

***Assessment of Business Ethics Practices: in ASHRAF Group  
PLC in Bahir Dar City***

*A Thesis Submitted to School of Graduate Studies in Partial Fulfillment  
of the Requirements for the Degree of Master of Business Administration  
(MBA)*

**By: Aychew Mengesha**



Jimma University

College of Business and Economics

Department of Management

OCTOBER, 2018  
JIMMA, ETHIOPIA

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By

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Under the supervision of:

Shimelis Zewdie (PhD)

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OCTOBER, 2018  
JIMMA, ETHIOPIA

## DECLARATION

This is to certify that the thesis entitles “*Assessment of Business Ethics Practices in ASHRAF Group PLC in Bahir Dar City*”, submitted to Jimma University for the award of the Degree of Masters of Business Administration (MBA) and a record of original research work carried out by me, under the guidance and supervision of Shimelis Zewdie (PhD).

The thesis is original and has not been submitted for the award of any degree or diploma to any university or institutions.

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Aychew Mengesha

## **Acronyms and Abbreviations**

CSR	Corporate Social Responsibility
EU	European Union
FAO	Food Association Organization
FDI	Foreign Direct Investment
IAP's	Integrated Agro-Industrial Parks
KPI's	Key Performance Indicators
SPSS	Statically Packages for Social Science
SS	Sample Size
UNDP	United Nations Development Program
UNIDO	United Nations Industrial Development Organization
U.S	United State

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## **Abstract**

*In an increasing domestic and international market competition, businesses cannot ignore ethics due to the risk to their reputation and increasing internal and external pressures. By considering the importance of business ethics and the importance and increasing trend in the role played by agro-industries and agribusiness development efforts in the country, the study aims to investigate business ethics practices among the food agro-industries in Ethiopia. The study adapted a case study design with the ASHRAF Group PLC and explored implementation of business ethics practices and four business ethics dimensions, namely, product safety, employee health and safety, social responsibility (social concern) and environmental protection. By drawing data from in-depth interviews, questionnaire based survey and company document review and analysis, the study explored business ethics practices and implementation in the company. Our Sample size from total population of employees of 268, the estimated sample size was 158.the final sample size was 166. Overall, the study shows absence of overall and companywide business ethic guide although there were fragmented and informal activities to deal with business ethics issues. There were also gaps and rooms for improvement in the four dimensions of business ethics considered. Although there were gaps and lapse in business ethics practices, it was encouraging to find positive attitudes and willingness in the company to strive more and implement proper business ethics practices. The company believes in the importance of business ethics. On the other hand, the company does not practice business ethics formally. Hence, to practice business ethics formally, the company had better make use of the following indicators of formal business ethics. These could include written ethical standards, publication of codes of ethics, training program on business ethics, ethical committee or ethical officer.*

**Key Words:** *Business Ethics, Environmental Protection, Health and Safety, Product safety and Social responsibility.*

# CHAPTER ONE

## 1. INTRODUCTION

Ethical business identity is becoming an important feature of intrinsic value to business. The reforms in government regulation, increasing scrutiny by the media and the mounting stress of different stakeholders have brought business ethics on strategic agenda of all sections of society. Business ethics refers to moral demands regarding the business and is based on the theory of the relationship between business and society at large. A major responsibility of business ethics focuses on identifying ways to reconcile strategic issues of the company with the moral responsibility and commitment to stakeholders. Ethics is a good business investment that generates trust and confidence between the parties and in turn guarantees long-term performance (Hosmer, 1994).

### 1.1. Background of the Study

Business ethics is not confined to the above variables only, but also ethical issues with relating to advertisement, shareholders, partners, suppliers, competitors, government and the like which are not the focus area of this study are widely in practice.

Ethics covers moral, social and legal issues and using ethical analysis as a component of the decision would result in better use of company resources as well (Areal and Carvalho, 2012). If the business houses want to exist in the long term, they have to follow sound, rational and logical basis for ethical decision making. The companies those follow business ethics responsibly would be able to achieve ultimate success than those that are only motivated by immediate profits. When the only objective of a business is to make profit, it may be able to achieve its short-term objectives, but may lose its advantage and goodwill in the long-term.

If the company wants to be successful in the long term, it must have a social responsibility strategy to understand and use the most effective elements of business ethics, organizational culture and corporate social responsibility (Purlys, 2010).

Earlier, there was a growing concern about the ethics of business because of its impact on the natural and social environment (Viriyavidhayavongs and Yothmontree, 2002). With globalization and growing influence of industry on training and policy actions in the recent past, the ethical behavior of companies has attracted researchers and the media. Business ethics has had a serious consideration which is apparent from the recent financial scandals like Satyam, 2G Spectrum, etc. The question whether good ethics leads to good business, is still unresolved (Gibson, 2000).

The term "business ethics" is used in many different ways. Business ethics is a form of applied ethics that examines ethical principles and moral or ethical problems that arise in a business environment (Baviskar et al, 2005). It also deals with ethical questions in the field of technical, legal, business, and medical ethics (Preston, 1997: 6-11). It applies to all aspects of business conduct (Baumhart, 1968; Ferrell & Fraedrich, 1997; Singer, 1991) and is relevant to the conduct of individuals and business organizations as a whole (Bernard, 1972; Donaldson, 2002: 36). Business ethics consists of a set of moral principles and values (Jones et al, 2005: 17) that govern the behavior of the organization with respect to what is right and what is wrong (Badiou, 2001; Seglin, 2003).

Ethics is often defined as an underlying principle that would produce an action to prevent a substantial harm to others, when an individual or group has an opportunity to do so for their own benefit (Boddy, 2011).

Successful international manager's today claim their primary purpose is not to maximize profits (Suderman, 1999). Without virtues such as trust, cooperation, honesty and fairness upon which society and business firms rest, long-term success and growth of the firm is impossible; increases in productivity and product quality depend upon them (Suderman, 1999).

According to McGee (1992), businesses are not only economic relation created by the exchange of goods and services, but also moral relationship. As a result, businesses around the world are designing and implementing business ethics program to address the legal, ethical, social responsibility, and environmental issues. By addressing these issues in a systematic way, enterprises can improve their own business performance, expand opportunities for growth, and contribute to the general social welfare. In addition to this, markets become free and remain free if their players are responsible and respect the basic values of honesty, reliability, fairness and self-discipline.

According to Fisher (2004, pp. 391-400), it is the code of moral principles that sets standards of good or bad, or right or wrong, in one's conduct and thereby guides the behavior of a person or group. Particular business ethical issues in this study were product safety, employee health and safety, social responsibility and obligation of the company to the environment.

Product safety is an important issue that needs to be underlined in the relationship between business and consumers. Most consumers lack the expertise to assess the safety of today's technologically sophisticated products and must rely at least to some extent on the impression they are given by sellers. Therefore, the growing lack of confidence in the market system to protect consumer safety is demonstrated by the increase in consumer protection legislation (Hoffman and Frederick, 1995).

Concerning employee health and safety, all workers have a fundamental right to execute their job contract in safe and healthy conditions. Employees may be exposed to extreme heat, cold, excessive noise levels, dust, chemical agents, or radiation. According to Brain Harvey (1994), employees should be compensated sufficiently for risk they are asked to take both through appropriate insurance and social security provisions.

Businesses are expected to play social responsibility by contributing to the welfare of the society. Social responsibility focuses on the impact that business activity has on society (Josie Fisher, 2004, pp. 391-400). Lastly, they are also expected to protect communal ownership natural resources like water, forest, wildlife, air, and others from pollution (McGee, 1992).

Great deal of interest in codes of ethics exists in both the business community and the academic community (Bruce R. Gaumnitz and Lere, 2004, pp. 329-335). Ahmed, Chung, Eichenseher (2003, pp. 89-102) also concluded that with the growing interest and debate surrounding "Globalization", no one can underestimate or push aside the importance of the perception of ethical behavior of business.

The problem is not only the concern of business firms, but far more importantly, it draws into the picture politicians, government officials and various national and international pressure groups.

Since few researches including the above have focused on the business ethical practices of developing countries, the situation calls for other extended studies which explore the nature and the practices of business ethics in developing countries (specifically in Ethiopia) with the newly emerging industries.

By appreciating the importance of ethics in businesses, this study was designed to examine the practices of business ethics in the growing food agro-industries in Ethiopia by taking ASHRAF Group PLC as a case study. Currently the group is in the business of producing various food products including different gradients of edible oil as well as juices.

## **1.2. Statement of the Problem**

Ethiopia has been leading dominantly agriculture based economy. However, the effort to shore up industrial activities and increase the share of the industry sector has been the focus of the current and the past two regimes that lead the nation with different approaches of market orientation and ownership structures (Gebreeyesus, 2014). Agro-industries have particular relevance in this process as they use and transform agricultural inputs for export or domestic markets, are dominantly labor intensive and therefore assist in the transition from agricultural based to industry based economy by absorbing the large and growing labor force (da Silva et al., 2009).

Moreover, there has been a growing trend to encourage and attract investment in agro-industries and agribusinesses. Policies and strategies to attract domestic and foreign investment in the sector have been in place. There has been observed growth in foreign direct investment (FDI) in the country over the past 25 years and majority of the FDI projects have been in agriculture and manufacturing sectors, accounting for 81.5% of the total FDI projects over the period of 1992 – 2017 (Ministry of Finance and Economic Cooperation, 2017). As multinational organizations and foreign firms enter the market and increase their involvement, it is critical to examine to what extent foreign owned firms implement business ethics practices as they operate in the country.

According to (D'amato et al, 2009) cited by Negassa (2015), businesses are responsible and accountable for their business impact on society and the natural environment beyond legal compliance. Meeting these challenges requires the combined efforts of a global society and responsible leadership devoted to diversity, ethics, and values.

An organization that wants to earn sustainable profit over the long period of time is well advised to perform its business operation in ethical and social responsible way. Businesses also must take into account a wide range of social and environmental issues into consideration. In short, businesses must find the right match between doing what is ethical and doing what is profitable.

In today's business practice social performance of companies can be seen from provision of quality product, reasonable price of a product/service, employment opportunity, providing equal employment opportunities, treatment of employees, environmental protection, providing a safe and healthy workplace. To make known their ethical practices and social responsibility, several companies highlight charitable contributions and community service in their annual reports and on their Web sites (Business in global environment, 2009).

Particular business ethical issues in this study were product safety, employee health and safety, social responsibility and obligation of the company to the environment. Product safety is an important issue that needs to be underlined in the relationship between business and consumers.

In Bahirdar city many customers are suffering from unethical as well as illegal business practices of business firms. From my life experience in the town, I observed some businesses operate to deceive customers and they do not worry for business ethics.

However, there is observed research gap in this area which the thesis aims to business ethical issues mainly based on product safety, employee health and safety, social responsibility and obligation of the company to the environment in case of ASHARAF Group PLC, being in Bahirdar city.

### **1.3. Objectives of the Study**

#### **1.3.1. General objective of the study**

The general objective of the study was to investigate practices of business ethics in ASHRAF Group PLC in Bahir Dar city.

#### **1.3.2. Specific objective of the study**

The specific objectives of the study were:

- To assess overall design and implementation of business ethics as a strategy and operating activates;
- To assess product safety and employee health and safety practices; and
- To explore social responsibility and environmental protection practices.

### **1.4. Research Questions**

The research questions were:

- To what extent manufacturers in the food agro-industry acknowledge business ethics and incorporate it in their strategy and operation?
- Are product safety and employee health and safety practices and guidelines in place and followed?
- Do food agro-industries recognize corporate social responsibility and environmental protection and what is the extent practice?

### **1.5. Significance of the Study**

Business organizations cannot ignore ethics due the risk to their reputation, and increasing internal and external pressures. For instance, customers, governments and community are expecting private and public sector organizations to be more ethical in their trading policies and business dealings. Hence, it is important for businesses to consider and implement business ethics principles in their activities.

This research is thus intending to fill the literature gap related to business ethics will highlight areas of strengths and weaknesses in the recognition of business ethics as a corporate strategy and the practices and implementation in day to day operations among food agro-industries. This will be a critical input for



policy makers interested in understanding business ethics practices and design ways to improve the crafting and implementation of business ethics strategies and guidelines.

Often ethics succeeds law in safeguarding the society. The law machinery is often found acting as a mute spectator, unable to save the society and the environment.

In addition, although the results may have limitations as discussed in the next sub-section, it will be a significant input and contribution to the literature of business ethics in Ethiopia and benefit future researchers who may want to broaden the sample or explore business ethics in other sectors and sub-sectors.

## **1.6. Scope of the Study**

The study has delimited its scope with a case study of a food agro-industry, the ASHRAF Group PLC. Although the case company provided richer information on aspects of business ethics, as any case study, we acknowledge the issue of lack of generalizability of the results as one potential limitation.

Another scope of the study worth mentioning is the broader dimensions of business ethics considered. The business ethics dimensions study explored are product safety, employee health and safety, social responsibility, and environmental protection. Although the case study leads to the problem of generalizing the results, it has allowed us to explore broader dimensions of business ethics which would have been difficult to achieve with larger samples due to the requirements of more time and resources.

## **1.7. Limitation of the Study**

Time and resources were indeed one of the practical limitations faced in undertaking the study and one of the reasons for the strategy adapted. So that it requires future research which broaden the sample size to include other businesses.

## **1.8. Definition of key Terms**

**Ethics:** The study of morality. It is a systematic attempt to make sense of our individual and social moral experience, in such a way as to determine the rules that ought to govern human conduct, the values worth pursuing, and the character traits deserving development in life.

**Business ethics:** The set of moral rules that govern how businesses operate, how business decisions are made and how people are treated. In business, there are many different people you have to answer to: customers, shareholders and clients. Determining what to do when an ethical dilemma arises among these different interests can be extremely tricky, and as such business ethics are complex and multi-faceted.

**Employee health & safety:** It is clear that employee safety and health have ethical dimensions since relevant managerial decisions affect workers' lives and well-being and satisfaction. ethics and health and safety are inextricably bound to be stable in growth.

**Product Safety:** is not a choice for organization, but a must to make a product effective, durable, and safety that is very helpful for the organization to keep in profit and increased trust worthy by different consumers. Any product or service that could be hazardous to the health conditions of people, animals or the environment should have clear advisories and warnings. Once the problem is identified the company can collect data to help improve the product and reduce or eliminate the danger. An example would be fast food restaurants eliminating the use of hydrogenated oils even before trans fats were banned.

**Social Responsibility:** business organizations should have responsibilities which go beyond making profits. it is proper for companies to support worth community initiatives like Education, Infrastructures, or Health/hospitals.

**Environmental protection:** business organizations should go for environmental protection to ensure sound stewardship of natural resources, for legal reason, and for corporate image.

## **1.9. Organization of the Study**

This research paper consists of four chapters. The first chapter presented background of the study, statement of the problem, justification of the study, objectives of the study, research question, significance, scope, limitation and organization of the study.

The second chapter contains review of related theoretical and empirical literature as well conceptual framework. The third chapter presents the methodology that was used to answer the research questions and objectives. The fourth chapter contains results and discussion.

The last, but the most important chapter, would summarize the findings, conclusion and recommendation for the problems.

## **CHAPTER TWO**

### **2. REVIEW OF RELATED LITERATURE**

#### **2.1. Theoretical literature review**

In order to comprehend the concepts and theories presented in this study it is imperative to define issues such as, business ethics. This section has the aim of describing the vital concepts, of forming the backbone of the thesis by introducing those employed theories.

#### **2.1.1. Concepts of Business Ethics and Its Development**

##### **2.1.1.1. Business Ethics**

‘Only ten years ago, the subject (of business ethics) was still an awkward amalgam of a routine review of ethical theories, a few general considerations about the fairness of capitalism, and a number of already-standard business cases - most of them disgraces, scandals and disasters displaying the corporate world at its worst and its most irresponsible. Business ethics was a topic without credentials in ‘mainstream’ philosophy, without conceptual subject matter of its own...business ethics was far too concerned with the vulgar currency of everyday exchange money’ (Solomon, 2001, p.354).

Ethics is an area that encapsulates many concerns: human rights, environmentalism, social policy, international development, community development and, more importantly, individual beliefs.

“...the general study of goodness and the general study of right action...constitute the main business of ethics. Its principal substantive questions are what ends we ought, as fully rational human beings, to choose and pursue and what moral principles should govern our choices and pursuits.” (Audi, 1995)

Steiner (cited in Mitchell et al.1996, p.439) describes business ethics as behavior that is deemed fair and just, including, and above and beyond, laws and regulations. Griffin (1993, p.90) defines ethics as an individual’s personal beliefs regarding right and wrong behavior. Ethical behavior is also defined by Griffin as behavior that conforms to generally accepted social norms. Ethical behavior is in the eye of the beholder - for example, one person who finds a twenty-dollar bill on the ground may believe that it is acceptable to take it, whereas another will feel compelled to hand it in to the lost-and-found department. This follows the idea that unethical behavior is behavior which does not conform to generally accepted social norms.

Loucks (1987 cited in Mitchell et al.1996) further suggests that ethics is seen as something beyond obedience and adherence to the law. It implies an understanding of what is the good or right thing to do,

and an internal system of beliefs and values that guide one's actions. Solomon, (2001) argues that there is some confusion in defining exactly what constitutes ethical behavior in an organization. For example, there have been numerous discussions about different ethical systems, whether ethics are situation specific, and the unique situations involving ethics that are encountered in business settings.

Solomon (2001, p.357) proposes three levels of business and business ethics:

- *Micro* - the rules for fair exchange between two individuals, the traditional ethics of promises and other obligations, the intentions, consequences and other implications of an individual's action, the grounding and nature of various individual rights.
- *Macro* - the institutional or cultural rules of commerce for an entire society (the business world), such as justices, legitimacy and the nature of society that constitute social and political philosophy. It is an attempt to see the 'big picture'; to understand the nature of the business world and its function as such.
- *Molar level* - concerning the business unit - the corporation. The central questions of business ethics tend to be unabashedly aimed at the directors and employees of those corporations that rule so much of commercial life around the world. In particular, questions on the role of the corporation in society and the role of the individual in the corporation. There are three levels of ethical discourse, namely: the questions of corporate social responsibility; the role of the corporation in a larger society; and the role of the individual in the corporation.

It is because of this lack of agreement that this thesis will attempt to explore, and stimulate thoughts upon, the subject - Business Ethics. In the current business context, morality is equivalent to legality. A legally binding corporation or individual is morally 'correct/right' but may not be ethical. It has been suggested that ethics is the guiding principle of moral behaviors, while corporate governance is how an organization operates within the applicable laws. Therefore, what is legal or lawful may not be ethical. As suggested by Thakor (2003, p.127), 'the dividing line between law and ethics is a constantly moving one. What is legal but unethical today may well become illegal tomorrow.'

Smith's view (1965) is that people enter into business in an attempt to make a profit. This view is further supported by Friedman (1970), who argues that 'there is one and only one social responsibility of business-to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engage in open and free competition without deception or fraud.' (p.126) Solomon (2001) suggests that the pursuit of profits is a very narrow vision of what business is. '...the very idea of "the profit motive" as an end in itself – as opposed to profits as a means of

encouraging and rewarding hard work and investment, building a better business and serving society better - is a serious obstacle to understanding the rich tapestry of motives and activities that make up the business world.' (p.357)

Cropanzano and Grandey (1998, p.150) explain 'The term business ethics attempts to subsume two quite different human endeavors. Business, as it is conducted in a capitalist society, is largely predicated on the assumption that people will rationally act to maximize their own self-interest. Ethics, on the other hand, is predicated on the assumption that people will rationally consider the needs of others. When what is profitable is also helpful (or at least not harmful), then ethical thinking is largely moot.' Ethical dilemmas arise when economic ends threaten to clash with human concerns (Hosmer, 2002). These clashes are inevitable when a person carries a moral code that emphasizes the needs of others into an environment that emphasizes profit. This dilemma will not be resolved soon. It is evident that there is always a conflict between business and ethics. Whereas business is in the business of making a profit, whilst ethics is concerned with behavior and as such they conflict with each other.

Smith argued that '...capitalism was a system of economic organization whereby social welfare can be most effectively created through the pursuit of economic and moral self-interests.' His view is supported by Newbert (2003) who holds that modern economic thinking has become dominated by the belief that the pursuit of economic self-interest alone will engender the greatest social welfare.

Newbert's empirical findings tend to suggest that '...today's entrepreneurs are not only seeking to satisfy both selfish and ethical motivations, but in so doing they are also contributing substantially to the overall welfare of society through job creation, wealth redistribution, and a lack of discrimination. As such, it appears that the spirit and impact of the capitalist system that Smith envisioned is being realized through entrepreneurship (p.251)'.

However, Peterson (2003) contradicts Newbert's view. In an early study, Peterson reports that 64 percent of the managers from the private sector and 60 percent of the managers from the public sector encountered pressure to compromise personal standards in order to achieve organizational goals.

Others, such as Spence and Rutherford (2000), agree that 'Business ethics sits across the intersection of the social, the political and the economic in the world of business', and that the Friedman doctrine is no longer sufficient in the current business environment whereby the public as well as governments are demanding solutions to public problems such as pollution and child labour.

Chatterjee (1998) suggests that 'as ethical integrity is largely nurtured by societal cultural values which guide normative ethical beliefs in terms of what is considered morally correct behavior, the basic values

also need to be relevant to a given context. Values and beliefs in specific contexts are reflected in common business practice, government regulations and widely held perceptions of appropriate business conduct.” (p.6) Chatterjee’s view is very close to the researcher’s proposition that there are three parties in each ethical scenario and that each interacts with the other two to advance its own self-interest.

The paper also mentions that ethical behavior is relative to the situation. It adds that ‘people and cultures share some very basic moral values. But to criticize ethical relativism philosophically is not to deny that some moral values and beliefs differ from society to society’. And the issue of moral relativism is brought home by drawing a comparison between the West and the East.

Henderson (1992) believes that senior executives of an organization are responsible for ethical/unethical behavior. The ‘unsavoury past’, as he puts it, is largely the biographies of prominent business people.

Further, Henderson (1992, p.4) suggests that ethics is a process and that what is ethical in business is ‘a never-ending process of clarifying, resolving, and stimulating a nobler vision of common good.’ As business ethics evolves, governments emerge as a serious contender for the role of business ethicist. This suggestion is similar to Chatterjee’s mentioned above.

Furthermore, Henderson examines the role of CEOs and notes that ‘few chief executives lose their jobs because they mishandle ethical issues’ (p.19) and that ‘I’ve always thought of myself as an honorable citizen. We didn’t do these things for our own behalf... [But] for the betterment of the company.’ (p.18) – statements which resonate both Carson’s (2003) and Hong’s (2002) views.

Finally, the author suggests that we are unprepared to manage ethically in this new world; that there is not enough training and education in business ethics; and that we are lucky that corporate behavior is as ethical as it is today. (p.33)

Schroeder (2002) identifies three types of ethical business behavior: 1) the company’s social responsibility to make profits; 2) the integration of social values into day-to-day business activities; and 3) the production or provision of ethical products. She directs ethical responsibility back to the CEOs - a view shared by Henderson. Her contention is that ‘top managers are the film directors of the ethical business world. They plan, design, maintain and steer their creation...’ (p.266)

Bowie (2001) and Lam (2003) provide historical and philosophical background information on ethics and morality. Bowie suggests that ‘when a manager can be both socially responsible and achieve profits, she has behaved ethically on Kantian grounds.’ (p.291) Lam discusses in detail the Confucian business ethic,

in that it ‘often relates to the micro consideration of personal ethics and the character of a virtuous person.’

Her view could form part of the foundation when individual ethics is being analyzed. The literature reviewed so far shows clearly that there is a lack of agreement about business ethics.

Henderson (1992) and Schroeder (2002) suggest that there is a lack of accountability at senior level concerning ethical issues. Others, such as Friedman, suggest that business is the pursuit of maximizing profits. While Cropanzano and Grande (1998) suggest that, in a capitalist society, business is largely predicated on the assumption that people will rationally act to maximize their own self-interest. Ethics, on the other hand, is predicated on the assumption that people will rationally consider the needs of others. When what is profitable is also helpful (or at least not harmful), then ethical thinking is largely moot. Ethical dilemmas arise when economic ends threaten to clash with human concerns. (Hosmer, 2002).

“Business Ethics comprises the principles and standards that guide behavior in the world of business” (Ferrell, Fraedrich and Ferrell, 2005).

Manuel G.Velasquez (1992) has defined business ethics in depth than the above definition as, business ethics is a specialized study of moral rights and wrong, which concentrates on how moral standards apply particularly to business policies, institutions, and behavior.

The above two definitions lack detail list of ethical issues and also could not specify the boundaries of business ethics. However, the following definition which incorporates particular business ethical issues is found to be more elaborative than others.

In their research on personal values, business ethics and strategic development, Mauro, Natale and Libertella (1999) used definition for business ethics that were developed by Walton (1977) as, business ethics is a range of criteria where by human actions are judged to include such things as social expectation; fair competition; the aesthetics of advertising and the use of public relations; the meaning of social responsibilities; reconciling corporate behavior at home with behavior abroad; the extent of consumer sovereignty; the relevance of corporate size, the handling of communication; and the like.

#### **2.1.1.2. The Development of Business Ethics**

According to Charles Home (2008, pp.248-252), the study of ethics started in ancient Greece which students of philosophy pursue this line with interest. In this country, the first legal reference to fair business practice is in the Magna Carta of 1215.

**Table 2.1. Stages of Business Ethics Development**

Stages	Period	Major event
1.	Before 1960	✓ Defined wage sufficient for education, recreation, health and retirements ✓ Civil rights and environmental responsibility
2.	1960s	✓ The rise of social issue in business
3.	1970s	✓ Business ethics as an emerging field
4.	1980s	✓ Business academics and practitioners acknowledged business ethics as a field of study.
5.	1990s	✓ Institutionalization of business ethics.

*Source: Adopted from Ferrell, Fraedrich and Ferrell (2005)*

When we trace the origin of business ethics we start with a period where profit maximization was seen as the only purpose of existence for a business. There was no consideration whatsoever for non-economic values, be it the people who worked with organizations or the society that allowed the business to flourish. It was only in late 1980's and 1990's that both intelligentsia and the academics as well as the corporate began to show interest in the same.

Nowadays almost all organizations lay due emphasis on their responsibilities towards the society and the nature and they call it by different names like corporate social responsibility, corporate governance or social responsibility charter. At a company level, there are a number of encouraging developments of business ethics (Brain J. Hurne, 2008, pp. 347-354). These are:

- Setting up specific ethical programs which clarify a company's business ethics.
- Setting up induction and ongoing awareness programs
- Development of ethical policy statements that are published internally and made known externally.
- Publication of codes of ethics.
- Setting up ethical committees with a company to advice an ethical standards and keep company practices under review.



### 2.1.2. The Importance of Business Ethics

There are two schools of thought about why business should or ought to be ethical (cited in Josie Fisher, 2002, pp.96-101).

The first view links ethics with self-interest. It has been pointed out that businesses ignore ethics at their peril. In order to survive a business must make a profit; however, in doing so it must comply with the law and the society's moral values (Kitson and Cambell, 1996).

The second view takes a different focus. According to this view, the reason why businesses should be ethical is not to promote self-interest; rather, there is an intrinsic motivation for doing the right thing. Business should be ethical because this is the right way for them to behave (Trevino and Nelson, 1999).

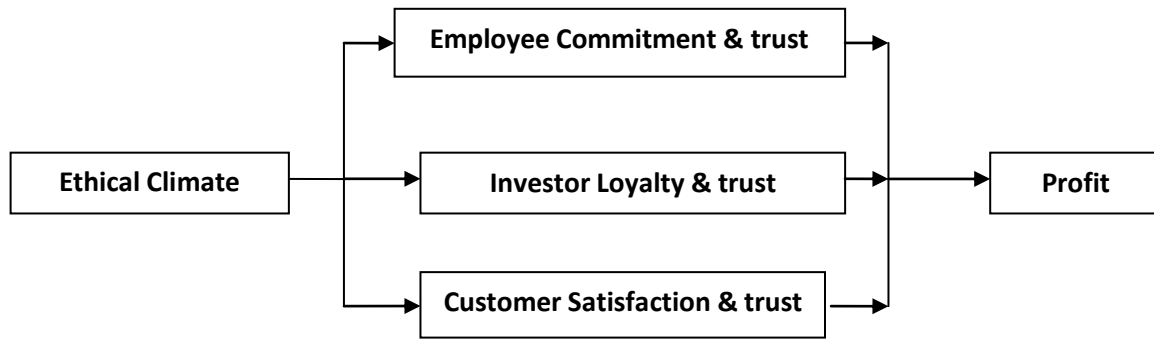
As per the second view, the intrinsic motivation is taken as the only leading factor towards acting ethically. This may not allow setting ethical standards and practice, except it comes from internal. On the other hand, the first view gives a chance to set ethical guidelines and also links ethical practices with the organizational survival, which is what it should be.

Charles Holme (2008, pp.248-252) states the importance of business ethics as follows:

- *Improving employee satisfaction:* Employee satisfaction arises from, among other things fair management decisions. The way managers ensure that staffs have all the information they need to do their work, the way managers assign attainable targets and work load, and the way conflicts are solved can make the difference between employee satisfaction and frustration. Executive facing ethical decisions where there is no easy right or wrong will be less stressed if they have more guidance from their organizations' ethical values than those who have to work it out for themselves each time.
- *Trust:* If you are commissioning services, purchasing raw materials, trust become an issue. The higher the level of trust you have with your supplier the better the relationship and the better the business. Gives Competitive advantage Similarly, Ferrell, Fraedrich, and Ferrell (2005) state that many people who have limited business experience suddenly find themselves making decision about product quality, advertising, pricing, sales techniques, hiring practices, and pollution control. The values they learned from family, religion, and school may not provide specific guidelines for these complex business decisions. Many business ethics decision are close calls.

- *Satisfying Basic Human Needs:* Being fair, honest and ethical is one of the basic human needs. Every employee desires to be such himself and to work for an organization that is fair and ethical in its practices.
- *Creating Credibility:* An organization that is believed to be driven by moral values is respected in the society even by those who may have no information about the working and businesses of that organization. British American Tobacco, for example is perceived as an organization for good corporate governance and social responsibility initiatives. This perception is held far and wide even by those who do not even know what business the organization is into.
- *Uniting People and Leadership:* An organization driven by values is revered by its employees also. They are the common thread that brings the employees and the decision makers on a common platform. This goes a long way in aligning behaviors within the organization towards achievement of one common goal or mission.
- *Improving Decision Making:* A man's destiny is the sum totals of all the decisions that he/she takes in course of his life. The same holds true for organizations. Decisions are driven by values. For example, an organization that does not value competition will be fierce in its operations aiming to wipe out its competitors and establish a monopoly in the market.
- *Long Term gains:* Organizations guided by ethics and values are profitable in the long run, though in the short run they may seem to lose money. For Example, Tata group, one of the largest business conglomerates in India was seen on the verge of decline at the beginning of 1990's, which soon turned out to be otherwise. The same company's Tata NANO car was predicted as a failure, and failed to do well but the same is picking up fast now.
- *Securing the Society:* Often ethics succeeds law in safeguarding the society. The law machinery is often found acting as a mute spectator, unable to save the society and the environment. Technology, for example is growing at such a fast pace that the by the time law comes up with a regulation we have a newer technology with new threats replacing the older one. Lawyers and public interest litigations may not help a great deal but ethics can.

Brain Harvey (1994) depicted the role of organizational ethics in performance in the following figure:



**Figure 2.1. Role of Organizational Ethics in Performance**

*Source: Brain Harvey (1994)*

### **2.1.3. Function of Business Ethics as a Culture and Time**

Business ethics may be seen as a function of culture, since the Cultural Revolution in the business environment certainly will affect what are acceptable and unacceptable business activities and management principles in the market place and in society (Svensson and Wood, 2003).

Similarly, Vinten (1998) as cited by Svensson and Wood, (2003), argues that business ethics has the potential to become a significant aspect of corporate strategy and culture. In addition to this, Ferrell, Fraedrich, and Ferrell (2005) emphasized the role of corporate culture in ethical decision making.

Business ethics may be seen as a function of time, since the time-dimension in the business environment certainly will affect what are acceptable and unacceptable business activities and management principles in the market place and in society (Svensson and wood, 2003).

Similarly, Kilcullen and Kooistra (1999) focus on the changing role of business ethics and corporate social responsibility in the business environment through time.

### **2.1.4. Social Responsibility and Business Ethics**

Business will benefit from the solutions to social problems, so it should apply its core competencies to help alleviate them (Suderman, 1999).

Social responsibility is an ethical theory, in which individuals are accountable for fulfilling their civic duty; the actions of an individual must benefit the whole of society. In this way, there must be a balance between economic growth and the welfare of society and the environment. If this equilibrium is maintained, then social responsibility is accomplished.

There are four views concerning the relationship between social responsibility and ethics (as cited in Fisher, 2004, pp.391-400). First, social responsibility is part of ethics in organizational context (Davidson

and Griffin, 2000). Second, social responsibility focuses on the impact that business activity has on society while ethics is concerned with the conduct of those within organization (Boatright, 2000, pp. 360-361 and Trevino and Nelson, 1990). Third, there is no connection between social responsibility and ethics (Shaw and Barry, 2001). Fourth, social responsibility has various dimensions one of which is ethics (Carol, 1991; Ferrell et al. 2000 and Samson and Daft, 2003). Similarly, Ferrell, Fraedrich, and Ferrell, (2005) argued that ethics is one dimension of social responsibility.

For this study, the first view i.e., 'social responsibility is part of ethics in organizational context' is adopted since it enables the researcher to deal with social contribution of the organizations as part of business ethics.

Ethics is often defined as an underlying principle that would produce an action to prevent a substantial harm to others, when an individual or group has an opportunity to do so for their own benefit (Boddy, 2011). The concept of an individual's moral standard is based on our perception it that can injure or severely benefit another (Churchill, 1982). The premises of one's moral judgment serve as a function to condemn and impede plans or activities that would import unfortunate circumstances unto other people. For one's self, morality plays the role of restricting selfish actions that would cause harm to others, despite one's own benefit (Carlson, Carlson, and Ferguson 2011).

In a business perspective, stakeholders are the key people involved in the firm's operations; mainly the customers, the government, media, and the employees (Carlson et al., 2011). On the standard of morality, stakeholders represent the group that are subjected to potential benefits or harm as brought about by the actions and decisions made by business firms (Churchill, 1982; Boddy, 2011). Recently, society has identified ethics, quality of work life, and job satisfaction as the three major factors that would determine the competitiveness of a company when it comes to providing benefits to stakeholders (Koonmee, Singhapakdi, Virakul, & Lee, 2010). Based on this, business ethics is then believed to be important for stakeholders to trust the company. To develop the ethical culture of a company, managers have decided to develop an ethics program (Kaptein, 2009). An ethics program is an organizational control system that aims at promoting ethical values and conducts and discourages unethical acts within an organization (Kaptein, 2009). This study would consider stakeholders as the firm's customers, employees, other supply-chain companies, communities in which the company operates in, and the stockholders as a special group (Nicholas 2002).

The present study aims to explore the perception of employees on ethics within the organization in order to develop an ethics program. The researcher will focus on the relationship between business ethics and

the position held, years of experience, and gender of the employees to properly construct an ethics program that would suit the employees' perceptions on business ethics.

A company's stakeholders are the individuals or groups who are directly impacted by the business' operations and decisions, who are candidates for either potential benefits or harm (Elango, Paul, Kundu, and Pandel 2010). Traditionally, managers are intended to operate as agents for the company's stockholders, wherein the mission of the stockholders must be in accordance with that of the business (Carlson et al., 2011). A good illustration for describing the principle of ethics is the comparison of human life to the life of animals in the jungle, where reasoned ethics are not defined the same way individuals would as compared to animals (Churchill, 1982). Animals in the wild face conditions in which power, in many forms such as one's strength, speed, being cunning, as well as chance, dictate the length and quality of their lives (Ferrell, 2009; Boddy, 2011). With the higher intelligence of humans, the possibility for the abuse of power is much more of an issue than for an animal's daily life in the jungle. It is an impact that can affect a society's life for a span of many years. In the light of this, the mission of ethics is to ameliorate the abusive use of power and reduce the negative impact of chance in the everyday lives of humans (Elango et al., 2010). Realistically, improving the human condition of stakeholders within the naturally occurring 'human jungle' provides an appropriate test for business ethics (Churchill, 1982).

According to Eligido (1996), business organizations should have responsibilities which go beyond making profits. According to this argument it is proper for companies to support worth community initiatives like universities, museums, or hospitals; to reduce to a minimum pollution, going voluntarily beyond the standard set by the law; to employ the physically handicapped in order to faster desirable political objectives; and generally to use their resources or restrict their activities in way which are not calculated to maximize their profits but which will contribute to the common good of the communities in which they operate.

Similarly, the social permission theory (as indicated in Robert W. McGee 1992), states that society has entrusted to business large amounts of society's resources to accomplish its mission, and business is expected to manage these resources as a wise trustee for society.

In contrast to this, Professor Milton Friedman, the famous monetarist economist and winner of the Nobel Prize for economics argued in favor of the idea that a corporation has only one responsibility: maximizing profit for its shareholders while operating within the limits set by the law (cited in J. M. Eligido, 1996).

In Friedman's view it is certainly a responsibility of corporations to respect all the laws which protect the public interest. But going beyond this would amount to have "socially responsible executives"

functioning as redistributors which would take other people's money (i.e., Shareholders') and spend it on what these executives themselves defined as the "General Social interest"; as if they were some sort of self-appointed tax collectors.

Ferrell, Fraedrich, and Ferrell (2005) on the other hand argue that the proposition that one has no moral responsibilities which go beyond compliance with the law is clearly unsound. They have stated three reasons why legal duties often fall short of moral demands.

First, because of difficulties of environment, legal standards often do not cover all the relevant moral duties. Secondly, the law necessary reacts slowly and a long time can pass from the moment a problem is identified until a suitable law is passed. Thirdly, morally objectionable laws may be enforced. Supporting the above argument, Josie Fisher (2004, pp. 391-400) elaborates that "It is only organizations whose actions and decisions fall above social obligation on the continuum that do any more than comply with the law."

Because of the above reasons and arguments, one cannot assume that by keeping to the law one has discharged all of one's duties towards others. As a result, companies are expected to go beyond profit maximization and support worthy community initiatives.

An ethical society would help establish an efficient and effective economic system (Churchill, 1982; Elango et al., 2010). A system that produces the opportunity for greater economic welfare is very important in facilitating a well-structured, happy life for the citizens of that society.

The ability of an ethical society to establish a proper economic system is of importance to businesses (Ethics Resource Centre, 2009). However, since few human social systems work perfectly, an ethical society has also aimed to minimize the abuse of the "imperfect" economic system selected, while still attempting to maintain the creativity, efficiency, and effectiveness of that system (Ferrell and Ferrell, 2011; Carlson et al., 2011). Companies structured on an ethical society design are expected to behave in a manner that minimizes the abusive use of power and reasonably assists their stakeholders with the negative impact of chance (Elango et al., 2010; Ethics Resource Centre, 2009). The role of an ethics program is to create an environment within the company that promotes trust within and outside the company, which would eventually lead to growth and profitability (Koonmee et al., 2010).

### **2.1.5. Product Safety and Business Ethics**

The three attributes of product quality mostly discussed in various literatures and books are: effectiveness (how well the product does its job), durability (how long it does its job), and safety (whether the operation or use of the product involves risk of injuries). Among these attributes, as stated by Dougherty and

Reinganum, (1995, pp.1187-1206), product safety is not a choice for organization, but a must. Epple and Raviv (1978, pp. 80-95) in their research state that, if consumer underestimates the probability of failure, then the true probability of failure will be higher than under consumer liability with perfect information. Their result indicates the crucial role of information in the determination of product characteristics and consumer welfare.

According to John W. Locke (1974, pp.1206-1223), solving the problem of product hazards is much more complex due to the vast increase in the number of products that can be considered, the new, and unique procedure requirements and the largest variety of solutions available.

Factors involved in setting priorities for establishing product safety standards as mentioned by (Manuel G.Velasquez, 1982) are:

- Frequency of injuries
- Severity of injury
- Exposure (degree to which consumer comes in contact with product)
- Citizen willingness to incur risk
- The likely success of a standard in reducing hazards
- The cost of reducing the hazards
- The cost of injuries

## **2.1.6. Employee Health and Safety and Business Ethics**

According to Stewart, Ledgerwood, and May (1996, pp. 919-926), ethics and health and safety are inextricably bound. It is clear that employee safety and health have ethical dimensions since relevant managerial decisions affect workers' lives and well-being. Clearly, managerial attention to employee safety and health is not only an ethical mandate; it is a prerequisite for sound business policies and practices.

### **2.1.6.1. Safety Policies, Supervisors Safety support, and Employee Safety Control**

Huang, Chen, Krauss, and Rogers (2004, pp. 483-506) stated in their research findings that perceptions of organizational safety related policies, supervisor safety support and employee safety control tend to predict safety outcomes and even satisfactions with the company.

## **A. Safety Policies**

Implementation of safety policies suggests that the companies are expected to invest a considerable amount of their resources to promote the safety and physical well-being of their employees. As a result, there must be quality exclusion of corporate safety policies to reduce injury incidence and injury risk.

In addition to this, Watson, Scott, Bishop and Turnbeaugh (2005, pp. 303-318) illustrated the importance of management policies and practices that emphasize safety, and equally important, the degree to which management follows through on the implementation of such policies and practices.

## **B. Supervisor Safety Control**

Supervisor support of safety represents the extent to which supervisors encourage safe working practices among their subordinates. Hoffman and Mergeson (1999), (as cited in Huang, Chen, Krauss, and Rogers, 2004, pp. 483-506) also demonstrated that, perceived organizational support was related to improved safety communication and safety commitment as well as lower frequencies of injuries. Generally, through providing information to subordinates or sharing their attitudes or opinions regarding safety, supervisors often act as a driving force affecting the safety of the work place.

## **C. Employee Safety Control**

Watson, Scott, bishop, and Turnbeaugh (2005, pp.303-318) mentioned four major approaches to improve safety in the work place in their research.

The first approach is to focus on the work environment itself: making it physically safer. The major trust in this approach is to revise policies, redesign jobs, and ergonomically design tasks with the human factor in mind. In addition to designing a safe and health work place, Stewart, Ledgerwood, and May (1996, pp.919-926) forwarded that it is a managements responsibility to provide adequate personal protective equipment.

The second focus is to identify traits like neuroticism and introversion in employees that are more likely to lead to accident.

In contrast with the job design and trait models, a third approach attempts to convince employees to behave more safely. Behavioral modification models of safety emphasize that specific conduct can be encouraged by organizations that enhance safety related outcomes.

A fourth general framework for understanding safety improvement is from the interpersonal or social perspective. The control question in this approach is: what interpersonal factors (like having safety officer, safety committee, safety training, etc) enhance safety in the work place?



### **2.1.6.2. Industrial Accidents Controlling Techniques**

The following techniques are used to avoid or minimize the accidents that may happen at work place (Tamiru Fida, 1990).

- 1) Identifying potential hazards at work place
- 2) Maintaining machines and equipments on time and remove risky parts
- 3) Informing workers about work area safety and health through training, employees hand book, notice board and others.
- 4) Train and follow-up the proper use of protective equipment's by the worker
- 5) Having medical center and provide first aid or full treatment when accident happened

### **2.1.7. Environmental Protection and Business Ethics**

Economic activities can have an effect on the environment in many different ways (J. M. Eligedo, 1996). The use of chlorofluoro carbons as a propellants in aerosol sprays can damage the ozone layer with potentially serious consequences for human well-being; factory and vehicle emissions can cause acid rain that in turn can harm forests; oil spills can destroy animal life and make farming impossible, dumping of industrial residues and garbage into the sea or rivers can make them useless for swimming and other recreational activities and destroy fish life; and so on.

Two different views are there concerning the responsibility of organizations in protecting environment (cited in Hoffman, and Frederick, 1995). These are:

Business does not have an obligation to protect the environment over and above what is required by law; however, it does have a moral obligation to avoid intervening in the political arena in order to defeat or weaken environment legislation (Norman Bowie, 1989).

On the other hand, Robert Frederick (1990) argued that the harm principle morally requires business to find ways to prevent certain harm it causes even if such harm violets no environmental law.

Supporting the view of Robert Frederick, many authorities (such as Robert W. McGee, 1992; Hoffman and Frederick, 1995; and Brain Harvey, 1994) give emphasis in their books that; corporation should not isolate themselves from participation in solving environmental problems.

Therefore, businesses must creatively find ways to become part of solutions, rather than being part of a problem (Josie Fisher, 2004, pp.391-400) and business organizations should go for environmental

protection to ensure sound stewardship of natural resources, for legal reason, and for corporate image (Robert w. McGee, 1992).

Concerning the environmental protection, the factory has no policy on how to protect the environment. However, the factory identify all waste materials of the factory, exhausting all potential sources from the production area, the office, warehouses, clinics, garages, toilets and workshops and remove them to save the environment from pollution.

### **2.1.8. Ethics in International Business**

Business organizations move from domestic to global and transnational competition, they are finding that cultural values vary significantly across national boundaries. As a result, cultural misunderstanding are likely to occur of which ethics is the one (Beekun, Stedham, and Yamamura, 2003, pp. 267-279). Similarly, Gary R. Weaver (2001, pp. 3-15) states that practices which are appropriate in one cultural setting may violate the established understanding of organizational and social life in another cultural context.

According to Ferrell, Fraedrich, and Ferrell (2005), the international businessperson must not only understand the values, culture, and ethical standards of his or her own country but also be sensitive to those of other countries.

Ferrell, Fraedrich, and Ferrell (2005) also identified ethical issues around the world such as:

- Human rights
- Product safety
- Pollution and natural environment, and
- Intellectual property protection

Charles A. Home (2005, pp.303-309) has listed the above ethical issues mentioned by Ferrell, Fraedrich, and Ferrell (2005) as they are common practices in less developed countries, which could be illegal and unethical in the developed countries. This shows that, multinational organizations face a biggest challenge from these conflicting cultures.

Hoffman and Frederich (1995) suggest six moral guidelines that apply in general to any multinational operating in third world countries and that can be used in morally evaluating the actions of multinational corporations (MNCs)

- 1) MNCs should produce more good than bad for the host country
- 2) MNCs should contribute by their activities to the host country's development
- 3) MNCs should respect the human rights of its employees
- 4) MNCs should pay their fair share of taxes
- 5) To the extent the local culture does not violate moral norms; MNCs should respect the local culture and work with it, not against it.
- 6) MNCs should cooperate with the local government in the development and enforcement of just background institutions.

## **2.2. Empirical literature Review**

Researchers have been carried out on the business ethics practice. So this part of the paper presents the empirical evidence on what other researchers have studied about the idea of the business ethics practice. There has been little available literature on studies concerning the aspect of subject matters, some of those little literature found came up with the following empirical evidence below is presented consecutively based on the concept of evidence.

Business ethics may be seen as a function of culture, since the Cultural Revolution in the business environment certainly will affect what are acceptable and unacceptable business activities and management principles in the market place and in society (Svensson and Wood, 2003).

According to, Stephen Howard, Chief Executive of Business in The Community, found out that marketing is just achieving competitive advantage of a product over competitor's products, to have a link with the customers and to derive profit out of doing business (Howard, 2011). For this study, 715 marketing executives of different ethnic backgrounds were sampled for this research. However, by connecting with people, the research provided an opportunity to evaluate social and environmental issues through the values that are attached with the products and services that the customers buy (Howard, 2011).

According to the findings of this study, organizations have cultures related to, but are distinct from the broader society in which they are embedded. Components of culture consist of beliefs, values, norms, symbols, practices, and physical artifacts (Howard, 2011). Business associations are like other organizations whose members have shared beliefs, values, and formal and informal norms, and mechanisms for monitoring member behavior, sanctioning noncompliance, and rewarding compliance

with norms (Johnson, 2004; Elango et al., 2010). This study took an ethical approach to consider business associations as organizations of organizations each of which possesses a culture that, we posit, influences member business social performance through isomorphic processes characteristic of relationships among organizations in organizational fields (Navran, 2002; Tarí, 2011).

In a study involving 58 companies based in the U.S., Campbell (2005) exhibited that managers should understand that it is the moral right of the customers to know the adverse effects of usage of a company's products. On the other hand, by not coming out with adversative effects of their products, the company would be safeguarding the rights of the other stakeholders of the company (Campbell, 2005).

The research findings showed that management is not interested in letting the board of directors know about the malpractices within the company. This was done with the sole aim of protecting their job. In this, it sold its products to consumer with utter disregard of any ethics and conscience (Campbell, 2005). During the study, employees of the companies with decision-making powers were tasked to identify the immediate corrective actions that would ensure that virtues of ethics and morality were maintained. In addition, they were to apprise the stakeholders of the entire situation with pros and cons. The stakeholders were made aware of their moral obligations and made to understand why and under what circumstances a particular decision was made (Campbell, 2005).

Kaptein (2010) has developed a model that measured ethics in the business culture. The said model utilized three business ethics theories, namely: (1) virtue ethics, (2) deontological ethics, and (3) consequential ethics. The three ethical theories represent intentions, actions, and effects, respectively. Kaptein (2010) measured the perceptions of employees and managers on these three theories to determine the degree of ethical culture that is present in their organization.

The conclusion was that the more present these theories are in the workplace, the more ethical the organization is (Kaptein, 2010). According to the results tabulated from the companies sampled, it was clear that every company has a responsibility to take care of the interests of all of the stakeholders and just not its own interest (Campbell, 2005). In essence, any business draws its sustenance from the society in the form of inputs (Lewis, 2002). There has to be a socially responsible behaviour which would help to maintain this relationship. The business decisions which the company took had a direct impact on the society, where it operates (Tarí, 2011). In concisely, the business must fulfill the social obligations as a compensation for undermining the legitimate interests of the society (Woolard, 1989). The ironic law of responsibility, wherein an increase in power entails an increase in social responsibility, drives the need for a creative business ethics strategy (Carlson et al., 2011). The social responsibility legitimizes and promotes economic objectives of business.

When the social life is improved, the business can have good customers, employees and community (Lewis, 2002).

It was observed that management was not interested in letting the board of directors known about the malpractices within the company. Even employees are forced to lie to consumers on the product details of the company as a cover up. It also sold its products to consumer with utter disregard to any ethics and conscience (Tari, 2011). Now, as an employee of the company with decision making powers, one has to identify the immediate corrective actions that would ensure that virtues of ethics and morality are maintained. Another task is to apprise the stakeholders of the entire situation with pros and cons (Navran, 2002; Pulliam, 2003).

Organizations have cultures related to, but distinct are from the broader society in which they are embedded (Tari, 2011). Components of culture consist of beliefs (agreements about what is true), values (agreements about what is good and important), norms (behavioural expectations and patterns), symbols, practices, and physical artifacts (Mish and Scammon, 2010; Kalshoven et al., 2011). Business associations are like other organizations whose members have shared beliefs, values, and formal and informal norms, and mechanisms for monitoring member's behavior, sanctioning non-compliance, and rewarding compliance with norms. Our approach is to consider business associations as organizations of organizations each of which possesses a culture that, we posit, influences member's business social performance through isomorphic processes characteristic of relationships among organizations in organizational fields (Campbell, 2005).

## **CHAPTER THREE**

### **3. RESEARCH DESIGN AND METHODS**

The aim of this section is to highlight the overall methodological considerations of the paper. The chapter is arranged as into nine sub-sections. The first section outlines the general research design which the paper relies on, and the second encompass a discussion of the actual the study organization. The following third section elaborates on study population. The fourth sections were focused sample size determination & sample technique. The fifth sections have focused on sources & types data. The sixth section has data collection & tools. The seventh sections have validity & reliability of data. Finally, the eighth and ninth section has data analysis and discussion and ethical consideration of data's.

#### **3.1. Research Design**

In any research undertaking, the research design to be followed is determined by the nature of the problem statement or more specifically by the research objectives. Here in this study, follow is descriptive approach. This is because one major importance of the descriptive research is it helped the investigator to gain background information on the study's subject. Moreover, the descriptive approach has been employed with regard to elements of business ethics more specifically to describe business ethics practices as respondents identify them, documents outline them. This is to mean that both qualitative and quantitative data have been used.

#### **3.2. Description of Organization**

ASHRAF Group PLC is a company that is engaged in the production of edible oil, juice and bottled water. Bahir Dar Edible Oil factory was privatized to the ASHRAF Group in 2008. And it is equipped with state-of-art technologies from India's well known manufacturer called United Technologies. There are three processes to the production of refined edible oils namely milling, refinery, and filling. The factory is under extensive modernization phase that will substantially improve its efficiency and double its capacity of strong 200 tons per day. Number of regular employees are 268.

The Group has already invested more than USD 45,000,000 in various sectors which are interrelated by their nature. That is either the main or by-product of one factory becomes the input of the other. Most of the existing factories the group has are one of the kinds in the country in terms of the following factors:

- State-of-art technology;
- High Capacity;

- Huge employment potential;
- Demand coverage by producing strategic consumable Products;
- In-house Research and Development department involved in new product development, existing product improvement, quality assurance and capacity building;
- Limited dependence on the imported raw materials;
- Having both backward and forward linkage strategies for sustainable input and supplies;
- Strategic group of company given priority from the government as the group investments are in line with its policy of Agricultural Led Industrializations in foreign currency outflow;

### **3.3. Study Population**

There are 268 employees in the organization wide. From 268 employees were randomly and proportionately selected to participate from factory General Manager, different departments Manager and groups of employees in the organization. These groups include machine operators, laboratory workers, electricians and garage (auto workshop) workers have been selected as respondents of the study.

Data from these groups of employees was collected through a structured questionnaire developed to assess occupational health and safety environment. The survey asked participants to share their opinions and answer questions on the occupational health and safety policies and procedures in place to protect them as well as their awareness and participation in health and safety. The survey questionnaire is presented in Appendix E.

### **3.4. Sample Size determination and Sampling technique**

To determine number of participants for the health and safety assessment survey among employees, the survey used a population proportion sample size estimation formula:

$$SS = \frac{Z_{\alpha/2}^2 * p(1 - p)}{d^2}$$

where SS is the desired minimum sample size,  $Z_{\alpha/2}$  represents critical value of the desired level of significance, p is the population proportion and d is desired degree of precession (margin of error). With 95% significance level, 50% population proportion and 5% margin of error, the desired sample size was:

$$SS = \frac{1.96^2 * 0.5(1 - 0.5)}{0.05^2} = 384$$

Since the population for the research, i.e., total number of employees in the industry, is finite, the estimated sample size was adjusted for finite population sample size adjustment with the following formula:

$$n = \frac{SS}{1 + \left(\frac{SS - 1}{N}\right)}$$

where n is the finite population adjusted sample size, SS is the estimated minimum sample size, N is population. After adjusting the sample size for our total population of employees of 268, the estimated sample size was 158. By adding a 5% non-response rate, the final sample size was 166.

### **3.5. Sources & Types Data**

In order to generate relevant data for this study, both primary and secondary data sources were considered. The primary data was obtained from respondents through methods that include semi-structured interview, survey of participants with structured questionnaire. The secondary data was obtained by way of accessing various reviews of documents and by using detailed checklist and scoring methods from library and concerned offices.

### **3.6. Data collection method and tools**

The method of data collection and instruments developed is largely influenced by different dimensions of business ethics assessed in the research. The diversity and nature of the business ethics dimensions required employing different data sources and methods of collection. Particularly, two/three data collection methods were used in the study.

#### ***1. Document Review***

The first one is document review and observation. In order to assess the business ethics practices in the desired dimensions, it was determined a need to review the strategies, policies, procedures and manuals of the organization. In order to make the document review and assessment systematic and objective, an instrument based on review business ethics assessment, health and safety audit and questionnaire design literature. Specifically, in line with social responsibility assessment handbook a questionnaire was designed with the purposed of reviewing documents in the dimensions of health and safety, environment and social responsibility. In addition, a scoring system was developed to assess the level of business ethics practices in the organization. The review of documents was complemented by observation. The



developed instruments and the scoring system is provided in Appendix A, B and C. the instruments and the scores were adapted from the European Union and United Nations Industrial Development Program's corporate social responsibility assessment handbook (EU and UNDP, 2017).

## ***II. Interviews***

In order to obtain relevant and the intended information through primary data, the study has defined two relevant sampling frames. The first one is the management and the second one is employees. From the first frame, the general manager and the head of the quality control department were purposively selected as they are identified relevant sources concerning the business ethics practices questions the research aimed to address. Data from these participants was collected through a semi-structured interview. An interview guiding questions were developed and used to collect data on the practices of business ethics. The interview guide is attached in Appendix D.

### **3.7. Validity & Reliability of Data**

Data collected from the participants during the pilot study on a group of 20 respondents were evaluated to ensure the reliability and validity the questioner. The questioner of the study has been reviewed by a number of specialists reviewed, to see the relevance, validity and items are used to measure the variables of the study, and belonging to a domain that has developed within it and as it was modified the wording of some items. The following took part in the evaluation: a statistician, the researcher's supervisor, co-supervisor and the senior colleagues in the field. They examined each item and made judgments on the test items to ensure they represent adequately in correct proportions, paying particular attention to their relevance to the subject matter and their coverage of the entire topic of study.

The internal consistency of the instrument of the study, according to the responses of employees to identify the degree of their agreement on the instrument study based on Cronbach-Alpha formula for each scales of organizational culture and work motivation and shows the coefficient reliability, since the values of coefficient of internal consistency is acceptable (see Appendix I for the correlation matrix).

### **3.8. Data Analysis**

Admittedly, analyzing case study evidence is difficult compared to quantitative or other forms of qualitative research because strategies and techniques have not been well defined in the organization. In this research, data collected through qualitative interviews with managers, survey of employees and review of documents were analyzed and brought together to provide overall picture of the business ethics practices of the organization. The analysis was thematically organized along the lines of the outlined

business ethics domains and data from different sources that touched these dimensions were described and discussed under each dimension. Descriptive data analysis of the survey of employees was conducted using SPSS data analysis software and summary statistics such as means and percentages were calculated and resulted presented in charts and tables with complementary textual narratives.

### **3.9. Ethical Considerations**

As Zikmund (2000, p.71) suggests, ‘There is no general agreement among philosophers about the answers to such a question [ethical question].’ And “Of course, the answer to the question ‘What is ethical?’ is not easy - only one’s conscience operates to inhibit any questionable practice’ (p.83).

Nevertheless, when dealing with research ethics it is necessary to keep in mind the ‘The principles of ethical propriety at the base of most of these guidelines resolve into simple considerations of fairness, honesty, openness of intent, disclosure of methods, the ends of the researcher to guarantee unequivocally individual privacy, and an informed willingness on the part of the subject to participate voluntarily in the research activity’ (Leedy, 1997, p.116).

Ethical clearance and approval from postgraduate & research office of Jimma university was obtained before the actual study was conducted. Participation of respondents was strictly on a voluntary basis. Participants were fully informed as to the purpose of the study and were consented verbally. Participants were informed that the information they provide is kept confidentially and is not disclosed to anyone else including anyone in the University.

Permission was obtained from selected participants after informing about the purpose of the study, their right to proceed or withdraw from the study anytime they want was ensured and confidentiality of the study was maintained.

## CHAPTER FOUR

### 4. RESULTS AND DISCUSSION

#### 4.1. Occupational Health and Safety Assessment

This sub-section describes and presents survey results conducted among employees. It will start with brief summary of participants and move on to present results of the survey.

##### 4.1.1. Descriptive Statistics of Participants

Survey questionnaire was distributed to 166 employees out of which 149 were completed and returned with a response rate of 90%. In terms of gender distribution of the respondents, 122(82%) were male and 27(18%) were female. Additional characteristics of participants are presented in Table 4.1. below. The organization seems to be staffed with people in their prime age. Most sampled participants, i.e., 68(45%) are in the age range of 25 to 39 years followed by 57(38%) 18 to 24 aged participants. The remaining 24(16%) participants are 40 years or older.

In terms of the educational levels of respondents, much of the respondents are diploma holders. Among the sample respondents, 34(23%) employees are 10 or 12 complete, 11(7%) employees are certificate holders, 82(56%) employees are diploma holders, 20(13%) employees are first degree holders and the remaining 2(1%) are Master's degree holders.

Concerning work experience of respondents in the company, more than half, i.e., 81(55%) of the respondents have less than 2 years of experience while the remaining majority, i.e., 41 (27%) have worked in the company for 3 to 5 years. In terms of workplace accident, 36 respondents had workplace accident while the remaining 64 percent indicated to have had no workplace accident.

**Table 4.1. Summary Statistics of Participants**

Variable		Frequency	Percent
Gender	Male	122	82
	Female	27	18
	<b>Total</b>	<b>149</b>	<b>100</b>
Age	18-24	57	38
	25-39	68	45
	40-54	14	9
	55 or older	10	7
	<b>Total</b>	<b>149</b>	<b>100</b>
Level of Education	Master's Degree	2	1
	Bachelor's Degree	20	13

	Diploma	82	55
	Certificate	11	7
	12 Complete	34	23
	<b>Total</b>	<b>149</b>	<b>100</b>
<b>Work Experience (years)</b>	Up to 2	81	55
	3-5	41	27
	6-8	16	11
	Over 9	11	7
	<b>Total</b>	<b>149</b>	<b>100</b>
<b>Accident</b>	Yes	54	36
	No	95	64
	<b>Total</b>	<b>149</b>	<b>100</b>

*Source: Own Survey, 2018.*

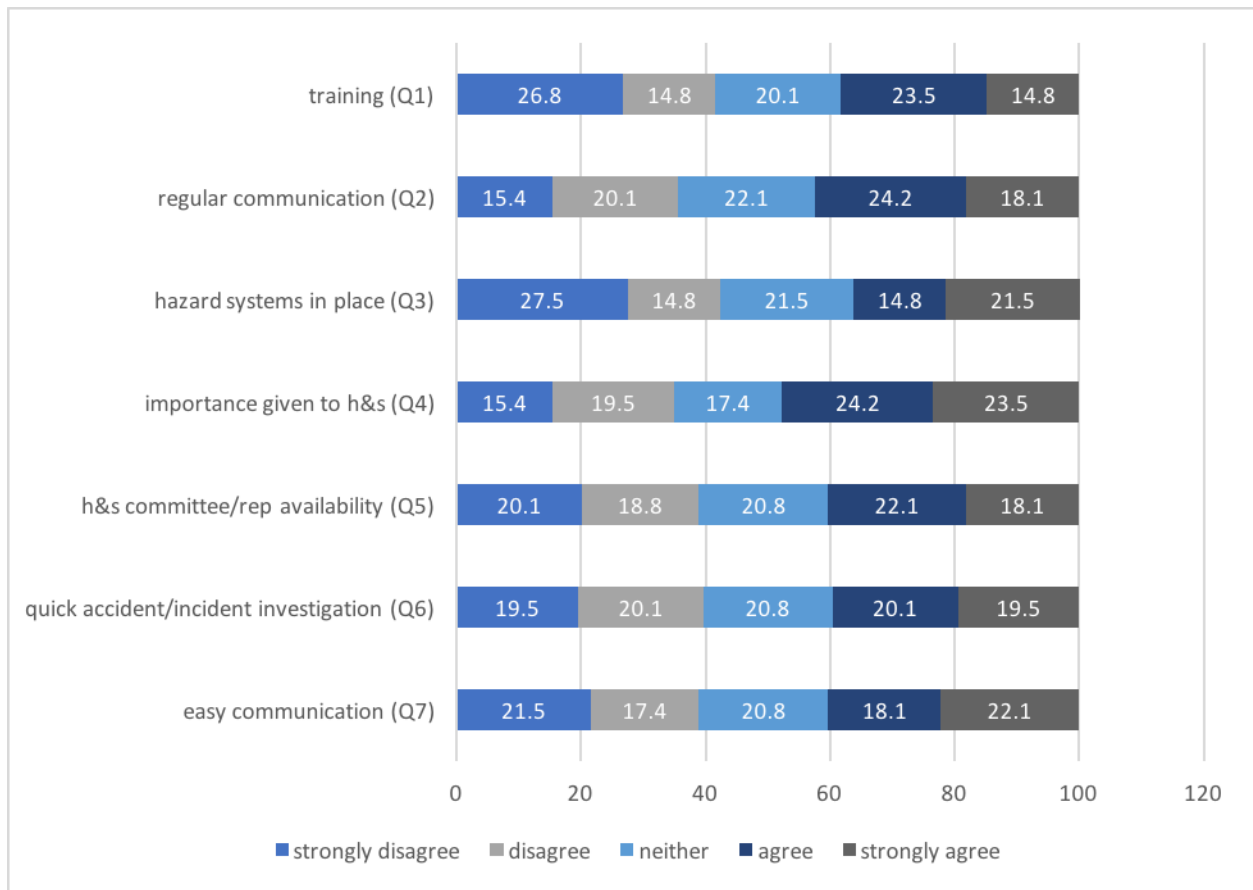
#### **4.1.2. Survey Results**

To explore and understand employee safety and health aspects of business ethics practices, the thesis investigated relevant issues in this dimension with three main domains. These are workplace policies and procedures, occupational health and safety awareness and participation in occupational health and safety. The survey questionnaire developed for the research asked participants to express their views concerning various statements in relation to these domains of health and safety. There were four to seven questions under each domain. The workplace policies and procedures section asks employees about the kinds of policies and procedures in place to make the workplace safe. Similarly, the occupational health and safety awareness section explores employees' awareness of occupational health and safety (e.g. hazards, the rights and responsibilities of both employees and employers). Finally, the participation in occupational health and safety section explores employees' ability to ask questions about, and participate in, health and safety at work. The questionnaire asked participants to indicate the degree to which they agree or disagree with statements that aim to capture these domains and indicators. The statements were put forward in a five point Likert scale of strongly disagree, disagree, neither agree nor disagree, agree and strongly agree. The results are presented with a descriptive summary of the percentage of respondents who expressed their views about workplace health and safety with these scales. The mean responses are summarized across each question and a summary response score for each domain is calculated. Figures 4.1a-c depicts responses for each question and the summary results across the three domains are presented in Figure 4.2.

#### ***Workplace Policies and Procedures***

Although the level of agreement about questions associated with workplace policies and procedures domain is slightly higher than level of disagreement, the proportion of respondents who agreed and disagreed are relatively equal sized. About 36-48 percent respondents agree or strongly agree with the indicators in this domain while about 35-42 percent of them disagree or strongly disagree.

**Figure 4.1a. Responses for Indicators of Workplace Policies and Procedures**



*Source: Own Survey, 2018.*

Looking at the specific indicators, about 42 percent of respondents did disagree or strongly disagree that everyone receives the necessary workplace health and safety training when starting a job, changing jobs or using new techniques while about 38 percent of the study participants indicated their agreement or strong agreement with receiving necessary training.

In terms of regular communication between employees and management about safety issues, about 42 percent agreed or strongly agreed there is regular communication. On the other hand, close to 36 percent disagree or strongly disagreed that there is regular communication.

The results for the remaining questions can be gleaned from Figure 4.1a. For instance, the proportion of respondents who agreed (or strongly agreed) and who disagreed or strongly disagreed are equally split (39.6 percent) when it comes to quick investigation of incidents and accidents in order to improve workplace health and safety.

One of the encouraging highlights about health and safety practices from responses for the workplace policies and procedures domain questions is that a significant portion of respondents seem to acknowledge a regular communication between employees and management about safety issues. Similarly, respondents feel positively about the importance health and safety is given at their organization. About to 1 in 2 respondents agree or strongly agree that health and safety is as important as other process in the organization such as production and quality.

On the other hand, respondents have identified a gap in receiving necessary workplace health and safety training as well as the lack of systems to identify, prevent and deal with hazards at work.

### ***Health and Safety Awareness***

On average, about 36-48 percent of respondents agree or strongly agree with statements assessing employee's awareness on health and safety issues. On the contrary, about 35-42 percent seem to disagree or strongly disagree with statements on health and safety awareness.

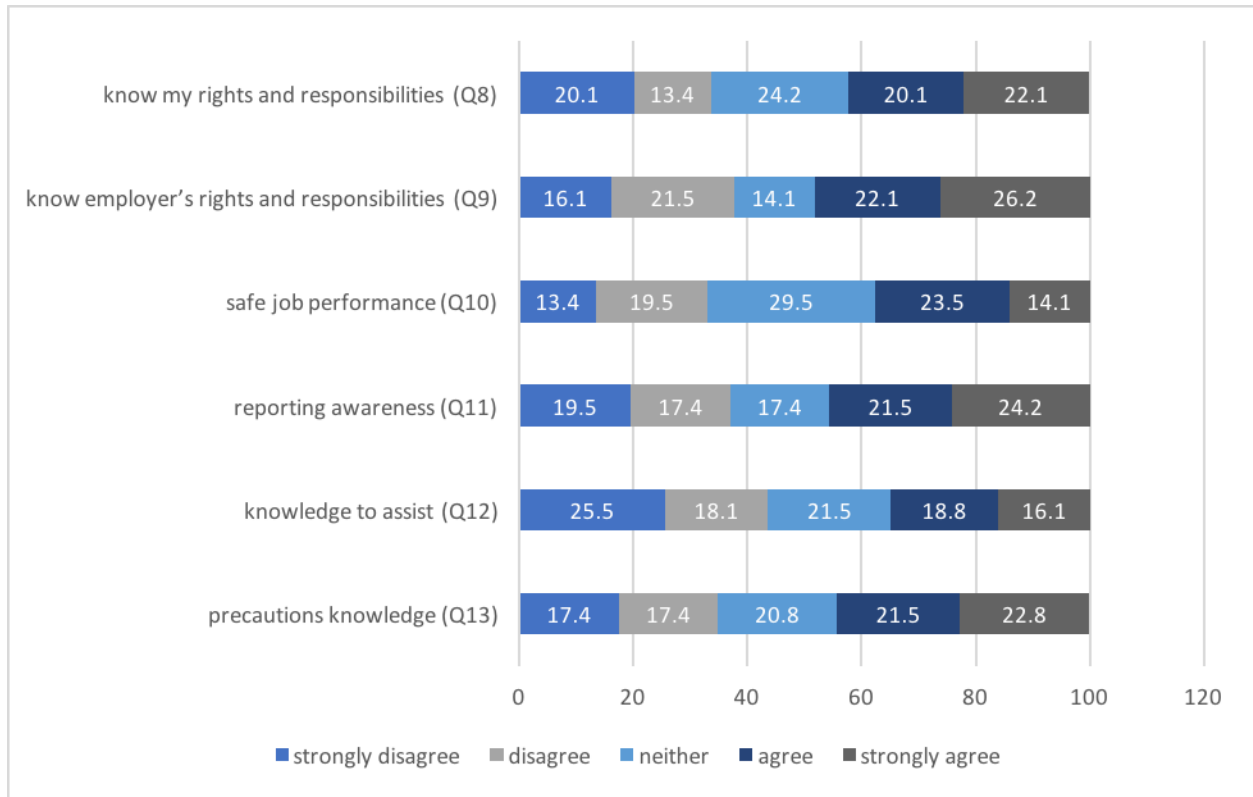
Looking at the specific indicators, respondents seem well aware about their own as well as their employers' rights and responsibilities. About 42 percent of participants agree or strongly agree that they are clear about their rights and responsibilities in relation to workplace health and safety while 48 percent of them agree or strongly agree that they are clear about employers' rights and responsibilities. However, a sizable proportion of respondents also indicated lack of awareness on these issues. For instance, 33.5 percent of participants disagree or strongly disagree that they are clear about their own rights and responsibilities and 37.6 percent of them replied they disagree or strongly disagree that they are clear about employers' rights and responsibilities in relation to workplace health and safety.

Respondents also indicated their awareness and knowledge when it comes to contacts to report health and safety hazard as well as necessary precautions to be safe at workplace. About 46 percent of participants agree or strongly agree that they know who to report to at their workplace is they became aware of health or safety hazard, while about 37 percent of them seem to disagree or strongly disagree with that statement. Similarly, about 44 percent of participants agree or strongly agree that they know what necessary precautions that they should take while doing their job, while about 35 percent seem to disagree or strongly disagree.

One of the lowest level of agreements were found in two indicators of awareness. The first one was knowledge to perform work safely and the other one was knowledge to assist in health and safety concern responses. About 38 percent of respondents agree or strongly agree that they know how to perform their job in a safe manner, while about 33 percent disagree or strongly disagree. On the other hand, about 35

percent agree or strongly that they the relevant knowledge to assist in responding to any health and safety concerns at workplace, while about 44 of respondents seem to disagree or strongly disagree with this statement.

**Figure 4.1b. Responses for Indicators of Health and Safety Awareness**



Source: Own Survey, 2018.

### **Participation in Health and Safety**

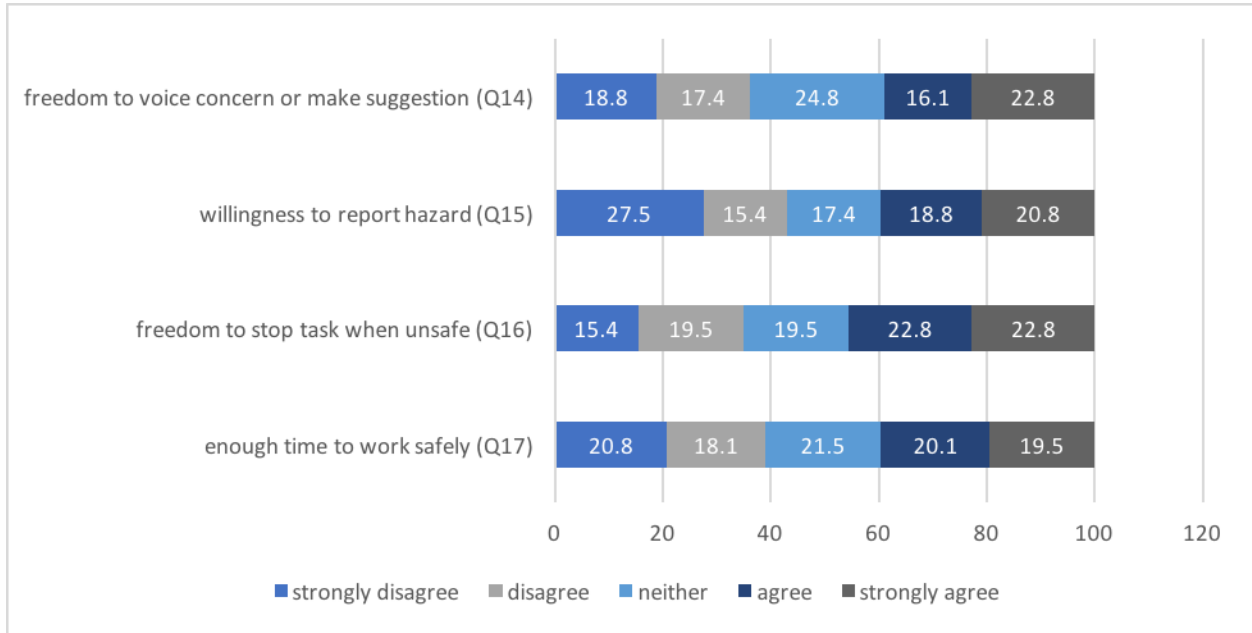
On average, the degree of agreement to indicators in the participation in health and safety domain ranges from 39 to 46 percent, whereas the level of disagreement ranges from 35 to 43 percent.

About 39 percent of respondents agreed or strongly agreed with the statement that they feel free to voice concern or make suggestion about workplace health and safety at their job while about 36 percent disagreed or strongly disagreed.

While significant proportion of participants seem to agree or strongly agree (45.6 percent) than disagree or strongly disagree (34.9 percent) that they know they can stop their work task if something unsafe without fearing about management would punish them, they also seem to point out lack of their willingness to report workplace hazard and their lack of time to complete their work tasks safely. This is

reflected by a significant level of disagreement or strong disagreement (about 43 percent) with the statement that they would point out workplace hazard to management if they notice one. Similarly, close to 40 percent of respondents seem to disagree or strongly disagree with the notion that they have enough time to complete their work tasks safely.

**Figure 4.1c. Responses for Indicators of Participation in Health and Safety**



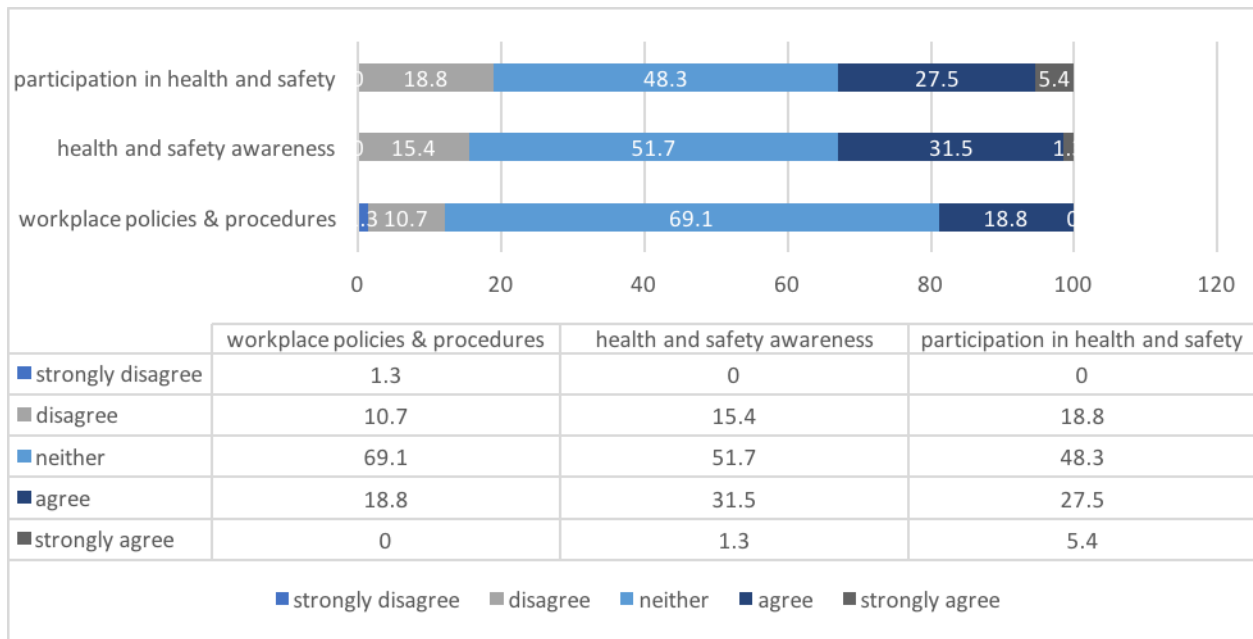
Source: Own Survey, 2018.

### **Summary Indicators**

The results were further analyzed by calculating summary results for the three health and safety domains the study investigates and that are discussed above. Figure 4.2 shows these summary results.



**Figure 4.2. Summary Indicators**



*Source: Own Survey, 2018.*

The results are mixed but mostly indicate inadequate system and practices on workplace health and safety from employees’ perspective. In terms of workplace policies and procedures, only 18.8 percent of respondents indicated their agreement that relevant policies and procedures are in place to make the workplace safe. On the other hand, 12 percent of participants expressed their disagreement or strong disagreement while the vast majority expressed their neutral view on the matter.

In terms of occupational health and safety awareness, 32.8 percent of participants responded with agreement or strong agreement about their awareness regarding workplace health and safety issues. However, 15.4 percent of respondents indicated their disagreement that they have enough occupational health and safety awareness.

When asked about their ability to participate in workplace health and safety matters, 32.9 percent agree or strongly agree that they are able to participate, whereas 18.8 percent disagree.

Furthermore, how results vary by demographic characteristics of respondents was explored. Specifically, how responses for the three dimensions of health and safety may differ by gender, age, work experience and education was explored. The summary of results is presented in Tables 4.2a-c. Table 4.2a presents results for workplace policies and procedures domain and results for health and safety awareness and participation domains are presented in Table 4.2b and 4.2c respectively.

When we looked at the workplace health and safety domain results, there is no significant difference in level of agreement among male and female participants. On average, about 18 percent of female participants agree that there are relevant workplace policies and procedures in place to address and manage health and safety issues, while 20 percent of male respondents similarly agree to that assessment. However, there was some marked difference in their level of disagreement when it comes to workplace policies and procedures. While 5.6 percent of female respondents disagree, the equivalent figure for male respondents was 13.7 percent. In terms of age, older respondents seem to have a positive assessment with regard to workplace policies and procedures. On the other hand, respondents who were working in the company from 6 to 8 years and those who were working for less than 2 years seem to have a more positive assessment in this domain than other groups. In terms of education, employees with diploma or less seem to have a more positive response than employees with bachelor or master's degrees.

The health and safety awareness domain was similarly explored. Male respondents seem to respond in agreement for indicators in this domain than female respondents. While 36.8 percent of male respondents agree they have required awareness with regard to health and safety matters at their workplace, only 22.2 percent of female respondents seem to agree. Although there is no clear pattern of association of the responses with age, respondents in the age group of 25 to 39 years seem to have relatively higher level of agreement with responses in this domain. Similarly, respondents with 2 years of less experiences and respondents with bachelor degree seem to have higher level of agreement in the health and safety awareness domain.

Finally, the participation in health and safety domain does not register significant difference in proportion of male and female participants who either agree or disagree. Although the proportion of respondents in different age groups is not also significant, older respondents seem to have a more positive assessment while younger respondents seem to have higher proportion of them who disagree.

**Table 4.2a. Results of Workplace Policies and Procedures by Demographics of Participants**

<b>Workplace policies and procedures</b>		strongly disagree (%)	disagree (%)	neither (%)	agree (%)	strongly agree (%)
<b>Gender</b>	female	1.9	5.6	75.9	16.7	0
	male	1.1	13.7	65.3	20	0
<b>Age</b>	18 to 24	0	8.8	77.2	14	0
	25 to 39	1.5	13.2	63.2	22.1	0
	40 to 54	7.1	7.1	71.4	14.3	0
	55 or older	0	10	60	30	0
<b>Experience</b>	up to 2 years	1.2	13.6	64.2	21	0

	3 to 5 years	0	7.3	78	14.6	0
	6 to 8 years	0	6.3	68.8	25	0
	over 9 years	9.1	9.1	72.7	9.1	0
<b>Education</b>	10/12	2.9	5.9	73.5	17.6	0
	complete certificate	0	0	81.8	18.2	0
	diploma	0	11	67.1	22	0
	bachelor's	5	20	65	10	0
	master's	0	50	50	0	0

**Table 4.2b. Results of Health and Safety Awareness by Demographics of Participants**

<b>Health and safety awareness</b>						
		strongly disagree (%)	disagree (%)	neither (%)	agree (%)	strongly agree (%)
<b>Gender</b>	female	0	13	63	22.2	1.9
	male	0	16.8	45.3	36.8	1.1
<b>Age</b>	18 to 24	0	17.5	54.4	26.3	1.8
	25 to 39	0	14.7	45.6	38.2	1.5
	40 to 54	0	7.1	64.3	28.6	0
	55 or older	0	20	60	20	0
<b>Experience</b>	up to 2 years	0	14.8	45.7	38.3	1.2
	3 to 5 years	0	19.5	56.1	22	2.4
	6 to 8 years	0	12.5	62.5	25	0
	over 9 years	0	9.1	63.6	27.3	0
<b>Education</b>	10/12	0	14.7	58.8	23.5	2.9
	complete certificate	0	9.1	63.6	27.3	0
	diploma	0	17.1	48.8	32.9	1.2
	bachelor's	0	10	45	45	0
	master's	0	50	50	0	0

**Table 4.2c. Results of Participation in Health and Safety by Demographics of Participants**

<b>Participation in health and safety</b>						
		strongly disagree (%)	disagree (%)	neither (%)	agree (%)	strongly agree (%)
<b>Gender</b>	female	0	18.5	46.3	27.8	7.4
	male	0	18.9	49.5	27.4	4.2
<b>Age</b>	18 to 24	0	22.8	43.9	28.1	5.3
	25 to 39	0	19.1	50	26.5	4.4

	40 to 54	0	7.1	50	28.6	14.3
	55 or older	0	10	60	30	0
<b>Experience</b>	up to 2 years	0	18.5	46.9	29.6	4.9
	3 to 5 years	0	24.4	48.8	22	4.9
	6 to 8 years	0	18.8	50	31.3	0
	over 9 years	0	0	54.5	27.3	18.2
<b>Education</b>	10/12	0	14.7	50	29.4	5.9
	complete	0	18.2	36.4	36.4	9.1
	certificate	0	17.1	52.4	26.8	3.7
	diploma	0	35	35	20	10
	bachelor's	0	0	50	50	0
	master's	0	0	50	50	0

*Source: Own Survey, 2018.*

The first evidence of fragmented approach to business ethics practices is shown by the responses related to the availability of health and safety guidelines and policy for employees.

## 4.2. Reliability Test and Factor Analysis

The reliability of any given measurement refers to the extent to which it is a consistent measure of a concept. In order to assess reliability of our items used in the employee health and safety questionnaire, a Cronbach's alpha test was performed, a measure which is used to assess the reliability, or internal consistency, of a set of scale or test items.

Cronbach's alpha is computed by correlating the score for each scale item with the total score for each observation and then comparing that to the variance for all individual item scores. Hence, Cronbach's alpha is a function of the number of items in a test, the average covariance between pairs of items, and the variance of the total score.

The resulting  $\alpha$  coefficient of reliability ranges from 0 to 1 in providing this overall assessment of a measure's reliability. If all of the scale items are entirely independent from one another (i.e., are not correlated or share no covariance), then  $\alpha$  will be 0 and if all of the items have high covariances, then  $\alpha$  will approach 1 as the number of items in the scale approaches infinity. In other words, the higher the  $\alpha$  coefficient, the more the items have shared covariance and probably measure the same underlying concept.

The Cronbach's alpha for the 17 items included in the employee health and safety questionnaire was computed using SPSS. The results are shown below in Table 4.3a. The standardized scale reliability (or alpha) coefficient was 0.15. Although the magnitude of the alpha coefficient is relatively small, it is not

unexpected result given the multidimensionality of the items in the questionnaire, the low level of inter-item correlation between items (see Appendix I for the correlation matrix) and the relatively small number of observations for our study.

**Table 4.3a: Cronbach's Alpha-Reliability Statistics**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
0.141	0.150	17

To further explore the dimensions of the items included in the questionnaire, an exploratory factor analysis was performed. The analysis seems to confirm the three dimensions the questionnaire proposed. The results of the factor analysis are shown in Table 4.3b. The 17 items in the employee health and safety questionnaire were grouped into three dimensions: workplace policies and procedures; health and safety awareness; and participation in health and safety. Most items have neatly loaded into three factors along these three dimensions. The few exceptions item 1, item 9 and item 17. Although item 1, which asked about availability of trainings, was grouped in the workplace safety and procedures in the questionnaire, it seems to load to factor 3 which is health and safety awareness dimensions factor in our analysis. This result is rather intuitive since the question about receiving on the job health and safety training can also be an issue of raising health and safety awareness although our initial grouping was intended to reflect the availability of workplace policies and procedures that gives emphasis to health and safety trainings. The other two items, 9 and 17, did not load as expected or to any of the dimensions significantly. Therefore, these results suggest undertaking future work by researchers to test these items in a larger sample of participants and to ascertain the merit of excluding these items.

**Table 4.3b. Results of Factor Analysis and Factor Loading**

	Factor 1	Factor 2	Factor 3	Uniqueness
training (Q1)	0.1291	-0.1093	0.2238	0.9213
regular communication (Q2)	0.3314	0.1410	-0.0191	0.8699
hazard systems in place (Q3)	-0.3796	0.3163	0.0400	0.7543
importance given to h&s (Q4)	0.2830	-0.0145	0.0150	0.9195
h&s committee/rep availability (Q5)	0.2663	-0.1113	0.0226	0.9162

quick accident/incident investigation (Q6)	-0.1921	-0.2455	-0.1147	0.8897
easy communication (Q7)	0.1022	-0.0514	0.1449	0.9659
know my rights and responsibilities (Q8)	-0.1393	0.1691	-0.0497	0.9495
know employer's rights and responsibilities (Q9)	0.0314	0.0940	0.0714	0.9851
safe job performance (Q10)	-0.0904	-0.0135	0.3615	0.8610
reporting awareness (Q11)	0.0434	-0.1332	0.3791	0.8367
knowledge to assist (Q12)	-0.0852	0.1068	0.2411	0.9232
precautions knowledge (Q13)	0.0514	0.0066	0.3037	0.9051
freedom to voice concern or make suggestion (Q14)	0.2704	0.3738	-0.0405	0.7855
willingness to report hazard (Q15)	0.2241	0.2151	-0.0459	0.9014
freedom to stop task when unsafe (Q16)	-0.0917	0.3399	0.1324	0.8585
enough time to work safely (Q17)	0.0873	-0.0561	-0.1049	0.9782

### 4.3. Results of Health and Safety Assessment

The thesis has conducted a document review and observation in addition to employees' workplace health and safety survey. The health and safety assessment was conducted with a structured instrument to evaluate the level of implementation and engagement in various domains (see Appendix B for details of the instrument). The instrument also attached scores to each indicator to get a better and relatively objective understanding of health and safety practices in the organization. In addition, company reports and documents were reviewed to identify relevant data and documentation in matters of health and safety. In this regard, occupational injury and accident data was compiled and reported.

The assessment of organization level practices and implementation of health and safety program was organized in four domain of management leadership, worker participation, hazard identification, assessment, prevention and control and education and training.

The *management leadership* domain explores practices in health and safety issues including whether management implements and communicates health and safety supporting programs, demonstrates commitment, commits appropriate resources, assigns responsibility and accountability and acknowledges and rewards employees' contributions to workplace health and safety. Although there are some aspects in this domain that the company strives to fully implement, there are other aspects where there is no

practical implementation in the organization. The management seem to fully recognize and devote more appropriate responses to accomplish goals and manage health and safety program. Similarly, while management took partial actions in implementing and communicating a written and signed policy supporting health and safety as well as in assigning responsibility and accountability for implementing and maintaining health and safety program, it lacks action and implementation towards encouraging, recognizing and rewarding employees' contributions to workplace health and safety. Overall, out of the maximum available score of 20 for this domain, our assessment assigned a score of 8. See Appendix F for the details of the indicators and scores for each as well as the total score.

In the *worker participation* domain, various aspects of employees' participation in health and safety was assessed. These include, whether workers are encouraged to participate, have the means to participate and feel comfortable participating and giving input on health and safety issues; whether they are trained on how to report an injury, illness, hazard, or concern; whether they report injuries, illnesses, hazards, and concerns without fear of reprisal and whether their reports are acknowledged promptly; and whether they have access to information they need to understand safety and health hazards and hazard control measures in the workplace. Although there is partial implementation in encouraging employees to report workplace health and safety issue concerns, to acknowledge that promptly and to provide access to information they need, there is lack of implementation in encouraging employees to participate, have the means to participate and feel comfortable participating and giving input on health and safety issues as well as in providing training on how to report an injury, illness, hazard, or concern. Based on evaluation of each indicator, our assessment assigned a total score of 6 out of the maximum score of 20 for this domain.

The *hazard identification, assessment, prevention and control* domain addressed issues of regular workplace inspection to identify conditions that that pose or could pose a safety or health concern; to identify worker exposure to health hazards; whether trends in injury and illness data, reports of hazards, incidents, etc. are analyzed to identify common hazards; whether a hazard control plan is used to plan and prioritize controls; whether controls are installed as soon as a hazard is identified; whether workers are involved in selecting controls; and whether controls are in place to protect workers during emergencies and nonroutine operations. Our assessment revealed a partial implementation and practices with regard to all indicators in this domain except the practice of involving workers in the selection of controls where it is currently lacking. We assessed these indicators in this domain in a similar manner and assigned a score of 12 out of the maximum of 28.

One of the indicators of strong health and safety system is the existence of data management system to document, analyze and act upon data about injuries, incidents and hazards. The organization seem to have

a system of documenting these data in the form of occupational accidents report. The report was reviewed and an extract of the report is presented in Table 4.3. Over the period of June 2013 – May 2014, 40 accidents were reported that are caused by different hazards and agents of accident. The data shows that most of the accidents are related to falling down, followed by those caused by transport vehicles.

**Table 4.4. Occupational Accident Report of the Factory for the Months June 2013 – May 2014**

Agent of Accident	Injured body parts										Total
	Head		Chest		Back		Hands		Legs		
	M	F	M	F	M	F	M	F	M	F	
Machine							1				1
Falling Down Accident	2					1	7	3	4	2	19
Transport Vehicles			1				4		6	3	14
Human Errors								4	2		6
Total	2		1			1	12	7	12	5	40

*Source: Occupational accident report of the factory*

In the **education and training** domain, we assessed and evaluated whether managers, supervisors, and workers understand the elements of the health and safety program and how to participate in it; workers understand the employers’ responsibilities under the health and safety program; and whether workers are trained to understand how to recognize hazards and effective techniques for their control. Although there is limited evidence with regard to workers’ understanding about the employers’ responsibilities in relation to health and safety, there is lack of implementation and evidence about the other indicators. Taken these indicators and the level of evidence on the ground, we assigned a total score of 2 out of the maximum score of 12 in this domain.

Taking all these domains together, the results indicate a limited level of implementation and practice in the health and safety domains of business ethics. Although there are some areas where there are initiatives and partial practical implementation, there seems a lot of improvement is due with regard to the majority of indicators and areas of health and safety.

#### **4.4. Product Safety Assessment**

As one important dimension of business ethics practices, we explored how the company deals with issues of product safety. The results indicate that the factory did not face product safety problem specially injury to customers. However, sometimes the factory faces minor product quality problems like fallen objects in the bottled oil. To handle this type of problem, the factory follows a ‘product recall’ guideline which is



developed by the company and adjusts the future production if needed. It also appears that the company gives considerable value to product safety than other attributes of product quality such as effectiveness and durability.

Although the company did not seem to have faced product safety problems particularly related to safety issues and harm to users, the research further explored system readiness and preparedness in an event of problems and issues related to product safety arise. The results indicate the absence of such system and readiness. This is particularly reflected two areas and issues the research explored. These are system and mechanisms to assess and identify and inform, if any, product hazards to users and insurance system and scheme in an event of potential product failure (hazards to the users). These systems and preparedness seems missing.

Furthermore, we assessed product quality aspect of business ethics with a structured instrument as presented in Appendix C. the instrument assessed the level of engagement and implementation with regard to product quality in areas of policies and procedures concerning product quality, management commitment, procedures for product identification, traceability and recall plan, regulatory compliance and customer complaint management. The results indicate that some aspects and indicators of product quality assurance seems to be lacking while other are partially or fully implemented.

Our assessment reveals there is strong management commitment and management participates in the audit process and have an awareness of corrective action programs to outside audits, regulatory inspections and internal audits. Similarly, the results indicate that the organization maintains a file of all regulatory actions, visits, reports or other notifications received from any regulatory agency.

On other aspects of product quality, there is partial implementation. These is particularly reflected in the assessment of whether the organization have documented policies and procedures covering all aspects of raw material receipt, manufacturing, storage and transport as well as in the areas of whether the organization have a written program for handling customer and/or consumer complaints.

On the other hand, the organization appears to fail to full or partially implement some aspects of product quality. These include not having a have comprehensive written procedures for product identification, traceability and a recall plan specific to that plant location as well as lack of a documentation and system that maintains a complaint log to track complaints by product identification, production dates, cause and origin of complaint. Overall, our assessment and evaluation assigned a total score of 12 out of the maximum score of 24.

## **4.5. Environment and Social Responsibility Assessment**

Concerning organizational social responsibility, the organization seems to hold and support a social responsibility point of view which goes beyond the standard set by the law as opposed to a view of only maximizing profit for its shareholders while operating within the law. The organization also underscore corporate social responsibility will also have the potential to create competitive advantages and there is an understanding that such types of commitment to the society contribute much to the development of the factory as they do to the community. However, the research has not identified and found evidence that the company is currently engaged with programs and activities to fulfill its corporate social responsibility. This is also confirmed by the in-depth interview undertaken.

Similarly, concerning environmental protection, the organization holds a view that businesses should find ways to prevent certain harm it causes even if such harm violets no environmental law as opposed to a view that business does not have an obligation to protect an environment over and above what is required by the law. There is a strong view and stand in the organization that the company is not acting only to comply only with government rules and regulation concerning environmental protection but also to strive and to be an organization that is socially and environmentally responsible organization.

Nevertheless, the study also finds that the company does not have a policy or comprehensive plan about how to address issues of environmental protection. However, the factory identifies all waste materials of the factory, exhausting all potential sources from the production area, the office, clinics, warehouses, garages, toilets and workshops and removes them to save the environment from pollution. This implies that the absences of policy concerning environmental protection may hamper the factory from developing a good mechanism of environmental protection.

The organization has also identified possible sources of environmental pollution that could arise from the activities of the factory such as different Vehicles and Volvos gas, factory liquid waste, and other solid and liquid wastes from different sources in the factory and designing mechanism to address them.

There is also an issue that the organization is facing related to some complains from community living around your factory about noise, gas emission, smell and others. The organization reported a complaint from the community living around the factory concerning the wastage materials. As far as the location of the ASHRAF Group PLC., Bahir Dar is concerned; it is not in the industry zone/area. Therefore, such complain may be expected and the factory does not make any arrangement to entertain and compensate the community according to the manager. This indicates that the factory is not putting any effort either to reduce the disturbing wastage, changing the factory's location or to compensate the community living around the factory.

The organization also attempts to use different techniques to remove and dispose various liquid and solid wastes. Document analysis indicates that the major component in the liquid waste from the factory is water from cleaning activity and sanitation. Currently, the factory is utilizing about 8m<sup>3</sup> of water per hour. 1m<sup>3</sup>/hr is used as a direct input for the product and the other is used for cleaning and sanitation purpose. Cleaning and sanitation are applicable for the bottle, machinery and the whole facility.

In the liquid waste, caustic soda and calcium hypochlorite are the main components since they are largely utilized in the cleaning and sanitation activity. Currently the factory is letting the factory's liquid waste to the main sewerage system of the city.

For the production of 345,600 cases of product, there were a total of 3,456 cases of bottle were rejected. The rejected bottles are collected and taken to common location together with the rejected bottle. So that it will be taken to plastic factory for recycling.

### ***Results of Social and Environmental Responsibility Assessment***

In addition to the above results and discussions derived from document review and interviews, the thesis has designed and implemented an instrument to evaluate and score social and environmental responsibility aspects of business ethics. The instrument is presented in Appendix A and the results of the assessment is available from Appendix H. Three domains were used in this analysis. These domains are governance, environment and community relation.

The ***governance*** domain assessed whether the organization identify its main economic, social and environmental impacts; the organization have a corporate social responsibility strategy that defines its commitments; the company integrate corporate social responsibility in the organizational structure and have designated senior personnel with clear responsibility for corporate social responsibility; the organization link corporate responsibility issues to people's performance reviews/appraisals across the organization; and whether the organization define key corporate social responsibility priorities and communicate them throughout the organization. The results were mixed where some indicators were favorably assessed than others. Our assessment indicates that the organization identify its main economic, social and environmental impacts. The assessment also reveals that there is partial implementation when it comes to having a corporate social responsibility strategy that defines commitments and linking corporate responsibility issues to people's performance reviews/appraisals across the company. However, actions and programs seem to be still lacking in the areas of having designated senior personnel with a clear responsibility for corporate social responsibility and defining key corporate responsibility priorities and communicate them throughout the organization. By assessing and evaluating the level of

implementation and practice in each domain, we assigned a score of 8 out of the maximum score of 20 in this domain.

The **environment** domain covers issues related to action plans and programs to lower environmental impacts; maintaining a monitoring system, measuring the main environmental impacts, especially resource usage and carbon emissions; training programs to help employees implement its environmental policy and action plan; and a recycling program. The assessment indicates there is partial implementation with regard to having action plans and programs to lower its environmental impacts and having a recycling program at the organization. On the other hand, the organization seems to lack implementation of a monitoring system, measuring the main environmental impacts, especially resource usage and carbon emissions. Similarly, our assessment shows the lack of a training program in place to help employees implement its environmental policy and action plan. Overall, we assigned a total score of 4 out of the maximum available score of 16 for this domain.

Finally, the **community relation** domain explores whether or not the organization has a community engagement action plan; the organization engages in regular dialogue with its stakeholders; the organization actively participates in corporate social responsibility associations and forums and/or engages with any local NGOs; the organization offers volunteering time, invests in or supports any local community initiatives; and whether or not the organization offers apprenticeship schemes to facilitate skills development within the local community. The assessment indicates that the organization offers volunteering time, invests in or supports any local community initiatives in a way that reflects its core business activity. With regard to other indicators, there is partial implementation in terms of having a community engagement action plan and actively participating in corporate social responsibility associations and forums and/or engaging with any local NGOs and offering apprenticeship schemes to facilitate skills development within the local community. On the other hand, the results indicate lack of implementation in undertaking regular engagement and dialogue with its stakeholders. Taking these assessments into account, we provided a score of 10 out of the maximum available score of 20.

#### **4.6. Addressing Business Ethics at Organization Level**

One of the main objectives of the thesis was to assess how business ethics is considered and addressed at organization level. We aimed to explore how business ethics is viewed and ways in which it is addressed, what efforts and strategies are put in place to facilitate business ethics practices and integrate business ethics in the operations and activities of the organization. The thesis explored these issues through semi-structured in-depth interviews, document review and survey. The research explored the formal and/or

informal ways, documents or strategies, organizational and departmental structural arrangement designed to address issues of business ethics.

The results seem to indicate the lack of formal business ethics practices as would be evidenced in the form of some formal indicators business ethics practices such as written ethical standards, publication of codes of ethics, training program on business ethics and ethics committee or ethics officer. These results were also confirmed through the in-depth interviews with the organization's management. What emerged from the information collected through the interviews was the absence of organization wide strategy and approach that guides business ethics practices in the organization.

Although formal arrangements and approaches to guide business ethics practices and implementations were lacking, the results also pointed out the reliance of fragmented efforts of business ethics practices and informal codes of conducts and practices to guide ethical practices. For instance, the survey results show that while 40.2 percent of respondents indicated their agreement or strong agreement with receiving health and safety, 38.9 percent of seem to disagree or strongly disagree that everyone receives health and safety training.

Despite the absence of formal and overall approach to business ethics practices, the results find out an understanding in the organization about the significance and business relevance of addressing business ethics. There appears a clear understanding among the management on the vital role business ethic plays for the success of the organization and the potential risks of ignoring business ethics as a strategy and operational priority.

Moreover, the results identified an understanding and acknowledgement of change in culture and time and proactive efforts to adapt to such changes through sustained innovation and work towards IT based operation. By doing so, the company can move with change in culture and time. Therefore, the result indicates that the factory is proactively responding to changes in culture and time.

In addition, the research results show willingness, readiness and some progress at organizational level to adapt and consider business ethic in corporate strategy. There is some reported good progress of business ethics practices in the factory even though it is addressed in a fragmented manner or informally. The progress can be observed in the areas like customer satisfaction, quality services, corporate social responsibility activities, employee satisfaction and other areas. These progresses are raised as important milestones that would simplify implementation of business ethics in the future. Furthermore, there was also an understanding and the willingness and possibility to adapt changes to consider business ethics in the factory's corporate strategy. Possible arrangements such as revising the organizational structure to

incorporate business ethics department (officer) in the structure are cited as one of the key requirements to these changes. In addition, it may also require employees' commitment since the application of business ethics concerns the entire population of a given organization. Therefore, the factory believes in the importance of business ethics even to the extent of incorporating it into its corporate strategy.

## **4.7. Discussions**

This section will try to offer a reflection and provide discussions, interpretations and some implication of the results obtained in the study and presented in the previous sections.

First, the results indicate the absence of companywide and comprehensive guidelines and policies to facilitate and encourage business ethics practices in the organization. This also extends to specific dimensions of business ethics the study explored where there were no documents and guidelines concerning employee health and safety, product safety, social responsibility and environmental protection.

Second, the results show that despite the lack of formal business ethics practice, currently there appears some fragmented and informal practices to address issues of business ethics. However, they seem not adequate and there is more that can be done. Particularly, given the issues of employee health and safety, the results show that working conditions can be improved by addressing issues of workplace temperature, workplace sanitation as well as reducing workplace accidents and hazards, provision of necessary protective equipment. Data reveals that most accidents are caused by falling that could be easily addressed through falling, slippery and trip hazard assessment and producing warning signage and providing guidelines and trainings.

Third, although the company luckily has not faced any issues related to product safety and potential harm to consumers, the study indicates limited consideration and preparedness in an event such potential problems arise. Particularly, there is a need to design a system to assess product hazards and ways to inform users if there is any.

Fourth, concerning social responsibility, the study shows that although the organization believes in the importance of corporate social responsibility, there is limited effort to address the issue. Similarly, the results show a similar level of understanding and commitment to environmental protection. There are efforts to identify sources of pollution and dispose of them although there is significant room for further improvement.

Fifth, despite these gaps in business ethics practices, the study also finds there is some encouraging attitude. The company understands and strongly believes in the importance and relevance of business

ethics and there was strong willingness and future plan to consider and adapt business ethics in the corporate strategy as well as to further formalize and adapt business ethics guidelines at organizational and structural level and operational level. This is encouraging and indicates the organization has its heart in the right place when it comes to business ethics issue although not yet backed with concrete actions.

Taken altogether, the results have a wider implication for the industries in the sector that goes beyond the case study company. Although understanding and supporting business ethics practices as strategy is a good starting point, they can do more to actually design and implement policies that make sure they perform their strategic and operational activities in light of business ethics that will assist them not only in succeeding in business and profitability but also in leading companies to sustainability and making them social responsible and environmental friendly organizations. It may also be relevant for companies to clearly outline their strategy and approach at the start and adjust and amend it as they progress and grow. It has also a wider implication for policy makers and regulatory bodies to assess lapse and gaps in business ethics practices from planning to implementation and regular follow-up.

## **CHAPTER FIVE**

### **5. SUMMARY, CONCLUSION AND RECOMMENDATION**

This chapter presents summary, conclusion and recommendations regarding the Business ethics practices of Product Safety, Health & Safety, Social Concern and Environmental Protection in Bahirdar City. The study basis its summary on findings in chapter four and methodology in chapter three of the research.

#### **5.1. Summary of Results**

ASHRAF Group PLC is one of the large industries in Ethiopia with different departments, sections and subsections. Currently the company has 268 permanent employees. Concerning the practices of business ethics, the factory does not have formal business ethics. However, there is an informal practice of business ethics in the factory and a willingness to adapt formal approach and some progress is reported. Even though the practice of business ethics is informal in the company, the company believes in the importance of business ethics for its success. Therefore, the company has an intention to include business ethics formally in its strategic plan in the future.

Employee safety and health, being one of the major issues of business ethics, data is collected through questionnaire from machine operators, garage workers and Laboratory workers. The results show that there are potential safety hazards and actual accidents, lack of safety guidelines in general as well as some room for improvement in sanitation of work environment. The results also show that although the company has not faced a product safety related issues and problems, it seems less prepared to handle if such issues arise.

There is a strong start and initiative to implement programs to address corporate social responsibility and the company is not involved programs such as education program, health program and environment development program in the form of giving sponsorship. Somehow the company is participated in helping and supports the children's who do not have parents.

Finally, although the company has no policy on how to protect the environment, it identify all waste materials of the factory, exhausting all potential sources from the production area, the office, clinics, warehouses, garages, toilets and workshops and remove them to save the environment from pollution. The possible environmental pollutions that could arise from the factory are: factory liquid waste, and other solid and liquid wastes from different sources in the factory.



## 5.2. Conclusions

The results have led me to draw the following conclusions which are relevant to improve business ethics practices in the company and the food agro-industries.

- The absence of formal business ethics practices may make the company unaware to extract the possible opportunities from business ethics.
- Comprehensive and continuous training not equally accessible to all employees in the factory. This resulted in the occurrence of different accidents.
- The company is not undertaking a risk assessment to identify and control hazards which could arise. In addition to this, fire extinguishers and emergency exits are not free from different obstacles, which can hinder the immediate usage of these facilities if accidents occurred. Hence, the company seems more reactive than proactive in the work area risk management.
- The company is not participating in country's development programs such as education program, health program and environment development program. However, the factory does not have public relation department, as a result there is no document concerning the above programs, and the programs lack coordination. In addition to this, the absence of public relation department may not help the company to develop public image.
- The company assures that the product will not affect the health or safety of the consumers. In case there is a product problem, the company does not have a system to inform customers not to use the defected products once the batch of these products is identified.
- There is no policy or comprehensive plan about how to protect the environment from pollution. Besides, the location of the factory is not in the industry zone/area, as a result community around the factory is complaining about the wastage of the materials.

## 5.3. Recommendations

With all these important considerations in mind, the following is a list of recommendations for a successful business ethics.

- The company believes in the importance of business ethics. On the other hand, the company does not practice business ethics formally. Hence, to practice business ethics formally, the company had better make use of the following indicators of formal business ethics. These could include

written ethical standards, publication of codes of ethics, training program on business ethics, ethical committee or ethical officer.

- Safety and health policy and training on health and safety should be equally accessible to all employees in the factory to avoid work related accidents. The safety and health policy of the company should be accessible to all employees in the form of hand books, induction, on the notice board and the like. The factory needs to also avail the necessary protective equipment's for all concerned employees and replace the old one on time.
- Concerning the training, the company had better make employees' need analysis and give training to those who have less training and less experience.
- Among the type of accidents faced by employees at the work place, falling down accident is found to be the most frequent according to the occupational accident report of the factory. This is because the floor at the work place is unnecessarily covered by water and other liquids as the researcher observed during the data collection. Therefore, the company needs to develop a system to keep the floor free from liquids or other factors which expose employees to falling down accidents.
- The company should undertake a risk assessment to identify and control hazards which could arise at the work place. In addition to this, fire extinguishers and emergency exits should be available without any obstacle to facilitate the immediate exit of employees during emergency.
- The company had better form public relation department, through which it can influence public attitudes towards the company.
- The company needs to have a system to inform customers not to use the defected products once it is assured that defective products were produced and distributed to the market. For instance, informing through different media may be a good mechanism.
- The company needs to have its own environmental protection policy and therefore it should develop the policy in line with the government policy concerning environmental protection.
- Finally, the results of the research have an implication for recommendations that are far from the company or related companies in the food agro-industry sector.
- The results underscore the importance for regulatory bodies and agencies to ensure and encourage organizations to have clear guidelines and polices to deal with and address business ethics issues

before they start operation as well as to regularly follow up whether they have been fulfilled and met once they start operation.

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# Appendices

## Appendix A. Social Responsibility Assessment Instrument

<b>Domains and Indicators</b>		
<b>I. Governance</b>		
1. Does the company identify its main economic, social and environmental impacts?		
Yes		4
Yes, but only partially		2
No		0
2. Does the company have a corporate social responsibility strategy that defines its commitments to corporate social responsibility?		
Yes		4
Yes, but only partially		2
No		0
3. Does the company have designated senior personnel with a clear responsibility for corporate social responsibility?		
Senior staff member with full-time responsibility for corporate social responsibility		4
Senior staff member with part-time responsibility for corporate social responsibility		2
No senior staff member with any responsibility for corporate social responsibility		0
4. Does the company link corporate responsibility issues to people's performance reviews/appraisals across the company?		
Yes		4
Yes, but only partially		2
No		0
5. Does the company define key corporate social responsibility priorities and communicate them throughout the organization?		
There is a mechanism in place to communicate corporate social responsibility priorities and news regularly, as well as during introductions for new hires		4
The company communicates corporate social responsibility priorities and expectations to all employees on an annual basis		2
<b>II. Environment</b>		
6. Does the company have action plans and programmes to lower its environmental impacts?		
The company's environmental action plan includes all of the mentioned components and includes an evaluation of progress against KPIs		4
The company's environmental action plan does not include all of the mentioned components and includes an evaluation of progress against KPIs		2
The company does not have an environmental action plan		0
7. Does the company maintain a monitoring system, measuring the main environmental impacts, especially resource usage and carbon emissions?		
Yes		4
No		0
8. Does the company have a training programme in place to help employees implement its environmental policy and action plan?		
The company has a training programme that it gives annually, as well as to new hires, and all attendees have signed attendance sheets for the training		4
The company has a documented training programme		2
The company has no training programme		0

9. Does the company have a recycling programme?	
The company collects recyclable materials and hands it over to a specialized, credible company for recycling	4
The company collects recyclable materials and leaves it for collection by an unknown party	2
The company makes no effort to recycle	0
<b>III. Community Relation</b>	
10. Does the company have a community engagement action plan?	
The company has an action plan and evaluates its progress	4
The company has an action plan	2
The company has no action plan	0
11. Does the company engage in regular dialogue with its stakeholders?	
The company initiates regular engagement with stakeholders	4
The company communicates its corporate social responsibility performance on a regular basis	2
The company does not engage with stakeholders	0
12. Does the company actively participate in corporate social responsibility associations and forums and/or engage with any local NGOs?	
The company participates in the activities of a corporate social responsibility related organization or local NGO between 2 and 5 times a year	4
The company is a member of a corporate social responsibility related organization or local NGO but is not active in this group	2
The company does not engage with corporate social responsibility related organizations or local NGOs	0
13. Does the company offer volunteering time, invest in or support any local community initiatives?	
The company invests in the community in a way that reflects its core business activity	4
The company invests in the community in a way that reflects non-core business activity	2
The company makes no community investments	0
14. Does the company offer apprenticeship schemes to facilitate skills development within the local community?	
The company offers a paid apprenticeship scheme that enables apprentices to come out with a certification of their skill level	4
The company offers an unpaid apprenticeship scheme that provides for skills development but no certification	2
The company does not offer an apprenticeship scheme	0

### Scoring

3 domains, 14 questions, total available score 56 (0 to 56)

Domains	Score	
Governance		/20
Environment		/16
Community Relations		/20
Total		/60



## Appendix B. Health and Safety Assessment Instrument

### Domains, Indicators and Assessment of Health and Safety Practices

Domain and Indicators	Not Implemented	Partially implemented	Fully implemented
	(0)	(2)	(4)
<b>1. Management Leadership</b>			
1.1. Management implements and communicates a written, signed policy supporting safety and health program			
1.2. Management routinely demonstrates visible commitment to health and safety			
1.3. Management allocates appropriate resources (funds and time) to accomplish goals and manage health and safety program.			
1.4. Management assigns responsibility and accountability for implementing and maintaining health and safety program.			
1.5. Management encourages, recognizes, and rewards worker contributions to workplace health and safety.			
<b>2. Worker Participation</b>			
2.1. Workers are encouraged to participate, have the means to participate and feel comfortable participating and giving input on health and safety issues.			
2.2. Workers are trained on how to report an injury, illness, hazard, or concern, including good catches/near misses.			
2.3. Workers report injuries, illnesses, hazards, and concerns without fear of reprisal.			
2.4. Reports of injuries, illnesses, hazards, or other concerns are acknowledged promptly.			
2.5. Workers have access to information they need to understand safety and health hazards and hazard control measures in the workplace.			
<b>3. Hazard Identification, Assessment, Prevention and Control</b>			
3.1. The workplace is inspected regularly to identify conditions that pose or could pose a safety or health concern. Inspections cover all areas and activities and include plant and transportation vehicles.			
3.2. The workplace is evaluated to identify worker exposure to health hazards.			
3.3. Trends in injury and illness data, reports of hazards, incidents, etc. are analyzed to identify common hazards.			
3.4. A hazard control plan is used to plan and prioritize			

controls.			
3.5. Controls are installed as soon as a hazard is identified.			
3.6. Workers are involved in selecting controls.			
3.7. Controls are in place to protect workers during emergencies and no routine operations.			
<b>4. Education and Training</b>			
4.1. Managers, supervisors, and workers understand the elements of the health and safety program and how to participate in it.			
4.2. Workers understand the employers' responsibilities under the health and safety program.			
4.3. Workers are trained to understand how to recognize hazards and effective techniques for their control.			

### Scoring

4 domains, 20 questions, total available score 80 (0 to 80)

Domains	Score	
Management Leadership		/20
Worker Participation		/20
Hazard Identification, Assessment, Prevention and Control		/28
Education and Training		/12
Total		/80

## Appendix C. Product Quality Assessment Instrument

### Indicators and Assessment of Product Quality Practices

Domain and Indicators	Not Implemented	Partially implemented	Fully implemented
	(0)	(2)	(4)
<p><b>Policies and Procedures Manual</b></p> <p>1. The organization documented policies and procedures covering all aspects of raw material receipt, manufacturing, storage and transport.</p>			
<p><b>Management Awareness and Commitment</b></p> <p>2. Management participates in the audit process and an awareness of corrective action programs to outside audits, regulatory inspections and internal audits is expected.</p>			
<p><b>Product Identification, Traceability and Recall Plans and Procedures</b></p> <p>3. The organization have comprehensive written procedures for product identification, traceability and a recall plan specific to that plant location.</p>			
<p><b>Regulatory Compliance</b></p> <p>4. The plant organization maintain a file of all regulatory actions, visits, reports or other notifications received from any regulatory agency.</p>			
<p><b>Customer/Consumer Complaint Management</b></p> <p>5. The organization has a written program for handling customer and/or consumer complaints.</p> <p>6. The organization maintains a complaint log to track complaints by product identification, production dates, cause and origin of complaint.</p>			

## Appendix D. Qualitative Interview Guiding Questions

### **College of Business and Economics**

### **Department of Management**

### **MBA Program**

#### *Interview Guiding Questions*

1. Is Business Ethics addressed formally or informally in your Factory?
2. Do you think business ethics is important for the success of your company? How?
3. Is it possible to consider business ethics in your corporate strategy? If yes, what arrangements it needs?
4. How can you explain the progress of business ethics in your factory?
5. How does your organization respond to changes in business ethics as it is a function of time and culture?
6. Does ASHRAF involve in any of country's development programs?
7. How do you consider playing social responsibility as organizational competitive advantages?
8. Did your company face product safety problem?
9. How do you consider product safety in relation to other attributes of product quality like effectiveness and durability?
10. Are you in a position to identify and inform potential products' hazards to users if any? If yes, how?
11. Do you have any policy concerning environmental protection? If yes, what type?
12. What possible environmental pollution could arise from your factory? What mechanism do you have to control this pollution?
13. Did you come across any complain from community living around your factory about noise, gas emission, smell, or others? If yes, how did you entertain their questions and compensate them?

## Appendix E. Workplace Health and Safety Survey

**Jimma University**  
**Business and Economics College**  
**Department of Management**  
**MBA Program**

This questionnaire is designed to gather information on “Assessment of Business Ethics practices in Ashraf Group PLC”. The purpose of the study is to fulfill a thesis requirement for the Masters of Business Administration (MBA) at Jimma University.

You are invited to share your opinions about your work and how it affects your health and safety by taking this survey.

Please answer the questions below on the occupational health and safety policies and procedures in place to protect you. Please note that the survey is anonymous (i.e. we are not asking for your name). Your answers will help pinpoint areas that may need improvement to better protect the health and safety of workers.

Answer each question carefully. There is no right or wrong answers. For each question, please indicate the response option you feel best answers the question. The information that you provide will be used only for the purpose of the study and will be kept strictly confidential. You do not need to write your name. Finally, I would like to thank you very much for your cooperation and sparing your valuable time for my request. Please circle one to show how much you agree or disagree.

### General Information

1. Gender
  - a. Male
  - b. Female
2. To which one of the following age groups do you belong?
  - a. 18 to 24
  - b. 25 to 39
  - c. 40 to 54
  - d. 55 or older
3. For about how many years have you worked for this organization?
  - a. Up to 2 years
  - b. 3 to 5 years
  - c. 6 to 8 years
  - d. Over 9 years
4. Educational qualification
  - a. 10/12 complete
  - b. Certificate
  - c. Diploma
  - d. Bachelor's degree
  - e. Master's degree
5. Have you ever had accident at your current workplace?

a. Yes

b. No

**Part 1: Workplace policies and procedures**

This section asks about the kinds of policies and systems in place to make the workplace safe. For each item below, please put an X under the heading that best describes how much you agree or disagree with the statement.

At my workplace,

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
1. Everyone receives the necessary workplace health and safety training when starting a job, changing jobs or using new techniques					
2. There is regular communication between employees and management about safety issues					
3. Systems are in place to identify, prevent and deal with hazards at work					
4. Workplace health and safety is considered to be at least as important as production and quality					
5. There is an active and effective health and safety committee and/or worker health and safety representative					
6. Incidents and accidents are investigated quickly in order to improve workplace health and safety					
7. Communication about workplace health and safety procedures is done in a way that I can understand					

**Part 2: Occupational health and safety awareness**

This section explores your awareness of occupational health and safety (e.g. hazards, the rights and responsibilities of both employees and employers). For each item below, please put an X under the heading that best describes how much you agree or disagree with the statement.

**At my workplace,**

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
1. I am clear about my rights and responsibilities in relation to workplace health and safety					
2. I am clear about my employers' rights and responsibilities in relation to workplace health and safety					
3. I know how to perform my job in a safe manner					
4. If I became aware of a health or safety hazard at my workplace, I know who (at my workplace) I would report it to					
5. I have the knowledge to assist in responding to any health and safety concerns at my workplace					
6. I know what the necessary precautions are that I should take while doing my job					

**Part 3: Participation in occupational health and safety**

This section explores your ability to ask questions about, and participate in, health and safety at work. Your ability to participate in making a safer workplace for yourself depends on both your actions and abilities and your employer's actions and practices. For each item below, please put an X under the heading that best describes how much you agree or disagree with the statement.

**At my workplace,**

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
14. I feel free to voice concerns or make suggestions about workplace health and safety at my job.					
15. If I notice a workplace hazard, I would point it out to management.					
16. I know that I can stop work if I think something is unsafe and management will not give me a hard time.					
17. I have enough time to complete my work tasks safely.					

Thank you for your participation

## Appendix F. Health and Safety Assessment Results

### Domains, Indicators and Assessment of Health and Safety Practices

Domains and Indicators	Not Implemented	Partially implemented	Fully implemented
<b>Management Leadership</b>			
1. Management implements and communicates a written, signed policy supporting safety and health program.		X	
2. Management routinely demonstrates visible commitment to health and safety	X		
3. Management allocates appropriate resources (funds and time) to accomplish goals and manage health and safety program.			X
4. Management assigns responsibility and accountability for implementing and maintaining health and safety program.		X	
5. Management encourages, recognizes, and rewards worker contributions to workplace health and safety.	X		
<b>Worker Participation</b>			
6. Workers are encouraged to participate, have the means to participate and feel comfortable participating and giving input on health and safety issues.	X		
7. Workers are trained on how to report an injury, illness, hazard, or concern, including good catches/near misses.	X		
8. Workers report injuries, illnesses, hazards, and concerns without fear of reprisal.		X	
9. Reports of injuries, illnesses, hazards, or other concerns are acknowledged promptly.		X	
10. Workers have access to information they need to understand safety and health hazards and hazard control measures in the workplace.		X	
<b>Hazard Identification, Assessment, Prevention and Control</b>			
11. The workplace is inspected regularly to identify conditions that pose or could pose a safety or health concern. Inspections cover all areas and activities and include plant and transportation vehicles.		X	
12. The workplace is evaluated to identify worker exposure to health hazards.		X	
13. Trends in injury and illness data, reports of hazards, incidents, etc. are analyzed to identify common hazards.		X	
14. A hazard control plan is used to plan and prioritize controls.		X	
15. Controls are installed as soon as a hazard is identified.		X	
16. Workers are involved in selecting controls.	X		
17. Controls are in place to protect workers during emergencies and no routine operations.		X	
<b>Education and Training</b>			
18. Managers, supervisors, and workers understand the elements of the health and safety program and how to participate in it.	X		
19. Workers understand the employers' responsibilities under the health and safety program.		X	
20. Workers are trained to understand how to recognize hazards and effective techniques for	X		



their control.			
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**Total Score**

<b>Domains</b>	<b>Score</b>	
Management Leadership	8	/20
Worker Participation	6	/20
Hazard Identification, Assessment, Prevention and Control	12	/28
Education and Training	2	/12
Total	28	/80

## Appendix G. Product Quality Assessment Results

### Indicators and Assessment of Product Quality Practices

	<b>Not Implemented</b>	<b>Partially implemented</b>	<b>Fully implemented</b>
<b>Policies and Procedures Manual</b> 1. The organization documented policies and procedures covering all aspects of raw material receipt, manufacturing, storage and transport.		X	
<b>Management Awareness and Commitment</b> 2. Management participates in the audit process and an awareness of corrective action programs to outside audits, regulatory inspections and internal audits is expected.			X
<b>Product Identification, Traceability and Recall Plans and Procedures</b> 3. The organization have comprehensive written procedures for product identification, traceability and a recall plan specific to that plant location.	X		
<b>Regulatory Compliance</b> 4. The plant organization maintain a file of all regulatory actions, visits, reports or other notifications received from any regulatory agency.			X
<b>Customer/Consumer Complaint Management</b> 5. The organization has a written program for handling customer and/or consumer complaints. 6. The organization maintains a complaint log to track complaints by product identification, production dates, cause and origin of complaint.	X	X	

## Appendix H. Social Responsibility Assessment Results

<b>Domains and Indicators</b>		
<b>I. Governance</b>		
1. Does the company identify its main economic, social and environmental impacts?		
Yes		X
Yes, but only partially		
No		
2. Does the company have a corporate social responsibility strategy that defines its commitments to corporate social responsibility?		
Yes		
Yes, but only partially		X
No		
3. Does the company have designated senior personnel with a clear responsibility for corporate social responsibility?		
Senior staff member with full-time responsibility for corporate social responsibility		
Senior staff member with part-time responsibility for corporate social responsibility		
No senior staff member with any responsibility for corporate social responsibility		X
4. Does the company link corporate responsibility issues to people's performance reviews/appraisals across the company?		
Yes		
Yes, but only partially		X
No		
5. Does the company define key corporate social responsibility priorities and communicate them throughout the organization?		
There is a mechanism <sup>SEP</sup> in place to communicate corporate social responsibility priorities and news regularly, as well as during introductions for new hires		
The company communicates corporate social responsibility priorities and expectations to all employees on an annual basis		
<b>II. Environment</b>		X
6. Does the company have action plans and programmes to lower its environmental impacts?		
The company's environmental action plan includes all of the mentioned components and includes an evaluation of progress against KPIs		
The company's environmental action plan does not include all of the mentioned components and includes an evaluation of progress against KPIs		X
The company does not have an environmental action plan		
7. Does the company maintain a monitoring system, measuring the main environmental impacts, especially resource usage and carbon emissions?		
Yes		
No		X
8. Does the company have a training programme in place to help employees implement its environmental policy and action plan?		
The company has a training programme that it gives annually, as well as to new hires, and all attendees have signed attendance sheets for the training		
The company has a documented training programme		
The company has no training programme		X
9. Does the company have a recycling programme?		
The company collects recyclable materials and hands it over to a specialized, credible company for recycling		

The company collects recyclable materials and leaves it for collection by an unknown party	X
The company makes no effort to recycle	
<b>III. Community Relation</b>	
10. Does the company have a community engagement action plan?	
The company has an action plan and evaluates its progress	X
The company has an action plan	
The company has no action plan	
11. Does the company engage in regular dialogue with its stakeholders?	
The company initiates regular engagement with stakeholders	
The company communicates its corporate social responsibility performance on a regular basis	X
The company does not engage with stakeholders	
12. Does the company actively participate in corporate social responsibility associations and forums and/or engage with any local NGOs?	
The company participates in the activities of a corporate social responsibility related organization or local NGO between 2 and 5 times a year	X
The company is a member of a corporate social responsibility related organization or local NGO but is not active in this group	
The company does not engage with corporate social responsibility related organizations or local NGOs	
13. Does the company offer volunteering time, invest in or support any local community initiatives?	X
The company invests in the community in a way that reflects its core business activity	
The company invests in the community in a way that reflects non-core business activity	
The company makes no community investments	
14. Does the company offer apprenticeship schemes to facilitate skills development within the local community?	
The company offers a paid apprenticeship scheme that enables apprentices to come out with a certification of their skill level	X
The company offers an unpaid apprenticeship scheme that provides for skills development but no certification	
The company does not offer an apprenticeship scheme	0

### Total Score

3 domains, 14 questions, total available score 56 (0 to 56)

Domains	Score	
Governance	8	/20
Environment	4	/16
Community Relations	10	/20
Total	22	/56

## Appendix I. Correlation Coefficient Matrix

Inter-Item Correlation Matrix																	
	(Q1)	(Q2)	(Q3)	(Q4)	(Q5)	(Q6)	(Q7)	(Q8)	(Q9)	(Q10)	(Q11)	(Q12)	(Q13)	(Q14)	(Q15)	(Q16)	(Q17)
training (Q1)	1.000																
regular communication (Q2)	-.024	1.000															
hazard systems in place (Q3)	-.141	-.149	1.000														
importance given to h&s (Q4)	-.041	.152	-.078	1.000													
h&s committee/rep availability (Q5)	.040	-.039	-.145	.166	1.000												
quick accident/incident investigation (Q6)	-.078	-.094	.013	.031	.062	1.000											
easy communication (Q7)	.063	.065	-.045	-.035	.043	-.106	1.000										
know my rights and responsibilities (Q8)	-.082	.019	.123	-.042	.000	-.020	-.079	1.000									
know employers rights and responsibilities (Q9)	.032	.004	.052	-.015	.124	-.056	-.015	-.004	1.000								
safe job performance (Q10)	.112	-.032	.087	-.006	.000	.000	-.008	.054	.013	1.000							
reporting awareness (Q11)	.127	-.031	.001	.023	.087	-.003	.107	-.075	.038	.119	1.000						
knowledge to assist (Q12)	-.021	.038	-.010	-.018	-.076	-.088	.018	-.007	.025	.178	.002	1.000					
precautions knowledge (Q13)	-.029	.028	-.014	.111	-.006	-.034	-.011	-.005	-.065	.161	.190	.034	1.000				
freedom to voice concern or make suggestion (Q14)	.062	.143	.124	.132	.092	-.224	-.033	.037	-.060	-.041	-.063	-.091	.015	1.000			
willingness to report hazard (Q15)	-.061	.152	-.122	-.025	.012	-.080	-.061	-.055	.118	-.004	-.031	-.002	-.028	.104	1.000		
freedom to stop task when unsafe (Q16)	.004	-.035	.195	-.047	.011	.021	.058	.055	.095	-.049	.008	.154	.072	.100	.134	1.000	
enough time to work safely (Q17)	-.064	-.046	-.064	-.010	.140	.017	.059	-.023	-.032	-.007	-.101	-.027	.021	.027	.015	-.013	1.000

