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Managing the Risks of Business Ethics in a Nigerian Environment

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***Abstract*—**The article aims to (1) discuss current ethical dilemmas in global environmental ethics, (2) that employers and employees bear the responsibility and are complacent in unethical practices and many failures by illustrating two case studies.(3) examples of ethical misconduct of businesses in Nigeria. In the challenge of modern society, manager or worker often encounters a situation than challenges one's ethical beliefs and standards. Managing across border increasingly includes difficult ethical dilemmas. It is less clear where to draw the line between ethical behavior and the corporation's other concerns, or between the conflicting expectations of ethical behavior among different countries. Governmental agencies regulate business practices and their impact in the Nigerian business environment is examined. This article recommends that managers should put ethical decision making in organizational context and see how the process fits together through a framework. Good ethics is linked to organizational performance, organizational ethics and compliance programs. Also, managers should examine the potential personal costs including reputation damage from misconduct to their organisations.

***Keywords*—**Behaviour; Business; Ethics; Environment; Perception; Organisation.

***Abbreviations*—**Food and Drug Administration (FDA); Nigerian National Agency for Food and Drug Administration Control (NAFDAC); Open Compliance Ethics Group (OCEG).

I. INTRODUCTION

THE motivations of this research are to analyse the risks of an ethical misconduct disaster which is ever arising due to the complexity of the global business environment with particular reference to the Nigerian environment.

Global interdependence is a compelling dimension of the global business environment, creating demands on international managers to take a positive stance on issues of ethical behavior, social responsibility, economic development in host countries, and environmental protection around the world. However, there were still several large multinational companies indulging in ethically questionable practices. If multinational companies behave unethically, it soon comes to the notice of the public and the company's image is tainted. Multinationals are often worse off for having behaved unethically in the interest of short term gains, as the bad publicity generated by unethical practices leads to far greater losses in the long run.

Increasing regulation and enforcement as well as stakeholder scrutiny can create an unexpected organizational crisis. In this paper we will provide a foundation for understanding organizational ethical decision making and provide two examples of companies that found themselves dealing with an organizational ethical disaster.

One approach to understanding business ethics is to take an individual perspective and focus on personal morals, character and the person. This approach assumes that virtues linked to the high moral ground of truthfulness, honesty, and fairness are self-evident and easy to apply in a complex global environment. This approach would assume that organizational values and ethics training may be more appropriate for individuals with unacceptable moral development. It also assumes that employees will be able to control their decision making environment independent of managers and co-workers. Another approach to understanding business ethics is to assume that organizational values and compliance systems are necessary to prevent people from engaging in unethical conduct. This approach recognizes the risks and the complex decision-making environment in a global environment. Business ethics programs and organizations combine values and compliance, which requires training and constant vigilance.

All organizations will face ethical lapses, unintentional misconduct, and complacency from employees when they observe serious misconduct. The scandals and unethical conduct that have occurred globally have taught us that some people deliberately break the law or engage in inappropriate behavior. Many others never see ethical issues when devising what they think as an innovative scheme for success.

Governments of many countries and their agencies hold organizations responsible for the conduct of their employees, most firms have decided to implement ethics and compliance programs to prevent misconduct and diminish the risk associated with employee wrongdoing. The company's governing authority, usually the board of directors, responsible for ethical leadership including an effective ethics program and internal ethics audits. In addition, an ethics officer with adequate resources is required to report directly to the board or a committee of the board. Even though the majority of employees want to do the right thing, many people don't know the exact nature of the law and are totally surprised when they are charged with violations that were never anticipated.

The legal system and the nature of civil litigation make ethical decision making a 'mine field' for possible error without adequate knowledge of the potential risk of a decision.

Managers need to understand how ethical decisions are made and the environment that influences ethical decision making. Managers face the same business ethics risks as others but managers should be more aware of those special risks associated with customer contact and interaction with their relevant stakeholders. While there may be many significant and meaningful aspects of ethics that can be taught to employees that will help them live a better life, there should be some foundational concepts taught to business employees that will help them obtain a holistic understanding of business ethics.

Many managers have a difficult time understanding that ethics requires going beyond minimal legal requirements. Trying to find a framework that helps managers see the benefits of conducting oneself according to the highest ethical standards is difficult indeed. The best opportunity for achieving this goal would be an understanding of stakeholders that shape and form ethical issues and evaluations, and a description of how leadership, corporate culture, formal ethics programs, and individual character are important to ethical decision making.

In addition, organizations with strong ethical cultures and full formal ethics programs are less likely to observe misconduct. Formal ethics programs were found to be an essential element of a strong organizational culture.

The reality is that employees are at a high risk for observing or engaging in misconduct. Formal programs and strong ethical cultures significantly reduce the pressure to engage in misconduct, the observation of misconduct, and the need to report misconduct.

The Open Compliance Ethics Group (OCEG) reports that firms that have an effective ethics program and culture do not have scandals and events that cause significant legal or reputation damage. In fact, no firm with a strong ethics program for 10 years has had a major ethical scandal in the last 5 years.

II. STAKEHOLDERS DEFINE MARKETING ETHICS ISSUES

A stakeholder perspective facilitates the understanding of how agreements, collaborations, and even confrontations exist on ethics issues. Stakeholders designate the individuals or groups that can directly or indirectly affect, or be affected by, a firm's activities [Freeman, 1984]. Stakeholders can be viewed as both internal and external. Internal stakeholders include functional departments, employees, boards of directors, and managers. External stakeholders include interest groups, consumers, competitors, advertising agencies, and regulators [Miller & Lewis, 1991]. The various relationships should be identified and interests understood.

Another view of stakeholders characterizes them as primary or secondary. Primary stakeholders are those whose continued participation is absolutely necessary for business survival; they consist of employees, customers, investors, suppliers, and shareholders that provide necessary infrastructure. Secondary stakeholders are not usually engaged in transactions with the business and are not essential for its survival; they include the media, trade associations, non-governmental organizations, along with other interest groups. Different pressures and priorities exist from primary and secondary stakeholders [Waddock et al., 2002]. Unhappy customers may be viewed with less urgency than negative press stories that can damage a business [Thomas et al., 2004]. Highly visible secondary stakeholders such as an interest group or the media may at times be viewed with greater concern than employees or customers. Remote stakeholders at the fringe of operations can exert pressure calling into question the firms' legitimacy and right to exist [Hart & Sharma, 2004]. The three critical elements in assessing stakeholder influence are their power, legitimacy and urgency of issues [Mitchell et al., 1997]. Power has been defined as "the ability to exercise ones will over others" [Schaefer, 2002]. Legitimacy relates to socially accepted and expected structures that help define whose concerns or claims really count and urgency captures the dynamics of the time-sensitive nature of stakeholder interactions [Mitchell et al., 1997]. Power and legitimacy may be independent but the urgency component sets the stage for dynamic interaction that focuses on addressing and resolving ethical issues.

2.1. *Shared Ethical Values and Norms*

Major stakeholders may have different needs and a fine-grained approach may be needed to ascertain even differences within major stakeholder groups, such as customers, employees, suppliers, and investors [Harrison & Freeman, 1999]. On the other hand, usually, a certain number of individual stakeholders share similar ethical values and norms [Maignan & Ferrell, 2004]. Some of them choose to join formal communities dedicated to better defining, and to advocating, these ethical values and norms.

2.2. *Stakeholder Issues in Business*

Stakeholder ethical values and norms apply to a variety of business issues such as sales practices, consumer rights, environmental protection, product safety, and proper information disclosure [Maignan & Ferrell, 2004]. Noticeably, stakeholder values and norms concern both issues that do and do not affect stakeholders' own welfare. For example, consumers may worry not only about product safety, but also about child labor, an issue that does not impact them directly. Stakeholder issues are the concerns that stakeholders embrace about organizational activities and the residual impact.

2.3. *Stakeholder Pressures*

Various stakeholder communities are likely to exercise pressures on the organization and on each other in order to push forward their own ethical values and norms. In spite of disparities across communities, stakeholders conform to broad and abstract norms that define acceptable behavior in society. Noticeably, each business has its own values and norms depicting desirable behaviors based on its corporate culture and operations. These organizational values and norms overlap with those of some stakeholder groups and especially with those of primary stakeholders since they are in the best position to exercise an influence on the organization.

III. Framework for Understanding Organizational Ethical Decision Making

In understanding marketing ethics it is necessary to understand how people make ethical decisions. Within the context of an organization, there is an ethical component to business decisions and this decision maybe influenced by the organization, the specific situation, or pressure exerted by coworkers.

External stakeholder interests, concerns or dilemmas help trigger ethical issue intensity. Organizational culture (internal stakeholders) and individual moral philosophies and values influence the recognition of ethical issues and business ethics decisions. The decisions or outcomes are evaluated by both internal and external stakeholders. While it is impossible to describe precisely how or why an individual or a work group may make a specific decision, we can generalize about average or typical behavior patterns within organizations.

First, as previously discussed, organizations can identify the importance of stakeholders and stakeholder issues, and gather information to respond to significant individuals, groups, and communities. Next, in the decision-making process, managers should identify the importance or relevance of a perceived issue– i.e., the intensity of the issue [Jones, 1991]. The intensity of a particular issue is likely to vary over time and among individuals and is influenced by the organizational culture, values and norms; the special characteristics of the situation; and the personal pressures weighing on the decision. Personal moral development and philosophy, organizational culture, and coworkers, determine why different people perceive issues with varying intensity [Robin et al., 1996].

Perhaps one of the greatest challenges facing the study of business ethics involves the role of individuals and their values. Although most of us would like to place the primary responsibility for decisions with individuals, years of research point to the primacy of organizational factors in determining ethical decisions at work [Ferrell, 2005].

However, individual factors are obviously important in the evaluation and resolution of ethical issues, and familiarity with theoretical frameworks from the field of moral philosophy is helpful in determining ethical decision making in business [Murphy et al., 2005]. Two significant factors in organizational ethics are an individual's personal moral philosophy and stage of moral development. Through socialization, individuals develop their own ethical pattern of behavior, including judgments about right or wrong actions. This socialization occurs from family, friends, formal education, religion, and other philosophical frameworks that an individual may embrace.

Although individuals must make ethical choices, it is also true that they often make these decisions in committees, group meetings, and through discussion with colleagues. Ethical decisions in the workplace are guided by the organization's culture and the influence of others, such as coworkers, superiors, subordinates. In fact, more ethical misconduct is done to benefit organizational performance rather than to satisfy personal greed.

The ethical climate of an organization is a significant element of organizational culture. Whereas a firm's overall culture establishes ideals that guide a wide range of behaviors for members of the organization, its ethical climate focuses specifically on issues of right and wrong.

The ethical climate is the organization's character or conscience. Codes of conduct and ethics policies, top management's actions on ethical issues, the values and moral development and philosophies of coworkers, and the opportunity for misconduct all contribute to an organization's ethical climate. In fact, the ethical climate actually determines whether or not certain dilemmas are perceived as having an ethical intensity level that requires a decision.

Organizations can manage their culture and ethical climate by trying to hire employees whose values match their own. Some firms even measure potential employees' values during the hiring process and strive to choose individuals who "fit" within the ethical climate rather than those whose beliefs and values differ significantly. A poor "fit" can have very expensive ramifications for both organizations and employees. Beyond the potential for misconduct, a poor employee-organization ethical fit usually results in low job satisfactions, decreased performance, and higher turnover [Sims & Kroeck, 1994].

Together, organizational culture and the influence of coworkers may foster conditions that limit or permit misconduct. When these conditions provide rewards, such as financial gain, recognition, promotion, or simply the good feeling from a job well done – the opportunity for unethical conduct may be encouraged, or discouraged, based on ethical climate. For example, a company policy that does not provide for punishment of employees who violate a rule (e.g., not to accept large gifts from client) provides an opportunity for unethical behavior. Essentially, this lack of policy allows individuals to engage in such behavior without fear of consequences. Thus organizational policies, processes, and other factors may contribute to the opportunity to act unethically.

Opportunity usually relates to employees' immediate job context – where they work, with whom they work, and the nature of the work. The specific work situation includes the motivational "carrots and sticks" that superiors can use to influence employee behavior. Pay raises, bonuses, and public recognition are carrots, or positive reinforcement, whereas reprimands, pay penalties, demotions, and even firings act as sticks, the negative reinforcement.

For example, a salesperson that is publicly recognized and given a large bonus for making a valuable sale that he obtained through unethical tactics will probably be motivated to use unethical sales tactics in the future, even if such behavior goes against his personal value system.

Research has shown that there is a general tendency to discipline top sales performers more leniently than poor sales performers for engaging in identical forms of unethical selling behavior [Bellizzi & Hasty, 2003]. Neither a company policy stating that the behavior in question was unacceptable nor a repeated pattern of unethical behavior offset the general tendency to favor the top sales performers. A superior sales record appears to induce more lenient forms of discipline despite managerial actions that are specifically instituted to produce more equal forms of discipline. Based on their research, Bellizzi and Hasty concluded that an opportunity exists for top sales performers to be more unethical than poor sales performers.

This framework helps managers put ethical decision making in organizational context and see how the process fits together. Once one begins to understand that good ethics is linked to organizational performance they see why it is necessary to have organizational ethics and compliance programs. Also, managers begin to see the personal costs including reputation damage from misconduct.

IV. Learning from Ethical Misconduct Disasters in Nigeria: Barewa Pharmaceuticals and Olisaemeka Osefor Enterprises

A batch of My Pikin Baby Teething Mixture that went on sale in November of 2008 was tainted with diethylene glycol, a chemical that can cause damage to the heart, kidneys and nervous system when ingested.

The Nigerian National Agency for Food and Drug Administration Control (NAFDAC) says that the chemical found its way into the teething mixture when the producer, Barewa Pharmaceuticals Ltd., obtained the tainted ingredient from an unregistered chemical dealer.

NAFDAC reported that the first affected child was taken for treatment on November 19, 2008 and pulled more than 5,000 bottles of My Pikin from the market soon thereafter. On November 26, 2008, NAFDAC shut down Barewa Pharmaceuticals.

The New York Times indicates that the mixture had an especially high concentration of the chemical, noting figures from the Nigerian Health Ministry that three-quarters of children made sick by the medicine had died. As of February 6, 2009, 111 children were affected.

As of February 11, 2009, 12 people have been arrested in connection with the contamination, including officials from Barewa Pharmaceuticals Ltd. and suspected illegal chemical makers. On February 20, 2009, a group unaffiliated with the government began taking the names of parents of the victims to assist them "in seeking legal redress."

In 1990,109 Nigerian children died after taking medicine contaminated with a similar compound, reports the New York Times.

While there are no other known deaths related to My Pikin, the Times also reports that diethylene glycol has been linked to poisoning cases around the world, including a 2006 poisoning in Panama where 365 people died after ingesting tainted cough syrups, antihistamine tablets and calamine lotions manufactured in a government factory.

Diethylene glycol intoxication led to the creation of the United States Food and Drug Administration (FDA) after a manufacturer used the chemical as a solvent in Elixir Sulfanilamide in 1937. One hundred and five people died as a result of the contamination, which led to the passage of the 1938 Food, Drug and Cosmetic Act and the formation of the FDA.

4.1. Official Statements

"The death of any Nigerian child is a great loss to the nation," Nigerian Health Minister Babatunde Oshotimehin said in a statement. "The federal ministry of health sincerely regrets this painful incidence and sympathizes with the nation and the families directly affected."

4.2. Olisaemeka Osefor Enterprises

National Agency for Food and Drug Administration and Control, NAFDAC, succeeded in arresting one Olisaemeka Osefor, proprietor of Olisaemeka Osefor Enterprises alleged to be one of the kingpins in Nigeria that specializes in the production and shipment of various fake and counterfeit products into the Nigerian market. The fake products were said to have been deliberately packed in plain cartons and rapped in sacks to conceal their identities and deceive the public. Curiously and of particular note was that of Neurogesic Ointment which was labelled as manufactured in Nigeria even when it was imported from China.

Some of the counterfeit medicine discovered and impounded included; Skineal Cream (158cartons x 10 x 24 x

15g), Funbact-A cream (43cartons x 30 x 12 x 30g), Mycoten Cream (719cartons x 40 x 10 x 20g), Neurogesic Ointment (131cartons x 40 x 10 x 35g), Rough Rider Condom (56cartons), Iman Luxury powder (20cartons) and Heal balm (205cartons) amongst others.

Sadly, hospital reports have shown that hundreds of Nigerians lose their lives on daily basis to activities of these drug counterfeiters. The sad story of a one- time beneficiary of Kanu Heart Foundation may still be fresh in the minds of many Nigerians who read the report of how the beneficiary died after a fake drug was unknowingly administered unto him shortly after a life- threatening heart surgery.

Parading Olisaemeka before the media and the public, the Director-General of NAFDAC, Dr. Paul Orhii described his arrest as among one of the 'ground -breaking efforts' the Agency has made in recent times. In view of the magnitude of the offence, the Agency, according to the Director-General, has sampled the drugs against the suspect preparatory for his prosecution when investigations were concluded.

However, Olisaemeka has confessed to be in business with a cartel based in China where the fake products were sourced and stored in their warehouse before being shipped to Nigeria. He has also admitted that they have some other collaborators in Tin Can Island port, Nigeria where they illegally cleared the consignments on arrival.

V. Significance of the Research

The significance of this research is to increase the understanding of business issues in Nigeria and provide the basis for further research in the area of business ethics. Suffice to say that research materials in business ethics are not widely available. This research will enlighten organisations and stakeholders that business is not an activity for profit making but organisations are responsible for the welfare of their workers and should fulfil their corporate social responsibility in their host countries. Business irrespective of their host countries engage in research and innovations to the benefit of humanity.

VI. Scope of the Research

The scope of this research is to discuss current ethical dilemmas in global environmental ethics; business environment ethics in Nigeria in relation to the global environment ethics; examples of ethical misconduct of businesses in Nigeria and the impact of agencies established by the Nigerian government to regulate business practices in Nigeria.

VII. Managerial Implications

The overall objective of this research is to enhance awareness concerning the risks associated with business ethics in Nigeria.

Managers' role as leaders in organisations is vital to create a framework in their organisations that will assist managers to take decisions according to the highest ethical standards and global best practices.

Moreover, organisations with strong ethical cultures are organisations whose managers appreciate ethical programs, corporate cultures and compliance systems in the organisation.

Therefore, Managers should understand that business ethics goes beyond avoiding scandals and meeting the minimum legal requirements in their host countries in relation to their business practices. Managers should develop policies and programs that enhance the values and moral development of employees. Such policies and compliance programs should include sanctions and disciplinary actions to employees whose behaviour and conducts are unethical.

VIII. Conclusion

Using a stakeholder and an organizational decision making frame work helps to link societal, organizational, and individual interests. The use of critical thinking is an important part of ethical decision making especially in ambiguous areas. While the development of personal character is important, it must be linked to competence in understanding risks and approaches to managing ethics and compliance in a complex organizational context. The national culture and regulatory system is also an important area that can affect ethical decision making.

Business ethics in organizations requires values-based leadership from top management, purposeful actions that include planning and implementation of standards of appropriate conduct, as well as openness and continuous effort to improve the organization's ethical performance. Although personal values are important in ethical decision making, they are just one of the components that guide the decisions, actions, and policies of organizations. The burden of ethical behavior relates to the organization's values and traditions, not just to the individuals who make the decisions and carry them out. A firm's ability to plan and implement ethical business standards depends in part on structuring resources and activities to achieve ethical objectives in an effective and efficient manner. Barewa Pharmaceuticals and Olisaemeka Osefor Enterprises provide excellent examples of highly visible firms in Nigeria who have failed to provide the ethical leadership necessary to avoid misconduct that has damaged their reputation, and created ethical disasters that have damaged many stakeholders.

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