

CORPORATE ETHICS (IN THE NIGERIAN FINANCIAL SERVICES SECTOR)

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Transnational International - Corruption Perceptions Index (CPI)

- ▣ Croatia – Ranked # 62; CPI: 4.1
- ▣ Mexico – Ranked #100; CPI: 3.1
- ▣ Kosovo – Ranked # 110; CPI: 2.8
- ▣ Nigeria – Ranked #134; CPI: 2.4



AGENDA/OUTLINE

- ▣ **Ethics as a way of life**
 - ▣ “Ethics” relates to choices and judgments about acceptable standards of conduct that guide the behavior of individuals and groups.
- ▣ **Ethics in business**
 - ▣ Ethics focuses on issues of practical decision making, including the nature of ultimate value, and standards by which a human action can be judged right or wrong, good or bad.
- ▣ **A Framework for measuring corruption (within a Firm).**

ETHICS AS A WAY OF LIFE

- ▣ Ethics:
 - ▣ a reflective study of what we ought to do, or how we ought to live (Ekennia, 1998).
 - ▣ a reflective approval of some of these norms by giving reasons which transcend purely personal or domestic considerations.
 - ▣ removes bias and arbitrariness and require us to treat similar cases alike.
 - ▣ offers impartial and universal sound reasons for living.

CORPORATE ETHICS

- ▣ Ethics in the world of business involves "ordinary decency" which encompasses such areas as integrity, honesty and fairness (Steinberg 1994).

- ▣ **A Model for Corporate Ethics**
 - ▣ Employees' perceptions about the ethical climate of their organizations are affected by the organization's policies, procedures, and reward systems as well as the formal and informal systems of the organization (Barnet et-al. 2000).
 - ▣ An ethical climate assists employees as they evaluate issues and consider alternatives;
 - ▣ An ethical climate helps to guide members in the determination of acceptable and unacceptable behavior at work.

FRAMEWORK FOR EVALUTING CORPORATE ETHICS

- ▣ A 2004 study in the *Journal of Business Ethics*:
 - ▣ Evaluated the extent to which frameworks are viable for evaluating **Ethics** in Nigeria.
 - ▣ Framework for the study: extent to which employees believe that the financial services firms tempers its desire for profit with its need to be a good citizen.

- ▣ Variables (*factors*):
 - ▣ Efficiency = $f(\textit{Self-interest}, \textit{Company Profit})$
 - ▣ Law & Professional Codes = $f(\textit{Personal Morality}, \textit{Rules \& Procedures})$

FRAMEWORK FOR EVALUTING CORPORATE ETHICS – EFFICCIENCY

- ▣ The drive for **Efficiency** weakens,
 - ▣ as the employees perceive that the internal environment favors *Self-Interest* (above all other factors).
 - ▣ as employees perceive that the desire for *Profit* increases (above all other factors).
- ▣ These are logical and expected results:
 - ▣ *Self-Interest* and company *Profit* are significant predictors of Efficiency.
 - ▣ Specifically, both factors explain approximately 37% of the variance in Efficiency.

FRAMEWORK FOR EVALUTING CORPORATE ETHICS – LAW & PROFESSIONAL CODES

- ❑ When employees perceive that the internal environment encourages personal ethical decisions, the employees also perceive that the company behaves legally.
- ❑ Ironically, when employees perceive rules and procedures are to be followed strictly, then the company is perceived to acting illegally.
- ❑ *Personal Morality* and *Rules/Procedures* explain 68% of the variance in adherence to the Law and Professional Code, indicating that these predictors are the major factors under consideration in this aspect of an employees' perceptions.
- ❑ Additionally, the individual and internal dimensions determine the employees' perception of the way the company treats the "publics" (customers, stockholders, stakeholders, etc.).

CONCLUSION & RECOMENDATIONS

▣ Conclusion

- ▣ Based on the evidence of the current research, corruption is more likely to be an institutional concept than an individual one.
- ▣ If Nigerian Financial Services firms are to "clean up their act", any legal and administrative solutions should bear these results in mind.

▣ Recommendations:

- ▣ It is now paramount that to create a Center for Ethical Behavior that can facilitate the teaching and training of staff on ethical behavior within the Finance Services Industry – and this should start from the bottom up.
- ▣ Customer facing employees are vital in this battle against the perception of corruption in the Financial Services Industry.
- ▣ Staff should be trained to be “incorruptible.”
- ▣ Employees should be trained and incented to behave ethically in order to create a culture where ethical behavior is the norm , and not the exception.

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