EFFECT OF ETHICAL PRACTICES ON THE CORPORATE IMAGE OF SMEs IN NIGERIA: A SURVEY OF SELECTED FIRMS IN IMO STATE

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ABSTRACT: This paper examines the effect ethical practices has on the corporate image of SMEs in Nigeria with selected firms in Imo state. The researchers raised four objective, research questions and hypotheses to guide to the study. A five point likert scale questionnaire was used to obtain relevant information from 151 respondents selected from a population of 173 personnel of the three firms under study. The researcher adopted non parametric kruskawallis test using the 16.0 version of Minitab statistical software (MSS) for testing of hypotheses. The output showed a p-value of 0.001, 0.001 and 0.000 for hypotheses one two and three respectively. Among the major findings includes that ethical practices have significant impact on the image of small and medium scale enterprises in Nigeria. The study concludes that ethical practices impact significantly on the attractiveness of Nigerian SMEs. The researchers recommend that Nigerian SMEs should make ethical orientation an integral aspect of employees training and development programme.

KEYWORDS: attractiveness, corporate reputation, ethical practice, loyalty, integrity, SMEs

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Introduction

Today's customers are becoming increasingly conscious of the reputation of the companies they patronize, organizations are taking practical steps to bolster the perception the customers hold about them. This may be linked with the intensity of competition and dynamism associated with the business environment. SMEs are the worst hit of this environmental impact as they are lacking in funds, strategic information and relevant alliances that are required to remain competitively profitable. The world economy today is gradually integrating into one due to the rapid technological growth especially in the areas of information and communication technology.

According to Chikwe, (2014), this massive adoption of information communication and technology have broken down trade barriers across the nations and deepened competition. In order to enhance their competitive capacities, organizations are engaged in a constant search for operational models that can help them attract and sustain confidence from their various stakeholders or publics. Again, across the globe today, corporate failure has become constant news; this may be as a result of unethical practices especially those associated with top executives who should be an embodiment of the reputation of the organizations. These unethical practices may bring damaging effects on the reputation of the organization and at the long-run their performance.

Defining business ethics, Ebert and Griffin (2003) posit that it is a term often used to refer to ethical or unethical behavior by a manager or employee of an organization. They further stated that because ethics are based on both individual beliefs and social concepts, they vary from person to person, from situation to situation, and from culture to culture. Social standards, for example, tend to be broad enough to support certain differences in belief. Without compromising the general cultural standard, individuals may develop and adopt a set of personal ethical codes that reflect a fairly wide range of attitudes and beliefs. It can therefore be said that ethical and unethical behavior consists of individual and partly by cultural codes. Common unethical practices include in organizations include; padding expense account, seeking re-imbursement for questionable or non-existent business expenses, taking company property or materials for personal use, soliciting or offered kickback, price fixing etc.

A case in point is that of Enron Corporation in America. In 2001, Americans were appalled to learn of the unethical practices carried out by leaders and other employees of Enron (as well as its accounting firm, Arthur Andersen). Enron used various methods of deception to appear more profitable than it really was, including through creating off-the-book entities to which Enron transferred its substantial debt (Jennings, 2005). While the company's stock rose, so did its debt, the company leadership began to use insider information and trading millions of dollars in company stock. When the scandal and impending bankruptcy were revealed, the company's stock decreased from $90 to less than $1 per share, a devastating hit to the financial market and numerous investors and employees (Betz, 2002). The public was shocked at the numerous unethical financial practices. Enron's executives allowed themselves to be motivated much more by what they would benefit them than what would truly benefit the company. The political model of organizational behavior describes this focus on self-interest.

Bucholz (2003), sees ethics as the guiding values; principles and standards that help people determine how things ought to be done. In the view of Judith (2003), ethics is a set of standard of right and wrong established by a particular group and imposed on members of that group as a means of regulating and setting limit on behavior. To sum-up the above definitions, one can therefore define ethical practices as the conscious compliance with the standard of morality that guides individual and organization in following certain norms of conduct when dealing with people within and outside the organization.

Discussing the make-up of corporate image, Kandampully and Hu (2007), posit that corporate image consists of two main components; while the first component focused on measurable tangible characteristics which makes it functional, the second component consist of emotional factors such as feelings, attitudes and beliefs one holds towards the organization. The emotional components are outcome of experiences which the customer has with the organization over time. Finally, scholars have expanded this assertion by including multiple variables that constitutes corporate image. They argue that experiences, beliefs, feelings and knowledge about a company are all sources that shape corporate image. These scholars therefore viewed corporate image as the net result of the interaction of all the experiences, impressions, beliefs, feelings and knowledge that people have about a company. For an organization to survive this dynamic and complex environment, a structured and effective control must be instituted to curb the rate of resources misappropriation and outright corporate fraud.

Statement of the Problem

SMEs in Nigeria plays critical role in filling some strategic gaps in the economy especially employment generation and the improvement of the manufacturing capacity of the economy. However, over time, the opinion of the public and other stakeholders in the economy about the ethical compliance of these small and medium scale enterprises cannot be said to be favorable. This may be associated with the poor ethical practices that are prevalent in them. These unethical practices have raised negative market perception about the quality of the product produced by SMEs, hence affecting their patronage and overall company performance. Part of the expectations of the society from business is their social concern. When an organization is associated with unethical practices, its acceptance by the public is reduced hence affecting their public image

The performance of every organization is often associated with the quality of their workforce. Organizations with poor image or that is known with unethical practices may have challenges attracting and retaining the services of qualified employees. Moreover, organizations with unethical baggage may have difficulty that will limit their ability to attract investors or even secure financial grant from banks and international partnership that can provide the needed resources to compete favorably. This poor attractiveness at the long-run will hamper the corporate image and performance of the organizations. The problem of this study therefore is to investigate the effects of ethical practices on the image of SMEs in Nigeria.

Objectives of the Study

Generally, this paper is focused evaluating the effect of ethical practices on the image of SMEs in Nigeria. The paper shall examine the following specific objectives;

1. Effect of employees' honesty on the service quality of SMEs in Nigeria.
2. Effect of employees' integrity on market competiveness of SMEs in Nigeria.
3. Effect of employees' loyalty on the attractiveness of SMEs in Nigeria.

Research Questions

The following research questions are raised to provide guide to this study

i. What are the effects of employee honesty on service quality of SMEs in Nigeria?

ii. What are the effects of integrity on market competitiveness of SMEs in Nigeria?

iii. What are the effects of employee loyalty on the attractiveness of SMEs in Nigeria?

Research Hypotheses

The researchers made the following tentative assertions for this paper

Ho_1: Employee honesty does not affect the service quality of SMEs in Nigeria.

Ho_2: Employees' integrity does not affect the market competitiveness of SMEs in Nigeria.

Ho_3: Employees' loyalty does not affect the attractiveness of SMEs in Nigeria.

Review of Literatures

Ethical Practices

Epstein (2002), asserts that ethical issues in business conduct have already become *one of the most challenging issues confronting the corporate community in this era*. Indeed, it seems to be increasingly expected that companies act morally, at least in certain instances and within certain limits. In addition to recent empirical research on the subject, some (more or less) "traditional" business ethics researchers seem to acknowledge business ethics being an institution. If not immediately apparent, at least this could be read between the lines. In the opinion of Verstraeten (2000), business organizations are not merely private organizations, but social institutions which are part of the larger society. They get their legitimacy by way of contributing to the welfare and the interest of the communities on which they have an influence. The business ethicist's words are definitely more in sync with the institutional view than with the view of business ethics literature, especially when taking into account the following argument: ethical conduct is considered more rational than unethical conduct, among other reasons because of the influence of positive and negative sanctions. This argument clearly refers to an amoral motivation behind ethical behaviour, and also to the idea of legitimacy, which is the "positive sanction" of ethical behaviour. Hosmer (1996), states that the role of ethics on business is increasingly important as *"our society becomes more crowded, our economy more competitive, and our technology more complex"*. Based on this view, the importance of business ethics would only increase in the future, as the trends mentioned are hardly weakening. Business ethics researchers in general argue that the significant role given to business ethics can be justified, as business and morality are related in diverse ways. It is often stated that business is an important part of contemporary society. It involves all of us, in one way or another, hence; business is not something separate from society or imposed upon it—it is an important part of society and its activities. Societies, in turn, are structured around certain fundamental moral rules. Consequently, for businesses to operate in a social structure, which is as much ethical as it is legal, political, economic, or anything else, moral issues cannot be ignored or dismissed as irrelevant.
Chryssides and Kaler (2003) posit that business ethics is applied ethics. They further stated that it is the application of our understanding of what is good and right to that assortment of institutions, technologies, transactions, activities, and pursuits which we call 'business. In other words, it is a specialized study of moral right and wrong. It concentrates on how moral standards apply particularly to business policies, institutions and behaviour. They posit further that the conventional definition of business ethics as a set of principles prescribing behaviour code that explains good and right or bad and wrong are static to be useful in today's dynamic environment. According to them, this conventional definition presumes a consensus about ethical principles which may not be in existence in this pluralistic age with multiple clients, shifting values, and erosion of a unifying social ethic (puritan/protestant ethic). Consequently, they argue that a more dynamic definition of business ethics is needed.

Different Dimensions of Business Ethics

The way researchers define business ethics depends greatly on their underlying assumptions about the subject, acknowledging these differences in notion may be considered extremely important. In the view of Smith and Johnson (1996), there seems to be three main dimensions to the study of business ethics namely: (1) the prescriptive approach, (2) the descriptive or relativist approach and (3) a combination of these two, the approach of moral pluralism

➢ *Prescriptive Approach:* The prescriptive approach believes that in business ethics, a global best practice is possible. This implies that there exist eternal moral principles that are cognitively accessible to everyone in the conduct of business regardless of social and historical context. This dimension argues that it is possible to objectively judge the behaviour of others in the light of their conformity to, or deviance from, these standards. The prescriptive approach is associated with the teleological and the deontological school of thought. Briefly put, however, the first tradition is about judging peoples' behaviour based on their consequences whereas the latter is about judging peoples' behaviour based on certain characteristics different from the final consequences.

- *Descriptive/Relativistic Approach:* The descriptive/relativistic approach to the study of business ethics seems to be increasingly discussed, as in today's global business world people have noted that one can no longer presume a common, universal, prevailing consensus for individual and organizational ethics. The approach is anchored on the ways in which people reason about ethical issues, and thereby subjectively constructs ethical principles that are applicable to human behaviour, varies between and within different societies both contemporaneously and historically (Benn 2008). This is because ethical systems are social constructions bound by cultural traditions and are, therefore, always relative to a tradition from which human actors can never escape. Thus, according to the view, it is impossible to have ultimate, universal, or absolute set of moral globally. One can only describe different ethical principles, not normatively judge them even though it seems, at least when relying on the definitions of business ethics provided by different researchers, that most academics holds a prescriptive view to the concept, many of them do acknowledge the existence of ethical relativism.

Evaluation of Ethical Performance (EEP)

Svensson and Wood (2009) introduce a model for evaluation of ethics. They distinguish five different functions that can be examined in order to rightfully evaluate if ethics have been acceptable or not. These five functions of ethics include;

- *Time:* Time is a parameter that underpins other categories. The impact is continuous and has a changing nature connected to it. It is difficult to predict how practices of today will be evaluated tomorrow. Ethical values and principles of the moment are often used to review previous practices, so that in ensuring a rightful judgment on whether an action is ethically acceptable or not, history would have been considered. The historical values of the dominating society where the organization is situated have to be taken into cognizance
- *Context:* Context is dependent on timing. Svensson and Wood (2009) argue that the context in which actions take place affects what is seen as acceptable from an ethical perspective. Different contexts are normal when acting on different markets. Holme, (2008), believes that If organizations are working in different environments it has to be taken into consideration that values, ethics and social responsibilities interact within the organization
- *Gap:* To promote preferable ethical values can be to support these particular values by leaders of the organization. When opinion on what the organization is between how internal and external forces, a gap would have occurred. Having a gap between what is considered as internal and external ethical ´righteousness´ presents a risk because actual ethical practice can then be considered to be negative externally, while being conceived positive internally. Power (2009), therefore states that having a long-term focus on ethic is thus a major reason for not having a negative gap between internal and external groups
- *Outcome:* The outcome parameter is similar to that of gap depending on the earlier parameters. The outcome of ethical performance is dependent on how the divergence in

perception between internal and external stakeholders of the business is being handled. Svensson and Wood (2009) label this difference as proactive or reactive performance. Proactive performance implies that the company is trying to provide leadership ahead of the market and the society in terms of ethical performance whilst reactive represent a conduct which follows demands (pushing vs. following ethical standards). Both reactive and proactive practices are taking place in an interaction with society. The choice between them is dependent on how they interplay in a given situation. If companies are not following norms, values and beliefs situations can become very troublesome. One of the implications of internal ethical weaknesses is organizational threats and exposure to risks when integrated with external groups. On the other hand, internal strength can lead to external opportunity. Organizations can plan their ethical contingency and try to affect the outcome in terms of ethical performance. By evaluating the ethical context, the internal perception of business performance and external perceptions, organizations have the choice to react either in a proactive or reactive manner. Since proactive and reactive work is taking place simultaneously in an interaction with society it is most times difficult to determine if a reaction is proactive or reactive. On one hand a company can react proactive to improve ethical standards. It is also possible to argue that companies always act reactive due to the understanding that problems always exist. The problems are triggers to respond to; therefore every action can be seen as reactive. Therefore to be proactive means actively working with ethics continuously while to be reactive can thus be perceived as passively standing by until a situation has occurred.

- *Consequence:* Consequence as the last parameter explains the essence of understanding how action will affect organizational ethical performance. By internally performing well on ethics a company can gain long-term business credibility consequently, poor internal ethical performance may lead to risk. A reactive ethical approach is stronger correlated to high risk than a proactive performance. Internal actions prevent risks from external environment. Internal analysis of ethical behavior can together with external analysis be used to better understand an organizations opportunities and threats and how to act upon them. According to Connor (2006), a consequence of being transparent and working in line with ethics internally may lead to better understanding, less misinterpretation and improved collaboration. Business ethics can be applied successfully in the marketplace for the betterment of all stakeholders but on the downside the misapplication of business ethics principles may create a disaster situation. The classification in the EPE-model is judged by evaluating strength weaknesses opportunities and threats. The situation can also be judged as ambiguous.

Corporate Image

In the view of Kim and Lee (2010), corporate image is the perception of an organization that customers hold in their memories, because it works as a filter through which a company's whole operation is perceived and it reflects a company's overall reputation and prestige. They indicated that corporate image considered among other factors influencing customer loyalty has the greatest influence. Describing corporate image, Nukpezah and Nyumuyo (2010) indicated that corporate image is related to the physical and behavioral attributes of the firm, such as business name, architecture, variety of products/services, and the impression of quality communicated by each person interacting with the firm's clients. They concluded that corporate image relates positively with customer loyalty as evidenced by findings from three sectors including telecommunication, education, and retailing. Although a customer may not have enough information about a firm, information obtained from different sources such as advertisements

and word of mouth will influence the process of forming the corporate image. Corporate image thus impacts a customer's evaluation of service quality, satisfaction, and loyalty. Mitchell (2001), posits that corporate image may be considered as a function of the accumulation of purchasing/consumption experience overtime and has two principal components: functional and emotional. The functional component is related to tangible attributes that can be easily measured, while the emotional component is associated with psychological dimensions that are manifested by feelings and attitudes towards an organization. These feelings are derived from individual experiences with an organization and from the processing of information on the attributes that constitute functional indicators of image. Corporate image is, therefore, the result of an aggregate process by which customers compare and contrast the various attributes of organizations.
Distinguishing corporate image from other closely related concepts, Gotsi and Wilson, (2001) asserts that organizational identity is based upon the core values of the organization, and that these core values are simply shared constructions expressed through internal stakeholder perceptions of "who we are." Once expressed, the organizational identity gives rise to the development of an organizational reputation, which, in contrast to organizational identity, is the perception of the organization on the part of external stakeholders.

Methodology
This study followed the survey research design. The choice of survey design is appropriate since the number of element (population) under study is known and the data sought is homogenous in nature. The population consists of all personnel of Aluminium extrusion industry inyishi, Max aluminium and allied products and Gmicord industrial group all in Imo State which is given as 173 personnel. Using Taro Yamene's method, the researchers selected a sample of 151 members of staff. The statistical tool used for data analysis is the Non-Parametric Kruskalwallis test using the 16.0 version of the Minitab statistical software (MSS). kruskawalis may be expressed mathematically a: $T = H = \frac{12}{N(N+1)}\sum_{i=1}^{k}\frac{R_i^2}{n_i} - 3(N+1)$.

Data Presentation, Results and Discussion
In this section, a tabular presentation of data used in this study was done, data used were analyzed and the kruskawalis output were also discussed

Table 1 Data Distribution for Hypothesis Three

S/N	QUALITY PERCEPTION	OPTIONS				
		SA	A	U	D	SD
1	Customer care is a significant aspect of our ethical policy.	18	54	33	19	11
2.	The company's ethics requires constant production of high quality product.	28	59	16	23	9
3.	The company's goods and services are reliable	14	51	29	25	16

4.	The company's innovations are based on best ethical standard.	17	42	38	28	10
5.	The price of our goods and services reflects their high quality.	22	49	19	31	14

Source: field survey 2016

Kruskal-Wallis Test: C1 versus C2

Kruskal-Wallis Test on C1

C2	N	Median	Ave Rank	Z
1	5	18.00	9.8	-1.09
2	5	51.00	23.0	3.40
3	5	29.00	14.6	0.54
4	5	25.00	14.2	0.41
5	5	11.00	3.4	-3.26
Overall	25		13.0	

H = 19.05 DF = 4 P = 0.001

H = 19.08 DF = 4 P = 0.001 (adjusted for ties)

From the Minitab output, the p-value is 0.001, which is less than the level of significance (0.05), therefore we reject the null hypothesis and conclude that ethical practices has significant effect on the quality perception of SMEs in Nigeria.

Table 2 Data Distribution for Hypothesis Two

S/N	CORPORATE GROWTH	OPTIONS				
		SA	A	U	D	SD
1	Ethical practices improve our company's book-value.	21	39	24	37	14
2.	The company's revenue has increased due to ethical practice.	19	49	20	29	18
3.	The ethical standard in our company has contributed to the growth of our sales volume.	27	48	11	36	13
4.	The company's ethical standard has improved our company's asset significantly.	20	41	37	21	16
5.	The company's overall financial rating has increased as a result of our strong ethical practices.	23	38	35	27	12

Source: field survey 2016

Kruskal-Wallis Test: C1 versus C2

Kruskal-Wallis Test on C1

C2	N	Median	Ave Rank	Z
1	5	21.00	10.5	-0.85
2	5	41.00	23.0	3.40
3	5	24.00	11.8	-0.41
4	5	29.00	15.7	0.92
5	5	14.00	4.0	-3.06

Overall 25 13.0
H = 18.09 DF = 4 P = 0.001
H = 18.12 DF = 4 P = 0.001 (adjusted for ties)

From the Minitab output, the p-value is 0.001, which is less than the level of significance (0.05), therefore we reject the null hypothesis and conclude that ethical practices has significant influence on the corporate growth of SMEs.

Table 3. Data Distribution for Hypothesis Three

S/N	**ATTRACTIVENESS**	**OPTIONS**				
		SA	**A**	**U**	**D**	**SD**
1	The company's ethical standard makes it a preferred place to work.	15	49	21	34	16
2.	Investors perceive our company as a high yield to investment due to the morality of our top management.	22	51	23	24	15
3.	The company's relationship with financial institutions has improved due to our financial ethical practices	20	57	26	23	9
4.	The company's operational model adequately provides for investment risk control.	12	44	38	30	11
5.	The suppliers has confidence in the agreement they enter with our top management	19	39	30	29	18

Source: field survey, 2016

Kruskal-Wallis Test: C1 versus C2

Kruskal-Wallis Test on C1

C2	N	Median	Ave Rank	Z
1	5	19.00	7.1	-2.00
2	5	49.00	23.0	3.40
3	5	26.00	15.0	0.68
4	5	29.00	15.8	0.95
5	5	15.00	4.1	-3.02
Overall	25		13.0	

H = 20.85 DF = 4 P = 0.000
H = 20.87 DF = 4 P = 0.000 (adjusted for ties)

Discussion: From the Minitab output, the p-value is 0.000, which is less than the level of significance (0.05), therefore we reject the null hypothesis and conclude that ethical practices has significant influence on the attractiveness of SMEs.

Conclusion

From the findings made, the researcher drew the following conclusions;

(i) Ethical practices impacts significantly on SME's quality perception.
(ii) Ethical practices impacts significantly on SME's corporate growth.
(iii) Ethical practices impacts significantly on the attractiveness of Nigerian SMEs.

Recommendations

Sequel to the findings and conclusions above, the researcher's recommendation are as follows;

(1) As part of image boosting strategy, Nigerian SMEs should consciously develop and implement policies on publicizing their ethical practices

(2) Nigerian SMEs should ensure that unethical conducts by their top management are disciplined immediately to serve as a deterrent to other employees.

(3) Nigerian SMEs should make ethical orientation an integral aspect of employees training and development. This will develop the culture ethical practices in the organization in general and individual employees in particular.

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