

ETHICAL COMPLIANCE AND ORGANIZATIONAL PROFITABILITY OF TELECOMMUNICATION COMPANIES IN NIGERIA

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ABSTRACT: *One of the industries in Nigeria economy that attracts much complains from her numerous customers in terms of ethical compliance is the telecommunication industry. This therefore prompts the curiosity to examine the impact of ethical compliance on organisational profitability in the Nigerian telecommunication companies. The study focuses on three ethical compliance variables which are integrity, customer value and fairness to customers while profitability was measured in terms of customers' patronage and loyalty. The descriptive survey design was adopted and the study was guided by three research questions and three hypotheses. The population of the study comprised telecommunication subscribers in Akwa Ibom state and a sample of 384 respondents was estimated using Walpole's sample size for infinite population formula. The selection of samples was done using convenience sampling. Ethical Compliance and Organisational Profitability Questionnaire (ECOPQ) developed by the researcher was used in data collection. The instrument was validated by experts and reliability of the instrument was established using Cronbach Alpha method of reliability testing and the reliability coefficient of 0.89 was obtained. Data obtained were analysed using simple percentages and multiple linear regression and all hypotheses were tested at the 0.05 level of significance. To enhance data analysis, the study employed the use of Statistical Package for Social Science (SPSS version 22.0). Result obtained shows significant positive impact of ethical compliance as measured by integrity, customers' value and fairness on profitability in Telecommunication companies. It is therefore important that the management of Telecommunication companies pay more attention to the issue of ethical compliance as this will help improve their profitability.*

KEYWORDS: Ethical Compliance, Profitability, Telecommunication Companies.

INTRODUCTION

Background to the Study

The issue of ethics is very important in all organisations be it private or public. This is because every organization is supposed to be guided by certain rules of conduct that treat every member of the organization and stakeholders especially the customers in a dignifying manner. Ethics has to do with how decisions taken by the organizations affect other people and the organizations as well. Ethics is "concerned with what is good, and what is desired or preferred human conduct" (Etuk, 2009). Ethics is concerned with contemporary norms or standard of conduct that govern the relationship among human beings and their institutions. For any organisation to attain its set goals, the issue of ethics must not be handled with levity. Organisation cannot ignore ethics but rather it should be integrated into their daily operations because organizational ethics play significant role in the attainment of organizational objectives.

Although, having ethical values in an organisation is very crucial, its compliance on the part of the organizations is handled with levity (Adeyeye, Adeniji, Osinbanjo and Oludayo, 2015). Ethical compliance is necessary for proper functional of an organization (Adeyeye et al., 2015). The importance of ethical compliance in organisation has been stressed by many scholars. Among these scholars are Ebitu and Beredugo (2015) which noted that every organization should endeavor to be ethically transparent as the profitability of an organisation often time depends largely on their ethical compliance. Strong ethical compliance provides employees with foundations for thinking about moral issues and also help customers to build more confidence in the organisation which may likely culminates to better customers loyalty and patronage. Ethical compliance is characterized by an organisation observance of values such as integrity, honesty, fairness, good customer value and equity in interpersonal and professional relationship in respect to dignity, diversity and the right of individual and groups of people among others. Integrity is the fundamental principle that must be upheld by Companies in their dealing with customers, employees, the society, shareholders as well as other members of the organisation. This goes a long way to affecting the perception about the company. Therefore the role of ethical compliance in organisational profitability cannot be overemphasised.

Statement of the Problem

It is no longer news that the operations of telecommunication companies in Nigeria have generated an outcry and complains by subscribers. Some of these complain centres around their compliance with ethics such as integrity, customers' value and fairness to customers. Some of the subscribers have alleged that there is an unlawful deduction of customers' airtime by these telecommunication companies, unsolicited text messages which subscribers are forced to pay for, poor service delivery and slow response to customers complains among others. Some of these telecommunication companies are in desperation to maximize their profits at the expense of their customers without adherence to ethical values.

Moreover, it is alleged that the poor level of ethical compliance among these telecommunication companies have an impact on their profitabilities. Therefore, this study examines the impact of ethical compliance on organisational profitability with particular reference to telecommunication companies in Nigeria.

Purpose of the Study

The purpose of this study is to examine the impact of ethical compliance on profitability in telecommunication companies in Nigeria. The specific objective of this study include to:

1. Determine the impact of organizational integrity on profitability of Telecommunication companies in Nigeria.
2. Determine the impact of customer value on profitability of Telecommunication companies in Nigeria.
3. Determine the impact of fairness to customers on profitability of Telecommunication companies in Nigeria.

Research Questions

The study is guided by the following research questions:

1. What impact does organisational integrity have on profitability of Telecommunication companies in Nigeria?
2. How does customers value impacts on profitability of Telecommunication companies in Nigeria?
3. What impact does organisational fairness to customers have on profitability of Telecommunication companies in Nigeria?

Hypotheses

1. Ho₁: there is no significant impact of organisational integrity on profitability of Telecommunication companies in Nigeria.
2. Ho₂: there is no significant impact of customers' value on profitability of Telecommunication companies in Nigeria.
3. Ho₃: there is no significant impact of organisational fairness to customers on profitability of Telecommunication companies in Nigeria.

REVIEW OF LITERATURE

The word "ethics" has been defined by many scholars. Ethics according to Cole (2002) as a set of moral values adopted by organisation to steer the conduct of the organisation itself and its employees in all their daily operations both internally and in relation to the outside world. Ethics can also be viewed as ordinary decency which comprises moral values such as honesty, integrity, fairness and responsibility (Schermerhorn, 1989). According to Osisoma (2000), integrity is the ultimate test of professionalism. It is a state of being complete, unified and the quality of being honest with strong moral principle. The principle of integrity imposes an obligation on the company or organisation to be straightforward and truthful in their dealings with customers and any other members of the organisation. Ethical compliance is a necessary condition for ensuring organisational stability and survival. It is unethical for any organisation to obtain personal gains through unscrupulous means. Also, as part of ethical compliance, it is important that every organisation be it private or public shy away from taking unfair advantage of anyone through manipulation, concealment as it is usually alleged by customers of telecommunication companies in Nigeria. The principle of fairness oblige (employees of) organizations to be objective, intellectually honest and free from conflicts. In spite of the fact that employees can be exposed to pressure, they are obliged to ensure that they adhere to the principles of fairness in order to attain the highest level of performance and generally meet the public interest requirement.

Ethical compliance is simply being able (by an organization) to count on delivery of any promises made to a cluster of customers as an when due (Ferrell, 2004). Customer value on the hand relate to an expectancy that exchange partner's word, written statement or actions can be relied on. This simply relate to the degree of being benevolence. That is, a situation of one exchange partner (the organization) being genuinely interested in the well being of the other partner (the customer) and seeking to develop a win-win relationship environment.

Furthermore, because of the critical role ethical compliance play in an organisation, some studies have been carried out.

Ogbonna and Ebimobowei (2011) investigated ethical compliance by the accountant on the quality of financial reporting and performance of quoted companies in Nigeria. The study was guided by five hypotheses and the sample for the study comprised twenty companies from five sectors quoted in the Nigerian Stock Exchange. A five point scale questionnaire developed by the researchers was used in data collection and data obtained were analysed using descriptive statistics and Spearman rank correlation. The findings revealed that compliance by the accountant in terms of integrity, objectivity, honesty compliance positively and significantly affected the quality of financial reports and performance of organisations.

Adeyeye, Adeniji, Osinbanjo and Oludayo (2015) examined the effects of etiquette and unethical behaviour on employee commitment and productivity in Nigeria. The study adopted a descriptive survey research method. Data were collected using questionnaire administered to 111 employees in Government Establishments, Organized Private Sector, Indigenous, Asian and Lebanese Companies operating in Ikeja, Oshodi, Ikorodu, Isolo and Iganmu Industrial Estates of Lagos State, Nigeria. The data obtained were analyzed through Structural Equation Modelling and supported by descriptive statistics. The results showed that significant relationship exists between ethical standards and organisational productivity in Nigeria and that integrity cum discipline have significant impact on improved productivity level of the organisation.

Ebitu and Beredugo (2015) investigated the relevance of code of ethics on guiding the performance of service industry and examined also their compliance level on the established code of ethics. The design of the study was descriptive research design. The sample of the study consisted of 176 respondents cutting across selected Banks and GSM firms in Calabar, Cross River State. Data were analysed using frequency, percentages and Chi-square. Results revealed that effective performance of service industry was dependent on code of ethics.

Mcmurrian and Matulich (2006) conducted a study on building customers value and profitability with business ethics in Tampa USA. Customers value was seen in two components of customers revenue and customers cost in terms of benefits when there is proper utilization of product and relationship between the company's representatives and customers. In a meta-analysis, they summarized 52 research projects examining the correlation between customer value and profits. The results were encouraging for those supporting a positive linkage between the two variables. Of the 52 studies examined, 33 studies indicated a positive correlation between customer value and profitability, 14 studies reported no effect or were inconclusive, and five indicated a negative relationship. In conclusion, it was realized that, the greater the positive value of the product by the customers, the higher the organization's profitability.

Forms of Unethical Behaviour in the Organization

According to Robbins (1993), there are four categories of ethical behavior. Ethical leadership applies to the decisions each person makes in his daily work. For example, an employee deliberately withholding important information from management is committing an unethical act. Ethical commerce involves the decisions made by workers in relation to internal and external transaction standards, such as overpromising services to win a customer and dealing fairly with suppliers. Ethical relations involve open, honest communication and respectful conflict resolution. Refraining from gossip and not taking credit for the work of others are examples of ethical relations. Ethical controls involve compliance with organizational

policies, procedures and safety standards. For example, falsifying reports and padding a budget in anticipation of cuts are forms of unethical controls.

Unethical employee behaviors also include taking home office supplies, over-reporting hours worked or miles driven for business and taking excessive breaks or sick days. Using company technology for personal reasons, such as cyber loafing – surfing the Internet, shopping online and social networking – is another form of unethical behavior. Promoting and supporting ethical employee behavior reduces these behaviors

Strategies to Promote Business ethical climate of an organization.

Robbins (1993) analyses the strategies to promote ethical behaviour to include the following:

1). Evaluating Ethical Behaviour: It is important for organizations to undergo internal ethics audits on a regular basis as this will add great value to the organization. Also there is need to communicate and model behavioural standards from the highest levels of an organization down to the entry level positions. This ensures that there is no gap between ethical standards and the actual behaviour of employees. By regularly evaluating these standards and the behaviour of the organization's leadership, compliance to ethical behavioural norms of an organization can effectively be promoted.

2). Educating Employees: One strategy to improve the ethical behaviour of an organization is to constantly educate the employees on ethical values as this equips them with the knowledge of what kind of behaviour is expected of the employees. This can be done through seminars, conferences or periodic training.

3). Protecting Employees: One problem that might arise in the promotion of ethical guideline is the fear employees may have regarding their role in reporting unethical or questionable behaviour by another employee or even a superior. Employee must be assured that they will be safe from retaliation from other employees or supervisors who might be turned in for engaging in questionable activities. The best way to make this assurance is to offer employees a confidential channel through which they can report bad behaviour. A company ethics hotline is one way to increase employee willingness to speak out. Another might be a suggestion box to kept in a secured location where other employees are not likely to see one of their fellow employees turning them in. Employees must be confidently assured that reporting bad behaviour is expected and safe.

4). Top managers on their own part should see themselves as role models, be oriented and also realize that ethical behaviour can be managed and the only way is to avoid ethical dilemmas.

5). Organizations should endeavour on their part to reward employees' actions that are in line with ethical demand made on staff by members. On the other hand, employees that do not meet such demands should be sanctioned or punished. Creating ethical guidelines has several advantages which include the following:

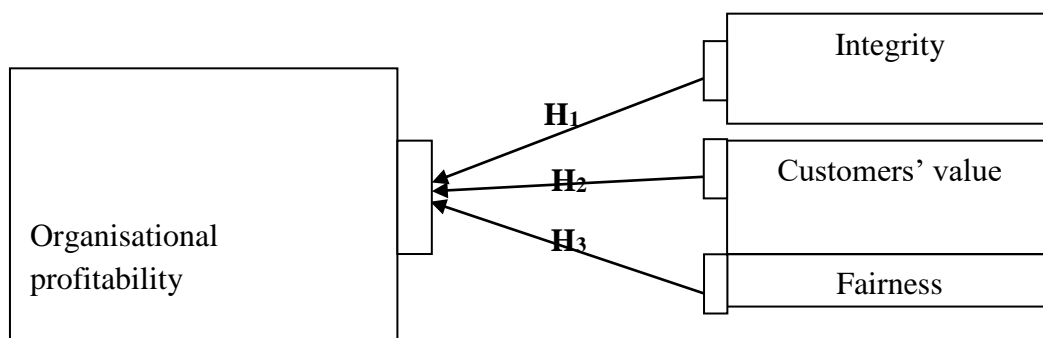
- i) It helps employees identify what their firm recognizes as acceptable business practices.
- ii) A code of ethics can be an effective internal control on behaviour which is more desirable than external controls such as government regulations.
- iii) A written code helps employees avoid confusion when determining whether their

decisions are ethical.

iv) The process of formulating the code of ethics facilitates discussion among employees about what is right and wrong and ultimately creates better decisions.

METHODOLOGY

The study adopts the descriptive survey design to determine the impact of ethical compliance on profitability of telecommunication companies in Nigeria. The population of this comprised subscribers of the four major telecommunication companies in Nigeria. These telecommunication companies are MTN, Glo, 9mobile and Airtel and since the population of these subscribers is actually not known for certainty, the study adopted the sample size formula proposed for infinite population by Walpole (1974) to estimate the sample size of 384 subscribers was estimated and the selection of sample was carried out using convenience sampling. Ninety six(96) subscribers were selected from each of the four telecommunication company to give the required 384 subscribers needed in the study. The instrument used in data collection is the researcher developed questionnaire: Ethical Compliance and Organisational Profitability Questionnaire (ECOPQ). The instrument comprised 20 items, five items on the demographics of the respondents and five items on each of the variables (integrity, fairness, customers' value). Organisational profitability was assessed in terms of customers' loyalty and patronage. All items on the instrument with the exception of the demographics of the respondents was measured on four points rating scale of strongly agree(4 points), agree(3 points), disagree(2 points) and strongly disagree(1 point). The instrument was validated by three experts in business administration from University of Uyo while the internal consistency of the instrument was determined using Cronbach Alpha method of reliability and reliability coefficient of 0.86 was obtained which is high enough to justify the internal consistency of the instrument. Data obtained were analysed using frequency, percentage and multiple liner regression. The Statistical Package for Social Sciences (SPSS version 22.0) and E-view version 7.0 were employed to enhance data analysis and all hypotheses were tested at the 0.05 level of significance. Out of the 384 copies of the questionnaire administered, 376 copies representing 98.4% of the administered questionnaire were retrieved.



DEPENDENT VARIABLE

INDEPENDENT VARIABLES

Fig 1: Conceptual model for ethical compliance and organisational profitability

Source: Researcher's Model (2018).

RESULTS**Table 1: Demographics of the Respondents**

Demographic Variables	Telecommunication networks				Total (n=376)
	NTN (n=95)	Glo (n=92)	Airtel (n=96)	9 mobile (n= 93)	
Sex					
Male	48(50.5%)	45(48.9%)	57(59.4%)	48(51.6%)	198(52.7%)
Female	47(49.5%)	47(51.1%)	39(40.6%)	48(48.4%)	178(47.3%)
Educational qualification					
SSCE or equivalent	17(17.9%)	25(27.2%)	10(10.4%)	24(25.8%)	76(20.2%)
NCE/OND	23(24.2%)	32(34.8%)	32(33.3%)	25(26.9%)	112(29.8%)
First degree	43(45.3%)	35(38.0%)	49(51.0%)	44(47.3%)	171(45.5%)
Postgraduate digress	12(12.6%)	0(0.0%)	5(5.2%)	0(0.0%)	17(4.5%)
How long have you been using this network					
1-5 years	38(40.0%)	27(29.3%)	40(41.7%)	45(48.4%)	150(39.9%)
More than 5 years	57(60.0%)	65(70.7%)	56(58.3%)	48(51.6%)	226(60.1%)
Employment status					
Employed	76(80.0%)	51(55.4%)	65(67.7%)	76(81.7%)	268(71.3%)
Unemployed/students	19(20.0%)	41(44.6%)	31(32.3%)	17(18.3%)	108(28.7%)

Source: field survey, 2018.

Result in Table 1 reveals that 198 respondents (52.7%) were male and 178 respondents (47.3%) were females. Seventy six respondents representing 20.2% of the respondents were SSCE or equivalent holders while 112 respondents (29.8%), 171 respondents (45.5%) and 17 respondents (4.5%) were holders of NCE/OND, first degree and postgraduate degree certificates respectively. In terms of how long they have been using the network, 39.9% of the respondents have been using for 1- 5 years while 60.1% of the respondents have been using the network for more than 5 years. Result also shows that 268 respondents (71.3%) were employed while 28.7% were unemployed. From the result presented in Table 1, it can also be deduced that majority of the sampled MTN subscribers were male (50.5%), have first degree certificate (45.3%), have been using the network for more than 5 years (60.0%) and were employed(80.0%). Similar result obtained among Airtel, 9Mobile and Glo subscribers except for sex where the majority of the Glo subscribers sampled were female (51.1%).

Table 2: Summary result of multiple regression showing the impact of ethical compliance on profitability of telecommunication companies

	Unstandardized Beta Coefficient(β_0)	Standardize d Beta Coefficient (β)	Standard error	t-calc.	p- value	VIF
Constant	-9.153		1.196	-7.66	0.00 0	
Integrity	0.288	0.303	0.031	9.42	0.00 0	2.379
Customers' value	0.347	0.267	0.045	7.65	0.00 0	2.789
Fairness to customers	0.991	0.876	0.040	25.06	0.00 0	2.809

Dependent variable: Organisation profitability
R = 0.915
Adjusted R-square = 0.8337
Std. Error of estimate = 0.89971
F calc. = 641.82
F-crit. = 2.63
Jacque- bera test for normality of the residuals: JB= 0.12119; p-value = 0.941206

. *significantly at 5 % ($p < 0.05$). t critical = 1.97.

Result in Table 2 present multiple linear regression result showing the impact of ethical compliance as measured by integrity, customer value and fairness to customers and organizational profitability as measured in terms of customers' patronage and loyalty. Result reveals adjusted coefficient of determination of 0.8337 which means that 83.37% of the variation in organisational profitability in the selected telecommunication sector were accounted for by the three ethical compliance variables (integrity, customer value and fairness to customers).

Result also shows standardized beta coefficient of 0.303 for integrity which implies that compliance to integrity has positive impact on organisational profitability in telecommunication companies. The significance of this positive impact was tested and result yielded t- calculated of 9.42 against the t- critical of 1.97 at 0.05 level of significance with p-value of 0.000($p < 0.05$). The null hypothesis is rejected and hence there is a significant positive impact of integrity on organisational profitability in telecommunication companies.

For research question 2 and hypothesis two, result obtained shows standardized beta of 0.267 which indicates that customers' value has positive impact on organisational profitability. The t- calculated of 7.65 is greater than the t-critical of 1.97 with p-value of 0.000. Therefore, there is a significant positive impact of customers' value on profitability of telecommunication companies. Also, for fairness to customers, the standardized beta coefficient of 0.876 was obtained which means that fairness to customers has a significant positive impact on profitability of telecommunication companies. The t- calculated of 25.06 and its corresponding t- critical of 1.97 and p-value of 0.000($p < 0.05$) were obtained. The t-calculated is greater than the t-critical of 1.97 which implies that there is a significant positive

impact of fairness to customers on profitability of telecommunication companies. In overall, the F-calculated of 641.82 and the F-critical of 2.63 at 0.05 level of significance were obtained. The F-calculated is greater than the F-critical which implies that there is a significant impact of ethical compliance on organisational profitability in telecommunication companies in Nigeria. To check for multicollinearity among the independent variables, Variance Inflation Factor (VIF) was used and the VIF of 2.379, 2.789 and 2.809 were obtained for integrity, customers' value and fairness to customers. These VIFs are all less than 10 meaning that there is no evidence of multicollinearity among the independent variables. Also, the normality of the residuals was also checked using Jacques-bera test for normality and the result reveals p-value of 0.9412 which is greater than 0.05 ($p > 0.05$) which implies that the residuals are normally distributed.

Discussion of the Findings

This finding has shown significant impact of ethical compliance on organisational profitability in telecommunication companies in Nigeria. The finding showed that integrity has the most significant positive impact on organisational profitability. This result means that the more telecommunication companies comply with integrity as one of the core ethical values of telecommunication companies, the better the level of organisational profitability. For other ethical variables considered like customers' value and fairness to customers, result also revealed that both have significant positive impact on organisational profitability in telecommunication companies. This result indicates that the higher the level of ethical compliance among the telecommunication companies, the higher their level of organisational productivity as measured by customer loyalty and patronage. This result also implies that when there is an improvement in the level of ethical compliance among telecommunication companies, there will be a corresponding improvement in their profitability.

This finding is corroborated by that of the findings by Ebitu and Beredugo (2015) on business ethics and performance of service firms in Calabar, Cross River State which is actually another proxy for organisational profitability. Ebitu and Beredugo (2015) established that the level of organisational performance is predicated on the level of ethical compliance. The finding also agrees with the findings by Adeyeye, Adeniyi, Osinbanjo and Oluday (2015) in Lagos state which showed that integrity has significant impact on organisational performance. Furthermore, this finding agrees with the findings by Bergman (2006) that compliance with integrity in organisation daily operation help enhance organisational productivity.

CONCLUSION

This study has appraised the impact of ethical compliance on organisational profitability in telecommunication companies in Nigeria. Findings showed that the three ethical variables (integrity, customers' value and fairness to customers) all had significant impact on organisational profitability of telecommunication companies in Nigeria. Also, among the three ethical variables considered, fairness to customers was found to have the most significant impact on organisational profitability of telecommunication companies in Nigeria. Hence, this study concludes that ethical compliance has a significant impact on organisational profitability of telecommunication companies in Nigeria.

RECOMMENDATIONS

Based on the findings the following are recommended to enhance organisational profitability of telecommunication companies in Nigeria:

1. For high organisational profitability, there is a need for telecommunication companies to show more commitment towards adherence to integrity in their day to day dealings with customers.
2. The management of telecommunication companies should endeavor to value and build more robust and cordial relationship with their customers through prompt response to customer problems and by ensuring that they maintain effective communication to their customers.
3. Fairness is key in any organisation; hence the management of telecommunication companies should ensure that there is no foul play in their operations especially with regards to unnecessary deductions for unsolicited services from customers.

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