LEADERSHIP AND REINFORCEMENT OF ETHICAL AND UN-ETHICAL CULTURES IN CORPORATE ORGANIZATIONS IN NIGERIA

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ABSTRACT

There is an increasing exhibition and promotion of unethical cultures among corporate institutions across Nigeria, all in a bid to gain competitive advantage, make robust profit margin and other forms of corporate and personal gains. This paper brings to the fore the place of leadership in the reinforcement of ethical and unethical cultures among corporate organisations in Nigeria and the consequences of the two sides of the coin on corporate success and stakeholders benefits by discovering those practices that constitutes ethical and unethical behaviours in corporate institution and identify possible dangers inherent in the promotion of unethical cultures in corporate institutions as well as examine ways by which business organizations can improve on corporate cultures and goodwill. Thereby positing that responsible leadership will help in promoting ethical cultures, while, in most cases, irresponsible leadership will, contrariwise, reinforce unethical cultures in corporate institutions. Therefore recommended that responsible leaders should always be encouraged to fill leadership positions in corporate organizations for maximum corporate success and stakeholders’ benefits and that the process to be adopted in choosing or selecting leaders should be transparent with integrity as inherent element as well as provision of a level plain ground for all.

1. INTRODUCTION

More than ever before, leadership and culture are assuming a greater importance as far as organizational success is concerned. This is so because, in this 21st Century, the challenge in the world of business has assumed a new dimension. Competitive advantage has gone beyond superior manufacturing processes, latest technology in town, strong capital base, and adequate human capital at a firm’s disposal (Wicks etal, 1999). The image of the organization is increasingly important in attracting customers and promoting product loyalty. Organization image will also impact on the share price of a firm and in the attraction and retention of more shareholders to it. Without acceptable practices and behaviour, corporate image will be marred
and public confidence will be dampened. The key agent in the promotion of ethical practices and behaviour in corporate institutions is leadership. The main objective of this research is to bring to the fore the importance of promoting ethical cultures in corporate institutions through responsible leadership. Schein (1985) noted that culture is a body of solutions to problems which have worked consistently and are therefore taught to new members as the correct way to perceive, think about, and feel in relation to those problems. Owens (1987) described it as the patterns of shared values and beliefs over time which produces behavioural norms that are adopted in solving problems.

1.1 STATEMENT OF THE PROBLEM

Unethical business practices and behaviours such as deceptive advertising, industrial spying, lack of concern for environmental damage, questionable decisions concerning product design that sacrifice quality in favour of cost reduction, and fraudulent billing for services rendered are still embarrassingly commonplace in most business organizations across the world. Cultures of some organizations often reward behaviours that violate ethical standards; while a pretty number of organizations are placing emphasis on managerial aggressiveness and corporate success even where the interest of many stakeholders are unduly sacrificed. Irresponsible leadership can reinforce unethical cultures while responsible leadership on the other hand will only serve as a disincentive to unethical cultures, but help in promoting ethical cultures. This paper examines the role of leadership in promoting ethical and unethical cultures in industrial organizations and posits that responsible men and women be brought-in into leadership in corporate organizations to guide against the promotion of unethical cultures and enhance ethical cultures.

1.2 RESEARCH OBJECTIVES

The general objective of this research is to bring to the fore the importance of promoting ethical cultures in corporate institutions through responsible leadership

The specific objectives of the study include the following:

1) To discovering those practices that constitute ethical and unethical behaviours in corporate institutions.
2) To identify possible dangers inherent in the promotion of unethical cultures in corporate institutions.
3) To examine ways by which business organizations can improve on corporate cultures and goodwill.

1.3 RESEARCH QUESTIONS

The following research questions are addressed by the study:

1) What are the practices that constitute ethical and unethical cultures in corporate organizations?
2. What are the possible dangers inherent in the promotion of unethical cultures in corporate institutions?
3. How can business organizations improve on their corporate cultures and goodwill?

2. LITERATURE REVIEW

Schein (1985) has noted that leadership is a critical component of the organization's culture because leaders can create, maintain, or change culture. Sims (1992 and 2000) has also suggested that leadership is important to establishing an ethically-oriented culture. Barnard (1938) also suggested that the function of developing organizational morals is a distinguishing characteristic of executive work going far beyond the moral challenges faced by individuals generally.

2.1 The Concept of organization culture

Corporate culture is one of those focus areas that are not always fully understood and are also not optimally utilized in organizations. A basic definition of organizational culture is the collective way we do things around here. It involves a learned set of behaviours that is common knowledge to all members of a group or organization. These behaviours are based on a shared system of meanings which guide our perceptions, understanding of events, and what we pay attention to. Schein (1990) has noted that culture is thought to permeate the organization on at least three fundamental levels. At the surface, one may observe visible artefacts of the organization that is its structure, technology, rules of conduct, dress codes, records, physical layout, stories, and rituals. Beneath this dimension is a second level, organizational values, and, finally, underlying assumptions about the nature of organizational "reality" that are deeper manifestations of values. In an attempt to distinguish organization culture from organization climate, Denison (1996), observed that, studying culture required qualitative research methods and an appreciation for the unique aspects of individual social settings.

2.2 The Concept of Leadership

Pratap & Srivastava (1985) stated that, “leadership is the process of influencing the activities of an individual or a group in efforts toward group goal achievement in a given situation.” Cole (1977), defines leadership as “a dynamic process in a group whereby one member influences the others to contribute voluntarily to the achievement of groups tasks/goals in a given situation. Weirich & Koontz (1994), see leadership as influence. They described influence as the process of influencing people so that they will strive willingly and enthusiastically towards the achievement of group goals. We inferred from these definitions that, Leadership is essentially an influence. Thus, a leader can influence his/her subordinates either positively or negatively. This influence may come in form of ethical and unethical behaviours. It is commonplace in many organizations today to find managers telling new workers that, although there are better ways of doing these out there, but this is our own way of doing things here. Such orientation has been fast way of planting unethical behaviours among the rank and file in many corporate institutions until
the right way of doing things is seen as alien which must attract heavy punishment. On the contrary, responsible leadership can use the position to influence members in imbibing ‘doing things right’ as a corporate culture that must be rewarded and reinforced.

2.3 Leadership and Organization Culture

The direction in which culture of an organization goes is strongly rooted in the personal goals and value system of its principal operators. The scandals witnessed in the Bank of Credit and Commerce International (BCCI) for instance, was a deliberate and conscious move by its arrow heads. Investigators in the U.S. and the UK revealed that BCCI had been set up deliberately to avoid centralized regulatory review, and operated extensively in bank secrecy jurisdictions. Its affairs were extraordinarily complex. Its officers were sophisticated international bankers whose apparent objective was to keep their affairs secret, to commit fraud on a massive scale, and to avoid detection (Wikipedia, 2012). On the contrary, responsible leadership brought much fortunes to General Electric (GE) Company in the US between 1981 and 2001. Record has it that Jack Welch headed GE from 1981 to 2001. Welch, unlike most other business leaders, created a tightly woven, carefully scripted business philosophy that provided brief, crisp guidelines for every aspect of business. In his goal of making GE the number one or two company in the US, his top priority was good quality. Welch encouraged forthrightness, openness, envisioning, quality workforce, mass participation, and corporate change at the right time.

The performance of Welch at General Electric lent much credence to his ideas and value system. According to Slater (2003), when he assumed the post of Chairman and CEO of GE, the company had annual sales of $25 billion and earnings of $1.5 billion, with a $12 billion market value, tenth best among American public companies. In 2000, the year before Welch retired, GE had $129.9 billion in revenues; and $12.7 billion in earnings. In 2001, GE’s revenues stood at $125.9 billion; and earnings rose to $14.1 billion. From 1993 until the summer of 1998, GE was America’s market cap leader. Under Welch, the company reached a height of $598 billion in market cap (but settled in at about $400 billion during Welch’s final years as CEO). Fortune magazine selected GE as “America’s Greatest Wealth Creator” from 1998 to 2000.

2.4 Culture and Business Prospect

Reinforcing unethical culture in a bid to rake-in more income for the company can be highly counterproductive. This is usually the case where managers reward unethical behaviour rather than punishing it. It also arises where leaders who are expected to play a role model for corporate insiders are themselves caught in the web of unethical behaviour. In this later case, unethical behaviour soon become the general norms and practice in the entire organization. Ethical behaviours and practices are soon thrown aside, while unethical practices soon bear the rule. This is not good enough for any organization, considering the fact that the interests of customers, suppliers, the employees, the shareholders, the public, the government and other stakeholders
will be jeopardized. Corporate image will be at a stake, while trust and confidence will be recklessly sacrificed.

The current wave of globalization and technological innovations has further reduced the world into a global village. The new development has reduced monopolization and enhances customers’ choices across the world. The customer is fast assuming its traditional title of a ‘king’ as a result of this development. No more do people rush for products/services by the mere fact that prices of such products are cheaper in the market. A constellation of factors come to play if a firm must expand and maintain its market base. Quality products, fair pricing, excellent customer relations, transparency, probity, integrity and responsible leadership are essential virtues that corporate stakeholders are monitoring and assessing in corporate organization ratings. The conscious and unconscious introduction of substandard or ‘killer’ products into some markets across the world has led to the ruins of many firms in question. The culture of profiteering at the expense of company stakeholders has dented the corporate image and progress of onetime vibrant organizations. In Nigeria for instance, the baby food called ‘Mypikin’ was said to be responsible for the death of several children in Lagos and other parts of the nation in 2010. The reactions that followed this allegation soon led to the extinction of that product in Nigerian market. Customers abhorred the product and its manufacturers like a plague. Reputation and corporate image were dragged into the mud; trust and confidence were betrayed; visions and dreams were unrealized.

2.5 THEORETICAL FRAMEWORK

Stakeholder theory specifies that a firm consists of a variety of different constituencies, such as employees, suppliers, customers, share-holders, and the broader community (Freeman, 1984, 1994; Donaldson and Preston, 1995). All of these constituencies have a strategic and/or moral stake in the firm, and each is guided by its own interests and values. Senior management often faces problems, such as enhancing the viability of the firm while simultaneously balancing the needs of the various stakeholders. Waldman et al (2006), used three key dimensions of managerial values in their work titled: “Cultural and Leadership Predictors of Corporate Social Responsibility Values of Top Management.” The first was the classic economic theory by Friedman (2002). Here, they represented the shareholder/owner dimension by responsibility to shareholders or private owners to maintain or increase sales and control costs in an effort to maximize economic returns. In the second, they proposed a broader stakeholder relations dimension, which represents values dealing with responsibility to identifiable, non-financial stake-holders. These values, according to them, refer to ethical and positive relations directed toward broader groups of stake-holders, such as employees, consumer groups, and groups concerned with the effect of the firm on the physical environment. Thirdly, they suggested a community/state welfare dimension that represents values relevant to a larger, societal entity - beyond particular stake-holder groups. Responsibility at this level, according to them, is more amorphous in nature, reflecting such values and actions as philanthropy or engaging in
community-based development projects. This study recognizes the interests of the various stakeholders and posits that irresponsible leadership will stimulate corporate cultures and value system that will most likely compromise the interest of many of the identified stakeholders. It therefore proposes responsible leadership in corporate organizations to propel ethical cultural and business practices that will serve as incentive in promoting the interest of all stakeholders in the system.

3. RESEARCH FINDINGS

The following findings were discovered from the study:

1. The study reveals that many organizations are promoting unethical corporate cultures in a bid to enhance their profiteering goals to the maximum. And that, in such bid, the interests of many of their stakeholders, such as customers, suppliers, shareholders, the government and the general public are being sacrificed.

2. The study also noted that responsible leadership will help in promoting ethical cultures, while irresponsible leadership, on the other hand, will rather reinforce unethical cultures. Such development does not augur well for corporate institutions, especially in the world of increasing competition and close substitutes.

4. CONCLUSIONS

The following conclusions are made in line with research findings:

1. That leadership is central to the promotion and reinforcement of ethical and unethical cultures in corporate institutions. Where ethical cultures are promoted, corporate image will receive a boost, the interest of stakeholders will be better satisfied, and this will in turn promote organizational growth and development. This implies that industrial organizations should field responsible leaders in their staff profile, and especially at the leadership levels, to promote good leadership and ethical cultures that will serve as incentive to organization growth and development.

2. Organizations promoting unethical cultures in their quest for profiteering and competitive edge are doing so to their own perils. This is essentially so because unethical cultures, more often than not, rob organization’s corporate image built for years. It also discourages customer patronage and retards organization growth and success.

5. RECOMMENDATIONS

The following recommendations are made:

1. In today’s competing world of business, customers’ choices are on the increase than ever. Organizations that build their corporate image on the arms of ethical practices and desirable behaviour will most likely command public respect and good customers’
patronage. Corporate institutions are therefore enjoined to entrench ethical cultures and behaviours desirable for the promotion of healthy organizations and excellent corporate image.

2. To achieve the feet presented in ‘1’ above, organizations must strive hard in promoting good leadership wish will help in discouraging unethical cultures and promote ethical behaviours and practices. Top managers should project themselves as role models and character moulders as a way of permeating the entire organization with desirable corporate values and practice.

3. Good leadership will not come except there are responsible leaders that will use their positions in enthroning and reinforcing it. Corporate institutions should therefore seek for the right quality of manpower that will fill leadership positions in their organizations. Quality, in this case, must pass the test of probity, accountability and faithfulness.

4. In today’s extremely competitive market, organizations cannot sacrifice ethical practices and behaviour for crazy rush for unjustified gains and profits. There is the need to weed out unscrupulous corporate insiders that promotes unethical cultural practices and behaviours in the interest of corporate stakeholders.

5. Ethical behaviours and practices should be cautiously reinforced, while unethical behaviours should be openly discouraged among the rank and file.

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