowledge the dignity and human rights of all stakeholders. It is necessary to formulate ethical codes so as to keep employees on a sound moral course and to maintain high ethical standards. Moral values cannot be disregarded as these drive honesty and make way for strong social inclusiveness. Managers and employees need sets of values to guide their conduct and should be involved in the formulation of these codes. This needs to be a collaborative process. Companies should develop sustainable partnerships with their communities and companies must honour their moral obligation to society, the environment and all other stakeholders in their business.

People often think of ethics as a list of rules, such as the Ten Commandments. The assumption is then that if something is not expressly prohibited, there is no need to worry about ethics. However moral behaviour is the obligation to look beyond self-interest and to focus on the concerns of others. Although idealistic, ethics should form an integral part of undergraduates’ study in Business and Management as this would hopefully lay the foundation for moral behaviour amongst future business leaders.

The study also indicates that respondents had a negative perception about ethical conduct of business organisation, in terms of two of the reliable constructs presented in this study. Therefore organisations should highlight instances where the organisation has taken the moral high ground in their business dealings. This in turn will be a benefit and could be incorporated in the corporate marketing strategies of organisations.

Limitations and Areas for Future Research

The most obvious limitation of the study is the fact that the sample was drawn from one specific location. Therefore the findings are not representative on a national level, but reflect only the views of those who participated in the study. However, on an exploratory level, the findings remain insightful. Also, the sample was drawn from the ranks of students studying some form of Business Management qualification. It could therefore be argued that surveying respondents on a topic related to their field of study could lead to some level of response bias. Attitudes of students not studying Business Management could therefore have been different, but then again, students not in the field of Business Management might not be familiar with the notion of business ethics at all.

As an exploratory study, the measuring instrument needs refinement. Working on the reliability of the measuring instrument highlighted that certain items need to be excluded and other items need their alternatives reversed. Also, the construct of ethical conduct in competition (COP) needs to be totally redesigned. This highlights the difficulty in measuring the concept of competition, as the concept has different meanings for different people.

Also, the study needs to be taken wider, not only on a local level, but also on an international level. Collecting data from numerous countries could show the sentiment toward the ethical intentions of organisations in different parts of the world. Interestingly, the study also suggests that there is no difference in opinion between students with work experience and students without work experience. Whether this
means that all opinions are informed ones or that all opinions are naïve ones, is not known and could be the point of departure for further investigation.

There are many reasons why businesses may act unethically. Greed and the total disregard for business codes of conduct are but two reasons. In Africa, some managers are simply not willing to transform their enterprises in terms of ethical practice, and thus disregard what is in essence managerial wisdom in practice. According to the United Nations, corruption is rife in most African countries and this fact undermines the prospects for economic investments on the continent by foreign firms. Further research should be undertaken as to the implementation of good ethical principles.

Final Remarks

It would seem, from this study at least, that there is evidence to suggest that people perceive the ethical conduct of organisations in a negative light. This does not bode well for organisations in an era when the role and function of the organisation, as an entity that can contribute positively to society, has been seriously questioned. Rossouw and Van Vuuren (2006) quote six myths as far as business ethics are concerned. These include the myth that the organisation pursues profit at all cost. However, based on what has been revealed in this study – although exploratory – evidence suggests that this myth can perpetuate if South African business organisations do not realise what their stakeholders actually think of them.

REFERENCES


Appendix A: Items constituting Section B of the measuring instrument

1. Organisations are serious about protecting and caring for the environment
2. Society perceives organisations as competing fairly
3. Organisations dedicate a lot of resources to eliminate wastage and pollution
4. Organisations require staff to perform tasks that they are not comfortable with
5. Organisations actively consult with their communities concerning their business activities and the impact thereof on these communities
6. Society perceives organisations to act in the best interests of their employees
7. Organisations are “citizens” of society and, therefore, act as good citizens
8. Organisations value the efforts of their staff in terms of the work they do
9. I trust organisations’ intentions of acting ethically
10. Organisations care about the well-being of their staff
11. Society believes that organisations act in the best interests of the environment
12. Organisations commit time and resources (i.e. take action) to the social challenges society faces (such as crime and HIV-AIDS)
13. Organisations will only act in the best interest of the environment if it promotes their business
14. Society perceives organisations to act in the best interest of society
15. Profit is of primary importance to an organisation
16. Organisations commit time and resources (i.e. take action) to the economic challenges society faces (such as unemployment and the impact of poverty)
17. An organisation is only accountable toward its shareholders
18. Organisations are truly committed to being good corporate citizens
19. An organisation has to put everything on the line to outsmart its competitors
20. Organisations are aware of the social challenges society faces (e.g. crime and HIV-AIDS)
21. Organisations put the interests of the environment above the interests of their shareholders
22. Organisations care about the difficulties faced by their communities
23. Being a good corporate citizen enhances organisational learning which, in turn, enables the organisation to understand the market it operates within much better
24. People in general trust organisations’ intentions of acting ethically
25. Organisations are aware of the economic challenges society faces (such as unemployment and the impact of poverty)

All items were measured using the six point scale below:

| Always | Very often | Often | Seldom | Very seldom | Never |
The contribution share of authors is equal and amounted to 50% each of them.

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Prof. Dr Geoff Goldman is Associate Professor in the Department of Business Management at the University of Johannesburg in South Africa. He is the coordinator of full research Masters and Doctoral programs within the Department. Dr Goldman has authored in excess of 70 conference papers, journal articles and books, mainly in the area of Strategic Management. He is also editor of the management journal Acta Commercii.

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