

***Assessment of Business Ethics Practices among Food Agro-Industries in
Ethiopia: Case Study of ASHRAF Group PLC in Bahir Dar City***

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

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Jimma University

College of Business and Economics

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Jimma

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Under the supervision of

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DECLARATION

I hereby declare that this thesis titled *“Assessment of Business Ethics Practices among Food Agro-Industries in Ethiopia: Case Study of ASHRAF Group PLC in Bahir Dar City”* has been carried out by me under the guidance and supervision of my Advisor Dr. Shimelis Zewdie.

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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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 Bahir Dar Edible Oil Company of 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. 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 study also provides a wakeup call to other companies to clearly outline, design and implement business ethics in their strategy and operations. In addition, it is also a significant input for regulators to review, assess and design policies and mechanisms to ensure companies in the sector undertake necessary measures to address issues of business ethics.

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

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

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.

Business ethics are a form of applied ethics or professional ethics that examines ethical principles and moral or ethical problems that arise in a business environment. It applies to all aspects of business conduct and is relevant to the conduct of the organization.

According to Josie 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).

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

Great deal of interest in codes of ethics exists in both the business community and the academic community (Bruce R. Gaumnitz and John C. Lere, 2004, pp. 329-335). Mohamed M. Ahmed, Kung Young Chung, John W. Eichenseher (2003, pp. 89-102) also concluded that with the growing interest and debate surrounding "Globalization", no one can underestimate or push aside the cruciality 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; Bahir Dar Edible Oil Company as a case study. Currently the Industry has made oil in different gradients namely: Sunflower, Nigger Seed, & Soya bean.

1.2. Statement of the Problem

There are a number of development and issues that motivates this thesis. The first one is the overall economic and sectoral contexts and economic activities in the country and the city. 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). Specifically, the food agro-industry is of particular relevance because not only it has a potential to contribute to agribusiness and industrial development but also its potential to

address consumption demands of the country's growing population, substitute some food imports and save foreign earnings.

The trend in the emergence of agro-industries as part of a broader agribusiness and industrial development will further intensify and grow. This is illustrated by the recent government effort and plan to create Integrated Agro-industrial Parks (IAIPs) in the country. The stated objectives of IAIPs are to: (a) drive the structural transformation of the Ethiopian economy; (b) to reduce rural poverty; and (c) to create a better environment for increased investment in agro-food and allied sectors (UNIDO, 2016). As agro-industrial and broader industrial activities and initiatives grow, business ethics and corporate social responsibility is an issue that should be given process emphasis in the academic and policy circles. Studies should assess how currently operating industries implement and practice business ethics, examine best practices, investigate drawbacks and inform policy so that appropriate business ethics standards are designed and followed by businesses. However, there is a missing gap in the literature in this aspect. This thesis will attempt to bring this issue to attention and examine the practices and implementation of business ethics in the food agro-industry sector.

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 has 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). FDI has been recognized as a potential contributor to development of a country not only by easing financial constraints and bottlenecks in a developing country but also the indirect benefits technology transfer, productivity growth, wage growth, transfer of knowledge and working practices and other spillover effects (de Mellow Jr., 1997). By the same token, FDI may also encourage firms to bring their knowledge of business ethics and practices. 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. However, there is observed research gap in this area which the thesis

aims to partly address by taking ASHARAF Group PLC, a foreign owned food-agro industry as a case study.

1.3. Objectives of the Study

The general objective of the study was to investigate practices of business ethics among food agro-industries by with a case study of ASHRAF Group PLC at Bahir Dar Edible Oil Factory.

The specific objectives of the study were:

- to assess overall design and implementation of business ethics as a strategy among food agro-industries and examine how different aspects of business ethics are integrated into the activities in the industries;
- 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 ago-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.

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 and Limitation of the Study

The study has delimited its scope with a case study of a food agro-industry, Bahir Dar Edible Oil of 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. Time and resources were indeed one of the practical limitation 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.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1. Definition of Basic Terms Related to Ethics and Ethical Practices

2.1.1. Ethics, Morals and Values

Ethics is surrounding us nowadays. It is basically the conscious decision to do what is right even when no one is looking. In recent years, organizations and business schools have given a bigger emphasis on ethics within businesses. In order to understand comprehensively what ethics is, we must define some main terms to understand precisely what ethics means and how we establish ethical values.

Ethics: moral principles or set of moral values held by an individual. Similarly, J. M. Eligedo (1996) defined ethics as a moral principle that explores systematically the conditions conducive to a flourishing life.

Business ethics: a set of moral principles for arriving at a decision within the values of the organization.

Morals: principles of behavior in accordance with standards of right and wrong.

Values: moral principles or accepted standards of a person or a group.

Principles: a standard or rule of personal conduct. Ethical business values are part of the bigger topic of business values in general (Charles Holme, 2008)."

Based on the previous de fined terms, we can realize the point that ethics is embedded in us through our personalities, morals and values taught by our parents, religious beliefs, social standards, etc...

Actually, our personal perceptions of ethics are rooted in us from a very young age.

Managers and executives must realize the importance of establishing an ethics policy in an organization's business standards (Charles Holme, 2008). Creating a firm basis for the ethical

values expected within an organization helps organizations keep ethical standards on daily basis.

Morals refer to human behavior where morality is the practical activity and, ethics describes the theoretical, systematic, and rational reflection upon that human behavior (Churchill, 1982). Values are linked to beliefs and attitudes and guide human behavior (Rennie, 2007).

Morals, values, and ethics are strongly attached to society, spirituality and culture (United Nations Educational Scientific and Cultural Organization, 1991).

There are three meaning of ethics. Firstly, ethics is commonly taken as a synonym for morality, the universal values and standards of conduct that every rational person wants every other to follow.

Secondly, ethics is a well-established branch of philosophy that studies the sources of human values and standards, and struggles to locate them with in theories of human individual and social condition.

Thirdly, professional ethics, and it is not universal nor is it ethical theory; it refers to the special codes of conduct adhered to by those who are engaged in a common pursuit. Professional ethics is an integral part of the concept of a profession (Kovac, 1996).

A wide range of misunderstandings and misconceptions surround morals values and ethics (Churchill, 1982). Morals, values and ethics are sometime difficult to understand because the misunderstandings and misconceptions surrounding them hinder arrival at the correct explanation.

The objective of moral education lies in the fact that it can develop shared feelings with others, and makes one committed to one's own personal responsibilities and actions (Campbell, 2008).

Moral agency is a dual state that encompasses the teacher as a moral person engaged in ethical teaching through professional conduct and, as a moral educator who teaches students with the same core values and principles that he or she strives to up hold in practice (Campbell, 2003).

Ethical knowledge can best capture the essence of teaching professionalism as it enables the teachers to appreciate the complexities of their moral agency (Campbell, 2008).

Ethics is firmly connected to virtues of responsibility, trust and credibility. It should always be fair, honest, transparent, and respectful of the rights and privacy of others in society (Franketal, 2011).

2.1.2. 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).

Because life in business is very competitive and is ‘a jungle out there’, the Darwinian concept of ‘survival of the fittest’ applies. As Velasques (1982, p107) states ‘Whoever survives must be right’.

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, p.?)

Steiner (cited in Mitchell *et al.*1996, p.439) describes business ethics as behaviour 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 behaviour. Ethical behaviour is also defined by Griffin as behaviour that conforms to generally accepted social norms. Ethical behaviour 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 behaviour 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 behaviour in an organisation. 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 justice, 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 behaviours, while corporate governance is how an organisation 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 endeavours. 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 emphasises the needs of others into an environment that emphasises 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 behaviour 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 realised 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 behaviour, 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 behaviour is relative to the situation. It adds that 'people and cultures share some very basic moral values. But to criticise ethical relativism philosophically is not to deny that some moral values and beliefs differ from society to society'. (p.7) 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 organisation are responsible for ethical/unethical behaviour. 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 behaviour is as ethical as it is today. (p.33)

Schroeder (2002) identifies three types of ethical business behaviour: 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. Although it could be argued that these papers have no direct relationship with the research questions, they nevertheless provide some background information. 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 analysed.

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

maximising 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 maximise 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 follows:

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 follows:

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.

2.2. 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 advise an ethical standards and keep company practices under review.

2.3. Social Responsibility and 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 Josie Fisher, 2004, pp.391-400). First, social responsibility is 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).

2.4. 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.

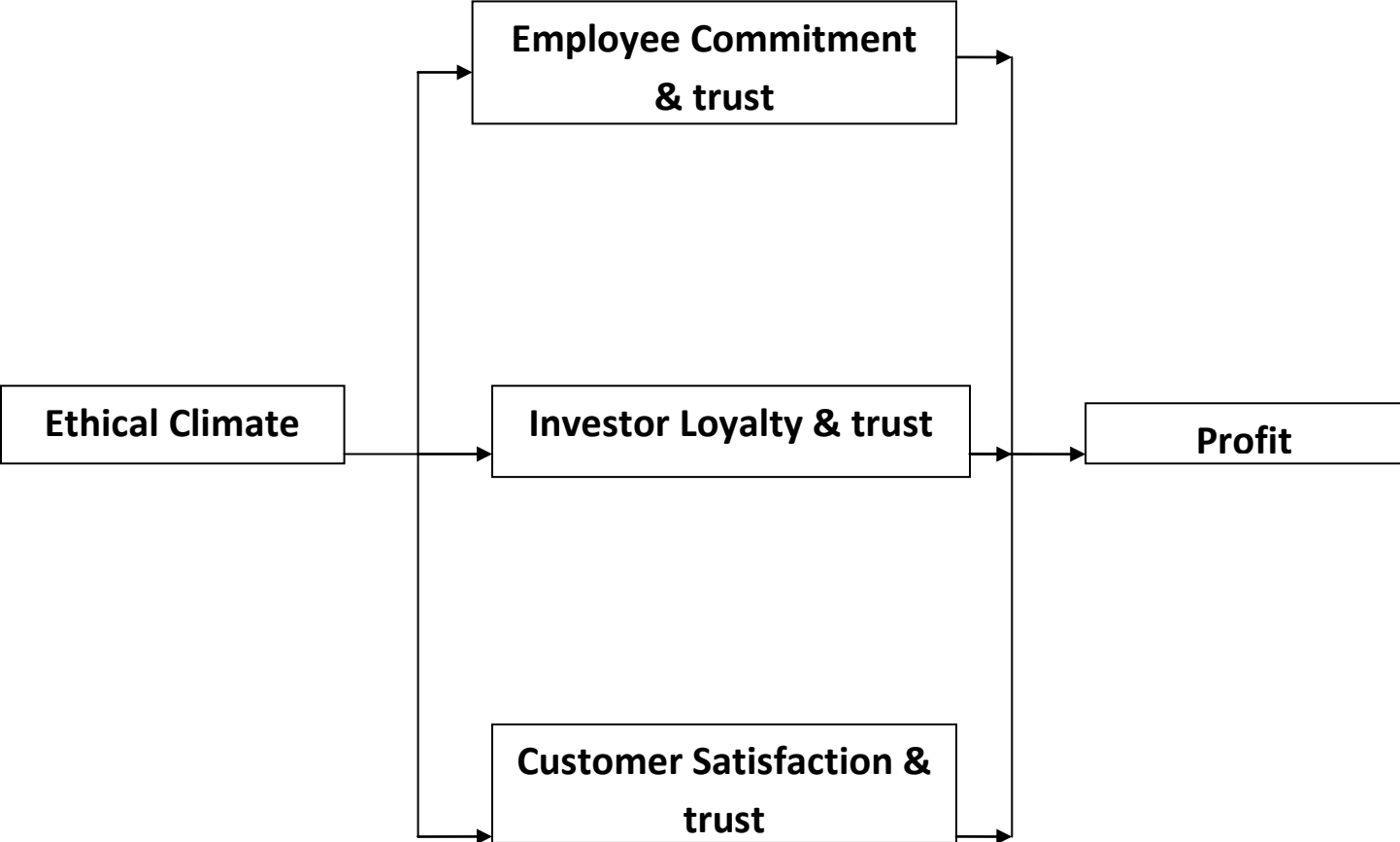
Improving Decision Making: A man's destiny is the sum totals of all the decisions that he/she takes in course of his life. The same holds true for organizations. Decisions are driven by values. For example, an organization that does not value competition will be fierce in its operations aiming to wipe 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)

2.5 Business Ethics as a Function of Culture and Time

2.5.1. Business Ethics - a Function of Culture

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.

2.5.2 Business Ethics-a Function of Time

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.

2.6. 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.

2.7. Product Safety

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 Doughety 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

2.8. Employee Health and Safety

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.

2.8.1 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?

2.8.2 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 equipments by the worker
5. Having medical center and provide first aid or full treatment when accident happened

2.9. Social Responsibility

According to J. M. 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 employee 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 share holders while operating within the limits set by the law (cited in J. M. Eligedo, 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).

2.10. Environmental Protection

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 violates no environmental law.

Supporting the view of Robert Frederick, many authorities (such as Robert W. McGee, 1992; Hoffman and Frederick, 1995; and Brian 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.

2.11. Conceptual Framework for the Study

For the purpose of this research, the following integrated conceptual framework is proposed based on literature review and selected dimensions of business ethics to answer the problem statement and pertaining research objectives carefully. The framework reflects how business ethics determines the success of the business organizations and argues that it has to be included in their corporate values. It also highlights the different dimension of business ethics in an integrated manner.

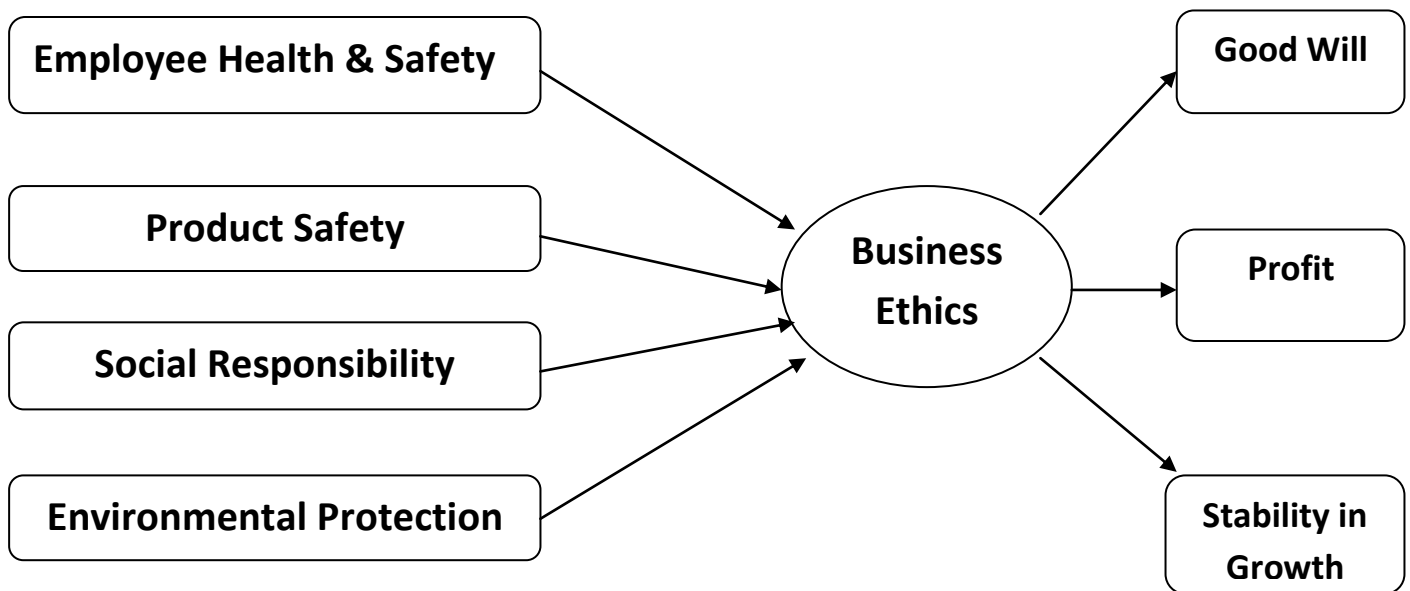


Figure 2:2 Framework of the research

CHAPTER THREE

RESEARCH DESIGN AND METHODS

The aim of this section is to highlight the overall methodological considerations of the thesis. The methodology section is divided into five sub-sections. The first section outlines the general research design which the paper relies on, and the second encompass a discussion of the actual study setting and description of the case study organization. The following third section elaborates on data types, sources and sampling method used and sample size for the research. Finally, section four and five respectively constitute the method of data analysis and discussion of ethical consideration.

3.1. Research Design

The research design used in the thesis was an exploratory case study design. According to Yin (2003) a case study design should be considered when: (a) the focus of the study is to answer “how” and “why” questions; (b) you cannot manipulate the behaviour of those involved in the study; (c) you want to cover contextual conditions because you believe they are relevant to the phenomenon under study; or (d) the boundaries are not clear between the phenomenon and context. The thesis sought to investigate and understand business ethics practices among food agro-industries. The case of business ethics practices was explored in the context of Bahir Dar Edible Oil Company of the ASHRAF Group PLC. It is a typical representative case of food-agro industries that uses agricultural inputs and produces food consumables that are staple for the society. It is also a company, as described below, set up by foreign owners, which provides a case study to explore business ethics practices among foreign direct investment projects in the country.

3.2. Description of the Case Study Organization

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 206.

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. Data Types, Sources and Sampling

The research used both qualitative and quantitative data collected to address the objectives outlined. Data is drawn from both primary and secondary sources through methods that involved semi-structured interview, survey of participants with structured questionnaire and document review. Although the unit of analysis is the organization, the study has further added another layer of unit of analysis by drawing samples from employees in the organization. Specifically, the study draw data from interview of the management, front line workers and review and analysis of company documents.

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. From the second sample frame, employees were randomly and proportionately selected to participate from three main groups that are relevant for the study. These groups are machine operators, laboratory workers and garage workers. This is because, unlike other administrative workers, machine operators, laboratory workers and garage workers may face more health and safety problem since they have direct contact with different chemicals, equipment and machinery of the factory. For the purpose of the survey, a total number of 60 employees were approached. Of these, 35 were machine operators, 15 from laboratory workers and 10 garage workers. Given the small population size, i.e. 206 employees in the company, and given that the study requires approaching certain relevant information sources, applying a sampling formula may not be the best approach. However, data collected from the above sample size will be adequate to draw conclusions with 95% confidence level and 10% margin of error.

The following table provides summary of the business ethics dimensions the study considered and the data sources and tools of data collection employed.

Table 3:1: Summary of Business Ethics Dimensions, Data Sources and Data Collection Tools

| Types of Data | Subject | Tools |
|-------------------------------------|--|---------------------------------|
| General practice of Business Ethics | Factory General Manager | Interview & Document Review |
| Product safety | Quality control department Head | Interview & Document Review |
| Employee health and safety | Machine operators, laboratory workers and garage workers | Questionnaire & Document Review |
| Social responsibility | Factory General Manager | Interview & Document Review |
| Environmental protection | Factory General Manager | Interview & Document Review |

3.4. 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. The data analysis involved of examining, categorizing, tabulating, testing and combining both quantitative and qualitative data collected through interview, survey questionnaire and document review to address the initial objectives and the defined scopes of the thesis, which also served as a general analytical guide. Information is also presented using tables as required to present some descriptive statistics of the survey results and data collected through document review.

3.5. 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).

This study is conducted purely for research purposes. It is not intended to use the data collected for any other purpose. Confidentiality and anonymity are paramount to the researcher.

CHAPTER FOUR

DATA PRESENTATION AND DISCUSSION OF RESULTS

4.1. Introduction

This chapter deals with data presentation, analysis and discussion of results. It starts with a section that presents summary and descriptive statistics of participants who took part in the questionnaire based survey. The next three sections present results about business ethics practices in general as well as the employee health and safety, product safety, social responsibility and environmental protection dimensions of business ethics using data obtained through interview, survey and document review. Finally, discussion of the results is presented in the last section of the chapter.

4.2. Descriptive Statistics of Participants

Survey questionnaire was distributed to 60 employees out of which 55 were completed and returned with a very high response rate of 92%. As discussed in Chapter 3, the sample was drawn from three major job profiles. Among the sample respondents, 30 were machine operators, 15 from laboratory workers and 10 from garage workers.

In terms of gender distribution of the respondents, 45(82%) were male and 10(18%) were female. Additional characteristics of participants is presented in Table 4.1. below. The organization seems to be staffed with people in their prime productive ages. Most participants, i.e., 26(47.27%) are in the age range of 26 to 33 years. 21(38.27%) participants are aged 18-25. 5(9.09%) participants are aged 34-41 while 3(5.45%) of participants are in the age range of 42 to 49 years.

In terms of the educational levels of respondents, much of the respondents are diploma holders. Among the sample respondents, 12(22%) employees are 10 or 12 complete, 4(7%) employees are certificate holders, 30(56%) employees are diploma holders, 7 (12%) employees are first degree holders and the remaining 2(3%) are Master's degree holders.

Concerning work experience of respondents in the company, more than half, i.e., 30(55%) of the respondents have less than 2 years of experience while the remaining majority, i.e., 15(27%) have worked in the company for 3 to 5 years.

Table 4:1: Summary of Age, Education and Work Experience of Participants

| Variable | | Frequency | Percent |
|--------------------------------|-------------------|------------------|----------------|
| Age | 18-25 | 21 | 38.27 |
| | 26-33 | 26 | 47.27 |
| | 34-41 | 5 | 9.09 |
| | 42-49 | 3 | 5.45 |
| | Total | 55 | 100 |
| Level of Education | 12 Complete | 12 | 22 |
| | Certificate | 4 | 7 |
| | Diploma | 30 | 56 |
| | Bachelor's Degree | 7 | 12 |
| | Master | 2 | 3 |
| | Total | 55 | 100 |
| Work Experience (years) | 0-2 | 30 | 55 |
| | 3-5 | 15 | 27 |
| | 6-8 | 6 | 11 |
| | 9-11 | 4 | 7 |
| | Total | 55 | 100 |

Source: Own Survey, 2017.

4.3. 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 37(67%) among the respondents have no awareness about the existence of written health and safety policy in their departments and the organization, 18(33%) of them reported knowledge and existence of written health and safety policy in their departments which they were able to access handbooks, trainings and notice boards.

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.

4.4. Employee Health and Safety and Product Safety

here results related to two key aspects of business ethics are presented. The first subsection deals with employee health safety issue. This is followed by presentation of results on product safety.

4.4.1. Employee Health and Safety

To explore and understand employee safety and health aspects of business ethics practices, the thesis investigated relevant issues in this dimension including workplace accidents and hazards, availability of health and safety guidelines, availability of first aid, Protective equipment and policy as well as the working environment comfort and sanitation.

Respondents were asked whether they have ever faced accidents at workplace and whether there is any health and safety guidelines at their departments. Their responses is presented in Table 4.2. below.

Table 4.2: Workplace accidents and availability of health safety policy and guidelines

| | | <i>Frequency</i> | <i>Percent</i> |
|---|---------------------|------------------|-------------------|
| <i>Ever had accident at work station</i> | Yes | 20 | 36 |
| | No | 35 | 64 |
| | <i>Total</i> | <i>55</i> | <i>100</i> |
| <i>Health and safety guidelines and policy available</i> | Yes | 18 | 33 |
| | No | 37 | 67 |
| | <i>Total</i> | <i>55</i> | <i>100</i> |
| <i>Access to protective equipment</i> | Yes | 40 | 73 |
| | No | 15 | 27 |
| | <i>Total</i> | <i>55</i> | <i>100</i> |
| <i>Availability of First Aid</i> | Yes | 20 | 36 |
| | No | 35 | 64 |
| | <i>Total</i> | <i>55</i> | <i>100</i> |

Source: Own Survey, 2017.

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. Majority of the respondents, i.e., 37(67%), reported the lack of such department or companywide policies and guidelines to ensure and guide health and safety practices while 18 (33%) of respondents reply availability of such guidelines citing availability of handbooks, notices and trainings they have and received. One way of addressing workplace hazards and accidents is the provision of necessary protective gears and equipment. The results show that 40(73%) of out respondents have an access to protective equipment necessary to do their job such as glove, shoes, dust mask, coat, eye glass, sound protector and the like. On the other hand, 15(27%) of the respondents reported no having access to protective equipments.

Among the sample respondents concerning first aid availability 35(64%) of the respondents do not have awareness about existence of first aid services in the factory and the rest i.e., 20(36%) do know the existence of first aid service.

Our research also find significant occurrences of accidents at work place. The data shows that among our sample of respondents 20 (36%) have had an accident at workplace while the remaining 35 (64%) have never faced accidents. In order to explore the extent of companywide accidents, occupational accidents report of the company was reviewed. 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.

There appears an understanding on the importance of employee health and safety in the organization and it has set up clinic of its own. However, it is not functional yet.

Table 4:3: Occupational accident report of the Factory for the months June 2013-May2014

| 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

Table 4:4: Conditions of Workplace Environment

| | | Frequency | Percent |
|---|-------------------|------------------|----------------|
| Comfortable workplace temperature | Strongly agree | - | - |
| | Agree | 10 | 18 |
| | Neutral | - | - |
| | Disagree | 15 | 27 |
| | Strongly disagree | 30 | 55 |
| Total | | 55 | 100 |
| Adequate heating and lighting at work station | Strongly agree | 15 | 27 |
| | Agree | 20 | 36 |
| | Neutral | 3 | 6 |
| | Disagree | 10 | 18 |
| | Strongly disagree | 7 | 13 |
| Total | | 55 | 100 |
| Adequately clean work environment | Strongly agree | - | - |
| | Agree | 45 | 82 |
| | Neutral | - | - |
| | Disagree | 10 | 18 |
| | Strongly disagree | - | - |
| Total | | 55 | 100 |

Source: Own Survey, 2017.

In addition to workplace accidents and hazards, the thesis also explored whether employees have conducive work environment conditions in terms of heating, lighting, room temperature,

ventilation and sanitation. Table 4.4. presents assessment of responses related to these workplace environment conditions.

Majority of the respondents i.e., 35(63%) agree or strongly agree with the adequacy of heat and light of work environment while 17 (31%) either disagree or strongly disagree. However, when the question is focused on the condition of the temperature in the workplace of the factory, the results seem to diverge. Among the sample respondents, 30(55%) are strongly disagree with the conformability of the temperature in the work room (area). Similarly, 15(27%) disagree with the temperature level of the work area while only 10(18%) agree that temperature in the workplace is comfortably adjusted and set.

The results also show that 45(82%) of the sample respondents agree that the work place is always kept clean. On the other hand, 10(18%) of the respondent did not agree with the work environment neatness and the sanitation of physical environment of their workplace.

4.4.2. Product Safety

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 to 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.

4.5. Social Responsibility and Environmental Protection

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 8m³ of water per hour. 1m³/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 bottle are collected and taken to common location together with the rejected bottle. So that it will be taken to plastic factory for recycling.

4.6. Discussions

In this section, I will try to reflect 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

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1. Summary of Results

ASHRAF Group PLC, Bahir Dar Edible Oil Company is one of the large industries in Ethiopia with different departments, sections and subsections. Currently the company has 206 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.

5.1. Conclusions and Recommendations

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

Conclusions

- The absence of formal business ethics practices may make the company unaware to extract the possible opportunities from business ethics.
- Safety policy, protective equipments and training on how to operate machinery are not equally accessible to all employees in the factory. This resulted in the occurrence of different accidents.
- The temperature at the work place is found to be very hot. Therefore, the ventilation system of the factory's work environment is not comfortable.
- 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.

Recommendations

- 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, protective equipments and training on how to operate machinery 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 equipments 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.
- Regarding the temperature at the work place, 55% of the sample respondents were not comfortable with the work environment temperature. To solve this problem, the factory had better adjust its ventilation system by increasing the number of ventilators in the work room.
- 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 policies 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. Questionnaire

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. Your highly esteemed responses for the questions are extremely important for successful completion of my thesis. 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.

Gender

1. Male 2. Female

Educational qualification

1. 2nd Degree
2. Degree
3. Diploma
4. Certificate
5. 12 Complete (other)

Have you ever faced accidents at ASHRAF industry work station?

1. Yes 2. No

Are arrangements made for first aid in the event of accidents?

1. Yes 2. No

Does your organization have a written health and safety policy?

- 1. Yes
- 2. No

Is the work place maintained in adequate clean condition?

- 1. Yes
- 2. No

Do you have an access to all protective equipments which are necessary to do your job safely?

- 1. Yes
- 2. No

The temperature in the work place is comfortable

- 1. Strongly Agree
- 2. Agree
- 3. Neutral
- 4. Disagree
- 5. Strongly Disagree

Heating and lighting of working rooms or areas are adequate

- 6. Strongly Agree
- 7. Agree
- 8. Neutral
- 9. Disagree
- 10. Strongly Disagree

Appendix B. Interview Guiding Questions

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

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?