

*Full Length Research Paper*

## Organization ethical business operations: Does it make a difference?

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**Making wider the concept that ethical activities in business operations conducted by the organization can excel the organization performance is the core concept of this research study. Sample of different organization predicts that ethical practices of enterprises were vital for their expansion. Organizations that promote the culture of ethics in its operation enjoy its everlasting fruits.**

**Key words:** Ethical operations, organization performance, business expansion.

### INTRODUCTION

From the past decades, ethical concepts are the one of the most emerging concepts in organization prosperity. Assurance and belief on organizational operations by the patrons and clients is a very important tool for organization development. Customer satisfaction and socially and ethically acceptability of products should be the organization motive, if they want to excel their business boundaries. Organizations have to maintain their reliability by continuously communicating with their employees and patrons through different means. Their acceptance of conducting business activities is easily reflected from customers and society perspective in better way.

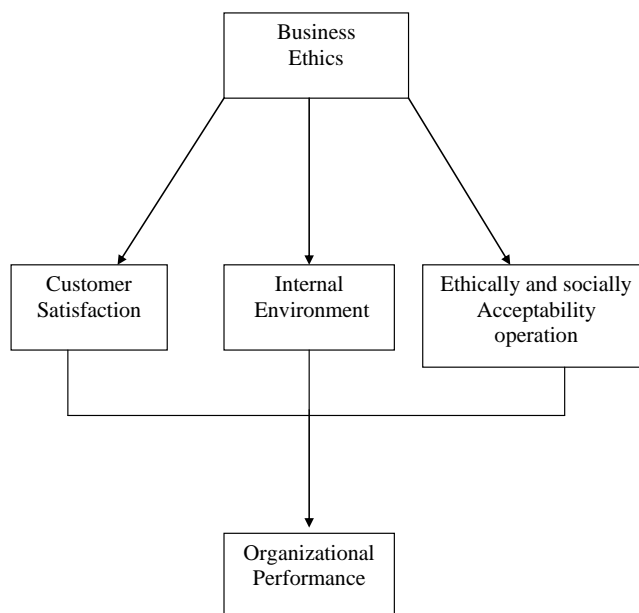
What is business ethics? What is "right" and what is "wrong". Actually business ethics is not a written document; it is the responsibility of the top management that who and with whom they will deal in much more effective and in efficient way (Kaptein, 2004). Organization having more ethical practices enjoys the fruits of growth and prosperities. Implementing ethics in organization is one of excellent investment because its output is always in positive direction (Hosmer, 1994). Although every country has their norms, values and cultures may affect the organization policies and practices which may violate their ethical practices. This idea is so simple at first glance. Organizations have to focus on this particular

issue as many researchers nowadays explore this particular area from different perspectives. Brenkert (1999) and DeGeorge (1993) contribute in international ethics and many others exploring different areas in different regions. The importance of business ethics, social responsibility and trust of customer is the new emerging concept in modern era (Waddock et al., 2002). Strong and powerful ethical culture can prosper organizations' stability (Weber, 2006), and are also connected with the growth of organizations (Dobni et al., 2000).

### Objective of the study

The objective of the research paper is to investigate the ethical business operations which include the satisfaction of target markets customers which primarily contains the trust on business operations, social acceptability of business operations. It will also explore the internal business environment which contains the climate of business operations and employees' relationship, their sense of responsibility which is very supportive for the expansion of organization. It will also elaborate the ethical scale amongst employees of team and also of other departments. The rationale of this research paper is

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**Figure 1.** Conceptual model.

to explain these practices and analyze the results that whether these operations create a difference in competitive environment.

Kaptein (2004), in his article, analyzed that among 200 MNCs, 52.5% have business codes of different areas such as sincerity (50%), equality (45%), corporate values like working in a team (43%), employees relationship in different perspectives like lack of favoritism (44%) and threats (43%), and not having of conflicts of interests (52%). This data may vary from culture to culture as Kaptein only investigates only eight western European countries' cultures, but the focus of this research study is on the consumer preferences, socially acceptability and employees satisfaction processes. Organization target customer should be satisfied from the business operations both in acceptance in culture as well as in satisfaction. Employees relationships in the same department and with other department will be analyzed that whether this will provide some advantages in organization performance (Figure 1).

## LITERATURE REVIEW

Ethical practices and social responsibility of the organization are the most extracted area for researchers in the last four decades. The matter of ethics has recently become the focal point of media because of the corporate scandals formed by the dealings of senior manager in organization such as WorldCom, Enron, Arthur Anderson, and Global Crossing (Robert et al., 2005). Ethical practices and behavior have turned out to be a focus of

attention in fields like marketing (Akaah et al., 1994), management (Gatewood et al., 1991), and accounting (Brief et al., 1996). Our areas of interest are the customer's trusts on organizational business process that whether they were satisfied from organization business activities or not, their social acceptability of the activities and employee internal relationship. Fresh improvement in literature emphasizes the consequence of trust for individual well-being (Solomon et al., 2001; Dutton et al., 2003), organizational performance (Connell et al., 2003; Jones et al., 1998, McAllister, 1995; Whitener et al., 1998; Wicks et al., 1999; Wicks and Berman, 2004), and socio-economic expansion of the nation (Fukuyama, 1995; Uslaner, 2002; Putnam, 1993). From an organizational point of view, trust is most significant factor in successful communication and flourishing team-working environment between workers as well as between workers and executives; it also minimizes the danger and operating costs, and improves employees' assurance and efficiency (Raminta et al., 2010). Trust is in the sense that customers were fully satisfied with the business operations of the organization and agreed to their activities that these are under the umbrella of ethics and have no harmful affect on the society.

The performance and the relationship amongst organization employees were highly monitored by the executive because this is the path of enhancing productivity. Implementing equally ethical treatment and appraisal system amongst employees can motivate them and can improve their work productivity. Clear integration of ethical actions into performance evaluation has been suggested by different researchers (Buckley, 2001; Weaver and Trevino,

1999; Weaver, 2001). Unethical activities amongst employees can create lot of problems like breaking company laws, involvement in illegal activities which could downstairs company status. Employee performance can be extracted from its relationship with their team mates and organization culture (Uggerslev and Sulsky, 2002; Jelley and Goffin, 2001; Borman et al., 2001).

Customer satisfaction and employee internal relationship environment can create a difference in organization productivity, but the operation of the organization should be socially acceptable if they want to enjoy the fruits of success. Are the business operation publicly and socially accepted? This factor creates a lot of difference to the organization performance. Apex executives are focusing more and more on the significance of ethics and social importance, and fact implies that more US-based and global firms are properly assuming reports of supporting ethical standards, socially acceptability processes and a code of ethics (Murphy, 2005). Ethical behavior is often seen as a social reality (Payne and Giacalone, 1990). Company expansion and accomplishment can be reflected from the society acceptability. The pricing policy, environment factors, eases of utilization, culture and values all these are the social factors which can affect the organization expansion. Company should focuses on these subject areas. For case in point, Cox (2001) inspects the degree to which discriminate pricing may raise ethical sign which may demoralize the customers, by incriminating divergent costs for the similar manufactured goods. This will automatically decrease the consumer ratio and it is unethical.

## Hypothesis

For extracting organizational performance on the basis of ethical practices conducted by that organization, the proposed hypotheses are,

**H1.** Organization performance (success or failure) will relay on their ethical practices.

Ethical practices are the mixture of satisfying their target customers, glowing internal environment amongst employees within organization and socially acceptable business operations. Organization focuses is on their locus of control on operations, building trust in their customers and communication with customers as well as with their co-workers during and after the tasks. If organization is fulfilling the above criteria, then they would definitely improve their productivity and enjoy the success. Failure in ethical practices can demolish their expansion.

**H2.** Ethical operations of the enterprise can create an effect on customer satisfaction.

The business operations of the enterprise is fully satisfying their customer in different accepts. Satisfaction

will consist of fulfilling the ethical aspects of the community, not harming the environment and society and easily accessible to consumers. Satisfying their needs can flourish the enterprise business operations.

**H3.** Utilizing ethical scale can improve employee relationship.

Employees are the back bone of the industry. In one sense it is considered as a king of the organization. Building good relationship amongst employees needs greater attentions. Their performance can be improved when they are motivated and being judge by one ethical scale, so that the discriminating factor should be removed and their performance level be increased after valuing them according to their performance and capabilities. This will also reduce the turn over intention ratio as well.

**H4.** Socially accepted practices of the organization can excel their expansion.

Enterprise final products are utilized by the community. If the organization believes in the values and norms of the target society, and not targeting their cultural constraints, then their business operations can expand.

## METHODS AND PROCEDURE

### Contributor

The survey respondents are the employees of different sectors organization comprising Islamabad and Rawalpindi region (N= 186): government sector employees (n= 60), Private sector employees (n= 98), and semi government employees (n= 28). Questionnaire was distributed amongst 530 employees in these sectors and only 186 employees' responds. The demographics and other detail of the final respondents are in Table 1.

### Interpretation

The collected data from sample is analyzed and tested through SPSS software and predicts the reliability of .604 which is significant. Table 2 shows the Cronbach's alpha value .604 which is significant and reliable for further testing. The hypothesis was tested through linear regression. These are accepted on the basis of their significance value. The hypotheses results are given in Tables 3 and 4

The relationship amongst variable organizational performance and three independent variables, customer satisfaction, internal environment amongst employees and socially acceptance is also tested and shows significance value as predicted in Table 4. Figure 2 shows the relationship among variables. Structural equation model assists to measure the effect of dependent variable ethical activities on independent variables, customer satisfaction, internal environment amongst employee and socially acceptance of business operations. These variables are also tested with the outcome organizational performance which discloses the importance of each

**Table 1.** Demographic and academic record of the complete sample.

Variables	Male (N=119)	Female (N= 67)	Total (186)
<b>Age</b>			
18-22	32	23	55
23-27	49	29	78
28-32	38	15	53
<b>Type of organization</b>			
Government	39	21	60
Private	66	32	98
Semi Government	14	14	28
<b>Education level</b>			
Inter Level	09	13	22
Graduate	69	44	113
Advance Level	41	10	51
<b>Job experience</b>			
1 Year	27	19	46
2-5 Years	53	33	86
Above 5 Years	39	15	54

**Table 2.** Reliability statistics.

Cronbach's alpha	No of items
.604	20

**Table 3.** Coefficients (a).

Model	Unstandardized coefficients		Standardized coefficients	t	Sig.	
	B	Std. Error	Beta	B	Std. Error	
1	(Constant)	2.452	.218		11.244	.000
	CR	.388	.055	.459	7.000	.000
	IE	.412	.058	.462	7.071	.000
	SA	.246	.058	.299	4.248	.000

a,Dependent Variable: ET.

variable in the model.

Hypothesis testing results shows relationship between variables, Ethical Activities, Internal Environment, Customer Satisfaction, Socially Acceptability and Organizational Performance as predicts in above table.

Table 5 explains testing of hypothesis supported by regression weights. Beta value between CR and ET is .681 and the relationship is obvious from the analysis that 1 degree change in ethical operations creates 68.1% change in preferences of customer satisfaction which generates huge difference in business activities. Beta

value between IE and ET shows value of .567 predicting the estimation that 1 degree in ethical operation of organization creates 56.7% change in internal environment amongst employees. Beta value between SA and ET is .564 which describes that 1 degree change in ethical practice can increase 56.4% socially acceptance. The beta value between OP and IE shows the value of .129 which forecasts that 1 degree change in internal environment amongst employee can increase the organizational performance up to 12.9%. Beta value between OP and CR is .372 which forecasts that one degree change in

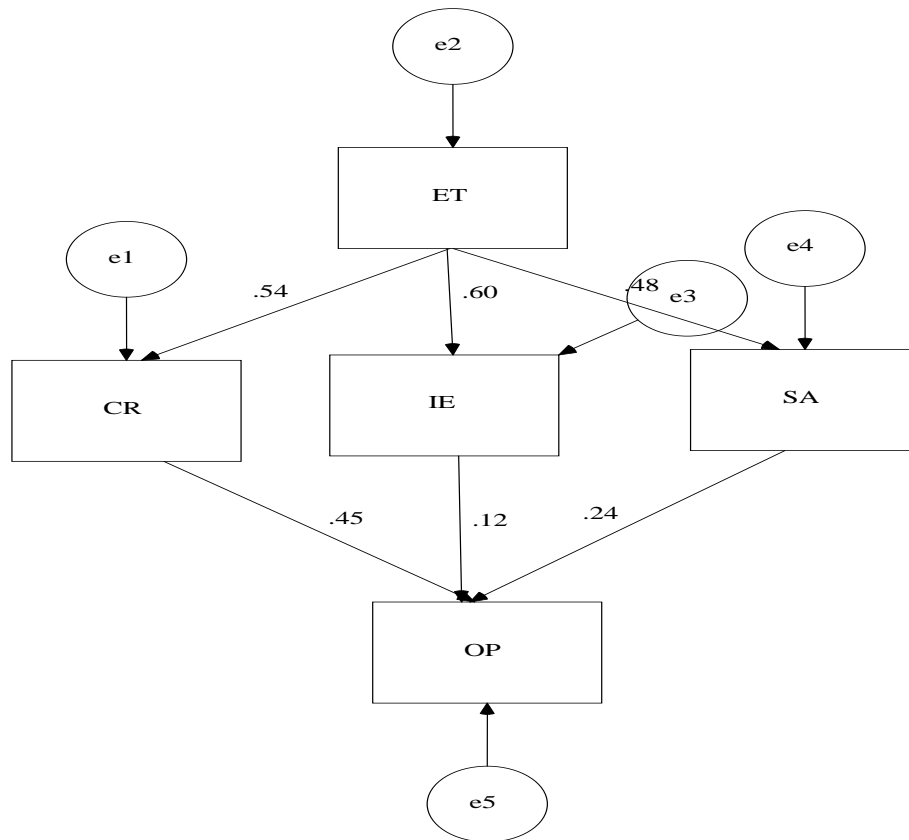
**Table 4.** Coefficients (a).

Model		Unstandardized coefficients		Standardize coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	1.079	.266		4.052	.000
	SA	.458	.060	.487	7.565	.000
	CR	.516	.051	.599	10.148	.000
	IE	.549	.074	.478	7.378	.000

a Dependent Variable: OP

**Table 5.** Hypotheses testing based on regression weights.

Variables	Estimates	S.E.	Critical ratio	P-value	Results
CR <--- ET	.681	.079	8.660	0.000	Accepted
IE <--- ET	.567	.056	10.101	0.000	Accepted
SA <--- ET	.564	.075	7.531	0.000	Accepted
OP <--- IE	.129	.070	1.852	0.044	Accepted
OP <--- CR	.372	.052	7.204	0.000	Accepted
OP <--- SA	.214	.056	3.839	0.000	Accepted



**Figure 2.** Ethical business operation model results. ET, Ethical Activities; IE, Internal Environment; CR, Customer Satisfaction; SA, Socially Acceptability; OP, Organizational Performance.

preferences of customer satisfaction can augment organizational performance up to 37.2. This shows that organizations should focus on the preferences of customer needs. Beta value between SA and OP is .214 and it confirms that when there is one degree change in social acceptance then there is a chance that organizational performance will be increased up to 21.4%.

All the hypotheses is accepted and the model is significant because  $p < .05$ .

## DISCUSSION AND CONCLUSION

For accepting better the concept of the ethical practices in the business activities of the organization, the study of Robert et al. (2005) is very helpful. In their analysis, they summarized that corporate scandal affects many organizations. Akaah et al. (1994) predict that ethical practices are the emerging field in the world and media is mainly focusing on it and its importance is increasing in many corporations. Strong and influential ethical culture flourishes organization firmness (Weber, 2006). Unethical actions amongst staff can generate lot of troubles regarding their performance and outputs (Uggerslev and Sulsky, 2002). Workers' performance can be pulled out from its connection with their team mates and with the culture of organization (Borman et al., 2001). Ethical behavior is frequently considered as a social truth and reflects the image of the organization (Payne and Giacalone, 1990). Analyzing previous research studies and the analysis of the studied sample predict that organizations which implement ethical practices in the business activities can prosper their growth. Putting their customer preferences on top, establishing good and high quality working environment and positive relation amongst employees and keeping in mind that society is accepting their business operation in positive manner, then they can achieve the competitive advantage and excel their business up to the maximum.

## Limitation and future study

The suggested study, the overall ethical practices cycle is not covered and also is applicable for the selected region of Islamabad and Rawalpindi regions. Its results only predict the region of Islamabad and Rawalpindi. These results will be different for other regions and also different scales should be used for analyzing data. Further study can be conducted on individual employee motivational factors and also encompass the effect of ethical practices on turn over intentions ratio within organization.

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