ETHICS AND SOCIAL RESPONSIBILITY IN THE NIGERIAN INSURANCE INDUSTRY

A Multi-Methods Approach

MUSA ADEBAYO OBALOLA

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ABSTRACT

The concern about how business should behave as one of the dominant institutions in society, widely referred to as corporate social responsibility, has been a subject of interest among academics and practitioners all over the world. The increasing global outlook of business activities and the need to understand environments in most parts of the globe have also made this concept relevant for all time. This thesis therefore relates to a study, which assesses the perceived role of ethics and social responsibility for organisational effectiveness in a developing and African country. It was argued that ethics and social responsibility must first be perceived to be important for business success, before managers' behaviour can become ethical and reflect greater social responsibility.

Using a mainly qualitative approach and aided by some quantitative analysis, the study explored the perceived importance of this construct (ethics and social responsibility) for organisational effectiveness among insurance managers in the Nigerian insurance industry. This exploration and the analysis are based on the theoretical assumptions that personal and situational factors do influence managers' perception of the importance of ethics and social responsibility and its business assumption. These, therefore, constitute major outcomes of the study.

Given that the study is the first of its kind in the insurance industry, and Nigeria, a developing economy, its outcomes further aids our understanding of how managers in an African socio-economic context perceive the construct and their readiness to translate it into business practice. Above all, the thesis demonstrates that the perceived importance of ethics and social responsibility for organisational effectiveness is a function of industry and product nature, individual moral values, corporate ethical values and organisational commitment. The findings suggest that meeting customers' expectations reinforce trust-relationship, which in turn is moderated by some other personal-situational factors. The findings also indicate that highly idealistic managers were more sympathetic towards the welfare of others, and have higher perception of the important role of ethics and social responsibility for business success.

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LIST OF ABBREVIATIONS

ANOVA	ANALYSIS OF VARIANCE
AR	AUTHORISED REPRESENTATIVES
ATBEQ	ATTITUDE TOWARDS BUSINESS ETHICS
BC	BUSINESS CITIZENSHIP
CC	CORPORATE CITIZENSHIP
CCI	CORPORATE COMMUNITY INVOLVEMENT
CCR	CORPORATE COMMUNITY RELATIONS
CED	COMMITTEE FOR ECONOMIC DEVELOPMENT
CEO	CHIEF EXECUTIVE OFFICER
CEV	CORPORATE ETHICAL VALUE
CFA	CONFIRMATORY FACTOR ANALYSIS
CI	CONFIDENCE INTERVAL
CR	CORPORATE RESPONSIBILITY
CSF	CRITICAL SUCCESS FACTOR
CSP	CORPORATE SOCIAL PERFORMANCE
CSR	CORPORATE SOCIAL RECTITUDE
CSR	CORPORATE SOCIAL RESPONSIBILITY
CSR	CORPORATE SOCIAL RESPONSIVENESS
EFA	EXPLORATORY FACTOR ANALYSIS
EPQ	ETHICS POSITION QUESTIONNAIRE
FSA	FINANCIAL SERVICE AUTHORITY
GNP	GROSS NATIONAL PRODUCT
HND	HIGHER NATIONAL DIPLOMA
H-V	HUNT AND VITELL
IFA	INDEPENDENT FINANCIAL ADVISER
IMSA	INSURANCE MARKETPLACE STANDARD ASSOCIATION
KMO	KAISERR-MEYER-OLKIN
LI	LAGOS ISLAND
LM	LAGOS MAINLAND
NGT	NORMINAL GROUP TECHNIQUE
NIA	NIGERIAN INSURERS ASSOCIATION
NICOM	NATIONAL INSURANCE COMMISSION OF NIGERIA
OE	ORGANISATIONAL EFFECTIVENESS
OND	ORDINARY NATIONAL DIPLOMA
PCA	PRINCIPAL COMPONENT ANALYSIS
PR	PUBLIC RESPONSIBILITY
PRESOR	PERCIEVED ROLE OF ETHICS AND SOCIAL RESPONSIBILITY
SD	STANDARD DEVIATION
SEC	SECURITY AND EXCHANGE COMMISSION
SPSS	STATISTICAL PACKAGES FOR SOCIAL SCIENCE
VI	VICTORIA ISLAND

CHAPTER 1: INTRODUCTION AND BACKGROUND INFORMATION

1.1 Introduction

The central theme of this thesis relates to the perceptions managers in the insurance industry have about the role of ethics and social responsibility in organisational effectiveness. This chapter thus serves as a route map for the argument of this thesis by giving the general background information, the problem statement, the research objectives and questions, the relevance, theoretical perspective, methodology, and industry context of the study. The chapter also provides the scope of the study, and how the argument unfolds in the remaining chapters of the thesis.

1.1.1 Background Information

The concern about how business should behave as one of the dominant institutions in society has captured the attention of both academics and practitioners, and has generated heated argument and debate. This concern, termed corporate social responsibility (CSR), relates to the role and obligations expected of business as a creation of modern society. Two distinct schools have emerged during the early birth of the concept, one arguing the legitimacy and the other illegitimacy of business assuming any role in society beyond its primary economic role. The war between the two schools seems to gradually be coming to an end, with those arguing for the legitimacy of business engagement in CSR having an upper hand (Carroll and Buchholtz, 2006). This supposed victory is evident in the way businesses of varying sizes and different concerns are competing to be seen as socially responsible (Crowther, 2004; Obalola, 2008). Social responsibility has now become the rhetoric of every business; from small and medium enterprises to big corporations, indigenous corporations to multinationals, and from profit-oriented to not-for-profit organisations.

The current impetus for CSR engagement and reporting suggests that the concept has moved beyond the initial stage of conceptualisation, theory building and testing, to justification and instrumentation, and acceptance. However, the current wave of scandals among corporations has again re-awakened the keen interest of academics on what the concept actually means to corporations, and the need to examine its perceived role. The substance of social responsibility of business corporations arises largely from concern for the ethical consequences of their actions as they may affect the interests of others (Davis, 1967). However, given the spate of amoral behaviour that permeates the corporate world today, one tends to wonder if the war has actually been won by the advocates of social responsibility as a legitimate business concern, or is it just a case of renewed strategy by the detractors of CSR who masqueraded as business managers.

If current trends in socially irresponsible behaviour go beyond victory between these two schools, then it may be a case of only focusing on how business might be conducted responsibly, and not the sufficiency of such responsibility (Gowri, 2004). Put differently, it may just be a case of choosing between the necessary condition and sufficient condition of social responsibility. Where corporations have largely been deemed socially responsible in terms of economic performance, legal compliance and charitable giving, yet engage in questionable activities, then it equates with a necessary, and not a sufficient condition.

The necessary condition of social responsibility is capable of drifting towards irresponsible behaviour, particularly when the incentives for economic goals are the driving force and this is done within the law. In other words, if the law allows for corporations to get away with opportunistic behaviours, such as deceiving customers, swindling investors, exploiting employees, putting consumers at risk and poisoning the environment (Vogel, 1992), these corporations might be deemed to be acting socially irresponsibly, even if they engage in philanthropic giving. Therefore, for corporations to meet the sufficient condition of social responsibility, they must, while pursuing economic goals, abide by the law, engage in charitable giving, support local communities, and generally maintain standards of honesty and integrity (Campbell, 2007).

Most service corporations, due to the abstract and convoluted nature of their products, have a high tendency to drift into amoral behaviour; hence, the necessary condition of social responsibility. To be more specific, the insurance industry, the industry context of this study, has been found to engage in opportunistic and amoral behaviour due to the complex nature of insurance products, its special characteristics, and information asymmetry (Dunfee and Gunther, 1999; Lamb, 1999). The necessary condition of social responsibility (a limited view of CSR), which the industry seems to have embraced, is having negative consequences on the industry, and inevitably jeopardising its economic goals as exemplified in low patronage of insurance products, at least, in the country context of this study – Nigeria.

What is therefore argued in this thesis is the sufficient condition of social responsibility, or what Campbell (2007), described as the behavioural threshold, below which corporations become socially irresponsible. Emphasis on this view of CSR is reflected in the way the concept has been referred to throughout this thesis, i.e. "ethics and social responsibility". Various empirical findings have suggested that imbibing this sufficient condition of social responsibility, or what has also been described as total responsibility, is not contrary to business interests, but favourable to them. Engaging in this total social responsibility (Carroll and Buchholtz, 2006) has been held plausible, only if it is perceived that some benefits would accrue to the corporation. Put differently, naturally, corporations must perceive ethics and social responsibility to be important before their behaviours become ethical and reflect greater social responsibility - *sufficient condition of social responsibility* (Singhapakdi et al., 1996; Vitell et al., 2003).

1.1.2 Ethics and Social Responsibility: Construct Definition

The controversy between CSR and ethics in terms of which is broader, and which can be integrated or embedded in the other is well noted in the literature. As noted by Fisher (2004), it is not uncommon to find in the literature the two concepts interchangeably used. Whilst ethics and social responsibility do share common traits, the author of this current work shares the view that understanding of business ethics can enhance understanding of CSR. In fact, there are definitions in the CSR literature that claim that the substance of CSR has developed from ethics. For instance, Davis (1967: 46) argues that "*the substance of social responsibility arises from concern for the ethical consequences of one's action as they may affect the interest of others*". Similarly, Epstein (1987: 104) asserted that "*the normative correctness of the products of corporate action has been the main focus of corporate social responsibility*" does suggest that ethics and social responsibility shared some overlap. As capped by Samson and Daft (2003: 147)[1], "*ethics deals with internal values that are part of corporate culture and shapes decisions concerning social responsibility with respect to the external environment*".

Having said that, it must be pointed out that the author of this study has no intention of wading into this controversy, the use of the term "ethics and social responsibility" is intended as a single construct. The combination of the two terms as a single construct is informed by the need to operationalise the definition adopted in the study, and also draw a special attention to the aspect of business conduct that seems to have been largely ignored in the industry context of the study. In essence, the broader concept is CSR, while ethics is given special emphasis as one of its dimension. But, it must also be pointed out that in doing so, the discourse and the argument about the construct might unintentionally stray into a discourse of business ethics. Nonetheless, the author of this work believed that there is ethical responsibility as a component of CSR, which is lacking in the Nigerian insurance industry, considering the fact that the philanthropic dimension of the concept has already been demonstrated, and is visible in management practice within the industry.

1.2 Aims of the Study

This study is largely exploratory in nature, and is intended to examine the extent to which ethics and social responsibility is perceived to play an important role in the corporations' quest for success. It also examines the situational and individual factors that moderate this perception. Inasmuch as it is the individuals in corporations that make business decisions, the views being examined here, therefore, are those of managers in the insurance industry. As part of the gap identified, this exploratory study uses qualitative method, and afterwards supported with a quantitative analysis. To this effect, the quantitative data plays a supportive and secondary role, whilst the qualitative data set plays a primary role. To address the primary aim of this study, the qualitative data set will be used to elicit a deeper and local understanding of the construct of interest, and how it is reflected in business practices within the insurance industry. In

[1] Quoted in Fisher (2003)

order to achieve the secondary aim, a quantitative data set will be used to examine the theory of ethical decision-making, which depicts personal and situational factors as its correlates. With these factors first emerging from the qualitative data set, their examination in light of quantitative analysis would allow for cross-validation of the results and enhancement of their generalisation.

1.3 Objectives of the Study

Following the aims for which this thesis is intended, and based on the gap in knowledge, identified through the review of relevant literature, the following objectives are stated to guide the research.

- To examine the perception of insurance managers in Nigeria concerning the importance of ethics and social responsibility in achieving organisational effectiveness.
- To describe the personal and situational factors that influence this perception.
- To evaluate the response of the Nigerian insurance industry to ethics and social responsibility.

1.3.1 Research Questions

In order to accomplish the aims and objectives of this study, and enhance the coherence and focus of this thesis, the following research questions are explored.

- What do ethics and social responsibility mean to managers in the Nigerian insurance industry?
- What role do these concepts play in business within the insurance industry? Do ethics and social responsibility play an important role in the Nigerian insurance industry?
- Why and how is ethics and social responsibility important in the insurance industry?
- What are the personal and situational factors that affect managers' perceived importance of ethics and social responsibility for organisational effectiveness?

- What is the relationship between managers' moral values and the perceived role of ethics and social responsibility? How well do the two measures of moral values (idealism and relativism) explain this construct, and which one explains it best?
- What effect do the managers' organisational ethical values have on the perceived role/importance of ethics and social responsibility?
- Does the extent of managers' commitment to their organisations influence their perception of the important role of ethics and social responsibility?
- How well do these personal and situational factors explain the perceived role of ethics and social responsibility? How much of the variance in perceived role of ethics and social responsibility is explained by the scores on these scales? Which of these factors best explain the perceived role of ethics and social responsibility?

1.3.2 Research Propositions[2]

Since the derivation of the research questions have been aided by the review of prior works, some of which are grounded in theoretical relationships, the following propositions would allow for the examination of these relationships in light of the data collected in the current study. It would also enable the researcher to explore the relationship between the construct of interest, and some of the identified explanatory variables. Apparently, this will allow for a comparison of the results obtained in this study and those found in the literature.

1.3.2.1 Propositions

- Managers' understanding of ethics and social responsibility, and its role in business will be influenced by the practices in the industry in relation to claims payment, otherwise referred to as restoration promise.

[2] The propositions were derived from the discussion of theories that underpinned ethical decision-making and the review of prior works in this context. The discussion of the theories and past works are contained in chapter three, while chapters four and chapter seven showed how the propositions were derived from prior works.

- The perceived role of ethics and social responsibility will be largely determined by the nature of the insurance business, which hinges on morality and trust.

- The importance attached to ethics and social responsibility for organisational effectiveness by insurance managers will be influenced by their moral values.

- How important ethics and social responsibility is perceived by insurance managers for organisational effectiveness will be affected by the perceived ethical tone of their organisations.

- The extent to which insurance managers in Nigeria are committed to their organisations will be an important influence on the perceived importance of ethics and social responsibility for organisational effectiveness.

1.4 Scope of the Study

Though the results obtained in this study will be generalised to all managers in the insurance industry, the scope of managers whose views are being collected here are only those managers whose companies are located in Lagos. The wisdom in choosing managers in Lagos is because the State is a cosmopolitan city, and has the highest concentration of registered insurance companies in Nigeria. Apart from the high cluster of insurance companies in Lagos State, most of these companies are corporate head offices and have a high concentration of the companies' workforce. Being a cosmopolitan city, a former federal capital, and the most populous state, with a population of 16 million, it is deemed that people with different cultural and religious background will be captured in this study.

1.5 Relevance of the Study

The initial motivation for this study was to find a way by which patronage can be enhanced for insurance products given the low demand for insurance products and poor insurance culture among Nigerians. Whilst there are other reasons accounting for this low insurance culture and patronage, at the peak of it, is the negative image and reputation of the industry before the average Nigerian (Lijadu, 1985; Adeleke, 2000).

There is a general lack of confidence and trust in insurance as a mechanism of reducing and managing loss. This is a result of practitioners' failure to live up to their promises and the unethical practices that ravage the entire industry (Ogunrinde, 1985). Ayorinde (2000) observed that the trends in the insurance industry suggest that insured parties and prospects lack confidence in insurance products and the industry, because of deceit used in selling products, over-pricing, and non-disclosure of material information about the policy sold to prospects. While the industry has witnessed an increase in the number of entrants into the industry, and capital commitment to enhance capacity for risk bearing, nothing appears to have been done to ensure appreciation of insurance products by prospects and the insuring public (Ayorinde, 2000).

Though the relationship between corporate social performance and financial performance has been mixed and inconclusive, results of empirical studies suggest that firms' social responsibility actions may be associated with certain competitive advantages (Porter and Vander-Linde, 1995; Romm, 1994; Shivastava, 1995). Scholars have suggested that firms adopting socially responsible actions may develop a more positive image (Fombrum et al., 2000), which yields competitive advantage (Davis, 1973; Fombrum and Shamley 1990; Waddock and Smith, 2000).

Recent empirical studies have also suggested that organisations' corporate social performance is positively related to their reputations and attractiveness as an employer (Fombrum et al., 2000). Firms higher in corporate social performance were found to have a more positive reputation, and are more attractive employers than firms lower in corporate social performance (Turban and Greening, 1997). It has also been shown that customers are likely to keep buying from companies perceived as doing the right thing, and to associate positive images with their products (Maignan, 1997). Given these findings, the impetus then was to investigate if social responsibility could be used as a tool for stimulating insurance purchase in Nigeria.

Pragmatically, for firms to engage in CSR, they must first perceive that doing so will further enhance their interests; hence the focus of this thesis then becomes that of examining the perceptions of managers in the industry about the role ethics and social responsibility play in organisational effectiveness. In other words, given other measures of organisational effectiveness, such as profitability, quality, efficiency, etc., the study aims to obtain the views of insurance managers on whether they consider ethics and social responsibility to be as important as these other measures in contributing to organisational success.

1.6 Contribution to Knowledge

Given the increasing global outlook of business activities, and the need to understand environments in most parts of the globe, issues relating to perceived importance of ethics and social responsibility for organisational effectiveness have been of great concern and relevance. This thesis, being the first attempt at examining the perceived role of ethics and social responsibility within the insurance industry, will add to the understanding of the importance managers in the financial service sector give to ethics and social responsibility as part of their strategic decision-making. Not only is the study focused on the financial services sector, it is also being undertaken within a developing economy context, which is diametrically different from past studies that have examined managers and marketers' views on the same concept in the western economies from where the concept emerged. This is more so, because ethics and social responsibility is alien to most cultures in Africa, and authors have observed whether such a concept would work outside western countries (Obalola et al., 2009).

Thus, this study will add to the growing body of empirical works and literature on the perceived role of ethics and social responsibility, which were considered in chapter three. Moreover, it would also enhance the comparability of the results obtained in this study with those of past ones carried out in different economies, with developed money and capital markets, stable political systems, and developed judiciary. Undoubtedly, this study will help in assessing the global applicability of the concept in business.

As a departure from earlier studies, the multi-methods approach employed in this study provides a more robust way of examining managers' perceptions of the construct. Whilst the qualitative data interviews would provide a better understanding of ethics and social responsibility through the richness and comprehensiveness of the responses, the quantitative methods would enhance collection of data from a large number of managers on the same concept, thus enhancing its reliability and validity, and generalisation beyond the sample. The argument for this methodological framework was presented in chapter five, with a follow up in chapter seven. The actualisation of this framework was the main focus of chapters six and eight. The last chapter, chapter nine, discussed the findings from both strands of the study, their generalisability and limitations, and contribution to management research. The chapter also discussed how the research could have been done differently through a constructive critique of the whole research process. Lastly, the implications of the findings for the industry were discussed, and future research direction suggested.

1.7 The Nigerian Insurance Industry

Given that this study is undertaken within a developing country context with its attendant features, a brief account of the structure of the industry is necessary. This will provide further understanding of corporate behaviour within the industry. In addition, it will demonstrate the useful purpose to which the results of this study can serve practitioners and the government.

As a former colony of Britain, the presence of insurance business in Nigeria can be traced to the business activities of British merchants, who acted as agents of British insurance companies in 1874 (Osuagwu, 2001). The establishment of the Nigerian branch of the Royal Exchange Assurance of London almost 50 years later (1921) marks the beginning of the Nigerian insurance industry (Osuagwu, 2001). The Royal Exchange Assurance of London later transformed into the Royal Exchange Assurance of Nigeria, and dominated the market until regional government-owned and other indigenous insurance companies entered the industry (Osuagwu, 2001). With the entrance of more insurance companies, and the need to ensure good market conduct, several laws were promulgated to regulate the fledgling industry. One of the early regulatory laws was the Insurance Companies Act 1961, which came into force in 1967, and on account of which the Department of Insurance was created in the Federal Ministry of Trade. This ministry was later transferred to the Ministry of Finance.

The need to register companies, according to class of insurance business, enhance proper record keeping and facilitate the implementation of Act 58 of 1961, led to the creation of the Insurance Companies regulations in 1968. To have an all-embracing law, which will enhance regulation and supervision of insurance business in the country, the Insurance Decree 1976 and 1977 were promulgated. The aim of the Insurance Decree 1976 in particular, was to ensure commercial probity, and protect the public against fraud, and various insidious practices. Other similar laws include Insurance Decree 58 of 1979, Decree 40 of 1988, Decree 20 of 1989, and Decree 58 of 1991. Among other provisions, Decree 58 of 1991 obliged the increase in paid up share capital for various classes of insurance business to ensure sufficient capacity for risk bearing, and made membership of trade associations a requirement on the companies.

The National Insurance Supervisory Board, transformed into the National Insurance Commission (NAICOM) by Decree 2 of 1997, had powers to control and manage failed and failing insurance companies. The inadequacies in this decree, and the need to ensure better market conduct and performance, led to the enactment of the Insurance Act of 2003. One other important reason for the insurance Act 2003 was the dictatorial nature of past laws. Besides the Insurance Companies Act 1961, all other regulatory laws were single-handedly made by succeeding military governments in the form of decrees, without any contribution by actors in the industry and other stakeholders.

A cursory look at these promulgated laws indicates that the Nigerian insurance industry is a highly regulated one. One major concern that cannot be easily dismissed is the fact that most of these laws were enacted to increase risk retention by insurance companies, increase professionalism, prevent undue exploitations of the insured, and ensure a vibrant industry—one that the public can have confidence in. For example, the risk retention ability of the industry was enhanced by the Insurance Act 2003, which increased the minimum paid up share capital provision in the Insurance Decree Act 1997 of N20m, N50m, N90m, and N150m for life insurance, general insurance, composite insurance businesses and reinsurance respectively to N150m, N200m, N350, and N350m. Following a recent review of the capitalisation in the financial sector, which saw a minimum of N25b stipulated for banks, those of insurance companies subsequently rose to N2b, N3b, and N5b for life, general insurance and reinsurance businesses respectively.

Concerned with attracting the public to the insurance system, and remedying the discredited image of the insurance industry, the provisions of the Insurance Decree 1988 prevented insurance companies from: limiting the scope of their liabilities in insurance contracts, increasing the rates of premium chargeable on their policies, and repudiating claims on breach of warranty and policy conditions, which are not material to the risk and loss insured against. The Decree also provided that it shall henceforth be the duty of insurance companies to draw up their proposal forms in such a way as to obtain all the necessary and material facts about the subject matter of insurance, contrary to the provision of the Nigerian Law, a reminiscent of the English Common Law, where prospects are required to disclose these facts. To enhance good business conduct, the Insurance Act 2003 made it compulsory for insurance companies to adhere to the industry's code of ethics, a breach of which is considered evidence of unsound underwriting and professional misconduct.

From an industry of 20 insurance companies in 1961, to over 120 companies in 2001, 103 in 2004, and 49 in 2008 (following the recapitalisation process), increased share capital, and several promulgating laws, the industry's goodwill and image continued to decline, as evidenced by the fall in gross premium income for the entire industry from N14, 792m in 1999 to N1, 567.8m in 2000; and in terms of growth rate, from 98% in 1997 to 60.4% in 1998, and 14.2% in 1999, before finally resulting in a negative growth rate of 28.5% in 2000 (Randle, 2003). The import of the above is that the law, combined with increased capital is not adequate to solve the image problem and low patronage of insurance products. This calls for alternative ways of conducting business that take into consideration transparency, people-oriented philosophy, interests of stakeholders, and wider society (Randle, 2005).

1.8 Conclusion

In this chapter, the argument on the ethical problems in the Nigerian insurance industry was developed as a prelude to the main focus of the thesis, i.e. the importance of ethics and social responsibility. The argument presented here is that whilst ethics and social responsibility can impact positively on business performance in the insurance industry, and enhance its reputation, it must first be perceived to play this important role by managers. This will serve as a stimulus for actual engagement. To be able to determine this importance, a set of research questions and propositions were developed to explore the perceptions of these managers and further determine the factors that moderate them. These research questions and propositions emerged from consideration of the study's aims and objectives, which were also discussed in the chapter. Furthermore, the relevance of the study was drawn out, in light of its industry and country context. Lastly, whilst the chapter gives an insight into the methodological framework, it also gives a very brief outlines and focus of the remaining chapters in the thesis.

CHAPTER 2: NATURE OF INSURANCE SERVICES AND THE NIGERIAN INSURANCE INDUSTRY

2.1 Introduction

This chapter of the thesis gives an overview of insurance business, its special nature, and the structure of the Nigerian insurance market with a view to set in context, the central issues addressed by the thesis. The body of evidence presented here underpinned the thesis in terms of motivation and the research questions stated to explore it. The chapter further espoused the justification and policy relevance of the study.

The discourse in the chapter opens with a historical evolution of insurance as a risk management tool, and how insurance is practiced in the modern day. This is followed by the relationship between insurance and the law, which gives it legality. In this discourse, various principles, which were developed through court interpretations, are presented. In order to show the complexity of insurance, its diverse nature was discussed, and how this creates information asymmetry. The possible effects of information asymmetry on insurance consumers is also considered. In the section that follows, the role of insurance intermediaries in relation to insurance placement, particularly with reference to pre-contract information is discussed. The following three sections present the insurance awareness and practices in Nigeria, as a corollary to the last section, which argues for the expediency of ethics and social responsibility in the industry.

2.1.1 Insurance as a Concept and Practice

Though opinion differs in the literature concerning the conceptual meaning of insurance, but as a practice, scholars' views are essentially convergent. Insurance as a practice grew from the need to ameliorate the impact of losses arising from misfortunes that befall members of a particular society. Essentially therefore, insurance is a risk management device, which seeks to minimise losses through pooling, transfer, and sharing. The validity of this assertion becomes clearer from the following brief history of insurance practice, which pre-dated B.C.

As early as 3000 B.C., a crude form of insurance was seen practiced among Chinese merchants. These merchants engaged in the habit of keeping a portion of their goods in one another's boat, such that a loss of one of the boats due to ocean perils would not have dire consequences on a single merchant (Vaughan and Vaughan, 2003). This scheme amounted to 'loss sharing', an important characteristic of modern insurance, because misfortune suffered by one merchant is proportionately shared by others. Another feature of modern insurance practice is also evident in the practice of Babylonian money lenders, who charged higher interests on loans given to traders to finance their trade. If a trader's wares are lost to activities of armed bandits, such a loan, as part of the agreement, will not be repaid. This is essentially a risk transfer mechanism, where the higher interest charged serves as the fees for assuming the risk.

The *bottomry* and *respondentia* contracts practiced by the Phoenicians and Greeks thereafter have their roots in this Babylonian invention of risk transfer. As in the Babylonian case, the merchant who has taken the loan will not have to repay it if the ship, in case of *bottomry* contract or the cargo, in case of *respondentia* contract is destroyed owing to sea dangers. The higher and additional interest charged on the loan has been dubbed as premium, a term which has survived till today in insurance practice, to describe the price paid by the insured for transferring risk to the insurer (Vaughan and Vaughan, 2003).

Another resemblance of insurance practice in the form of risk pooling can be seen in the practice of Egyptian stonemasons as early as 2500 B.C., and thereafter by the Greeks and Roman burial society (Vaughan and Vaughan, 2003). Members of these societies contributed to a fund,from which expenses for burying a deceased member will be met, as well as meeting the needs of the family members (widows and orphans) left behind. This practice is similar to today's life insurance practice.

From the above, we can conceptualise insurance as a social scheme whereby a little amount known as the premium is paid by the insured party to transferred accidental losses to the insurer, who agrees to indemnify the insured in event of the occurrence of such losses.

2.1.2 How Does Insurance Work?

Insurance does not prevent the occurrence of risk or loss, but rather seeks to reduce or eliminate the impact that would have been felt if such losses were not insured against. What an insurance company does is to use the law of large numbers to predict possible losses that would befall a group of homogeneous objects, and then charge premium accordingly. In essence, insurance is a pool of similar risks, and the creation of a fund into which those who brought the risks would contribute to, such that the fortunate many who do not suffer loss would indemnify the unfortunate few who suffered loss. By this definition, it is explicit that insurance only covers fortuitous losses; hence any loss intentionally caused by the insured falls outside the scope of insurance. The potency of this declaration is that the law of large numbers used by the insurer to calculate probable loss is built on the assumption that losses are accidental and follow a random occurrence (Rejda, 2005).

When risk is insured, the uncertainty surrounding its occurrence has not been eliminated, but rather transferred to a professional risk bearer (insurer), who can effectively manage its eventual occurrence. Though the insurer is better able to predict losses using probability calculation, the objects exposed to risk must be very large, for it to be able to make good probability estimation. In practice however, the insurer may not gather sufficient large numbers of similar exposure units, through which estimated losses will equate actual losses, and enhance calculation of sufficient premium. This presupposes that the insurer too is subject to some level of risks. The risk to the insurer is inherent in the actual results being different from the predicted results. The danger in this is that premium collected might not be sufficient in meeting the eventual losses, which may lead to overall business loss. Even where actual results do not deviate widely from its estimation, insurers dependent on past experience or historical data as one of the parameters for determining premium may also not hold true for future occurrences. So, the concern of an insurer is how to manage its risk portfolio, such that there is no wide deviation of actual results from expected results.

Though insurers endeavour to mitigate or ameliorate impact of losses, they are notwithstanding business managers. Insurance doubles as a risk management tool and a business venture. The business nature of insurance therefore requires that it makes profits at the end of the business year. To remain a solvent business entity, the insurance company must be prudent in its risk assumption and management. This prudency requires careful underwriting; the process of examining and deciding whether to accept a risk or not. If the decision is to accept after careful consideration, the insurer must also adequately price for this risk, bearing in mind the nature of the risk being transferred in relation to others in the same group. Essentially, the premium which the insurer charges must reflect adequacy in terms of ability to pay a claim when it arises, meet overhead costs, and leaves a considerable margin of profits as a reward for venturing into the business.

Risk assumption by insurance creates a pool of funds, termed premium income. The prudency of managing insurance as a business concern also requires that the premium income is not kept idle. Its managers must also manage the fund efficiently. The efficiency could require juxtaposing among short-term, medium-term and long-term investment decisions of the accumulated fund. In a wider context therefore, an insurer doubles as a trustee of the accumulated fund, which must be efficiently managed, such that futures claims are adequately met; and as an owner of a part thereof, which constitutes a reward for his business effort.

In retrospect, insurance has to manage its responsibilities to insured parties, who expect fulfilment of restoration promises through claims payment; and investors in the business, who expect returns on their investment through profits/dividend declaration. Whilst these are the primary stakeholders, and depict a simple analysis of insurance as a business concern, it is usually much more complex than this, in a real case scenario. The insurance company operates in a dynamic and complex environment, requiring that it balances its responsibility to various groups, who may have a varying degree of stakes in the business.

2.1.3 Insurance and the Law

Whilst insurance is an economic and social institution, it largely remains a legal contract, and thus affected by some fundamental principles. The insurance mechanism may not have worked if it is devoid of legal backing to enhance its enforcement. In this regard, a body of principles have evolved through the years, which govern the insurance business, culminating in insurance law as an area of legal discipline. Apart from the basic law of contract's principles (i.e., offer and acceptance, consideration, legal object etc), these principles form the basis of the insurance contract, for which the contract remains unenforceable if ignored.

2.1.3.1 Indemnity

Insurance is a contract of indemnity, a term that connotes promise of restoration. In insurance parlance, indemnity means putting the insured back to the position he or she was before the loss occurred. If the insurer fails to honour a reported loss without any established violation of the terms of agreement, this amounts to violation of the principle of indemnity, and renders the insurance contract/policy meaningless. This principle also ensures that the insured does not profit from a loss. Where a partial loss occurred, the insured party must be indemnified accordingly, and not for the full value insured. With the insured not getting more than the actual value of loss, the tendency to be dishonest is reduced, thus reducing moral hazard (Rejda, 2005). Notwithstanding, controversies are quite common in determining the actual value of the subject of insurance at the time of loss, thus requiring court interpretation and rulings.

Whilst most forms of insurance fall within the purview of an indemnity contract, life insurance is regarded as a valued policy, one which requires payment of a predetermined amount to the beneficiaries of the life assured on his death. Since indemnity hinges on restoration, life insurance has been excluded from the principle of indemnity because; a loss of life or any part of the human body cannot be replaced.

2.1.3.2 Insurable Interest

Insurable interest in the subject matter of insurance by the insured is an important legal requirement for the principle of indemnity to work, and for the insurance contract to be enforceable. Whilst interest in the subject matter of insurance may subsist at different stages of the insurance contract, depending on the form of insurance policy involved, the insured must stand to lose financially, if the said subject is damaged or destroyed. Insurable interest is used to describe the relationship between the person proposing for an insurance contract, and what the contract is being proposed to cover. The proposer or prospective insured must stand to benefit from the continued good condition of the subject matter of insurance or be prejudiced by its destruction or loss. This principle essentially differentiates an insurance contract from wagering contracts, reduce moral hazards, and enhance application of the principle of indemnity. The doctrine ensures that the insured does not cause a loss to happen or profits from criminal acts. Otherwise, a life assurance policy on the life of another or a property insurance policy on the properties of others from whom the insured would not be affected whatsoever, could lead to inducement to commit murder or commit arson in order to make claims under the policy.

Though ownership clearly indicates existence of insurable interest, other circumstances can also arise to give insurable interest on a subject matter that is not owned. In this regard, a creditor is said to have an insurable interest on the collateral security used to obtain a loan, an example is a mortgagee having insurable interest in the mortgaged property. Insurable interest could also arise on account of properties held in trust, such that the trustee may be sued, if the trust is destroyed.

2.1.3.3 Subrogation

The subrogation doctrine lends support to the doctrine of indemnity in ensuring that the insured does not make profit from an insurance contract. This principle gives the insurer the right to stand in place of the insured, where the latter has a right of indemnity from a third party for loss already covered by the insurance policy. Put differently, an insurer is allowed to substitute itself for the insured where the insured has a right of compensation from a negligent act of a third person. The insured must necessarily relinquish his right of compensation up to the value of indemnity he/she is entitled to under the policy covering the insured event, but which has been caused by the third party. The contention is that if the insured is allowed to receive indemnification under the policy and receive financial compensation from a negligent third party, it would amount to double indemnification, and profiting from the insurance contract. Whilst this position applies to all classes of insurance contracts, life and health policies are exempted on the basis that they are non-indemnity contracts.

Whilst subrogation prevents the insured from getting paid twice for the same loss, and ensures the guilty person is held responsible, the question of how subrogation recovery should be shared has always been a matter of court decisions. This usually arises where the policy did not specify how the recovery should be distributed. The expediency for sharing subrogation proceed is underscored by a situation that makes the insured receive less indemnity, such as under-insurance, application of some policy’s terms and conditions, like deductible. Notwithstanding this provision, the insured may forfeit his right to indemnification if he/she acts in such way that the insurer’s right of subrogation against a negligent third party is affected.

2.1.3.4 Utmost Good Faith.

The underlying assumption of utmost good faith is that the person proposing for insurance has a better knowledge of the subject matter of insurance, and hence must relate with the other party accordingly. Though, the doctrine requires both parties to the contract to show mutual faith in relating with each other, a lot more is however required from the prospective insured. *Uberrimae fidei*, the Latin word for the principle has its historical origin to marine insurance, where the insurer relies on the information provided by the prospect that the ship and cargo, which might be far away in another location, or that the ship which has had several sailings is still afloat and in good condition. The principle is invoked to ensure that the risk described as being transferred is what is actually transferred; hence the insured must furnish all known information about the risk. If it becomes known at any stage of the insurance contract, that information, which would have affected the judgement of the insurer in deciding the acceptance and the pricing of the risk, has been intentionally withheld by the insured, the insurer, under this principle is empowered to avoid coverage. Deciding the breach of utmost good faith has wittingly led to the emergence of three legal doctrines; misrepresentation, concealment, and warranty.

2.1.3.4.1 Misrepresentation

An innocent or fraudulent misrepresentation of certain information required in the formation of the insurance contract renders the contract voidable at the discretion of the insurer. In other words, if a prospect wittingly or unwittingly distorted information required by a prudent underwriter (insurer) in deciding whether to accept a risk or not, and what price to quote, this would amount to misrepresentation, and may render the contract voidable by the insurer, depending on whether the information in question is material, false, and has influenced the underwriter's judgement. A serious misrepresentation of material facts could lead to a rescission (annulment and reformation) of the contract on the ground that the said contract is devoid of the original intent of the two parties (Vaughan and Vaughan, 2003).

The stringency with which misrepresentation is applied may be dependent on the class of insurance involved, and the nature of the misrepresentation. With respect to marine insurance contracts, irrespective of whether a material fact is innocently or fraudulently misrepresented, the contract is rendered voidable and may lead to contract reformation. The argument is that the insurer has little or no chance of examining the subject matter of insurance, and has relied solely on the information provided by the insured to arrive at a decision, which turned out later not to be so. In other forms of insurance, a material fact may only be considered misrepresented, if it is wilfully or fraudulently done.

2.1.3.4.2 Concealment

The doctrine of utmost good faith would be considered breached on the basis of concealment, if an insured party intentionally withheld a material fact from the underwriter. Other than in marine insurance, where application of concealment is strict, it must be proved by the insurer in other classes, beyond any reasonable doubt, that the insured is aware of the materiality of the fact, and that it was fraudulently withheld. The resultant effect of concealment; whether in marine contracts where proof of innocence or fraudulence is immaterial, or in other forms where the two are required, is voidability of the contract *ab initio*, or repudiation of liability when a loss is reported.

2.1.3.4.3 Warranty

A warranty is reflected in the doctrine of utmost good faith when a statement that is part of the insurance contract is guaranteed by the insured to be true. A breach of warranty would therefore be obtained where a guaranteed true statement turned out to be false. Materiality of the warranted statement, turned out to be false is of no relevance in making the contract voidable by the insurer. Owing to the harshness of the common law in the application of the legal breach of warranty, with the exception of marine insurance contract, the insurer must show that a breach of warranty has increased the risk assumed before it can void an insurance contract or repudiate liability.

2.1.4 Insurance as a Contract and its Complexity

It is obvious from the discourse of the doctrines governing the insurance contract above that insurance is a legal contract between two parties, the insurer and the insured, whereby the former in consideration of the premium paid by the latter agree to indemnify any loss arising from the insured event. Though, an insurance contract indicates an agreement between two parties, it largely remains a fact that the conditions governing the contract is drafted by only one party, the insurer. For this reason, insurance contract is largely a contract of “adhesion”, meaning that the other party must accept the contract in its entirety, with all the terms and conditions. In practice therefore, the policy of insurance is drafted by the insurer, eliciting the necessary information, which must be supplied by the insured, and the terms and conditions, which must be observed. The policy would normally include:

- Declaration, a statement that the information supplied, describing the subject matter of insurance is true, signed and dated. The information provided here usually forms the basis of the contract, in terms of underwriting and rating purpose.
- Insuring agreement, promise by the insurer to pay loss, and the condition under which it will or will not be paid.
- Exclusions, statement by the insurer as to what is covered, and what is not covered, so as to limit its extent of liability.

- Conditions, provision stating the rights and duties of the two parties in relation to the contract, such that shirking of imposed duties may lead to loss of rights.

The expectation of the insured is that when losses occurr, adequate compensation will be provided. This expectation may however not be met, owing to the various imposed terms and conditions, and the complexity that characterised the insurance contract. Describing the complex nature of insurance, Csiszar and Heidrich (2006) observe, "Insurance products are complex legal contracts that can be poorly understood by consumers, particularly personal insurance consumers". The insurance contract, being adhesive in nature, has inextricably created asymmetry of power between the parties involved. In this instance, the insurer has the power, which it has been using to protect itself, and sometimes to the detriment of the other party—the insured. Though court intervention has tried to redress the imbalance that exist between the two parties to the insurance contract, by declaring that ambiguity inherent in the contract will be construed against the insurer, the insured parties are nevertheless placed at an undue unfair position. This situation has engendered stringent regulation of the insurance business, and the call for review of some of the principles governing the insurance contract.

2.2 Insurance and Information Asymmetry

The need for insurance arises because of the prevalence of risk. Though there are different meanings of risk, the risk that is central to insurance is one based on the premise that uncertainty about the well-being and otherwise of an object exists. Put differently, risk is the uncertainty surrounding the occurrence of a loss. By this definition, if a person owns a property, car or building, for instance, such property may continue to be in good condition, or be destroyed by some contingencies called perils. Risk in this context is regarded as pure and objective risk. Peril in this instance is what occasions or causes the loss. A loss to a vehicle in this regard could be attributed to collision, just as a loss to a building could be caused by fire. In these instances, collision and fire are the perils that caused the losses. Another central term to risk in insurance parlance is hazard. Hazard, which could be physical, moral or morale, generally describes a condition that increases the likelihood of a loss through a peril. An icy road during winter is thus a physical hazard that makes occurrence of peril of collision more probable to vehicles. Just as actions of ex-convicts may increase the occurrence of a loss with regard to moral hazard, so also is an individual's attitude of indifference in preventing losses.

To the effect that insurance involves transfer of potential loss to the insurer; the general assumption is that the knowledge about what is being transferred is disproportionate between the two parties. This assumption is implied in the doctrine of utmost good faith. This situation is termed information asymmetry, and has been subject of serious discussion in insurance. The knowledge about the subject matter of insurance is usually held to be positively skewed towards the insured, and negatively towards the insurer. The skewness of the knowledge concerning the subject matter of insurance has arguably been posited as the justification for the adhesive nature of insurance contracts. The potency of the adhesive nature of insurance contracts, and imposition of special doctrines in the contract is therefore to ensure that moral hazard and adverse selection is greatly reduced.

Whilst the insured has more information in relation to the subject matter of the insurance, the insurer notwithstanding has more knowledge of the complexity of the contract. The convoluted nature of the insurance contract has constantly been viewed as a negative for the insured, who do not understand the implications of certain terms and conditions incorporated into the policy. Though insurers are quick at pointing out at information asymmetry as being a major source of fraudulent claims that has put underwriting results at danger, it has also been demonstrated that ethical abuse and exploitation of the insured are mainly the consequences of information asymmetry, in relation to the complex nature of the contract.

2.2.1 The Effect of Information Asymmetry on the Consumers of Insurance

Knowing what information is required in the insurance contract and the implications of its non-disclosure transcend the consumer literacy ability. A highly literate person could still find himself confused by many requirements in the insurance contract, which could have serious consequences in the future. Even an insurance regulator had to go extra miles in explaining the content and coverage of a homeowner policy to his wife (Schurmann, 2006). While the argument has been proposed that all who entered into an insurance contract should be treated as consumers, the nature of the policies concerned may however required a definition and categorisation. The UK Financial Services Authority (2008) in a recent publication “Insurance Conduct of Business Rules” (ICOBS) defines a consumer as “a natural person who is acting for purposes that are outside his trade or profession”. Others have argued that the FSA definition is too myopic, and may affect the interests of those who take insurance policies in their private capacity, but sometimes use the same properties covered under the policy for their businesses. It makes sense to divide insured parties into private and commercial consumers, so as to assess the impact of complexity of the insurance on different categories of people, who enter into the insurance contract. Besides, the majority of concerns expressed today about market conduct in the insurance industry, largely revolved around people who entered into insurance contracts for their own purposes.

Commercial consumers, regarded as companies and corporations, often have access to counsel from experts, which an ordinary person or private consumers of insurance do not have. Such people only rely on information and advice given by insurance intermediaries, who may not be held responsible when things go wrong. For the purpose of this thesis therefore, insurance consumers are regarded as persons who enter into insurance contracts in their private capacity, and who could also be self employed. With regard to consumers of insurance, information asymmetry could results in relation to non-disclosure, misrepresentation, and warranties. The complexity of the insurance contract suggests that the prospective insured party might not readily understand what information is particularly relevant when prompted to offer information deemed relevant to the risk being proposed. Should an insurer capitalise on information not provided because the insured did not consider it relevant, the contract could be rendered void and liability repudiated when a claim is reported.

Though the common law draws a distinction between a reckless and deliberate misrepresentation, whereas the former is regarded as a negligent misrepresentation, and the latter as an intentional and fraudulent misrepresentation, the insurer could still void the policy in a case of negligent misrepresentation. The decision to avoid liability is also at the instance of the insurer, even where the misrepresentation is innocent. So, an insured that has made an innocent negligent misrepresentation may also have his policy voided. As it is, the proposal form completed by the prospective insured forms the basis of the assessment of the risk for underwriting purposes. The implication is that all the information given by the insured are treated as warranties, and will entitle the insurer to invoke the provision under the warranty clause, if the insured innocently, deliberately, or negligently misrepresented or failed to disclose a material fact.

2.3 The Role of Insurance Intermediaries

The complexity of insurance has constantly required the intervention of a third party who is not privy to the contract. This third party mediates between the insurer and the insured in placing insurance business. In addition to insurance being sold through the intermediary, this party also plays a vital role in passing pre-contract information from the insured to the insurer. Since the intermediary is not privy to the contract, its important role in the contract presupposes it is acting on behalf of either one party or both parties to the contract. To the effect that the intermediary acts for a party or both parties in the insurance contract, an agency relationship is said to exist. The pertinent question is, on whose behalf is the intermediary in the insurance contract acting? This question is expedient in determining the application of agency law.

Insurance intermediaries, usually classified as agent and brokers, could be representing either party in the contract, but in most cases the insurer. Vaughan and Vaughan (2003) draw a distinction between insurance agents and brokers. Whereas, agents are representatives of the insurer, brokers are viewed as representing the insured. Though brokers are regarded as representing the insured, remunerations are usually provided by the insurer, thus creating a problem in the agency relationship. Whilst the principal compensates the agent for services rendered, the insurance contract however introduces a somewhat haphazard situation, where remuneration is performed by the party other than the one served. So, to whom should the broker be responsible, insurer or the insured, is a question, which has not been addressed in the agency literature.

Agents as representatives of the insurer lead to the presumptions that the insurer is the principal and should be held responsible for the actions of its agents. These presumptions are well enshrined in agency law. The binding of insurer to the actions of the agents provide a ground for whom to hold responsible when anything goes wrong with the advice given, and in relation to pre-contract information. Despite the provision of agency law, there is sometimes confusion at the instance of insurance consumers, about whom an agent is representing. This assertion is corroborated by the UK Financial Service Consumer Panel, that insureds view insurance intermediaries as representing insurers, and normally impute their actions to them. The lack of clarity about whom the agent is representing is also brought forth by the view of the UK Financial Ombudsman Service (FOS)[3],

> *The applicant for insurance is frequently unaware that the insurance intermediary is acting as their agent…in the overall process of applying for and receiving insurance cover. Indeed, it appears…that most consumers applying for insurance cover believe that the intermediary is acting as the seller of the insurance policy (and they do not consider whether they act on behalf of the insurance company or on their own account).*

The role played by the intermediaries in the insurance contract is so important that the whole essence of insurance (promise of restoration) revolves around it. Where inaccuracies occur in pre-contract information and the insurer uses this as the basis for avoiding liability, there is a need to clarify, who the intermediary is representing, so that the insured is not unjustly treated. Concerns have also been raised about how intermediaries are influenced by commission expected from sales of policies to engage in opportunistic behaviour to the detriment of the insured.

2.4 The Nigerian Insurance Market

By type of business, the structure of the insurance market in Nigeria is broadly divided into life insurance, non-life insurance (general business), and reinsurance companies. A

[3] This view of the FOS is quoted on page 52 of the Law Commission's summary of responses to consultation on reforming insurance contract law.

recently concluded recapitalisation of the companies indicates a capital base of N2b, N3b, and N10b for the three types of business respectively. A company that wishes to transact both life and general insurance (non-life insurance) and operate as a composite must have a paid up share capital of N5b. The recapitalisation was underscored by the need to build strong companies that will bolster the industry's capacity for risk bearing, delivery of insuring services to the Nigerian insuring public, and contribute to the country's growth and development. Ultimately, this will lead to increased entrepreneurships, creation of jobs, and positive knock-on effect on the overall economy.

The low market penetration that characterised the industry may however render these possible contributions to the economy a mirage, and an ideal that is only best imagined. With a population of over 140 million, and only a fraction having insurance policies, the ability of the industry to garner a sufficient pool of premiums to meet its restoration function and stimulate the economy through short and long term investments is greatly threatened by low patronage of insurance products/services. According to Swiss Re Sigma reports, the Nigerian insurance industry has the lowest market penetration (0.6%) among emerging markets in Africa. In a 2004 Swiss Re Global Report, of insurance markets, the Nigerian industry was shown to have only 0.02% of the total market share. In terms of annual premium income, the industry ranked 62 out of 88 countries, 69th in terms of life fund, and an insurance density of 86th position.

Despite a reported higher growth in gross premium income in emerging markets compared to industrialised ones in 2008[4], the Nigerian market ranked 61st and accounts for 0.03% of the entire global market share, with a total business worth of $1,237 million. Of this total underwriting business, $1,045 million (57th position) represents non-life funds while life gross premium income constitutes only $192 million (69th position). The overall picture painted here is an insurance sector, characterised by low business performance in terms of long-term investments. The report also indicates Nigeria as ranking 86th in terms of insurance density, with a premium per capita income

[4] Swiss Re sigma report 3/2009

of \$8.2. Lastly, the market ranked lowest (88th) in terms of insurance penetration, as shown by gross premium income contributing only 0.5% to the country's GDP.

Although the reputation of insurance globally is not so attractive, the picture elsewhere is however different. In the UK for instance, the role of the insurance industry in contributing to economic well-being is enormous. The sector employs over 313,000 people and constitutes 25% of the country's total net investment worth (IIWG, 2009). In terms of market penetration, the UK insurance industry is the leading industry across Europe, and the third largest in the world, with a total market share of 10.54% (Swiss Re, 2009)[5]. The sector recorded \$450,152 million of gross premiums income in 2008, out of which \$342,759 million was life funds, the third largest in the world by ranking and 13.76% of the world market share. The industry also underwrote a non-life business worth of \$107,393 million; ranking third out of 88 markets considered in the Swiss Re sigma report, and constitute 6.04% of the world market share. When expressed as a percentage of GDP, the industry ranked the second best with insurance penetration of 15.7% (Life: 12.8%; Non-life insurance: 2.9%). In terms of insurance density, i.e. premiums per capita income, the UK insurance industry ranked the best among insurance markets globally, with \$6,857.8 (Life: \$5,582.1; Non-life: \$1,275.7).

The basis for comparison is to show the constant poor performance in the Nigerian insurance market *vis-à-vis* other markets, and why it is worthwhile to study the industry. Though, it could be arguably posited that the basis for comparison in the two markets is not balanced, considering that one is classified as an emerging market, while the other falls within a fully developed market categorisation. However, the comparison clearly indicates that things are not going well in the Nigerian market, despite huge potentials for growth, which far surpass that of the UK market. Besides, the industry is more than 50 years old, and practices in the markets closely follow that of the UK, Nigeria being a former colony.

[5] Swiss Re Sigma No 3/2009.

2.5 The Insuring Culture in Nigeria

Extant literature suggest the existence of widespread apathy towards insurance services in Nigeria (Barros et al., 2008; Usman, 2009; Omar and Owusu-Frimpong, 2007). Available statistics indicate that of the over 140 million people in Nigeria, less than 1.4m people (less than 1%) account for the insuring public (Obaremi, 2007). The fractions that have insurance policies are mostly corporate organisation, while private individuals are still largely insurance averse (Barros et al., 2008). Though many reasons could be adduced, evidence seems to suggest that the low insuring culture in Nigeria is attributable to poor awareness of the benefits of insurance, lack of understanding of its basic principles, and widely shared view that insurance companies are expert at refuting claims, the essence for which exists (Obaremi, 2007). Olowokudejo (2009), in an empirical study, found that Nigerian's indifference to insurance was not due to religion, and attributes low patronage to lack of trust in the industry. Omar and Owusu-Frimpong (2007) also opine that low insuring culture in Nigeria is attributable to lack of confidence in the insurance industry, a situation brought about by cumulative negative experiences. Alluding to the above, Thompson (1999) had earlier argued for reform in the insurance sector that focuses on a high level of professionalism, development of codes of ethics and its implementation.

2.6 Business Practice in the Nigerian Insurance Industry

Insurance business in Nigeria like most other countries is usually placed through agents, brokers, and a company's sales force. Of the total business underwritten in the industry, 80% is placed through insurance brokers, while 20% is shared between agents, and company's staff. There has been a shaming report of market abuse in the industry. On one hand, brokers have been accused of collecting premium and not remitting to the insurance companies with the attendant consequences of insurers invoking the principle of 'no premium no cover'. On the other hand, the widespread lukewarm attitude to claim payments has become a known feature of Nigerian insurance companies. Many have accused the industry of refuting claims on the flimsiest excuses. The situation has become so serious that an average Nigerian perceived insurance as a 'legal means of stealing'. Rivalry among the companies and the bid to attract more customers and higher market share has resulted into rate cutting and premium purchases, and thus, inability to meet obligations to insurance consumers when the need arises. The regulatory body has not even spared the industry in its criticism of the industry's poor service delivery and failure to live up to consumers' expectations (NAICOM)[6].

In a two-day summit organised by the Nigerian Insurers Association (NIA) to bring the actors in the industry together, the story was better presented by the practitioners themselves (African Business, 2008). Whilst congratulating the industry for its successful recapitalisation process, the chairman of the self-regulatory body, Ibidolapo Balogun, was quick at pointing at this success as a first step in a somewhat long and arduous journey. The limitless potential for growth in the industry, he argued, can only be achieved if the industry regains the confidence of the insuring public by paying claims promptly, and offering the right products to consumers. Lending support to this argument, Shamsudeen Usman, the Finance Minister, declared that insurance companies whose thought is to collect premium and then fail in their restoration promise have no place in the new dispensation. Describing the situation in the industry, the minister asserts:

> *In Nigeria, even when there is no doubt about paying a claim, some companies will try to wriggle out of their obligations or delay the payments for no reason whatsoever. This is not clever. It is shooting yourself in the foot. It undermines confidence in the industry and everybody involved loses out*.

Still on the sordid state of things in the industry, and the need for good business conduct, the commissioner for insurance, and the chairman of the regulatory body National Insurance Commission (NAICOM), Fola Daniel proclaims,

> *People are becoming more literate and many know the advantages of insurance, but you have to sell the concept and then deliver on your promise. And religion is no barrier…the success of specialised schemes such as takaful insurance aimed at the Muslim population was proof of that. A major shift in corporate*

[6] Cited in Usman, O. A. (2009), "Scale Economies and Performance Evaluation of Insurance Market in Nigeria", The Social Sciences, 4(1): 1

> *governance is vital. Management must be based on knowledge and integrity. Firms must remember that premium payments are monies held in trust, not operational profits.*

By contrast, the UK insurance industry presents a different story. Whilst the industry is not immune to ethical abuse, considering reported scandals in pension mis-selling in the 1990s (Diacon and Ennew, 1996), business practices have greatly improved over the years, and market penetration has also been greatly enhanced. A distinguishing feature of the UK market from that of Nigeria, which seems to have enhanced consumer confidence in the market, is the presence of a good regulatory framework. Regulation and effective supervision has offered a constant watch on market conduct in the industry, and ensures that consumers of insurance are fairly treated. The quest for good market conduct in the industry has lead to the establishment of government and industry regulatory bodies like the Financial Services Authority (FSA), the Association of British Insurers (ABI), and various consumer groups. A working group created to fashion a new outlook for the industry to enhance greater insurance penetration and put it ahead of other markets in the world by 2020, have among its recommendations the need to improve and increase consumer confidence and trust in the insurance industry. The group, which is co-chaired by the Chancellor of the Exchequer, Alistair Darling, Group CEO of Aviva, Andrew Moss, and have as its members eight other CEOs of top UK insurance companies, clearly pointed out the need to be consumer focused in a five point recommendations as follows:

- **Understanding and awareness**: Assisting customers to recognise and understand their needs for insurance coverage and to be more informed purchasers of insurance, for example through financial education.
- **Transparency and simplicity**: Facilitating improved accessibility and customer engagement with the insurance market by developing insurance products and services that consumers understand.
- **Access**: Widening the distribution of insurance products to allow customers to get the level of help appropriate for their needs at a market rate.

- **Responsibility**: Promoting the important role of insurance in helping customers take on personal responsibility for managing risks and for retirement saving.
- **Confidence**: Building customer confidence by communicating a positive, consistent message about the valuable and important role played by the insurance industry.

The creation of the Insurance Industry Working Group (IIWG), and many of its kind, undoubtedly indicates an industry which places great emphasis on fair treatment of insurance consumers, bearing in mind the complexity of insurance contracts and great information asymmetry, which could lead to ethical abuse (Diacon and Ennew, 1996). Besides, the industry has also embarked on several self-regulatory measures, which were aimed at ensuring good business practice, and enhancing consumer trust and confidence.

To the effect that the UK insurance industry is much more mature, has greater market penetration, and higher protection of insurance consumers compared to Nigeria's industry, further presents the motivation to consider the central issues of this thesis in an emerging and relatively underdeveloped market like Nigeria.

2.7 Beyond Mere Good Business Practice

As in the case of insurance, authors have pointed out that issues bordering on reputation are of utmost importance when the product or service offer is quite obscured and involves future delivery (Csiszar and Heidrich, 2006). Insurance purchase, as an intangible product, is based on trust and is reputation-driven (Gautlier-Gaillard and Louisot, 2006). Given that information asymmetry exists between the insurer and the insured with regard to the insurance contract (due to its adhesive nature), the insured has to assume the sincerity and trustworthiness of the insurer.

In a seller-buyer relationship where information distribution is asymmetrically favourable towards the seller, there are two possible decisions outcomes to the seller. The first is to respect the trust the buyer reposed in him, and deliver high quality goods or services, resulting in a gain for both parties. The buyer would have received value for his money, happy, and confident with the trust he has in the seller. The seller would have made some profits, ensured a repeat purchase, and most importantly built a good reputation. Alternatively, the seller could decide to take advantage of the situation and offer poor quality goods or services. Whilst the buyer would have lost, for getting less for what he has paid and the seller gained; in light of Kreps[7], sequential trust game, the gain to the seller is only temporary. Consequentially, there would be loss of repeated purchase, loss of trust, which made the buyer enter into the relationship in the first instance, and more grievously, a negatively-perceived reputation.

The Nigerian insurance industry appears to have chosen the second option. Relying on the legal protection offered by the insurance contract, through its various principles, and ultimately aggravated by profit maximization drive, the industry has thrown all caution by the wayside, and put its reputation at risk. Undoubtedly, the Nigerian insurance industry is suffering from a reputation problem; a consequence of its past actions, which has resulted in low patronage. By implication, the industry's trustworthiness is under siege. This brings out the long-held view that reputation is a very important asset for the insurance industry (Gautlier-Gaillard and Louisot, 2006; Schanz, 2006; Stansfield, 2006); one if well preserved, gives attractive returns, and if eroded, creates substantial damage (Schanz, 2006). Essentially, an insurer's reputation is preserved when it meets its obligation of delivering on promises made, and tarnished when it fails in this future promise.

The argument this thesis is advancing is that the industry needs to do more than mere good practice to be able to navigate out of the current crisis, in which it is deeply enmeshed. CSR as a business practice that put emphasis, not just on economic motives, legal compliance nor charity contribution, but good ethical conduct as well, can be a panacea to the reputation problem and low patronage in the industry. This will require a concerted effort of all the actors in the industry; the brokers, the agents, and individual company's management and staff. The top managers are of particular importance in this new drive; because they give direction to their companies in terms of strategies to

[7] This explanation is based on Kreps' (1990) "Game Theory and Economic Modelling", as cited in Gautlier-Gaillard and Louisot (2006).

achieve stated goals and objectives. They define the company's values and business philosophy, and the control mechanism to enhance its enforcement. This assertion resonates well with Gautlier-Gaillard and Louisot's (2006) view that "Directors and officers must show leadership, and specifically prove able to avoid ethical misconduct disaster".

Since social responsibility is seen as a step before a new law is promulgated, charting a new course that is societal and consumer driven; one that is concerned with delivering on promises made, and not relying on legal protection to escape same promise, that sees good ethics as good business, and will help to prevent interference from government in terms of stricter regulation of the industry. It would most importantly, help to regain the trust and confidence of the consumers, enhance the industry's reputation, and engender a new dawn of insurance consciousness and demand by Nigerians. This argument re-echos AXA insurance company's view:

> *For a global financial institution, reputation is especially linked to two elements that constitute the cornerstones on which the entire capitalist financial system is built: trust and confidence. In the insurance and asset management sectors this is especially true because our business is all about taking and keeping long-term commitments. In addition to the sophisticated financial products that we sell to our clients, we also sell to them a more basic commodity: "peace of mind". In this context, our reputation and our image in the market place could not be more important. It is the key to maintaining the continued trust and confidence of our clients. It is the key to our future success (Stansfield, 2006: 475).*

2.8 Conclusion

This chapter sets in context the motivation for this thesis and its policy relevance to the industry operators and regulatory agency. The nature of insurance business was presented to show its complexity, and how information asymmetry can be relied on by insurers to treat insured parties unfairly. A presentation was made in the chapter about business practices in Nigeria and how such practices are responsible for the low business penetration in the industry. The chapter argues that undue reliance on the legal provisions of the insurance contract to renege on future promises made to the insured parties, inadvertently creates a bad reputation for the industry, damages trust required in an exchange relationship and creates lack of confidence.

It is further argued that reputation is an important and an intangible asset of the insurance industry, one if well managed opens the path to attractive returns, and if mismanaged, constitutes a considerable threat to its existence as a business concern. In light of these offerings, the thesis proposes that the industry must go beyond mere good business practice to good business ethics, as a dimension of social responsibility in order to remedy years of negative perception, and enhance business penetration. In so doing, the thesis has provided basis for examining the perceptions of insurance managers in the industry about the importance of ethics and social responsibility in achieving organizational effectiveness.

CHAPTER 3: ETHICS AND CORPORATE SOCIAL RESPONSIBILITY

3.1 Introduction

This chapter provides an overview and critique of scholarly works on ethics and social responsibility, and the current state of knowledge in this subject area, with a view of positioning this study within the wider context. Since ethics and social responsibility cut across management disciplines, published work on the ethical dilemma in insurance, the specific context under which the study takes place, are examined in the next chapter. The chapter further mapped relevant theories through which the subject area has been discussed with a view to develop and position the theoretical and conceptual framework of this study. This review also shows the link between previous research and the study's research questions, and how the propositions, stated and tested, emerged.

3.2 Overview of Ethics and Social Responsibility

Corporate Social Responsibility (CSR) describes the role of business as one of the dominant institutions of modern society (Drucker, 2001). It conceives business as a creation of society, and which depends on society to achieve its goals and objectives. The expression that business does not exist in a vacuum can be seen in the fact that business relies on society for its physical existence (land), in terms of a physical structure (company site), for raw materials (material and mineral resources), which businesses' manufacturing process turn into goods. Furthermore, without human resources, the finished goods or services desired by the business cannot be realised. Without the people (consumers) who are ready to exchange their money for the goods and services produced by business, the goals which business has set cannot be realised. Articulating the position above, Mullins (2005: 161) writes:

> *In striving to satisfy its goals and achieve its objectives the organisation cannot operate in isolation from its environment of which it is part. The organisation requires the use of factors of production and other facilities of society… in return, society is in need of the goods and services created and supplied by organisations, including the creation and distribution of wealth.*

Business as a creation of society is required to perform certain duties and comply with certain rules and regulations. In short, it may be expected of business to conduct its activities (economic responsibility) in the most acceptable and agreeable ways, and also give something back to society by way of appreciation for its existence. Conducting business in the most acceptable and agreeable way could be regarded as being ethical and law abiding (operating within the societal written and unwritten law), while giving something back to the society is regarded as philanthropic giving. CSR is therefore regarded as an umbrella term (Matten and Moon, 2008), encompassing pursuing economic goals (economic responsibility) in the most acceptable and agreeable ways (ethical and legal responsibility), and giving something back to society (philanthropic responsibility).

CSR has been one of the most debated management issues, with both academics and practitioners trying to give proper meaning to the concept, justifying why corporations should adopt ethical and socially responsible behaviour. However, there is a lack of consensus on what the concept means, what it entails, why it should be embraced, how it should be operationalised, what its roles are in achieving organisational effectiveness or performance and many other issues bordering on the concept.

3.2.1 Business and Society: what is the relationship?

Underscoring in a few words the relationship between business and society might be a Herculean task, but attempt shall be made to explain in as precise manner as possible, this relationship, its enormity and its implications. Society is said to consist of family units, community, a nation, or a broad grouping of people having common traditions, values, institutions, and collective activities and interest (Carroll and Buchholtz, 2006). Business, on the other hand, exists within the society and consists of private, commercially- or profit-oriented organisations of different sizes and forms. The activities of these organisations are many and diverse, and thus inform their classification into sectors and industries. For example, there is a manufacturing sector and a service sector, and each of these sectors can further be broken down into different industries, such as the automobile industry, banking, communications, insurance, etc.

Describing the relationship between business and society, Steiner (1975), considers it from an economic perspective, and conceives society as comprising the public sector (the government), private sector (profit seeking institutions – business) and non-profit sector (public services). He posits that business depends on the government in preventing unfair competition at home and abroad, in maintaining conditions under which resources are employed and in absorbing various types of economic risks. It also depends on the not-for-profit educational sector for skilled managers and workers. Government on the other hand depends on business for revenue in meeting the demand of the society, in terms of providing goods and services.

Post et al. (2002), applies the general system theory (which postulates that "*all living organisms [systems] interact with, and are affected by other forces in their host environment…*), to explain this interdependency. Both society and business have goals and objectives, but these are in most cases not the same, and in fact may be conflicting. For example, both the government and business desire growth as a goal, but the perspective from which it is being viewed might be quite different. A government goal of economic growth through stable prices may affect business growth goals of price increase and increased profit. Echoing this view, Steiner (1975), argued that, "*the privacy or autonomy of the corporation is protected as a basic social value against government interference, but when government considers it necessary to constrain business in order to achieve societal purpose, it does so*".

Another way of looking at the business and society relationship is viewing society as a macro-environment (Carroll and Buchholtz, 2006), which constitutes the total external environment of business. The macro environment of business consists of social, economic, political/legal (Baron, 2003) and technological environments (Fahey and Narayanan (1986). The social environment comprises the demographic, the life styles and social values of the society. The economic environment or what Baron (2003) conceives as the market environment borders on the nature and direction in which business operates. This environment consists of variables and indices, such as gross national product (GNP), inflation, interest rates, unemployment rates, foreign-exchange fluctuations, global trade, balance of payments, competition, etc. The political/legal environment is concerned about the enactment of laws and the regulatory process. The technological environment consists of sets of technology-based advancements with which production and business activities are carried out.

The macro-environment has been dwelled upon here, because groups and organisations in society fall within the four segments mentioned above. And for business to survive in the turbulent macro-environment (Zuniga-Vicente and Vicente-Lorente, 2006), it must understand its dynamic and interactive nature and learn to adapt accordingly. A close interaction with the environment or the society would then develop into a shared interest and interdependence between business entities (firms) and other groups (stakeholders).

3.2.2 Defining Corporate Social Responsibility (CSR)

The management literature is replete with various definitions of CSR, yet no single definition has been agreed upon as representing the concept. Corroborating this view, Crowther and Jatana (2005) argued that, social responsibility is in vogue at the moment, but as a concept, remains vague and means different things to different people[8]. For example, as far back as 1972, Votaw posits that:

> *Corporate social responsibility means something, but not always the same thing to everybody. To some it conveys the idea of legal responsibility or liability; to others, it means socially responsible behaviour in the ethical sense; to still others, the meaning transmitted is that of 'responsible for' in a causal mode; many simply equate it with a charitable contribution; some take it to mean socially conscious; many of those who embrace it most fervently see it as a mere synonym for legitimacy in the context of belonging or being proper or valid; a few see a sort of fiduciary duty imposing higher standards of behaviour on businessmen than on citizens at large (p. 25).*

Marrewijk (2003) opined that the current concepts and definitions are usually biased towards specific interest. This conceptual problem has therefore been identified as a

[8] See also Votaw (1973), Preston and Post (1975), and Makower (1994).

factor influencing the extent of firms' responsiveness towards the concept. In an interview, a chief executive was reported to have advised companies to choose which concept and definition is the best option, one that matches their aims and intentions and align with the companies' strategy, as a response to the circumstances in which they operate (Marrewijk, 2003). This stance by corporations has been described as capable of constituting a threat to the development of 'new generation business frameworks' necessary for sustainable growth (Marrewijk, 2003)

3.2.2.1 Evolution of Definitions[9]

Evidence of corporate giving, variously referred to as charitable giving (Brammer et al., 2006), philanthropic contributions, can be traced back centuries, but formal writing on CSR is largely a 20th century work (Carroll, 1999). One of the earlier and significant contributors to the concept, Bowen (1953: 6), sees CSR, widely referred to as social responsibility, as:

> *…the obligation of businessmen to pursue those policies, to make those decisions, or to follow those lines of action, which are desirable in terms of the objectives and value of our society.*

This definition has been applauded as an important landmark in the evolution of the CSR concept, even though there were formal writings which pre-dated Bowen's work. For this historical contribution, Carroll, a renowned author in the field of CSR suggested that Bowen be crowned "Father of Corporate Social Responsibility". This conferment may not be out of place, when one considers that other works in the 50s look at CSR from Bowen's perspective.

Davis (1960: 70), also noted for his scholarly work, defines social responsibility as, *"businessmen's decisions taken for reasons at least partially beyond the firm's direct economic or technical interest"*. The central argument of Davis' (1960) work is that social responsibility is a nebulous idea, which would be meaningful only if viewed in a managerial context and asserted that social responsibility (SR) can be justified by a

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[9] This work draws extensively from Carroll's (1999) work on the evolution of the CSR construct

long-run economic gain to the firm. The view was later expanded by both academics and practitioners to justify the adoption of CSR by firms. This argument in favour of CSR, has however been criticised by researchers (Donaldson and Preston, 1995; Marsden and Andrioff, 1998) and deemed capable of aggravating “managerial capture”, an attempt by management to strategically collect and disseminate information only deemed necessary to enhance corporate image (Valor, 2005). When Davis (1967: 46) revisited the CSR concept in ‘Understanding the social responsibility puzzle: What does the businessman owe to society?’ he added the ethical view of social responsibility to his definition by positing that, “*the substance of social responsibility arises from concern for the ethical consequences of one’s action as they may affect the interest of others*”.

According to Frederick (1960: 60), SR implies:

> *…a public posture towards society’s economic and human resources and a willingness to see that those resources are used for broad social ends and not simply for the narrowly circumscribed interests of private persons and firms.*

The import of Frederick’s definition is that business derived its means of production from the society; hence, the socio-economic interest of the society must be taken into consideration when distributing business’ wealth. Whilst Frederick’s definition suggests that the responsibility of the firm goes beyond that of making economic gain, it nevertheless fails to specify what those social ends are.

McGuire (1963: 144), opined that:

> *The idea of social responsibility supposes that the corporation has not only economic and legal obligations but also certain responsibilities to the society, which extend beyond these obligations.*

His further elucidation identified politics, community welfare, education and employees’ quality of life as dimensions of SR. McGuire’s (1963: 144) work also hinted at the idea of corporate citizenship, when he argues that, ‘business must act justly, as a proper citizen should’.

Davis and Blomstrom (1966: 12), defined social responsibility as:

> *…a person’s obligation to consider the effects of his decisions and actions on the whole social system. Businessmen apply social responsibility when they consider the needs and interests of others who may be affected by business actions; hence they look beyond their firm’s narrow economic and technical interests.*

Walton (1967: 18) asserts:

> *…the new concept of social responsibility recognises the intimacy of the relationships between the corporations and society and realises that such relationship must be kept in mind by top managers as the corporation and the related groups pursue their respective goals.*

Walton’s contribution to the growth of the CSR concept can be seen in his assertion that CSR must be supported by top managers. He further emphasised the voluntary nature of CSR and hinted at the difficulty underlying the measurement of economic returns from CSR.

In the ‘70s, CSR was defined in light of new theories. Johnson (1971) looked at CSR from the perspective of Stakeholder theory, which he termed ‘conventional wisdom’, Profit maximisation theory, Utility maximisation theory and Lexicographic utility theory. On Stakeholder theory, he asserts:

> *A socially responsible firm is one whose managerial staffs balance a multiplicity of interests. Instead of striving only for larger profits for its stockholder, a responsible enterprise also takes into account employees, suppliers, dealers, local communities and the nation (p. 50).*

Upon this background, he therefore conceptualises CSR as:

> *the pursuit of social economic goals through the elaboration of social norms in prescribed business roles; or to put it more simply, business takes place within a socio-cultural system that outlines through norms and business roles particular ways of responding to particular situations and set out in some detail the prescribed ways of conducting business affairs(Johnson (p. 51).*

On long-run profit maximisation theory, he writes:

> *…social responsibility states that businesses carry out social programmes to add profits to their organisation (p. 54).*

His conceptualisation based on 'utility maximisation theory', stipulates:

> *A socially responsible entrepreneur or manager is one who has a utility function of the second type, such that he is interested not only in his own well-being but also in that of the other members of the enterprise and that of his fellow citizens (p. 58).*

Johnson (1971: 59) further asserts: *"The prime motivation of the business firm is utility maximisation; the enterprise seeks multiple goals rather than only maximum profit".*

Lastly, on 'lexicographic theory', he postulates:

> *The goals of the enterprise, like those of the consumer, are ranked in order of importance and that targets are assessed for each goal. These target levels are shaped by a variety of factors, but the most important are the firm's past experience with these goals and the past performance of similar business enterprises; individuals and organisations generally want to do at least as well as others in similar circumstances (p. 75).*

Even though Johnson (1971) submits that the four views or definitions are not contradictory, but complementary, they somehow sound confusing when considered as a whole. For example, his lexicographic view suggests the subjective nature of CSR, while the profit maximisation theory establishes CSR as a strategic means. Perhaps, a better definition could have been achieved if the four views had been synthesised to arrive at a single, workable and acceptable definition. Nevertheless, his work has contributed significantly to the concept of CSR, and also propounded, theory which was later built upon by management authors (e.g. Freeman, 1984), i.e. stakeholder theory, when he mentioned, 'multiplicity of interests'.

The Committee for Economic Development (CED, 1971: 16), looking at social responsibility from a quality of life perspective, posits:

> *Business is being asked to assume broader responsibilities to society than ever before and to serve a wider range of human values. Business enterprises, in effect, are being asked to contribute more to the quality of American life than just supplying quantities of goods and services. In as much as business exists to serve society, its future will depend on the quality of management's response to the changing expectations of the public.*

The Committee, comprising academics and practitioners, therefore postulated three concentric circles defining social responsibility: an inner, intermediate and outer circle.

> *The inner circle includes the clear-cut basic responsibilities for the efficient execution of the economic function –products, jobs, and economic growth. The intermediate circle encompasses responsibility to exercise this economic function with a sensitive awareness of changing values and priorities: for examples, with respect to environmental conservation; hiring and relations with employees; and more rigorous expectations of customers for information, fair treatment, and protection from injury.*
>
> *The outer circle outlines newly emerging and still amorphous responsibilities that business should assume to become more broadly involved in actively*

> *improving the social environment (For example, poverty and urban blight) (p. 15).*

The CED (1971) definitions suggest the dynamic nature of CSR. Implying that a single definition of CSR may be difficult, so long as society continues to change. Nonetheless, the definition highlighted those areas that CSR is usually considered to cover.

Another notable contributor to the meaning of CSR in the literature is Steiner (1971: 164), who argues that:

> *Business is and must remain fundamentally an economic institution, but…it does have responsibility to help society achieve its basic goals and therefore, have social responsibilities. The larger a company becomes, they greater are these responsibilities, but all companies can assume some share of them at no cost and often at a short-run as well as long-run profit. The assumption of social responsibilities is more of an attitude, of the way manager approaches his decision-making task, than a great shift in the economics of decision-making. It is a philosophy that looks at the social interest and the enlightened self-interest of business over the long run as compared with the old, narrow, unrestrained short-run self-interest.*

The explanation rendered by Steiner shows that the business entity must go beyond its traditional economic function or responsibility and help society achieve its goals, and that in so doing, improve its profit over a long period. It is important to note that Steiner also looked at CSR from a strategic point of view. However, his postulation that business is fundamentally an economic institution may not totally agree with his idea of social responsibility, as social responsibility may be relegated to the background if it constitutes threat to profit.

Revisiting CSR once again, Davis (1973: 312-313), conceptualises CSR as:

…the firm's consideration of, and response to issues beyond the narrow economic, technical, and legal requirements of the firm". He expounded further that "it is the firm's obligation to evaluate in its decision-making process the effect of its decision on the external social system in a manner that will accomplish social benefits along with the traditional economic gains which the firm seek.

Corroborating the views of previous authors (e.g. Manne and Wallich, 1972; Jones, 1980), Davis (1973: 133) observes that obligation imposed by the law is not social responsibility.

In empirical research, Eilbert and Parket (1973: 7), looking at CSR from a 'good neighbourliness' concept, assert:

It means not doing things that spoiled the neighbourhood and the voluntary assumption of the obligation to help solve neighbourhood problem". Anticipating that the conceptual frame work might not be acceptable to all, further postulate, "…social responsibility means the commitment of a business or business, in general, to an active role in the solution of broad social problems, such as racial discrimination, pollution, transportation or urban decay.

Whilst this study contributed to the robustness of literature by looking at CSR and some organisational variables, such as organisational structure, budget etc., its view of CSR from a neighbourliness concept appears too short and vague for a meaningful application. This appears similar to the 'neighbourhood principle', a maxim of law developed by Lord Atkin in the English case of Donogue v. Stephenson (1930), where the learned judge ruled that *"the rule that you are to love your neighbour becomes in law you must not injure your neighbour…"*

Backman (1975: 2-3), considers social responsibility as:

> *…objectives or motives that should be given weight by business in addition to those dealing with economic performance", such as, "employment of minority groups, reduction in pollution, greater participation in programmes to improve the community, improved medical care, improved industrial health and safety - these and other programmes designed to improve the quality of life are covered by the broad umbrella of social responsibility.*

Fitch (1976: 38), defines CSR as, "*…the serious attempt to solve social problems caused wholly or in part by the corporation".* Fitch proposed that a corporation can be socially responsible by stating the absence of any social problems in society as its desired situation, prioritising which of the social problems are most relevant to it (as a corporation) and then using the normal corporate problem solving mechanisms to reduce or eliminate the gap between the desired state of affairs and the existing one. He further suggested that corporations can achieve enlightened self-interest by applying their expertise to the solution of social problems, thereby increasing profit. Fitch's 'problem concept of CSR' appears limited and failed to capture what CSR covers in light of the previous definition. His proposition that the 'problem concept' of CSR be used as a profit maximisation tool may also be faulted by authors who have criticised profit motives for CSR. This view is however corroborated by Drucker (1984: 62), where he asserts that, "*Social responsibility of business is to…turn a social problem into economic opportunity and economic benefit, into productive capacity, into human competence, into well-paid jobs, and into wealth".*

Carroll (1979: 500), apparently building upon Steiner's (1971) view, and putting Sethi's (1975) analytic framework of corporate social performance, as well as other contemporary works, in the right perspective, defined CSR as:

> *…encompassing the economic, legal, ethical and discretionary expectations that society has of organisations at a given point in time.*

From the background of previous definitions, Carroll identified three issues necessary for the acceptability and implementation of CSR by managers or firms: (1) basic definition of CSR, (2) enumeration of the social areas or the stakeholders to whom the firm had a responsibility, and (3) specification of philosophy of responsiveness to the issues. He therefore proposed a conceptual model of Social Performance comprising the four aspects of his definition.

Carroll (1983: 604), while delivering a speech on CSR and business response to government's cutbacks on social programmes, revisited his earlier definition of CSR and, dropped the notion of 'discretionary expectations' for 'voluntary or philanthropic', arguing that, "this seemed to be the arena from which the best examples of discretionary activities came" (Carroll, 1999: 286).

In "The Pyramid of Corporate Social Responsibility: Towards the Moral Management of Organisational Stakeholders", Carroll (1991), again dwelled on the definition of CSR and labelled the fourth part of his definition as 'philanthropic' and opined that "it embraced, 'Corporate Citizenship'. The four-part definition was represented as a pyramid, with the economic component at the base, followed by the legal component, then the ethical component, and the philanthropic component at the top of the pyramid. Even though Carroll (1991), observed that the components were treated as separate concepts for discussion purposes, and that they were mutually exclusive, the pyramidal depiction of CSR has however been flawed, and considered capable of causing confusion and erroneously leading to the conclusion that the domain at the top of the pyramid is the most important while the one at the base is the least important, and therefore, the misunderstanding of the priorities of the four CSR domain (Schwartz and Carroll, 2003).

Jones (1980: 59-60), raising the question of adoption and implementation of CSR, defines the concept as, "*…the notion that corporations have an obligation to constituent groups in the society other than stockholders and beyond that prescribed by law or union contract…".* Jones argues that CSR should be seen as a process rather than a set of outcomes, arguing that it is virtually impossible to define social responsibility in terms of specific decisions. He proposes further that by incorporating into the decision-making process, ways by which broader social concerns are given consideration, CSR then, will be seen as a means rather than as a set of ends. Jones (1980) definition is not significantly different from previous ones. His work has however been very insightful and addresses the question of implementation of CSR.

Epstein (1987: 104), in his article on ‘business ethics, corporate social responsibility and corporate social responsiveness, conceives CSR as, “*relating primarily to achieving outcomes from organisational decisions concerning specific issues or problems which (by some normative standard) have beneficial rather than adverse effects upon pertinent stakeholders”*.

Epstein appears to be considering CSR from an ethical viewpoint, particularly when he asserts that, “*The normative correctness of the products of corporate action has been the main focus of corporate social responsibility*” (p. 104). He elaborated on the three concepts and posits that they deal with closely related, overlapping themes and concerns, but are analytically discrete and distinct with regard to conceptual differences. In his quest to therefore unify the three concepts, which he argued would enhance, “*articulation, institutionalisation, and examination of value considerations within business organisations as well as provide a mechanism for evaluating the overall social performance of the firm*”, he proposed a fourth concept, which he called, “The Corporate Social Policy Process”.

3.2.3 Competing Concepts of Business-Society Relationship

A number of works have considered Corporate Social Responsibility (CSR) and other related concepts such as Corporate Citizenship (CC), Business Citizenship (BC), Corporate Social Performance (CSP), Corporate Responsibility (CR), Corporate Community Relations or Involvement (CCR or CCI), Corporate Social Responsiveness (CSR), Public Responsibility (PR) etc, and even attempted to equate them with CSR (for example see Valor, 2005; Waddock, 2004; Frederick, 1998, 1994 & 1987; Swanson, 1995; Wood, 1991; Carroll, 1979; Epstein, 1987; Jones, 1980; Sethi, 1975). They all refer to the same thing and address the same concern (Valor, 2005), i.e. the proper role and function of the business corporation in modern society. For example, Frederick (1986, 1994 and 1998) sees similar concepts as a progression of CSR rather than a replacement, hence, CSR1, which he equates to "Corporate Social Responsibility", CSR2, recapped as "Corporate Social Responsiveness", CSR3, which he paraphrased "Corporate Social Rectitude" and CSR4, which he reiterated as "Cosmos, Science, Religion".

Waddock (2004) suggests that these concepts be viewed as branches from the trunk of CSR, and corporate citizenship as the tree. She, later submitted that the language of "social responsibility" seems to have survived others, corroborating Valor's (2005) view that the concept of CSR due to its normative orientation presents greater advantages than CC in advancing the social control of the corporation, and was therefore superior. Carroll (1999: 292), in his definitional construct, brilliantly concluded that:

> *The CSR concept will remain as an essential part of business language and practice, because it is a vital underpinning to many of the other theories and is consistent…addresses and captures the most important concerns of the public regarding business and society relationship.*

Various concepts used to express the relationship between business and society has therefore been more of semantics and attempts by academics to be unique in their works (Valor, 2005; Waddock, 2004). Waddock (2004) posits that efforts should rather be made towards integrating these concepts to enhance consistency of conceptualisation and agreement on terminology.

3.2.4 Schools of Thought and Theories on Corporate Social Responsibility

Academics and professionals who hold views on the role of business in the society can be identified along two extremes - those who think business responsibility does not go beyond making as much profit as possible for its shareholders, and those that believe that business owes responsibility to a wide range of groups in the society. The belief of the first group stems from the traditional neoclassical paradigm of the firm (Moir, 2001), a theory which reflects Adam Smith's notion of economic man, whose goal is to maximise the wealth of the firm, based on his contractual duties to the owners (Brenner and Cochran, 1991). This model of the firm has been further popularised by Friedman (1970), echoing Smith's view that business responsibility does not go beyond that of maximising shareholders value or wealth. The CSR theory that upholds this view has also been regarded as the "stockholders model" (Bruno and Nichols, 1990). This model identified that, on the basis of the contractual agreement signed with the owners, management responsibility is a legal one, and it equates with ethical and social responsibility. This thought can be clearly seen in Friedman's (1970) declaration 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 rule of the game, which is to say, engages in open and free competition without deception or fraud*".

The idea of legal responsibility as proposed by Friedman and his cohort has been flawed on the basis that the law and the legal system are plagued with imperfections. It is argued that the law can be violated with little possibility of being caught, and that when business is actually caught in the act, penalties and fines are often too small to serve as a deterrent. Besides, business has a way of influencing the legislative process of promulgating laws (Post, 2003; Vogel, 1989). In addition, authors have argued that possible loss of local investments, production, jobs, and tax revenues have practically hindered national governments from imposing and enforcing more stringent corporate regulations (Crenson, 1971; Ohmae, 1990, 1995)

The other extreme in the CSR continuum, is the group that hold the belief that business responsibility goes beyond that of profit maximisation. While this group does not relegate the economic responsibility of the firm to the background, it argues that business must take into consideration the interests of other members of society, who may be affected by its activities, and therefore proposes a balance of interests among the constituent groups. Thus, contrary to shareholders' value maximisation, the adherents of this belief propose stakeholders' value maximisation, which is not contrary to profit maximisation.

3.2.5 Competing theories of CSR

Several lenses have been discussed in the literature through which CSR has been viewed. These lenses, called CSR theories have on one hand been employed by academics to establish the business society-relationship, and argue for legitimacy of business assumption of CSR, and provide theoretical underpinnings for empirical testing. On the other hand, some of the theories have also been used by critics to question business assumption of social responsibility. While a considerable number of these theories abound in the literature (for example, political theory, institutional theory, legitimacy theory, slack resource theory, social capital theory, social contract theory, stakeholder theory, normative ethics theory, and agency theory), the discussion in this section of the study will focus on only four, which are directly relevant to stated objectives – agency, stakeholder, social contract, and normative ethics theories. These four theories are depicted in figure 2.1 below.

3.2.5.1 The Agency Theory

Agency theory suggests the existence of a contract (Jansen and Meckling, 1976), and thus a fiduciary relationship between two people – the principal and the agent (Eisenhardt, 1989), for example, employer-employee, lawyer-client, shareholders-management, etc. The idea of agency theory is to control the substantial goal conflicts between principals and agents, particularly where agents, by virtue of their positions, engage in opportunistic behaviour to the detriment of their principals (Fontrodona and Sison, 2006), who often find it difficult and expensive to verify the actions of their agents (Eisenhardt, 1989). The theory also mirrors the different attitudes of both the principal and the agent to risk, whereby the principal is risk neutral and the agent risk averse (Eisenhardt, 1989; Wiseman and Gomez-Mejia, 1998; Donaldson, 1961; Williamson, 1963).

From economic perspectives, Coase (1937, 1991b) conceives the firm as a better coordination of production than the market, a view, which appears contradictory to the view of classical economists on face value. However, on deeper reflection, it reveals that the firm is nothing other than an instrument of achieving economic efficiency, cost reduction, and thus wealth maximisation, which is the position of the classical economists (Fontrodona and Sison, 2006). Coase's (1937) thoughts were put in the right perspective by Ross (1973), and Jansen and Meckling (1976), who explained cost reduction through the agency relationship, whereby the agent (managers) owes legal and economic obligations to the principal (shareholders). Since incongruence of interests (which generates costs) is probable in this relationship, the agency theory was therefore established so that residual costs –agency costs, which are inimical to the principal's wealth maximisation, can be ameliorated or mitigated.

The economic perspective of the agency theory is based on a number of assumptions - that the firm is the nucleus of the contractual relationship between the principal and the agent, and it exists to maximise shareholder value; that the firm is owned by the shareholders, who seek utility maximisation. On ethical grounds, this perspective of agency theory reflects individualism and utilitarianism, where morality is only reasonable and acceptable, if it brings with it greater economic benefits (Bohren, 1998).

These assumptions of the agency theory have come under serious attack and authors have argued that it is incompatible with any ethical theory (for example, De George, 1992), and attempts have been made to re-examine, relax, modify and extend the assumptions (Wright et al., 2001; Evan and Freeman, 1993; Aoki, 1984).
More recently, Fontrodona and Sison (2006) critiqued the theory and its assumptions and argued that the firm could not have been owned by the shareholders, because a mere nexus cannot be owned and that the firm came about from an amalgamation of at least three factors – capital, management and labour, citing Llano (1998) and Drucker (2001), who had earlier posited that the knowledge worker contributed as much as the provider of the money, and hence was an equal owner. Handy (2001) also called for the jettison of the 'shareholders' ownership of the business' myth and proposed a joint ownership by both the shareholders, who contribute equity, and management, who contribute time, skills, idea and experience. The authors thus concluded that the knowledge worker, of the firm's various stakeholders has the strongest claim on the firm.

The assumption of utility maximisation and economic interest of the firm has also come under criticism by various scholars (see for example, Velaz, 1996; Perez-Lopez, 1991).

Besides economic motives, there are other non-economic motives, which take into consideration economic, ethical and societal interests, the balance of which ensure economic growth and long-term survival of the firm. Questioning the assumption that the firm exists in order to maximise shareholders' wealth, Fontrodona and Sison (2006) argued that the fact that firms make profits at the end of a business cycle does not necessarily mean they exist to make profits, just as human beings do not exist to eat, even though we require food to stay alive. Profit is just one of the reflectors of doing well. Doing well extends to include contribution to the well-being of the society, through efficient production of goods and services that meet societal need. The firm is therefore a multi-purpose entity, contrary to the assumption of the agency theory that conceives the firm as existing solely to maximise shareholders' wealth, a stance, which Kennedy (2000), describes as a short-term outlook, capable of jeopardising the firm's long-term goal.

3.2.5.2 The Stakeholder Theory

The idea of stakeholder theory was first hinted at by Johnson (1971) in his definition of CSR, where he conceives a socially responsible firm as being one which balances a multiplicity of interests, such that while striving for larger profits for its stockholders, it also takes into account, employees, suppliers, dealers, local communities and the nation. The theory was later developed by Freeman (1984) and thereafter refined by various authors, e.g. Freeman (1994), Bowie (1991), Evan and Freeman (1988, 1993), Freeman and Evan (1990), Freeman and Philips (2002), etc. Contrary to the proponents of the agency theory, Freeman (1984) posits that managers bear a fiduciary relationship to stakeholders, whom he defines as groups or individuals who can affect or are affected by the achievement of the organisation's objectives, such as stockholders, suppliers, employees, customers and the local community. Donaldson and Preston (1995: 65) see stakeholders as having legitimate interests in the procedural and/or substantive aspects of corporate activity, whose interests must be considered on their own merits. Post et al. (2002: 8) contributed to understanding stakeholders, by their definition of the firm's stakeholders as individuals and constituencies that contribute to; either voluntarily or involuntarily, to wealth-creating capacity and activities, and who are therefore its potential beneficiaries and/or risk bearers.

Research on stakeholder theory has generally focused on three areas – instrumental, normative and descriptive (Donaldson and Preston, 1995). These three areas overlap and are sometimes, difficult to delineate (Jones and wicks, 1999; Driscoll and Crombie, 2001). The instrumental stakeholder perspective shows the firm pursuing its interest, by managing its relationship with other stakeholder groups. The normative stakeholder perspective addresses the moral duties of the firm's management towards its stakeholders. The descriptive stakeholder perspective explains the actual behaviour of managers, firms and stakeholders.

Whilst stakeholder theory, as developed by Freeman (1984) was instrumental in orientation, further works by Evan and Freeman (1993) and others have attempted to modify the theory to reflect a normative orientation. The instrumental orientation sees business as managing the relationship between its stakeholders in order to improve the bottom line; see for example, Berman et al. (1999), Mitchell et al. (1997), and Odgen and Watson (1999). Scholars, who have looked at the theories and definition of CSR, have for this reason grouped the stakeholder approach to CSR under the instrumental theories (Jenson, 2000; Husted and Allen, 2000; Porter and Kramer, 2002). Following Freeman's (1994) declaration that a normative core of ethical responsibility is required in order to point out to corporations, how they should be governed and to guide the behaviour of its managers, a number of works, e.g. Bowie (1998), Freeman (1994), Philips (1997, 2003) and Freeman and Philips (2002), have revisited the stakeholder theory to reflect different ethical theories, such as deontology, utilitarianism, virtue ethics, Rawlsian principles, Kantian ethical theory, doctrine of fair contract, etc. The central argument of the normative approach to stakeholder theory is that stakeholder interests should not only be recognised for instrumental or strategic purposes, but also out of moral obligation.

3.2.5.3 Social Contract Theory

The social contract theory was extrapolated from the political social contract theories of Hobbes, Locke, and Rousseau (Aras and Crowther, 2008; Hasnas, 1998) to explain the business-society relationship (Aras and Crowther, 2008), and social responsibilities of businesses in particular (Hasnas, 1998). In its original form, the theory starts with the imaginary state of life without an institution of governance, and the conditions to be met by citizens in their agreement to form one. Such agreement will form the basis for the obligation of the government to the citizens (Hasnas, 1998). In the same context, its application in business starts with an imaginary state of a society without any form of modern business organisations, and then asking, what obligation would be required of business towards the members of such society for agreeing to allow it to exist (Smith and Hasnas, 1999; Hasnas, 1998).

Latent in this normative agreement is a contract, between the members of the society and business, of which business is allowed to draw from the material and human resources in the society, and expected to reciprocate, minimally, by ensuring that the benefits of being allowed to exist outweigh its negative consequences (Hasnas, 1998). Implicit in this minimum expectation from business is the social welfare dimension and justice dimension, with the former emphasising benefits to consumers and employees, and the latter stressing that business should confine itself within certain general standards of justice (Hasnas, 1998). In essence, the welfare dimension of this contract, requires business to legitimately seek corporate profit, in manners that will promote the material well-being of members of society as consumers and employees (Smith and Hasnas, 1999), while the justice dimension requires business to at least "*avoid fraud and deception...show respect for their workers as human beings, and ...avoid any practice that systematically worsens the situation of a given group in society*" (Donaldson, 1982, p. 53)[10].

3.2.5.4 Normative Ethical Theories

Scholars have argued that understanding business ethics is prerequisite to understanding CSR; see for example, Kilcullen and Kooistra (1999). With a definition of business ethics, as a set of principles that guides business practices to reflect a concern for society as a whole while pursuing profits" (Nisberg, 1988)[11], and that of CSR as "*the degree of moral obligation that may be ascribed to corporations beyond obedience to the laws of the state*" (Kilcullen and Kooistra, 1999). One cannot but agree that these

[10] Cited in Hasnas (1998)

[11] Cited in Kilcullen and Kooistra (1999)

two concepts are embedded in each other, and may warrant understanding normative ethical theories to understand social responsibility.

Normative ethical theories are usually categorised around three groups, vis-à-vis consequential theories, non-consequential theories, and multiple rule non-consequential theories (Tsalikis and Fritzsche, 1989). These are also equated to teleological theories, deontological theories, and a hybrid of teleological and deontological theories (Tsalikis and Fritzsche, 1989). Whilst the first two theories have been discussed in the latter part of this chapter, the last one, which is considered a hybrid, draws from several ethical rules, such as Ross's prima facie duties, Rawl's maximum principle of justice[12], etc, and will not be considered, because it is not directly relevant to this study.

[12] See Tsalikis and Fritzsche (1989) for discussion of this theory

Figure 3.1: Venn Diagram of CSR theories

3.2.6 Classifying the Array of Definitions

From the various definitions, theories, and schools of thought discussed above, three classifications of CSR views can be identified – instrumentation view, normological view, and embedded view. The instrumentation view depicts those definitions that see CSR as a means to maximise shareholders wealth. Garriga and Mele (2004) in their mapping of the CSR territory conceptualise this view as comprising works that saw CSR as a strategic tool for accomplishing economic objectives, and wealth creation. The normological view comprised works that saw CSR as a concept that gives expression to acceptable business behaviour in the pursuit of economic objectives. As expressed by Garriga and Mele (2004, p. 60), the normological views are based on "*principles that express the right thing to do or the necessity to achieve a good society*". The embedded perspective represents works that combined the other two perspectives, i.e. pursuit of economic objectives in ways that would not compromise the moral fabric of society.

3.2.6.1 Instrumentation View

Definitions that fall within this category appear to use persuasive ways to encourage business to adopt socially responsible behaviour. This is evident in pointing out to business, economic benefits that could be accomplished from adopting a socially responsible posture. For example, Johnson (1971, p. 54), in his long-run profit maximisation theory advised that *"…businesses carry out social programmes to add profits to their organisations*". A similar suggestion could be found in Steiner's (1971, p. 164) definition, that social responsibility is *"…a philosophy that looks at the social interest and the enlightened self-interest of business over the long run as compared with the old, narrow, unrestrained short-run self-interest*". Another of such expressions can also be found in the statement by Drucker (1984) that "*social responsibility of business is to…turn a social problem into economic opportunity and economic benefit, into productive capacity, into human competence, into well-paid jobs, and into wealth*".

The instrumental perspective seems to have dominated the business adoption of social responsibility (Windsor, 2001), and it can be arguably posited that most philanthropic activities are directed towards this end. Though corporations might argue that such gestures are borne out of genuine concern for the society without any profit motives, it is however impractical to claim altruism, because even at that, philanthropic actions do give business a good image, which in turn increases patronage and subsequently, profit. This argument finds support in the expression of Whitehouse (2006: p. 291) that the "*concern to meet stakeholder expectations derived not from a concern to further societal interests per se, but ultimately to maintain or enhance the reputation of the* *company*". The fear with the instrumental view is that, where economic responsibility (profit) is threatened, CSR might be thrown overboard. Again, this position is articulated in UK company law as presented by Whitehouse (2006: p. 291), "*…directors are under a duty to prioritise the interests of shareholders, synonymous with the pursuit of 'profit maximisation'. Any attempt by a director therefore, to prioritise the interests of groups other than shareholders constitutes a breach of duty…*"

3.2.6.2 Normological View

The import of the normological view is that business must shift its focus away from marketplace success towards human decency (Jones and Wicks, 1999). Definitions proffered by Bowen (1953), and Jones (1980) appeared to fall within this perspective. The expressions in Bowen's definition, "*…to make those decisions, or to follow those lines of action, which are desirable in terms of the objectives and value of our society*", and Jones' "*…corporations have obligation to constituent group in the society…beyond that prescribed by law or union contract…*" are suggestive of the normative orientation of CSR. The normative perspective of CSR is also underscored in the statement of Epstein (1987: p. 104) that, "*the normative correctness of the products of corporate action has been the main focus of corporate social responsibility*". Davis (1967: p. 46) also posits that "*the substance of social responsibility arises from concern for the ethical consequences of one's action as they may affect the interest of others*". Doubt has however been raised as to whether the normative orientation will in itself be sufficient to make corporations socially responsible. This scepticism is clearly implied in the statement of Gioia (1999) that, "*the invocation that managers should do the right thing on moral grounds alone…do not adequately capture the complex social, economic, and organisational realities that managers face*".

3.2.6.3 Embedded View

The embedded approach advocates business taking a moral outlook in the pursuit of economic goals. Falling within the purview of this perspective is the definition of McGuire (1963, p. 144) that, "*…the corporation has not only economic and legal obligations but also certain responsibilities to the society, which extend beyond these obligations*". The assertion that intimate relationships exist between corporations and society, and that top managers should be conscious of these relationships while pursuing the corporations' goals (Walton, 1967), is also suggestive of this view. This view is fully brought to limelight in the postulation of the committee for economic development (CED, 1971: 15), that "*corporations exercise economic function with a sensitive awareness of changing values and priorities – with respect to environmental conservation; hiring and relations with employees; and more rigorous expectations for customer information, fair treatment, and protection for injury*". Some scholars have questioned whether it is ever possible to achieve a proper convergence of economic and ethical orientation (Donaldson, 1999; Gioia, 1999). The idea of embedding social demands into economic goals requires managers giving the same priority to these two domains, which has been argued to be misleading, hopelessly idealistic, and pragmatically naive (Gioia, 1999). The naivety of this view is revealed in most socially irresponsible behaviour of corporations, which is occasioned by the need to achieve economic responsibility (Campbell, 2007)

3.2.7 The Position of this Study

There is no doubt that corporate economic responsibility is important, yet ethical responsibility is also important. The way forward, therefore, is to find an intersection or harmonisation between the two. The author of this current study believes that harmonisation can be achieved by adopting the embedded CSR orientation, where corporations seek economic success and channel for themselves morally acceptable ways of seeking that success. In this case, corporations would not wittingly engage in activities that could possibly harm their stakeholders, and when corporations' activities unknowingly cause harm to their stakeholders, they display a remorseful attitude and promptly move to rectify the situation (Campbell, 2007). The posture that this thesis adopts is that social responsibility should take a balanced view of economic, legal and ethical responsibility, resulting in a dual bottom line of economic and non-economic criteria (Lantos, 2001). While there are demands that business incorporates social issues into its core strategies, this study also recognises the present era, to some extent, as that of capitalism, where the standard of economic analysis is built on the assumption that human beings are still largely motivated by utility maximisation. For this reason, this study adopts the three-domain definition proposed by Schwartz and Carroll (2003), an extrapolation of Carroll's (1979) 'four part definition', which conceives CSR as:

> *Encompassing the economic, the legal and ethical expectations that society has of organisations at a given point in time.*

This definition has been adopted because it attempts to bridge the gap that exists between the two extremes, between which social responsibility of business oscillates (Argandona, 1998). In other words, while business must make profit (economic) it must do so by complying with written laws (legal), conform to the societal norms (ethics), inclusive of philanthropic contributions. Carroll's definition has also been widely used and appears to be a leading paradigm in the CSR literature (Schwartz and Carroll, 2003).

Due to the position adopted in this study, and the peculiarity of insurance services in relation to ethical conduct, the construct will be referred to as "ethics and social responsibility" throughout this study.

3.3 Strategic Dimension of Social Responsibility

The crux of strategic management concerns how a firm positions itself in relation to its environment (Carroll and Buchholtz, 2006), and enhances its effectiveness (Judge Jr., 1994; Venkatraman and Ramanujam, 1986). With respect to social responsibility, therefore, strategic management relates to how a firm positions itself to address social issues emanating from its social environment. Since strategic management strives to make efficient use of corporate resources to achieve organisational goals, authors have argued that giving ethics and social responsibility a prominent role in the strategic management process can enhance this achievement (Key and Popkin, 1998; Wood, 1991). Given that this study is concerned with the role of ethics and social responsibility in business, this section considers how ethics and social responsibility relates to achieving organisational goals, and thus effectiveness.

3.3.1 Ethics and Social Responsibility, and Organisational Effectiveness

How successful organisations have been able to achieve their goals or purposes has been an issue of major concern in organisational studies (Molnar and Rogers, 1976). Organisational effectiveness is the measure of how successfully organisations achieve their missions through their core strategies. Measures of organisational effectiveness are therefore concerned with understanding the unique capabilities that organisations develop to measure that success (Jamrog and Overholt, 2004). Rollinson (2005) identified four approaches for evaluating organisational effectiveness – the goal approach, the system resource approach, the multiple constituency approach, and the competing values model (these four approaches are shown in figure 2.2 below).

The goal approach (Barnard, 1938)[13] conceptualises effectiveness as the extent to which an organisation achieves its goals, under the assumption that these goals can be clearly established, and that there are resources to achieve them (Rollinson, 2002). This model has been criticised for a number of reasons. First, the goal approach to organisational effectiveness has been argued to be limited in application. It was contended that profitability, a basic measure of effectiveness in the goal approach will not enhance its application to organisations that are not profit-oriented (Price, 1972; Rollinson, 2002). Second, the multiple nature of organisational goals can lead to conflicting goals (Simon, 1964), while achieving one may preclude achieving another (Rollinson, 2002). Besides, there could be lack of agreement even among top management members on what the goals of an organisation are (Lawrence and Lorsch, 1967). Third, since a gap could exist between target goals and actual performance, using goals as the basis of effectiveness could lead to failure (Etzioni, 1964)[14]. Fourth, some goals could be inherently ambiguous, which could make accomplishing them impossible (Rollinson, 2002). Notwithstanding these criticisms, the goal approach remains the most widely used approach for evaluating organisational effectiveness (Cameron, 1980; Rollinson, 2005).

[13] Cited in Rollinson (2005)

[14] Cited in Rollinson (2002)

The system resource approach (Georgopolous and Tannembaum, 1957)[15], views the organisation as an open system (Molnar and Rogers, 1976), which continuously interacts with its environment, and measures organisational effectiveness against the extent to which an organisation maximises its bargaining position vis-à-vis the environment to acquire an optimal level of scarce and valued resources. Quoting Molnar and Rogers (1976), "*effective organisations, are therefore, those that receive greater resource inputs from their environments*". The criteria suggested by Cunningham (1978)[16] for evaluating effectiveness include:

- Ability of the organisation to exploit its environment in acquiring scarce and valued resources
- Ability of the organisational decision makers to interpret correctly the true properties of the environment i.e. opportunities and constraints it presents
- Whether day-to-day activities run smoothly in the organisation
- Whether the organisation responds appropriately to changes in its environment.

While the system resource approach could be useful when combined with the goal approach, given that adequate resources are necessary for organisation to realize its goals (Hall and Clark, 1980), it has also been criticised for; failure to indicate an optimal level of resources exploitation, making it difficult to evaluate effectiveness; failure to provide guidance for determining valued and scarce resources; and for putting emphasis only on resource acquisition, and ignoring the use to which the resources can be put (Rollinson, 2002).

The multiple constituency approach (Connolly et al., 1980; Pfeffer and Salancik (1978), sometimes called the stakeholder approach (Rollinson, 2005) was developed to address the identified flaws of both goal and system resources (Connolly et al., 1980) approaches discussed above. This approach assumes a comprehensive and integrative perspective combining and extending both goal and system resource approaches

[15] Ibid

[16] Ibid

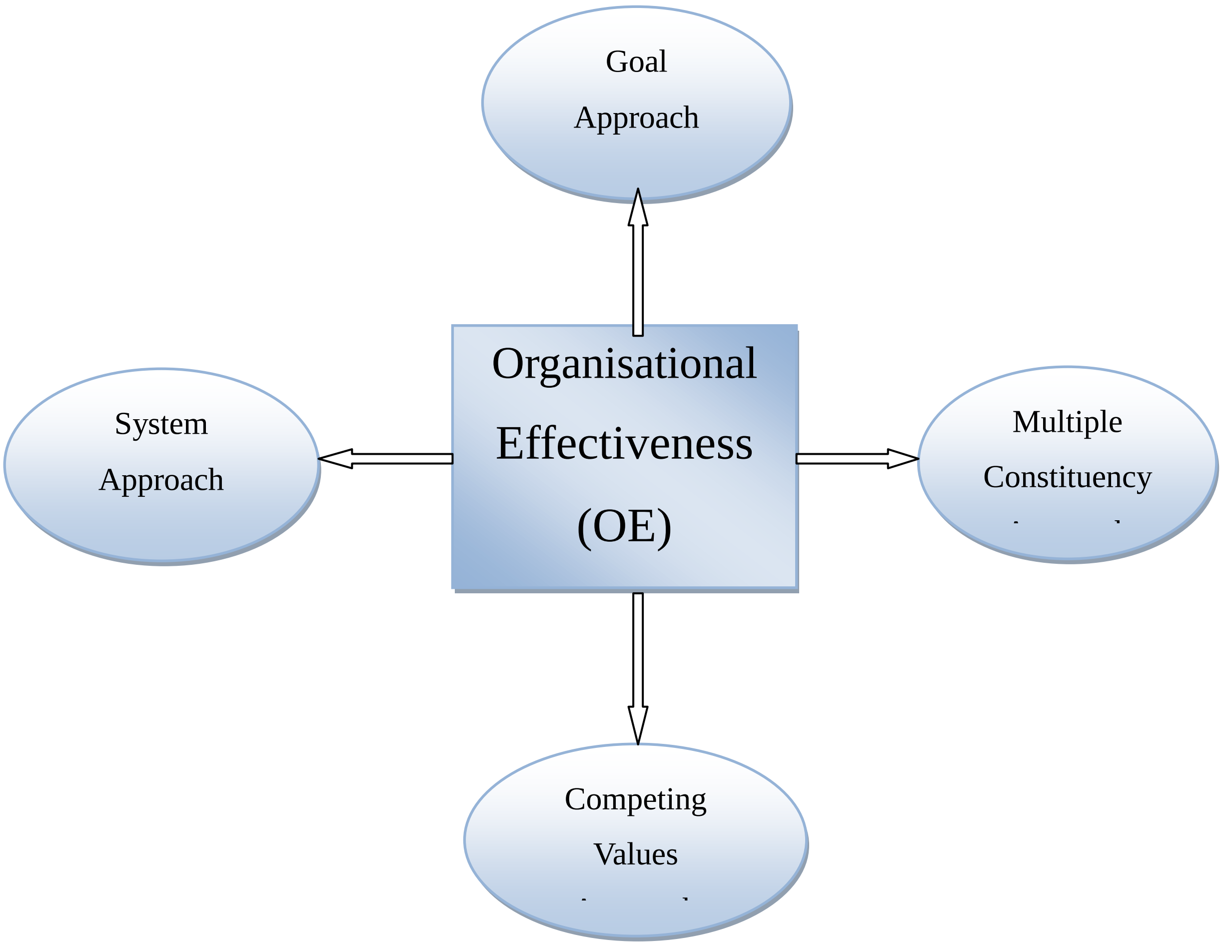
(Connolly et al., 1980). The argument of this approach is that all stakeholders (internal and external) entered into a relationship with an organisation in anticipation of the benefits that would accrue to them; hence the extent to which these interests are satisfied is equated to effectiveness. Rollinson (2005) identified those stakeholders to be:

- Shareholders (whose criterion for effectiveness are dividend and share value), employees (who judge the organisation based on working conditions, work satisfaction, security etc)
- Customers (whose criteria for effectiveness are price of goods or services, quality, delivery, after sales service)
- Suppliers (whose interests are prompt payment, creditworthiness, and future sales)
- Government (whose expectation on business is compliance with the law and tax revenue to meet its obligation to the people)
- Immediate community (requiring some form of community support), and
- The wider society (looks to the organisation for employment opportunities, expects some form of social responsibility and care for the environment).

While the multiple constituency approach assumes superiority over the goal and system resource approaches, the question of whose interest is most important and should take precedence over others (since interests of the stakeholders differ and the organisational resources for satisfying them are limited) has prompted the development of the competing values model (Quinn and Rohrbaugh, 1983). This model evaluated effectiveness based on value systems. The model argued that managers are pressured to satisfy all stakeholders, and that the interest of the stakeholder given primacy will depend on the value system at work, which will ultimately influence the criteria used to evaluate organisational effectiveness (Rollinson, 2002). The import of this model is that managers select their own criteria of effectiveness based on the aspects of organisational functioning or stakeholders that are considered to be most important to them. This model has been utilised by Walton and Dawson (2001) in measuring managers' perceptions of the criteria of organisational effectiveness. Quinn (1984) argues that the three dimensions of the competing values model portray value dimensions as widely used by people when evaluating social action. He therefore proposed that managers use these dimensions in making sense of their social environment and selecting appropriate actions.

The criterion suggested above and others identified in the management literature, as well as empirical findings, suggest that CSR can be important in evaluating the extent to which an organisation achieves its mission and goals or organisational effectiveness. It also indicates that managing organisations in today's turbulent environment must go beyond the pursuit of only economic or financial goals, but must include social goals as well.

Figure 3.2: Approaches of Organisational Effectiveness



3.3.2 The Perceived Role of Ethics and Social Responsibility

There is an increasing call for businesses to be more ethical and socially responsible in their operations. Authors have argued that marketing-related activities are aspects of business practices that are susceptible to, and have received wide criticism, concerning ethics and social responsibility (Tsalikis and Fritzsche, 1989; Singhapakdi et al., 1996). This is because the marketing function provides an interface between the organisation and its environment, and its activities are also highly visible to the general public (Dubinsky and Loken, 1989; Ferrell and Gresham, 1985; Laczniak, 1983). It is therefore no surprise that Robin and Reidenbach (1987) recommended that organisations incorporate these concepts into their strategic marketing planning process. While evidence abounds in the literature of corporations who have responded to this recommendation, recent happenings seem to suggest that some organisations have either ignored this call, or having only been toying with ethics and social responsibility.

Following Robin and Reidenbach's (1987) recommendation, authors have argued that effective incorporation of the concepts into the strategic marketing planning process will require an understanding of the decision processes of marketers in situations involving ethics and social responsibility (Singhapakdi et al., 1996; Vitell et al., 2003). This understanding has been held to be crucial, because, naturally, individuals who are either marketers or managers or both must first perceive ethics and social responsibility to be significant as a managerial practice and a component of business decisions affecting organisational effectiveness before their behaviours are likely to become more ethical and reflect greater social responsibility (Kraft, 1991; Singhapakdi et al., 1996; Vitell et al., 2003).

A number of studies have therefore attempted to measure the perceptions of marketers and managers on the relative importance they place on ethics and social responsibility as one of the criteria for achieving organisational effectiveness. Kraft (1991a), investigated the relative importance of social responsibility as a criterion in determining organisational effectiveness, using student samples. Kraft's (1991a) argument for using student samples suggests that measuring student perceptions takes care of one of the problems of better preparing students for the real world of CSR. Kraft argued further that students-as-managers may obliterate the problem of managers acting in their own selfish interest in achieving career success, who usually evaluate organisational effectiveness based on financial performance.

The idea is that students would more likely seek a balance between social responsibility and the other potential determinants of organisational effectiveness. The study utilised the Kraft and Jauch (1988) instrument for organisational effectiveness, containing seven categories of effectiveness (including social responsibility) and containing 60 criteria, of which 9 were social responsibility criteria. 151 students who participated in the study were asked to rate the criteria from three constituent views – as a manager, as an investor and as an employee within a service sector firm. Students' views from these three constituencies indicate that social responsibility was not among the most important criteria of determining organisational effectiveness.

While it appeared that the objective of the study was achieved, the student sample used in the study however imposed a constraint on the extent to which the findings of the study can be extended to the real world of business; hence, its usefulness in understanding corporate behaviour and decision-making. Furthermore, the study was not underpinned by any known theory, which could have enhanced further empirical works. The work was also lacking in methodological rigour.

Zahra and La Tour (1987) used a multivariate approach to investigate the relationship between CSR and organisational effectiveness, with the aim of redressing the limitations they observed in prior works. While the authors observed that research in CSR has revolved around three areas, namely (1) strategies employed by firms in their CSR response, (2) the nature and the potential areas for effective social responsiveness, and (3) the potential impact of CSR on organisational performance, they emphasised the third area, reasoning that it was the most focused area of CSR at that time. This was therefore reflected in the aims of the study, i.e. 'testing the proposition that specific aspects of CSR impact certain organisational effectiveness (OE) dimensions while not affecting others'.

Recognising that past research has produced weak and contradictory results due to poor measures used, the authors developed a 66-item questionnaire to measure CSR and a 14-item questionnaire to measure OE. Factor analysis and Varimax rotation of the measures resulted in 8 dimensions of CSR, which reflected Carroll's (1979) four-path definition (economic, legal, ethical and discretionary), and 3 dimensions of organisational effectiveness (OE). The CSR dimensions were defined as the independent variables, while those of OE were shown as the dependent variable. The results of the study suggest that CSR is a multidimensional construct associated with organisational effectiveness. The authors thus recommended that business executives should give priority to the areas of potential CSR involvement identified by their study in order to ensure effective performance.

Despite the contribution of this work, a number of limitations were observed. The subjects of the study were drawn from a student population, though some were claimed to be in full-time/part-time employment, the authors were however silent on whether selection had been based on randomness or not. The instrument was too long to enhance meaningful interpretation and replication, and all the items were not relevant in capturing the domain of the construct, as evidenced by a large unexplained variance. Besides, some items cross-loaded on some of the factors, and no attempt was made to assess the reliability of these dimensions to show their internal consistency in measuring the construct. In all, no theoretical basis was provided for the study, though a reference was made to two independent studies. Based on these shortcomings, the results of the study did not have sufficient validity to enhance their generalisation beyond the sample.

The major difference between these two studies is that while Kraft (1991a) measures the relative importance of social responsibility among several other determinants of organisational effectiveness, Zahra and La Tour simply tried to establish a link between CSR and organisational effectiveness.

Kraft (1991b) extended his earlier work by measuring the perceptions of 53 managers in two service sector industries. The respondents were presented with a questionnaire used in the earlier study (Kraft, 1991a), containing 60 criteria that fall under each of the 7 categories of personnel, service/production, organisation, marketing, finance, society and research & development. The results were apparently different from the student samples, with the managers rating one of the criteria of social responsibility (ethical conduct) higher than any of the finance or marketing criteria, while three other social responsibility criteria were ranked among the top 50% of all the 60 rated criteria.

Apart from the obvious differences in the demographic and job roles of the respondents in the two studies (Kraft 1991a and 1991b), another reason for the priority given to some social responsibility criteria as being important for organisational effectiveness could be explained by the industrial sector to which the respondents in Kraft (1991b) belong. For example, Kraft's (1991b) submission suggests that this higher rating by the managers could be due to the 'high visibility' positions they occupied in their organisations, which bring them into contact with the public and hence more pressures to be ethical and socially responsible. It could also be possible that those managers enjoy some degree of autonomy and under little pressure in terms of financial performance.

Kraft's (1991b) extended the prior research by showing that managers may rate social responsibility criteria differently depending on the industrial sector and activities they engaged in. The fact that the managers rated ecology, one of the social responsibility criteria as the least important of all the 60 criteria is suggestive of this conclusion. Perhaps, the reverse may have been obtained if the managers belonged to manufacturing industries whose operations probably pollute the environment. Despite these findings, it remains unclear whether managers will be willing to commit resources to these social responsibility criteria, when faced with a real world situation of allocating scarce and limited resources among other competing priorities or criteria.

While Kraft (1991b) examined the relative importance of social responsibility criteria in achieving organisational effectiveness among managers, the samples were not large enough to enhance generalisation of the findings. The study did not also give consideration to 'industry effects', which would have allowed for intra-industry comparisons. Besides, the instrument is too long, and no attempt was made to assess its psychometric properties. The study also lacked theoretical underpinning and analytic robustness.

As a follow up to the two studies reported above, and an obvious improvement over the limitations identified, two other studies were co-authored with Singhapakdi to address these limitations. The first of these studies (Kraft and Singhapakdi, 1991) compared students' and managers' responses on the role of ethics and social responsibility in achieving organisational effectiveness. The results suggest that students "*rated the importance of ethical conduct and some dimensions of social responsibility lower than managers*" (p. 683). This study contributed to the management study by pointing out problems that could emerge in future, when students graduate, join the business world, and are saddled with taking ethical business decisions. The second study, Kraft and Singhapakdi (1995), improved Kraft (1991a), by refining the instrument to 35 items and a 5-dimensional scale. Whilst, the results were not too different from the earlier one, it did emerge that gender could account for differences in perceived importance of ethics and social responsibility for organisational effectiveness, as female students rated ethics and social responsibility criteria higher than male students.

Singhapakdi et al. (1996) introduced a new dimension into the research on organisational effectiveness and social responsibility by developing a scale for measuring ethical and social responsibility issues relating to marketing, and specifying the dimensionality of the construct. Building on Kraft and Jauch's (1992) study, the PRESOR (Perceived Role of Ethics and Social Responsibility) scale was developed to measure the perceived role of ethics and social responsibility among 153 respondents in achieving organisational effectiveness. The authors argued that ethics and social responsibility can and should be assessed on an individual level. They relied on the views of marketing theorists (Ferrell and Gresham, 1985; Hunt and Vitell, 1986, 1993; and Ferrell et al., 1989), who posit that marketers' decision-making processes in situations having ethical content is a function of different categories of background factors, such as cultural environment, industry environment, organisational environment, professional environment, and personal characteristics.

Furthermore, how individuals perceive ethics and social responsibility to be relatively important, particularly in achieving long-term organisational effectiveness, may be influenced by the individuals' personal characteristics (Singhapakdi, 1995). Thus when marketers are faced with making ethical judgments, their evaluations of such situation has been identified to involve two processes – teleological evaluation and deontological evaluation. As was shown in Hunt and Vitell (1986), teleological evaluation deals with the consequences or implications of an action involving ethical judgment by a marketer or a manager, which is usually determined by the relative importance of various stakeholders, who may be affected by such action or behaviour. Deontology deals with the process of making a particular decision or taking a course of action relating to ethics by applying sets of norms to available alternatives.

Singhapakdi et al's (1996) study, which also draws inspiration from Hunt et al. (1990) and Forsyth (1980) to measure the individual's social responsibility attitudes and personal moral philosophies respectively, found out that individual antecedents do affect marketers' or managers' perception regarding the role of ethics and social responsibility in achieving organisational effectiveness. In a direction for further studies, the authors pointed out the need to include in the model, several other personal characteristics (e.g. age, gender, management level) and situational factors (e.g. organisational culture, organisational size), which could explain differences in managers' scores on the PRESOR scale. Considering that the subjects were a student sample, the authors further emphasize the need to administer the instrument on different groups of business practitioners to show the validity of the scale in measuring the construct.

Singhapakdi et al.'s (1996) work contributed to the CSR literature by using ethical theories to explain differences in the perceived role of ethics and social responsibility, thereby operationalising the normative theory of the construct.

Etheredge (1999) used the PRESOR scale to measure the perceptions of managers in Hong Kong, a country that is culturally different from that in which the scale was developed, following Singhapakdi et al.'s (1996) suggestion that culture, both as

personal or situational factor may impact ethical perceptions, and hence scores on the PRESOR scale. The objective then was to confirm the factorial structure of PRESOR, and assess its reliability and validity by using it with managers outside its country of origin.
The PRESOR scale, as developed and used by Singhapakdi et al. (1996), has three factorial structures (social responsibility and profitability, long-term gains, and short-term gains). The predict validity of the instrument was assessed in terms of idealism and relativism, the two dimensions of Forsyth's (1980) Ethics Position Questionnaire (EPQ); and Hunt et al.'s (1990) Socially Responsible Attitudes Scale (a 4-item scale). Etheredge (1999) added a third dimension - Attitudes towards Business Ethics Questionnaire (ATBEQ), which was originally developed and used by Neumann and Reichel (1987). The ATBEQ has two dimensions, namely: (i) irrelevance of morality and ethics in business, and (ii) objectivism.

The 'irrelevance of morality and ethics in business' as used by Meising and Preble (1985), reflects the Machiavellian philosophy, which proposes that business is self-contained, that there is no imperative in business, and expediency must take precedence over virtue, if success must be achieved. Objectivism, a reflection of Ayn Rand's philosophy of 'rational self-interest' (Meising and Preble, 1985), posits that business corporations have no ideology or values other than economic growth, profit and efficiency, and argue that morality is the ability to be faithful to reality by avoiding ethical judgements based on subjective feelings.

The three-factorial structure of the scale could not be confirmed, as it was shown to be statistically and substantively unsuitable. The confirmatory factor analysis in this study only supported a two-factorial solution, which were labelled "importance of ethics and social responsibility", and "subordination of ethics and social responsibility". Additionally, the results of the study suggest that individuals, who are more idealistic, less inclined to subordinate ethics and social responsibility, and more relativistic, less inclined to regard ethics and morality as irrelevant, tend to perceive ethics and social responsibility in business as being important. Similarly, those who regard ethics and morality as irrelevant to business, and more relativistic, less inclined to regard ethics and social responsibility as important, tended to support the view that ethics and social responsibility should be subordinated to competitiveness, profitability, survival, and efficiency in business.

Despite the robust analysis, and the findings of the study, the selection of the subjects, and the way the instruments were distributed for completion and retrieved may have introduced some bias into the results, thereby calling for a caveat in generalising the findings. Notwithstanding, the study pointed out that the PRESOR scale could have a different factorial structure when used with managers outside the US.

3.4 Theoretical Framework

From the evidence obtained in the literature, and the industry context of this study, the thesis adopts normative ethical theories as providing superior lenses to understanding decision-making concerning the relevance of ethics and social responsibility in business. To this effect, theories of personal moral values, such as teleology, deontology, relativism, and idealism, and organisational ethical climate/corporate values are considered. The grouping and variants of these normative ethical theories are presented in figure 2.3, while figure 2.5 depicts how Forsyth's (1980) ethical theory of relativism and idealism relates to deontological and teleological theories.

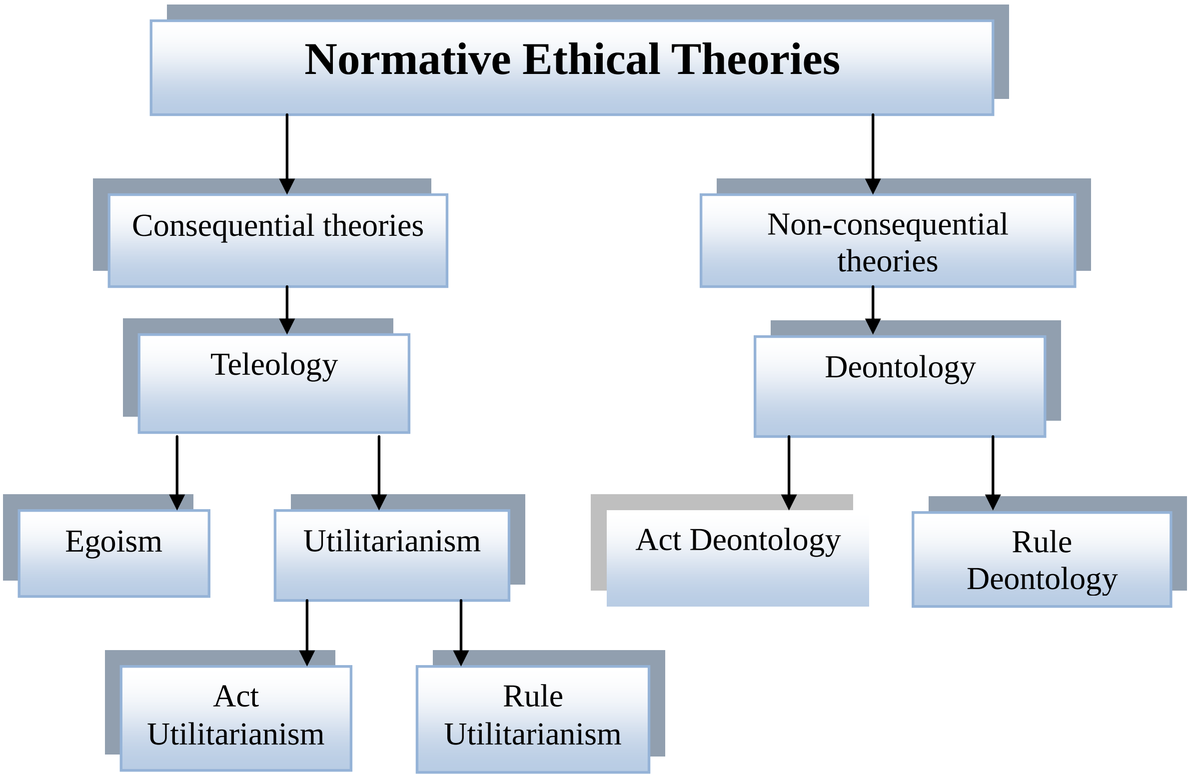
3.4.1 Deontology and Teleology

Teleology as a normative ethical theory evaluates moral actions based on the consequences of such actions (Macdonald and Beck-Dudley, 1994). In other words, teleology holds that right actions lead to good consequences, while wrong actions lead to bad consequences. Egoism and utilitarianism are two important teleological philosophies that have been identified in the literature as guiding individual business decision-making. Since teleology focuses on the consequences of an action or behaviour, egoism, a variance of teleology evaluates what is right and thus acceptable behaviour based on the consequences to the individual. An egoist believes that whatever decision that is to be made in the face of many alternatives must be the one that maximises his/her own interest. The belief expressed by many people about egoist individuals and egoist companies is that they are unethical, and will take advantage of any opportunity or consumer (see for example, Ferrell et al., 2005; Thorne et al., 2008). An egoist's creed therefore is 'do what is good for thy self'.

Utilitarianism on the other hand holds the belief that the outcome of an action or behaviour must reflect greater benefits to wider society rather than to an individual (VanSandt et al., 2006). Thus when a utilitarian is faced with an ethical decision situation, he/she selects an alternative that gives greater benefits to the larger groups of stakeholders that are likely to be affected by such a decision. In other words, utilitarianism involves deciding how to act, what to do, looking at the consequences of an action and deciding accordingly (DesJardins and McCall, 2005).

This ethical theory is attributed to Jeremy Bentham (who posited that "*the greatest happiness of the greatest number is the foundation of morals and legislation*") and John Stuart Mills. Even though utilitarianism advocates maximising the overall good, the theory has however come under various attacks by ethics scholars. One of such criticisms is that the theory only focuses on the end results, and not the means of achieving those results. It is also argued that utilitarianism overlooks important characteristics of morality, such as, 'acting on principle', 'acting from sense of duty', and 'respecting individual dignity and rights' (DesJardins and McCall, 2005). More importantly, utilitarianism has been criticised because it has been applied to justify the free market economy model, and the classical model of CSR that was advocated by Milton Friedman and his cohorts. On account of the various criticisms of the theory, some utilitarians have distinguished between 'act utilitarianism' and 'rule utilitarianism'. Whereas, act utilitarianism considers the ratio of good to evil inherent in an action, rule utilitarianism evaluates actions based on the worthiness of the rule under which the action falls. As such, based on act utilitarianism, an act would be considered acceptable and right if it produces greater ratio of good to evil for all concerned, while rule utilitarianism advocates adherence to a rule if it delivers more total good than violating it (Tsalikis and Fritzsche, 1989).

Figure 3.3: Normative Ethical Theories



Deontology, as a dimension of ethical philosophy, evaluates ethical decisions based on the principle of moral conformity, and discountenance emphasising consequences in determining the rightness or wrongness of an action. This ethical ideology is also divided along a rule deontology and act deontology axis. What is ethical in rule deontology is based on conformity to a general moral principle, balancing individual right and rules of conduct. By contrast, act deontology evaluates what is moral and ethical, based on individual actions, which requires that a person must be fair, equitable and impartial in making or enforcing decisions. Kant's categorical imperative (i.e. acting in such a way that our action could become a universal law) has been recognised in the ethics literature as the best demonstration of ethical deontology (Tsalikis and Fritzsche, 1989). However, both teleology and deontology have been postulated to affect an individual's ethical judgements.

3.4.1.1 Hunt and Vitell (H-V) Theory

The Hunt and Vitell theory of ethics[17] is one of the several works and models that have shown how deontology and teleology interact to influence ethical decision-making. A number of works have utilised this model and shown its empirical usefulness; see for example, Vitell and Hunt (1990), Singhapakdi and Vitell (1991), and Marta et al. (2008). According to the authors (see Hunt and Vitell, 1986, 1993, and 2006), this model[18] starts with an individual or manager perceiving the existence of an ethical problem in a given situation. From this initial stage, the individual then brings to mind various possible alternative actions that could be evoked to address the situation. This ultimately leads to deontological and teleological evaluations. In evaluating the inherent rightness and wrongness (deontological evaluation) in each alternative action, the individual brings to fore some predetermined personal values or moral behaviour, usually expressed in the form of, “it is always right to...”; “it is generally or usually right to...”; “it is always wrong to ...”; and “it is generally or usually wrong to...”[19]. In applying teleological evaluation, the individual concerned is said to consider four concepts[20]: (1) the perceived consequences of each alternative for various stakeholder groups, (2) the probability that each consequence will occur to each stakeholder group, (3) the desirability or undesirability of each consequence, and (4) the importance of each stakeholder group. The evaluation of these four constructs is held to lead to beliefs concerning the relative goodness against badness inherent in each alternative. Summarily, therefore, the H-V model depicts that the belief that a particular alternative is the most ethical alternative (ethical judgment) will be a function of deontological and teleological evaluation. On whether an individual may apply only one of these norms in ethical judgment, the authors observed this to be quite “*unlikely across many individuals and situations*” (p. 145).

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[17] This theory was initially called “general theory of marketing ethics” (see Hunt and Vitell, 1986), and its new label resulted from comments by scholars about the general applicability of the theory, which the authors recognized in the revised edition of the model (see Hunt and Vitell, 1993)

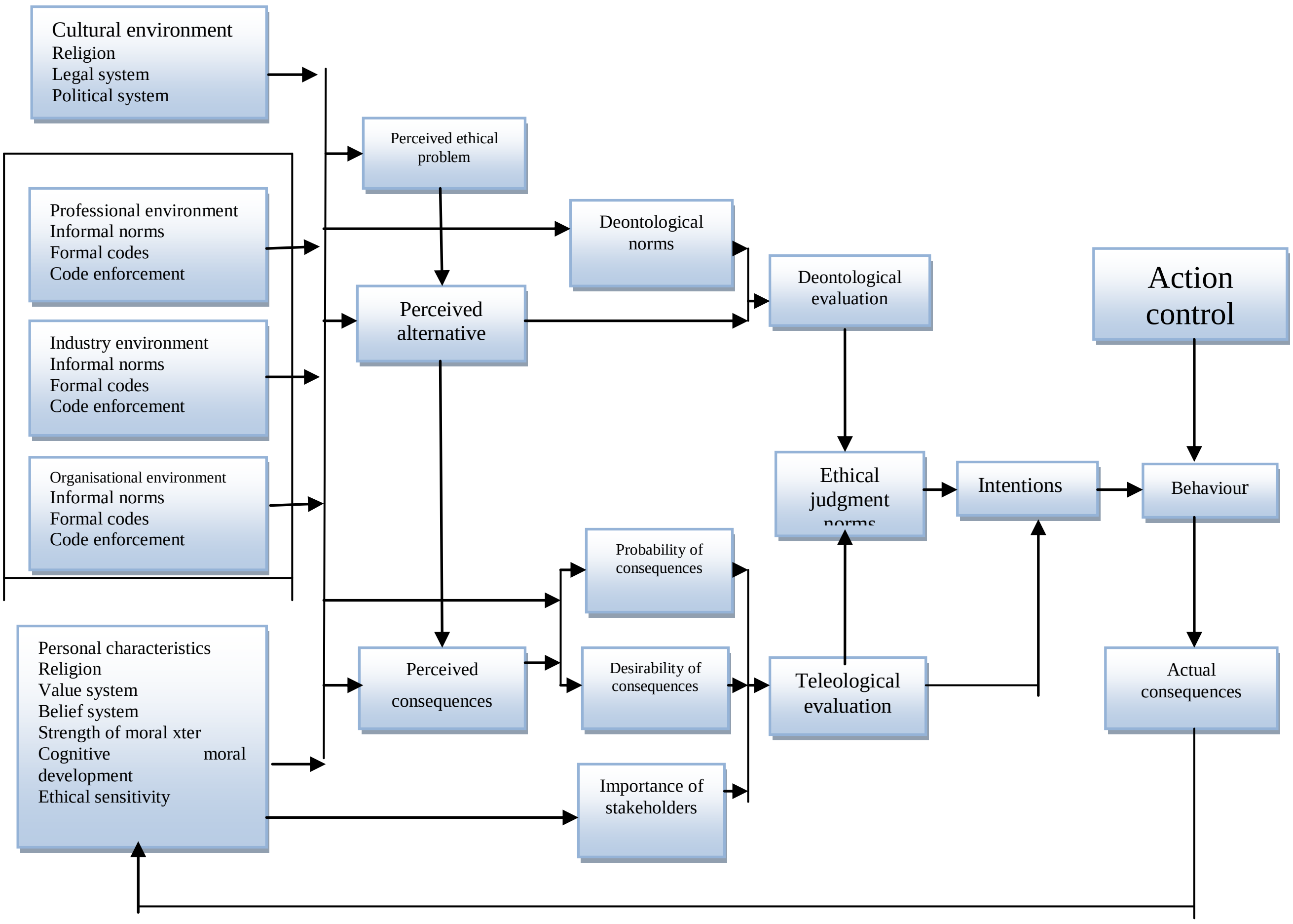
[18] The full model is presented in figure 2.3

[19] See Hunt and Vitell (2006, p. 145)

[20] Ibid, page 145

The H-V theory further proposes that behaviour could be affected by judgment through the intervention of intentions. Arguing that ethical judgment may sometimes differ from intentions due to the independent effect of teleological evaluation on intentions, the author reasoned that an individual might still choose a less ethical alternative situation because of a perceived personal gain, resulting in lack of fit between ethical judgment and intentions, and behaviour. This explains differences in feeling of guilt when individuals engaged in the same behaviour. As depicted in the model, it is also possible for behaviour to be different from both ethical judgment and intentions due to situational factors, labelled "action control", such as opportunity. Pictorially, what follows is the evaluation of the consequences of the alternative selected, which also loops back to various personal characteristics, cultural environment, and possibly professional, industry, and organisational environment. This loop indicates that the identified characteristics and factors could affect behaviour or ethical decision-making. Based on this conclusion it can be inferred from the theory/model that ethical behaviour can be influenced by the interaction of personal characteristics and situational/organisational factors. Figure 2.4 show how an ethical decision is made from perception of ethical problem to deontological and teleological evaluation, and final decision, based on H-V theoretical model.

Figure 3.4: Hunt-Vitell Theory of Ethics



Source: Hunt and Vitell (1986, 1993, 2006)

3.4.2 Relativism and Idealism

Relativism and idealism are other concepts that have been used in the ethics literature to parsimoniously explain individual moral values that affect ethical decision-making (see: Schlenker and Forsyth, (1977), and which Singhapakdi et al. (1996) have used to established the predictive validity of the PRESOR scale. Idealism is entrenched in the belief that what is morally right behaviour leads to desirable consequences, reflecting concern for other people's welfare and avoidance of negative consequences to them (Forsyth, 1980, 1992). Relativism however, holds that there is no such thing as a universal moral standard, but rather base ethical decision-making on a situational context. In other words, what is right or wrong, good or bad depends on such things as the individual attitudes or feeling, the individual role, the individual social group and the individual culture (Hopkins, 1997). For example, cultural relativism holds that morality is relative to groups and individuals that make up a culture, and hence there are no universal norms that apply to all people and all cultures; 'what is right is what my society approves of; what is wrong is what my society disapproves of' (Tsalikis and Fritzsche, 1989, p.).

3.4.2.1 Forsyth's Taxonomy

Forsyth's (1980) personal moral philosophy has been widely used by researchers, and its taxonomy has provided a useful platform for examining moral judgment of marketers and managers (Forsyth, 1992; Tansey, 1994). Following Sharp's (1898)[21] conclusion that lack of consensus in moral judgment is obtained because individuals adopt different ethical systems, Forsyth (1992) posits that most individual ethical beliefs revolve around two dimensions of relativism and idealism. These two dimensions were also argued to be equivalent to deontology (rule-oriented) and teleology (consequence-oriented), which philosophers have traditionally used in contrasting moral theories (Forsyth, 1992). How Forsyth's individual moral philosophies of idealism and relativism relate to deontology and teleology is depicted in figure 3.5. In order to achieve his taxonomy, Forsyth assumes that individuals range from high to low in relativism (deontology) and idealism (teleology). By crossing these two dimensions, four distinct personal moral philosophies were achieved – situationism, subjectivism, absolutism, and exceptionism. This typology is presented in table 3.1.

The situationists are individuals who score highly on both relativism and idealism, and are described as idealistic sceptics. Whilst individuals who fall into this classification do not conform to any universal moral principles, they nevertheless advocate positive consequences that will benefit all involved.

The subjectivists rate high on relativism and low on idealism; implying rejection of universal moral principles and non-advocacy for positive outcomes for everyone concerned, even though they hold that consequences must be considered when moral judgment is being formulated. People with this ethical outlook were described as ethical egoists (Forsyth, 1981, 1992) and highly Machiavellian (Vitell et al., 1991), because of

[21] Cited in Forsyth (1992)

their advocacy that moral actions should be focused on promoting self-interest rather than producing positive outcomes for everybody in general.

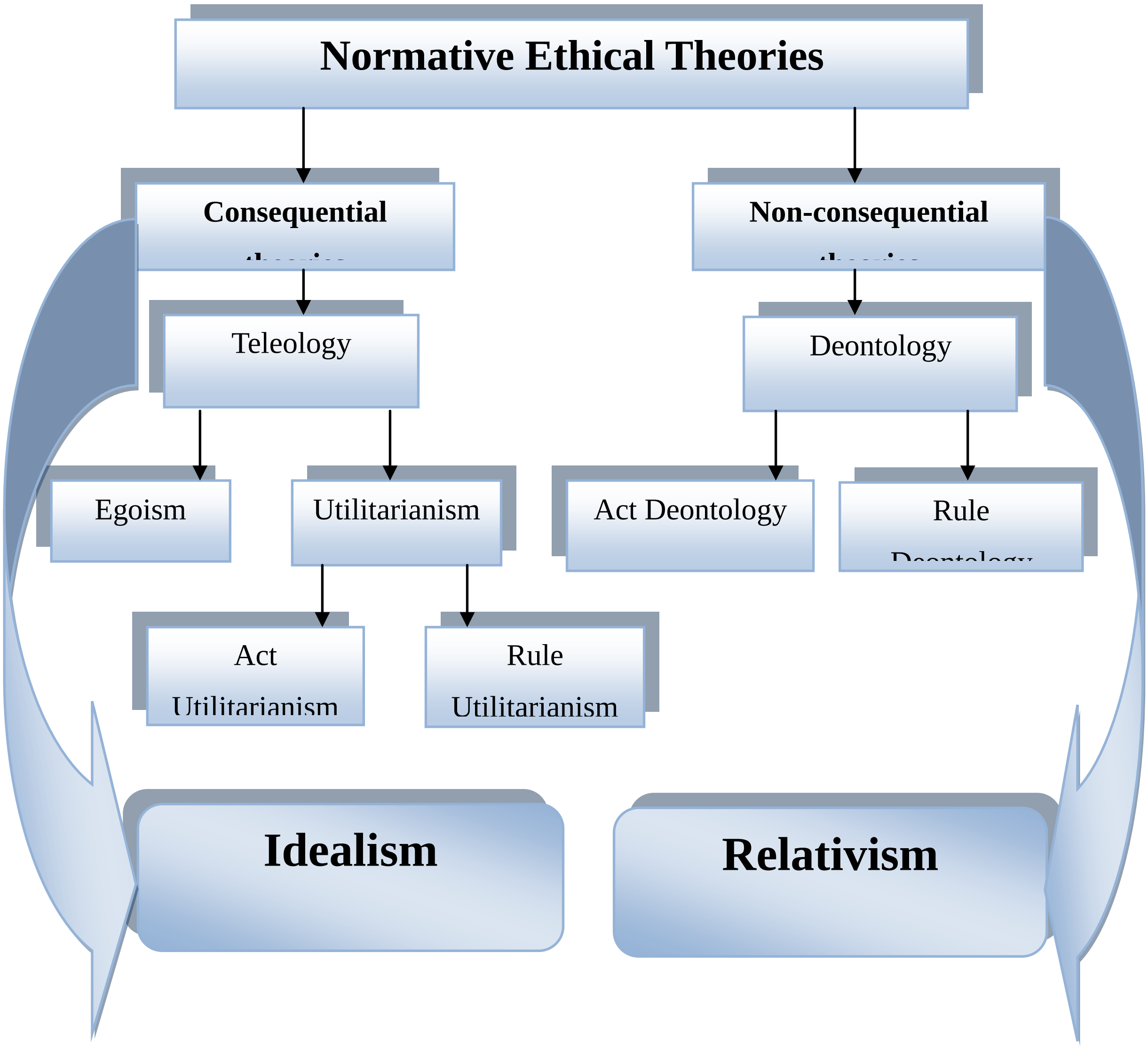
Table 3.1: Forsyth's Taxonomy of Personal Moral Philosophies

	High Relativism	**Low Relativism**
High Idealism	**Situationist** Reject moral rules Advocates personal analysis of each situation Relativistic Idealistic sceptic	**Absolutist** Assumes that the best outcome can always be achieved by following universal moral rules Deontologist
Low Idealism	**Subjectivist** Appraisals based on personal values and perspective rather than universal moral principles Ethical egoist	**Exceptionist** Moral absolutes guide judgments but pragmatically open to exceptions to these standards Teleologist; utilitarian

Source: Forsyth, 1981

Absolutists rate high on idealism and low on relativism, which implies advocacy for positive consequences and strict adherence to general moral principles. Thus, actions that will bring harm to people or violate fundamental moral absolutes are reviled by absolutists, indicating concern for the welfare of others. Absolutists are said to apply Kant's categorical imperative of "*do what you desire that others should do under similar circumstances*" (Panton, 1948).

Figure 3.5: Relationship between Forsyth's Moral Philosophies and Normative Ethical Theories



Exceptionists rate low on both relativism and idealism. Though exceptionists agree with idealists in principles, they are nevertheless not idealistic, because they do not hold that avoiding harm to innocent people can always be avoided. People under this categorisation have also been described as utilitarians for their pragmatic judgment of balancing the positive consequences of an action against its negative consequences. Such people believe that adherence to principles may sometimes compel one to act in a way that might jeopardize the interest of innocent others, and that exceptions are allowed in such circumstances. The line of demarcation between subjectivists and exceptionists is that while the former tend to maximise personal gain, the latter maximise societal gain; even if innocent others are harmed in the process.

3.4.3 Organisational Environment and Ethical Decision-making

The H-V model theoretically posits that organisational factors can be important in influencing ethical decision-making. Bommer et al. (1987) also show in their theoretical model that the work environment can interact with several other factors to influence managers' decisions to either act ethically or unethically. The model identified corporate goals, stated policy and corporate culture as some of the organisational factors that can influence ethical decision-making. According to the authors, corporate goals can be short and long-term, with most companies emphasising the short-term goals in terms of return on investment and profitability. They argued that when short-term goals are dominant in a company's outlook, there is high likelihood of ethical concerns being subordinated, which if resulting in unethical actions, can have negative effects on its reputation and threaten the company's existence. Supporting this argument, Laczniak (1983) posits that the ranks of middle managers and below are usually put under pressure with demands for results when the profit goal is dominant in a firm's short-term goals, which is interpreted that any impediment to this goal should be disregarded. In this regard, pressure from the organisation can be a significant factor in ethical decision-making (Ferrell and Gresham, 1985).

Both stated formal and informal policies are also shown as an organisational antecedent that can influence ethical decision-making; see for example, Hunt and Vitell (2006), Bommer et al. (1987), and Ferrell and Gresham (1985). This policy is usually presented in the form of codes, which sensitises employees to the importance of ethical decision-making. Hunt et al. (1989) citing Schein (1985) described corporate values, as a major dimension of corporate culture, and posit that organisational values "*serve to convey a sense of identity to its members, enhance the stability of its social system, direct managers' attention to important issues, and guide subsequent decisions by managers*" (p. 80). Furthermore, corporate ethical values, which underpinned other specific values in the organisation, establish standards for distinguishing right and wrong conduct.

Using differential association theory[22], Ferrell and Gresham (1985, p. 90) postulate that ethical/unethical behaviour is learned in the process of interacting with persons who are part of intimate personal groups or role set. Thus the extent to which the learning process results in unethical behaviour will be a function of the ratio of contact with unethical patterns to contacts with ethical patterns. The import of this theory is that top management, and peers in the organisation can influence ethical/unethical behaviour of managers, and hence, ethical decision-making.

3.4.4 Organisational Commitment and Ethical Decision-making

All organisations are said to desire committed employees (Hunt et al., 1985), because they are instrumental to achieving stated goals and objectives. Organisational commitment is conceived as the extent to which employees strongly believe in and accept organisational goals and values; willingly exert considerable effort on behalf of the organisation; and strongly desire to maintain membership of the organisation[23]. While there are several predictors of organisational commitment, Hunt et al. (1989) theorised and found that organisational commitment is strongly influenced by perceptions of corporate ethical values, indicating commitment as an organisational outcome of ethical decision-making.

One theory, which could help explain this relationship, is cognitive dissonance theory (Peterson, 2003). According to this theory[24], the individual usually exerts considerable effort to minimize dissonance in their environment, which put in an organisational context, implies employees strive and desire congruence between their ethical standards and that of their organisation. Where dissonance or incongruence is perceived, this will lead to dissatisfaction (Viswesvaran et al., 1998); employees would want to minimize this, which could lead to withdrawal and resignation from the organisation (Janson and Von Glinow, 1985). Drawing inspiration from Heider's (1946) balance theory[25], a

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[22] Citing Sutherland and Cressey (1970)

[23] See Viswesvaran et al. (1998), and Ashman (2007)

[24] See Koh and Boo (2001).

[25] Heider (1946, p. 107-108) postulates that "An attitude towards an event can alter the attitude towards the person who caused the event, and, if the attitude towards a person and an event are similar, the event is easily ascribed to the person. A balanced configuration exists if the attitudes towards the parts of a

version of cognitive dissonance theory, Viswesvaran et al. (1998, p. 367) extrapolate that:

> *In a set of three entities – individual and attitude towards two entities, if the individual is to have both attitude positive, then the two entities should be positively related. Since most individuals strive to be ethical (by their own decision rule) and successful, we have positive relationship between the individual and perceptions of success and perceptions of support for ethical behaviour. It is likely that top managers reflect success in most organisation. Now, if there is a perception that top managers in an organisation do not support ethical behaviour, a dissonance results. This dissonance contributes to dissatisfaction with existing conditions in the work place.*

What can be deduced from Heider's (1946) balance theory, and Viswesvaran et al's (1998) extrapolation, using logic that seems to have inspired Heider's postulation, is that if a manager's job causes him to behave unethically (due to pressure from superiors), and the manager does not like unethical behaviour, then the manager will not like his job, because it causes him to be unethical. This assumption is verifiable, and a number of works have tried to empirically explore the relationship between organisational commitment and corporate ethical values; see Viswesvaran et al. (1998), Schwepker Jr. (2001), and Koh and Boo (2001). Findings from these works seem to suggest that where a manager experiences moral conflict due to lack of fit between his personal ethical standard, and that of the organisation, but did not resign, this tends to lead to reduced job satisfaction (Koh and Boo, 2001) and lower commitment (Paterson, 2003; Rozen et al., 2001). Similarly, Schwepker Jr. (2001) found that greater job satisfaction is associated with stronger organisational commitment, and the higher the

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causal unit are similar" (p. 107). He further broke this into two hypotheses: (a) "A balanced state exists if an entity has the same dynamic character in all possible respects". (b) "A balanced state exists if all parts of a unit have the same dynamic character (i.e., if all are positive or all are negative), and if entities with different character are segregated from each other. If no balanced state exists, then forces towards this state will arise. Either the dynamic characters will change, or the unit relations will be changed through action or through cognitive reorganisation. If a change is not possible, the state of imbalance will produce tension" (107-108).

perceived level of organisational ethical climate, the higher the level of organisational commitment, and the lower the intention to leave the organisation.

3.4.5 Culture and Ethical Decision-Making

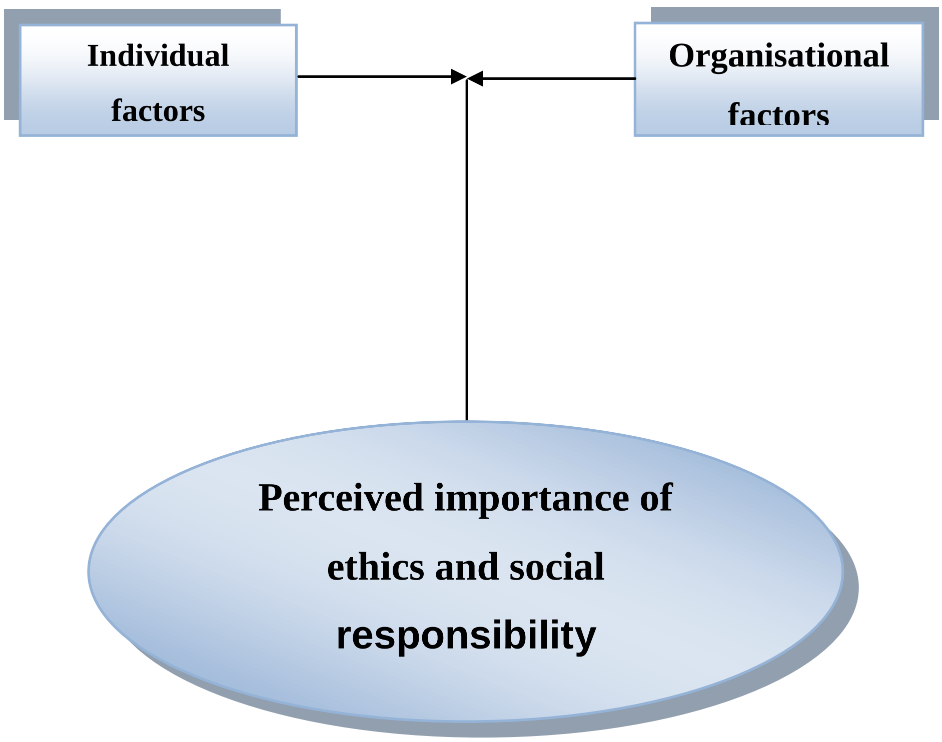
As shown in their theoretical model, Hunt and Vitell (1986, 1993) posit that culture affects various aspects of the decision-making process in situations involving ethical issues. Culture could also be a key factor, which explains differences in ethical decision-making processes between members of different societies and members of a single society, particularly where there are subcultures and natural individual differences, as suggested by Beauchamp (1982). Hofstede (1983) captures this cultural antecedent (Nakata and Sivakumar, 1996). Hofstede aggregates individuals' cultural values (beliefs) to arrive at a national cultural value, for numerous countries, by using a number of work-related values, like power distance, uncertainty avoidance, individualism/collectivism and masculinity/femininity.

According to Hofstede (1985), power distance reflects the interpersonal power or influence between a superior and a subordinate, and is defined as the degree to which a member of a group or society accept the fact that power is unequally distributed in institutions and organisations. Thus an individual who believes that this inequality exists, is reluctant to disagree with his/her superiors, believing that they have privileges, and is therefore conceived to be highly power distant and vice versa (Hofstede, 1984).

Hofstede's uncertainty avoidance posits that individuals in society display a lot of anxiety and uneasiness about the future outcomes of present actions. Hence, they try different means, such as technology, law and religion to deal with such a situation; this also varies from individual to individual and from culture to culture. He therefore defines uncertainty avoidance as the degree to which members of a society feel uncomfortable with uncertainty and ambiguity, leading them to support beliefs promising certainty and to maintain institutions protecting conformity (Hofstede, 1995). Within this context, Hofstede (1984) thus submitted that individuals with high uncertainty avoidance are more concerned with security in life, feel a greater need for consensus and written rules, and are intolerant of deviations from standard practices in contrast to individuals with low uncertainty avoidance.

Individualism encompasses the relationship between an individual and the collective interest of the group to which he or she belongs. It was defined as the extent to which an individual pursues self-interests, individual expression, and prefers loose ties between individuals in a society and organisations as compared to more formal ties (Hofstede, 1984; Triandis, 1995). Such individuals are held to believe that personal goals and interests are more important than group interests (Hofstede, 1984; Kluckhohn and Strodtbeck, 1961), as opposed to a collectivist who views his/her self as part of a group, thereby placing group interests first. Schwartz (1994) also posits that collectivists value reciprocation of favours, a sense of belonging and respect for tradition.

Figure 3.6: Theoretical Framework



Masculinity was defined by Hofstede (1985) as a preference for achievement, heroism, and assertiveness and material success. Masculine individuals are therefore assertive, aggressive, ambitious, and competitive and money/material things oriented (Hofstede, 1984). This can be contrasted with feminine individuals who are modest, humble, nurturing and responsible. Feminine individuals are also people oriented, more benevolent, and less interested in personal recognition and pleasure achievement, in terms of close relationships and living environment (Hofstede, 1984).

From the discussion of the theoretical framework, individual ethical decision-making can be represented along a continuum, which can be influenced by the interaction of personal and organisational/situational variables. This is depicted in figure 3.6 above.

3.4.5.1 Studies on Culture and PRESOR

Recognising the increasing global dimension of ethics and social responsibility in business, arising from the need to understand the challenges business may face in different country environments, and the dearth of research on cross-cultural differences in this construct, Singhapakdi et al. (2001) aimed to contribute to ethics and social responsibility literature in this regard. With samples from Australia, Malaysia, South Africa, and USA, using Hofstede's cultural framework of power distance, uncertainty avoidance, masculinity/femininity, individualism/collectivism (Hofstede's, 1980), and Confucian dynamism (Hofstede and Bond, 1988), the authors investigated whether there are differences in marketers' belief that ethics and social responsibility is important for organisational effectiveness based on cultural, economic development, and legal/political environment; organisational ethical climate; and gender.

The study documents that there are country variations in the perceived importance of ethics and social responsibility for organisational effectiveness, and that irrespective of these differences, corporate ethical climate positively influences managers' perception. While the results suggest gender differences, age differences in this perception could not be established. Given that the results were not cross-validated, to find out if the models have been over-fitted to the samples, the findings could not be extended to other countries. This limitation to generalisation was also pointed out by the authors, particularly in relation to the samples of the study.

In a related study, and with samples largely taken from the United States, Vitell et al. (2003) found that individuals who are lower in power distance, and thus democratic; higher in uncertainty avoidance; higher in Confucian dynamism, more idealistic, and less relativistic are more likely to perceive ethics and social responsibility as important in achieving organisational effectiveness. Some of these findings were consistent with Etheredge’s (1999) findings that individuals who are more relativistic, but less inclined to regard ethics and morality as irrelevant, perceived ethics and social responsibility to be important in achieving the firm’s success. In addition, the study documented that stronger corporate ethical values enhance greater perceived importance of ethics and social responsibility and further suggest that enforcement of a code of ethics may lead to greater perceived importance of ethics and social responsibility.

In Vitell et al.’s (2003) findings, there was no evidence to support the proposition that individualist and highly masculine individuals will perceive ethics and social responsibility to be less important, or unimportant in achieving organisational effectiveness. In all, the study established that the perceived importance of ethics and social responsibility to the success of the firm is indeed influenced by some of Hofstede’s cultural dimension, even within a country.

Vitell and Paolillo (2004) also empirically explored cross-cultural differences in the perceived importance of ethics and social responsibility for organisational effectiveness among American, British, Spanish, and Turkish managers. With a total sample of 626 managers, the authors reported that country of residence, individuals’ moral values of idealism and relativism (personal factor), corporate ethical values (organisational factor), organisational commitment, and enforcement of code of ethics impact on the perceived importance of ethics and social responsibility for organisational effectiveness. They particularly established that idealists are more likely to believe in the importance of ethics and social responsibility for a firm’s success, while relativists are less likely to believe in ethics and social responsibility to be important for a firm’s success. The study further established that US managers were significantly higher than managers from the other countries in their perceived importance of ethics and social responsibility, while

UK managers were lower in this perception compared to managers from the US, Spain, and Turkey.

In a more recent study, Vitell and Hidalgo (2006) also examined the perceived importance of ethics and social responsibility for organisational effectiveness in a cross-cultural setting involving samples from the US and Spain. While the results of their study were consistent with those of Vitell and Paolillo (2004), they further established that US managers were higher in terms of the organisational factors (corporate ethical values, and enforcement of code of ethics), while Spanish managers were higher in terms of individual factors (idealism, relativism, and commitment to the organisation). Despite these findings, the validity of the results may have been affected by methodological artefact.

Yaman and Gurel (2006) sought to examine the effect of country and cultural differences on PRESOR scores among tourism marketing managers in Australia and Turkey. The authors relying on the findings of Hofstede (1983, 1984), that Turkey is lower in individualism, higher in power distance, strong in uncertainty avoidance, and relatively masculine in nature, compared to Australia, which is higher in individualism, lower in power distance, lower in uncertainty avoidance, and relatively more feminine, contended that results from their study would be insightful in understanding the cultural underpinnings of decision-making relating to ethics and social responsibility. Using a sample of 320 managers from both countries, the factor analysis in their study resulted in a two-factor solution, which bears resemblance to those established in Etheredge (1999), and was labelled accordingly. The first dimension consists of seven items, while the second dimension consists of eight items, compared to Etheredge's, which had five and four items.

The authors reported that Turkish tourism marketers were more idealistic, less relativistic, and higher in their perceived importance of ethics and social responsibility for organisational effectiveness than their Australian counterparts. In addition, the study found idealism to be a significant positive determinant of the first dimension of their PRESOR – "importance of ethics and social responsibility" and relativism to be a significant negative determinant. While the study did not find gender differences in idealism, relativism, and PRESOR scores, it reported difference in managers' perceptions between those with "secondary education only", and those with "post-secondary or further education", with the former being more idealistic. On size effect on PRESOR, the authors documented that small enterprises perceived ethics and social responsibility to be more important for organisational effectiveness than big enterprises.

Considering that the study lacks methodological and analytical rigor may limit the extent to which the findings could be extrapolated beyond the sample. For example, the same procedures were not followed in selecting samples from the two countries, and used judgmental and snowballing sampling techniques for selection. The authors also failed to observe the huge differences in the rate of retrieved questionnaires, and the likely effect it could have on the results, given that a comparison was intended. Besides, results were not clearly presented for readers to verify their claims.

3.5 The Gap in the Literature

Empirical studies have shown that the insurance industry is inherently plagued with unethical behaviours, and the causes of such behaviours. Whilst evidence has shown that such behaviour is detrimental to the goals and reputation of the industry, no study seems to have linked such behaviour to CSR, and how it can be strategically used to solve this problem. This study intends to fill the void in the literature by examining the perceived role of this construct in achieving organisational effectiveness among managers in the insurance industry. In addition, considering the construct in the insurance industry would avoid the traditional problem of comparative organisational analysis, and enhance an intra-industry effect, which takes into consideration the peculiarities in the industry (Judge Jr., 1994).

Furthermore, studies that have examined the perceived role of ethics and social responsibility in achieving organisational effectiveness have also done so using student samples, and managers from developed countries in most cases, without attempts to show how the construct will be perceived among managers in third world countries, and in the African continent, and see if there will be a perceptual gap. This thesis also intends to contribute to ethics and CSR literature by examining managers' perceptions in Nigeria, the most populous black African nation. Based on prior works, and the underpinning theories, the thesis aims to explore relationships between this construct, and various personal and organisational/situational antecedents, and how they interact to influence it. This can lend support to findings in these works, and further show the universality of the construct in an increasingly global world.

Lastly, whilst prior works have adopted a positivist paradigm, hence quantitative methods in providing understanding about this construct, the current work aims to provide a more robust approach by arguing for a pragmatic approach, which allows for combining a mainly qualitative approach with qualitative methods. First, as a way of providing better understanding, second, as a means of validating the findings, and third, as a basis for extrapolating the findings beyond the sample, industry context, and country context of the study.

3.6 Conclusion

This chapter has attempted to review existing literature relevant to the current study in the area of ethics and social responsibility, and how it relates to insurance. This it did by considering the conceptual meaning of the construct, the schools of thought, and the theoretical lenses through which it has been viewed. The subsequent section examined the strategic link of the construct to organisational effectiveness, and presented a review and critique of works in this regard. The last sections discussed the theoretical framework of the study in light of the reviewed works, the gap identified in the literature, and how the study intends to fill this gap.

The next chapter introduces the industry context of the study, and how the nature of the industry's business/products opens a potential opportunity for ethical dilemma. It also presents empirical evidence suggesting the existence of unethical behaviour in the industry.

CHAPTER 4: THE RELEVANCE OF ETHICS AND SOCIAL RESPONSIBILITY IN INSURANCE

4.1 Introduction

Though ethics and social responsibility is relevant to all industries and businesses, a case has however been made that ethics and social responsibility should be discussed in a specific context. Since this study is conducted within the insurance industry context, this chapter discusses the defining features of the industry, and how ethics and social responsibility is important to it. The import of this chapter is to give further justification to the study of ethics and social responsibility in the insurance industry. To this effect, it serves as additional motivation and provides basis for the research questions and propositions presented in the methodology chapter.

4.1.1 Financial Services Sector and Ethical Issues

Authors (Dunfee and Gunther, 1999; Lamb, 1999) have long argued that the special nature of the financial services industry opens the door for potential ethical abuse. This observation necessitates continuous vigilance in order to build a strong ethical foundation, which is a necessary condition to winning and retaining the confidence of insurance customers. By virtue of the ‘maximisation of money’ focus of the financial services, unethical practices have been argued to be inevitable, and deemed to have taken a systemic form (Lamb, 1999). This is largely due to conflict of interests amongst its managers and professionals. Lending support to the foregoing assertions, Kloman (2005)[26] argued that “*trust is in especially short supply in the area of financial services in which blatant and continued conflicts of interest have eroded the very condition that is essential to this market place*”. The financial services as conceived by this study, include banks, mutual funds, pension funds, insurance companies, brokerage firms, financial advisers, accounting firms etc. Since insurance is the specific industry context in which this study is undertaken, the nature of insurance and ethical issues in the industry is discussed in the section below.

[26] Cited in Gaultier-Gaillard and Louisot (2006)

4.2 The Insurance Industry

When we think of service, what readily comes to mind is a complex system of interfaces and exchanges. This is because service is a process, a social interaction, a relationship and an intangible result (Jallat and Wood, 2005), in which no clear distinction can be made between process and result, where the dichotomy between production and exchange is difficult (Berry and Parasuraman, 1991). The insurance industry is basically a service provider, one that provides financial services to the public. Insurance is a social scheme that seeks to reduce losses by combining under one management, a group of objects so situated that the aggregate accidental losses to which the group is subject became predictable within narrow limits. It is also a legal contract between one party, called the insurer, and another party, call the insured, whereby the insurer, subject to the provisions of the contract and in respect of certain named perils in the contract agrees to make good, the loss suffered by the insured, in consideration for a small sum, called the premium.

What an insurance firm does is therefore a provision of some financial services, which revolves round a promise. A promise that should the insured suffer any loss, he/she would be indemnified, i.e. placed back to the financial position he/she was immediately before the loss occurred (Vaughan and Vaughan, 2003). Owing to the nature of this promise, the insurance business is divided into life and non-life business. While non-life business or what is also referred to as general business is essentially an indemnity contract, a life business is not. This is because the loss of any parts of the human body and life itself cannot be replaced. In other words, it is not possible to place a value on human life (Vaughan and Vaughan, 2003). For this reason, life business is basically, a form of savings and investment, a financial instrument (Armenti and Boseman, 1999), and a benefit paying policy that pays benefits to the family of the deceased assured, depending on the type of life insurance involved.

Despite this compartmentalisation of the insurance business, the insurance business has some characteristics that distinguish it from other types of businesses like manufacturing. Services in general, and insurance services in particular, are distinguished by intangibility, inseparability, heterogeneity, perishability, longevity, homogeneity, and complexity, (McKechnie, 1992; Diacon and Ennew, 1996; Bitner, 1992; Zeithaml, 1981). Owing to these characteristics and extensive information asymmetry, the industry has witnessed serious criticism from the public, in relation to business conduct (unethical behaviour) and the delivery of its services to the public, such as mis-selling of pensions (Cooper and Frank, 2002; Decker, 2004).

The potential vulnerability of consumers to ethical abuse and loss of confidence in the market to prevent these abuses, and ensure fairness, has thus engendered promulgation of laws, which gave birth to regulatory agencies in most countries. For example, the Financial Services Authority (FSA) was established in the UK in 1986, to deal with the problem created by imperfect and information asymmetry in relation to savings and investment and other insurance services. Similarly, the National Insurance Commission was established in Nigeria to supervise business conduct in the insurance industry. Similar legislation can also be found in the US, France, Australia, and Canada. The concern about failures in the market, and the need for government intervention was also clearly reflected in the statement of Spitzer (2005)[27], the New York Attorney General:

> *The rule that I have come to live by…is that only government, at the end of the day, can indeed enforce rules of integrity and transparency in the marketplace…if we believe the market depends on integrity and fair dealing, government must step in to make sure that the rules are honoured*

Despite state protection and the control of the financial industry, the public concern about the extent of unethical practices in the industry still persist (Devlin and Ennew, 1993; Diacon and Ennew, 1996; Cooper and Frank, 1996).

4.3 Ethics and Trust

Traditionally, ensuring ethical compliance and behaviour among professions and its professionals has been through the institutionalisation of codes of ethics. The establishment of codes is usually invoked to ensure that organisations behave responsibly. When organisations fall short of this standard of behaviour, it usually

[27] Cited in Atchinson (2005)

engenders state regulation and/or industry regulation. In essence, when organisations fail in their responsibilities, whether economic, legal or ethical, it provokes promulgation of certain laws, which in Brien's (1998) words are antithetical to the nature of profession that give rise to an organisation. Despite the prevalence of codes, unethical practices still pervade organisations and industries. Many have actually questioned whether ethics codes are effective in controlling behaviours. Asides from absence of effective framework to enforce and implement the codes, most of the codes are not goals driven, and hence fails to engender ethical behaviour. As suggested by Brien (1998), professionals should rather be made to pursue a goal, which indirectly promotes high level of ethical behaviour.

As professionals deal with the society in a form of relationship, and such relationships thrive on trust (Svensson and Wood, 2004), higher level of ethical behaviour can be educed from them when trust is the goal outcome of professionalism (Brien, 1998). If professionals uses their specialised knowledge and practical skills to solve human problems and meet human needs, they would not only be meeting their own interests they will also be meeting the interests of the society, and hence be socially responsible (Brien, 1998). This resonates with what Kurland (1995b) describes as ethical intentions, whereby agents (professionals) act in such a way that show they have a positive duty to promote the interests of clients. Such a posture would ensure higher level of ethical behaviour, even though there is a great asymmetry of knowledge and power between the society and its professionals.

In light of the foregoing, it would be vain to discuss ethics without linking it to trust. It is, according to Svensson and Wood (2004), a deficiency not to consider the two in unison. To the effect that trust is a multidimensional construct, studies[28] have shown some of its dimensions to be grounded in some form of ethical norms, such as benevolence, altruism, fairness, acceptance, receptivity, promise fulfilment, etc. When somebody has trust in another person, it presuppose vulnerability, a situation of risk, and a situation of asymmetry of power, whereby the less powerful trust the more powerful to act in such a way that his interest will be promoted. As noted by Brien (1998), trust

[28] See Svensson and Wood (2004) for discussion on these studies.

connotes feeling of security about another, and anticipation that the other person's behaviour will neither bring harm to him nor his interest. When the other person then behaves as expected, it naturally creates confidence. Obviously, acting in such a way espouses ethical norms of avoidance of harm to others, truthfulness, benevolence, honesty etc. In essence, being trustworthy presupposes being ethical. Trust thus provides a framework to determine ethicality of an action by asking oneself whether an action will promote trust when one is in an ethical dilemma. So, if an action is antithetical to trust, it is most likely going to be unethical (Brien, 1998). In this context therefore, if trust is what is desired as a goal by professionals and their organisations, it will inevitably lead to a higher level of ethical behaviour (Brien, 1998), and by extension a higher level of social responsibility. This argument is summed up in King's (1988: 475)[29] assertion that "…*conditions of trust sustain the contexts in which moral principles achieve their concrete embodiment*"

4.4 Trust Relationship and Insurance

It is widely acknowledged that insurance purchase is considerably influenced by trust relationship. Though trust has been considered from several perspectives, in the literature, consideration for trust relationship here is discussed in the context of the insurance-buying process, which is amenable to most of these perspectives.

In a theoretical work, Brenkert (1998) identified three perspectives of trust from the literature: "Attitudinal, Predictability, and Voluntary". The attitudinal perspective conceives trust as "*an attitude, disposition, or inclination to act in certain ways in light of various beliefs, [i.e.]…one's vulnerability and the restraint the trusted agent is prepared to exercise not to take advantage of that vulnerability*" (Brenkert, 1998: 295). The predictability view sees trust as "*the sense of correct expectations about the actions of other people that have bearing on one's own choice of action when that action must be chosen before one can monitor the actions of those others*" (Dasgupta, 1988: 51)[30]. Trust from the voluntary perspective "*involves various actions voluntarily or freely undertaken whereby one places oneself, or what one cares about, within the power of*

[29] Cited in Brenkert, G. G. (1988), "Trust, Morality and International Business"

[30] Cited in Brenkert (1998)

another whom, but for their good will, might impose harm upon oneself or those things one values" (Brenkert, 1998: 296). Trust, in this context is believed to be applicable to equal adults, as well as situations of asymmetry of power (Brenkert, 1998, citing Baier, 1995). Summarising the three views, Brenkert (1998) writes, "*the Voluntarist view focuses on action that takes place in trust; Attitudinal view looks to the dispositions or attitude to behave in certain ways; and the predictability view concentrates on the predictions one has about the behaviour of those who are trusted*".

Besides these perspectives, Jones and Bowie (1998) cited two models of trust discussed by Powell (1996), and added a complementary third. According to Powell (1996), trust could stem from economic (rational self-interest) and sociological (social embeddedness) considerations. The economic model sees trust emerging as a result of perceived potential benefits from a continuous interaction (Powell, 1996). In this context, it is rational to believe that the other person will behave as expected, since his interest would also be preserved by so doing. The sociological view suggests that trust emanates from socially-embedded norms that govern exchange relationships in a society. This view of trust is reminiscent of the one that exists in professions and in professionals' relationship with the society. In which case, trust relationship develops from experience.

Proposing ethics-based trust on the basis that trust is an element of moral character, Jones and Bowie (1998) observe that while the economic and sociological models capture certain aspects of trust, a large part of the construct remained unexplained, particularly in a relationship that is not meant to be a lasting one. Whilst arguing their model of trust, Jones and Bowie (1998) distinguished between fragile trust and resilient trust; whereas the former is based on self-interest, the latter is based on integrity, loyalty, discreetness, motives, interpersonal competence, and openness. In order to justify their proposed model of trust, the authors further cited Barney and Hansen's (1994: 179) conception of trust, which goes thus:

> *Hard-core trustworthy exchange partners are trustworthy, independent of whether or not exchange vulnerabilities exist and independent of whether or not*

governance mechanisms exist. Rather, hard-core trustworthy exchange partners are trustworthy because that is who, or what they are…Strong form trust does not emerge from the structure of the exchange, but rather reflects the values, principles, and standards that partners bring to the exchange.

All the perspectives of trust discussed above are all central to the insurance-buying process, given common traits shared by the views, i.e. asymmetry of power, risk and uncertainty, and vulnerability. In the insurance contract, the insurer obviously has more knowledge about the complexity of the contract, while the insured is deemed to be more informed about the subject matter of the contract. While trust should be reciprocal in this regard, a higher degree of trust is actually required from the insurer as the person who has drafted the contract, and the executor of the purpose for which the contract has been drafted. Because the purpose for which the contract is drafted is futuristic, the insured is presumed to be vulnerable to the insurer keeping that promise. That essentially presupposes existence of risk and uncertainty, because the insurer could fulfil or fail in that promise. So, the insured has to trust the insurer not to harm him by fulfilling that promise when the need arises. When that trust is discharged through promise fulfilling, and is repeated, a trust relationship is said to exist, and confidence in the insurer is developed. This is reflected in Jones and Bowie's (1998) assertion that "when another person acts in accordance with our trust in him/her, our trust is warranted; [and] that person is deemed trustworthy". On the other hand, if the promise is not kept by the insurer when the situation arises by making references to aspects of the contract the insured was not cognisant of prior to the commencement of the contract, distrust will develop, and the insured will perceive the insurer as not trustworthy. Over time, this will lead to a negative perception of the insurer, and lack of confidence in the services provided.

To drive home the argument that all the perspectives of trust are relevant to insurance, the remainder of this discourse will consider the insurance-buying process, and scholars' comments on the need for trust in the insurance business. Empirical evidence suggesting the prevalence of unethical practices in the insurance industry will also be considered.

Insurance products are usually sold and bought through several channels. Colenutt (1979) identifies five channels: brokers, part-time agents, home-service agents, full-time company staff and direct from an insurer. Whilst one would expect a direct buy from the insurer, this is usually not so, as preference is usually given to an intermediary. The reason for this is because insurance is a complex service[31], which requires the technical information supplied by sales person for a prospect to make decision that may have far reaching effects on his/her life (Hoffman et al., 1991). Corroborating Hoffman et al.'s view, Zeithaml (1981) argues that insurance is a high credence service, characterised by abstraction, complexity, and borders on future benefits that are difficult to prove.

The insurance intermediaries may be broadly classified into authorised representative (AR), and independent financial adviser (IFA). Whether an intermediary is AR or IFA, the role played in the consumer's final product choice is an important and influential one. Because of this important and influential role of the agent, the relationship between the consumer (prospective insured) and the insurance sales person is essentially seen as one based on 'trust', and on account of which the sales person may be prone to ethical dilemmas (Gibbs, 1993). Scholars have argued that trust, i.e. the prospect's willingness to trust the salesperson or salesperson's ability to demonstrate trustworthiness is a necessary condition to conclude a sale (Beloucif et al., 2004; Hawes et al., 1989; Dwyer et al., 1987; Swan and Nolan, 1985; Schurr and Ozanne, 1985). Crosby et al., (1990) added that a trusting relationship must be built by insurance agents between themselves and their clients in order to promote a long-term, mutually beneficial relationship. Oakes (1990) supports this argument in his expression that, "*prospects will buy a policy only if they first buy the trustworthiness of the agent*" (p. 672).

The need for trust arises in services marketing, particularly insurance business because of its convoluted nature, which places a prospect in an uncertain position about what is to be purchased (Hoffman et al., 1991). Oakes (1990) also argues that trust is a function of imperfect information, in which case the less information a prospect has the more trust expected from the agent. Oakes (1990) further exposits on the need for trust in insurance marketing as follows:

[31] This has been extensively discussed in chapter two.

> *Trust seems to be essential to commercial transactions that are not fully controlled by either the legal constraints of contracts or the economic forces of markets…if everyone were honest, or if the laws of contracts effectively covered all cooperative transactions, or if the penalties of the market were sufficiently comprehensive and severe to prevent dishonesty or non-compliance in such transaction, there would be no need of trust (p. 674).*

Whilst the sales process requires an agent to be radical and opportunistic, such a behavioural strategy may destroy trust and make an agent prone to unethical behaviour (Oakes, 1990). As noted by Ferrell and Gresham (1985), opportunity is a key factor that influences ethical behaviour.

The system of reward in the insurance business may also influence the ethical judgement of an agent, as intermediaries are paid based on commission (Hoffman et al., 1991). Whilst this system appears widely accepted, and has operated for more than two centuries, it has nevertheless been criticised and deemed to contradict the agency theory, which governs the insurance business. For example, an independent agent or a broker (IFA) is deemed to be an agent of the insured and yet is being remunerated by the insurer. It is a situation described by Kerr (1975)[32] as "the folly of rewarding A while hoping for B". As argued by Kurland (1996b), such a situation contradicts the firm's ethical stance that the agent acts in the best interest of the insured or client.

The agency theory, which has been discussed earlier, holds that an agent has a fiduciary relationship with the principal, whom it is representing and serving, and hence must be rewarded by the principal. But the situation in the insurance sales process creates a complex situation of one agent and two principals. This haphazard situation has been criticised and deemed capable of providing grounds for conflict of motivation, setting at odds the need to give good service to a principal, and the need to meet the conditions of the paymaster (Consumer Council, 1970). Kurland (1991) also argues that the commission-based reward system places the agent in an unusual position of serving two

[32] Cited in Kurland (1996)

masters, a phenomenon that has not been examined in the agency theory literature, and, which could lead to conflict of interest.

The fact that commission paid also reflects the value of insurance sold, and agents are particularly encouraged to sell a particular product that gives better financial return to the firm (Kurland (1991, 1995a, 1996a), may induce an agent to recommend the most expensive policy cover to the insured whom by the agency relationship is its principal and whose interest the agent is expected to protect (Clayton, 1971). Such an absurd situation may also lead to the agent recommending prospects to buy products, which do not actually meet their needs. Indeed, such situation puts an agent in an ethical dilemma of juxtaposing between quality service to the client by virtue of the fiduciary relationship that exist between them, and quantity service by virtue of what he receives from the sales (Kurland, 1996b). To the effect that the agent is compensated for the quantity sold and not the quality inherent in the sale (Kurland, 1996b), the insured's interest is subordinated or even jettisoned. The recent pension mis-selling scandal in the UK presents a good example of this situation.

The resultant effect of the situation described above is lack of trust, an important requirement of the exchange relationship, between the insuring public and the intermediaries, who are usually understood to be agents of insurance firms. In such a situation of breakdown of trust, negative opinions are usually held against the insurance firm and not the agent (Gibbs, 1993). On this unfortunate outcome, Eaglesham (1994) posits:

> *On the whole, consumers place enormous trust in the advice they get from salesmen, unaware of the probable conflicts of interests. Even where the trust has manifestly been misplaced, the individuals concerned may not realise that they've been given bad advice until years later…such a time- bomb of undetected bad advice does huge damage to the credibility of the industry when it eventually explodes.*

4.5 The Regulation of Financial Services

Finally, state regulation of the financial services globally, provides additional evidence that suggests the breakdown of trust and possible violation of ethical practices in the financial service sector. The need to regulate the financial industry has been justified on the grounds that competitive market structure and self-regulation by competing firms are inadequate to protect the interest of consumers of financial services, due to the inherent advantages that producers have in terms of asymmetry of information over the consumers (Benston, 2000). Posed differently, the intention behind government regulation of the financial services industry and insurance industry in particular is to protect insurance consumers from fraud and misrepresentation. Undoubtedly, the spate of laws enacted in Nigeria – National Insurance Commission (NAICOM) Act, 1997, the Insurance Act of 2003, and the Consolidation and Recapitalisation guidelines – were directed at achieving this aims. Similarly, the establishment of Financial Services Authority (FSA) in 1998 is also one of the steps taken in the UK in this direction. Benston (2000, p. 279) identifies six basic goals of financial services regulation as follows:

- To maintain consumer confidence in the financial system and financial services,
- To assure that a supplier on whom consumers rely does not fail,
- To assure that consumers receive sufficient information to make 'good' decisions and are dealt with fairly,
- To assure fair pricing of financial services,
- To protect consumers from fraud and misrepresentation, and
- To prevent invidious (unfair) discrimination against individuals (p. 279).

Llewellyn (1995) offered four reasons behind government regulation: market imperfection/failure, economies of scale in monitoring, and confidence in minimum standard of quality (p. 13). Llewellyn also points out the imperfections in the market as follows:

> *Problems of inadequate consumer information; problems of asymmetric information; the difficulty of ascertaining the quality of financial contracts at the*

point of purchase; imprecise definitions of products and contracts; under investment in information by consumers (the 'free-rider' argument where all consumers assume that others have investigated the safety and integrity of supplier of financial services); agency costs and potential principal-agent problems and issues related to conflict of interest, and because of the technicalities of some financial products, consumers are not equally equipped with an ability to assess quality, etc (p. 13.)

Commenting on the Nigerian insurance industry, and the need for more regulation of the industry, Joe Irukwu, chairman of the Committee on Insurance Review, expresses the view that the existing law governing insurance business – National Insurance Act 2007, and the Insurance Act 2003, are all outdated, and in need of replacement if unethical practices are to be checked, and consumers' confidence in the industry restored[33]. Corroborating Irukwu on the need for law reform on insurance regulation in Nigeria, the commissioner for insurance, Fola Daniel, on the same occasion, observes that whilst insurance is sold in Nigeria, and not bought at the moment, due to lack of confidence in the industry, the law must be tightened, so that people can willingly buy insurance policies. On another occasion, the commissioner declared:

There have been a lot of unethical practices in the industry. NAICOM had employed persuasion and other entreaties to make companies toll the right path but now the commission is going to start making scape-goats of companies that are proven to have abused the insurance system. Whenever we have a report of anomaly from any company, we are going to thoroughly investigate and if found culpable, we are not just going to bark but bite as well (Finance, 2009).

4.6 Empirical Evidence of Ethical Dilemma in the Insurance Industry

Various attempts have been made to examine the ethical issues in the insurance industry, in the US, UK and elsewhere; see for example, Devlin and Ennew (1993), Diacon and Ennew (1996), Cooper and Frank (1996, 1997, 2002, 2005), and Decker (2004). Deacon

[33] The comment was part of his speech at a two day conference titled "Effective Legal and Regulatory Framework as a Vehicle for Rapid Insurance Development"

and Ennew (1996) conducted empirical research to examine ethical issues in insurance marketing in the UK, in relation to the traditional marketing mix – product, price, promotion and distribution. The authors focused on the life insurance business (savings and investments), and argued that potential and substantial ethical problems in this insurance business type are usually promotion-, and distribution-related. Deacon and Ennew (1996), posits that 'truth', a central ethical issue in promotional activities (de George, 1990) has two dimensions from the marketing perspective – consumer truth and scientific truth (Davis, 1992). Consumer truth deals with facts which an average person might reasonably interpret, while scientific truth deals with anything which can be proved in relation to facts and thus not legally false.

The respondents, in Diacon and Ennew (1996) who were executives in their firms were therefore asked, the frequency with which they thought their main insurance competitors engaged in a series of marketing activities that pose significant ethical problems. The respondents' perceptions of the importance of ethics to their overall company were also measured. The results suggest that insurance managers perceive unethical practices to exist in the industry, which were attributed to their competitors.

Further to their investigation on ethical dilemmas in the UK insurance industry, Deacon and Ennew (1996b) explored the relationship between corporate governance and ethical attitude. The study specifically aimed to determine the differences in ethical policies and attitudes between mutual companies (characterised by comparably weak governance structure) and stock companies, following the wave of unethical behaviour in the industry, and the threat of shares in certain insurance companies being excluded from funds specialising in ethical investment.

Four main instruments were used to distinguish these differences: inclusion of an ethical code in the corporate objective and mission statement, consideration by the company of personal ethical behaviour in hiring employees, the importance attached to corporate ethical behaviour in achieving company objectives, and the undertaking of potentially unethical corporate activities. The results indicate that ethical policies and attitudes are perceived to be more important in mutual than stock insurance companies. This finding can be explained by the fact that whereas stock companies seek to maximise returns to shareholders, mutual companies are run for the benefit of their policy-holders (Carter, 1993).

Just like the UK, the life insurance business in the US in the 90s was characterised by serious market conduct problems, allegations of churning, misrepresentation, poor quality service, dishonest response to customers' enquiries and requests, misuse of proprietary information, and deteriorating public image (Cooper, 1998). Following these serious market conduct problems, and the concern for the industry's deteriorating and shabby image, possible regulatory repercussions and potential company liability, the Insurance Marketplace Standard Association (IMSA), was established in 1996, to help life insurers maintain high ethical standards in the marketplace in order to restore the public's trust (Cooper, 1998). The IMSA, which was voluntary, requires a company wishing to be member, to adopt the Principles of Code of Ethical Market Conduct and a two-step assessment process. The first process involves a self-assessment by the company, which is followed by an independent one conducted by an IMSA-approved assessor. If the assessment is confirmed satisfactory, the company completes the application process and a three years-membership is conferred. At the expiration of the membership, a repeat of the process is again required to renew membership (Cooper and Frank, 1999).

Hoffman et al. (1991) conducted an empirical investigation to identify: the insurance industry's major ethical issues, the level of sales agent participation in unethical activities, the level of sales education received regarding ethical issues, and examined the influence of differential association and competition indicators as potential correlates of ethical behaviour. Using the Nominal Group Technique (NGT), developed by Delbecq et al. (1975) and successfully utilised by Levy and Dubinsky (1983), the study identifies nine ethical issues: (1) assisting a customer in misrepresenting a claim to the company – MISREPRESENTATION; (2) Down selling a competitor's product to gain a competitive edge – DOWNSELLING; (3) obtaining an agent of record letter without fully informing the consumer of the consequences - LETTER; (4) twisting/replacement of policies without offering full disclosure of consequences to the consumer – TWISTING; (5) Rebating part of the commission as an incentive to the potential policyholder – REBATING; (6) the selling of insurance by non-licensed agents – NON-LICENSED; (7) agent claiming that his/her policy and competitive policies are equivalent when in fact they are not….misrepresentation or concealment of information regarding product – EQUIVALENT; (8) offering lower price on policy without disclosing higher deductibles or other changes in classification – LOWBALL; and (9) providing false information to company and/or underwriters – FALSE INFO.

Cooper et al. (2003) conducted a study to examine if there have been improvements in the ethical practices in the US life insurance industry, and the role played by IMSA in this regard. The findings of the survey suggest that ethical issues facing the industry, compared to the 1990s have changed only little, while the extent to which the ethical issues are perceived as presenting problems to those working in the industry have diminished. Most of the improvement was also attributed to the establishment of IMSA and its Ethical Market Conduct Programme. Notwithstanding, the findings of the study also suggest that the top ethical issue currently facing life insurance professionals involves failure to identify the customer's needs and recommend products and services that meet those needs, while that relating to ethical responsibility of business borders on false or misleading representation of products or services in marketing, advertising and sales efforts.

Cooper and Frank (2002) again examine the ethical challenges in the two main segments of the insurance industry and document that life insurance business and property-liability insurance business are not different in terms of key ethical problems being faced by professionals in the two segments, despite differences in products, operations and regulation.

Under the assumption that professionals differ in the extent to which they are influenced by factors relating to their business environment as opposed to their professional environment, Cooper and Frank (1997), examined the professional factors and business environment factors that influenced seven groups of accounting and insurance professionals in enhancing their ethical performance. Their findings suggest that certain factors in their business environment are more helpful than factors relating to their professional environment.

Prior to Cooper and Frank (1997), Eastman et al. (1996) compared the personal and professional ethics of insurance professionals and documented that insurance professionals are more likely to try to benefit unethically at the expense of others in their professional lives than as consumers, but are more likely to cut small ethical corners as consumers than as professionals.

4.7 State Regulation vs. Self Regulation: The Case for Social Responsibility

Insurance as a profession, business and industry is highly state-regulated, which in Brien's (1998) view is antithetical to its very nature. Given that the regulation has been engendered by unethical practices that ravage the profession, its professionals, and the industry, this thesis argues that social responsibility as a form of self regulation can be used to remedy the lack of trust and confidence in the industry, at least in the country context of this study, where the problem is phenomenal. This assertion is mirrored in Stanfield's (2006) suggestion of managing an institution's reputation: softer, more intangible, and harder to quantify with any precision element, such as client trust and confidence, corporate ethics, corporate social responsibility, compliance and good corporate governance".

Though state intervention through legislation has attempted to curb unethical practices by turning such behaviour into illegal behaviour, such interventions have however proved inadequate in solving the ills in the corporate world. Otherwise, one would have thought that the introduction of Sarbanes-Oxley Act, post Enron tragedy, which addresses accuracy and availability of information, individual responsibility of managers, and independence of auditors would lead to restoration of trust in the market (Gautlier-Gaillard and Louisot, 2006), recent happenings however suggest otherwise. Corroborating the impotency of legislation in fostering ethical behaviour, Wolters (1994: p.3, 4)[34] argues:

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[34] Cited in Brien (1998)

> *…the drawback of the complete codification of acceptable behaviour as we are starting to see it in Australia is that it brings out literal conduct and a checklist mentality of compliance. It leaves no sense of shame if a loophole is exploited…Black letter law, if applied by the community devoid of any reference to residual community values – what is good, what is just, what is equitable – will turn us into a nation of loophole hunters.*

Self-regulation that is grounded in social responsibility will signal good corporate posture to society's well being. It will show a greater concern that is not just economically motivated, but also an altruistic feeling that being part of society requires promoting the good of that society. This contention is reminiscent of Aras and Crowther's (2008) reflection on the EU Green Paper on CSR, which advocates compliance on a voluntary basis as opposed to mandatory. Corporations are beginning to see the importance of this socially responsible embedded self-regulation, as typified by the insurance industry in US and UK, with the establishment of the Insurance Marketplace Standard Association (IMSA), and the Association of British Insurers (ABI). The need to be socially responsible and more accountable has engendered the emergence of professional bodies, whose primary aim is to ensure high level of ethical compliance, and quality service delivery. On a wider context of the relevance of voluntary compliance, Aras and Crowther (2008: 53) pointed out that the:

> *voluntary approach to CSR expresses the reality of enterprises in beginning to take responsibility for true social impact and recognising the existence of a larger pressured exercised by various stakeholders in addition to the traditional ones such as shareholders and investors. Moreover, it reflects different traditions of business and different stages of development throughout the community*.

Whilst the thesis is not arguing for a complete jettison of state regulation, it does advocate a voluntary system of checks and balances, which is genuinely motivated, and which will only be monitored by government agencies. In fact, government monitoring would even become superfluous, as the industry also serves as its own watchdog in ensuring compliance and reporting wrongdoings. Companies who have done this in the

US have been shown to have benefited immensely, in terms of credibility from the regulator, good media coverage, and more importantly consumer recognition and patronage (Atchinson, 2005). This lends support to ‘doing well while doing good’, a widely acknowledged slogan for companies who are socially responsible. In the industry and country context of this study (Nigerian Insurance Industry), this will help regain public trust and consumer confidence. To this effect, the industry’s reputation will be repaired and restored, thus enhancing its capacity to contribute meaningfully to the well being of the society. By so doing, the Nigerian Insurance industry will truly takes its position as the ‘lubricant of modern economy’.

The import of this chapter in relation to the central focus of this thesis is to show how the insurance business is highly trust dependent, and how trust relationship is grounded in ethics and social responsibility. Recognition of this nexus by the actors in the industry would engender a perceived important role of ethics and social responsibility, and signal the need to take necessary steps to redress the long years of unethical practices. Put differently, if the actors in the industry perceived that insurance business is highly grounded in morality; it will reinforce the important role of ethics and social responsibility in business success, and elicit a higher response in respect thereto. This is particularly so, if one considers that the low market penetration in the Nigerian insurance industry is a resultant effect of lack trust and confidence in the insurance companies and their actors.

4.8 Conclusion

This chapter has attempted to discuss the relevance of ethics and social responsibility in relation to the insurance industry. In doing this, the relevance of the ethical dimension of social responsibility to insurance was discussed. Given that the insurance business strives on consumers’ trust and confidence, and that their lack in the insurance industry is largely due to unethical practices, the relationship between ethics and trust was discussed. In this discourse, it was argued that aiming for ethics should indirectly be pursued through trust. In other words, it was contended that if a higher level of ethical behaviour is required from professionals, they should be made to pursue a goal, which will indirectly engender it. In essence, since insurance business strives on trust and confidence, and breakdown of trust results from unethical behaviours, which is giving the industry bad reputation, and threatening its viability and existence, ethical behaviour should rather be pursued through fostering trust. Furthermore, to show how unethical practices result from breakdown of trust, trust relationship was discussed in the context of insurance buying process. To further show that unethical practices are rife in the insurance business, government regulation of the industry and empirical evidences was considered. Lastly, it was argued that government regulation of professions to foster ethical behaviour de-professionalised the professions, given that part of the defining features of an organisation as a profession, is that it regulates itself (Brien, 1998). As opposed to state regulation, the discourse here proposes self-regulation, which is embedded in social responsibility, as a way forward to engender a higher level of ethical behaviour in the insurance industry. Without the intention of doing so, this discourse seem to be an incursion into the debate on whether or not, corporations should be controlled through increased regulation, on the basis that social responsibility can only be ensured by replacing loss ethical values (Aras and Crowther, 2008).

CHAPTER 5: THE INDUCTIVE PROCESS

5.1 Introduction

The previous chapters examined prior works on ethics and social responsibility, in relation to conceptual definitions, theoretical perspectives, and the relationships of the construct with organisational effectiveness. Scholarly works on the nature of insurance and ethical dilemma in the insurance industry were also reviewed with the intent of positioning the domain of CSR that appears to affect insurance practice, and set in context the motivation for this study. This chapter describes the philosophical bases that drive the methodology, and the methods used in collecting and analysing the data for the study.

5.1.1 Philosophical Discourse

An important consideration in any research endeavour is the philosophical assumptions that underpin it. These assumptions are generally referred to as ontology, epistemology, methodology and axiology. The import of these philosophical assumptions is that they tend to have significant effects on the conclusions drawn about the phenomena being investigated. Indeed, as noted by Crowther and Lancaster (2009), how we offer explanation about phenomena is affected by our ontological and epistemological positions. This assertion also finds support in Johnson and Duberley's (2000, p. 1.) argument:

> *...how we come to ask particular questions, how we assess the relevance and value of different research methodologies so that we can investigate those questions, how we evaluate the outputs of research, all express and vary according to our underlying epistemological commitments. Such epistemological commitments are a key feature of our pre-understandings, which influence how we make things intelligible.*

Though, with the same conclusion, and implied meaning as above, Crotty's (1998: p. 17) submissions further illuminate the effect of philosophical assumptions on research and its outcomes:

…in our observing, our interpreting, our reporting, and everything else we do as researchers…we inject a host of assumptions. These are assumptions about human knowledge and assumptions about realities encountered in our human world. Such assumptions shape for us the meaning of research questions, the purposiveness of research methodologies, and the interpretability of research findings.

Ontology as a philosophical assumption is grounded in our descriptions and claims of reality in social science; its existence, its form, its composition, and how the composing units interact with one another (Grix, 2001). Since ontology relates to our claims about knowledge or social reality, different views of this claim are represented in the dichotomy between objectivism and constructivism (Grix, 2001), or what others regarded as realism (a suggestion that realism implies objectivism[35]) and constructionism divide. That is, a claim of independence of phenomena from their researchers on one hand, and interference by researchers to give meanings to social phenomena on the other hand. The former presupposes that knowledge is constant, it exists in the world, and only needs to be discovered, and should be described the way it is. The latter however is grounded on the assumption that the nature of social phenomena is not constant, it is not something existing and waiting to be discovered, but rather discovered through continuous interaction with its investigators (social actors) and requires continuous interpretations to make it understandable. In Crowther and Lancaster's (2009) view, the nature of reality (ontology) can be described in terms of the divide between critical realism and interpretivism.

Whilst ontology concerns our claims of the nature of reality, epistemology is our claims of how the reality can be known (Hughes, 1996). In Crotty's words, epistemology "*is an attempt to explain how we know what we know and [determining] the status to be ascribed to the understandings we reach*". In other words, epistemology deals with the process of knowledge development through models and theories considered better than competing ones (Grix, 2001). To the extent that research does make use of models and theories, the researcher's knowledge about these theories are very crucial as this

[35] See Crotty (1998) for the discourse of authors who held this view.

underpins the assumptions held about how knowledge or reality can be known. Again, epistemology leads to the divide about the way reality can be made intelligible; i.e., is it static or changing, independent or dependent, waiting to be discovered as it is, or constructed by human interactions. This divide is represented in the world views about how knowledge can be known, otherwise called paradigms. The import of epistemology is that it informs the method to be employed in describing knowledge. As pointed out by Easterby-Smith (2008), a researcher's epistemological assumptions can be deduced from the methods employed in the research enquiry. The same claim is also implied in the following statements of Hughes (1996: p. 6), "*In making a knowledge claim, whatever it may be, one is also indicating a preparedness to justify that claim by pointing to the ways in which one knows*".

5.1.2 Competing Paradigms in Management and Organisational Research

Traditionally, research in organizational and social sciences are dominated by two broad research paradigms, resulting in two research cultures – interpretivism and positivism (Johnson and Onwuegbuzie, 2004), or what Easterby-Smith et al. (2008) called positivism and social constructionism. These two research paradigms, and a third, which allows a multi-method approach, and their usefulness for the current research are discussed in the sections below.

5.1.2.1 Positivism

As a departure from using religious taxonomies to conduct enquiries into social phenomena, positivism was conceptualised as providing a better, scientific and more objective (by providing for independence of the observer from the subject observation) way of explaining a phenomenon, and generalising the results obtained (Kim, 2003). As expressed by Easterby-Smith et al. (2008: p. 57), "the key idea of positivism is that the social world exists externally, and its properties should be measured through objective methods, rather than being inferred subjectively through sensation, reflection or intuition". Positivism is argued to enhance analysis by reducing the whole to its simplest possible elements, by looking for causal explanations and fundamental laws (Easterby-Smith, 1991; Remenyi et al., 1998). This mode of investigation has been variously described as quantitative, empirical, having to do with inferential statistics, mathematical analysis, hypothesis testing, etc. (Lee, 1991). Positivism is particularly deductive in approach, in that it is aimed at testing and assessing validity of known theories or hypotheses through their application to the real world (Crowther and Lancaster, 2009). To the effect that positivism paradigm entails collection of views from many people about a phenomena, it is economical, saves time, and can be relevant to policy decisions (Easterby-Smith et al., 2008). Table 5.1 below presents the basic assumptions of the positivism paradigm.

Despite the robustness of positivism in looking at, and describing knowledge, some identified limitations have put its suitability for all research purposes in question. Authors have pointed out that dogmatic adherence to positivism can paradoxically jeopardise the soundness of research in the social science through ignoring certain influential contextual factors in organisations (Kim, 2003). Easterby-Smith et al., (2008) also opine that the rigid nature of positivism renders it ineffective in understanding actions, and does not serve useful purpose in generating theories. Questioning the suitability and relevance of positivism as a philosophical underpinning, Denscombe (2002) argues that positivism and scientific model of enquiry only provide an aspiration and bear little resemblance to actual practice in real social settings. Also commenting on the shortcomings of positivism and what seems to mark the beginning of its decline as a dominant social science research paradigm, Johnson and Duberley (2000: p. 33.) write:

> *...positivism's rejection of the metaphysical immediately runs into trouble because it is self-contradictory. It rejects as meaningless the abstract, metaphysical knowledge of subject-object relationships on which any epistemology, including positivism's own, is ultimately grounded. Since positivism cannot account for itself on its own terms, it becomes indefensible in its own terms and is in danger of slipping into the very dogmatism its epistemology was originally aimed at destroying.*

The claim that the social world cannot be understood by excluding subjective analysis of actions (Johnson and Duberley, 2000), led to the prominence of the interpretivistic approach to research in social science. This assertion also finds support in those comments of Easterby-Smith (2008: 58) that social constructionism as a new paradigm over the last half century developed as a reaction to the claim of social reality being understood through the positivistic/scientific approach, and a counter argument "*that reality is not objective and exterior [as claimed], but...socially constructed and given meaning by people*". Crotty (1998: 42, 68-69), while arguing that constructionism/interpretivism was part of the artillery used in attacking the dominance of objectivism/positivism, also posits that "*interpretivism emerges in contradistinction to positivism in attempts to understand and explain human and social reality*". Notwithstanding the shortcomings of positivism, it still remains the dominant paradigm in management research (Johnson and Duberley, 2000).

Table 5.1: Philosophical assumptions of positivism

• **Independence: the observer must be independent from what is being observed**
• **Value-freedom: the choice of what to study, and how to study it, can be determined by objective criteria rather than by human beliefs and interests.**
• **Causality: the aim of the social sciences should be to identify causal explanations and fundamental laws that explain regularities in social behaviour.**
• **Hypothesis and deduction: science proceeds through a process of hypothesising fundamental laws and then deducing what kind of observations will demonstrate the truth or falsity of these hypotheses.**
• **Operationalisation: concepts need to be operationalised in a way, which enables facts to be measured quantitatively.**
• **Reductionism: problems as a whole are better understood if they are reduced into the simplest possible elements**
• **Generalisation: in order to be able to generalise about regularities in human and social behaviour, it is necessary to select samples of sufficient size, from which inference may be drawn about the wider population.**
• **Cross-sectional analysis: such regularities can most easily be identified by making comparisons of variations across samples.**

Source: Easterby-Smith et al. (2008: p. 58)

5.1.2.2 Social Constructionism

Constructionism, which is also seen as Interpretivism, views knowledge and meaningful reality as being contingent upon human practices, constructed in and out of interaction between human beings and their world…, developed and transmitted within an essentially social context (Crotty, 1998). Interpretivism, as a competing paradigm to positivism seeks understanding of values, beliefs, and meanings of phenomena (Wardlow, 1989) through continuous interaction. As succinctly expressed by Crotty (1998), interpretivism "*looks for culturally derived and historically situated interpretations of the social life-world*", suggesting that "*human action arises from the sense that people make of different situations, rather than as a direct response to external stimuli*" (Easterby-Smith et al., 2008: p. 59). According to Easterby-Smith (1991), interpretivism adopts qualitative and naturalistic methods to inductively and holistically understand human experience in context-specific settings. Rather than seeking causality and generalisations, interpretivism attempts to develop theories through explanatory methods (Amaratunga et al., 2002).

Interpretivism, also called phenomenology and constructivism, is also argued to be fraught with some shortcomings. Babbie (1993) contends that by virtue of researchers' views reflecting in the interpretive process, their personal subjectivity may introduce bias into the research findings and conclusions. Other documented limitations of interpretivism include: expensive and tedious data collection methods, difficulty in analysing and interpreting collected data, harder control in terms of the pace, progress, and end points of research process, and low credibility given to the results by policy makers (Easterby-Smith, 1991). Table 5.2 provides a comparison of the features of both positivism and interpretivism paradigms.

The ensuing debate between the proponents of these two paradigms, and the need to find common ground, led to the emergence of other paradigms, such as critical science/realism, postmodernism, pragmatism, pluralism, etc. (Mingers, 2004). Those advocating a blend of the two paradigms point out the commonalities between the two (Sechrest and Sidani, 1995; Sandelowski, 1986), particularly in terms of objectives, scope, and nature of enquiry (Dzurec and Abraham, 1993), and argued that researchers and research methodologists should only be concerned about the usefulness and appropriateness of each approach for their research enquiries, and when they should be combined (Johnson and Onwugbuzie, 2004). Indeed, Easterby-Smith et al. (2008) noted that whilst a trend of departure from positivism towards constructivism can be seen from the 1980's, management researchers have on pragmatic view embarked on a deliberate combination of methods, which draw from the two paradigms.

Table 5.2: Comparison of positivism and interpretivism paradigms

	Positivism	**Interpretivism**
The observer	Must be independent	Is part of what is being observed
Human interest	Should be relevant	Are the main drives of science
Explanations	Must demonstrate causality	Aim to increase general understanding of the situation
Research progress through	Hypotheses and deductions	Gathering rich data from which ideas are induced
Concepts	Need to be defined so that they can be measured	Should incorporate stakeholder perspectives
Units of analysis	Should be reduced to simplest terms	May include the complexity of whole situations
Generalisation through	Statistical probability	Theoretical abstractions
Sampling requires	Large numbers selected randomly	Small numbers of cases chosen for specific reasons

Source: Easterby-Smith et al. (2008: p. 59)

Given the increasingly interdisciplinary, complex, and dynamic nature of modern research, the need to complement one method with another, becomes necessary, as researchers need to have a good understanding of all other paradigms to enhance communication, promote collaboration, and accomplish superior research (Johnson and Onwugbuzie, 2004). Sharing the belief that multiple approaches can be used to tackle research problems (Rossman and Wilson, 1985), this study whilst adopting constructivism as its dominant underpinning paradigm, also considers positivism and pragmatism because of the role they each play in the data analysis and interpretations. Needless to say that the role played by pragmatism in this research lies in its permit for combining both qualitative and quantitative sets of data (Tashakkori and Teddlie, 2003); it also allows for the research questions to be answered effectively, thus requiring its discussion in this methodological section.

5.1.2.3 Pragmatism

Pragmatism, which appears to have prominence and dominance over other emergent paradigms, has its root from the Latin word ‘pragmaticus’ and Greek word, ‘pragmatikos’, meaning deed (Ormerod, 2006), and connotes practicality, expediency, what gives best results in a given circumstance, and how research can be used to better practice (Creswell and Clark, 2007). It is a word, which has been widely used in different contexts, ways and meanings, sometimes even different from its original philosophical connotation.

Pragmatism posits that the current or provisional truth value (or working hypothesis, according to Dewey) of an expression is to be determined by the experiences or practical consequences of belief in or use of the expression in the world. James (1907), one of the proponents of pragmatism, conceives the maxim as ‘*turning away from abstractions, and insufficiency, from verbal solution, from bad a priori reasons, from fixed principles, closed system, and pretended absolutes, and origin, but towards concreteness, and adequacy, towards facts, towards action and power*’ (p. 28)[36].

The desirability of considering pragmatism is that it allows for combination of research designs, as opposed to using a single design, which only gives a limited view of a particular research situation. As observed by Johnson and Duberley (2000, p. 67), *"pragmatism will thrive on multi-methodological approaches where there is room to utilise the full range of methodological techniques that are available to management research*". In this context and for example, pragmatism may allow for combining both qualitative and quantitative approaches in a single study, such that the contextual meanings, which quantitative/positivism could not capture, would be overcome with qualitative/interpretivism, while quantitative/positivism also takes cares of empiricism, which qualitative/interpretivism fails to capture. In line with this thought, Smith (1975) also argued that using different methods will give a better illumination of the phenomena being investigated. The relevance and usefulness of pragmatism to management research was summed up by John and Duberley (2000, p. 169):

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[36] Cited in Ormerod (2006)

> *...if it were possible to assume that quantification of our objects of interest were possible there are other issues which problematise quantification. In order for theories to be practically adequate they must be guides for action, and in order to be guides for action they must explicate causal relations. But statistical modelling is acausal in that it can only identify measurable change and not causation. It can only identify covariance between variables – necessary but not sufficient grounds for assigning a causal relationship. In order to avoid the possibility of a spurious correlation and thus provide descriptive meaning so as to explain causal mechanism as well as to allocate direction to the causation, qualitative analysis is necessary.*

In a wider context therefore, adopting pragmatism will provide for combining different research designs and approaches. It must however be pointed out that this study is largely underpinned by constructivism/interpretivism paradigms. As is shown by the dominant role played by the qualitative design/approach, the interest in the current work surpasses that of only testing theories, it intends to develop theories, and also confirm/disconfirm theories that have been propounded in giving intelligibility to the construct of interest. Put differently, since relationships are not as easy in the social world as suggested by the positivist, quantitative approach, the constructivist, qualitative approach, which largely underpins this study intends to provide superior understanding to the construct of interest from the semi-structured interviews, which it is hoped, will lead to development of new concepts and ideas. Besides, as pointed out by Pierce[37], pragmatism is not a worldview per se, but rather a method of reflexion that is intended to enhance clarity of ideas, based on 'qualitative immediacy'. To this extent, pragmatism is said to have a significant resemblance to phenomenology, a branch of constructionism, which attempts to explain phenomena based on immediate experience (Spiegelberg, 1981)[38]. The intersection that pragmatism has with constructionism is depicted in a latter paradigm – symbolic interactionism, which is attributed to George

[37] This is cited in Crotty (1998) from the collected papers of Charles Sanders Pierce, 1931-1958, vols. 1-6, edited by Hartshorne and Weiss, P; and vols. 7-8 edited by Burks, Harvard University Press, Cambridge.

[38] Cited in Crotty (1998).

Herbert Mead, a pragmatist philosopher and social psychologist. Suggesting that pragmatism is well intersected with constructionism paradigm, Coser (1971: 340)[39] expresses that Mead, Cooley, and other pragmatists should be given kudos for emphasizing the importance of consideration of situations from the viewpoints of the actors.

Essentially, the semi-structured interviews conducted in this study would enhance rich explanation of the constructs under investigation, through the accounts of the actors, which may lead to development of theories that may give further illumination to the established ones. This position garnered support from the views of Crowther and Lancaster (2009), that providing new explanation in light of new theories increases our understanding of a phenomena, and does not necessarily abrogate the existing ones, but rather serves as a complement. In all, pragmatism has been given consideration because it allows for the research questions to be answered effectively, and also enhances the validity of the results obtained, using multiple approaches.

To sum up, whilst this work is predominantly inductive, in that it works from data to theory, and the theories further provide a basis for the deductive approach through testing of these theories, the overall process becomes that of abductive approach, which has been identified with pragmatism (Morgan 2007).

5.1.3 Multiple Approach to Research

As suggested by the discourse on philosophical underpinning, this study uses more than one approach in its method of inquiry or research design; hence there is a need to shed more light on this approach. While this method of inquiry has come under different names and terminology, it is in this study regarded as multiple approaches.

There is a convergence of opinion among scholars that the combination of both quantitative and qualitative data (both in collection and analysis) in a single study indicates mixed methods research (Brewer and Hunter, 1989; Howe 1988; Miles and Huberman, 1994; Patton, 1990; Rocco et al., 2003; Hurmerinta-Peltomaki and Nummela, 2006)). The underlying assumption of combining methods is that the

[39] Cited in Crotty (1998).

combination would yield a better result, with the strength of one method, neutralising the weakness of the other (Denzin, 1989). For example quantitative/survey data addresses the question of breadth, but ignores that of depth, while qualitative/interview data addresses concerns relating to depth, but fails in regard to breadth.

As noted by Crowther and Lancaster (2009), achieving effectiveness in management research may require combining inductive (qualitative) and deductive (quantitative) methods. Creswell and Clark (2007) also argue that combining qualitative and quantitative data gives a holistic picture, which takes note of trends, generalisations, and in-depth knowledge of participants' perspectives, particularly when the potential exists for one form of enquiry to contradict the other. This was succinctly pointed out by Scandura and Williams (2000), in that combining qualitative and quantitative data would among other considerations enhance generalisability of the results. Combination of methods would also be considered appropriate when the results obtained through one method, for example, quantitative are not sufficient to explain the outcomes, such that a qualitative data, particularly, in the participants' own words are necessary to give better interpretations of the results (Creswell and Clark, 2007). Besides, Scandura and Williams (2000) noted that using mixed-methods would enhance covering all the four aspects of validity – internal, external, criterion, and construct validity.

Various ways have been suggested in the literature on how methods can be combined in studies to achieve research objectives (see Tashakkori and Teddlie, 2003; Creswell et al., 2003). A multi-method design could take the form of triangulation design, embedded design, explanatory design, and exploratory design, each with many variants (Creswell and Clark, 2007). In a triangulation design, both quantitative and qualitative data are collected to play complementary roles, such that the results of one can be compared and contrasted with the other, or the outcomes of one validated by the other. The embedded design starts with the assumption of an insufficient single data set, and the need for support with a different set, particularly when different research questions require different types of data to be answered.

The objective of explanatory design is to provide explanation for quantitative results, with qualitative data, in cases of significant/insignificant, outliers, or unexpected results (Morse, 1991) or as expressed by King (2004), to validate particular measures or to clarify and illustrate the meaning of the quantitative findings. The exploratory design seeks an in depth exploration of a phenomenon by using the results of an initial qualitative data set to develop an instrument, which allows for a quantitative analysis and results, thereby enhancing its validity and generalisability.

Though the merits of using a combination of methods have been discussed above, but for the purpose of this study, its relevance can be found in the complexity and dynamism that characterise issues in organisational settings as in this case. Using multiple methods in organisational research has been argued to lead to varied and rich perspectives on the phenomena under investigation (Easterby-Smith et al., 2008). In line with this thought, Filstead (1970) posits that studying human behaviour in organisational settings requires not only the use of scientific method (empiricism or quantitative approach), but also the interpretative or phenomenological methods (inter-subjective and trans-objective) to understand the data. Since this study is concerned with measuring perceptions in organisations, combining qualitative data with quantitative data also finds support in the argument of King (2004), that where individual perceptions of processes within a social unit (the ethical decision-making process in this instance) are to be studied, research interviews are best suited to provide rich explanations of these perceptions.

Furthermore, ethics and social responsibility are intrinsically linked with corporate governance system and organisation culture, thus, it is strongly believed that using only one method may not capture the complexity associated with organisational culture and its relationship with the perceived importance of ethics and social responsibility, but only a slice of the reality. In support of the above contention, there are documented views on the absence of a general research framework that examines and measures the multifaceted, transient, and contingent learning and performance factors that affect modern organisations (McGoldrick et al., 2001; Morgan, 1983).

The approach adopted in this study also finds expression in the statements of Kim (2003), that although the quantitative method is best suited for research in the organisational field, because of its ability to uphold best the validity of findings and generalisability of results, researchers should also be mindful of the benefits that flow from the mix and application of other methods as a vehicle for increasing the depth of research. Indeed, Scandura and Williams (2000: p. 1250) contend that in addition to multiple methods "*resulting in a more robust and generalisable sets of findings, recommendations [from the findings] for managers could be made with greater clarity and confidence*".

Scherer and Palazzo (2007) posit that the positivistic orientation, which most studies on CSR have taken, only leads to instrumental interpretation of corporate responsibility, which strengthened the economic theory of the firm, but failed to capture the normative perspective. Since the current study adopts a normological view of CSR, multiple methods appears to be the appropriate mode of inquiry, whereby focus is not only on establishing correlations and relationships, but also generation of theories from the in-depth face to face interview.

In addition, most of the studies that have utilised the instrument used in the quantitative aspect of this study (PRESOR – Perceived Role of Ethics and Social Responsibility) have only used the quantitative approach, without recourse to verifying the results with qualitative data; the current work will therefore be the first attempt at examining the construct of interest using qualitative and quantitative approaches. Put differently, while prior studies have only been positivistic in approach, this study will add the interpretivism flavour to this mode of enquiry, culminating in a pragmatic approach, which lays emphasis on what best describes or provides best explanation of the phenomena being investigated. From the point of view of Creswell and Clark (2007), ontologically-wise, this study adopts singular and multiple realities or what Morgan (2007) terms "subjectivity"; epistemologically-wise, it adopts practicality in terms of giving emphasis to data collection that best addresses the research questions; axiologically-wise, it adopts a multiple stance – bias and unbiased perspectives; and methodologically-wise, it adopts combining of qualitative and quantitative data.

5.2 Research Questions and Propositions

As shown by previous chapters, service industries are susceptible to ethical dilemma due to the complex nature of their products. The insurance industry in particular, is apparently disadvantaged by the reputation problem arising out of the perceived unethical practices that ravage the industry (at least in the Nigerian context). This is evidenced by the underdevelopment that characterised the insurance market in the country, where despite its huge population; insurance patronage is still at its lowest ebb (Ayorinde, 2003). Undoubtedly, this calls into question the ethical and social responsibility practice in the industry, and drives the need to examine the perceived role of the construct among its managers. This follows a pragmatic view that insurance practitioners must first perceive ethics and social responsibility to be important before their conduct can be ethical and reflect greater social responsibility (Singhapakdi et al., 1996). This is a testable assumption, which the thesis intends to carry out through the following propositions. The study also undertakes to test the proposition that certain individual and situational factors do moderate this perception.

From the discourse in chapters two and four, restoration of promise is shown to be a key factor to insurance success, failure of which results in reputational problem. To this effect therefore, a strong justification arises to probe the role that ethics and social responsibility play in the Nigerian insurance industry. With respect to this objective the following research questions and the propositions derived from them are considered below:

5.2.1 Research Questions

- What do the managers in the Nigerian insurance industry understand by ethics and social responsibility?
- What role do these concepts play in business within the insurance industry? Do ethics and social responsibility play an important role in the Nigerian insurance industry?
- Why and how is ethics and social responsibility important in the insurance industry?

- What are the personal and situational factors that can affect managers' perceived importance of ethics and social responsibility for organisational effectiveness?

5.2.2 Research Propositions

As earlier argued, insurance is heavily dependent on trust relationship[40], as noted by Oakes (1990), a prospect's willingness to purchase insurance policy will be largely dependent on the insurance sales person's trustworthiness. Besides trust requirement in the buying process, the whole essence of insurance hinges on future promise, a promise of fulfilment of certain named obligation, which can affect the insured's well being. Thus, when the insurer acts as expected, it creates a feeling of security and confidence, and espouses ethical norms of avoidance of harm to others through one's action, truthfulness, benevolence, and honesty (Brien, 1998). To this effect, trust becomes a lense for assessing ethicality of actions, in which case, being trustworthy presupposes being ethical. If "*conditions of trust sustain the contexts in which moral principles achieve their concrete embodiment*" as observed by King (1988: p. 457), and insurance managers fully realise the need for trust in achieving business success, it is reasonable to propose that this will lead to high level of ethical behaviour, and by extension, a higher level of socially responsible behaviour. Based on this line of argument, the following propositions are made.

Proposition 1

What managers understand as ethics and social responsibility, and its role in business will be influenced by the practices in the industry in relation to claims payment.

Proposition 2

The perceived role of ethics and social responsibility will be largely determined by the nature of the insurance business, which is trust dependent.

5.3 Research Design

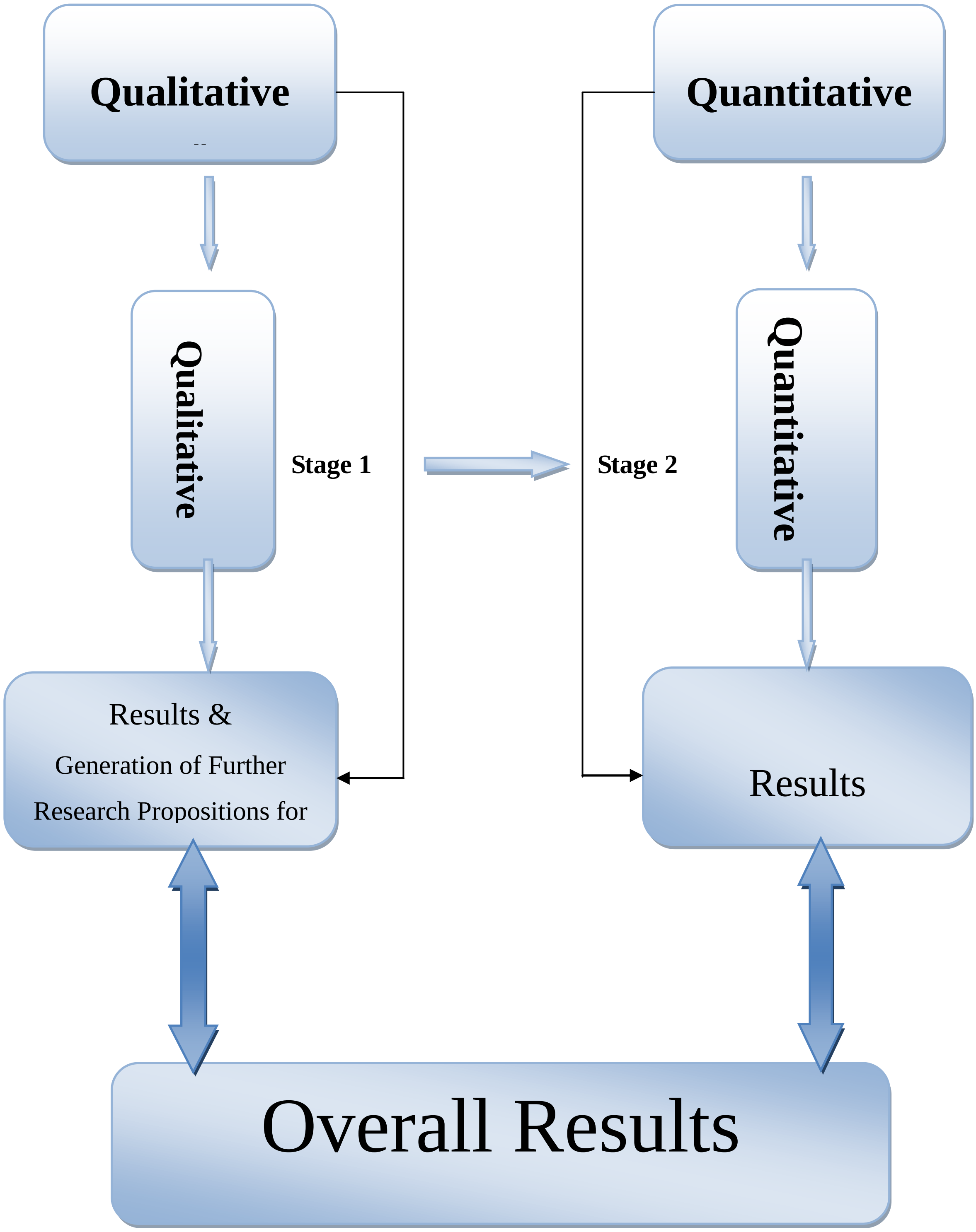
For the purpose of this study, and in congruence with earlier discussions, the qualitative-quantitative triangulation approach was used in collecting and analysing the data. The impetus for this consideration arises from the need to have a primary data set, and a

[40] See chapter four for this argument.

secondary one that provides a supportive role. This allows for the answering of some of the research questions, which have been stated quantitatively, given a consideration that this is largely a qualitative study. There are two variants in this approach, sequential triangulation and simultaneous triangulation (Morse, 1991). However for the purpose of this research, the sequential triangulation approach was used, with the qualitative data playing a principal role, and the quantitative data playing a subordinate role. This allows for the answering of some of the research questions and propositions, which require further investigation through quantitative approach. The qualitative data were first collected and then followed by the quantitative data.

The diagram below provides an overview of the mixed methodology approach used for this study. It gives insight into when and how the two sets of data were collected (timing), the role and priority given to each data (weight), and how both data sets were discussed.

Figure 5.1: The Sequential Triangulation Design



5.3.1 The Subjects

Studies are not conducted in a vacuum. There must be a population, selected samples and units of analysis in order to answer the research questions, test stated propositions, and achieve the objectives of the study. While it is occasionally possible to collect data from all members of a population, it is in most cases practically impossible, due to constraints of time, money, and accessibility to the units of analysis. For these reasons, sampling provides an alternative way of accessing the intended subjects, and using the results of data collected to generalise to the overall population, depending on the method of sampling adopted, and the kind of inference intended. As in a single method design, the question of data collection method and the sampling strategies to use in selecting participants for the qualitative and quantitative aspects of a study (Teddlie and Yu, 2007) must be addressed with utmost importance and rigor. Irrespective of the method employed, it is important that clear inferences are capable of being drawn from both the qualitative and quantitative data (Teddlie and Yu, 2007), otherwise the time and resources committed into the research would amount to efforts in futility.

For a qualitative study, sampling techniques that yield information-rich cases is usually utilised, which when added to those utilised by the quantitative sampling techniques results in depth and breadth in relation to the phenomena being investigated (Teddlie and Yu, 2007). Given that sampling in a multi-methods research requires some compromise between the requirements of quantitative and qualitative sampling; termed "representativeness/saturation trade-off" (Teddlie and Yu, 2007), the current work uses sequential convenience/probability sampling, for the two strands of the study. The sampling strategy, it must be pointed out, addresses the three questions that must be answered in a representativeness/saturation trade-off of multi-methods (Teddlie and Yu, 2007) discussed above:

- Is the overall sampling strategy sufficiently focused to allow researchers to actually gather the necessary data to answer the research questions?
- Will the purposive/convenience sampling techniques utilised in the study generate 'saturated' information on the qualitative research questions?
- Will the probability sampling techniques utilised in the study generate a representative sample related to the quantitative research questions?

In respect of the qualitative strand, this study uses volunteer sampling techniques, one of the two identified types of convenience sampling technique, the other one been captive sampling (Teddlie and Yu, 2007). This is reminiscent of the sampling strategy used by Aaron (2005)[41] in her study of leadership styles in a radiologic technology programme, where the author administered questionnaires among 590 programme directors and interviewed 12 of them based on her judgement. The current study interviewed 11 participants who willingly made themselves available for the interview out of those that were contacted. As with Aaron (2005), the selection of the 11 interviewees is considered sufficient to generate reliable and trustworthy results for the qualitative strand of the study. Besides, the volunteered participants were interviewed for an average of 45 minutes, which in the researcher's view, achieved data saturation.

5.3.2 Interview Questions

In drawing the interview questions, consideration was given to the need to assess with respect to thematic and dynamic dimensions (Kvale, 1996). Put differently, thematic dimensions allows for the questions to reflect the construct of interest, the theoretical conceptions underpinning it, and the subsequent analysis, while the dynamic dimension allows the development of positive interaction between the interviewer and the interviewees, so that the latter can be motivated to discuss naturally, their experience and feelings (Kvale, 1996). With this in mind, the interview questions were semi-structured, and were drawn to address the research objectives, central research questions, and the several research questions emanating therefrom. Thus, the semi-structured interview comprises three sections. The first section focuses on the interviewees' roles and job experiences. The relevance of this section is to assess the quality of the interviewees' responses and their understanding of the construct of interest as reflected in the interview questions. This section also enhances comparisons of the respondents' views based on their job status and experience in the industry. The next section comprises questions meant to examine the local understanding of ethics and social responsibility, the extent of their importance, and how this importance is emphasised. Not going straight to the construct of interest, the questions in the section

[41] Cited in Teddlie and Yu (2007), "Mixed Methods Sampling: A Typology with Examples", Journal of Mixed Methods Research, 1(1): 77.

started with examining the position of each respondent's company in the industry, and the factor considered to be responsible for such positioning within the industry. These opening questions also enable the researcher to probe the possible role ethics and social responsibility play in the respondents' organisations without actually mentioning these concepts. With the exception of one, the remaining questions in this section and the last sections address the questions of 'why' ethics and social responsibility are considered to be important for business success in the industry, and 'how' this importance is actually reflected.

The one exception question was a direct one to explore the interviewees' life experience of ethical dilemma, and how ethical conflicts are resolved, given that the study is conducted within the context of an ethically prone industry. The question also enables the researcher to examine the decision-making process in a situation of ethical conflict. It needs to be mentioned also that the last section comprises questions drawn from the research instrument to be used in collecting the quantitative data. The purpose of this is threefold. First, it enhances a deeper understanding of how important, or the extent of importance of ethics and social responsibility for organisational effectiveness, which are not capable of being captured in the quantitative strand of the study. Secondly, it provided a basis to examine the findings from the quantitative phase, with the hope of building on the theories that underpin the study, or possibly modify them. Thirdly, it provides a basis for confirming the validity of the findings of the study.

5.3.3 Data Collection

Though, two sets of data were collected for this thesis, both were primary in nature. The first was through a semi-structured interview, and the second through a structured questionnaire. Bearing in mind the sensitive nature of the investigation, a letter of introduction confirming my identity as the researcher, the institution I was representing, and promise of confidentiality and anonymity was obtained to enhance cooperation from the study's respondents. Despite this, one cannot be too sure of the respondents' cooperation. The experience with this set of people have shown that apart from the sensitive nature of the issue involved, they are quite busy, because of the positions they occupy in their companies, and are frequently inundated with similar requests; hence, the possibility of non-cooperation was anticipated.

With this situation, the first step was to find a way of managing and circumventing this problem, which could seriously mar the data collection exercise. The plan then was to exploit the close relationship the academic department the researcher was teaching in Nigeria (Department of Actuarial Science and Insurance) has with the industry as a strategy to penetrate the industry. About 80 percent of the manpower in the industry, and most of its executives were at one time students of the department, and have maintained close relationships with the University, and the department in particular. Besides, as a graduate of the department too, most of my classmates and friends are also in the top-level echelons of some of these firms, and have close ties with their colleagues in the industry. This strategy provided a perfect entry route into the sampled firms, and largely accounted for the success recorded with the data collection exercise.

The contact persons, who ranged from chief executive officers/managing directors to senior managers of various designations (general manager, controller, etc), and functional departments were contacted, and meetings arranged. At the meetings, the introduction letter, and complimentary cards (specially made for that purpose) with my name and status at De Montfort University were shown, and the purpose of the data collection exercise explained. The requirement for the selection of the samples, and the processes it must go through were also explained. All these were done so that the requests that would follow would be empathised with.

Those that indicated willingness for the semi-structured interview were visited, and the interviews were conducted and recorded on tapes, after several attempts. A total of eleven interviews were conducted. Most of the interviews were conducted in the interviewees' office except one, which took place in the interviewee's residence on a Sunday. This particular interviewee was one of the three CEOs, who volunteered and participated in the qualitative interview exercise. Apart from disturbances from colleagues in the office, it was also a recurrent incident for the interviewees' land phone or mobile phone to ring during the interviews, thus requiring the researcher to pause the interview to allow the interviewees to attend to the call. As mentioned earlier the interviews spanned between 40 minutes to over an hour, so on the average, an interview could be said to have lasted for 50 minutes.

5.4 Data Analytic Procedures

In order to enhance analysis of the data gathered through the interviews, answer the research questions, and achieve the study objectives, some preliminary exercises were performed on the data.

5.4.1 Qualitative Data: Interviews

In keeping with modern practice, the interviews were transcribed from tape recordings into written texts, thus transforming them into solid empirical data. This makes the data amenable to a closer scrutiny of themes mentioned during the interviews, and how they address some of the research questions. Given that transcription from oral to written mode involves personal judgment and decisions, which raises question of validity (Kvale, 1996); the transcribed interviews were kept in their original raw form as much as possible. To this effect, a balance was achieved between verbatim on one hand, and clarity, distinctness and coherence on the other hand. It needs being mentioned that the researcher found this quite excruciating, having to listen, rewind, listen again, before transforming speech into written form. The length of time used in transcribing far exceeds that of conducting the interview. Apart from the pain of transcribing, the exercise proved useful in terms of initial analysis and exploration of the research objectives.

Given that the method of analysis is usually informed by the nature of the phenomena and the purpose for which it is being studied, or as expressed by Kvale (1996: 180) that the theoretical conceptions of what is being studied provides the basis for making the decisions about the method to use in analysing the interviews, the researcher employed a combination of strategies in making sense of the qualitative data. The theoretical propositions provide some guidance in the form of where and what to give attention to, while descriptive framework analysis provides a basis to search for themes and areas that link to the research questions. The analyses typically start with a discussion of theoretical proposition, illustrated with quotes from the interviewees, and then followed by more discussion in form of interpretations of the quotes in relation to the propositions and theoretical framework of the study. This equates with what Easterby-Smith et al. (2008) describe as “tell-show-tell” form of analysing qualitative data interviews.

5.5 Validity and Reliability of the Instrument

For the results obtained from a study to be valid, the process and the instrument used to collect the data must be reliable (Mitchell and Jolley, 2004). In other words, validity presumes reliability (Hardy and Bryman, 2006; Bryman, 2008). Foddy (1993) contends that validity and reliability has to do with understanding and answering questions the way they were intended.

5.5.1 The Qualitative Data

Questions of validity and reliability in a qualitative study has always been trailed with controversies and disagreement (Flick, 2009). To some social researchers, this question should best be left to quantitative studies, where researchers are interested in the replication of inquiries and its outcomes, arguing that replications in qualitative studies are usually problematic because of the dynamic nature of the social world (Marshall and Rossman, 1989)[42]. Others also counterargued that the premise is not sufficient to dodge the question, which is quite central to the credibility that will be accorded to the outcomes of a social inquiry. This counterargument is succinctly captured in the contention of Kirk and Miller (1986: 72):

> *Qualitative researcher can no longer afford to beg the issue of reliability. While the forte of field research will always lie in its capability to sort out the validity of propositions, its results go ignored minus attention to reliability. For reliability to be calculated, it is incumbent on the scientific investigator to document his or her procedure.*

[42] Cited in Silverman (2006)

Several views have been suggested in the literature on what validity and reliability connote in qualitative studies. To some scholars (e.g., Flick, 2009), validity refers to the legitimacy of what a researcher claimed to have found out, starting from the data production, presentation, and inferences drawn from them, whilst reliability refers to "*the question of whether or not some future researchers could repeat the research project and come up with the same results, interpretations and claims*" (Silverman, 2006). Being conscious of this question, the researcher adopted a data collection method, which has been suggested and used by other researchers. The discourse analysis employed in the interpretation allows for discussion of the theoretical propositions in light of the respondents' views, through quotes from the data, both affirmative and negative, before inferences are then drawn. In other words, careful consideration was given to the research process, such that attempts by other researchers to replicate the study in the future is possible. In addition, the validity and reliability of the findings were also verified through triangulation with the quantitative findings.

5.6 Limitations of the Methodology

Though combining qualitative and quantitative approaches obliterates the weakness associated with each approach and strengthened the results, the fact that some research questions are answered through a particular approach, suggest that some of these weakness might not have been eliminated completely. With respect to the qualitative strand of the study, some known and well-documented limitations of this approach may have introduced some bias into the findings. For instance, in a qualitative interview, how does one ensure that the responses of the interviewees are true and not false, given that subjects tend to give a positive answer when their personalities are involved, yet these responses are collated and interpreted to represent reality? To what extent can we also say that the process of transcribing the responses from oral to written form has not resulted in data loss and distortion, or that the findings were not the outcome of subjective interpretations of the researcher?

Above all, and considering that multiple approaches are combined in this study, some of the challenges posed by this relatively new approach, particularly in integrating and interpreting the results of different strands of the study may constitute potential limitations to the research findings. Though the results of one strand strengthen the other, there is enough justification to draw inferences from the integrated results and extrapolate such findings beyond the population of the study. As in this case, where 11 interviews formed the qualitative data and 415 responses constitute the quantitative data, upon which meta-inferences are made, it will be quite hard to say that some compromise would not have been made along the line, which may have affected the research outcomes.

5.7 Conclusion

This chapter has given an overview of the way data was collected, and how they were informed by ontological and epistemological assumptions. In so doing, the chapter charts a course of action that the study uses in contributing to knowledge and management research in the area of ethics and social responsibility. In what appears as the uniqueness of the thesis, and a possible contribution to methodology, the chapter argued for collection of both qualitative and quantitative data as a better way of understanding such a dynamic and complex management and organisational issue as ethics and social responsibility.

The next chapter addresses how the methodology argued in this chapter is operationalised, and how the data confirms/refutes the theories of ethical decision-making discussed in the literature review chapter, and how middle range ones are developed.

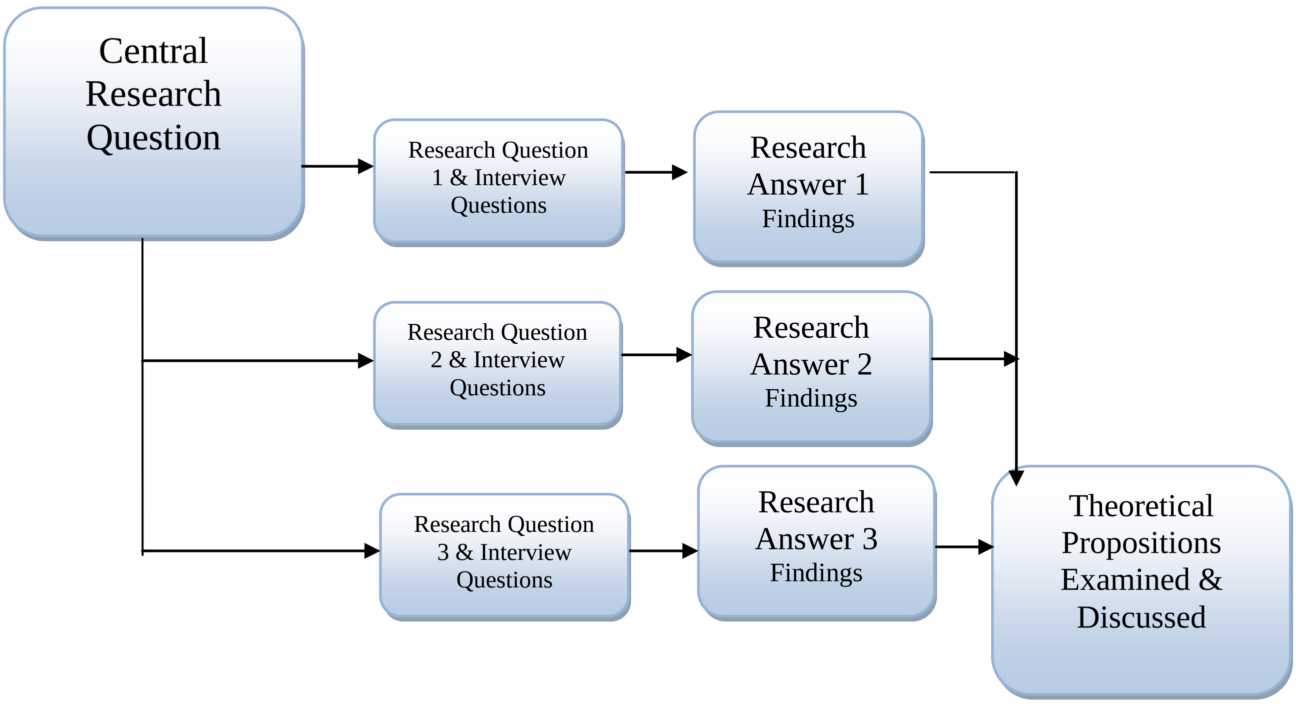
CHAPTER 6: THE ROLE OF ETHICS AND SOCIAL RESPONSIBILITY IN INSURANCE BUSINESS: THEORY AND DATA EVIDENCE

6.1 Introduction

This chapter analyses the qualitative data collected in the course of this study, with the intent of answering the research questions and the propositions derived from them. To this effect, and in congruence with the data analysis discourse in the inductive chapter, this chapter employs "meaning interpretation"—a method which is very close to discourse analysis in making sense of the interview data. The appropriateness of this method in the current work is that it allows the researcher to interpret the qualitative data interviews from the perspective focused on the construct of interest – ethics and social responsibility. As noted by Kvale (1996), this method allows for going beyond the responses in the interviews to channel out structures and relations of meaning that were not explicit in the text. In so doing, it enhances re-contextualising of the interview responses in a specific conceptual context.

Given that a model cannot be tested until one has been built (Wengraf, 2001), the normal occurrence of 'model building' to 'model testing', is followed in the current work. This thus explains the approach used in developing the conceptual framework in the preceding chapter. Having developed the conceptual framework from the literature and the researcher's understanding of the constructs under investigation, this chapter specifically analyses the qualitative data to see its agreement/ disagreement with the framework. Recognising that the theoretical propositions that made up the conceptual framework are a claim about reality, and that the claim is an answer to a central research question – "what is the perceived role of ethics and social responsibility in the insurance industry?", the analysis here takes into consideration both the research questions (that evolve from the central research question) and the answers to them. In so doing, a research question is stated, and attempt is made to provide an answer to it from the interview responses, through 'meaning interpretation'. With the questions and answers taken together, the theoretical propositions that made up the framework are then examined and discussed. The process of analysis is depicted in figure 6.1 below.

Figure 6.1: Process of analysis



6.1.1 Re-statement of Research Questions and Propositions

The central research question, which was derived from the research objectives is – what is the perceived role of ethics and social responsibility in organisational effectiveness? This central question then gave rise to the following research questions, which form the propositions and the conceptual framework.

- What do the managers in the Nigerian insurance industry understand as ethics and social responsibility?
- What role do these concepts play in business within the insurance industry? Do ethics and social responsibility play important role in the Nigerian insurance industry?
- Why and how is ethics and social responsibility important in the insurance industry?
- What are the personal and situational factors that can affect managers' perceived importance of ethics and social responsibility for organisational effectiveness?

The propositions derived from the research questions are also re-stated as follows.

- Managers' understanding of ethics and social responsibility, and its role in business will be influenced by the practices in the industry in relation to claims payment, otherwise referred to as restoration promise.

- The perceived role of ethics and social responsibility will be largely determined by the nature of insurance business, which hinges on morality and trust.

6.1.2 Instrumentation

The semi-structured interview comprises three sections. The first sections centre on the job characteristics of the interviewees, such as job title, role in the company, and length of service in the industry. The second section concentrates on the interviewees' companies, and what they personally consider to be ethics and social responsibility, and the responses of their companies to the construct. The third section in addition to the second section, addresses the question of 'why' and 'how' ethics is considered important. Each of these sections has been elaborately discussed in the inductive chapter (pages 138-139).

6.1.3 Descriptive Characteristics of the interviewees

Though a considerable effort was made to reach out to many respondents to participate in the interview exercise, only eleven managers were however able to do so. Three of the eleven managers were chief executive officers of their companies, and had worked in the industry for 16, 23, and 24 years respectively. They were all professionally qualified, well experienced and knew the industry well. These chief executive officers are also members of the board that formulates policy in their companies, and are solely responsible for its implementation. Another six of the respondents were senior managers by position in their organisations, with job titles ranging from head of claim, life and pension, human resources to chief technical officers, and marketing controller. These individuals are classified as middle management, as they relate with top management, and first line managers in their various departments.

Apart from one member of this group of interviewees, who has only worked for one year in the industry, others have work experience that range from 10 to 23 years. From this, it could also be posited that they are equally experienced and quite familiar with the industry. The remaining two were first line managers, and have served in the industry for six and fifteen years respectively. Of the eleven, only one interviewee was female, while the remaining ten were males.

These descriptions suggest that the managers would be quite familiar with the practice in the industry, and are on the average, key officers in their organisations. The summary of these descriptions and their statistics are provided in tables 6.1 and 6.2

Table 6.1: Demographic Characteristics of the Interviewees

Company	Job Title	Length of Service	Management level	Gender
A	CEO/Managing Director	23 years	Top	Male
B	Head, Human Resources	1 year	Middle	Male
C	Head of Claim Department	13 years	Middle	Male
D	Head of Life and Pension	16 years	Middle	Male
E	CEO/Managing Director	24 years	Top	Male
F	Head, Life and Pension	12 years	Middle	Male
G	CEO	16 years	Top	Male
H	Officer I	6 years	First-Line	Female
I	Controller of Marketing	23 years	Middle	Male
J	Manager	15 years	First-Line	Male
K	Chief Technical officer	10 years	Middle	Male

Table 6.2: Descriptive Statistics of the Interviewees

		Frequency	**Percentage**
Gender	**Male**	10	**91%**
	Female	1	**9%**
Top Management		3	**27%**
Middle Management		6	**55%**
First-Line Management		2	**18%**
Length of Service	**1 – 6 years**	2	**18%**
	10 – 16 years	6	**55%**
	23 years above	**3**	**27%**

6.2 The Interviewees' Organisations

Interviewees were asked two major questions here; the first question centred on the interviewees' company within the industry. In this regard, each interviewee was asked to give a description of his/her company, and its position in the industry. Anticipating that the interviewees would probably describe their companies favourably in terms of performance and position in the industry, the second question was therefore posed to know the critical success factors of their companies. The purpose is to have an insight into the role ethics and social responsibility might have played in whatever success stories the managers tell of their organisations, without actually mentioning the constructs being investigated. This will allow for comparing the responses on these questions to those that border on the role of the constructs within the industry, with the intention of drawing further inferences on the perceived role of the constructs.

6.2.1 Analysis of Interviewees' Companies in the Industry

In this section of the interview, managers were asked to rate their companies and their performance in the industry, with a view to determine the level of success achieved by each firm. Though different parameters were used, each of these managers was unequivocal about the success of their companies in the industry. The parameters used include gross premium income, profit before tax, capitalisation, and returns on investment, share price, leading underwriter etc. Managers described their companies either as being within the top five or top ten, while some argued that they have a well-known and respected brand name. Some of the parameters used by the managers can be seen in the following responses:

> *In terms of premium income, we are among the first five, and in terms of profitability (before tax), we are number one. (Co. A.)*

> *We are small, young, dynamic, and flexible. Despite our young existence, we are among the leading underwriters, and we now lead the consortium of insurance companies in underwriting the localised portion of oil and gas businesses. In terms of returns on investment, we are among the top five insurance companies. (Co. C)*

We are one of the new generation companies that brought innovation, development, and prudency into the industry. We were able to scale through the new re-capitalisation process, and presently, we are in the first five top companies in terms of premium income, and we are not doing badly in terms of profitability (Co. D.).

Our brand name is well known, and our share price in the market testifies to this. (Co. H.).

What is implicit in these responses is that managers' companies are viewed in terms of financial performance. That managers looked at measurable indicators to rate the position of their companies seems to suggest the potency of financial performance in describing success. While this study is not aimed at discussing indicators of business performance, it is worth noting that such measures of business performance could probably be a reflection of what investors and the general public in Nigeria looked at in assessing companies' performance, and making investment decisions.

6.2.2 Critical Success Factors (CSFs)

Critical success factors, are regarded as "*few key areas where things must go right for business (organisation) to flourish…areas in which good performance is necessary to ensure attainment of (organisational) goals*" (Rockart, 1979: p. 85). In this regard, and given the success reported above, managers were asked what they think is responsible for the success story of their companies. The views expressed were quite divergent, but they seemed to cluster around "*solid board and sound management*". Some also attribute the success of their companies to "*prompt payment of claims*", "*customer oriented services*" that recommend products that match customers' needs, "*goodwill*", and "*link with leading broking firm in the industry*". The factors identified by the interviewed managers are consistent with those that have been reported in CSFs literature and studies. In a review of literature on CSFs, Fryer et al. (2007) document key CSFs to be management commitment, customer management, supplier management, team work, communication, training and learning, process management, employee empowerment, product design, and organisational structure. Also consistent with prior studies, is the cluster of opinion on solid board and sound management team as a critical success factor in the industry. In a survey of different types of organisations in the UK, USA, Middle East, Malaysia, and Singapore, management commitment was rated highest across all the organisations, while clear mission statement and customer satisfaction were rated second and third, in a list of 22 generic critical success factors. The responses of the managers also reflect the key areas that must be given special and continuous attention in the industry to enhance organisational success. It is therefore not surprising that some of them considered prompt payment of claims as a critical success factor for their organisations. This is quite obvious in some of their statements, excerpts of which are reproduced below:

> *…we pay claims within 48 hours, once documentation is completed, and this proves to be our unique selling point*

> *Ability to settle claims has been our major strength in the market*

> *…our customers are given first priority. We pay claims without being pursued, after having sympathised with them initially.*

While the managers' views were divergent as earlier mentioned, this is not strange, and is in line with the view of CSFs scholars, that what is considered as critical success factor may differ from one organisation to another and from one manager to another (Rockart, 1979). In addition, Rockart (1979) observed that the nature of an industry may be a major determinant of factors, which it must pay attention to in its drive for success. The need for small companies to formulate a competitive strategy that will create a niche in ensuring success, particularly in an industry dominated by few players with known names and brand, was recognised by the managers and reflected in their views. Whilst some of them described their organisations as young, and dynamic, they nevertheless considered fulfilling promises to customers as their unique selling point.

Findings

Though critical success factor (CSF) is not the main focus of this study, the views expressed by the managers seem to suggest however that promises of restoration to insured parties are quite important in the insurance business. To the extent that promise fulfilment is embedded in ethical norms, and insurance managers viewed keeping this promise as important to business success, it is tempting to speculate that such perceptions would sensitise the managers to the realisation that ethics and social responsibility play an important role in organisational effectiveness in the industry. In addition, the fact that ethics and social responsibility was not mentioned by any of the managers as a critical success factor does not suggest that the construct does not play any significant role. In fact it could be implied to play an important role from the various responses given by the managers. Given that decisions about ethics and social responsibility are usually made by the top management, and managers viewed "*sound management*" as a critical success factor, may also allude to the suggestion that ethics and social responsibility play an important role in the industry.

6.3 Meaning of Ethics and Social Responsibility

To ensure that interviewed managers are familiar with the construct of interest, their understandings were sought on what they perceived to be ethics and social responsibility. The responses here will allow for the first research question to be explored and answered. Though a comprehensive and exhaustive definition of CSR have been considered in chapter three, and a case made that lack of consensus on the conceptual meaning of CSR is partly responsible for the extent to which the construct has been embraced by the corporate world, the respondents' understanding will further add to different dimensions through which the construct has been understood, given that most of these definitions emerged from the west. As suggested in the literature, will the managers' conceptual understanding be interest bias?

RQ 1: *What do the managers in the Nigerian insurance industry understand as ethics and social responsibility?*

IQ 1: What do you consider to be ethical and socially responsible behaviour?

Analysis and Interpretation

The CSR concept, though in vogue, is vague and means different things to different people (Crowther and Jatana, 2005). Lantos (2001: p. 595) also observes that the CSR concept is "*a fuzzy one with unclear boundaries and debatable legitimacy*". A generally held opinion among the managers is that ethics relate to the rightness and wrongness of an action, while social responsibility implies giving back to the immediate community. The following quotes are illustrative of this effect:

> *I think the key thing as emphasised by insurance is a deep sense of morality. The insurance products we sell hinges on a promise, which the public expects to be fulfilled when the unexpected happens. Insurance is fundamentally a business that strives on the confidence and trust of the people in the business. You are buying a product with the expectation that if a loss should happen, that at the time you are disadvantaged, nobody would insists you bribe him before your claim is settled, and I think that is very key. Unfortunately, the insurance [industry] has not been playing much role in alleviating the ills of the society [social responsibility]*

> *Ethics of the insurance profession among others is utmost good faith that is paying claims promptly. Our core values are integrity, flexibility, [and] excellent customer care. We ensure we don't buy premium, and we operate within the ethics of the profession. We also put the necessary professionalism into our operations, ensuring we have necessary reinsurance backing. Social responsibility means giving back to the society.*

> *To us, ethics means Integrity, being able to meet our primary assignment, which is claim payment. Ensuring that there are no hidden meanings to our terms and conditions, and avoiding tiny print. We ensure that our clients know what they are buying, what it covers and is not covered, and if at the end a claim comes up, we ensure we live [up] to our responsibility. By social responsibility, it means giving back to the society*

Some of the interviewees went further to relate ethics to the practice in the industry. This is reflected in the statement of one of the three CEOs, which is reproduced below:

> *I think the key thing as emphasised by insurance is a deep sense of morality. The insurance products we sell hinges on a promise, which the public expects to be fulfilled when the unexpected happens. Insurance is fundamentally a business that strives on the confidence and trust of the people in the business. You are buying a product [insurance policy] with the expectation that if a loss should happen, that at the time you are disadvantaged, nobody would insists you bribe him before your claim is settled, and I think that is very key...*

Implicit in this expressed view is that insurance companies seem to show reluctance in claim settlement and might not even pay at all, which runs contrary to the promise made at the inception of the policy. This is clearly seen as unethical. The argument that insurance thrives on confidence and trust is corroborated by early opinion. For example, Duska (1999) posits that:

> *Life insurance and insurance in general, is a promise to pay. Faith in that promise is an important business asset to an insurer. In a world where financial institutions of all sorts compete for the same customers, life insurers must capture and maintain the confidence of consumers or fall behind banks, securities firms, and other insurers.*

Some of the interviewees also expressed that ethics has to do with professionalism, charging adequate premium for risk accepted, and integrity. They reasoned that charging adequate premium will enhance capacity to bear risk and fulfil their financial obligations. Furthermore, fulfilling obligations to customers in terms of prompt settlement of claims will enhance integrity. The managers' views resonate well with what Lantos (2001) described as special duties of professionals in society. The author argued that special duties of professionals are well embedded in professional ethics, where professionals are required to "*conduct themselves in a manner that gives greater benefits to society beyond economic and legal duties, to moral and quality of life* *obligations*" for being allowed some privileges, such as meaningful work experiences, high incomes, prestige, high social status, etc (p. 608). One of the controversial practices in the industry, and most service organisations is the use of small and tiny print for terms of agreement. Some of the managers were of the opinion that such use of small print is unethical, and it equates with taking undue advantage of the insuring public. The implication of this for policyholders is that liability or claim may be repudiated if any of the terms have not been observed or are violated. To have an insight into the reasoning of these managers, some of the quotes from their statements are provided below:

> *It is all about professionalism, and it borders on what we should do and not do. For example corruption and rate cutting is bad and unethical, while quoting adequately is professionalism, and ensures you are able to fulfil your promise when there is a claim.*

> *Ethics of the insurance profession among others is utmost good faith that is paying claims promptly. Our core values are integrity, flexibility, [and] excellent customer care. We ensure we don't buy premium, and we operate within the ethics of the profession. We also put the necessary professionalism into our operations, ensuring we have necessary reinsurance backing. Social responsibility means giving back to the society.*

> *To us, ethics means Integrity, being able to meet our primary assignment, which is claim payment. Ensuring that there are no hidden meanings to our terms and conditions, and avoiding tiny print. We ensure that our clients know what they are buying, what it covers and is not covered, and if at the end a claim comes up, we ensure we live [up] to our responsibility. By social responsibility, it means giving back to the society*

> *Ethics is all about charging the adequate rate, and not cutting rate, so as to be able to attract foreign reinsurers.*

Rate cutting is unethical and is quite prevalent in the industry. Ethical responsibility is therefore to strictly adhere to the guidelines of the profession.

…adhering strictly to the rules and regulations or the norms of the insurance profession.

Complying with the norms of the profession, not taking advantage of our customers, due to the technical nature of insurance, not cutting claims, and by balancing the interest of the stakeholders of the company.

Findings

If these views are aggregated, the conclusion that could be drawn is that the managers understood ethics and social responsibility as two separate concepts. This is quite apparent in their definitions. To them, ethics is about morality, integrity, and being able to live up to insured parties' expectations. Social responsibility is on the other hand viewed as philanthropic contribution – giving back to society. Since ethics as a concept is viewed in this study as a dimension of CSR, we could, by the responses of the interviewees propose two different types of CSR, one that focuses on the ethical aspect, i.e. ethical CSR; and another one based on philanthropy, i.e. philanthropic CSR. This proposition agrees with the framework of Lantos (2001: p. 595), who conceptualised ethical CSR as avoiding/rectifying societal harms, and altruistic CSR as doing good works at possible expense to the stockholders. The findings here suggest that the industry has not achieved significant scores in terms of these two types of CSR. Though evidence seems to suggest that some philanthropic contributions are made by insurance companies, but reports of various unethical practices suggest a lower score in terms of ethical CSR. Going by the hierarchy of CSR proposed by Carroll (1979), the insurance company must after fulfilling economic and legal responsibilities fulfil ethical responsibility before performing philanthropic responsibility, or at best perform all the responsibilities at the same time. CSR is after all a balancing act (Lantos, 2001). Failing in ethical responsibility, therefore, equates with being morally irresponsible (Lantos, 2001).

6.4 The Perceived Role of Ethics and Social Responsibility

Since the central concern of the thesis is to explore the perceived role of ethics and social responsibility for organisational effectiveness, managers were asked if they think ethics and social responsibility has contributed to the success of their companies.

RQ 2: *What role do ethics and social responsibility play in the Nigerian insurance industry? Do these concepts play an important role in organisational effectiveness within the industry?*

IQ 1: What role do ethics and social responsibility play in the success of your company?

Analysis and Interpretation

Again, the managers were unanimous in their affirmation. They believed that conducting business ethically and in a socially responsible manner has contributed immensely to their companies. They observed that being transparent in business dealings and showing concern for their environment have won them people's sympathy, resulted in increased patronage, given them an edge over their competitors, and ensured they remain in business. These lines of argument seem to corroborate the business case for CSR, that socially responsible behaviour of firms can make stakeholders perceive such firms favourably, and lead to resolve to increase transactional dealing with them (Barnett, 2007). To give a comprehensive view of this perceived role, some of the responses are presented below:

> *Ethics and social responsibility has contributed significantly to our performance. This is because we conduct business within stated rules and regulations, and with transparency. We ensure that our returns get to the stock house at the end of first quarter, to [the] security and exchange commission (SEC), and to [the] national insurance commission (NAICOM)*

> *It has put the confidence of the insuring public in us, gives us edge over our competitors, and ensures we remain in business (survival).*

People run to you because of the way you conduct business. If you don't run business in an ethically responsible manner, they would not come to you; even employees may not want to work for you. This has played an important role in our success story. We have not done much in the area of social responsibility, but we have been giving support to the school for the blind for the past ten years.

Our social responsibility activities have endeared people's mind towards us, and are seeing us as being responsible. We now record patronage due to these activities.

It has enhanced our business operations and image. People are willing to do business with us, which has led to increase in the volume of our business.

Findings

The general agreement among the managers suggests that managers in the industry believe that ethics and social responsibility can be beneficial to the industry. It is also obvious in their opinion that ethics and social responsibility has played a significant role in the success of their companies. Their expressed views seem to corroborate earlier findings that certain advantages are associated with being ethical and socially responsible (Fombrum, Garberg & Barnett, 2000; Turban & Greening, 1997; Maignan, 1997). For example, findings from Maignan (1997) suggest that customers are likely to keep buying from companies that are perceived as doing the right thing, and do associate positive images with their products. Furthermore, Dawkins (2004) reported that customers were more willing to make effort to support businesses that are committed to being socially responsible. Results from marketplace polls also suggest that consumers are much more likely to buy from a company that is socially responsible, if the quality, service, and price are equal to that of competitors (Cone & Roper, 1997). The important role of the construct is seen in the managers' expressed view that customers have been endeared to them because of the transparent ways they conducted business, further lending support to the long held view that "*good ethics is good business*". Conclusively, the analysis and interpretation of the managers' responses suggest that ethics and social responsibility is perceived to play an important role in the industry.

6.5 Important Role of Ethics and Social Responsibility: 'Why' and 'How'

If ethics and social responsibility is perceived to play an important role through, as indicated, significant increase in customers' patronage, there must be some further indicator of this importance. It is not enough to conclude that ethics and social responsibility is important, there is a need to probe from the interviewees' responses how this importance has been shown and its extent. It is expected that such probing will provide an answer to research question three, which is restated below.

RQ3: *How and why is Ethics and Social Responsibility important in the insurance industry?*

In order to answer this research question that borders on 'why' and 'how', seven interview questions were presented to the interviewees. The first one borders on how the construct is reflected in corporate planning and goal setting, the second borders on its role for long-term profitability, the third on achieving a balance between the construct and profitability, the fourth on structural changes to institutionalise the construct, the fifth on comparison with other measures of organisational effectiveness, the sixth on comparison with stockholders' wealth maximisation, and the seventh on how it reflects in the culture of the companies.

IQ 1: *Should Corporate Planning and Goal Setting Sessions include Discussion about Ethics and Social Responsibility?*

Analysis and Interpretation

It is a well-recognised practice for firms to engage in a yearly exercise to chart a future direction for the organisation, in terms of positioning to achieve its mission, goals and objectives. Such an exercise, termed corporate planning, represents, according to Bennett (1996, p. 281), a complete system for running business, which entails evaluation of the implications of future decisions; establishment of performance standards; analysis of environments in which the company operates; precise specification of goals to be achieved; and selection of actions to achieve those goals. Since firms are concerned about relating with their environment, planning could take a strategic dimension, through which firms plan to position themselves in relation to threats and opportunities, and achieved stated goals and objectives. Out of the eleven managers interviewed, only one manager disagreed, while the other ten managers agreed that such a session should have a discussion about ethics and social responsibility. While agreeing with the statement, the managers underscored their agreement by saying that it is important to do so. They further reasoned that such a discussion signalled the company's position as regards the construct, and will continue to echo in the minds of employees within the company. The managers were of the opinion that a new dimension to managing organisations (which they conceptualised as good corporate governance) requires that ethics and social responsibility be included in the corporate planning and goals setting session. This reasoning appeared to garner support from Singer (1984) who posits that planning procedure lacking in ethical consideration is untenable.

The dissenting manager (one of the three CEOs) was of the opinion that in planning for the new business year, corporations are mainly concerned about how to grow their income and profit, and rarely pay much attention to ethics and social responsibility. This opposing view is presented below:

> *Principally any company, planning for the new business year, primarily looked at how to grow their income, profit by certain percentage, things they need to do to achieve these objectives, so the issue of ethics and social responsibility is really mellowed down seriously. They only looked at ethics and social responsibility when they have got other things right. If you look at the entire Nigerian business environment, the amount of commitment to ethical practices, corporate governance and being socially responsible is still very low. If you take a look at the annual accounts of most companies in Nigeria, you will find very little or nothing in that regard. As we move into a new business setting, which is*

> *imminent, then these issues would start to play a prominent role, but for now, they play secondary roles, even much lower than secondary role.*

This view can be contrasted with that of another CEO, who not only agreed that discussion about ethics and social responsibility should be included, but argued that it should be part of the costs that makes up the company's annual budget. He argued further that including discussion about ethics in the goals setting session will not only tell managers what they must strive to achieve, but also what is allowed and what is not allowed. For comparison of these two opposing views, the statement of this CEO is also re-produced below:

> *It is very good to include… because social responsibility is even part of the cost you include in your budget. By including ethics in this session, you define what you want to get and what you need not to do to get what you want to get. That is what ethics is saying, what you should not do in achieving your goals, and what those obligations you want to offer to society for being part of the society are. If you are part of the society, you should also be responsible and give back to the society.*

IQ 2: *Is Ethics and Social Responsibility essential for Long-term Profitability and Survival?*

Analysis and Interpretation

Whether the firm should strive to achieve short-term profitability at the expense of long-term profitability and survival has been a core issue in the debate between the proponents of business assumption of CSR and its critics. Argument seems to abound in the literature that in the long-run, the survival of business relates to its socially responsible behaviour; see, for example, Crowther and Jatana (2005). Given that ethics and social responsibility could be strategically used to achieve long-term goals and objectives (Key and Popkin, 1998), managers' responses were sought on the perceived importance of ethics and social responsibility in this regard. The interviewed managers unanimously agreed with the statement. One of the managers was however quick at pointing out that a young organisation that is still trying to establish itself in the market may find this quite impracticable to implement.

Managers were of the opinion that ethics and social responsibility is a good capital asset for organisations and observed that companies who have disregarded ethics and social responsibility in the past have lost out. Lending support to the managers' reasoning, Singer (1984) argued that corporations should amend their short-term goals to pursue longer-term objectives and goals, by sacrificing short-term profitability to promote growth in market share through promoting good corporate citizenship. Set in context therefore, the managers' responses seem to suggest that businesses do not operate in a vacuum, hence to ensure long-term survival, they must be receptive to public criticism in terms of their activities, and be perceived to be making serious efforts to contribute towards society's goals (Lowes, 1979). So, taken as a whole, responses from the managers suggest that ethics and social responsibility is essential for long-term profitability and survival of business organisations. The "how" of this important role of ethics and social responsibility is implied in the overwhelming majority of the managers agreeing that the concepts should be included in corporate planning and goal setting sessions of their organisations.

IQ 3: *Should Business be Socially Responsible beyond Making Profit?*

Analysis and Interpretation

The question of economic responsibility of business corporations has always been an issue of serious concern in the economic theory of the firm. The crux of this theory is that the purpose of the firm is to maximise shareholder's wealth. Though it has been a little over three decades ago that Milton Friedman (1970) declared that the only social responsibility of business is to make as much profit as possible for its shareholders, while operating within the law; this view still appears to have some acceptance in the business world today. The question of whether engaging in other forms of responsibility, particularly social responsibility will not be detrimental to the economic responsibility and shareholder's wealth maximisation continues to be an issue of debate among scholars and practitioners.

Given the relevance of profit for any organisation, and the argument that business is only an economic institution, managers were asked whether business should assume any other responsibility beyond that of maximising economic gains. A high percentage of the interviewed managers (82%) agreed that the purpose of the firm goes beyond profit maximisation, and that business does have social responsibility, while 18% disagreed. They reasoned that though profit is a good measure of performance, it is not the only end result. They further opined that for further profits to be realised, organisations should be concerned about ethics and social responsibility. Those who disagreed reasoned that profit is important to any business organisation, and that being socially responsible should only be given consideration after the ability to continuously make that profit is established. These opposing views seems to suggest that organisations may do illegal things, care less about how their conduct affects quality of life of people, whilst they are striving to be profitable, and can thereafter become a good corporate citizen through engagement in ethical and socially responsible behaviour. Quotes of these opposing views, from two CEOs of 23 years and 24 years experience are presented below:

> *I think business should be socially responsible beyond making profit. Profit is important to remain in business, but you can only stand out that long ... if you lay a very strong impression in the mind of the people, through your social responsibility. By being socially responsible an organisation makes life more comfortable and more meaningful for the people, and if people are more comfortable and live meaningful life they would be in a strong position to be able to support and continue to do business with such an organisation. Though profit is a good measure of performance, because if an organisation is not profitable it would not stay in business, shareholders would not invest in the company, employees would not want to work for you, customers would not buy your products, that is why you are not profitable. Profit is essential, but it is not the only end result.*

> *The key thing to any business in the world is being able to make profit, and once that opportunity to continuously make profit has been established, then you can think of being socially responsible. Some banks are currently contributing to road repairs and maintenance, this happens because they have firmly established themselves as profitable organisations.*

What seems to be at play here is the paradox of profitability and responsibility (De Wit and Meyer, 2005). While consensus among the interviewees suggests that business has both economic and social responsibility, the question of which responsibility should be dominant and come first has always generated arguments. What is clearly recognised is that business firms must be profitable to survive; yet, that is not sufficient to guarantee survival (De Wit and Meyer, 2005). One may argue that firms, particularly publicly quoted ones, need a high level of profitability to instil confidence in their investors, and hence ability to raise further capital for expansion, and competitive positioning, but firms must also be socially responsible in order to continue to gain the confidence of customers. A singular potent reason for this is that consumers have the power to give or withdraw their patronage, which can threaten or ensure the survival of business firms.

On the question of whether profit should precede ethics and social responsibility, as opined by one of the interviewed managers that a company should be socially responsible after it has established itself as a profitable organisation, opinion in the literature seems to suggest that social responsibility can be assumed even at no extra cost to the organisation. For example, while Steiner (1971) argued that business is fundamentally an economic institution, he also posited that business does have social responsibility, some of which can be assumed at no cost. He reasoned that social responsibility "*is more of an attitude, of the way manager approaches his decision-making task, than a great shift in the economics of decision-making" (p. 164).*

Findings

The "how" and "why" importance of ethics and social responsibility are again captured in this analysis. That ethics and social responsibility is important is shown in the agreement that short-run profit can be traded off for ethics and social responsibility. The arguments of the managers that business has social responsibility beyond making profit seem to re-echo previously-held opinion in the CSR literature that though the business process ends with companies earning profits, it should nevertheless be interpreted that profit is the end result for which companies exist (Fontrodona and Sison, 2006, p. 39). The authors further argued that, "*justifying a company's existence exclusively by its profits is unacceptable*" (p. 39). Furthermore, the overwhelming agreement of the managers seem to suggest that seeing the business entity as an economic institution is a narrow view, and that business should embrace a wider view of business as a social institution to ensure continual existence. This argument was articulated by Klonoski (1991: p. 17) in his submission on the CSR debate:

> *…given the social nature of business, corporations, their owners, managers, and directors are to be encouraged to leave behind the archaic and incomplete vision of the corporation as a narrowly economic, private institution, and to appropriate this new vision [business as social institution] of incorporated business. Once this conceptual move is made, more extensive social responsibility for the betterment of all, including business, will follow.*

IQ 4: *What are the changes made in recent times aimed at improving Ethics and Social Responsibility?*

Analysis and Interpretation

In order to have a further insight into the extent of the perceived important role of ethics and social responsibility, managers were queried about changes made by their companies in recent times that were aimed at improving ethics and social responsibility. This stems from the view that positive postures towards ethics and social responsibility start from structural changes to enhance its implementation. A response that indicates uniformity of opinion across the interviewed managers is the ability of their companies to successfully accomplish recapitalisation. The recapitalisation process, which stipulates the minimum share capital requirement for insurance companies to N2 billion ($15, 625, 000) for life insurance, N3 billion ($23, 437, 500) for non-life insurance, and

N5 billion for composite and reinsurance companies, was intended to improve performance in the industry (NAICOM, 2007). The exercise has not only reduced the number of operating companies, but has also increased the risk retention of the surviving ones, and enhanced the ability to adequately fulfil obligations to their customers. The managers, consider this a major change to improving ethics and social responsibility. One of the CEOs interviewed observed that a major constraint in implementing ethics and social responsibility has been the size and the earning ability of the insurance companies. This seems to also suggest that size can be significant factor in determining the extent of engagement in social responsibility. This is quite implicit in his statements:

> *…over the years, the insurance industry has not been a major earning factor in the country, and this may be responsible for the slow response to social responsibility. Some of the insurance companies are so small that they are only struggling to survive and are not making extra to make meaningful contributions to society. If the current consolidation is well done and concluded, we would have strong companies that can be in a good position to play a critical role in developing the society.*

Other changes, managers claimed their companies have made, include establishment of compliance, corporate governance and ethical practice unit, system control and audit unit. As noted by Stead et al. (1990), operationalising support for ethical behaviour can be achieved through creation of structures, such as those mentioned by the managers to have been instituted by their companies. According to the authors, such structural mechanisms serve as an ombudsman for reporting ethical violations in the organisation. Some companies have also endeavoured to increase the amount allocated for social responsibility activities in their annual budget. To some, it is in form of a regular meeting where they recite, study and memorise their core values to pass the message across to the employees. In this regard, Water and Bird (1987) argued that managers tend to have strong moral obligation when they have openly consented to moral standards, and have promised to abide by them. Some of the responses are presented below.

We have established a unit called compliance, corporate governance and ethical practice headed by a lawyer, to ensure we are ethically doing well and have good corporate governance structure.

...We now meet regularly to recite, study, and memorize our core values – SPIITE (S – superior customer service; P – professionalism; I – integrity; I – innovative; T – team player; and E – empathy) to prevent unethical practices.

We have just created a unit called "system control and audit", to serve as watch dog for unethical behaviour.

Even though shareholders at the last AGM called for increment in the amount we spend on corporate social responsibility, we had already taken care of this in the next year budget, and with planning for further increase. These were aimed at improving social responsibility.

Avoiding doing business with brokers whose integrity is at stake. Similarly, our parent company has engaged in various philanthropic activities, which were to improve our social responsibility.

Findings

The report by the managers of some structural changes in their organisations further suggest that ethics and social responsibility is perceived to play an important role in the industry. This seems to lend support to Stead's et al. (1990) argument that operationalizing support for ethics and social responsibility; particularly, reinforcing ethical behaviour in employees is achieved by creating structural mechanisms.

6.5.1 Comparison of Ethics and Social Responsibility to other Measures of Effectiveness

Measures of organisational effectiveness have always revolved around measurable indicators like profitability, return on investment, return on assets, market share, efficiency, product quality, etc. (Steers, 1975; Campbell, 1973). Authors have however argued that these measures only equate to financial performance[43], and called for a broader measure of effectiveness, which considers both financial and social indicators (Carroll and Hoy, 1984). Over three decades ago, Steers (1975) argued for multivariate models of effectiveness, and posited that such models will be more meaningful and holistic in explaining a greater proportion of variance in effectiveness.

Given the arguments in the literature for a more robust measure of organisational effectiveness, and the aim of establishing the extent of perceived importance of ethics and social responsibility in the industry, managers were asked whether ethics and social responsibility should be given the same importance among other indicators or parameters of organisational effectiveness.

IQ 5: *Should ethics and social responsibility be considered as important as communication, efficiency, output, and profitability in determining organisational effectiveness?*

Analysis and Interpretation

The responses reflect that determining whether an organisation is successful should not only be based on profitability, and other known measurable parameters. Some managers even argued that ethics and social responsibility should be on a higher scale than these other indicators, and reasoned that ignoring the important role of the concepts could have serious consequences for organisations in the future. They underscored their argument by citing the case of the Niger Delta region of the country, where the operations of the multinational oil companies have been disrupted by militants who took to arms to protest years of neglect in the region, and failure of these multinationals to act proactively and responsibly, with a resultant loss in profitability. Despite this consensus, some of them also observed the abstract and immeasurable nature of ethics and social responsibility, which makes it difficult to quantify. Similar observation was made by Aras and Crowther (2008: p. 46) that while measurement of business success has been made possible through some economic and financial tools, yet measuring

[43] See, for example, Venkatramen and Ramanujam (1986)

companies' degree of compliance with social policies has been difficult. Quoting from the interviewed managers, the statements below give some illustration of this interpretation:

> *It should even be on a higher scale because ignoring ethics and social responsibility may have serious consequences for business in the future. The case of the oil companies in the Niger Delta region is very illustrative in this regard. Thus ethics and social responsibility should be higher than communication, quality, efficiency, and even profit".*

> *Though, there is no objective measure of ethics and social responsibility, unlike these other measures, it nevertheless should be given equal importance. It is not enough to say a company is successful based on profitability, it must also be seen to be ethical and socially responsible.*

> *Yes they are equally important and should be at the same level with profit. It is as good for a company to be ethical as it is good to be profitable. If a company is profitable today and is not ethical, it may not make that same profit tomorrow, so for a company to stay there over the long run, ethics should be on the same level with profitability, because that is what would guarantee long-term future profitability of the venture.*

Findings

While current management practice tends to treat ethics and social responsibility as a residual factor in determining organisational effectiveness, emphasis now seems to be changing to including social goals and policy into strategic management (Carroll and Hoy, 1984). The convergent views of managers on this statement, suggest that ethics and social responsibility should not be subordinated for other measures of effectiveness, and further lend support to Carroll and Hoy's (1984) argument.

IQ 6: *Do you think anything else matters if stockholders are unhappy?*

Analysis and Interpretation

Following the assumptions of the agency theory, one of which is the maximisation of shareholders value (Fontrodona and Sison, 2006), managers were asked if they think any other things matter if the shareholders are unhappy. This question also becomes expedient in view of the fact that some managers have been held to have disparaged CSR demands on the ground that it is antithetical to "*profit maximisation and the interests of shareholders, whom they believe have primacy above all other stakeholders*" (Lantos, 2001). While the interviewees concurred that shareholders should be made happy through handsome returns on their investment, they nevertheless argued that interests of others who have stakes in the business should also be ensured.

They observed that though being ethical may lead to business and income loss initially, and subsequently reduction in profit, but contended that in the long-run, such actions would come to be appreciated by the society, and consequently impact business positively. By so doing, they posited that shareholders can be made happy many times and over. Some of the responses are presented below to give further illustration.

> *One must ensure that all stakeholders in the business settings are happy – operators, shareholders, government, [and] immediate community. They must all have a bite of this cake. Shareholders too are beginning to see that it is key for company where they have interest to give something back to the environment they operate from. It is becoming an acceptable thing.*

> *There is no board that has a capable management that would not consider social responsibility as a pillar for the growth of that company. We have not in our own case been confronted or queried by our board and shareholders that we are spending too much on social responsibility. We have, as part of the 50th anniversary celebration concluded arrangements to refurbish a whole hall of a general hospital, engage in some environmental beautification, and give handsomely to orphanage homes. By so doing, we believe there is possibility for future growth and profitability, and good image.*

The shareholders should be made happy, by giving good returns on their invested capital, but their interest must not jeopardize the interest of the society at large. Though, being ethical and socially responsible may initially lead to loss of business, income, and profit, but in the long-run, it would pay off, as such a company would be appreciated for its values.

It is important to make your shareholders happy, it is also important to carry out those social responsibilities and take good ethical position that can guarantee you make them happy and happy over time again. By making them happy in the short-term by cutting corners, by being unethical, and by not being socially responsible, what it means is that there will be a time when you will still end up making them unhappy. To guarantee their happiness all the time, then you have to be conscious of your ethical position and social responsibility. Organisations that have done this have been able to make their shareholders smile, over and over again.

While shareholders should be made happy, as they are the owners of the funds, it is important to note that their money alone cannot bring them the profit they want. In order for their money to bring them that profit, they must be ready to make sacrifices, and impact their environments positively. Therefore all the stakeholders should be made happy, not only the shareholders.

Though we need to be prudent, and ensure that shareholders' wealth is ensured, but we must recognised that we owe responsibility to others in society, and it is by fulfilling that responsibility that shareholders' wealth can be further maximised, particularly in the long-run.

I think a balance must be struck, such that one must not suffer at the expense of the others. Investment in ethics and social responsibility will further contribute to profit.

Shareholders should be made happy, but the general public must be made happy as well, because they too are stakeholders. It is only when we look at it narrowly that we think that only the shareholders matter, and this is why some of our organisations in this part of the world are not surviving longer. The emphasis is now changing from shareholders to stakeholders, indicating that everybody that has an interest in the organisation, directly or indirectly must be made happy.

As shown by these responses, shareholders are not only agreeing to business engaging in social responsibility, but are also questioning the adequacy of such engagement. At the annual general meeting (AGM) of one of the companies visited, the shareholders were reported to have questioned the smallness of the fund expended on social responsibility activities. Such pressures for increased commitment to CSR have also been observed by McWilliams and Siegel (2001),[44] who expressed that managers are facing increasing demands from stockholders, institutional stakeholders in particular, to devote more resources to CSR. The expressed views of the interviewed managers find support in the observation of Kennedy (2000) that emphasis on shareholders' value maximisation is an indication of short-term outlook, on account of which the firm can jeopardize its long-term goals.

Findings

Rather than making shareholders alone happy, the interviewees argued that stakeholders should rather be made happy. In a similar reasoning to Maitland (1994), the managers posit that shareholders money cannot in itself bring the desired profit unless that money (capital) is used by knowledgeable and skilled managers, who can therefore be held to also have a stake in the business. Supporting the managers' argument, Fontrodona and Sison (2006), posit that while stockholders bear great risks in entrusting their funds to a company to use, such assumed risks is never the only one nor the greatest, because managers and other employees also have their labour brought into the business at stake.

IQ 7: *In what specific terms has it been made known that unethical behaviour will not be tolerated?*

[44] Cited in Lantos (2001)

Analysis and Interpretation

There is a plethora of work on ethical code of conduct, its effect in shaping the behaviour of organisational members, and its enforcement. The importance of a code of ethics is further evidenced by its adoption by firms of all sizes and countries of the world. Weaver (1993) posits that codes "*may be invoked in order to manage or respond to specific stakeholders' demand or expectations in a fashion which benefits, or avoids harms to the firm*". Similar notions were alluded to by Coughlan (2005) that codes of ethics mirror the organisation's key values and also signal those values to its external and external stakeholders. Stevens et al. (2005: p. 182) citing Weaver et al. (1999) hold that "*codes can have significant strategic benefits and can potentially influence long-term performance by deterring inappropriate decisions and behaviour and enhancing the reputation and image of the firm with respect to its stakeholders*". Stead et al. (1990: p. 239) also noted that "*codes of ethics are probably the most visible sign of a company's ethical philosophy*". Despite the importance and wide adoption of ethical code of conduct, critics[45] have raised concerns about its effectiveness in shaping employees behaviours. Stevens et al. (2005) distinguishing between adoption and use of a code, pose whether code is not just another of the management policies adopted for symbolic purposes and not for actual use, citing the case of Enron. However, when put to use, it is expected to eliminate or pre-empt unethical practices that are inimical to the best interest of the firm; establishes the legitimacy of disciplinary action if the code is violated; and helps individual employees relieve ethical dilemma (Molander, 1987). This view was supported by Somers (2001) that if implemented, an ethical code serves as a guideline for individual behaviour in the organisation and prevents wrongdoing; see also Weeks and Nantel (1992).

On the basis of these arguments and findings, it is logically expected that managers in companies that have codes of ethics and sanction its violation will perceive ethics and social responsibility to be crucial to organisation success. This is consistent with Valentine and Fleischman's (2008) position that "*if individuals believe that their organisation prescribes ethical principles, then the standards increasing attention to business ethics should prompt greater awareness of company involvement in socially*

[45] See Stevens (2008) for an overview of some of these critiques.

responsible activities". To this effect, the interviewees were asked about how their companies have signalled that unethical behaviour will not be tolerated.

From the managers' responses, the signal of unacceptable business practices (unethical behaviour) have been through codes of ethics, though called staff handbook by some managers. Whilst most of the codes were in written form, few were said to be unwritten, but all the respondents expressed that the codes were well communicated to staff. Apart from specification of acceptable and unacceptable conducts, the codes were quite explicit about sanctions that would be imposed on violators of the codes. By these responses, one could infer that ethics and social responsibility is perceived to play an important role in the industry, but a response of one of the managers that his company has no written codes, and that no formal attempt has been made at communication seems to suggest that all companies may not have the same view regarding the important role of ethics and social responsibility. Though the manager claimed that every staff member in the organisation knows that behaviour must be ethically compliant, but how would they know the standard to apply in evaluating their conducts in absence of such written rules, particularly when faced with ethical dilemma? That all the companies might not have the same perception is also corroborated by the view of one the three CEO, that issues bordering on ethics and social responsibility are still at their lower ebb, and that what matters is how to grow profits. Some of the views are presented below for further insight.

> *There is no formal attempt to communicate this to staff, but every staff in this organization knows that we want to make profit that is good, yes there are profit out there that are not good, but good ones is the one that takes into consideration ethics. Though, it is an unwritten rule and law, but every staff in this organization knows you must do things in an ethical manners. We have unwritten codes of ethics.*

> *There is a staff handbook, and in terms of internal management of staff, we have the code of conduct, which clearly spelt out what you can and cannot do.*

Punishment includes dismissal in case of criminal offence, termination of employment etc.
...we have a written code, and at meetings, the codes are studied and rehearsed.

We are updating our staff's condition of service to include ethical guidelines and a stern warning that any violation those ethical rules will be dealt with, with severe punishment. It will serve as a code of ethics, stating clearly what the ethical expectations of staffs are.

There is a code of ethics, written in the staff handbook, and embedded in the standard operating procedure, at the group level, regional level and company level, and with clear sanctions for offenders.

The company has a code of conduct and it is distributed to the staff to guide their conducts.

We have a code of ethics, but it is an unwritten one.

We have a code of ethics, even dressing code such that failures to abide [by] them are sanctioned. These codes are communicated to staff.

We have something in form of code of ethics, which stipulate severe consequences for unethical practices.

It is stated in the appointment letters, staff handbook, and the consequences of engaging in such behaviour, such as summary dismissal, suspension, warning, and our leaders ensure that they show examples in this regards, by being ethical in their conduct.

Findings

The important role of ethics and social responsibility is again shown by the interviewees' organisations detailing what actions are allowable and which are not, with the stipulated sanctions to be applied in case of violation. To be succinct, the majority of the interviewees' organisations have a formal code of ethics, which are there to guide employees in their ethical conducts, and the sanctions that will accompany a violation. The codes of ethics here signalled that ethics and social responsibility are perceived to play important role.

6.6 Moderating Factors of the Perceived Importance of Ethics and Social Responsibility

The CSR literature suggests that the perception of the important role of ethics and social responsibility in business could be moderated by some factors. These factors were identified as personal and situational/organisational factors. To the effect that ethics and social responsibility are largely concerned with normative business decision-making, authors, e.g. Singhapakdi, (1996), have argued that certain personal factors, either on their own or in conjunction with some situational organisational factors could affect the individual's perception of the important role of ethics and social responsibility. Specifically, moral values of individuals could be deduced in terms of their disposition to certain ethical gray situations, when a decision must be taken. The literature also suggests that the organisational ethical values could also interact with personal ethical values in such situations. In order to test this theoretical position, and answer research question four, some interview questions were posed.

RQ 4: *What are the personal and situational factors that can influence managers' perceived importance of ethics and social responsibility for organisational effectiveness?*

IQ 1: *Have you ever experienced any ethical dilemma? How did you respond to it?*

Analysis and Interpretation

It has been argued, that the high complex nature of insurance opens a potential door for ethical abuse[46]. Insurance managers and sales persons have been held to face ethical dilemma as a result of pressure from superiors, the commission-based reward system,

[46] See chapter on ethical dilemma in the insurance industry

and opportunistic behaviour; see for example, Gilbert (1990), and Hoffman et al. (1991). In this regard, Gilbert (1990, p. 3) argued that insurance agents who claimed not to have encountered ethical dilemmas did not have their eyes open. Recognising therefore that managers have responsibilities to their companies in terms of meeting targets and recording increased sales, which may likely put them in situations of ethical conflict, interviewees were asked how they have managed situations of ethical dilemma. When in an ethical dilemma, authors have observed that managers are faced with deciding what the cost of insisting on ethical standards will be to their companies (Waters and Bird, 1987), and what damage it will bring to their own reputation. The relevance of this question is underscored in the claim of one of the managers that their value or importance to the organisation as senior managers is largely determined by the amount of business they bring into the organisation.

The views expressed by managers where in both directions. The majority affirmed that they have been in such situations, because of pressures from superiors. Actions taken have either resulted in a loss of sales for their companies or a more serious consequence of job loss to themselves. This outcome seems to reinforce the assertion of Stead et al. (1990: p. 239), that managers who refuse to compromise unethical actions "*risk high anxiety and loss of potential livelihood*". It emerged from their responses that the issue of ethics is just gaining prominence, and that what matters, until recently is survival even if it requires breaking laws, suggesting the primacy of economic responsibility. Some reasoned that it might be quite costly to remain rigid, and said they have had to play the game according to the rules of the market to keep their job. Examples of their statements are reproduced below:

> *[The] Issue of ethics is not given good prominence in the Nigeria business settings, except lately, that people now talk about corporate governance, [and] good business ethics. It is something just taking its root in the Nigeria business settings, prior to this time, what is paramount to any company is survival, even if you have to do illegal things, just do it so that the business can survive...*

Yes, as a result of pressure and targets, because, your value as management staff is based on the amount of business you are able to bring to the company, and not by your contribution in the office. Out there in the market it is war because of competition for the same business, whereby companies engage in rate cutting to obtain business. The situation is not also helped by people, as they are only interested in price, even though there are four Ps in marketing, they want the lowest price possible, and this is resulting to loss of premium income. So, I have had to lose a business, because I would not quote inadequately.

Pressure and targets do sometimes lead to ethical compromise. While the board emphasizes returns to shareholders, the management team ensures there is no bad selection, which could affect bottom line. We have not however refused or rejected all bad businesses.
Yes, I have encountered such [a situation] in my career as an underwriter, and I have had to leave my job because I was not prepared to compromise my professional ethics.

In dealing with such [a situation] I do take a look at the consequences and act based on the objectives to be achieved and the circumstances or situation at hand.

In order not to lose customers, there may be the need to bend the rules, and apply a human face to the situation at hand.

…in this business you cannot be completely rigid. If you refuse to bend, others will take your business, and you may lose your job, because owners are only interested in returns. What I have done is to look at the circumstances, and if it is not fundamental, shift my ground. But on fundamental ones, I have only taken a stand of explaining to them as my professional norms would not allow such act.

The overall picture painted here is that ethical dilemma occurs due to pressures from superiors. This finding is consistent with various empirical findings that employees do experience pressure to compromise their personal values and ethical standards to achieve organisational goals (Carroll, 1975; Peterson, 2003). In addition, the responses of the managers lend support to previous findings that competition is a significant threat to business ethics (e.g., Touche Ross, 1988)[47]. In one of the quotes above, a manager reports that competition for the same business results in rate cutting, one of the most widely reported unethical practices in the insurance industry. According to the managers, the situation is made worse because customers want lower price and at the same time quality service. The quote below illustrates the finding above.

> *...Out there in the market it is war because of competition for the same business, whereby companies engage in rate cutting to obtain business...The situation is not also helped by people, as ... they want the lowest price possible".*

Similarly, the response from the manager that different emphasis from stakeholders lead to ethical compromise also garner support from the argument of Stead et al. (1990: p. 236) that pressures from stakeholders do undermine ethical behaviour, as business firms are increasingly faced with the options of either being an ethical role model or succumb to such pressures, and compromise ethical standards. As observed by Boatright, (1999): "*managers are under the gun by both individual and institutional investors to do whatever it takes to increase stock price*"[48]. Furthermore, decision as to what best to do in such situations has led to some managers looking at the nature of ethical violation involved, what the likely consequences were, and those that will be affected. This process is consistent with Hunt and Vitell's (1986, 2006) model of ethical decision-making that individuals evoke some deontological and teleological norms in making ethical decisions. According to H-V theory, individuals make teleological evaluations by looking at (1) the perceived consequences of each alternative for various stakeholder groups, (2) the probability that each consequence will occur to each stakeholder group, (3) the desirability or undesirability of each consequence, and (4) the importance of each stakeholder group.

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[47] Cited in Stead et al. (1990)

[48] Cited in Lantos (2001: p. 601)

The analyses here also suggest that ethical behaviour could be situational and relative as well as absolute. Responses such as, "*we have not however refused all bad business*"; "*I do…act based on the objectives to be achieved and the circumstances*"; "*there may be a need to bend the rules, and apply human face to the situation at hand*"; and "…*in this business you cannot afford to be completely rigid*…", suggest that ethics could be relative and situational. The overall responses also suggest that some of the managers could be idealists and some relativists in light of Forsyth's (1980) dimensions of individual moral philosophies, as well as its taxonomy, which holds that an individual could espouse some degree of the two dimensions.

To the effect that some of the interviewed managers have experienced ethical dilemmas, and some did compromise their ethical values, whilst some did not, it could be speculated that ethical compromise could be a function of the moral values of the managers themselves as observed above. This is more so, given that ethical decision-making is inter-alia dependent on whether an ethical problem is perceived or not. Put differently, perception is said to be the starting point of ethical reflection (Marta et al., 2008), and as reported by Singhapakdi et al. (1999), increasing perception of a morally problematic situation reduces intentions to take unethical actions. Whilst certain organisational situational factors, some of which are identified above (e.g., competition, pressures from superiors, demand of different stakeholders, etc.) can moderate the moral values of employees, it is not clear here whether, the decision taken by those who compromised, and those who did not compromise, is influenced by the perceived ethical tone of their organisations as a situational variable or their own moral values, acting as a personal variable. A plausible alternative interpretation is that the managers might have compromised the ethical dilemma due to the perceived benefits that would accrue to them, given that opportunity is a key influence of ethical behaviour (Ferrel and Gresham, 1985). This again can be explained in light of Forsyth's (1980) taxonomy, which produces four individual ethical ideologies –situationist, absolutist, subjectivist, and exceptionist.

In addition to moral values and ethical values of the organisation as moderating factors of the perceived role of ethics and social responsibility, commitment could also be a potential moderating factor, given that some managers reported to have left their jobs, because they were not prepared to compromise their moral values and professional ethics. This is in agreement with the theoretical proposition that a perceived congruence between an individual's ethical values and that of his/her organisation tends to influence the individual's level of commitment to the organisation. In fact, empirical evidence from Hunt et al. (1989) suggests that commitment is an organisational outcome of ethical decision-making. Where dissonance or incongruence is perceived, this is said to lead to job dissatisfaction (Viswesvaran et al., 1998), and eventual withdrawal or resignation from the organisation (Jansen and Von Glinow, 1985).

IQ 2: *What problems do you think your company or the industry has in implementing ethics and social responsibility?*

Analysis and interpretation

In answering this interview question, the researcher is of the opinion that further insight can be achieved on the factors that affect the perceived role of ethics and social responsibility in the industry. From the managers' responses, survival and profitability drive could engender ethical compromise, which might suggest that the construct is not perceived to play any significant role in that respect. That such a view comes from a chief executive officer, says much in terms of how the construct may be perceived in the industry. The interviewee is of the opinion that issues bordering on ethics and social responsibility comes in only when a company has firmly established itself as a profitable business. This response also suggests that ethics and social responsibility currently play a secondary role, as the manager expressed that people care less about ethical content in any situation once they are satisfied, or by extension, when they are not affected. The quote below is illustrative to this effect.

> *Issues of ethics comes in when the business is firmly on ground… when you started doing well in terms of productivity, profitability, and other parameters that is when you start to bring in issues of ethics. So these issues has not really affected performance, because what people look at is the service you render to*

customer, and once they are satisfied with services you render, they close their eyes to any unethical practices in your operation.

In addition to profitability drive, unhealthy competition is again identified as a major factor, which has been making institutionalisation of ethics in the industry quite difficult. The problem is more compounded by the unwillingness of actors in the industry to engage in whistle blowing when such incidence occurs, and even lack of strong will by the regulatory body to sanctions the perpetrators. The continual failure to call perpetrators to book not only constitutes an impediment to implement ethics, it also signalled to new entrants into the industry that you could violate ethical rules and get away with it. This not only put those who blow the whistle about unethical practices into danger, but also make a mockery of the ethically compliant ones. The responses below give an insight into this interpretation.

Failure of the regulatory body (NICOM) to sanction companies caught with unethical practices.

Proliferation of insurance companies is one of the major problems facing the industry in ensuring ethical standard, but that seems to have been overcome by the just concluded re-capitalization process. Others include lack of adequate supervision, inability of the regulatory body to sanction erring companies, and refusal or late remittance of premium by brokers.

The main problem is unhealthy competition. Eagerness to outwit one another, not minding what it cost them. Because that tactics have work in the past among first runners in the industry, others are also trying to copy the same practice, and making it difficult to convince others of its unethicality. People have not been going to the regulatory agencies to report in form of petition.

Problem of corruption, and lack of adequate and effective supervision. Though, the regulatory agencies are trying their best, but the issue of rate cutting has not been completely eradicated.

Failure of the regulatory bodies to take erring companies to book and have them sanctioned for unethical practices.

Failure of the regulatory bodies to enforce the enacted and existing laws

Inability to apply the law to punish guilty companies by regulating bodies, particularly in the area of rate cutting.

Lack of cooperation of regulatory body with ethical companies to ensure ethical conduct and failure of the regulators to sanction guilty companies, largely because they too have a stake in some of those companies.

Apart from lack of will to sanction violators, the ineffectiveness of the regulatory body has also been attributed to vested interest, whereby those who sit on the board of the regulatory agency have a stake in the company guilty of violation. This finding seems to reinforce Bayles' (1989)[49] observation that drawing members of a regulatory agency from those working in the regulated field makes the agency inefficient because of conflict of interest and bias,

When staffing such agencies, the first thought is to obtain experts, and these turn out to be persons working in the regulated field…To the extent that they are career members of the agency, the economic conflict of interest is removed, but professional bias would probably remain.

What makes the Nigerian case slightly different from those described by Bayles (1989) is that some of the agency's members may be acting in one capacity or other in the violating company, either as a member of board of directors or chairman of the company, in which case economic conflict is not ruled out.

[49] Cited in Brien (1998: p. 393)

The responses also suggest that the moral values of the actors might be a significant factor that affects the perceived role of ethics and social responsibility in the industry. As noted by one of the managers, the ills in the society might moderate the individual's moral values, which could pose a challenge to ensuring ethical practice. Moral values in Nigeria seem to be declining, and considering that the work force is drawn from the society, a considerable effort might be needed to make such employees amenable to ethical practices.

Findings

From the analysis and interpretations of the interviewees' responses to the interview questions posed to answer the fourth research question, several factors could affect individual's perception of the role ethics and social responsibility play in organisation effectiveness. These factors revolved round personal and organisational factors, or what can be regarded as personal and situational factors. With personal variables such as gender, job status, tenure of service not considered, the analysis suggests that moral values could be a significant personal factor that affect decision-making that has ethical content. There is evidence to suggest also that organisational factors, acting as situational factors could affect ethical decision-making, and thus the perceived importance of ethics and social responsibility for organisational effectiveness. The organisational/situational factor in this instance is identified as the ethical tone of the interviewees' companies, which allow for compromise to be made in order to grow profit, so as to satisfy investors. While this organisational factor is internal, an external organisational factor is the regulatory agency, which appears to lack the necessary will to institute ethical practices, through reward and sanctions. To be succinct, ethics may have been compromised as a result of the ethical values of the individual, which is reinforced by pressure from superior to meet target, albeit pressure from stockholders.

6.7 Summary

The results of the above analyses seem to suggest that ethics is perceived as a behavioural guide that distinguishes acceptable and responsible behaviour from unacceptable and irresponsible behaviour in business dealings. Social responsibility, on the other hand is perceived as business giving back to the society, for being allowed to use society’s resources. The findings reported here seem to espouse the argument of social contract theory that business should legitimately seek corporate profit, in manners that will promote the material well-being of members of society as consumers and employees (Smith and Hasnas, 1999), and avoid fraud, deception, show respect to employees as human beings, and avoid any practice that can worsen the situation of a given group in the society (Donaldson, 1982).

Evidence from this analysis also suggests that ethics and social responsibility is perceived to be important for organisational effectiveness. Similarly, managers believed that the construct has equally contributed to the success of their organisations. The reoccurrence of themes such as integrity, trust, morality, promise fulfilment, avoidance of small print, etc suggest a realisation that ethics and social responsibility are important for organisational effectiveness in the industry. In light of the findings, the theoretical propositions earlier stated appeared to have been confirmed. As shown by the findings, managers’ interpreted ethics and social responsibility in light of those themes mentioned above. To this extent, the perceived role of ethics and social responsibility was viewed in relation to the nature of insurance, and as proposed, it is shown to be trust dependent. The managers all expressed that insurance business is based on morality, because it is all about fulfilling promises made at some point in the process of the transaction. It is therefore not surprising that most of the interviewees, whilst acknowledging a wide apathy to claim payment in the recent past, pointed at prompt claim payment as their major strength and unique selling point. Prompt payment of claims thus seems to suggest that insurance managers realised the vulnerability of the insuring public to the future promise made at the inception of the contract, and that keeping that promise does engender a trust-relationship. In essence, when insurers fulfilled their restoration promises, it engendered a trust relationship, and suggest a realisation of the important role of ethics and social responsibility in business success.

To the effect that the study has not measured any aspect of social responsibility performance in the industry, the claim of the managers with regard to contribution of ethics and social responsibility to business success can only be taken as mere a claim, which stands to be verified empirically. Notwithstanding, the results seems to have provided a positive answer or conclusion for the exploratory nature of this study, namely, ethics and social responsibility is perceived to play an important role in organisational effectiveness in the insurance industry.

Though the results suggest that ethics and social responsibility are perceived to play an important role in organisational effectiveness in the insurance industry, some of the factors identified as potential moderators of this perception need to be examined further before a conclusion can be drawn. In order to be able to generalise the findings beyond the interviewed managers, there is a further need to conduct a quantitative enquiries into the identified moderating factors, that will consider a larger sample than the one used in the qualitative strand of the study.

6.8 Conclusion

This chapter has enhanced the analysis of the interview data, and the answering of the research questions and theoretical propositions. In so doing, it provided a platform to assess how ethics and social responsibility are reflected in current business practices in the Nigerian insurance industry. The chapter also paved the way for the quantitative strand of the study, which is intended to enhance the reliability, validity and generalisability of the research findings. Though the data analysed here has been quite small in light of the small number of managers interviewed, one can however argue that despite this limitation, it has allowed for an in-depth examination of beliefs about the construct of interest.

CHAPTER 7: THE DEDUCTIVE PROCESS

7.1 Introduction

This chapter serves as a corollary to two previous chapters; first, chapter five where the inductive process and the philosophical underpinning of the study were discussed. Second, the need for this chapter emerges from the qualitative analysis in chapter six, where the major research questions and propositions were explored. As shown by the results of the qualitative data interviews, and the understanding of the literature, certain personal and situational factors could influence individuals' perception concerning the role of ethics and social responsibility in business. The assumed relationships between the construct of interest in this study, and some of the identified situational factors in the literature led to the development of further research questions and propositions. In essence, this chapter allows for the results of the qualitative strand of the study to be extended through the quantitative strand, and also enhances its generalisation to the entire population, considering the fact that the qualitative strand was based on a relatively smaller sample of the population. In addition, it serves as a means of improving the overall reliability and validity of the findings of the study. To this effect, the chapter further shows the relevance of quantitative study in management research, and how it could be used to strengthen the results of a qualitative study.

7.2 Further Research Questions and Propositions

Though, the fourth of the four research questions explored in this study – 'what are the personal and situational factors that affect managers' perceived role of ethics and social responsibility?' was explored, the picture that emerge from the results requires that this research question be dissected and reformulated into four research questions to allow for three broad propositions to be stated. To this effect, the following research questions, and how the propositions are derived from the literature are considered below.

7.2.1 Research Questions

(1) What is the relationship between managers' moral values and the perceived role of ethics and social responsibility?

(1a). How well do the two measures of moral values (idealism and relativism) explain the perceived role of ethics and social responsibility? Which of these two variables best explain the perceived importance of ethics and social responsibility?
(2) What effect do the managers' organisational ethical values have on the perceived role of ethics and social responsibility?
(3) Does the extent of managers' commitment to their organisations influence their perception of the role of ethics and social responsibility?
(4). How well do these personal and situational factors predict perceived role of ethics and social responsibility? How much of the variance in perceived role of ethics and social responsibility can be explained by the scores on these scales? Which of these factors is the best predictor of perceived role of ethics and social responsibility?

7.2.2 Research Propositions

7.2.2.1 Moral Values

Authors who have contributed to business ethics have argued that a marketer's/manager's decision-making processes in situations having ethical content are a function of different categories of background factors, such as cultural, industry, organisational, and professional environments, and personal characteristics (Ferrell and Gresham, 1985; Hunt and Vitell, 1986, 1993; Ferrell et al., 1989; Trevino, 1986). Davies et al. (1998) opined that both individual and situational factors do moderate marketer/manager's ethical perception. Moreover, Singhapakdi, (1995) argued that the individuals' perception of the importance of ethics and social responsibility, in achieving long-term organisational effectiveness, may be influenced by the individuals' personal characteristics. Expanding Connor and Becker's (1975) position that individual attitudes are based upon the personal value system of the decision maker, Forsyth (1980) developed a taxonomy of personal moral philosophies by which individuals could be classified. He achieved this by dichotomising and crossing two ethical ideologies of idealism and relativism.

Idealism, as a personal ethical disposition holds that one must always avoid harming others, no matter the situation. Idealists believe that desirable consequences can be obtained with the right action, and thus reject moral choices with mixed outcomes

(Forsyth, 1980, Forsyth et al., 1988). Relativism on the other hand rejects the idea of universal moral principles and adherence to any standardised ethical code, and argues that decision concerning what is ethical is a function of individual desires and how the culture accommodates such desires (Reidenbach and Robin, 1990; Beauchamp and Bowie, 1983). On this moral philosophy, Tsalikis and Fritzsche (1989; p. 699) argued that ethical relativism is an extreme position, which will not serve any useful purpose to marketers faced with important ethical decisions. Based on these arguments, it is proposed as follows:

Proposition 1

The importance insurance managers attach to ethics and social responsibility for organisational effectiveness will be influenced by their moral values.

7.2.2.2 Corporate Ethical Values

In their proposed reformulation of corporate culture, Robin and Reidenbach (1987) argued that the key to success of any corporate culture is the selection and implementation of an organisational profile identified by core values, which eventually becomes an integral part of the organisational mission. Therefore, to successfully integrate ethics and social responsibility into the marketing strategy, it must be part of the marketing mission, driven by the overall organisational mission. Furthermore, developing successful ethical and social responsibility programmes will only be achievable if management integrates core ethical values into the corporate culture (p. 48). On the ethical dimension of corporate values, Hunt et al., (1989; p. 79) theorised that corporate culture equals the aggregation of ethical values of individual managers, as well as the formal and informal policies of the organisation on ethics. Jansen and Von Glinow (1985) also posit that corporate ethical values are not just the underpinning of all other values relating to product and service quality, advertising content, selection of distribution channels, and treatment of customers, but also help establish and maintain the standards that describe the 'right' thing to do and the things 'worth doing'. Such ethical values/standards have been held to enhance organisational success, if widely shared among organisational members (Keeley, 1983; Koch and Fox, 1978; Brown, 1976). Following these positions and research findings, a relationship could be proposed to exist between corporate ethical value and individual perception of ethics and social responsibility in achieving organisational success. Put differently, to the extent that corporate ethical values sensitises employees to the acceptable/unacceptable standard of behaviour in the organisation, the following is proposed:

Proposition 2

How important ethics and social responsibility is perceived by insurance managers for organisational effectiveness will be affected by the perceived ethical tone of their organisations.

7.2.2.3 Organisational Commitment

Organisational commitment has been defined as the relative strength of an individual's identification with, and involvement in a particular organisation (Steers, 1977: p. 46). Porter et al. (1974) identified three dimensions of organisational commitment: (1) strong belief in and acceptance of organisation's goals and values; (2) willingness to exert considerable effort on behalf of the organisation; and (3) strong desire to maintain membership in the organisation. The results of Weeks and Nantel (1992) seem to suggest that employees in firms with well-communicated codes of ethics are more moderately successful and satisfied with their job (p. 757). Schwepker (2001) also empirically established that stronger enforcement of codes of ethics is positively related to organisational commitment[50]. Schwatz (2001) reported that one of the major reasons for not complying with codes of ethics was dissatisfaction with one's job (p. 254). Somers (2001) documented that firms with formal codes of ethics enjoy high level of employee commitment than firms without formal codes of ethics (p. 190). Viswesvaran et al. (1998) empirically established that individuals who perceive the top management in their organisations to be supportive of ethical behaviour are more satisfied with their jobs. Hunt et al. (1989), in a survey of 1246 marketing professionals also found corporate ethical values to be significant and substantial predictors of organisational commitment. Given that ethical codes of conduct enhance ethical decision-making, positive work attitudes and higher levels of organisational commitment, the following is proposed:

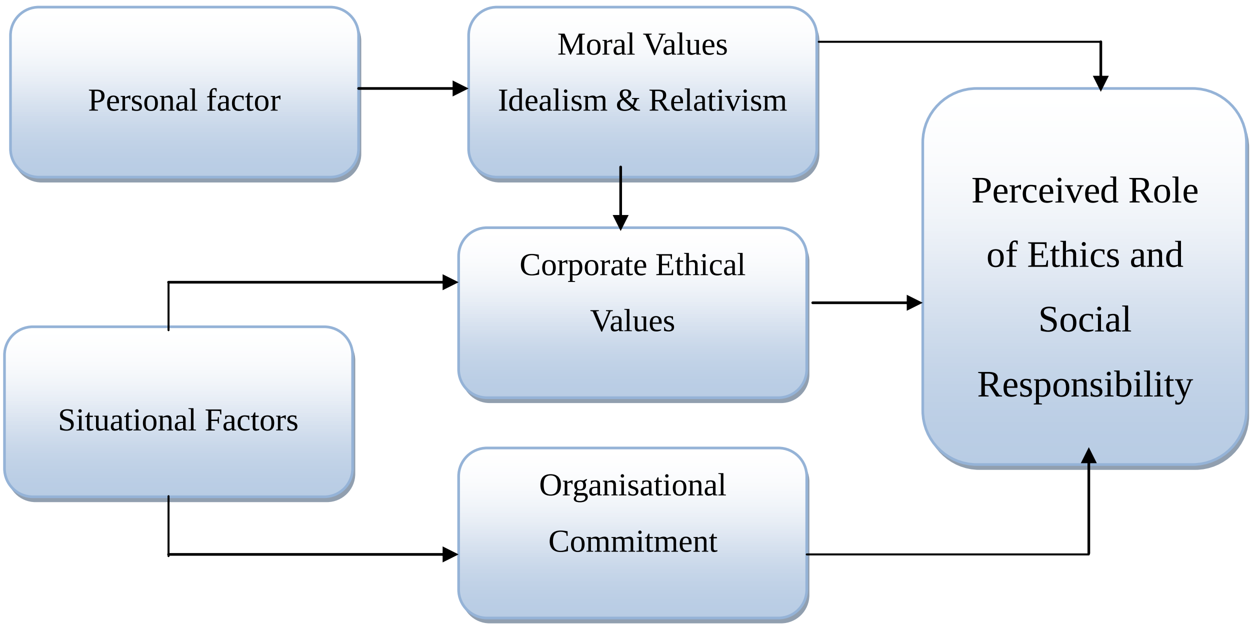
[50] See also Cullen et al. (2003), Vitell and Davis (1990), and Koh et al. (2004)

Proposition 3

The extent to which insurance managers in Nigeria are committed to their organisations will be an important influence on the perceived importance of ethics and social responsibility for organisational effectiveness.

These three propositions and their representation in a conceptual framework are shown in figure 7.1 below:

Figure 7.1: Conceptual Framework



7.3 The Population and Samples

Studies are not conducted in a vacuum. There must be a population, selected samples and units of analysis in order to answer the research questions, test stated propositions, and achieve the objectives of the study. While it is occasionally possible to collect data from all members of a population, it is in most cases practically impossible, due to constraints of time, money, and accessibility to the units of analysis. For these reasons, sampling provides an alternative way of accessing the intended subjects, and using the results of data collected to generalise to the overall population, depending on the method of sampling adopted, and the kind of inference intended.

With regard to quantitative study, selecting one of the two sampling methods depends on the research questions to be answered and how the results will be used. Most statistical textbooks identified probability sampling and non-probability sampling as methods for selecting samples for any particular study. Probability sampling, which this strand of the thesis employs, because of its suitability for survey research strategy, gives every member of the population the chance of being represented in the sample, enables statistical inference about the characteristics of the population to be made, and allows the results to be generalised.

The four-stage process of probability sampling includes identifying the sampling frame, on the basis of research questions and objectives. In this instance, the sampling frame is the list of managers in the insurance companies, licensed to transact insurance business in Nigeria, as provided by the regulatory agency – the National Insurance Commission of Nigeria (NAICOM). The next stage is to decide the sample size. In making this decision, consideration was given to three factors:

- The confidence interval (CI) – the level of certainty that the samples selected will have characteristics that are representative of the whole population.
- The margin of error that would be tolerated – the level of accuracy for any estimates made from the sample.
- The types of analyses that were to be performed, and the minimum number of subject or cases to make such analyses possible.

Though there is no clear cut answer for determining sample size, for the present study however, the sample size is 920, bearing in mind that the larger the sample size, the lower the likely error in generalising to the population (Saunders et al., 2007), and the more amenable the data is to sophisticated statistics (Cohen et al., 2007). The process of how this size was determined is described in detail below. The third stage is to select from several sampling techniques to achieve a representative sample. For the quantitative strand of this thesis, the multi-stage sampling technique was used to select managers from insurance firms in Nigeria.

The multi-stage sampling technique is the most appropriate for studying a geographically dispersed population (Saunders et al., 2007) as in this case, and involves various stages. It usually starts with cluster sampling (Blaikie, 2000), and followed by other techniques, until the units of interest are sampled (Teddlie and Yu, 2007). This technique is frequently used in educational research, where schools are selected based on their geographical concentration (cluster), and sample of teachers, the units of analysis are then randomly selected (Teddlie and Yu, 2007). In this instance, the units of analysis were selected by first identifying the list of registered insurance companies, and then their geographical concentration. This was followed by the stratification of companies within this cluster, and a random selection of sampled companies within each stratum. Target samples within each company were also stratified to ensure representativeness of the subgroup. Units of analysis were therefore randomly selected from these strata.

7.3.1 Selection of Samples

A total of 49 insurance companies were licensed to transact insurance business in the Nigerian Insurance industry, post re-capitalisation process (NAICOM, 2007). Of this number, 44 of them (about 90 percent) have their head offices located in Lagos, with a high concentration of their staff, while others have branches scantily distributed all over the country with a small workforce. This high concentration thus provides a basis for multi-stage cluster sampling to randomly select the respondents of the study. Following Hansen et al. (1993) that judgment used in establishing the strata and the sample is a mark of good sampling procedure (p. 183), the samples were stratified according to their geographical location.

Three strata emerged, based on the geographical demarcation of the state, i.e. Lagos Mainland (LM), Lagos Island (LI) and Victoria Island (VI). A total of nine firms were located within LM, twelve within LI, and 23 within VI. Lists of companies in each geographical area are shown in table 3.3 to 3.5. Since the strata were unequally distributed, each stratum was treated as an independent population and 50 percent was applied across the strata to draw samples from each stratum. This resulted in a required sample of five, six and twelve for LM, LI, and VI respectively. This represents a sampling fraction of 0.5555, 0.5000, and 0.5217. The inequality in the sampling fraction is expected as the units in the strata were not evenly distributed. Support for the unequal proportion was also found in the argument of Hansen et al. (1993) that it is an acceptable practice to disregard small departures from uniformity and use a uniform factor equal to the over-all sampling population (p. 186). This decision also derived support from Cochran (1977), who had earlier posited that the decision about sample size cannot always be made satisfactorily (p. 72.).

In order to randomly select samples, firms in each stratum were arranged alphabetically and serially numbered, such that a company starting with 'A' for instance has the number '1' assigned to it, and so on. The names of the firms and the numbers assigned to them were then written on pieces of paper, wrapped for concealment to prevent bias in selection, and put in a container. Selections were finally made from the container without replacement, based on the number of firms required. For LM, LI, VI, samples were drawn five, six, and twelve times respectively. Having established the firms from which samples will be taken, the sampling frame therefore becomes the lists of managers in these firms. The same procedures used in selecting the sampled firms were also repeated to randomly select 40 respondents from an average of 80 managers in each of the firms. This was achieved with the cooperation of the contact persons in the firms. Requests were initially made for names of managers in the firms, but were turned down by virtually all the firms, citing that company policy forbids them to do so.

In essence, the process of random sampling and distribution of the instrument were all undertaken by the contact persons. In this case, bias cannot be totally ruled out, as it cannot be said confidently that the process was meticulously followed. It should be noted that even when respondents have been identified, and questionnaires allocated to them, there is no way of knowing whether the questionnaires were completed by the respondents or their assistants, particularly when such respondents are senior managers (Saunders et al., 2007). Similar observation was made by Easterby-Smith et al. (2008, p. 7) that "*when conducting questionnaire surveys... seeking views of senior managers; there is no guarantee that responses will not be drafted by assistants or secretaries, rather than the managers themselves*".

Table 7.1: List of Insurance Firms in Victoria Island (VI)

SERIALLY ASSIGNED NUMBER	INSURANCE FIRM	SERIALLY ASSIGNED NUMBER	INSURANCE FIRM
01	ADIC	13	INTERNATIONAL ENERGY
02	AFRICAN ALLIANCE	14	INVESTMENT & ALLIED
03	AIICO	15	LINKAGE
04	CONSOLIDATED HALLMARK	16	OCEANIC
05	CONTINENTAL REINSURANCE	17	REGENCY ALLIANCE
06	CORNERSTONE	18	SOVEREIGN TRUST
07	CUSTODIAN & ALLIED	19	STANDARD ALLIANCE
08	EQUITY LIFE	20	STANDARD LIFE
09	GREAT NIGERIA (GNI)	21	UNITRUST
10	GUARANTY TRUST	22	WAPIC
11	GUARDIAN TRUST	23	ZENITH
12	INDUSTRIAL & GENERAL (IGI)		

Table 7.2: List of Insurance Firms in Lagos Island (LI)

SERIALLY ASSIGNED NUMBER	INSURANCE FIRM	SERIALLY ASSIGNED NUMBER	INSURANCE FIRM
01	ALLIANCE & GENERAL	07	HEIRS LIFE
02	CAPITAL EXPRESS	08	NEM
03	CRUSADER	09	NIGER
04	EQUITY INDEMNITY	10	PRESTIGE
05	EQUITY LIFE	11	ROYAL EXCHANGE
06	GUINEA	12	UNION ASSURANCE

Table 7.3: List of Insurance Firms in Lagos Mainland (LM)

SERIALLY ASSIGNED NUMBER	INSURANCE FIRM	SERIALLY ASSIGNED NUMBER	INSURANCE FIRM
01	GOLDLINK	06	MUTUAL BENEFITS
02	GUARDIAN EXPRESS	07	OASIS
03	LASACO	08	STACO
04	LAW UNION & ROCK	09	STERLING ASSURANCE
05	LEADWAY		

7.4 The Measuring Instruments

7.4.1 PRESOR

Several attempts have been made to measure the relationship between ethics and social responsibility, and organisational effectiveness; see, for example, Zahra and La Tour (1987), Kraft and Jauch (1988), and Kraft (1991a; 1991b). Given that adequate measures are a necessary condition for valid research (De Vellis, 1991), this quantitative strand adopts the PRESOR scale, developed by Singhapakdi et al. (1995) to measure managers' perceptions of the importance of ethics and social responsibility in achieving organisational success. The PRESOR scale was validated as a three-dimensional construct by Singhapakdi et al. (1995; 1996).

In the first study, the first dimension was labelled "good ethics is good business", and reflects the importance of ethics and social responsibility. A high score on this dimension indicates a belief that ethics and social responsibility is important for business success. The second dimension was labelled "profits are not paramount", with a high score indicating belief that profit is not the only important goal of a firm, that there are others such as ethics and social responsibility. The third dimension was labelled "quality and communication" reflecting the only two items that loaded under this factor, and measures the importance of ethics and social responsibility in relation to these two items.

The second study however had factor items that were different from the first study. The three factors were 'social responsibility and profitability' (measures the importance of ethics and social responsibility in achieving profitability and competitiveness), 'long-term gains' (measures the importance of ethics and social responsibility for achieving long-term gains such as profitability, overall effectiveness, and employee morale), and 'short term gains' (measures the role of ethics and social responsibility concerning firm's efficiency, stockholders happiness, and making profits by any means). High scores on these dimensions indicate belief that ethics and social responsibility play a very important role in improving profitability and organisational competitiveness; ethics and social responsibility are important for the long-term success of the firm; and belief that the construct is important for realising short-term gains.

A study by Etheredge (1999) to confirm the dimensionality of the PRESOR instrument resulted in a two-factorial structure. Subsequent research endeavours have supported both the three and two factorial structure of PRESOR; under various labels; see Vitell et al. (2003), Axnn et al. (2004), and Shafer et al. (2007). The labels used include "importance of ethics and social responsibility"; "subordination of ethics and social responsibility"; "stakeholder view"; and "stockholder view", and have generally been administered as a 14-item scale. The instrument, as used by various studies, shows the PRESOR scale as performing well in terms of validity and reliability.

For the current study, the PRESOR scale was established as a three-dimensional construct, as shown by the factor analysis conducted in chapter eight. The scale items for each dimension, as well as their reliabilities are shown in table 7.4.

Table 7.4: Variables, scale items and reliability of the PRESOR sub-scales

Scale: PRESOR 1		
Dimension	**Scale Items**	**Reliability**
Importance of Ethics and social Responsibility	• Corporate planning and goal setting sessions should include discussions of ethics and social responsibility • The ethics and social responsibility of a firm are essential for its long-term profitability • The overall effectiveness of a business can be determined to a great extent by the degree to which it is ethical and socially responsible • Business ethics and social responsibility are critical to the survival of a business enterprise • Business has a social responsibility beyond making a profit • Social responsibility and profitability can be compatible • Good ethics is often good business	**0.87**
Scale: PRESOR 2		
Dimension	**Scale Items**	**Reliability**
Profit is not paramount	• To remain competitive, business firms must disregard ethics and social responsibility • The most important concern for the firm is making a profit, even if it means bending or breaking the rules • If survival of a business enterprise is at stake, then you must forget about ethics and social responsibility • If the stockholders are unhappy, nothing else matters	**0.74**
Scale: PRESOR 3		
Dimension	**Scale Items**	**Reliability**
Ethics and social responsibility is equally important	• Communication is more important to the overall effectiveness of an organisation than whether or not it is concerned with ethics and social responsibility • Output quality is more essential to corporate success than ethics and social responsibility • Efficiency is much more important than whether or not a firm is seen as ethical or socially responsible	**0.68**

7.4.2 Ethics Position Questionnaire (EPQ)

The ethics position questionnaire (EPQ) is used in this study to assess the predictive validity of the PRESOR scale, and also as a measure of individual moral values, which this thesis proposes affects perception about the role of ethics and social responsibility in business. The EPQ was developed by Forsyth (1980) to measure personal moral philosophies. The scale, as developed by Forsyth has 2 dimensions ('idealism' and 'relativism') and 20 items that appear to capture the domain of the construct. The scale has received wide acceptance in terms of studies that have utilised, and confirmed its reliability and validity; see, for example, Singhapakdi et al., (1996), Forsyth et al. (1988), Davis et al. (2001), Tansey et al. (1994), and Redfern and Crawford (2004).

The EPQ came as one of the early attempts by personality and social researchers to describe and measure differences in individual moral thought (Redfern and Crawford, 2004), under the assumption that individual moral dispositions moderate decision-making and behaviour that is ethics-related (Kohlberg, 1968; Hogan, 1970; Rest et al., 1974; etc). Following this assumption, a number of studies have also empirically shown that individual's personal ethical ideology does impact the process of ethical judgment and decision-making (Forsyth, 1980 1981; Barnett et al., 1994; Davis et al., 1998; Whitecomb et al., 1998).

The relativism dimension of EPQ holds that there is no such thing as universal moral rules. Thus, individuals who have high scores under this dimension, tend to reject reliance on some universal moral rules in making ethical judgment. However, individuals lower in scores under the dimension do believe in universal moral rules for guiding decisions that have ethical consideration. The idealism dimension on the other hand holds that harming others can always be avoided, regardless of the situation, and that good consequences are obtainable with appropriate actions. In this regard, a highly idealistic individual, when faced with situations involving ethical consideration, always assumes 'avoid harm to others' stance, while relativistic individuals in the same situations might consider harming others necessary to achieve desirable consequences. These two dimensions of the EPQ scale, and their items, as well as the scale reliabilities for this study, as established in chapter eight are shown in table 7.5

Table 7.5: Variables, scale items and reliability of the EPQ sub-scales

Scale: EPQ 1		
Dimension	**Scale Items**	**Reliability**
Idealism	▪ A person should ensure that his/her actions never intentionally harm others even to a small degree ▪ Risks to others should not be tolerated, irrespective of how small the risks might be ▪ The existence of potential harms to others is always wrong, irrespective of the benefits to be gained ▪ One should not psychologically or physically harm another person ▪ One should not perform an act which might in any way threaten the dignity and welfare of another individual ▪ If an action could harm an innocent person, then it should not be performed ▪ Moral actions are those that most closely match the most "perfect" action. ▪ The dignity and welfare of people should be the most important concern in any society ▪ It is never necessary to sacrifice the welfare of others	**0.74**
Scale: EPQ 2		
Dimension	**Scale Items**	**Reliability**
Relativism	▪ Moral standards should be seen as being individualistic; what one person considers being moral may be judged to be immoral by another person. ▪ Different types of moralities cannot be compared to "rightness" ▪ Questions of what is ethical for everyone can never be resolved since what is moral or immoral is up to the individual ▪ There are no ethical principles that are so important that they should be part of all codes of ethics ▪ Moral standards are simply personal rules that indicate how a person should behave, and are not to be applied in making judgement of others ▪ Ethical consideration in interpersonal relations are so complex that individual should be allowed to formulate their own personal codes ▪ Rigidly codifying an ethical position that prevents certain types of actions could stand in the way of better human relations and adjustment. ▪ No rule concerning lying can be formulated; whether a lie is permissible totally depends upon the situation ▪ Whether a lie is judged to be moral or immoral depends upon the circumstances surrounding the action	**0.68**

7.4.3 Corporate Ethical Value (CEV)

Given that employees are strongly influenced by settings within their organisations (Trevino, 1986; Wotruba, 1990). They are likely to develop perceptions about the ethical work climate in such organisations on the basis of policies, practices, and procedures related to ethics (Victor and Cullen, 1988). Such perceptions help sensitise the employees to the importance of ethics and social responsibility (Singhapakdi et al., 1995). This phase of the thesis uses Hunt et al.'s (1989) corporate ethical value (CEV) scale to examine the possible impact of corporate ethical climate on managers' perceptions of the role of ethics and social responsibility in business success.

Table 7.6: Variables, scale items and reliability of the CEV sub-scale.

Scale: CEV 1		
Dimension	**Scale Items**	**Reliability**
Top management support for ethics	• Top management in my company has let it be known that in no uncertain terms will unethical behaviour be tolerated. • If a manager in my company is discovered to have engaged in unethical behaviour that results primarily in **personal gain** (rather than corporate gain), he/she will be promptly reprimanded • If a manager in my company is discovered to have engaged in unethical behaviour that results primarily in **corporate gain** (rather than personal gain), he/she will be promptly reprimanded	**0.74**
Scale: CEV 2		
Dimension	**Scale Items**	**Reliability**
Managers are acting ethically	• Managers in my company often engage in behaviours that I consider to be unethical • In order to succeed in my company, it is often necessary to compromise one's ethics	**0.68**

Concerned with the broader issues of how organisations show interest in ethics and act ethically, CEV was developed with the intent of encapsulating three broad-based perceptions, namely;

- The extent to which employees perceive that managers are acting ethically in their organisation.
- The extent to which employees perceive that managers are concerned with the issues of ethics in their organisation.
- The extent to which employees perceive that ethical (unethical) behaviour is rewarded (punished) in their organisation.

The scale was established as a one-dimensional scale by Hunt et al. (1989) and shown to have high reliability. For the current study however, the CEV is validated as a two-dimensional construct, as shown by the factor analysis in the later chapter. These dimensions and their items are shown in figure 7.6

7.4.4 Organisational Commitment Scale

The scale was developed by Hunt et al. (1989) to capture the extent of managers' 'psychological bond' to their organisations, which invariably propels them to act in manners consistent with the organisational goals. The scale is a one-dimensional, 4-item scale and specifically measures the extent to which managers are willing to change their companies for certain reasons reflected in the scale items. Individuals, who are committed, believe in and accept organisational goals and values are willing to remain with their organisations, and are also willing to provide considerable effort on their behalf (Mowday et al., 1979). Therefore, the scale is utilised in this study to measure the proposition that managers who are committed to their organisations will tend to perceive that ethics and social responsibility is important for organisational effectiveness. The uni-dimensional nature of this scale was also established in this study. The scale items are shown in table 7.7. It should be noted that the scale items for all the scales have been measured on a 7-point Likert format (1 = strongly disagree and 7 = strongly agree).

Table 7.7: Variables, scale items and reliability of the organisational commitment scale.

Scale: ORGANISATIONAL COMMITMENT		
Dimension	**Scale Items**	**Reliability**
Importance of Ethics and social Responsibility	• **I will be willing to change companies if the new job offered a 25% pay increase** • **I will be willing to change companies if the new job offered more creative freedom** • **I will be willing to change companies if the new job offered more status** • **I will be willing to change companies if the new job offered was with people who are more friendly**	**0.87**

7.5 The Survey Questionnaire

The use of a questionnaire as a data collection method suitable for survey strategy cannot be overemphasised. This method of data collection provides for an efficient means of collecting the same information from a large number of people to enhance quantitative analysis (Saunders et al., 2007). Bearing in mind that questionnaire design can seriously affect the response rate, the reliability and validity of the data collected, the current study adopts a questionnaire which has been widely used, and reported to have high reliability and validity, and which appeared suitable for answering some of the research questions, and enhances the necessary statistical analysis for testing the propositions.

In this regard, the PRESOR scale and three other subscales, which allowed for other related variables to be explored, were used. The survey questionnaire (see appendix C) as a whole has seven sections and fifty variables. Section A comprises seven variables, which have to do with the respondents' demographic characteristics. Section B and C, were labelled ethics and social responsibility 'i' and 'ii' and have fourteen variables that measured the perceived role of ethics and social responsibility for organisation effectiveness. Section D and E contained twenty items meant to measure individual moral values. Section F comprised five statements, which were meant to measure corporate ethical values. Section G has only four statements, which were intended to measure employees' commitment. All the sections were measured on a 7-point Likert format (1 = strongly disagree and 7 = strongly agree).

While response modes and questions in a questionnaire can come in different types, the questions for the questionnaire described above were in closed-ended format. This type of response format offers the advantages of generating frequencies of response, and enhancing statistical analysis (Cohen et al., 2007); enhancing comparisons among groups within the sample (Oppenheim, 1992); easier and quicker to code and analyse (Bailey, 1994); direct to the point and more focused (Cohen et al., 2007); and not biased towards respondents in terms of how articulate they are in completing the questionnaires (Wilson and McLean, 1994).

In order to minimize social response bias, and ensure that the respondents read each question carefully (Cohen et al., 2007; Saunders et al., 2007), some of the questionnaire items were negatively worded. To this effect, the entire seven questions/statements in section C; the first two questions in section F; and all the four items in section G were all negatively worded.

7.6 The Research Variables

In most cases, researches seek to find a relationship between two sets of variables, which will enhance the answering of research questions and achieving the research objectives. In this regard, one can then dichotomize between dependent variable and independent variable. A dependent variable is the outcome variable, a variable that is caused, in part or in total by the input variable, while an independent variable on the other hand, is an input variable, a variable that causes in part or in total, a particular outcome (Cohen et al., 2007).

7.6.1 Dependent Variables

The dependent variable in this study is the perceived importance of ethics and social responsibility for organisational effectiveness. It is also the construct of interest, which the current study is exploring within an insurance industry, and a developing economy context. Whilst much has been said about the unethical practices (a domain of social responsibility) in the industry, this aspect of the study only measures the perceived role of this construct for organisational effectiveness. This objective is embedded in the view that the extent to which social responsibility and ethical conduct reflects in business practice will depend on the perceived role the construct plays in achieving organisational effectiveness. To this effect, therefore the independent variables are the three dimensions of PRESOR as shown by the factor analysis conducted in chapter seven to determine the factorial structure of the scale;

- Importance of ethics and social responsibility
- Profit is not paramount
- Ethics and Social responsibility is equally important

Whilst all the dependent variables measure the extent to which ethics and social responsibility is perceived to be important for business effectiveness. A high score on the 'importance of ethics and social responsibility' variable indicates a belief that ethics and social responsibility is important for business effectiveness. The second variable, 'profit is not paramount' measures the extent to which a manager believes that profit should not be the only priority of business entities. Managers who have high scores on this variable tend to believe that profits should not be the only goal pursued by business, to the extent that it affects other goals, such as ethics and social responsibility. The 'ethics and social responsibility is equally important' variable, measures the degree to which managers believe that ethics and social responsibility is important in comparison to other measures of organisational effectiveness, such as output quality, communication, and efficiency. A high score on this variable also indicates belief that ethics and social responsibility should not be subordinated to other measures of organisational effectiveness.

7.6.2 Independent Variables

The independent variables for this study are: individual moral values (relativism and idealism); corporate ethical values (top management support for ethics, and managers are acting ethically); and organisational commitment. In view of this breakdown, a total of five independent variables are considered for explaining the dependent variables:

- Relativism
- Idealism
- Top management support for ethics
- Managers are acting ethically
- Organisational commitment.

The relativism variable measures the extent to which managers believe that there is no universal set of rules that guide moral behaviour. A high score on this variable indicates ethical scepticism, and upholds different ways of looking at morality (Forsyth, 1980, 1992). The idealism variable measures the degree to which managers have concern for the welfare of others. Managers who have high scores on this variable tend to believe that negative consequences to others can always be avoided, and that morally right behaviour leads to desirable consequences (Forsyth, 1980, 1992).

Top management support for ethics variables measures the extent to which managers believe that top managers in their companies are concerned about ethical issues, by rewarding (punishing) ethical (unethical) behaviour. Managers are acting ethically variable measures the extent to which managers perceived that their peers are ethical in their behaviour. The organisational commitment variable measures the extent to which managers are committed to their companies. A high score on this variable indicates high commitment, while a low score indicates low commitment.

7.7 Data Collection

The first request to be made, and turned down was a demand for the lists of all the managers so as to compile a sampling frame. The excuse offered was that the company’s policy forbids them to do so. However, they gave the average population of employees in this category. With this information, the sample size and the number of questionnaires to be administered in each firm in relation to the quantitative strand of the study was determined. Upon their agreements to go through the random selection of the samples as explained to them, a total number of forty questionnaires were handed over for administration. To ensure that the processes were not forgotten, and the questionnaires distributed on time, commitments were secured for the date of collection of completed questionnaires. While the questionnaires were being distributed, arrangements were also made for the interviews to be conducted, given that the data collection exercise for the two strands of the study is planned to occur concurrently.

After a week of administration of the questionnaires, calls were made according to dates of commitments for collection. While some were ready for collection, others were not. Thus, several calls were made to ensure collection of the completed questionnaire. The experience gathered from the exercise, is that the longer the period stipulated for collection, the more the possibility that the questionnaire had not been completed, and probably misplaced. At a particular company, the researcher was given two weeks to come back for collection, as preparations were on for the annual general meeting (AGM). Though the contact person is quite respected within the organisation, perhaps because he is disabled, being a blind person, the researcher was however surprised to find that he was yet to collect the questionnaires from those that they were distributed to. He (the contact) was also surprised when his assistant came back empty handed, and with replacement requests from some of the managers who had earlier been given some questionnaires for completion. He felt really let down and embarrassed, and remarked, "*...I have learnt a great lesson in questionnaire administration, and social science research...*"

At another company, the person that was assigned by the managing director to co-ordinate the exercise had this to say, after several attempts, "*...we are too busy to be attending to people like you looking for information...*". In addition, there were promises of 'come today', 'come tomorrow', and excuses of 'he is not on sit', 'he is in a meeting', 'and she has gone to Abuja for business'. In fact, at a particular company, none of the distributed questionnaires could be retrieved, as I was always stopped right from the reception, and all effort to reach the contact person, even from the reception proved abortive. In spite of these militating factors, a total of 415 useable questionnaires were retrieved from the total of 920 administered.

7.8 Procedures for Data Analysis

An initial inspection of the questionnaires was undertaken to check for valid and invalid responses. The next step was to establish a codebook and assign numeric values to each response in the questionnaire, and specify data type as they were being entered into the computer. Attempt was made to check the entries for errors and accuracy, while responses were re-coded for some scale items negatively worded, by reversing them. With total scores achieved through this reversing for the main scale and subscales, specific variables to explore the intended relationship were obtained. All these preparations and manipulations were achieved through the aid of the computer software programme, statistical packages for social science – (SPSS) version 15.

Besides the demographic variables, which were categorical and nominal, all other variables were in Likert-type format (1 = Very strongly disagree; 2 = Strongly disagree; 3 = Disagree; 4 = Neither agree nor disagree; 5 = Agree; 6 = Strongly agree; 7 = Very strongly agree), and were treated as interval scales. Though most research methodology and statistics text books tend to treat Likert-type questions as ordinal scale, its use in this study as an interval scale finds support in the argument of Mitchell and Jolley (2004), that psychologists traditionally assumed differences between ratings to be of equal distance, and correspond perfectly to differences in feelings, hence, Likert-type response yields a interval scale. Similar opinion was expressed by de Vaus, (2002) that most statisticians arguably posit that the robustness of some statistical techniques allow for the treatment of ordinal variables as interval variables without the results being affected. It is also common to find quantitative empirical works published in top journals (e.g. Journal of Business Ethics, Journal of Marketing, Business Ethics: European Review), treating Likert-type of responses as interval measure, and subject such data to parametric analyses, from which inferences are drawn. Treating ordinal data as interval data also makes such data amenable to parametric analyses, and enhances exploration of interesting questions, which might not have been possible with non-parametric tests (Breakwell et al., 2007).

Furthermore, to have insight into the general trends in the data, descriptive analyses (frequency distributions, measure of central tendency, and measures of dispersion) were performed for the demographic, dependent and independent variables. For the Bi-variate analysis, Pearson’s *r* was used to examine the strength of relationships between the variables, whilst regression analyses were performed to explore the impact of the independent variables on the dependent variables in the multivariate analysis. In performing all the analyses, consideration was given to the nature of the research questions, and the propositions intended to achieve the research objectives.

7.9 Validity and Reliability of the Instrument

According to de Vaus (2002), validity is concerned with determining whether a measuring instrument actually measured what a researcher contended it was measuring, while reliability measures the consistency of such an instrument in terms of responses collected at different times. With regards to survey questionnaire, validity could be assessed by different methods, such as content validity, criterion-related validity, and construct validity.

Face validity measures the extent to which an instrument is viewed by experts as representing the concept purporting to be measured. Content validity is similar to face validity, but goes beyond representation to include adequacy by measuring the extent to which the instrument covers all the generally accepted meanings of the concept (Sirkin, 2006). Whilst face and content validity are regarded as subjective measures, criterion and construct validity are considered less subjective and more empirical (Sirkin, 2006). In measuring criterion validity, attempt is made to relate the results of the survey instrument to another one external to it by measuring the extent to which it is able to predict the external criterion. Variants of criterion validity include predictive validity and concurrent validity. Construct validity is the extent to which an instrument is able to measure theoretically related variables with the one being measured by the instrument (Sirkin, 2006), by testing if the results conform with well-established theories (de Vaus, 2002).

Despite these various ways of establishing validity, validity is usually argued for, and not proven, as no single way provides clear evidence of validity in social science (de Vaus, 2002). The test-retest, parallel-forms, and internal consistency methods on the other hand, provide basis for assessing the reliability of a survey questionnaire. Of the various methods of checking reliability, Cronbach's alpha variant of the internal consistency methods appears to have wider acceptance and usage, over other variants – average inter-item correlation, average item-total correlation, and split-half correlation (de Vaus, 2002). Cronbach's alpha is obtained by calculating the average of all possible split-half reliability coefficients, and is denoted by α. Cronbach's value ranges from 1 to 0, and a value of 0.60 is considered as a minimum acceptable level of alpha (Berthoud, 2000).

The PRESOR scale has been widely reported to have done well in terms of validity and reliability. So no attempt was made to assess its validity and reliability before utilisation. However at its early validation stage, the PRESOR instrument was shown to a panel of experts in the management field, and it was held to adequately represent the construct being proposed for investigation – perceived role of ethics and social responsibility, (Singhapakdi et al., 1996), thus settling the question of content validity. Similarly, to confirm its face validity, the panel of experts the PRESOR was shown to, were of the opinion that the scale was measuring 'ethics', 'values', 'importance of ethics for organisation', and 'social responsibility' (Singhapakdi et al., 1996).

Based on the review of relevant literature, idealism and relativism variables of Forsyth's (1980) ethics position questionnaire (EPQ) were used to assess the predictive validity of PRESOR. The results of both the zero order correlation and multiple regression analyses performed to assess the strength of relationships between the two variables – dependent and independent (the dimensions of PRESOR and EPQ) confirm the predictive validity of PRESOR. Factor analysis to assess the reliability of the PRESOR reported alpha values of 0.71, 0.57, and 0.64 for its three dimensions.

For the current study, the predictive validity of the PRESOR scale was also assessed and reported in the analysis chapter. Cronbach's Coefficient Alpha (α) (Cronbach, 1951, 1984), the most widely used of measure of internal consistency (Pett et al., 2003) was used in assessing the reliability of the scales. Details of these analyses are also contained in the next chapter.

7.10 Limitations of the Deductive Process

In light of the effect of limitations of qualitative study on research findings, one could also see how limitations of the quantitative approach could pose serious questions to legitimacy of the research findings. According to Easterby-Smith et al. (2008), the rigid and synthetic nature of positivism, which underpins this quantitative strand, may render it ineffective in understanding the importance people attach to actions. Furthermore, the paradigm that underpins this approach may not be helpful in generating theories, since focus is mainly on existing theories, thus making it difficult for policy-makers to make projections for future changes and actions. The authors in addition, posit that a huge part of the data collected through the quantitative methods may not bear any relevance to real decision-making, thereby calling into question the significance of the findings for actual (managerial) practice. This problem was encapsulated in what Schon (1995: pp. 28-29) describes as 'the dilemma of rigor or relevance':

> …*rigorously controlled experimentation, statistical analysis of observed correlations of variables, or disinterested theoretical speculation finds little place to stand in the turbulent world of practice, which is notoriously uncontrolled, where problems are usually ill-formed, and where actors in the practice situation are undeniably interested. The consequence, stronger today than ever, was that the research produced by the "higher schools" (academics) seemed to have little say that was of value to practitioners*.

Notwithstanding, the limitations discussed above, it could be arguably posited that the mainly qualitative strand, which actually gave rise to this quantitative strand have taken care of these concerns. However, given that the quantitative data was collected through questionnaire survey, one of the limitations, which this method could have imposed on this strand of the study, is the obvious lack of guarantee that the questionnaires have been completed by the target respondents. This is particularly so as pointed out by Easterby-Smith et al. (2008) that chief executive officers are well known to give such survey instruments to their personal assistants for completion. Besides, the carefulness observed in achieving a representative sample could be marred by the ways responses have been provided. This could be so, where respondents in the same organisations "collaborate" to complete the questionnaires, thereby introducing response bias into the data. In this context, and considering the fact that direct access was not given to the subjects, these kinds of constraints may have been introduced into the data.

7.11 Conclusion

Following the findings of the qualitative analysis, which requires that further deductive analysis be conducted to enhance their generalisability and validity, this chapter discussed the process through which these are achieved. The chapter showed how propositions from some of the qualitative findings, which require further investigation, were developed from the literature. It also shed light on the process of identifying the unit of analysis from the population, the sample size, survey instrument, data collection and analytical procedure, reliability and validity checks. Lastly, possible limitations of the deductive process were identified and discussed.

The next chapter focuses on answering the research questions and propositions, through the analysis of the quantitative data collected, which will be part of the discussion in the last chapter.

CHAPTER 8: PERSONAL-SITUATIONAL FACTORS AND THE PERCEIVED ROLE OF ETHICS AND SOCIAL RESPONSIBILITY

8.1 Introduction

This chapter presents, explores and analyses the data collected to answer subsequent research questions and propositions that emerged from the qualitative strand of the study. The analysis comprises five major sections, which focused on data cleaning and descriptive statistics, factor analysis, scale reliability, correlation analysis, and regression analysis. The data cleaning and descriptive section explores the data for missing responses, and examines the distribution of the dependent and independent variables, using frequency and percentage, measures of central tendency, and measures of dispersion.

The sections on factor analysis and reliability focused on assessing the factorial structure of the scales used for collecting the data, by examining the underlying pattern among the variables with the objective of summarising them into smaller sets of components, to enhance total scoring on each component, and make interpretation easy. This will further enhance assessing the internal consistency of the variables in the summated scales. The correlation section examines the strength of the relationships among the variables in order to test stated propositions. The last section uses regression analyses to further determine the proposed relationships, and assess the explanatory power of the independent variables on the dependent variables.

8.2 Data Cleaning and Descriptive Statistics

Prior to various analyses, some preliminary analyses were performed to explore the data, so as to identify missing responses, outliers, and the likely impact they may have on the overall analyses and the results obtained. The results of the normality test for the dependent variables (the three dimensions of PRESOR, i.e. PRESOR 1, 2 & 3) indicate the violation of this assumption, as shown by Kolmogorov-Smirnov statistics with significant values of .000 for the three variables (table 8.1). This is however quite common with larger samples (Pallant, 2007), while the largeness of the sample tends to diminish the detrimental effects associated with non-normality (Hair et al., 1998).

Besides, the inspection of the histogram plots for PRESOR 1, PRESOR 2, and PRESOR 3, and normal probability plots (Normal Q-Q Plots) for the three dimensions, as shown in the appendixes indicate that the scores for each of the dependent variables are reasonably normally distributed. The descriptive statistics (table 8.2) also revealed moderate negative and positive skewness in the three dependent variables. Again, this is quite common in social science scales and measures, and does not necessarily signify a problem with such scales, but rather a manifestation of the nature of the construct being measured (Pallant, 2007). Given that the skewness was moderate, the need to transform the scores for these dependent variables was therefore not necessary.

Table 8.1: Normality Test for the PRESOR – Dependent Variables

	Kolmogorov-Smirnov			**Shapiro-Wilk**		
	Statistics	Df.	Sig.	Statistics	Df.	Sig.
PRESOR 1	.067	414	.000	.986	414	.000
PRESOR 2	.082	414	.000	.986	414	.000
PRESOR 3	.082	414	.000	.984	414	.000

Table 8.2: Descriptive Statistics of PRESOR – Dependent Variables

	PRESOR 1	**PRESOR 2**	**PRESOR 3**
N Valid	414	414	414
Missing	1	1	1
Mean	37.58	18.43	10.82
5% Trimmed mean	37.70	18.54	10.76
Median	38.00	19.00	11.00
Standard deviation	5.82	4.72	3.42
Variance	33.90	22.29	11.72
Skewness	-0.285	-0.335	0.269
Kurtosis	0.080	-0.093	-0.276
Minimum	20	4	3
Maximum	49	28	21

The accuracy of the data entry was also assessed in terms of number of valid and missing cases, as shown in the descriptive statistics table 8.2. Of all the useable 415 returned questionnaires, 414 (99.8%) were valid for gender, while 1 (0.2%) case was missing; 412 (99.3%) were valid for education with 3 (0.7%) missing responses; age has valid cases of 412 (99.3%) and 3 (0.7%) missing cases; length of service has 410 (98.8%) responses and non-responses of 5 (1.2%); position was duly completed for 410 (98.8%) cases, with 5 (1.2%) were missing values; department has valid cases of 414 (99.8%) with 1 (0.2%) non-response; business type has a total response of 409 (98.6%) and 5 (1.4%) missing responses.

Table 8.3: Descriptive Statistics of EPQ, CEV & Org. Commit. – Independent Variables

	Idealism	**Relativism**	**CEV 1**	**CEV2**	**ORG COMMIT**
N Valid	413	415	414	415	413
Missing	2	-	1	-	2
Mean	47.53	37.87	14.60	8.40	12.99
5% Trimmed mean	47.92	38.01	14.67	8.41	12.93
Median	48.00	38.00	14.00	8.00	13.00
Standard deviation	8.199	8.379	3.136	2.828	4.393
Variance	67.22	70.21	9.833	8.00	19.296
Skewness	-0.662	-0.194	-0.242	-0.052	0.190
Kurtosis	0.875	0.255	0.760	-0.363	0.125
Minimum	17	12	3	2	4
Maximum	63	58	21	14	28

There was no significant number of missing values for both dependent and independent variables. Hence, none of the cases were removed from the analyses. The decision not to proceed with missing value analysis (MVA) was also informed by the insignificant number of these missing cases; otherwise, a t-test would have revealed their relationship with other variables. As depicted by table 8.2 and 8.3, there was only one missing case for each of the dependent variables (PRESOR 1, 2 & 3), while missing cases for the independent variable range from 1 to 2, without any serious pattern. Though, there were some outliers in the scores for both dependents and independent variables, the values of the 5% trimmed mean however indicated that they were not having any strong influence on the mean scores, as these values were not too different from the mean values. These statistics are presented in tables 8.2 and 8.3.

8.2.1 Demographic Characteristics of the Sample

From the demographic information shown in table 8.4, 58% of those who responded to the survey instrument were male managers, while 41% were female managers[51], indicating a slightly higher percentage of male to that of female respondents. The majority of the respondents were middle-aged (60%), followed by young managers (21%), and then the older managers, whose age ranged between 46 and 65 years.

Most of the respondents were also well educated, with 92% of them having at least higher national diploma (HND), which is an equivalent qualification to university degree. Only about 7% of respondents were less educated, with qualifications ranging from college to ordinary national diploma (OND). Of the 90% well educated respondents, 28% of them have a first degree, about 15% have additional postgraduate qualifications, and 11% have a professional qualification, while those who were classified as 'others' have a minimum of a high school qualification and professional qualifications. So in terms of ability to understand and complete the instrument, the respondents were quite competent. Regarding length of service, the majority of the respondents have worked for a minimum of 6 years (53%) for their organisations and the industry as a whole, while those with less years of service range from less than 1 year to 5 years (46%). This indicates that an average manager who responded is quite familiar with the practice in the industry.

Reflecting the pyramidal structure of managers in any organisation, the distribution of the respondent managers cluster around the first line and middle managers, with 45% and 41% respectively, while top managers only constitute 12% of the total sample. With regard to classification of respondents by department, the cluster revolved around managers in the underwriting (36%), and marketing (21%) departments, while 12% and 3% were in claims and product development respectively. The categories of those classified as 'others' range from those in finance, IT, actuarial services, reinsurance, and public relations departments, and constitute 27% of the total respondents.

[51] The remaining 0.2% represents the percentage of those who did not respond to the age variable.

Table 8.4: Demographic Characteristics of Respondents

Demographic variable	Frequency	Percentage
Gender:		
Male	243	58.6
Female	171	41.2
Age:		
16-30	86	20.7
31-45	246	60.0
46-65	77	18.6
Education:		
High school graduate	4	1.0
College graduate	4	1.0
Ordinary national diploma (OND)	21	5.1
Higher national diploma (HND)	46	11.1
University graduate	116	28.0
Postgraduate	61	14.7
Professional qualification	47	11.3
Others	113	27.2
Length of service		
Less than 1 year	60	14.5
1-5 years	132	31.8
6-10 years	100	24.1
11-15 years	61	14.7
16 years and above	57	13.7
Position in the organisation		
Top management	51	12.3
Middle management	171	41.2
First line management	188	45.3
Company business type		
Life	40	9.6
General business	165	39.8
Composite	145	34.9
Others	59	14.2
Department		
Marketing	88	21.2
Underwriting	151	36.4
Claims	49	11.8
Product development	13	3.1
Others	113	27.2

The structure of the industry broadly comprises insurance companies, reinsurance companies, pension funds, loss adjusters, and brokers. By types of business underwritten therefore, 39% of the respondents were in general business, 35% in composite (those who underwrite both life and general business), 10% in life business, and 14% were in companies who are reinsurers, pension fund administrators, loss adjusters, and brokers by the above classification.

8.3 Factor Analysis

Given that the usefulness of theoretical constructs is conditional on the reliability and validity of the instruments used to measure the constructs, this section focuses on achieving this objective by subjecting the measures to factor analysis and reliability checks. The underlying intention of performing factor analysis is to identify how the variables in the instrument relate to one another, such that grouping of highly related variables can be achieved to determine the dimensionality of the scale (Nunnally and Bernstein, 1994). The analysis is also used to assess the construct validity of the PRESOR scale, which the quantitative strand adopts, based on the samples of the study. With this in mind, factor analyses were performed for the Perceived Role of Ethics and Social Responsibility scale (PRESOR), Individual Moral Philosophy scale (Ethic Position Questionnaire - EPQ), Corporate Ethical Value scale (CEV), and Organisational Commitment scale.

8.3.1 PRESOR

The 14 items that made up the PRESOR scale were subjected to principal component analysis (PCA) using SPSS Version 15. The suitability of factor analysis for the sample was confirmed by a Kaiserr-Meyer-Olkin (KMO) value of .82, which is quite above the recommended value of .6 (Kaiser, 1970, 1974), while Bartlett’s Test of Sphericity (Bartlett, 1954) was highly significant ($p < .000$). Using these two together, obliterates the inadequacy of Bartlett’s test, which tends to be influenced by large sample size (Pett et al., (2003). The KMO and Bartlett’s test values are presented in table 8.5. The correlation matrix also revealed many coefficient values of above .3. The PCA revealed three Eigenvalues exceeding 1, explaining 26.7%, 18.8% and 9% of the variance respectively.

Table 8.5: KMO and Bartlett's Test for PRESOR

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		**0.823**
Bartlett's Test of Sphericity	Approx. Chi-Square	**1605.049**
	Df.	**91**
	Sig.	**.000**

Table 8.6: Unrotated and Rotated Factor Loadings of PRESOR

Item	Unrotated Factors[a]			Item	Rotated Factors[b]		
	1	***2***	***3***		***1***	***2***	***3***
1	0.66	0.35	0.08	1	**0.74**	-0.02	-0.08
2	0.59	0.42	0.16	2	**0.73**	-0.14	-0.06
3	-0.58	0.50	-0.16	3	**0.71**	0.09	-0.14
4	0.57	0.43	-0.05	4	**0.69**	-0.10	0.10
5	-0.56	0.52	0.26	5	**0.63**	-0.14	0.14
6	-0.56	0.50	0.33	6	**0.61**	-0.22	0.20
7	0.55	0.35	-0.20	7	**0.60**	0.04	-0.10
8	0.53	0.37	-0.10	8	-0.06	**0.81**	0.07
9	-0.52	0.37	0.35	9	-0.06	**0.79**	0.14
10	0.52	0.45	0.26	10	-0.11	**0.72**	-0.01
11	0.45	0.36	0.19	11	-0.04	**0.61**	0.15
12	-0.44	0.42	0.17	12	-0.15	**0.59**	**0.50**
13	-0.20	0.45	-0.66	13	0.04	0.07	**0.82**
14	-0.34	0.53	-0.54	14	0.00	0.27	**0.78**

a. 3 factors extracted

b. Rotation converge in 4 iterations

The inspection of the screeplot supports the extraction of three factors. The three-factorial solution was further confirmed by the results of the parallel analysis (table 8.7), which show only three components with Eigenvalues exceeding the corresponding criterion values for a randomly generated data matrix of the same size (14 variables x 415 respondents). The three-component solution explained a total of 54.6% of the variance, with Component 1 contributing 26.7%, Component 2 contributing 18.8%, and Component 3 contributing 9%. To obtain a clear interpretation of the components, Varimax rotation with Kaiser Normalisation was performed. The rotated solution indicates a simple and clear structure (Thurstone, 1947), with the three components showing a number of strong loadings. Both unrotated and rotated factor items are presented in table 8.6.

There was a substantial loading of each item under one component, except one, which has a split loading. The item in question loaded substantially on component 2 (.586) and component 3 (.500). Since opinion differs in the factor analysis literature on how to treat multiple loading (Pett et al., 2003), the decision was made in the present study to retain this item, and placed it under component three, because of its conceptual relationship with the other two items under this component. The three factorial solution obtained is comparable and consistent with Singhapakdi et al. (1996) who developed the scale, but with a different items loading pattern, and Axinn et al. (2004).

The first dimension has 7 items, and a loading range of .74 to .60. This dimension was named 'importance of ethics and social responsibility', and reflects the construct of interest. The second dimension has 4 items, with loading values ranging from .81 to .63. This dimension was given the label 'profit is not paramount'. The third dimension which has only 3 items, with factor loading of .50, .82, and .78 was also labelled 'ethics and social responsibility is equally important.'

Table 8.7: Comparison of the Actual Eigenvalues with the Parallel Analysis for PRESOR

Component Number	**Actual Eigenvalues from PCA**	**Criterion Value from Parallel Analysis**	**Decision**
1	3.739	1.3228	Accept
2	2.634	1.2422	Accept
3	1.265	1.1875	Accept
4	0.993	1.1384	Reject
5	0.760	1.0930	Reject

8.3.2 EPQ

The 20 items, that Forsyth claimed were orthogonal, and originally constitute the EPQ scale were subjected to principal component analysis (PCA) with the aid of SPSS

Version 15. A Kaiserr-Meyer-Olkin (KMO) value of .85, which is quite above the recommended value of .6 (Kaiser, 1970, 1974) confirms the suitability of the sample for factor analysis. The Bartlett's Test of Sphericity (Bartlett, 1954) was also highly significant ($p < .000$). These values are presented in table 8.8. The correlation matrix also revealed many coefficient values of above .3. The PCA revealed four Eigenvalues exceeding 1, explaining 23.8%, 17.5%, 7.3% and 5.8% of the variance respectively.

The inspection of the screeplot revealed a clear break after the third component. Thus, using the Catell's (1966) scree test, decision was made to retain three components for further investigation. This decision was supported by the results of the parallel analysis (table 8.10), which showed only three components with Eigenvalues exceeding the corresponding criterion values for a randomly generated data matrix of the same size (20 variables x 415 respondents). The three-component solution explained a total of 48.5% of the variance, with Component 1 contributing 23.8%, Component 2 contributing 17.5%, and Component 3 contributing 7.3%.

In order to obtain a clear interpretation of the components, Varimax rotation with Kaiser Normalisation was performed. The rotated solution indicates a simple and clear structure (Thurstone, 1947), with two components showing a number of strong loadings. 9 items loaded strongly on component 1, 9 items also loaded strongly on component 2, with one item having split loading. The item with the split loading, loaded substantially on component 2 (.496) and component 3 (.416). Since authors differ in their opinion on what to do with multiple loading (Pett et al., 2003), the decision was made to retain this item in opposition to deleting it (Kline, 2000) and place it under component 2. This decision was supported by the assessment of the reliability of the scale with a higher Cronbach's alpha value if included than removing it. Strong support was found in the literature to drop the third component, which would not have enhanced meaningful interpretation of the results, due to two of the three items having split loadings. Table 8.9 presents both the unrotated and rotated factor items for the EPQ.

Table 8.8: KMO and Bartlett's Test for EPQ

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		**0.847**
Bartlett's Test of Sphericity	Approx. Chi-Square	**2696.482**
	Df.	**190**
	Sig.	**.000**

Table 8.9: Unrotated and Rotated Factor Loadings of EPQ

Item	Unrotated Factors[a]		Item	Rotated Factors[b]	
	1	2		1	2
1	0.64	-0.33	1	**0.70**	0.58
2	0.42	-0.29	2	**0.51**	-0.02
3	0.63	-0.38	3	**0.74**	0.01
4	0.70	-0.41	4	**0.81**	0.02
5	0.67	-0.47	5	**0.82**	-0.05
6	0.60	-0.39	6	**0.72**	-0.01
7	0.20	0.02	7	0.16	0.12
8	0.56	-0.20	8	**0.58**	0.12
9	0.56	-0.29	9	**0.63**	0.05
10	0.45	-0.20	10	**0.49**	0.07
11	0.45	0.12	11	0.32	0.34
12	0.57	0.40	12	0.27	**0.64**
13	0.50	0.30	13	0.27	**0.52**
14	0.47	0.58	14	0.09	**0.74**
15	0.33	0.59	15	-0.03	**0.68**
16	0.35	0.59	16	-0.01	**0.68**
17	0.30	0.61	17	-0.06	**0.68**
18	0.34	0.52	18	0.02	**0.62**
19	0.32	0.55	19	-0.02	**0.64**
20	0.26	0.45	20	-0.01	**0.52**

a 2 factors extracted b Rotation converge in 4 iterations

The factor analysis was repeated with two factors specified, instead of allowing factor analysis to determine the number of factors to be extracted. The two-factor solution finally obtained and its interpretation was consistent with that of Forsyth (1980), who developed the scale, but with 9 items on each component as opposed to the original 10-

item components. Studies by Vitell and Hidalgo (2006), and Vitell and Paolillo (2004) revealed 8 items and 9 items, when the scale was used to compare US and Spanish managers, and US, UK, Spanish and Turkish managers respectively. Factor loadings on the first dimension range from .82 to .50, while the second dimension factor loadings range from .73 to .50.

Table 8.10: Comparison of the Actual Eigenvalues with the Parallel Analysis for EPQ

Component Number	**Actual Eigenvalues from PCA**	**Criterion Value from Parallel Analysis**	**Decision**
1	4.756	1.4155	Accept
2	3.491	1.3388	Accept
3	1.455	1.2829	Accept
4	1.150	1.2296	Reject
5	0.977	1.1869	Reject

8.3.3 CEV

The corporate ethical value (CEV) scale was developed by Hunt et al. (1984). The 5 items that made up the CEV scale were subjected to principal component analysis (PCA) using SPSS Version 15. The suitability of factor analysis for the sample was confirmed by a Kaiserr-Meyer-Olkin (KMO) value of approximately .60 (table 8.11), which met the minimum required value (.6) for factor analysis (Kaiser, 1970, 1974), while Bartlett's Test of Sphericity (Bartlett, 1954) was highly significant ($p < .000$) (table 8.11). The correlation matrix also revealed a reasonable number of coefficient values of above .3. The PCA revealed two Eigenvalues exceeding 1, explaining 36% and 31% of the variance respectively. The inspection of the screeplot revealed a clear break after the second component. The results of the parallel analysis (table 8.13) supported this two-factor solution, which showed the 2 components having Eigenvalues exceeding the corresponding criterion values for a randomly generated data matrix of the same size (5 variables x 415 respondents).

The two-factor solution explained a total of 67% of the variance, with Component 1 contributing 36% and, Component 2 contributing 31.5%. To obtain a clear interpretation of the components, Varimax rotation with Kaiser Normalisation was performed. The rotated solution indicates a simple structure (Thurstone, 1947), with both components showing a number of strong loadings and all variables loading substantially on only one component (the rotated and unrotated factor items are shown in table 4.12). Strong support was found in the literature (Hunt, 1984) to maintain the two-factor solution, even though some studies have validated the scale as uni-dimensional (e.g. Hunt et al., 1989). The first dimension was labelled 'top management support for ethics', while the second dimension was labelled 'managers are acting ethically'. Consistent with this study Singhapakdi et al. (2008) confirmed the two factorial structure of CEV using both exploratory factor analysis (EFA) and confirmatory factor analysis (CFA).

Table 8.11: KMO and Bartlett's Test for CEV

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.548
Bartlett's Test of Sphericity	Approx. Chi-Square	358.709
	Df.	10
	Sig.	.000

Table 8.12: Unrotated and Rotated Factor Loadings of CEV

Item	**Unrotated Factors**[a]		**Item**	**Rotated Factors**[b]	
	1	2		1	2
1	0.24	0.85	1	0.05	**0.88**
2	0.17	0.86	2	-0.17	**0.88**
3	0.80	-0.11	3	**0.80**	0.07
4	0.80	-0.24	4	**0.83**	-0.06
5	0.66	-0.11	5	**0.67**	0.03

a 2 factors extracted b Rotation converge in 4 iterations

Table 8.13: Comparison of the Actual Eigenvalues with the Parallel Analysis for CEV

Component Number	**Actual Eigenvalues from PCA**	**Criterion Value from Parallel Analysis**	**Decision**
1	1.799	1.1348	Accept
2	1.553	1.0586	Accept
3	0.752	0.9957	Reject
4	0.493	0.9403	Reject
5	0.403	0.8707	Reject

8.3.4 Organisational Commitment Scale

The 4 items that made up this scale were also subjected to principal component analysis (PCA) using SPSS Version 15. Suitability of factor analysis for the sample (table 8.14) was confirmed by a Kaiserr-Meyer-Olkin (KMO) value of .74, which met the minimum required value (.6) for factor analysis (Kaiser, 1970, 1974), while Bartlett's Test of Sphericity (Bartlett, 1954) was highly significant ($p < .000$), suggesting that the correlation matrix obtained in the analysis is not an identity matrix. The correlation matrix also revealed a reasonable number of coefficient values of above .3. The PCA revealed one Eigenvalue exceeding 1, explaining 54.2 of the variance. The inspection of the screeplot confirmed the uni-dimensional nature of the scale. The results of the parallel analysis (table 8.16) also supported this one-factor solution, which showed the only component having Eigenvalues exceeding the corresponding criterion values for a randomly generated data matrix of the same size (4 variables x 415 respondents). The one-factor solution explained 54.2% of the variance. Due to the uni-dimensional nature of the scale, rotation of the factors could not be performed. This result is consistent with that of the authors of the scale (e.g. Hunt et al., 1985). The unrotated factor items are presented in table 8.15.

Table 8.14: KMO and Bartlett's Test for Organisational Commitment Scale

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.736
Bartlett's Test of Sphericity	Approx. Chi-Square	316.898
	Df.	6
	Sig.	.000

Table 8.15: Unrotated Factor Loadings for Organisation Commitment Scale

Item	**Unrotated Factors**[a]
	1
1	0.81
2	0.78
3	0.75
4	0.59

a. 1 factor extracted through PCA

Table 8.16: Comparison of the Actual Eigenvalues with the Parallel Analysis for Org. Commit. Scale

Component Number	***Actual Eigenvalues from PCA***	***Criterion Value from Parallel Analysis***	***Decision***
1	2.169	1.1116	Accept
2	0.781	1.0300	Reject
3	0.581	0.9669	Reject
4	0.469	0.8914	Reject

8.4 Reliability Analysis

Having determined the dimensionality of the various scales used in the study, reliability tests were therefore performed to assess their internal consistency, the extent to which the scales are free of measurement error (Pedhazur and Schmelkin, 1991), and the extent to which the items are measuring the same underlying construct. Cronbach's Coefficient Alpha (α) (Cronbach's, 1951, 1984), the most widely used of measure of internal consistency (Pett et al., 2003) was used in assessing the reliability of the scales.

8.4.1 PRESOR

According to Singhapakdi et al. (1996), the PRESOR scale has good internal consistency. They reported Cronbach's alpha values of 0.71, 0.57, and 0.64 for the three dimensions of PRESOR respectively. The study by Etheredge (1999) reported two-dimensional construct, and Cronbach's alpha values of 0.75 and 0.73. Vitell and Hidalgo (2006) also reported Cronbach's values of 0.82 and 0.78 for the two-factorial solution their samples supported. In their cross-country comparison, Axinn et al. (2004) came up with a three-factor solution, and documented Cronbach's alpha values of 0.85, 0.65, and 0.57 respectively. The current study produced a three-factor solution and has Cronbach's alpha values of 0.80, 0.75 and 0.68 (table 8.17). The inspection of the inter-item correlation matrix revealed that all values were positive, indicating that items were measuring the same underlying characteristic.

Table 8.17: Cronbach's Alpha Values for the Study's Scales

Scale	*Cronbach's Alpha*	*Cronbach's Alpha Based on Std Items*	*N of Items*
PRESOR 1	0.803	0.805	7
PRESOR 2	0.749	0.749	4
PRESOR 3	0.677	0.677	3
EPQ 1	0.843	0.850	9
EPQ 2	0.819	0.821	9
CEV 1	0.647	0.656	3
CEV 2	0.716	0.716	2
ORG. COMMIT.	0.709	0.713	4

8.4.2 EPQ

Forsyth's (1980) ethics position questionnaire – idealism and relativism has been shown by many studies to have good internal consistency (see for example, Forsyth's (1980), α: 0.80 and 0.73; Singhapakdi et al. (1996), α: 0.84, 0.77; Yaman and Gurel (2006), α: 0.84 and 0.79; Vitell and Hidalgo (2006), α: 0.87 and 0.85; Vitell et al. (2003), α: 0.87 and 0.82). The current study also reports a Cronbach's alpha value of 0.84 and 0.82 (shown in table 8.17) for idealism and relativism respectively.

8.4.3 CEV

The corporate ethical value scale has performed creditably well in terms of internal consistency in a number of studies. According to Hunt et al. (1989), the CEV is a uni-dimensional scale that captures three broad-based perceptions: extent to which employees perceive that managers are acting ethically in their organisation; extent to which employees perceive that managers are concerned about issues of ethics in their organisation; and the extent to which employees perceive that ethical (unethical) behaviour is rewarded (punished) in their organisation. They reported a Cronbach's alpha value of 0.78 in their study. Vitell et al. also used the instrument and reported a Cronbach's alpha value of 0.83. Vitell and Paolillo also reported a Cronbach's alpha value of 0.67. The current study establishes the CEV scale as a two-dimensional scale, which is consistent with the initial development of the scale (Hunt et al., 1984). The Hunt et al. (1984) study used two scales to measure ethical problems in marketing (ethical problem scale and ethics-related top management actions scale), and these scales were combined in their later study (Hunt et al., 1989) as a uni-dimensional scale (corporate ethical value scale – CEV).

The two-factorial solution obtained from the factor analysis of the CEV in the current study is therefore a reflection of the underlying constructs for which the scale was initially designed to measure. Recently, a study by Singhapakdi et al. (2008), also established the CEV scale as a two-dimensional construct, with the same factor loadings as the ones obtained in this study. The Cronbach's alpha values for the two dimensions which were labelled 'top management support for ethics', and 'managers are acting ethically' are 0.65 and 0.72 respectively. When attempt was made to assess the reliability of the CEV as a uni-dimensional scale, a lower Cronbach's value of 0.52 was achieved, and the inter-item correlation matrix revealed some negative values (table 8.18), indicating that the items were not measuring the same underlying characteristic.

Table 8.18: Inter-Item Correlation Matrix for CEV as Uni-dimensional Scale

Item	***1***	***2***	***3***	***4***	***5***
1	1.000	0.558	0.079	-0.033	0.085
2	0.558	1.000	0.037	-0.008	-0.026
3	0.079	0.037	1.000	0.524	0.297
4	-0.033	-0.008	0.524	1.000	0.345
5	0.085	-0.026	0.297	0.345	1.000

8.4.4 Organisational Commitment Scale

The organisational commitment scale was developed by Hunt et al. (1985) as a uni-dimensional scale with a Cronbach's alpha value of 0.85. A later study (Hunt et al., 1989) by the authors also revealed a Cronbach's value of 0.87. Subsequent values reported in various studies include 0.79 (Vitell and Paolillo, 2004); 0.79 (Vitell and Hidalgo, 2006). The Cronbach's alpha value established in the current study, as shown in table 8.17 is 0.71.

8.5 Correlation Analysis

Correlation analysis was performed between the dependent variables (the three dimensions of PRESOR) and sets of independent variables (idealism, relativism, managers are acting ethically, top management support for ethics, and organisational commitment). Correlation analysis serves an added purpose of showing relationships among the variables in the study for the purpose of regression analysis, which allows for evaluation of the independent variables on the dependent variables.

The relationship between the perceived role of ethics and social responsibility (PRESOR) and individual moral values, as represented by idealism and relativism (EPQ) was investigated using the Pearson product-moment correlation coefficient. The analysis, as shown in table 8.19 revealed a positive relationship between idealism and importance of ethics and social responsibility – first dimension of PRESOR ($r = 0.48$, $n = 412$, $p < .0005$) giving initial support for the proposed relationship between idealism, as a dimension of moral values and PRESOR (proposition 1a). What this implies is that idealism explains 23.23% of the variance of the respondents' scores on the PRESOR 1 subscale. This result also supports the predictive validity of PRESOR, which will be confirmed later with a regression analysis.

Relativism also significantly and negatively correlated with the other two dimensions of the PRESOR scale – profit is not paramount, and ethics and social responsibility is equally important ($r = -0.20$, $n = 414$, $p < .0005$; $r = -0.28$, $n = 414$, $p = 0.0005$). These results also give partial support for proposition 1b, meaning that a relativist will perceive ethics and social responsibility to be less important in achieving organisational effectiveness. The results also indicate that relativism explains 4 percent and 7.8 percent of variance in respondents' scores along these two dimensions of the PRESOR scale.

These findings are consistent with those established in prior empirical studies. For example, Singhapakdi et al. (1996) found idealism to be positively related to one of the three dimensions of PRESOR ("long-term gain), and relativism to be negatively related to the three dimensions ("social responsibility and profitability", "long-term gains", and "short-term gain) in their study. Similarly, Vitell et al. (2003) in their study of marketing professionals, established idealism to be positively related and relativism to be negatively related to the perceived importance of ethics and social responsibility. The same pattern of results was reported in Vitell and Paolillo (2004), where idealism were found to be positively related and relativism negatively related to the two dimensions of PRESOR supported by their samples.

The Pearson product-moment correlation coefficient further showed a positive relationship between top management support for ethics and importance of ethics and social responsibility (r = 0.294, n = 413, p = 0.0005). What this implies is that the extent to which top management show support for ethics, reward ethical practices and sanction unethical practices helps moderate the perception of managers on the importance of ethics and social responsibility for organisational effectiveness. It also indicates that top management support for ethics explains 8.6 percent of variance in the respondents' scores on the importance of ethics and social responsibility subscale of the PRESOR scale. The result answers proposition 2, which proposes a positive relationship between corporate ethical values and the perceived importance of ethics and social responsibility.

Table 8.19: Correlations between the Dependent and Independent Variables

		1	2	3	4	5	6	7	8
1	Importance of E & SR	1							
2	Profit is not paramount	.180**	1						
3	E & SR Equally Import.	.079	.459**	1					
4	Idealism	.482**	.032	-.062	1				
5	Relativism	.076	-.202**	-.279**	.127**	1			
6	Top Mgt. Supp for E & SR	.294**	-010	-.092	.401**	.165**	1		
7	Magers. are Actg. Ethically	.031	.315**	.250**	.029	-.179**	.034	1	
8	Org. Commitment	-.276**	.096	.183**	-.304**	-.341**	-.346**	.197**	1

**. Correlation is significant at the 0.01 level (2-tailed)

The investigated relationship between 'managers are acting ethically' dimension of corporate ethical values and perceived role of ethics and social responsibility (PRESOR) as measured by the Pearson product-moment correlation coefficient, revealed a positive relationship between this dimension and 'profit is not paramount' dimension of PRESOR (r = 0.32, n = 414, p = 0.000); and the 'ethics and social responsibility is equally important' dimension (r = 0.25, 414, p = 0.0005). These results also lend support for proposition 2. The interpretation of the results obtained on the relationship between the PRESOR dimensions, and those of CEV is that corporate ethical values positively influence managers' perceptions regarding the importance of ethics and social responsibility for organisation effectiveness.

The findings on the perceived importance of ethics and social responsibility and corporate ethical values are consistent with ethical decision-making theory and corroborated by prior empirical works. In a survey of the members of the American Marketing Association, Singhapakdi et al. (1995) established a positive relationship between corporate ethical values and perceived importance of ethics and social responsibility. Similar results were reported in a survey of Thai managers by Singhapakdi et al. (2008).

The relationship between organisational commitment and PRESOR dimensions as indicated by the results of the correlation analysis was paradoxical. The results showed the first dimension of PRESOR, importance of ethics and social responsibility having a negative relationship with organisational commitment (r = -0.28, n = 412, p = 0.0005) and the third dimension having a positive relationship (r = 0.18, n = 412, p = 0.0005). This pattern of results is similar to those established in Vitell and Paolillo (2004), and Vitell and Hidalgo (2006). In Vitell and Paolillo, a significant negative relationship (-0.156, $p < 0.01$) was found between organisational commitment and "ethics as a 'prima facie' duty"; while a non-significant positive relationship (0.030, $p < 0.01$) was found between organisational commitment and the second dimension of PRESOR – "ethics as a long-term, top priority".

The results of Vitell and Paolillo (2004) and this current study seem to be in opposite directions. For the first dimension of my study, which has the same factor items as that of Vitell and Paolillo's (2004), the relationship was significantly negative (-0.276, p = 0.0005), while theirs was non-significantly positive (0.030, $p < 0.01$). The second dimension of their PRESOR has five items, two of which are contained in the third dimension (ethics and social responsibility is equally important) and three in the second dimension (profit is not paramount) of my study. The relationship they established with the second dimension of their PRESOR, as shown above was negative and significant, while the one with my third dimension was positively significant. In view of these mixed results, proposition 3 seems to be only partially supported.

8.6 Regression Analysis

This section uses multiple regression analysis, a form of general linear modelling to examine the relationship between the dependent variables (DVs.) and independent variables (IVs.), with the intent of examining the predictive ability of sets of the independent variables on each dependent variable, and further confirm the proposed relationships. Applying multiple-regression is borne out of the fact that relationships and predictions in real-life scenario, as in this case, are best established and made by a combination of factors. By applying this analysis, the relative contribution of each independent variable in explaining variance in the criterion variable can be determined. Specifically, the interest here is to predict respondents' scores on PRESOR scale on the basis of their scores on EPQ scale, CEV scale, organisational commitment, and other demographic characteristics (gender, age, position, length of service, and education), which serve as control variables. That is, the extent to which moral values, corporate ethical value, organisational commitment, and demographic characteristics might contribute to the prediction of the perceived role of ethics and social responsibility for achieving organisational effectiveness. The scale items for PRESOR, the independent variables are presented in table 8.20

This analysis also aims to specify a variable(s) that is (are) most accurate in predicting the perception of the importance of ethics and social responsibility for organisational effectiveness. Since human behaviour is complex and could be influenced by many factors, it is expected that certain sets of independent variables might not completely give totally accurate predictions especially that the construct under investigation has been established to be a multidimensional construct. Each analysis performed here will be regarded as a model, with a view to establishing the model that best predicts the criterion (dependent) variables.

The first model comprises idealism and relativism scales, which previous studies have established predict the construct of interest; in this case, the perceived role of ethics and social responsibility for organisational effectiveness.

8.6.1 Moral Values and the Perceived Role of Ethics and Social Responsibility- Model 1

Since the effects of the independent variables are being sought on the three dimensions of PRESOR, and each constituting a dependent variable, the first model looked at the predictive power of individual moral values on these three dimensions, hence this model is specified as Model 1a, 1b, and 1c. The decision to consider the two dimensions of individual moral values in this model is based on conceptual reasons and prior empirical findings and observations. For example, Davis et al. (1998) argued that including idealism and relativism together in a model that considers the effects of personal ethical ideology produced more robust effects than either of the dimensions alone. The results of the regression model 1a, 1b, and 1c are presented in table 4.21.

Table 8.20: Scale items for PRESOR 1, 2 and 3

PRESOR 1 – Importance of ethics and social responsibility

(1) Corporate planning and goal setting sessions should include discussions of ethics and social responsibility
(2) The ethics and social responsibility of a firm are essential for its long-term profitability
(3) The overall effectiveness of a business can be determined to a great extent by the degree to which it is ethical and socially responsible
(4) Business ethics and social responsibility are critical to the survival of a business enterprise
(5) Business has a social responsibility beyond making a profit
(6) Social responsibility and profitability can be compatible
(7) Good ethics is often good business

PRESOR 2 – Profit is not paramount

(1) To remain competitive, business firms must disregard ethics and social responsibility
(2) The most important concern for firm is making a profit, even if it means bending or breaking the rules
(3) If survival of a business enterprise is at stake, then you must forget about ethics and social responsibility
(4) If the stockholders are unhappy, nothing else matters

PRESOR 3 – Ethics and Social responsibility are equally important

(1) communication is more important to the overall effectiveness of an organisation than whether or not it is concerned with ethics and social responsibility
(2) output quality is more essential to corporate success than ethics and social responsibility
(3) efficiency is much more important than whether or not a firm is seen as ethical or socially responsible

Dependent variables: Perceived Role of ethics and social responsibility (PRESOR 1, 2 and 3)

PRESOR 1: Importance of ethics and social responsibility
PRESOR 2: Profit is not paramount
PRESOR 3: Ethics and social responsibility is equally important

Independent Variables: Individual moral values, measured by ethics position questionnaire (EPQ 1 and 2)
EPQ 1: Idealism
EPQ 2: Relativism
Model 1 in general is intended to answer the following research questions that gave rise to proposition 1 of the quantitative strand of the study.

Q: What is the relationship between managers' moral values and the perceived role of ethics and social responsibility?

> (a). How well do the two measures of moral values (idealism and relativism) predict perceived importance of ethics and social responsibility? How much of the variance in perceived role of ethics and social responsibility can be explained by the score on these two scales?
>
> (b). Which of these two variables is the best predictor of perceived importance of ethics and social responsibility?

8.6.1.1 Checking the Assumptions for Model 1

This section examines the assumptions for model 1 to ensure that they are not violated. In other words, the interest here is to discover if the assumptions of regression analysis have been met in the course of calculating the regression coefficients and predicting the dependent variables (Hair et al., 1998). These assumptions (multicollinearity, normality, linearity, homoscedasticity, and independence of residuals) were examined after the models were estimated. Assessing these assumptions is necessary as they can seriously mar the accuracy of the results obtained. For example, the multicollinearity assumption if violated can have serious impact on the explanatory effect of each independent variable in a regression model, and can also limit the size of coefficient of determination. On the other hand, violation of multicollinearity can also considerably affect the estimation of the regression coefficients (Hair et al., 1998). Besides, non-violation of these assumptions increases the likelihood of generalising the model results to the entire population (Field, 2005), which this study intends.

A simple observation of the correlation matrix (table 8.19) for the two independent variables in this model indicates a low correlation between the two, suggesting absence of collinearity. In addition, the tolerance value (.984), and the radiance inflation factor – VIF, value (1.016) indicate non-violation of the multicollinearity assumption. The normal probability plot (P-P) of the regression standardised residual and the scatter plot suggest no deviation from normality, as the points lie in a reasonable straight diagonal line, and the residuals were roughly rectangularly distributed, with concentration of the scores in the centre. Thus, the assumptions of normality, linearity, homoscedasticity, and independence of residuals were not violated. As against the critical chi-square value of 13.82 for a regression analysis with two independent variables, this model, as shown by the Mahalanobis distance has a value of 14.26, which suggest the presence of outliers. Since it is not unusual to have few outliers in a dataset of this size, decision was made to retain the two cases (in the three subscales), particularly that the value in the current data file is not too far from the criterion critical value.

The casewise diagnostics table also shows two cases having residual values of -3.3 for PRESOR 1, and 3.8 for PRESOR 3, which is slightly above the recommended value of ± 3.0. Again, this is not unusual, as 1 percent of cases (4 cases in this instance) are expected in a normally distributed sample (Pallant, 2007). The first two cases have a total importance of ethics and social responsibility (PRESOR 1) scores of 21, while the model predicts 37.73, and 37.78, meaning that the respondents perceived ethics and social responsibility less than was predicted. The only case in the PRESOR 3 has a score of 21, as opposed to the predicted value of 8.37. While the respondents perceived more that ethics and social responsibility is equally important compared with quality, communication, and efficiency, the model predicted a lower score. The Cook's distance values of .073 (PRESOR 1), and .116 (PRESOR 2) suggest the absence of any undue influence by these strange cases on the models' results as a whole.

As for PRESOR 1 (model 1a), the model recorded an R squared value of **.233**, indicating that moral values explained 23.3 percent of the variance in perceived importance of ethics and social responsibility (table 8.21). This compared favourably with results from prior studies that have used the same scale. The model also reaches statistical significance (sig. = .000), indicating that $p < .0005$. The results clearly showed that idealism makes the strongest unique contribution ($\beta = .480$) to explaining perceived importance of ethics and social responsibility as opposed to relativism ($\beta = .015$). These contributions were also confirmed by the significant values of **.000** and **.726** respectively. The part correlation coefficient also indicates that idealism contributes 22.66 percent to R squared, while relativism contributes only 0.02 percent. The conclusion that can be drawn from the result of **model 1a** is that relativism is not making any unique contribution to explaining or predicting the perceived importance of ethics and social responsibility.

Table 8.21: Multiple regression analysis of the PRESOR subscales – Model 1

Variable	β	*T value*	*Sig. of T.*
PRESOR 1 – Importance of ethics and social responsibility – **Model 1a**			
Idealism	0.480	10.996	0.000
Relativism	0.015	0.351	0.726
R squared = 0.233, Adjusted R Squared = 0.229, *F* = 62.00, Sig. of *F* = 0.000			
PRESOR 2 – Profit is not paramount – **Model 1b**			
Idealism	0.059	1.202	0.230
Relativism	-0.209	-4.287	0.000
R squared = 0.044, Adjusted R Squared = 0.039, *F* = *9*.410, Sig. of *F* = 0.000			
PRESOR 3 – Ethics and Social responsibility are equally important – **Model 1c**			
Idealism	-0.027	-0.562	0.574
Relativism	-0.276	-5.766	0.000
R squared = 0.079, Adjusted R Squared = 0.074, *F* =*17.475*, Sig. of *F* = 0.000			

Relativism on the other hand was a significant predictor of PRESOR 2 (profit is not paramount – model 1b), and PRESOR 3 (ethics and social responsibility is equally important – model 1c). Model 1b, which examines the predictive power of moral philosophy on the second dimension of PRESOR, has an R squared value of **.044**, meaning that idealism and relativism explain 4.4 percent of variance in the second dimension of PRESOR, which holds that profit is not paramount. The model was also statistically significant (sig. = .000), showing that p < .0005. Further analysis show relativism to be the strongest unique contributor (β = -.209, sig. = .000) in the model, while idealism's contribution is infinitesimal (β = 0.059, sig. = .230). In order to obtain the contribution of relativism to the total R squared, its part correlation value was squared, which gives a value of **.044**, indicating that it contributes 4.4 percent, and by far the only contributor to explaining the variance in the second dimension of the PRESOR scale. These results are presented in table 8.21.

The R squared value for model 1c (PRESOR 3 and moral philosophy) was **.079**, indicating that 7.9 percent variance in 'ethics and social responsibility is equally important' is explained by moral philosophy. Of this variation, relativism alone accounts for 7.5 percent, with a unique statistical contribution beta value of **-0.276**. The model was significant (p = .000) with an F value of 17.475. These results are also shown in table 8.21.

The overall results suggest that idealism explains almost 23 percent of variance in the first dimension of PRESOR (model 1a), while relativism explains 4 percent and almost 8 percent variances in the second (model 1b) and third (model 1c) dimension of PRESOR respectively. These imply that idealism is the best predictor of perceived importance of ethics and social responsibility, while relativism is the best predictor of 'profit is not paramount' and 'ethics and social responsibility is equally important'. The results of this multivariate analysis also provide support for the proposed relationship between the PRESOR scale and moral values. This appeared so by the beta values reported above. Conclusively, idealism positively correlates and relativism negatively correlates with the perceived importance of ethics and social responsibility for organisation effectiveness.

These results can be interpreted to mean that individuals with idealistic values tend to believe that ethics and social responsibility are essential for organisation effectiveness.

The more idealistic a manager is, the more he/she would perceive ethics and social responsibility to be important for organisation effectiveness. This finding is consistent with the conceptual meaning of idealism as espoused by Forsyth (1980). Following Forsyth's (1992) typology, respondents in model 1a could be regarded as absolutist, who believe and strive for positive consequences, but may also exhibit a bit of relativism by virtue of their adherence to general moral principles. These sets of managers would more likely be averse to unethical business practices, even if such practices fall within the law.

The obvious negative relationships between relativism and the other two dimensions of PRESOR suggest that the less relativistic a manager is, the more he/she would perceive that profit is not paramount, and that ethics and social responsibility are equally important in comparison to other measures of organisation effectiveness. The inverse of this interpretation, which also holds for this result, is that the more relativistic a manager is, the less he/she would perceive that ethics and social responsibility is important for organisation effectiveness. These respondents fall within the description of exceptionists (low relativism and low idealism), whom Forsyth (1992) postulate as agreeing in principle with absolutists, the notion of absolute or universal moral rules, but are not idealistic, and do not believe that avoidance of harm is possible in all situations. Individuals in this classification are said to oscillate between deontology and rule-utilitarianism, a branch of teleology (Forsyth 1992).

The conclusion drawn from model 1a is that managers who are highly idealistic (β = 0.480) tend to hold that ethics and social responsibility is important for organisational effectiveness. The results of model 1b lead to the conclusion that managers who are less relativistic (β = -0.209) tend to believe that profit is not paramount. While results of model 1c lead to the conclusion that managers who are less relativistic (β = -0.276) tend to believe that ethics and social responsibility is equally important in achieving organisational effectiveness.

8.6.2 Moral Values, Corporate Ethical Values, Organisational Commitment, and PRESOR – Model 2

Following ethical decision-making models, e.g. Ferrell and Gresham, (1985); Hunt and Vitell (1986); Trevino (1986), which suggest that ethical decision-making is a function of the interacting effects of individual factors (e.g. knowledge, values, attitude, and intention) and organisational factors (e.g. significant others and opportunity factors, and situational factors), and various empirical support (e.g. Weaver and Ferrell, 1977; Singhapakdi and Vitell, 1991), this section examines the combined effects of individual factors (idealism and relativism) and situational/organisational factors (corporate ethical values and organisational commitment) on the perceived role of ethics and social responsibility. Thus for the three dimensions of PRESOR the multiple regression analyses are labelled as Models 2a, 2b, and 2c. The results of these models are presented in table 8.22.

Dependent variables: Perceived Role of ethics and social responsibility (PRESOR 1, 2 and 3)

PRESOR 1: Importance of ethics and social responsibility

PRESOR 2: Profit is not paramount

PRESOR 3: Ethics and social responsibility is equally important

Independent Variables

(1). EPQ 1: Idealism

(2). EPQ 2: Relativism

(3). CEV 1: Top management support for ethics

(4). CEV 2: Managers are acting ethically

(5). Organisational commitment

Model 2 is intended to answer the following research questions:

(1). How well do the personal and situational factors predict the perceived role of ethics and social responsibility? How much of the variance in the perceived role of ethics and social responsibility can be explained by the scores on these scales?

(2). Which of these independent variables is the best predictor of perceived role of ethics and social responsibility?

8.6.2.1 Checking the Assumptions

The tolerance values (.805, .866, .776, .930, .745), and VIF values (1.242, 1.154, 1.289, 1.075, and 1.343) indicate non-violation of the multicollinearity assumption. The normal probability plot (P-P) of the regression standardised residual and the scatter plot suggest no deviation from normality. The points lie in a reasonably straight diagonal line, and the residuals were roughly rectangularly distributed, with concentration of the scores in the centre. Thus the assumptions of normality, linearity, homoscedasticity, and independence of residuals were not violated. The Mahalanobis distance value of 34.024 as against 20.52 for critical chi-square value for five independent variables indicates the presence of multivariate outliers. The five cases that were outliers were deleted and the regression was re-run. The new regressions have a Mahalanobis distance value of 20.38. The Cook's distance values (0.076, 0.046, and 0.093) indicate that few cases with residual values slightly above ± 3 were not having any serious effects on the models' results. When the outlier cases were deleted, the R squared changed from .260 to .249; .123 to .128; and .125 to .118 for PRESOR 1, 2, and 3 respectively.

As shown in table 8.22, model 2a recorded an R squared value of **.249**, indicating that moral values, corporate ethical values, and organisational commitment explained almost 25 percent of the variance in perceived importance of ethics and social responsibility. The model also reaches statistical significance (sig. = .000), indicating that $p < .0005$.
Despite the increased number of predictor variables, the results indicate that idealism still makes the strongest unique contribution (β = .396) to explaining perceived importance of ethics and social responsibility when the variance explained by relativism, corporate ethical values, and organisational commitment are controlled for; while organisational commitment came next (β = -0.141). The significant values for these two predictor variables are **.000** and **.005**, indicating their statistical significance. The other predictor variables (relativism - β = -0.041, top management support for ethics - β = 0.090, and managers are acting ethically - β = 0.034) did not make any

unique contribution to explaining or predicting perceived importance of ethics and social responsibility (PRESOR 1).

The part correlation coefficient also showed that idealism contributes 12.5 percent to *R* squared, while organisational commitment contributes only 1.5 percent. The percentage of the variance explained by these two predictor variables only amount to 14 percent, while the R squared is 24.9 percent. Even the addition of other predictors' contributions only amount to 14.9 percent. The remaining variance not accounted for (10 percent) represents the shared variance among the five predictor variables all together (given the correlation among some of the predictor variables), while the individual percentage contribution from the part correlation values represents the unique contribution of each predictor in explaining the criterion variable.

The interpretation of these results, is that managers who are highly idealistic (β = 0.396), less relativistic (β = -0.041), who neither perceived top management showing more concern for ethical behaviour (β = 0.090) nor peers acting ethically (β = 0.030), thus, less committed to the organisation (β = -0.141) tend to perceive that ethics and social responsibility is important for organisational effectiveness.

Relativism and managers are acting ethically on the other hand were significant predictors of PRESOR 2 (profit is not paramount), and PRESOR 3 (ethics and social responsibility are equally important). As presented in table 8.22, **model 2b**, has an *R* squared value of **0.128**, meaning that idealism, relativism, top management support for ethics, managers are acting ethically, and organisational commitment explained 12.8 percent of variance in the second dimension of PRESOR, which holds that profit is not paramount. The model was also statistically significant (sig. = .000), showing that $p <$ .0005. In this model, managers are acting ethically was the strongest unique contributor (β = 0.292, sig. = .000) to explaining the variance in 'profit is not paramount' dimension of PRESOR, while relativism was next (β = -0.153, sig. = .003). In order to obtain the contribution of these two predictors to the total R squared, their part correlation values were squared, giving a value of **.0789** (meaning that managers are acting ethically contributes 7.9 percent), and **.0015** indicating that relativism only contributes 0.15 percent to explaining the variance in the second dimension of the PRESOR scale.

Table 8.22: Multiple regression analysis of the PRESOR subscales – Model 2

Variable	β	*T value*	*Sig. of T.*
PRESOR 1 – Importance of ethics and social responsibility – **Model 2a**			
Idealism	0.396	8.151	0.000
Relativism	-0.041	-0.867	0.386
Top management support for ethics	0.090	1.828	0.068
Managers are acting ethically	0.034	0.759	0.448
Organisational commitment	-0.141	-2.835	0.005
R squared = 0.249, Adjusted R Squared = 0.240, *F* = 26.594, Sig. of *F* = 0.000			
PRESOR 2 – Profit is not paramount – **Model 2b**			
Idealism	0.074	1.409	0.160
Relativism	-0.153	-2.991	0.003
Top management support for ethics	-0.040	-0.747	0.455
Managers are acting ethically	0.292	6.021	0.000
Organisational commitment	-0.001	-0.025	0.980
R squared = 0.128, Adjusted R Squared = 0.117, *F = 11.775*, Sig. of *F* = 0.000			
PRESOR 3 – Ethics and Social responsibility is equally important – **Model 2c**			
Idealism	0.041	0.781	0.435
Relativism	-0.194	-3.777	0.000
Top management support for ethics	-0.060	-1.120	0.263
Managers are acting ethically	0.204	4.193	0.000
Organisational commitment	0.070	1.295	0.196
R squared = 0.118, Adjusted R Squared = 0.107, *F =10.730*, Sig. of *F* = 0.000			

What emerged from this model is that managers who are lower in idealism (β = 0.074), lower in relativism (β = -0.153), perceived top management being ambivalent about ethical/unethical behaviour (β = -0.040), but perceived peers acting ethically (β = 0.292), and obviously not committed to their organisation (β = -0.001), tend to perceive that profit is not paramount, and that ethics and social responsibility is important in achieving organisational effectiveness. Conversely, the results could also be interpreted to mean that individuals who are less idealistic, relativistic, perceived ambivalence in top managers concerning unethical behaviour, though perceived peers acting ethically, not committed to the organisation, tend to perceive that profit is paramount, and that ethics and social responsibility are not important in determining organisational effectiveness.

The predictor variables in **model 2c** explain 11.8 percent of the variance in the criterion variable –'ethics and social responsibility are equally important' (PRESOR 3). This is shown in table 8.22 by an *R* square value of **.118**. The results of the model further revealed both 'managers are acting ethically' (β = 0.204) and 'relativism' (β = -0.194) as the best predictors of this third dimension of PRESOR scale. These predictors contribute 3.8 percent and 3.1 percent uniquely to *R* squared, while 4.8 percent, which is not accounted for, indicates the overlap variance among the independent variables. The interpretation of the results obtained here is similar to that of **model 2b**. Managers who are lower in idealism (β = 0.041), lower in relativism (β = -0.194), did not perceive top management being concerned about ethics (β = -0.060), but perceived peers acting ethically (β = 0.204), and not committed to their organisation (β = 0.070), tend to perceive that ethics and social responsibility is as important as quality, communication, and efficiency in achieving organisational effectiveness. The converse also hold true for this result.

It would be noted that the addition of more independent variables to models 1 only resulted in a significant increase in the ***R*** square for models **model 2b** and **2c**, while a slight differential increase can only be seen in the ***R*** square for **model 2a**. What this implies is that individual characteristics were more prominent in predicting the perceived importance of ethics and social responsibility for organisational effectiveness. In essence, idealism and relativism were more prominent in predicting variance in the perceived importance of ethics and social responsibility (PRESOR)

8.6.3 Validating the Results of the Regression Models 1 and 2

Since the concern of this study goes beyond showing that the results obtained are true of the samples used for their estimation, but also true of managers in the entire insurance industry (i.e. generalising to the population), this section attempts to cross-validate the regression models to achieve this aim. While the most direct approach of doing this is to take another sample from the population and compare the two results (Hair et al., 1998, Field, 2005), the obvious constraints of doing this in terms of time and money, led to alternative approaches of examining the adjusted ***R*** square and splitting the sample of the study.

The first method involves comparing the ***R*** squared with the adjusted ***R*** squared to find out if the model is over fitted to the sample (Hair et al., 1998). As observed by Field (2005), the adjusted ***R*** square tells how much variance in Y would be explained if the model had been derived from the population from which the samples have been selected, as opposed to ***R*** square which only relates to the sample of the study. The comparison of the ***R*** square and the adjusted ***R*** square for **models 1a**, **1b**, **1c**, **2a**, **2b**, and **2c**, as shown in table 8.23 did not show much difference in the two values for each model, indicating that the models have not been over fitted to the samples.

Table 8.23: Cross-validation of the Models Using Adjusted R Square

	R^2	Adjusted R^2
Model 1a	0.233	0.229
Model 1b	0.044	0.039
Model 1c	0.079	0.074
Model 2a	0.249	0.240
Model 2b	0.128	0.117
Model 2c	0.118	0.107

In order to cross-validate by splitting the sample, the sample of the study was randomly split into two samples using SPSS version 15. The results obtained, as shown in table 8.24 and 8.25 indicate a high level of similarity in terms of ***R*** square and adjusted ***R*** square. Conclusively, the results obtained through the two methods of cross-validating indicate that the models achieved in this study have not been over fitted to the sample; thus suggesting that the results can be generalised to the population of the study.

Table 8.24: Cross-validation of the Models Using Sample Split (Model 1)

	N.	R.	R^2.	Adj. R^2.	SEE.	F.	Sig.
Model 1a	415	0.482	0.233	0.229	5.112	62.000	.000
	208	0.481	0.232	0.224	5.391	30.763	.000
	206	0.487	0.237	0.230	4.838	31.442	.000
Model 1b	415	0.210	0.044	0.039	4.627	9.410	.000
	208	0.232	0.054	0.045	4.556	5.810	.004
	206	0.238	0.057	0.047	4.677	6.077	.003
Model 1c	415	0.281	0.079	0.074	3.295	17.475	.000
	207	0.247	0.061	0.052	3.359	6.588	.000
	207	0.331	0.110	0.101	3.229	12.484	.000

Table 8.25: Cross-validation of the Models Using Sample Split (Model 2)

	N.	R.	R^2.	Adj. R^2.	SEE.	F.	Sig.
Model 2a	415	0.499	0.249	0.240	5.056	26.594	.000
	208	0.542	0.294	0.276	5.207	16.582	.000
	206	0.495	0.245	0.226	4.851	12.914	.000
Model 2b	415	0.358	0.128	0.117	4.448	11.775	.000
	208	0.329	0.108	0.086	4.457	4.821	.000
	206	0.428	0.183	0.168	4.386	8.905	.000
Model 2c	415	0.344	0.118	0.107	3.187	10.730	.000
	207	0.350	0.122	0.100	3.272	5.555	.000
	207	0.400	0.160	0.139	3.159	7.641	.000

8.6.4 Model Parsimony

In order to establish the parsimonious models of the predictors for the three dimensions of PRESOR, stepwise regression was performed. Given that the parsimonious model is just an extension of model 2; the decision made here is not to regard the stepwise regression analysis as another model. The examination of the results suggests non-violation of any of the assumptions associated with regression analysis, except the presence of outliers in the first dimension – importance of ethics and social responsibility. This dimension has a Mahalanobis distance value of 22.730 as opposed to the critical value of 20.52 for critical chi-square for five independent variables. Further analysis revealed one case to be an outlier. However, when this singular outlier case was deleted and the regression re-run, the ***R*** square appeared unaffected, hence, this singular case of outlier was retained in the analysis.

Table 8.26: Stepwise multiple regression analysis of the PRESOR subscales – Model 2 Extension

Variable	β	*T value*	*Sig. of T.*
PRESOR 1 – Importance of ethics and social responsibility			
Idealism	0.482	11.128	0.000
R squared = 0.232, Adjusted R Squared = 0.231, *F* = *1*23.843, Sig. of *F* = 0.000			
PRESOR 1 – Importance of ethics and social responsibility			
Idealism	0.439	9.752	0.000
Organisational commitment	-0.143	-3.182	0.002
R squared = 0.251, Adjusted R Squared = 0.247, *F* = 68.365, Sig. of *F* = 0.000			
PRESOR 2 – Profit is not paramount			
Managers are acting ethically	0.315	6.705	0.000
R squared = 0.099, Adjusted R Squared = 0.097, *F* = *44.954*, Sig. of *F* = 0.000			
PRESOR 2 – Profit is not paramount			
Managers are acting ethically	0.288	6.100	0.000
Relativism	-0.150	-3.179	0.002
R squared = 0.128, Adjusted R Squared = 0.117, *F* = *11.775*, Sig. of *F* = 0.000			
PRESOR 3 – Ethics and Social responsibility are equally important			
Relativism	-0.279	-5.883	0.000
R squared = 0.078, Adjusted R Squared = 0.076, *F* = *34.608*, Sig. of *F* = 0.000			
PRESOR 3 – Ethics and Social responsibility are equally important			
Relativism	-0.242	-5.130	0.000
Managers are acting ethically	0.207	4.384	0.000
R squared = 0.119, Adjusted R Squared = 0.115, *F* = *27.686*, Sig. of *F* = 0.000			

The results of the stepwise regression was consistent with the results obtained from the enter method. Idealism and organisation commitment were the best predictors of importance of ethics and social responsibility dimension (***R*** square = **.251**), while 'managers are acting ethically' and relativism were the best predictor of 'profit is not paramount' dimension (***R*** square = **.121**). The best predictors of ethics and social responsibility are equally important were relativism and managers are acting ethically (***R*** square = **.119**). The size of ***R*** square and the contribution of each of the predictor variables to explaining the variance in the criterion variable for each of the dimensions are presented in table 8.26. The interpretations of these results are the same as those given for model 2. In all, idealism stands out to be the best predictor of the perceived role of ethics and social responsibility for organisational effectiveness.

8.6.5 The Effect of Demographic and Job Characteristics on PRESOR

This aspect of the analysis considers the possible impact of demographic characteristics, such as gender, age, education, and job characteristic variables, such as position in the organisation, and length of service, on the perceived role of ethics and social responsibility. In order to make the variable amenable to regression analysis, age, education, position in the organisation, and length of service were re-coded into dichotomous variables. Age was re-coded to young and old; education to low and high; position in the organisation to top management and lower management; and length of service to short and long.

The results indicate that these variables do not have any influence on the respondents' perception about the role of ethics and social responsibility. None of the models was significant, as ***R*** square ranged from **.003** to **.015**. The results are presented in table 8.27.

Table 8.27: Multiple regression analysis of the PRESOR subscales and the Demographics

Variable	β	*T value*	*Sig. of T.*
PRESOR 1 – Importance of ethics and social responsibility			
Gender	0.021	0.418	0.676
Age	-0.025	-0.425	0.671
Education	0.038	0.749	0.454
Position in the organisation	-0.024	-0.423	0.672
Length of service	-0.079	-1.543	0.124
R squared = 0.009, Adjusted R Squared = -0.004, *F = 0.687*, Sig. of *F* = 0.634			
PRESOR 2 – Profit is not paramount			
Gender	0.000	-0.003	0.997
Age	-0.002	-0.037	0.971
Education	0.103	2.046	0.041
Position in the organisation	-0.053	-0.933	0.352
Length of service	-0.039	-0.765	0.445
R squared = 0.015, Adjusted R Squared = 0.003, *F = 1.207*, Sig. of *F* = 0.305			
PRESOR 3 – Ethics and Social responsibility are equally important			
Gender	0.009	0.184	0.854
Age	0.004	0.068	0.946
Education	0.008	0.156	0.876
Position in the organisation	-0.014	-0.247	0.805
Length of service	-0.049	-0.955	0.340
R squared = 0.003, Adjusted R Squared = -0.010, *F =0.201*, Sig. of *F* = 0.962			

8.7 Summary

The various analyses and the results obtained have allowed for the conceptual framework specified in chapter seven to be operationalised and showed the usefulness of the quantitative strand of the study in contributing to theory and empirical work. Considering that the insurance industry is generally seen in a bad light (reputational problem), owing largely to its complex nature and antecedents of its actors, which appeared to have resulted in low patronage of insurance products in Nigeria, the study argues the interconnection between this problem and ethics and social responsibility. While CSR is quite known to the Nigerian insurance industry, current practice suggests that emphasis is given to the economic, legal, and philanthropy dimension of the concept (Obalola, 2008), while the ethical dimension seems to have largely been ignored.

Given that the quintessence of social responsibility arises from "*concern for the ethical consequences of corporation's actions as they may affect the interest of others*" (Davis 1967: p. 46), a CSR practice that disregards ethical concern cannot be equated to socially responsible behaviour, and cannot lead to what the CSR literature has termed enlightened self-interest (i.e. benefiting from behaving responsibly). It could be arguably posited that it is for this reason that Nigerians' confidence in the industry still remains low, as shown by low insurance patronage. What this thesis therefore argues is a complete responsibility, which places emphasis on all the dimensions of the construct. This position seems to receive support from some of the practitioners in relation to the construct, who expressed that though the industry has been able to achieve a successful re-capitalisation process, much still needed to be achieved in terms of good and responsible market conduct (e.g. Daniel, 2008; Chiejina, 2008). For example, Chiejina (2008) while noting that the recapitalisation exercise has ushered in a new era for the industry, expressly touched on what could lead to the fruitful realisation of a successful recapitalisation;

> *we envisage a market where adherence to professional ethics and code of good corporate practice is the norm and highly respected, with zero tolerance for unethical conducts...an industry where there is market discipline and adherence to code of ethics and good practice based on prompt discharge of financial obligations...a market where premiums are paid within 14 days of cover...and claims not delayed more than 21 days..."*

The call for the industry to embrace this total responsibility can only be achieved if its practitioners perceive that doing so will help ameliorate the present negative public perception of the industry, and ultimately lead to organisational effectiveness. It is in this context that this study sets out to examine the perceived role of ethics and social responsibility in the industry. Recognising that decisions about CSR initiatives revolve around normative concern, and are underpinned by ethical theories[52] of decision-making, certain individual and organisational factors that may impact on this perceived role, as suggested by these theories and the results of the qualitative strand of the study were examined.

Based on the various ethical theories and past empirical works, three broad propositions were stated. These propositions also formed the conceptual framework in the quantitative strand of the study. This chapter, which focused on the analysis of the quantitative data, gave an insight into how the collected data supported the underpinning theories and answered the research questions. All the three proposed relationships were confirmed. The summary of these results is presented in table 8.28.

The extent to which an individual believes in a universal moral principle (moral absolute), avoidance of harming others, and having concern for other people's welfare – *idealism*, does have a positive relationship with, and also strongly influences the perceived role of ethics and social responsibility for organisational effectiveness. This variable was also the best predictor of the perceived role of ethics and social responsibility construct. This finding is consistent with the conceptual meaning of idealism as a component of ethical decision-making and prior works that have explored its relationship and impact on the importance of ethics and social responsibility[53]. Also consistent with these theories and past empirical works, the extent to which an individual believes in the situational context of moral issues, that avoidance of harm may not be possible in all situations – *relativism*, does have a negative relationship and negatively influences the perceived role of ethics and social responsibility. As expected, relativistic managers do believe in the primacy of profit and do not believe that ethics and social responsibility is as important as other measures of organisational effectiveness. As theoretically shown and conceptually argued therefore, individual moral philosophies do moderate belief that ethics and social responsibility is important for organisational effectiveness.

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[52] See Ferrell and Gresham (1985); Hunt and Vitell (1986); and Trevino (1986)

[53] See for example, Forsyth (1980, 1992) for conceptual meaning of idealism and relativism; and Singhapakdi et al. (1996); Vitell and Paolillo (2004)

Concerning corporate ethical values, 'top management support for ethics' dimension does have a positive relationship with 'importance of ethics and social responsibility', but negative relationships with 'profit is not paramount', and 'ethics and social responsibility is equally important' dimensions. This seems to suggest that top management do not believe that ethics and social responsibility is as important as profit, quality, efficiency, and communication in determining organisational effectiveness. It was therefore not surprising to find that top management support for ethics did not significantly predict perceived importance of ethics and social responsibility, despite the significant positive relationship that was revealed by the correlation analysis. Peers as a referent group do have a positive relationship with the perceived importance of ethics and social responsibility, and do moderate this perception. Taken together, one can speculate that top-level managers in the industry are not as enthusiastic, as their lower level managers on the positive impact ethics and social responsibility can bring to the insurance business.

Another interesting conclusion that could be drawn from this study is lack of commitment by the respondents to their organisations as suggested by the results. The negative relationship found with importance of ethics and social responsibility dimension of PRESOR as well as its negative influence is contrary to what was expected, though a relationship was only proposed to exist. While organisational commitment correlates positively with ethics and social responsibility as an equally important dimension, it was nevertheless insignificant in influencing this perception. Findings here also suggest that demographic factors were not having any effect on the perceived role of ethics and social responsibility.

Table 8.28 Summary of the proposed relationships and the outcomes

PROPOSITION	**PROPOSED RELATIONSHIP**	**OUTCOME**
1	Moral values will influence the perceived role of ethics and social responsibility for organisational effectiveness	Supported
2	Corporate ethical values will influence the perceived role of ethics and social responsibility for organisational effectiveness	Supported
3	Organisational commitment will influence the perceived role of ethics and social responsibility for organisational effectiveness	Supported

8.8 Conclusion

This chapter has presented the analyses and discussion of the relationships between the perceived role of ethics and social responsibility, and some individual and situational factors. Both the explanatory power and the predictive ability of these factors were also explored, analysed and discussed. The results obtained, further aid our understanding of how these factors interact in a decision-making model that has ethical content. Specifically, the results add to the existing body of knowledge on the factors that affect ethical decision-making and their empirical importance. The forthcoming chapter presents further discussion of these findings in conjunction with the findings from the qualitative strand of the study, with a view of giving further understanding to the overall results and findings of the study. The chapter will also dwell on the discourse of how the findings from the two strands enhance the validation of overall results.

CHAPTER 9: SUMMARY, DISCUSSION AND CONCLUSIONS

9.1 Introduction

The central focus of this thesis was to examine the perceived role of ethics and social responsibility for organisational effectiveness in the Nigerian insurance industry. While studies have been conducted to examine the perceived role of the construct among managers and marketers in industries other than insurance, and countries other than Nigeria, the current work is the first attempt (to the best knowledge of the author) that appears to do so. Furthermore, while prior studies have been mainly quantitative in their methodological and analytical approach, the current study used a qualitative approach supported with a quantitative one to provide a deeper understanding of this construct. In order to achieve the aim of the thesis, three objectives were stated as follows:

- To examine the perception of insurance managers in Nigeria concerning the importance of ethics and social responsibility in achieving organisational effectiveness.
- To describe the personal and situational factors that influence this perception.
- To evaluate the response of the Nigerian insurance industry to ethics and social responsibility.

To ensure that the study remained focused on achieving the stated objectives, and in consideration of the gap identified from the review of past works, as well as the theoretical underpinning implicit in these works, the following research questions were posed.

- What do ethics and social responsibility mean to managers in the Nigerian insurance industry?
- What role do these concepts play in business within the insurance industry? Do ethics and social responsibility play an important role in the Nigerian insurance industry?
- Why and how is ethics and social responsibility important in the insurance industry?

- What are the personal and situational factors that affect managers' perceived importance of ethics and social responsibility for organisational effectiveness?

Though a social constructive paradigm was adopted as the ontological and epistemological underpinning, through which a qualitative analysis of the interview data was employed, the results however suggest a need for further quantitative data collection and analysis, in order to achieve the study's aims and objectives. To this extent, four additional research questions were derived.

- What is the relationship between managers' moral values and the perceived role of ethics and social responsibility? How well do the two measures of moral values (idealism and relativism) explain this construct, and which one explains it best?
- What effect do the managers' organisational ethical values have on the perceived role/importance of ethics and social responsibility?
- Does the extent of managers' commitment to their organisations influence their perception of the important role of ethics and social responsibility?
- How well do these personal and situational factors explain the perceived role of ethics and social responsibility? How much of the variance in perceived role of ethics and social responsibility is explained by the scores on these scales? Which of these factors best explain the perceived role of ethics and social responsibility?

In order to situate the contribution of the thesis to knowledge, five propositions, which capture both strands of the study (i.e., qualitative and quantitative) were derived with the intent of showing how the overall data collected gives support or disagrees with the theoretical relationships that were argued, and how new theories were developed.

- Managers' understanding of ethics and social responsibility, and its role in business will be influenced by the practices in the industry in relation to claims payment, otherwise referred to as restoration promise.

- The perceived role of ethics and social responsibility will be largely determined by the nature of insurance business, which hinges on morality and trust.

- The importance attached to ethics and social responsibility for organisational effectiveness by insurance managers will be influence by their moral values.

- How important ethics and social responsibility is perceived by insurance managers for organisational effectiveness will be affected by the perceived ethical tone of their organisations.

- The extent to which insurance managers in Nigeria are committed to their organisations will be an important influence on the perceived importance of ethics and social responsibility for organisational effectiveness.

9.2 Summary of the Chapters

In view of the stated aims and objectives of the study, which was also the central focus of the discourse in chapter one, and towards their realisation, three chapters, were devoted to the review of literature. The first of these chapters, specifically, chapter two, discussed the nature of insurance business and insurance practice in Nigeria with the aim of establishing the motivation of the study, the research questions, and its policy relevance. In this chapter, the complexity that characterised the insurance contract and how insurers relied on this peculiarity and information asymmetry to treat policyholders unfairly was discussed. To this extent, it was argued that reliance by the insurers on legal provisions of the insurance contract to renounce the restoration promise made to the policyholders at the inception of the contract creates a bad reputation for the industry, damages trust, which is required in an exchange relationship, and engenders lack of confidence in the industry. It was also arguably posited that the sordid state of performance in the industry was largely a resultant effect of these failings.

In order to situate the study in a wider context, chapter three provides an overview and critique of scholarly work on ethics and social responsibility, the specific construct of interest of the thesis. In addition, other related and relevant concepts to the main construct were reviewed and examined, both theoretically and empirically, which shows how some of the research questions evolved from the literature. Furthermore, relevant theories, through which the construct of interest has been examined, were mapped, and the theoretical framework of the study developed.

The last chapter of the literature review, chapter four, discussed the relevance of the construct of interest in specific management context. In so doing, the relevance of ethics and social responsibility in the insurance business was dwelled upon. In this discourse, the nexus between ethics, social responsibility, and trust was shown. Given that the insurance business thrives on trust, it was argued that aiming for higher ethical and social responsible behaviour in the insurance industry should be pursued through fostering a higher level of trust in its professionals. In contradistinction to state regulation of insurance business, self regulation, embedded in social responsibility was proposed as a way forward to engender a higher level of ethical behaviour in the industry, having inter alia proposed an argument that state regulation de-professionalises the insurance profession. The overall discourse here provides further motivation and justification for this study.

Chapter five presents a discourse of how the data were collected, and the underpinning ontological and epistemological assumptions of the study. In so doing, the chapter charts a course of action that the study used in contributing to knowledge and management research in the area of ethics and social responsibility. In what appears as the uniqueness of the thesis' and a possible contribution to methodology, the chapter showed the relevance of combining both qualitative and quantitative data and analysis as a way of understanding such dynamic and complex management and organisational issue as ethics and social responsibility.

Chapter six was devoted to operationalizing the inductive process discussed in chapter five through the analysis of the qualitative data collected in the course of the study. In so doing, the research questions were answered and interpreted with a view to accomplishing the overall research objectives of the study. Through this process, a platform to assess how ethics and social responsibility are reflected in current business practices in the Nigerian insurance industry was provided. The chapter also paved the way for the quantitative strand of the study, which was intended to enhance the reliability, validity and generalisability of the research findings.

Given the need for further empirical investigations, as shown by findings in chapter six, chapter seven discussed the process through which further research questions and propositions were derived. The identification of the unit of analysis from the population, and how the data were collected, as well as the instrument of collection were discussed. The chapter also discussed the analytical procedure, identified the variables for measurement, and the various analyses that were conducted in the preceding chapter.

Chapter eight operationalised the quantitative strand of the study, through parametric analysis and necessary statistical testing. Factor analysis, the first of these analyses, was conducted to assess the factorial structure of the measuring instruments, their reliability, and validity, with the aim of establishing the dependent variables and the independent variables. With this achieved, the necessary explorations were therefore made possible. Correlation analysis conducted thereafter offered evidence of linear relationships among the variables, while the multiple regression analyses, indicated the explanatory power of sets of independent variables on the criterion variables. In so doing, the effects of the identified personal and situational factors on the perceived role of ethics and social responsibility for organisational effectiveness were explored. Specifically, the explanatory power and the predictive ability of these factors were explored, analysed, and discussed.

This chapter (nine), in addition to presenting the summary of the thesis, presents the findings and their discussion, with the aim of showing the contribution of the thesis to management and organisational research. The chapter also addresses the author’s reflection on the whole research process, and what could have been done differently, through a critique and discussion of the potential limitations of the study. Whilst the possible managerial implications for the insurance industry were not left out, the last part of the chapter discusses how the thesis contributed to theory and practice in management and organisational research.

9.3 Discussion of Findings

9.3.1 Business Performance and Critical Success Factors

The analysis of the respondents' companies and their positions within the entire insurance industry revealed that business performance is mostly perceived in light of financial performance, thus suggesting the primacy of financial measures in describing success. As observed by Venkatraman and Ramanujam (1986), such indicators (e.g. premium income, profits before tax, return on investment {ROI}, market share price, etc.) as mentioned by the managers, is a myopic way of looking at business performance, and only reflect the accomplishment of the economic goals of the company. At best, the performance captured by these indicators can be described as financial performance, rather than business performance (Venkatraman and Ramanujam, 1986), and probably suggests its dominance among the goals of the managers' companies. Whilst business performance is broader than financial performance, in that it includes other non-financial indicators, otherwise called operational performance indicators; it is in itself a dimension of organisational effectiveness, which is the central focus of this study. Notwithstanding, the position of the interviewees in conceptualising business performance as financial performance appeared to have some support in the literature, because as it were, an operational performance indicator like market share still contributes to profitability. In terms of the goal approach to organisational effectiveness, the managers' conception in this regard, would appear to be in order. What could be deduced from equating business performance to financial performance is that managers' views could have been shaped by the general public perception of what business performance is. This is more probable when one considers that investment decisions are made largely in Nigeria based on companies' financial performance, as shown in the annual report. It is also plausible given that such indicators in the overall organisational effectiveness are regarded as objective measures (Richard et al., 2009).

On the other hand, the examination of the critical success factors (CSFs) that account for the high financial performances claimed by the managers, told a story that seems to agree with the CSFs literature, i.e., management commitment/quality of management, customer management are important critical success factors (e.g. Fryer et al., 2007). The findings here help bring into the limelight the important role of leadership and customer relationship management in organisational success. More importantly, it engenders a reflection on some of the important outcomes in insurance business; that is to say customer satisfaction, through prompt claim settlement. Expressed differently, the findings suggest that leadership quality and prompt settlement of claims are key areas that require continuous attention in the insurance industry. To this effect, the findings suggest that fulfilment of restoration promises to the policyholders is a critical success factor for the insurance industry. Given that promise fulfilment, integrity, and truthfulness are embedded in ethical norms, it would be reasonable to suggest that ethics and social responsibility are perceived to play an important role in organisational effectiveness.

9.3.2 Meaning of Ethics and Social Responsibility

Many authors and contributors to management literature have observed the vagueness that characterise the concept of corporate social responsibility (CSR). The general consensus is that CSR is a broad and complex concept that means different things to different people. Whilst the intention here was not to operationalise the vagueness of CSR, exploring its meaning here does contribute to the debate on whether what is required in management research is universal knowledge or local knowledge. This becomes expedient in view of the social constructivist paradigm posture that reality is given meaning through individuals' interaction and experience with a phenomenon.

The findings from the analysis on what the construct of interest meant to the managers suggest that rather than being viewed as a whole entity, the construct is perceived as two separate concepts, though with somewhat overlapping boundaries. This conception thus challenges most of the proposed definitions of CSR in the literature, which suggest different components of the concepts. What seems to be at play here is a conflict between what academic researchers proposed as CSR, and what managers who engage in actual practice perceived as CSR. Consistent with previous empirical findings in the country and industry context of this study (Obalola, 2008), CSR is simply seen as giving back to the society, which in management parlance means philanthropic contribution. Retrospectively, this could be a reflection of the cultural and industry environments, in which these managers operate, or their level of management education and training, or better still, emphasis given by the industry top management.

Whilst ethics is conceptualised as rightness and wrongness of an action, a conception which agrees with the definition proposed by Raiborn and Payne (1990: p. 879) that ethics is a definition of right and wrong, a further exposition enables the researcher to infer that the managers were referring to the ethical responsibility of business. It could be the case that economic and legal responsibilities have already been assumed, given that some of the companies are solvent, and have recently been through the re-capitalisation exercise, which stipulates a capital base of N2b, N3b, N5b, and N10b for non-life, life, composite, and re-insurance businesses respectively.

That the managers emphasised integrity as an ethical content suggest its importance in the industry. The findings further suggest that integrity is perceived to be engendered by empathising with policyholders during time of loss, and restoring them back to the positions they were before the occurrence of the loss. The findings also suggest that trust from policyholders that insurers will fulfil their promises of restoration helps in developing confidence in the industry when that promise is kept, and enhances its reputation. These findings are corroborated by previous empirical findings that trust is robustly and significantly predicted by promptness, empathy, reliability, etc. (Mishra, 1995)[54]. Furthermore, the conception of trust by Coulter and Coulter (2002) as customer's perceptions of service representative confidentiality, honesty, integrity and high ethical standards also resonates with the findings reported in this study. There is also a high level of agreement between these findings and other conceptions of trust in the literature[55], which Castaldo et al. (2009; p. 6) extrapolate as "*the trustor's expectation that the trustee is willing to keep promises and fulfil obligations*". Such expectation is said to be embedded in the trustee's "*level of competencies, honesty, altruism, and goodwill*" (p. 6)[56].

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[54] Cited in Coulter and Coulter (2002)

[55] See for example, Rotter (1971), Barber (1983), Dwyer et al. (1987), Hagen and Choe (1998), which were cited by the authors.

[56] See Barber (1983), and Blomqvist (1997) from which the authors draw from.

While observing the inconclusiveness and difficulty inherent in establishing the empirical link between a company's social performance and its financial performance, Castaldo et al. (2009; pp. 1-2) proposed that a company's reputation for CSR will influence consumer intention when:

- *The products sold by that company contain an ethical proposition. This kind of product is accompanied by the company's implicit promise that a given ethical value will be respected. However, consumers will not usually be able to observe the actual realisation of the promise; therefore, companies with a strong CSR reputation will have an advantage over competitors trying to sell the same kind of products without such a reputation.*

- *The CSR reputation of the company includes an acknowledged commitment to protect consumer rights and interests. While consumers may appreciate corporate efforts to protect the environment, or respect international labour standards, or advance important social causes, their purchasing intentions will largely reflect the relationship between the CSR reputation of that company and the specific products that they want to buy.*

These conditions and other related propositions stated in the authors' study were found to be true. The findings in this study suggest that companies could leverage their social reputation when they give greater attention to consumer needs, particularly when the products they sell are trust-intensive (p. 13). These findings mirror the arguments proposed in this study that because insurance outcomes (indemnification) is futuristic, the insured parties or policyholders are vulnerable to the insurers keeping that promise. Essentially, the policyholders have to trust the insurers that their vulnerabilities would not be exploited, demonstrated only by the insurers' fulfilment of that restoration promise. Fulfilling that promise vindicates the policyholders' trust in the insurers, which reinforces trust-relationship and confidence in the insurers, enhances good reputation, and high score of ethical responsible behaviour. In Jones and Bowie's (1998) words, "*when another person acts in accordance with our trust in him/her, our trust is warranted; [and] that person is deemed trustworthy*". Based on these arguments, it was proposed that ethical and socially responsible behaviour should be pursed indirectly through fostering trust and trust-relationship. This proposition was reinforced in the findings reported in the current work.

9.3.3 The Perceived Role of Ethics and Social Responsibility

It has been argued that the perceived importance of ethics and social responsibility will be a motivation for corporations engaging in such activities. More so, perceiving an ethical problem in a given situation will in all probability depend on the perceived importance of ethics and social responsibility for organisational effectiveness (Singhapakdi, et al., 1996). This pragmatic assumption was explored in this study. The findings from the analysis suggest that ethics and social responsibility play an important role in the insurance industry. The findings reinforce previous theoretical positions and empirical evidence that certain advantages are associated with ethical and socially responsible behaviour. The findings in this study that transparency in business and showing concern for the environment invokes people's sympathy toward a firm, provide empirical evidence to the assertion that social responsible behaviour of a firms can make stakeholders perceive such firms favourably, and lead to a resolve to increase transactional dealings with them (Barnett, 2007).

The perceived role of the constructs was also explored through a quantitative analysis. The results indicate an overwhelming support for ethics and social responsibility. The fourteen items scale used to measure this perception resulted in three dimensions, which measured: the importance of ethics and social responsibility, non-supremacy of profit, and equality of ethics and social responsibility for organisational effectiveness. The first of these dimensions, which captured the perceived importance of the constructs, has the highest support, indicating beliefs that ethics and social responsibility is important in achieving organisational effectiveness. Whilst the quantitative results only gave indication of the importance of the construct, the qualitative results indicated how this importance is reflected in the industry.

In ascertaining the important role of the construct, several aspects of the respondents' companies were examined. The findings indicate that the important role of ethics and social responsibility must be reflected in the company's corporate planning and goals setting. The findings suggest that reflecting the construct in corporate planning and goals setting, reinforces the importance of ethics and social responsibility to employees, and demonstrates management posture towards it. Through corporate planning, decisions about social responsibility are reflected in the annual budgets, whilst goals setting specify what are to be achieved and the acceptable ways for their accomplishment. Specifically, it emerged from the study that reflecting ethics and social responsibility in the company's goals defines what the company 'wants to get and what need not be done to get what the company wants to get'. This finding mirrors the belief that employees are influenced by their organisational goals and values (Chen et al., 1997). Impliedly, such reflections signpost the company's ethical values, and helps in shaping employees attitude and behaviour. Despite these findings, it also emerged from the study that consciousness about ethics and social responsibility, and good corporate governance is only a thing of recent happenings; in fact, awareness about the construct is shown as just gaining ground, and that what matters to most companies hitherto was how to grow revenue and profits. This finding thus signals the possible conflict between profits and being ethical and socially responsible.

9.3.4 Short-term Profitability vs. Long-term Profitability and Survival

There have been several calls for business to amend short-term goals for long-term goals, by sacrificing short-term profit for long-term profits and survival (Singer, 1984). This call was reflected in the findings of the current study. Specifically, the findings from this study suggest that ethics and social responsibility are essential for long-term profitability and survival of business organisations. In the quantitative strand of the study, the second dimension, of the measuring instrument, which argued for non-primacy of profits in determining organisational effectiveness, indicate high support that profit is not paramount in determining organisational effectiveness. It emerged from the qualitative strand that pursuit of profits or shareholder wealth maximisation is a short-term outlook, which could have serious consequences for firms in the long run.

Additionally, the study also found support for the belief that ethics and social responsibility should not be subordinated to other measures of organisational effectiveness. With regard to this third dimension, the interviewed managers though raised concern about quantifying ethics and social responsibility; they at least agreed that it is as important as other measures, while some of them even argued for a higher status than other measures such as quality, efficiency, communication, and profitability. They opined that it is as good for a firm to be ethical and socially responsible as it is good to be profitable, reasoning that firms may not sustain their profitability in the long-run, if they do not give the necessary attention to their ethical and socially responsible behaviour.

The overall results appeared to garner support from the view that firms should not be appraised based on short-term outlook, but should rather be viewed on long-term performance. What emerged from this study is that 'short-termism'[57] (giving too much weight to profits and dividends) can no longer be sustained. This was argued to only add value to shareholders wealth in the short-run, and jeopardises the long-term interests of the corporation as a whole. The findings reported here also bring to the fore the stakeholder theory of the firm, and how corporations must balance the interests of different groups of people who could be affected by its decisions. According to these findings, the best way of safeguarding the wealth of the shareholders in the long run is through the company discharging its responsibility to these other groups. In recognition of this, the study reports that shareholders are now querying the small amount of resources allocated for CSR programmes. This finding seems to lend support to the claim of McWilliams and Siegel (2001) that stockholders are mounting increasing pressures on managers to devote more resources to CSR.

Contrary to concern about measurement of firms' objectives (Aras and Crowther, 2008), which appears to give little recognition to the role and impact of ethics and social responsibility, Campbell et al. (2002) drawing from Johnson and Scholes (1997) argued that firms' objectives need not necessarily be measurable. Besides, judging the performance of business corporations using the traditional methods of economic and

[57] See Campbell et al. (2002) for an overview of this term

financial tools (Aras and Crowther, 2008) have been quite misleading, as companies in Nigeria, particularly financial institutions have been accused of presenting different financial reports to different stakeholders. A similar notion was alluded to in Valor's (2005) description of 'managerial capture', whereby management strategically collected and disseminated information only deemed necessary to enhance corporate image. Similarly, the demise of corporations such as Enron further lend support to the argument that information presented in financial reports may be quite misleading and do not necessarily reflect the performance of business corporations.

9.3.5 Individual Moral Values as Drivers of Ethics and Social Responsibility

Following from the theory of ethical decision-making that moral ideology influences moral judgement; it was expected that a positive and negative relationship exists between perceived importance of ethics and social responsibility and the two dimensions of individual moral philosophies. Specifically, a positive relationship was proposed between the perceived importance of ethics and social responsibility and idealism on one hand, and negative relationship with relativism on the other hand. The proposed relationships are well grounded in ethical theories (Hunt and Vitell, 1986, 2006; Ferrell and Gresham, 1985) and supported by empirical evidence (Vitell et al., 1993; Vitell et al., 2001). For example, Ferrell and Gresham (1985) posit that, "*individuals use a set of philosophical assumptions as a basis for making ethical decisions*" and discussed in their work, how individuals use teleological and deontological evaluations to make ethical decisions. Forsyth (1980) arguably posit that ethical ideologies of idealism and relativism equate to teleological and deontological evaluations, and parsimoniously explain variance in individuals' perceptions of right and wrong.

The study found a significant and positive relationship between idealism and the importance of ethics and social responsibility dimension of PRESOR. This finding is consistent with the theorised relationship and results of prior empirical works (Vitell et al., 1993; Vitell et al., 2001; Singhapakdi et al., 1995). These works established that highly idealistic marketers espoused higher levels of honesty and integrity and tended to believe that ethics and social responsibility are important for organisational effectiveness. Consistent with these findings, the current work showed that a higher level of idealism is associated with a higher level of perceived importance of ethics and social responsibility. This was shown in the results of the correlation analysis and the three regression models.

Furthermore, the study's findings indicate that relativism is negatively related with perceived importance of ethics and social responsibility. Though this relationship was only established for two dimensions of PRESOR, the overall results indicate that highly relativistic managers tend to believe that profit is paramount, and that ethics and social responsibility is not as important as other measures of organisational effectiveness. This belief is comparable with the stockholders view of CSR, which holds that social responsibility equates with economic responsibility. Similar findings were reported in Vitell and Paolillo (2004), Singhapakdi et al. (1996), Vitell et al., (2003), and Yaman and Gurel (2006). In what appeared to be a more robust approach, the findings that relativism negatively influences perceived importance of ethics and social responsibility was also confirmed with a stepwise multiple regression, which was intended to achieve a parsimonious model.

These findings seem to reinforce the position of Mudrack (2007: p. 36) that normative beliefs, which derived from personality traits, values, attitude, and reasoning patterns could influence the extent to which a social action is taken or not taken in an organisation. Whilst it was not clear from the quantitative results, the possible mediating role of some workplace factors, the results of the qualitative results suggest that managers may be forced into taking ethical decisions that run contrary to their personal ethical beliefs. This seems probable in view of Clarkson's (1990: p. 9)[58] assertion that employees may be propelled to "*hang up their personal values and ethics with their coats as they enter the office*".

[58] Cited in Mudrack (2007)

9.3.6 Corporate Ethical Values and the Perceived Importance of Ethics and Social Responsibility

Consistent with prior empirical findings (e.g. Gilbert, 1990; Hoffman et al., 1991), the current work documents that pressure from superiors could push managers to cross ethically grey boundaries. Fear of loss of potential means of livelihood was also found to contribute to managers' agreement to compromise their ethical standard when faced with ethical conflicts. Impliedly, the managers' companies seem to care less about the actions of their employees as long as such actions contributed to the bottom line. This assumed position appeared reinforced by the response of one the CEOs interviewed that "*...what is paramount to any company is survival even if you have to do illegal things, just do it so that the business can survive*..." Furthermore, the findings in this study lend support to previous empirical findings that competition is a significant threat to ethical behaviour (e.g., Touche and Ross, 1988). It emerged from the study that rate cutting, one of the widely reported unethical practices in the industry, is engendered by competition.

Concerning corporate ethical values as a situational factor that impact ethical decision-making, the current work found in the quantitative strand a significant positive relationship between top management support for the ethics dimension of corporate ethical values (CEV) and importance of ethics and social responsibility dimension of PRESOR, and a non-significant negative relationship with the other two dimensions (i.e. 'profit is not paramount' and 'ethics and social responsibility is equally important'). In contrast, the relationships between 'managers are acting ethically' dimension of CEV and the three dimensions of PRESOR were positive, with two of the relationships being significant. Specifically, the relationship with 'importance of ethics and social responsibility' dimension was not significant, while it was significant for 'profit is not paramount' and 'ethics and social responsibility as equally important dimensions.

Consistent with the established relationships above, the findings of this study further show that top management support for the ethics dimension of CEV did not significantly explain belief that ethics and social responsibility is important for organisational effectiveness. On the contrary, the managers are acting ethically dimension was significant in explaining belief that profit is not paramount, and that ethics and social responsibility are equally important as other measures of organisational effectiveness. What appeared surprising in these findings is that despite the significant positive relationship between top management support for ethics dimension of CEV and importance of ethics and social responsibility dimension of PRESOR, managers' scores on this first dimension of PRESOR could not be explained by top management support for ethics.

On this basis, one could speculate that the significant positive relationship earlier established is largely due to philanthropic contributions of the insurance companies, which are largely determined by top management, while the industry still places huge emphasis on profit maximisation. This speculation is also reinforced by findings that managers in the industry largely perceived CSR as philanthropic contribution (Obalola, 2008). What this also indicates is that these philanthropic activities were motivated by the need to maximise shareholders' wealth, and not due to the genuine concern for other stakeholders. This indication also seemed corroborated by the response of one of the interviewed CEOs,

> *The key thing to any business in the world is being able to make profit, and once that opportunity to continuously make profit has been established, then you can think of being socially responsible. Some banks are currently contributing to road repairs and maintenance, this happens because they have firmly established themselves as profitable organisations.*

In addition, the findings suggest that ethical issues are not given any serious attention by top management in the industry; and that unethical (ethical) conducts are not sanctioned (rewarded) as long as such conducts contribute to the bottom line. This reasoning finds support in the argument of Ford and Richardson (1994) that top management influence on ethical decision-making is usually achieved through the manipulation of rewards and sanctions. The findings, which showed that managers are acting ethically (a dimension of CEV) explains beliefs that profit is not paramount, and ethics and social responsibility is equally important, suggest that individual managers in the industry are concerned about ethical issues in the industry, which could have been influenced by their professional environment. This suggestion is given support by some of the responses from the middle level managers interviewed:

> *Ethics is all about professionalism, and it borders on what we should do and not do. For example corruption and rate cutting is bad and unethical, while quoting adequately is professionalism, and ensures you are able to fulfil your promise when there is a claim.*

> *…in this business you cannot be completely rigid. If you refuse to bend, others will take your business, and you may lose your job, because owners are only interested in returns. What I have done is to look at the circumstances, and if it is not fundamental, shift my ground. But on fundamental ones, I have only taken a stand of explaining to them as my professional norms would not allow such act.*

The findings reported here on managers are acting ethically are consistent with those of Zey-Ferrell et al. (1979), and Izraeli (1988), that peer groups' influence was important in determining ethical behaviour. Though some past descriptive works reported top management playing a significant role in impacting managers' ethical decision-making (Ford and Richardson, 1994), this finding could not be sustained in the current work.

9.3.7 Organisational Commitment and the Perceived Importance of Ethics and Social Responsibility

The findings which indicated some managers resigning their jobs because they were not ready to compromise their moral values and professional ethics suggest that commitment might be related to good ethical climate. It would be reasonable to suggest that managers who espoused high moral values will diminish in their psychological contracts with their companies, when the latter failed to promote an ethical, friendly work environment. In the quantitative strand, the findings concerning the relationship between organisational commitment and the perceived role of ethics and social responsibility were mixed. The relationship was negatively significant with importance of ethics and social responsibility dimension, while it was positively related to the other two dimensions, with the relationship being significant only with the 'ethics and social responsibility are equally important' dimension. Consistent with the established relationship, organisational commitment was only significant in explaining managers' scores on the "importance of ethics and social responsibility" dimension (model 2a), and was not significant in explaining variances in the other two dimensions (model 2b &2c).

Considering that the influence of organisational commitment on importance of ethics and social responsibility was in a negative direction, one can again speculate that managers in the industry are less or even not committed to their organisations at all. The negative relationship between organisational commitment and top management support for ethics also allude to this assumption. The findings of prior works that job satisfaction, and commitment is greater when top management emphasize ethical values (Vitell and Davis, 1990; Viswesvaran et al., 1998; Koh and Boo, 2004) also lends support to this thought. Similarly, Schwepker (2001: p. 46) reported that greater job satisfaction is associated with stronger organisational commitment, and the more salespeople perceive their organisations' climate as ethical, the higher the level of their commitment.

9.4 Implications of Findings for the Insurance Industry

The findings of this largely exploratory study suggest that the industry can no longer hold on to the shareholder or classical view of social responsibility, which gives primacy to economic responsibility. There is the need for practitioners in the industry to embrace the sufficient condition of social responsibility (total responsibility) as a strategy towards managing its battered reputation and image, which has resulted in a negative patronage of insurance products.

Since CSR is interwoven with ethics, and decisions about engaging in social responsibility fall within the purview of ethical decision-making (normative judgement), the role of individual and organisational/situational factors that could drive managers to endorse the necessary condition of CSR (i.e. limited and narrow view of CSR – shareholder's wealth maximisation) rather than the sufficient condition (i.e. a broader view, total responsibility - stakeholder perspective), as established in this study, calls for a number of managerial implications for the insurance industry. The need to understand these influencing factors is necessary to prevent difficulties that may arise in the bid to move beyond the current level of CSR engagement (Mudrack, 2007), given that managers are largely responsible for implementing social responsibility decisions.

Given that individual moral philosophies influence belief about importance of ethics and social responsibility (Singhapakdi et al., 1996; Axinn et al., 2004), the industry needs to embark on a series of ethics training programmes that will try to identify the moral ideologies of their employees. As shown empirically, idealistic managers would on balance of probabilities be more beneficial to promoting ethics and social responsibility. Managers with such ethical ideology have been characteristically held to emphasize desirable consequences, show concern for, and strive for avoidance of harm to others (Forsyth, 1980, 1981, 1992), and would consider societal welfare as important when making decisions (White, 1997). Relativistic managers on the other hand would most likely promote the narrow view of social responsibility, which is to maximise shareholder’s wealth. As shown by Mudrack (2007), managers who advocate this CSR view will regard ethically questionable workplace behaviours as acceptable if these benefit their organisations.

The idea that situational factors (e.g. corporate ethical values) do influence the perceived importance of ethics and social responsibility (Vitell and Hidalgo, 2006), and the findings of this study, that top management as a referent group did not influence this perception, portend a serious implication for the industry. What this finding implies is that top management are not perceived as showing enough support for ethics and social responsibility. The implication for managerial practice is that executives in the industry may not be able to effectively and positively influence the moral values of their employees. This reasoning was also observed by Forsyth (1992, p. 467): “*salient personal moral values can only be maximally influential when situational factors (e.g. CEV) heighten them*”. To the effect that written or formal policies on corporate ethical values helps sensitise managers to the importance of ethics and social responsibility, this can also be effective when the informal policies support the written ones and the behaviours of the top management attest to it. Whilst the ethics literature suggests that ethics codes are important in influencing the moral reasoning of employees, authors have observed that perceptions about the ethical values of employers, particularly top management are more important in impacting moral behaviours of employees; see, for example, Valentine and Barnett (2002), and Chonko et al. (2003).

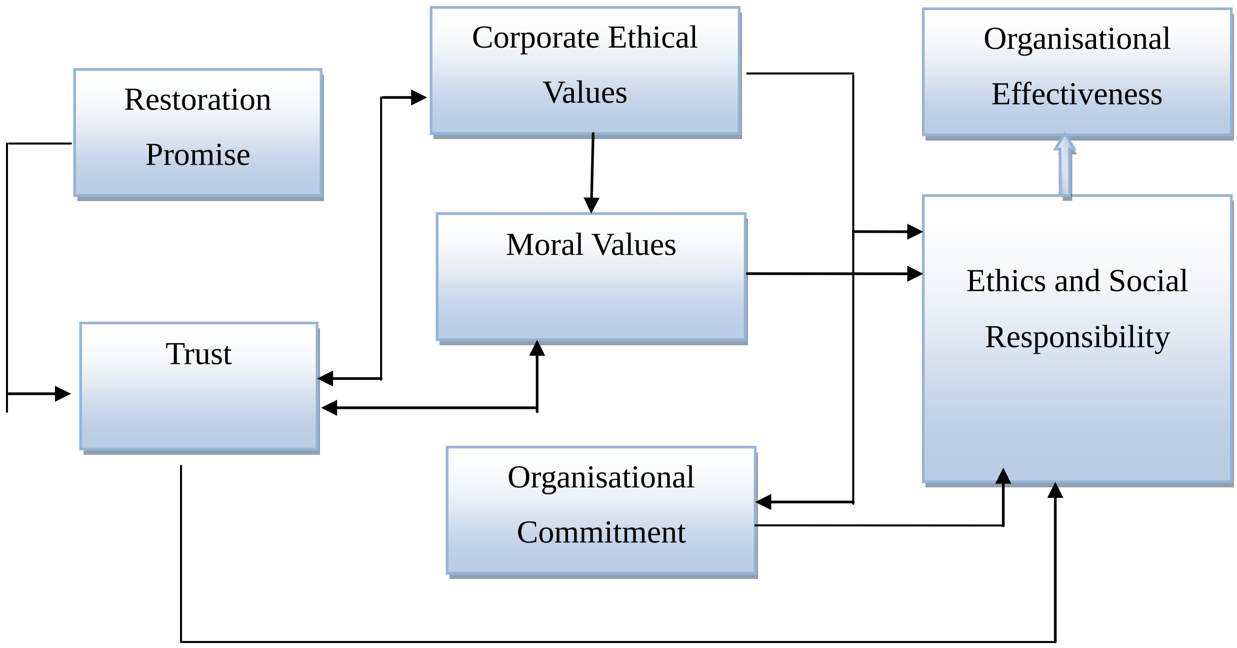
The finding that peers are seen to be acting ethically further implies that top management should be blamed for unethical behaviour that seems to permeate the industry. The interpretation of this finding is consistent with the results of models 2b and 2c in the quantitative strand, where 'managers are acting ethically' significantly and positively explains 'profit is not paramount' and 'ethics and social responsibility is equally important' dimensions of PRESOR.

Closely related to the above is the significant negative influence of organisational commitment on importance of ethics and social responsibility. From cognitive dissonance theory perspective, employees are held to desire congruence between their ethical values and those of their organisations (Schwepker 1999). Perceived lack of fit between employees' standards of ethics and those of top management, results in a moral conflict and cognitive dissonance (Dozier and Miceli, 1985), which lead to job dissatisfaction (Viswesvaran and Deshpande, 1996; Schwepker, 1999) and reduced commitment. Given the above, and empirical findings that higher level of top management support for ethics induces a higher level of organisational commitment (Koh and Boo, 2004), top management can only enhance commitment of their work force by promoting good corporate ethical values. This will not only enhance commitment, but also reduces absenteeism and turnover, which causes "*lower productivity and morale, higher cost of hiring, retention and training*" (Koh and Boo, 2004: p. 686).

To the effect that the insurance business is based on trust relationships, and that unethical behaviour can blemish this relationship, which has been hurting the industry in terms of bad image and reputation, and low patronage, top management should show exemplary behaviour, reward ethical, and sanction unethical behaviours, and institutionalise ethics training programmes that will sensitise employees to this realisation.

In light of the various findings of the study, the framework below is therefore proposed.

Figure 9.1: The Outcome Framework



The message being conveyed by this framework is that insurers' promise fulfilment of restoring the policyholder back to their pre-loss situations will vindicate policyholders' trust in the insurers. If the insurers value these trust relationships, which have developed between them and their clients, they would not want to do anything that will jeopardise the relationship. This realisation can be both reinforced by the need to live up to one's promise (being ethical) and showing concern for the welfare of the policyholders, who would have been adversely affected if the insurers had failed in this regard. More importantly, it could have been reinforced by the need to ensure business continuation, contribution to the bottom line, and stakeholder value maximisation. Such realisations do suggest that ethics and social responsibility are important for organisational effectiveness in the insurance industry. By this framework, trust could be reinforced by both the insurance managers' moral values and the ethical values of their organisations.

Corporate ethical values could also impact on the personal values of the managers, and if such values are positive, they loop back to reinforce the managers' trust level in their relationship with policyholders. Such positive corporate ethical values also have the tendency to reinforce the managers' level of commitment to their organisation, based on the perceived congruence between their ethical standards and that of their organisations. This relationship will sensitise managers to the importance of ethics and social responsibility, and the belief that they do help in achieving organisational effectiveness.

How does this framework connect with the theoretical relationships depicted in the literature review in chapter three, on ethical decision-making on one hand, and models of organisation effectiveness on the other? It would be recalled that ethics and social responsibility was argued to be concerned with normative decision-making, and authors' theorisations to that effect discussed the thesis, in addition, argued for ethics and social responsibility as one of the criteria of organisational effectiveness. In order to depict the nexus between ethics and social responsibility in organisational effectiveness, various models of organisational effectiveness were also discussed. Given that organisational effectiveness is the decision outcomes of ethics and social responsibility, the proposed framework has therefore attempted to fuse together, the personal-situational factors that underpinned this decision-making process on one hand, and multiple constituency and competing values of organisational effectiveness models on the other hand. Specifically, the multiple constituency approach (Connolly et al., 1980) advocates consideration of the interests of different stakeholders, but because the approach was silent on whose interest is most important and superior, the competing values model (Quinn and Rohrbaugh, 1983) offered criteria for making this decision. What the competing values model offers is that managers select their own criteria of effectiveness based on the aspects of organisational functioning or stakeholders that are considered most important to them. Whilst the research and theoretical value of the competing values model in organisational study is not the direct concern of this thesis, the model does suggest that the fourth quadrant of the model labelled "compete", which also equates to "market", enhances effectiveness based on consumer focus orientation.

In the context of this study therefore, the starting point of the proposed framework; 'promise restoration' and 'trust' are customer focused concepts, which are embedded in ethics and social responsibility, and thus capable of enhancing organisational effectiveness. These concepts can interact with positive personal-situational factors to also enhance effectiveness.

9.5 Beyond the Study Samples

One of the dominant concerns of most empirical studies is the extent to which findings can be extrapolated to the entire population, different context and countries (if it is country-specific). In other words, can the above findings be generalised to all the managers in the Nigerian insurance industry, other industries within the country, and possibly other developing and developed countries? This concern and other preoccupations (e.g. reliability, validity, causality, replicability, etc) underpinned the consideration for the sampling strategy (probabilistic), and the analysis (parametric) employed in the quantitative strand of the study. The problem, which purely qualitative study would have presented seems to have been ameliorated by the quantitative strand of this work. To a great extent therefore, the findings of this study have good internal and external validity[59], to enhance its generalisability beyond the sample of the study to the entire industry. However, it must be pointed out that the findings may not hold in other industries other than the one from which samples have been drawn, considering that industry effect could be a potential moderating factor. Beyond the country context of this study, it is doubtful whether these findings could be extrapolated to other African countries with similar cultures and governance system. In effect, it might be necessary to replicate the study in other industries and African countries in order to further establish the validity of the findings.

9.6 The Contribution of the Thesis

An insight into how managers perceive ethics and social responsibility, and what factors impact this perception, is important in shedding light on corporate behaviour and decision-making in relation to ethics and social responsibility. Similarly, an insight into

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[59] Both the reliability and validity of the measuring instruments were discussed and assessed in chapters three and four.

how ethical decision-making is affected by various personal characteristics, and organisational/situational factors is an important requirement for this understanding. This thesis has advanced understanding about corporate behaviour and decision-making in the context of ethics and social responsibility in three ways:

- An understanding of the role of ethics and social responsibility in the financial service sector of Africa, and a developing economy.
- A further understanding of the determinants of this construct.
- The development of a methodological robustness for studying the construct.

The discussion of each of these contributions is considered below.

9.6.1 A Developing Economy Context of the Perceived Role of Ethics and Social Responsibility

This thesis argued for the need to explore the perceived role of ethics and social responsibility for organisational effectiveness, among managers in the insurance industry, contrary to past studies that have looked at managers' perception in other industries. The study not only provides the industry effect on this construct, it further aids our understanding of how managers in Africa, from cultural background different from those in which the construct originated, perceive this construct. Contrary to the view[60] that CSR is intrinsically alien to Africa, and has no connection with these economies, the analysis demonstrated that managers in developing economies and Africa are no different from those in developed economies in their perceptions concerning the important role of ethics and social responsibility in achieving organisational effectiveness. The strategic importance of ethics and social responsibility for organisational performance were also demonstrated by the results of the analysis. The study further demonstrated the need for a shift in the short-term evaluation of organisational performance, and emphasis on measurable indicators. As observed by Zahra and La Tour (1987, p. 460), "*focusing exclusively on corporate economic performance yields a distorted picture of organisational effectiveness…and does not*

[60] See Obalola et al. (2008)

clarify the essential link between the organisation and its external environment, which is crucial to effective performance in the long run".

9.6.2 Determinants of the Perceived Role of Ethics and Social Responsibility

During the course of the thesis, it emerged from the qualitative data that certain factors impact on the perceived important role of ethics and social responsibility for organisational effectiveness; individual moral values, corporate ethical values, and level of employees' commitment to their organisations. With these factors feeding into the quantitative analysis and framework, parsimonious models were developed, and the findings suggest that individual moral philosophies, corporate ethical values, and organisational commitment were mediating factors in the perceived role of ethics and social responsibility for organisational effectiveness. In this context, it was demonstrated that managers who espoused the ethical ideology of idealism were more prominent in perceiving that ethics and social responsibility is important for organisational effectiveness. Such managers are also more likely to endorse total social responsibility, or the sufficient condition of CSR that was argued and considered necessary for the insurance industry to gain from the strategic importance of the construct. It also emerged from the studies that individuals who do not believe in universal moral rules (relativists), were less prominent in believing that ethics and social responsibility is important for organisational effectiveness. Managers with this ethical ideology are more likely to endorse the necessary condition of CSR, a view that would likely give primacy to shareholders' wealth maximisation.

The thesis also reinforced the theoretical, established relationship between ethics and social responsibility and organisation ethical standards on one hand, and the link between organisation ethical standards and employees' commitment on the other. This study demonstrated that the perceived ethical standard of peers was more prominent in mediating the perceived importance of the construct under investigation than top management ethical standards, which is usually held to represent the ethical standard of an organisation[61]. The negative mediating effect of organisational commitment on the perceived role of ethics and social responsibility further reinforces the long-established

[61] See Chonko et al. (2003)

theoretical relationship in ethical decision-making literature that an organisation's ethical standard helps sensitise employees to the importance of ethics and social responsibility, which in turn leads to job satisfaction, and subsequently commitment.

9.6.3 Methodological Robustness

Past works have explored the perceived role of ethics and social responsibility, using a single methodological framework, namely the quantitative approach. Validation of the results obtained in these studies were not attempted. Given that managers are constantly faced with making a choice among multiple and conflicting goals and objectives, on one hand, and competing, and often conflicting pressures from different stakeholders on the other, a single approach to understanding the behaviour of these managers in making a rational and strategic choice might not be captured. As noted by Zald (1993: p. 522)[62], "*the scientific model [an approach wholly underpinned by positivism paradigm] of presenting alternatives leaves out context, contingency, and conflicting values*". In the context of this argument, and similar views shared by many scholars[63], a mixture of inductive and deductive approaches, otherwise described as abductive approach, might be more useful in capturing this complex choice.

In the current work, a largely underpinned qualitative approach not only showed that ethics and social responsibility is perceived to be important, but also revealed how this importance is shown by the companies in the industry context of the study. With this approach combined with a quantitative analysis, it enabled the researcher to improve the validity of findings reported in the study. In the quantitative strand, the thesis adopted a more robust approach to cross validation of results, by using the conventional methods of adjusted R square, and sample split, which prior studies have not considered in their approaches. Overall, the study argued and demonstrated that multiple approaches and

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[62] Zaid's (1993) observation was an extrapolation of Kaplan's (1986) argument that analysis and policies choices are best made through telling competent stories.

[63] For instance Crowther and Lancaster (2009) argued that due to the complexity of management problems and issues, it might be more effective to combine both the deductive and inductive approaches in management and organisational research.

methods can be best employed to study constructs of this nature in organisational research.

9.7 Reflecting on the Research Process

By asking some questions, a researcher is essentially seeking to provide illumination to a particular phenomenon, which was hitherto unknown. In providing answers to these questions, the researcher selects a methodology and a method of doing so. The choice of methodology and methods used are informed by what the researcher believed to be the nature of reality. Put differently, the process of making things known or intelligible is grounded in some philosophical assumptions; ontology and epistemology. These are assumptions about reality and how the reality can be known. These assumptions underpin, as expressed by Crotty (1998), the researcher's understanding of what human knowledge is, what it entails, and what status can be ascribed to it. Whilst a discourse of philosophical assumptions of this study have been presented in previous chapter, the essence of revisiting them here is to enable the researcher reflect on the whole process taken in developing the research questions and propositions, choice of methodology and methods use to answer the questions, and how the research findings should be viewed.

Whilst the author believed that the research findings reported in this study have been helpful in illuminating certain aspect of management practice, he nevertheless shares the belief that the findings are rather suggestive and far from being conclusive (Crotty, 1998). Though, the research process has been credible and convincing in providing explanations about the research phenomenon under investigation, it is by no means the only way of providing such explanations (Crotty, 1998). As noted by Crowther and Lancaster (2009), the phenomenon that surrounds human interactions is so complex that a complete explanation of the current situation cannot be captured in a theory. In fact, by proposing a theoretical relationship in a research enquiry, the scope of observation and the data has already been delineated, and this ultimately affects the outcomes of the investigation (Crowther and Lancaster, 2009). Yet, we claim that such explanations represent reality. How certain are we that our outcomes of an enquiry capture all possible explanations about the phenomenon being studied, when different explanation could be given even with the same data sets, depending on our ontological and epistemological beliefs (Crowther and Lancaster, 2009). The claim that different ontological and epistemological views can lead to different explanations of the same phenomena can be captured in a situation where five blind men are asked to give account of what an elephant is; inevitably, each of them will describe the animal based on the part grabbed or touched.

9.8 Limitations of the Study

In light of the discourse above, whilst this study has been mainly underpinned by constructionism, it is still possible within the same paradigm, to achieve a different explanation of the constructs being studied (i.e. ethics and social responsibility), if a different method of investigation and analysis is employed. For instance, using ethnography could have afforded the researcher the opportunity of living with the subjects to observe what is actually done in real life, given the attitude-behaviour gap that characterises most management and behavioural researches. This would have resulted in a more robust explanation of the construct. Even with the interview method used, it also remains a possibility that the researcher might not have probed deep down enough, resulting in superficial responses. Ethnography would not have only enhanced direct observation, but also a firsthand understanding of the subjects' world.

Though constructionism and qualitative approach to research enables researchers to have a deeper understanding of phenomena through revealing hidden contextual meaning, it nevertheless has some weaknesses, which could also affect the research outcomes. In the context of this study, it remains a possibility that the interviewees may have only told the researcher what they deemed appropriate for the research purpose only, but act differently. As pointed out by Silverman (2006), it is possible to have multiple meanings of a situation, in which case the interviewees may give a different account of their experiences in relation to the constructs being studied if accosted outside the work environment. It must be pointed out that different methods of analysing and interpreting qualitative data could result in a different description of the construct. Whilst 'meaning interpretation' has been employed in making sense of the qualitative data in the qualitative strand of this study, it may have introduced the subjective views of the researcher into the findings.

It is also legitimate to point out that certain constraints may have placed some limitations on this study, which call for a caveat on the findings and its generalisability. A slightly higher number of interviewees may have enhanced a better and more balanced comparison of both quantitative and qualitative data set, and further enhanced the validity of the results. An obvious gender in-balance is particularly noted in the qualitative data set. It remains a possibility that more female respondents may have resulted in a different account and experience of the constructs under investigation.

While the sample size is relatively large in the quantitative strand, time and resource constraints, which prevented a wider inclusion of subjects, who are geographically dispersed across the country, may slightly affect the generalisability of the results. Though, cross-validation of the quantitative results indicated that the models have not been over-fitted to the sample, more inclusive geographical zones, and larger sample size would perhaps have added to the robustness of the findings established in that strand of the study. Another limitation of the findings in relation to the quantitative strand is the inability of the researcher to have direct access to the subjects of the study. Whilst promises were made by the contacts in the organisations to distribute the instrument as instructed, it cannot be ascertained that the procedures were followed, which may have affected the randomness of the selected samples. Besides, it is hard to confirm whether the questionnaires were completed by the top managers, or by their subordinates in their stead. This line of reasoning has been posed, given that this set of people in the organisation are usually busy and inundated with similar requests. Though the analyses conducted in the quantitative strand of the study have been quite robust, the controversy surrounding treating Likert-type format as an interval scale may have necessitated performing independent and equivalent set of non-parametric analyses, and then comparing the results with the parametric ones to see if the two agree. This would have resulted in a more robust analysis and more interesting findings.

9.9 Direction for Future Research

Given that Nigerians varied across cultural and religious beliefs, which this study has not considered, such factors may be worthy of investigation in future research endeavours. While it can be argued that Lagos State captures all the cultural and religious beliefs in Nigeria due to its cosmopolitan nature, a wider investigation of these constructs among managers in other states may provide more robust findings.

With the dominance of Islamic religious belief in the northern states and of Christianity in the southern states, samples from these regions may provide useful explanations of the possible effects of these variables on the perceived importance of ethics and social responsibility in the insurance business. Future studies should also explore the effects of other organisational factors, such as code of ethics, job satisfaction; industry factors, professional factors (professional code of ethics), and industry associations, on the perceived importance of ethics and social responsibility in business, given the multi-dimensional nature of the construct.

Attempt should also be made to examine how these perceptions have impacted on current business practices in the insurance industry, in the face of increasing competition, resulting from the reduction in the number of operators in the industry, albeit due to the recently concluded recapitalisation process. A further study in this regard may indicate whether competition can enhance the perceived importance of ethics and social responsibility.

Whilst the special nature of insurance holds for all countries, on account of which the findings of this study can be applicable to these countries as discussed above, studies should however be replicated in these countries, particularly developing economies to validate these findings, in view of cultural peculiarities and differences in legal framework.

9.10 Conclusion

The dearth of empirical studies on the perceived role of ethics and social responsibility in the insurance industry and developing economies were the primary drivers for the current research effort. With a qualitative interviewing of some managers in the industry, and a quantitative survey, the perceptions of managers in the Nigerian insurance industry and factors that impact these perceptions were explored. Through a combination of these approaches, the findings from the study suggest that the perception about the importance of ethics and social responsibility in the insurance industry is high, and is moderated by respondents' ethical dispositions of idealism and relativism, corporate ethical values, and organisational commitment.

It emerged from the study that consciousness of the role of ethics and social responsibility in organisational effectiveness in Nigeria is just gaining ground, but nevertheless suggests a positive posture towards the construct. This positive posture seems to have been driven by the negative image of the industry, and the need to remedy the situation through a show of genuine concern for the needs of the consumers, and the need to reinforce their trust and confidence in insurance as a loss mitigating mechanism. Shareholder value maximisation was shown as one of the considerations that leads to ethical and social responsible behaviour compromise, but findings from the study suggest that stakeholder value maximisation would be an effective consideration for the industry to get out of the present low market penetration. The ineffectiveness of the industry watchdog, the National insurance Commission (NICOM), was also noted in this study.

Overall, this study has provided an insight into managers' perceptions in the insurance industry, which suggest readiness to translate the beliefs into practice, following the pragmatic view that perception about the importance of ethics and social responsibility may be a determinant factor in managers translating such philosophy into business practice.

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APPENDICES

APPENDIX A

Ethical Approval for the Study

FACULTY OF BUSINESS AND LAW - BUSINESS SCHOOL

ADVANCE APPROVAL OF RESEARCH ACTIVITY INVOLVING HUMAN RESEARCH ETHICS - BUSINESS SCHOOL

Staff/Student Name	Programme/Diet (if relevant)
Musa Adebayo OBALOLA	PhD

Title of Research Project

From Ethical Responsibility to Social Responsibility: An Empirical Investigation of the Impact of Corporate Social Responsibility (CSR) on the Corporate Performance in the UK Insurance Industry

I agree that in conducting the above research project I will comply with the Market Research Society Code of Conduct as published in their revised July 1999 statement. The rights of respondents are recognised in sections B3 through B8 of the code as per attached to this form. In cases where it is not appropriate to provide written statements, respondents will always receive a verbal statement that their co-operation is voluntary, that anonymity will be preserved, and the purpose for which information is being collected.

I further agree that I will always carry with me and show to respondents my staff/student identification card.

Signature of Researcher/Student **Date:** 6th April, 2006.

Signature of Director of Studies/Supervisor D Grottle **Date:** 24-4-06

Signature confirming approval by Designated Officer E Harris **Date:** 25/4/06

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Last updated June 2005

APPENDIX B

Letter of Introduction for Field Work

www.dmu.ac.uk
DE MONTFORT UNIVERSITY
LEICESTER • BEDFORD

Leicester Business School
Graduate Centre

To Whom it may Concern

1 August 2007

Dear Sir

Re: Musa Obalola

This letter is to certify that Musa is registered as a student for the degree of Doctor of Philosophy (PhD) in the Accounting & Finance Department of Leicester Business School, De Montfort University, UK. I am his supervisor while he undertakes this programme of study and research.

Musa is researching into aspects of corporate social responsibility for his thesis – a topic which I am sure you will agree is very important in the present climate. I would be grateful therefore if you render him any assistance that you are able while he undertakes this research. If you need any further information then do not hesitate to contact me.

I thank you in advance for this assistance

Yours faithfully

D Crowther

David Crowther
Professor of Corporate Social Responsibility
dcrowther@dmu.ac.uk
www.davideacrowther.com

APPENDIX C

The Study's Instruments

(Interview Questions)

SEMI-STRUCTURED INTERVIEW QUESTIONS

Introduction

The insurance sub-sector of the financial services industry offers various services and products to individuals, businesses of various sizes and the government. These services and products are highly abstract and complex in nature, such that prospects might not readily understand the implications of what they have purchased until years afterwards. This special nature of insurance thus calls for careful consideration of how business is conducted and how buyers of insurance are treated. Whilst the insurance industry in Nigeria has made serious efforts to improve product delivery and business conduct, recent surveys however suggest that there are still rooms for improvement.

This therefore calls for the need to examine companies' perception about the importance of ethics and social responsibility, and specific steps taken to integrate these into their core strategies.

About You

(1) What is your job title?
(2) What is your role in the company?
(3) How long have you been working in the industry and this company?

About Your Company

(1) How will you describe your company in the insurance industry?
(2) What do you consider to be critical success factors for your company?
(3) What do you consider to be ethical and socially responsible behaviour?
(4) What role does ethics and social responsibility play in the success of your company?
(5) Have you ever experience any ethical dilemmas? How did you respond to it?
(6) What changes has your company made in the recent times in response to improving ethics and social responsibility?
(7) In your own opinion what problems do you think your company or the industry has in implementing ethics and social responsibility?

About Ethics and Social Responsibility

(1) What is your opinion about including the discussion of ethics and social responsibility into the corporate planning and goal setting?
(2) Do you subscribe to the argument that ethics and social responsibility of a firm are essential for its long term profitability and survival?
(3) What is your opinion about business having a social responsibility beyond making profit?
(4) Do you consider ethics and social responsibility to be equally important in determining organisational effectiveness as communication, efficiency, output quality, profitability?
(5) In your own opinion do you think anything else matters if the stockholders are unhappy?
(6) In what specific terms have you made it known that unethical behaviour will not be tolerated?

APPENDIX D

The Study's Instruments

(Questionnaire)

Dear respondent,

You have been selected to participate in a survey to measure the perceptions of managers in the insurance industry on the relative importance of ethics and social responsibility in achieving organisational effectiveness. The exercise is purely for academic purpose, and a requirement in partial fulfilment for the degree of Doctor of Philosophy. Hence anonymity and confidentiality in completing the questions below is ensured.

Thank you

Musa Obalola

QUESTIONNAIRE

A. *DEMOGRAPHIC CHARACTERISTICS*

Gender
(a)Male (b) Female

Age:
(a) 16 -30 (b) 31 - 45 (c) 46 – 65 (d) 66 above

Education
(a) High school graduate (b) College graduate (c) Ordinary National Diploma (OND) (d) Higher National Diploma (HND) (e) University graduate (f) Postgraduate (g) Professional

(h) Others (please, specify)……………………………………………………….

Length of service in your company
(a) Less than 1 year (b) 1 – 5 years (c) 6 – 10 years (d) 11 – 15 years (e) 16 years and above

Your position
(a) Top management (b) Middle management (c) First-line management

Your company's business type
(a) Life (b) General business (c) Composite (d) Pension (e) Brokerage (f) Others (Please, specify)………………………………………………………..

Your department
(a) Marketing (b) Underwriting (c) Claims (d) Product Development (e) Others (Please, specify)……………………………………………….

B ETHICS AND SOCIAL RESPONSIBILITY (i)

Please, complete the questions below by circling one of the options, using this scale:

1	2	3	4	5	6	7
Very strongly disagree	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	Very strongly agree

(1) Corporate planning and goal setting sessions should include discussions of ethics and social responsibility	1	2	3	4	5	6	7
(2) the ethics and social responsibility of a firm are essential for its long term profitability	1	2	3	4	5	6	7
(3) the overall effectiveness of a business can be determined to a great extent by the degree to which it is ethical and socially responsible	1	2	3	4	5	6	7
(4) business ethics and social responsibility are critical to the survival of a business enterprise	1	2	3	4	5	6	7
(5) business has a social responsibility beyond making a profit	1	2	3	4	5	6	7
(6) social responsibility and profitability can be compatible	1	2	3	4	5	6	7
(7) good ethics is often good business	1	2	3	4	5	6	7

C ETHICS AND SOCIAL RESPONSIBILITY (ii)

Please, complete the questions below by circling one of the options, using this scale:

1	2	3	4	5	6	7
Very strongly disagree	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	Very strongly agree

(1) communication is more important to the overall effectiveness of an organisation than whether or not it is concerned with ethics and social responsibility	1	2	3	4	5	6	7
(2) output quality is more essential to corporate success than ethics and social responsibility	1	2	3	4	5	6	7
(3) To remain competitive, business firms must disregard ethics and social responsibility	1	2	3	4	5	6	7
(4) the most important concern for firm is making a profit, even if it means bending of breaking the rules	1	2	3	4	5	6	7
(5) if survival of a business enterprise is at stake, then you must forget about ethics and social responsibility	1	2	3	4	5	6	7
(6) efficiency is much more important than whether or not a firm is seen as ethical or socially responsible	1	2	3	4	5	6	7
(7) if the stockholders are unhappy, nothing else matters	1	2	3	4	5	6	7

D IDEALISM

Please, complete the questions below by circling one of the options, using this scale:

1	2	3	4	5	6	7
Very strongly disagree	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	Very strongly agree

(1) a person should ensure that his/her actions never intentionally harm others even to a small degree	1	2	3	4	5	6	7
(2) risks to others should not be tolerated, irrespective of how small the risks might be	1	2	3	4	5	6	7
(3) the existence of potential harms to others is always wrong, irrespective of the benefits to be gained	1	2	3	4	5	6	7
(4) one should not psychologically or physically harm another person	1	2	3	4	5	6	7
(5) one should not perform an act which might in any way threaten the dignity and welfare of another individual	1	2	3	4	5	6	7
(6) if an action could harm an innocent person, then it should not be performed	1	2	3	4	5	6	7
(7) Deciding whether or not to perform an act by balancing the positive consequences of the act against the negative consequences of the act is immoral	1	2	3	4	5	6	7
(8) Moral actions are those that most closely match the most “perfect” action.	1	2	3	4	5	6	7
(9) the dignity and welfare of people should be the most important concern in any society	1	2	3	4	5	6	7
(10) it is never necessary to sacrifice the welfare of others	1	2	3	4	5	6	7

E RELATIVISM

Please, complete the questions below by circling one of the options, using this scale:

1	2	3	4	5	6	7
Very strongly disagree	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	Very strongly agree

(1) what is ethical varies from one situation and society to another	1	2	3	4	5	6	7
(2) Moral standards should be seen as being individualistic; what one person considers being moral may be judged to be immoral by another person.	1	2	3	4	5	6	7
(3) Different types of moralities can not be compared to "rightness"	1	2	3	4	5	6	7
(4) Questions of what is ethical for everyone can never be resolved since what is moral or immoral is up to the individual	1	2	3	4	5	6	7
(5) There are no ethical principles that are so important that they should be part of all codes of ethics	1	2	3	4	5	6	7
(6) Moral standards are simply personal rules that indicate how a person should behave, and are not to be applied in making judgement of others	1	2	3	4	5	6	7
(7)Ethical consideration in interpersonal relations are so complex that individual should be allowed to formulate their own personal codes	1	2	3	4	5	6	7
(8) Rigidly codifying an ethical position that prevents certain types of actions could stand in the way of better human relations and adjustment.	1	2	3	4	5	6	7
(9) No rule concerning lying can be formulated; whether a lie is permissible totally depends upon the situation	1	2	3	4	5	6	7
(10)Whether a lie is judged to be moral or immoral depends upon the circumstances surrounding the action	1	2	3	4	5	6	7

F CORPORATE ETHICAL VALUES

Please, complete the questions below by circling one of the options, using this scale:

1	2	3	4	5	6	7
Very strongly disagree	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	Very strongly agree

(1) Managers in my company often engage in behaviours that I consider to be unethical	1	2	3	4	5	6	7
(2) In order to succeed in my company, it is often necessary to compromise one's ethics	1	2	3	4	5	6	7
(3) Top management in my company has let it be known that in no uncertain terms will unethical behaviour be tolerated.	1	2	3	4	5	6	7
(4) If a manager in my company is discovered to have engaged in unethical behaviour that results primarily in **personal gain** (rather than corporate gain), he/she will be promptly reprimanded	1	2	3	4	5	6	7
(5) If a manager in my company is discovered to have engaged in unethical behaviour that results primarily in **corporate gain** (rather than personal gain), he/she will be promptly reprimanded	1	2	3	4	5	6	7

G ORGANISATIONAL COMMITMENT

Please, complete the questions below by circling one of the options, using this scale:

1	2	3	4	5	6	7
Very strongly disagree	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	Very strongly agree

(1) I will be willing to change companies if the new job offered a 25% pay increase	1	2	3	4	5	6	7
(2) I will be willing to change companies if the new job offered amore creative freedom	1	2	3	4	5	6	7
(3) I will be willing to change companies if the new job offered more status	1	2	3	4	5	6	7
(4) I will be willing to change companies if the new job offered was with people who are more friendly	1	2	3	4	5	6	7

APPENDIX E

SPSS Output of Some of the Quantitative Analysis

E.g. Descriptive Statistics, Factor Analysis, Correlation Analysis & Regression Models

DESCRIPTIVE STATISTICS

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
TOTAL IMPORTANCE	414	99.8%	1	.2%	415	100.0%

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
PROFIT IS NOT PARAMOUNT - PRESOR 2	414	99.8%	1	.2%	415	100.0%

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
EQUALLY IMPORTANT - PRESOR 3	414	99.8%	1	.2%	415	100.0%

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Total Idealism (used)	413	99.5%	2	.5%	415	100.0%
Total Relativism (used)	415	100.0%	0	.0%	415	100.0%

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
TOP MANAGEMENT SUPPORT FOR ETHICS – CEV 1	414	99.8%	1	.2%	415	100.0%
MANAGERS ARE ACTING ETHICALLY – CEV 2	415	100.0%	0	.0%	415	100.0%
TOTAL ORGANISATION COMMITMENT	413	99.5%	2	.5%	415	100.0%

Descriptives

			Statistic	Std. Error
TOTAL IMPORTANCE	Mean		37.58	.286
	95% Confidence Interval for Mean	Lower Bound	37.01	
		Upper Bound	38.14	
	5% Trimmed Mean		37.70	
	Median		38.00	
	Variance		33.896	
	Std. Deviation		5.822	
	Minimum		20	
	Maximum		49	
	Range		29	
	Interquartile Range		7	
	Skewness		-.295	.120
	Kurtosis		.080	.239

Descriptives

			Statistic	Std. Error
PROFIT IS NOT PARAMOUNT - PRESOR 2	Mean		18.43	.232
	95% Confidence Interval for Mean	Lower Bound	17.98	
		Upper Bound	18.89	
	5% Trimmed Mean		18.54	
	Median		19.00	
	Variance		22.290	
	Std. Deviation		4.721	
	Minimum		4	
	Maximum		28	
	Range		24	
	Interquartile Range		7	
	Skewness		-.335	.120
	Kurtosis		-.093	.239

Descriptives

			Statistic	Std. Error
EQUALLY IMPORTANT - PRESOR 3	Mean		10.82	.168
	95% Confidence Interval for Mean	Lower Bound	10.49	
		Upper Bound	11.15	
	5% Trimmed Mean		10.76	
	Median		11.00	
	Variance		11.724	
	Std. Deviation		3.424	
	Minimum		3	
	Maximum		21	
	Range		18	
	Interquartile Range		5	
	Skewness		.269	.120
	Kurtosis		-.276	.239

Descriptives

			Statistic	Std. Error
Total Idealism (used)	Mean		47.53	.403
	95% Confidence Interval for Mean	Lower Bound	46.74	
		Upper Bound	48.32	
	5% Trimmed Mean		47.92	
	Median		48.00	
	Variance		67.221	
	Std. Deviation		8.199	
	Minimum		17	
	Maximum		63	
	Range		46	
	Interquartile Range		10	
	Skewness		-.662	.120
	Kurtosis		.875	.240
Total Relativism (used)	Mean		37.87	.411
	95% Confidence Interval for Mean	Lower Bound	37.06	
		Upper Bound	38.68	
	5% Trimmed Mean		38.01	
	Median		38.00	
	Variance		70.208	
	Std. Deviation		8.379	
	Minimum		12	

Maximum	58	
Range	46	
Interquartile Range	10	
Skewness	-.194	.120
Kurtosis	.255	.239

Descriptives

			Statistic	Std. Error
TOP MANAGEMENT SUPPORT FOR ETHICS – CEV 1	Mean		14.60	.154
	95% Confidence Interval for Mean	Lower Bound	14.30	
		Upper Bound	14.91	
	5% Trimmed Mean		14.67	
	Median		14.00	
	Variance		9.833	
	Std. Deviation		3.136	
	Minimum		3	
	Maximum		21	
	Range		18	
	Interquartile Range		4	
	Skewness		-.242	.120
	Kurtosis		.760	.239
MANAGERS ARE ACTING ETHICALLY – CEV 2	Mean		8.40	.139
	95% Confidence Interval for Mean	Lower Bound	8.13	
		Upper Bound	8.68	
	5% Trimmed Mean		8.41	
	Median		8.00	
	Variance		8.000	
	Std. Deviation		2.828	
	Minimum		2	
	Maximum		14	
	Range		12	
	Interquartile Range		4	
	Skewness		-.052	.120
	Kurtosis		-.363	.239
TOTAL ORGANISATION COMMITMENT	Mean		12.99	.216
	95% Confidence Interval for Mean	Lower Bound	12.57	
		Upper Bound	13.42	
	5% Trimmed Mean		12.93	
	Median		13.00	
	Variance		19.296	
	Std. Deviation		4.393	
	Minimum		4	
	Maximum		28	
	Range		24	
	Interquartile Range		6	
	Skewness		.190	.120
	Kurtosis		.125	.240

FACTOR ANALYSIS

Tests of Normality

	Kolmogorov-Smirnov(a)			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
TOTAL IMPORTANCE	.067	414	.000	.986	414	.000

a Lilliefors Significance Correction

Tests of Normality

	Kolmogorov-Smirnov(a)			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
PROFIT IS NOT PARAMOUNT - PRESOR 2	.082	414	.000	.986	414	.000

a Lilliefors Significance Correction

Tests of Normality

	Kolmogorov-Smirnov(a)			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
EQUALLY IMPORTANT - PRESOR 3	.082	414	.000	.984	414	.000

a Lilliefors Significance Correction

Tests of Normality

	Kolmogorov-Smirnov(a)			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
Total Idealism (used)	.087	413	.000	.968	413	.000
Total Relativism (used)	.047	415	.028	.990	415	.009

a Lilliefors Significance Correction

Tests of Normality

	Kolmogorov-Smirnov(a)			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
TOP MANAGEMENT SUPPORT FOR ETHICS – CEV 1	.114	414	.000	.970	414	.000
MANAGERS ARE ACTING ETHICALLY – CEV2	.092	415	.000	.977	415	.000
TOTAL ORGANISATION COMMITMENT	.069	413	.000	.986	413	.001

a Lilliefors Significance Correction

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.823
Bartlett's Test of Sphericity	Approx. Chi-Square	1605.049
	Df	91
	Sig.	.000

Communalities

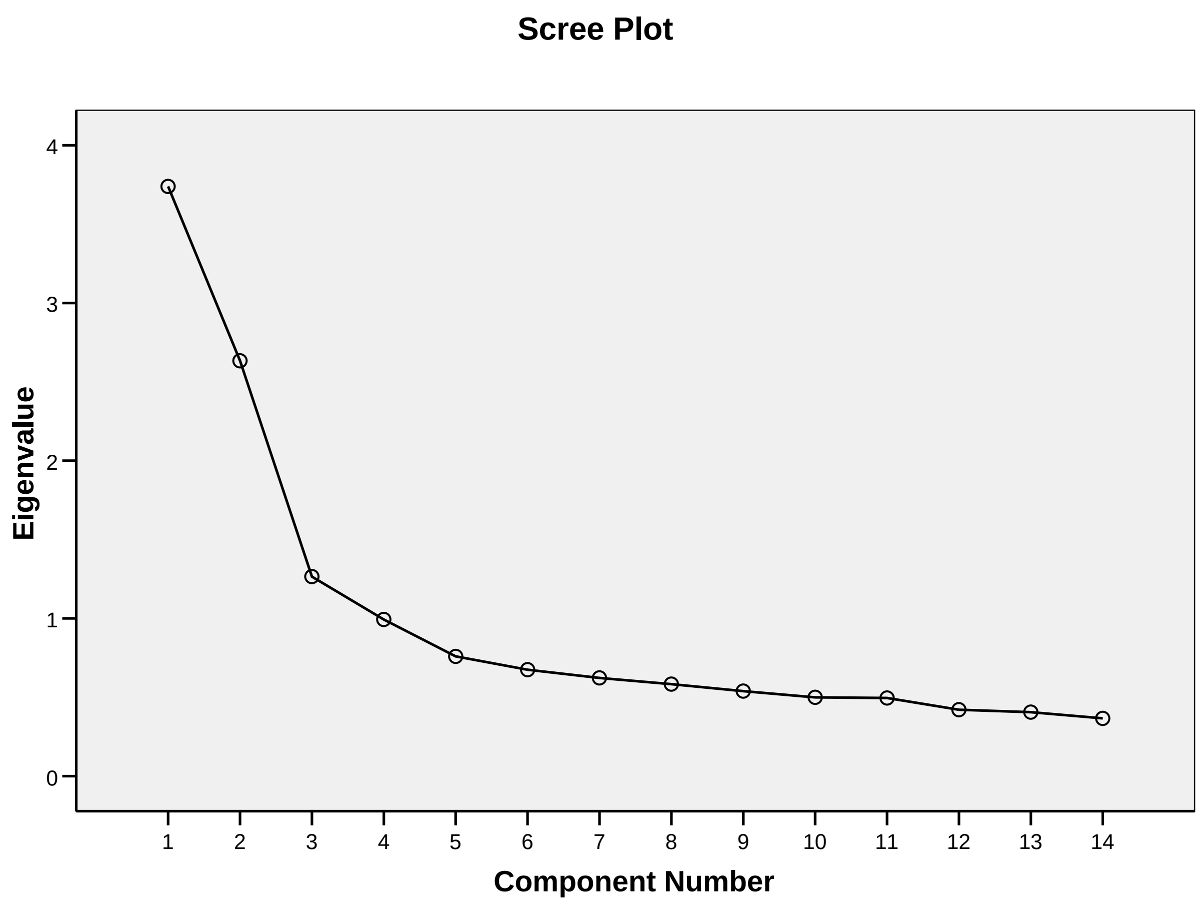
	Initial	Extraction
impt1	1.000	.465
impt2	1.000	.563
impt3	1.000	.537
impt4	1.000	.548
impt5	1.000	.503
impt6	1.000	.371
impt7	1.000	.431
RSUB1	1.000	.677
RSUB2	1.000	.679
RSUB3	1.000	.530
RSUB4	1.000	.672
RSUB5	1.000	.649
RSUB6	1.000	.615
RSUB7	1.000	.399

Extraction Method: Principal Component Analysis.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.739	26.708	26.708	3.739	26.708	26.708	3.240	23.144	23.144
2	2.634	18.812	45.520	2.634	18.812	45.520	2.715	19.393	42.538
3	1.265	9.037	54.557	1.265	9.037	54.557	1.683	12.019	54.557
4	.993	7.093	61.650						
5	.760	5.426	67.076						
6	.675	4.822	71.898						
7	.623	4.449	76.346						
8	.584	4.169	80.516						
9	.539	3.851	84.366						
10	.500	3.569	87.936						
11	.496	3.540	91.476						
12	.421	3.009	94.485						
13	.406	2.898	97.383						
14	.366	2.617	100.000						

Extraction Method: Principal Component Analysis.



Scree Plot
Eigenvalue
0
1
2
3
4
1
2
3
4
5
6
7
8
9
10
11
12
13
14
Component Number

2©2000 by Marley W. Watkins.
25/01/2008 19:57:48
Number of variables: 14
Number of subjects: 415
Number of replications: 100

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Eigenvalue #	Random Eigenvalue	Standard Dev
1	1.3228	.0442
2	1.2422	.0303
3	1.1875	.0285
4	1.1384	.0236
5	1.0930	.0194
6	1.0499	.0183
7	1.0109	.0169
8	0.9728	.0175
9	0.9337	.0209
10	0.8947	.0201
11	0.8556	.0198
12	0.8156	.0231
13	0.7700	.0240
14	0.7129	.0303

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Monte Carlo PCA for Parallel Analysis

Component Matrix(a)

	Component		
	1	2	3
impt2	.656		
impt4	.588	-.421	
RSUB6	.583	.499	
impt5	.565	-.427	
RSUB5	.562	.515	
RSUB4	.559	.500	
impt1	.551		
impt7	.531		
RSUB3	.519		
impt3	.518	-.446	
impt6	.453		
RSUB7	.436	.423	
RSUB1		.446	.662
RSUB2		.526	.535

Extraction Method: Principal Component Analysis.
a 3 components extracted.

Rotated Component Matrix(a)

	Component		
	1	2	3
impt4	.736		
impt2	.734		
impt3	.714		
impt5	.694		
impt7	.626		
impt1	.612		
impt6	.600		
RSUB4		.814	
RSUB5		.791	
RSUB3		.720	
RSUB7		.613	
RSUB6		.586	.500
RSUB1			.819
RSUB2			.779

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a Rotation converged in 4 iterations.

EPQ

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.847
Bartlett's Test of Sphericity	Approx. Chi-Square	2696.482
	Df	190
	Sig.	.000

Communalities

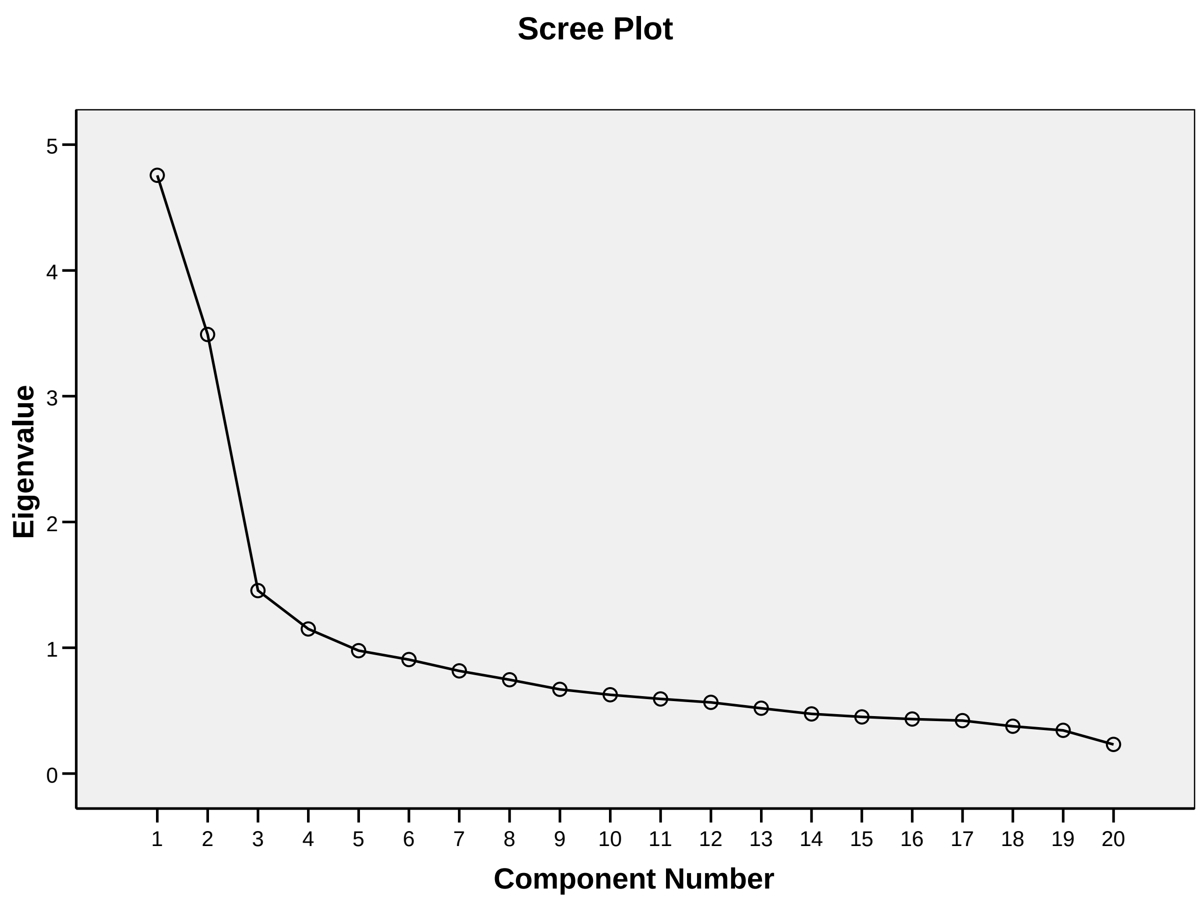
	Initial	Extraction
idl1	1.000	.533
idl2	1.000	.395
idl3	1.000	.597
idl4	1.000	.664
idl5	1.000	.673
idl6	1.000	.528
idl7	1.000	.556
idl8	1.000	.401
idl9	1.000	.421
idl10	1.000	.283
rel1	1.000	.454
rel2	1.000	.677
rel3	1.000	.586
rel4	1.000	.638
rel5	1.000	.523
rel6	1.000	.577
rel7	1.000	.560
rel8	1.000	.451
rel9	1.000	.727
rel10	1.000	.609

Extraction Method: Principal Component Analysis.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.756	23.782	23.782	4.756	23.782	23.782	4.322	21.612	21.612
2	3.491	17.453	41.235	3.491	17.453	41.235	2.892	14.462	36.075
3	1.455	7.273	48.507	1.455	7.273	48.507	2.112	10.558	46.633
4	1.150	5.748	54.255	1.150	5.748	54.255	1.525	7.623	54.255
5	.977	4.885	59.141						
6	.906	4.530	63.671						
7	.816	4.080	67.750						
8	.746	3.730	71.480						
9	.669	3.347	74.827						
10	.627	3.133	77.960						
11	.593	2.966	80.926						
12	.566	2.829	83.755						
13	.519	2.596	86.351						
14	.474	2.371	88.722						
15	.450	2.251	90.973						
16	.433	2.167	93.140						
17	.421	2.105	95.245						
18	.376	1.881	97.126						
19	.343	1.717	98.843						
20	.231	1.157	100.000						

Extraction Method: Principal Component Analysis.


Scree Plot
Eigenvalue
0
1
2
3
4
5
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20
Component Number

26/01/2008 00:29:38
Number of variables: 20
Number of subjects: 415
Number of replications: 100

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Eigenvalue #	Random Eigenvalue	Standard Dev
1	1.4155	.0426
2	1.3388	.0301
3	1.2829	.0248
4	1.2296	.0249
5	1.1869	.0234
6	1.1456	.0190
7	1.1062	.0179
8	1.0724	.0184
9	1.0344	.0180
10	1.0021	.0155
11	0.9703	.0167
12	0.9375	.0196
13	0.9036	.0190
14	0.8724	.0159
15	0.8385	.0168
16	0.8063	.0166
17	0.7699	.0196
18	0.7373	.0210
19	0.6980	.0257
20	0.6517	.0266

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26/01/2008 00:29:46
Monte Carlo PCA for Parallel Analysis

Component Matrix(a)

	Component			
	1	2	3	4
idl4	.697	-.412		
idl5	.672	-.468		
idl1	.640			
idl3	.628			
idl6	.604			
rel2	.566			
idl9	.563			
idl8	.555			
rel3	.500			
idl10	.448			
idl2	.419			
rel7		.613		
rel5		.592		
rel6		.586		
rel4	.470	.580		
rel8		.522		
idl7			.712	
rel1	.452		-.480	
rel9		.554		.565
rel10		.450		.563

Extraction Method: Principal Component Analysis.
a 4 components extracted.

Rotated Component Matrix(a)

	Component			
	1	2	3	4
idl5	.818			
idl4	.808			
idl3	.748			
idl1	.719			
idl6	.715			
idl9	.618			
idl8	.550			
idl2	.529			
idl10	.489			
rel2		.793		
rel4		.760		
rel3		.698		
rel6		.555		.428
rel7		.507		.418
rel5		.498		
rel9			.835	
rel10			.767	
rel8			.568	
idl7				.723
rel1				-.425

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a Rotation converged in 11 iterations.

FACTOR ANALYSIS OF EPQ WITH 3 COMPONENT EXTRACTED

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.847
Bartlett's Test of Sphericity	Approx. Chi-Square	2696.482
	Df	190
	Sig.	.000

Communalities

	Initial	Extraction
idl1	1.000	.521
idl2	1.000	.385
idl3	1.000	.587
idl4	1.000	.659
idl5	1.000	.671
idl6	1.000	.526
idl7	1.000	.548
idl8	1.000	.356
idl9	1.000	.421
idl10	1.000	.282
rel1	1.000	.448
rel2	1.000	.527
rel3	1.000	.478
rel4	1.000	.568
rel5	1.000	.521
rel6	1.000	.556
rel7	1.000	.554
rel8	1.000	.395
rel9	1.000	.408
rel10	1.000	.291

Extraction Method: Principal Component Analysis.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.756	23.782	23.782	4.756	23.782	23.782	4.396	21.979	21.979
2	3.491	17.453	41.235	3.491	17.453	41.235	3.825	19.124	41.103
3	1.455	7.273	48.507	1.455	7.273	48.507	1.481	7.405	48.507
4	1.150	5.748	54.255						
5	.977	4.885	59.141						
6	.906	4.530	63.671						
7	.816	4.080	67.750						
8	.746	3.730	71.480						
9	.669	3.347	74.827						
10	.627	3.133	77.960						
11	.593	2.966	80.926						
12	.566	2.829	83.755						
13	.519	2.596	86.351						
14	.474	2.371	88.722						
15	.450	2.251	90.973						
16	.433	2.167	93.140						
17	.421	2.105	95.245						
18	.376	1.881	97.126						
19	.343	1.717	98.843						
20	.231	1.157	100.000						

Extraction Method: Principal Component Analysis.

Component Matrix(a)

	Component		
	1	2	3
idl4	.697	-.412	-.061
idl5	.672	-.468	-.011
idl1	.640	-.329	-.055
idl3	.628	-.382	.217
idl6	.604	-.390	-.095
rel2	.566	.399	-.219
idl9	.563	-.286	-.147
idl8	.555	-.198	.092
rel3	.500	.303	-.368
idl10	.448	-.198	.206
idl2	.419	-.285	.358
rel7	.304	.613	.293
rel5	.331	.592	.247
rel6	.352	.586	.297
rel4	.470	.580	-.103
rel9	.317	.554	.031
rel8	.342	.522	-.070
rel10	.262	.450	-.141
idl7	.203	.018	.712
rel1	.452	.115	-.480

Extraction Method: Principal Component Analysis.
a 3 components extracted.

Rotated Component Matrix(a)

	Component		
	1	2	3
idl5	.815	-.051	.063
idl4	.804	.007	.115
idl3	.748	.014	-.167
idl1	.712	.049	.106
idl6	.711	-.024	.142
idl9	.618	.040	.191
idl8	.581	.125	-.046
idl2	.529	-.004	-.324
idl10	.498	.076	-.169
rel4	.089	.732	.154
rel6	.012	.700	-.255
rel7	-.042	.698	-.255
rel5	-.011	.692	-.206
rel9	-.019	.639	.006
rel2	.257	.621	.274
rel8	.013	.619	.109
rel10	-.022	.512	.171
rel3	.243	.496	.416
idl7	.211	.164	-.690
rel1	.292	.304	.520

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a Rotation converged in 5 iterations.

Component Transformation Matrix

Component	1	2	3
1	.850	.520	.088
2	-.523	.852	.017
3	.067	.060	-.996

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

FACTOR ANALYSIS OF EPQ WITH 2 COMPONENT EXTRACTED

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.847
Bartlett's Test of Sphericity	Approx. Chi-Square	2696.482
	df	190
	Sig.	.000

Communalities

	Initial	Extraction
idl1	1.000	.518
idl2	1.000	.257
idl3	1.000	.540
idl4	1.000	.656
idl5	1.000	.670
idl6	1.000	.517
idl7	1.000	.042
idl8	1.000	.347
idl9	1.000	.399
idl10	1.000	.240
rel1	1.000	.218
rel2	1.000	.479
rel3	1.000	.342
rel4	1.000	.557
rel5	1.000	.460
rel6	1.000	.467
rel7	1.000	.468
rel8	1.000	.390
rel9	1.000	.407
rel10	1.000	.271

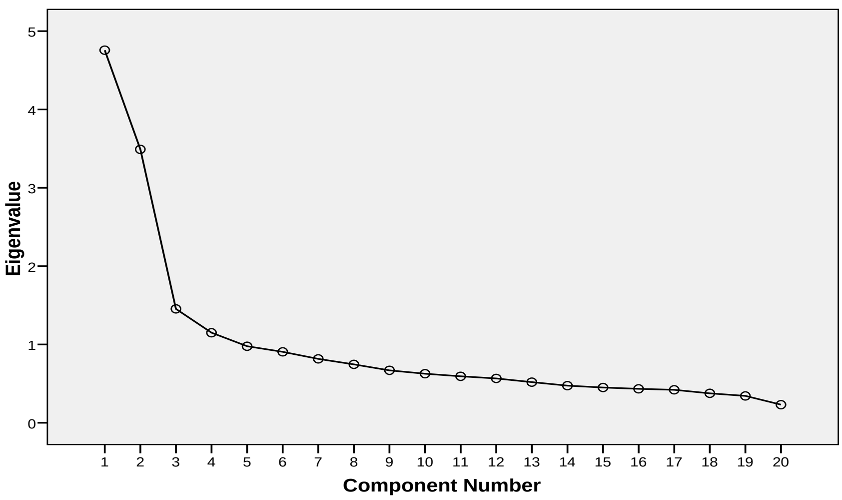
Extraction Method: Principal Component Analysis.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.756	23.782	23.782	4.756	23.782	23.782	4.405	22.026	22.026
2	3.491	17.453	41.235	3.491	17.453	41.235	3.842	19.208	41.235
3	1.455	7.273	48.507						
4	1.150	5.748	54.255						
5	.977	4.885	59.141						
6	.906	4.530	63.671						
7	.816	4.080	67.750						
8	.746	3.730	71.480						
9	.669	3.347	74.827						
10	.627	3.133	77.960						
11	.593	2.966	80.926						
12	.566	2.829	83.755						
13	.519	2.596	86.351						
14	.474	2.371	88.722						
15	.450	2.251	90.973						
16	.433	2.167	93.140						
17	.421	2.105	95.245						
18	.376	1.881	97.126						
19	.343	1.717	98.843						
20	.231	1.157	100.000						

Extraction Method: Principal Component Analysis.

Scree Plot



Component Matrix(a)

	Component	
	1	2
idl1	.640	-.329
idl2	.419	-.285
idl3	.628	-.382
idl4	.697	-.412
idl5	.672	-.468
idl6	.604	-.390
idl7	.203	.018
idl8	.555	-.198
idl9	.563	-.286
idl10	.448	-.198
rel1	.452	.115
rel2	.566	.399
rel3	.500	.303
rel4	.470	.580
rel5	.331	.592
rel6	.352	.586
rel7	.304	.613
rel8	.342	.522
rel9	.317	.554
rel10	.262	.450

Extraction Method: Principal Component Analysis.
a 2 components extracted.

Rotated Component Matrix (a)

	Component	
	1	2
idl1	.717	.058
idl2	.507	-.022
idl3	.735	.006
idl4	.810	.017
idl5	.818	-.045
idl6	.719	-.013
idl7	.163	.123
idl8	.576	.124
idl9	.629	.054
idl10	.485	.068
rel1	.324	.336
rel2	.270	.637
rel3	.266	.521
rel4	.094	.741
rel5	-.030	.678
rel6	-.010	.684
rel7	-.064	.681
rel8	.016	.624
rel9	-.023	.638
rel10	-.014	.521

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a Rotation converged in 3 iterations.

Component Transformation Matrix

Component	1	2
1	.850	.527
2	-.527	.850

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

CEV

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.548
Bartlett's Test of Sphericity	Approx. Chi-Square	358.709
	df	10
	Sig.	.000

Communalities

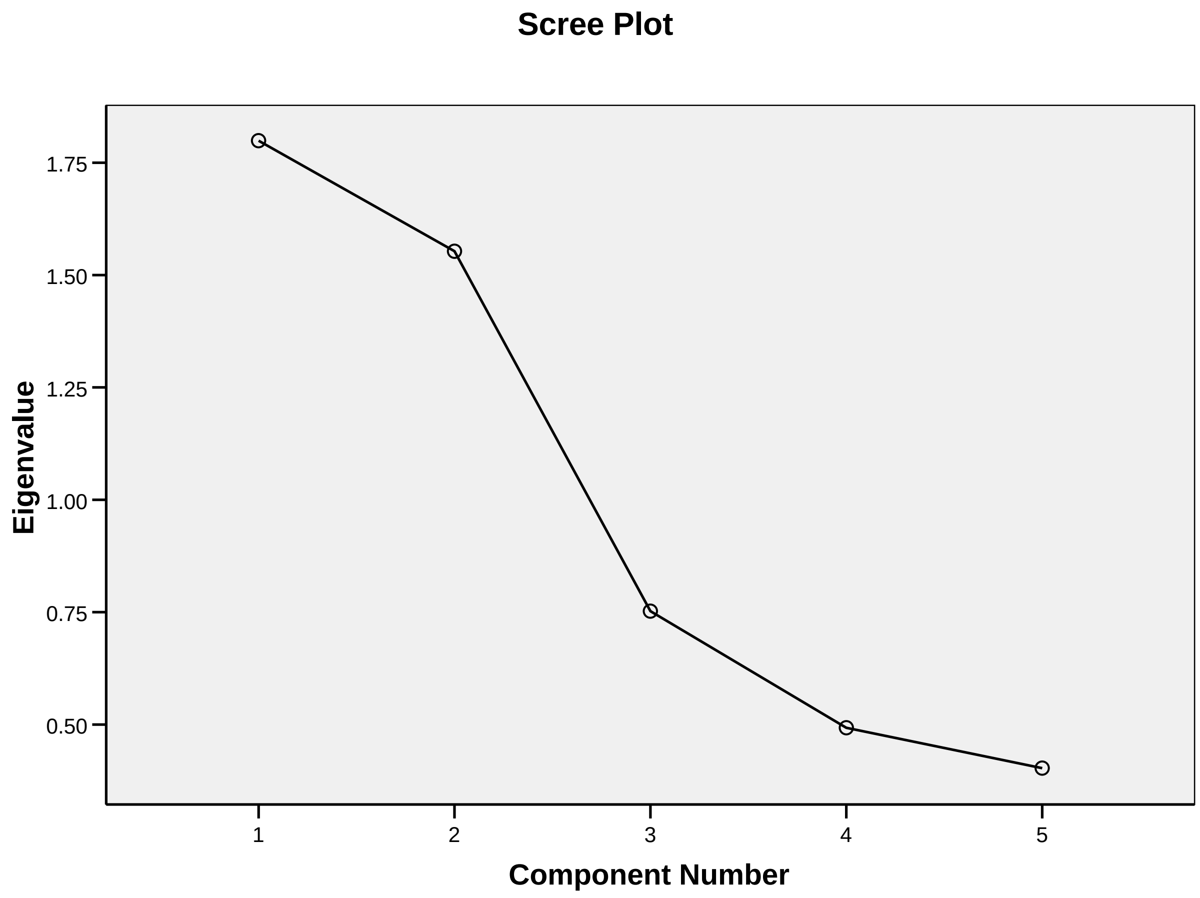
	Initial	Extraction
RCORP1	1.000	.783
RCORP2	1.000	.774
corp3	1.000	.651
corp4	1.000	.693
corp5	1.000	.451

Extraction Method: Principal Component Analysis.

Total Variance Explained

	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	1.799	35.979	35.979	1.799	35.979	35.979	1.788	35.757	35.757
2	1.553	31.061	67.040	1.553	31.061	67.040	1.564	31.283	67.040
3	.752	15.044	82.085						
4	.493	9.855	91.940						
5	.403	8.060	100.000						

Extraction Method: Principal Component Analysis.



Number of subjects: 415
Number of replications: 100

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Eigenvalue #	Random Eigenvalue	Standard Dev
1	1.1348	.0399
2	1.0586	.0244
3	0.9957	.0182
4	0.9403	.0239
5	0.8707	.0358

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Monte Carlo PCA for Parallel Analysis

Component Matrix(a)

	Component	
	1	2
corp3	.800	
corp4	.798	
corp5	.662	
RCORP2		.863
RCORP1		.853

Extraction Method: Principal Component Analysis.
a 2 components extracted.

Rotated Component Matrix(a

	Component	
	1	2
corp4	.830	
corp3	.804	
corp5	.671	
RCORP1		.884
RCORP2		.880

Extraction Method: Principal Component Analysis
Rotation Method: Varimax with Kaiser Normalization
a Rotation converged in 3 iterations.

ORGANIZATIONAL COMMITMENT

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.736
Bartlett's Test of Sphericity	Approx. Chi-Square	316.898
	df	6
	Sig.	.000

Communalities

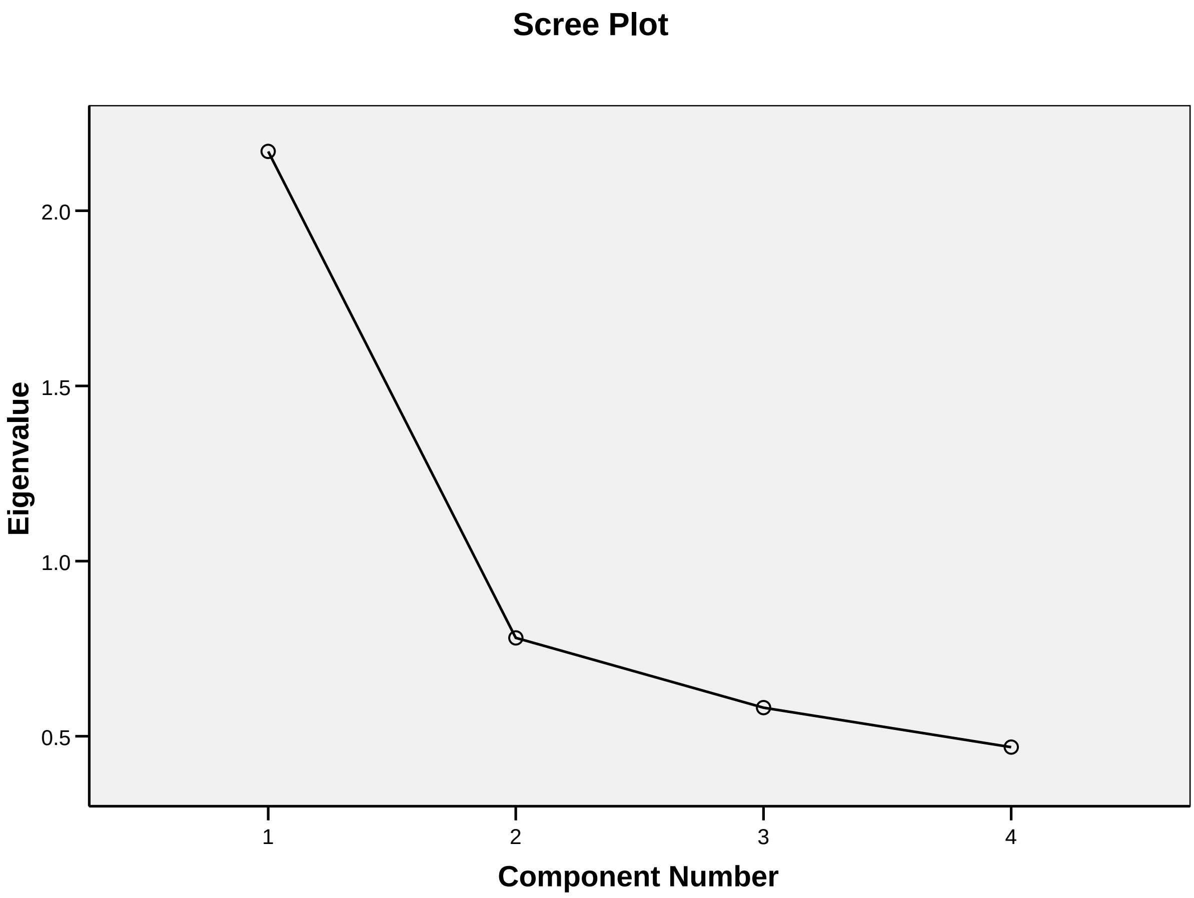
	Initial	Extraction
ROGCOM1	1.000	.348
ROGCOM2	1.000	.652
ROGCOM3	1.000	.602
ROGCOM4	1.000	.567

Extraction Method: Principal Component Analysis.

Total Variance Explained

	Initial Eigenvalues			Extraction Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.169	54.230	54.230	2.169	54.230	54.230
2	.781	19.515	73.745			
3	.581	14.537	88.281			
4	.469	11.719	100.000			

Extraction Method: Principal Component Analysis.



Number of variables: 4
Number of subjects: 415
Number of replications: 100

Eigenvalue #	Random Eigenvalue	Standard Dev
1	1.1116	.0378
2	1.0300	.0260
3	0.9669	.0253
4	0.8914	.0324

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Monte Carlo PCA for Parallel Analysis

Component Matrix(a)

	Component
	1
ROGCOM2	.808
ROGCOM3	.776
ROGCOM4	.753
ROGCOM1	.590

Extraction Method: Principal Component Analysis.
a 1 components extracted.

RELIABILITY ANALYSIS
PRESOR 1

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.803	.805	7

Item Statistics

	Mean	Std. Deviation	N
impt1	5.58	1.173	414
impt2	5.53	1.159	414
impt3	5.22	1.208	414
impt4	5.32	1.197	414
impt5	5.52	1.275	414
impt6	4.93	1.298	414
impt7	5.48	1.277	414

Inter-Item Correlation Matrix

	impt1	impt2	impt3	impt4	impt5	impt6	impt7
impt1	1.000	.506	.383	.348	.363	.201	.259
impt2	.506	1.000	.453	.486	.417	.296	.342
impt3	.383	.453	1.000	.464	.376	.280	.332
impt4	.348	.486	.464	1.000	.407	.369	.341
impt5	.363	.417	.376	.407	1.000	.344	.414
impt6	.201	.296	.280	.369	.344	1.000	.408
impt7	.259	.342	.332	.341	.414	.408	1.000

Summary Item Statistics

	Mean	Minimum	Maximum	Range	Maximum / Minimum	Variance	N of Items
Inter-Item Correlations	.371	.201	.506	.305	2.519	.006	7

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
impt1	32.00	26.605	.489	.305	.786
impt2	32.05	25.424	.610	.415	.765
impt3	32.36	25.683	.551	.326	.775
impt4	32.26	25.359	.589	.368	.768
impt5	32.06	25.064	.564	.322	.772
impt6	32.64	26.191	.453	.245	.794
impt7	32.10	25.710	.506	.284	.783

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
37.58	33.896	5.822	7

PRESOR 2

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.749	.749	4

Item Statistics

	Mean	Std. Deviation	N
RSUB3	5.10	1.482	414
RSUB4	4.65	1.602	414
RSUB5	4.41	1.551	414
RSUB7	4.27	1.614	414

Inter-Item Correlation Matrix

	RSUB3	RSUB4	RSUB5	RSUB7
RSUB3	1.000	.490	.434	.285
RSUB4	.490	1.000	.570	.346
RSUB5	.434	.570	1.000	.443
RSUB7	.285	.346	.443	1.000

Summary Item Statistics

	Mean	Minimum	Maximum	Range	Maximum / Minimum	Variance	N of Items
Inter-Item Correlations	.428	.285	.570	.285	2.002	.009	4

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
RSUB3	13.33	14.415	.505	.280	.712
RSUB4	13.78	12.777	.606	.403	.654
RSUB5	14.03	12.839	.634	.414	.639
RSUB7	14.16	14.320	.439	.214	.749

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
18.43	22.290	4.721	4

PRESOR 3

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.677	.677	3

Item Statistics

	Mean	Std. Deviation	N
RSUB1	3.26	1.532	414
RSUB2	3.66	1.443	414
RSUB6	3.89	1.416	414

Inter-Item Correlation Matrix

	RSUB1	RSUB2	RSUB6
RSUB1	1.000	.468	.338
RSUB2	.468	1.000	.429
RSUB6	.338	.429	1.000

Summary Item Statistics

	Mean	Minimum	Maximum	Range	Maximum / Minimum	Variance	N of Items
Inter-Item Correlations	.411	.338	.468	.130	1.385	.004	3

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
RSUB1	7.56	5.841	.477	.242	.600
RSUB2	7.15	5.819	.549	.302	.504
RSUB6	6.93	6.500	.446	.208	.637

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
10.82	11.724	3.424	3

EPQ 1 – IDEALISM

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.843	.850	9

Item Statistics

	Mean	Std. Deviation	N
idl1	5.45	1.357	413
idl2	4.84	1.517	413
idl3	5.08	1.359	413
idl4	5.71	1.219	413
idl5	5.65	1.234	413
idl6	5.65	1.325	413
idl8	4.75	1.290	413
idl9	5.56	1.384	413
idl10	4.84	1.585	413

Inter-Item Correlation Matrix

	idl1	idl2	idl3	idl4	idl5	idl6	idl8	idl9	idl10
idl1	1.000	.420	.522	.501	.487	.452	.336	.337	.282
idl2	.420	1.000	.453	.321	.324	.245	.169	.195	.227
idl3	.522	.453	1.000	.510	.535	.396	.378	.366	.321
idl4	.501	.321	.510	1.000	.717	.574	.381	.444	.329
idl5	.487	.324	.535	.717	1.000	.595	.378	.467	.282
idl6	.452	.245	.396	.574	.595	1.000	.347	.408	.239
idl8	.336	.169	.378	.381	.378	.347	1.000	.343	.311
idl9	.337	.195	.366	.444	.467	.408	.343	1.000	.298
idl10	.282	.227	.321	.329	.282	.239	.311	.298	1.000

Summary Item Statistics

	Mean	Minimum	Maximum	Range	Maximum / Minimum	Variance	N of Items
Inter-Item Correlations	.386	.169	.717	.549	4.249	.014	9

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
idl1	42.08	53.163	.618	.410	.820
idl2	42.69	55.364	.423	.260	.843
idl3	42.46	52.588	.649	.453	.817
idl4	41.82	53.212	.704	.586	.813
idl5	41.88	53.050	.704	.605	.813
idl6	41.88	53.937	.592	.431	.823
idl8	42.78	56.302	.478	.252	.835
idl9	41.97	54.717	.517	.296	.831
idl10	42.69	55.059	.410	.187	.845

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
47.53	67.221	8.199	9

EPQ 2 - RELATIVISM

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.819	.821	9

Item Statistics

	Mean	Std. Deviation	N
rel2	4.42	1.475	415
rel3	4.63	1.290	415
rel4	4.46	1.464	415
rel5	3.81	1.373	415
rel6	4.19	1.483	415
rel7	3.74	1.444	415
rel8	4.43	1.317	415
rel9	4.16	1.561	415
rel10	4.02	1.659	415

Inter-Item Correlation Matrix

	rel2	rel3	rel4	rel5	rel6	rel7	rel8	rel9	rel10
rel2	1.000	.478	.592	.329	.370	.345	.257	.185	.225
rel3	.478	1.000	.425	.289	.235	.198	.267	.197	.162
rel4	.592	.425	1.000	.426	.458	.390	.335	.331	.302
rel5	.329	.289	.426	1.000	.399	.459	.353	.377	.236
rel6	.370	.235	.458	.399	1.000	.497	.364	.326	.215
rel7	.345	.198	.390	.459	.497	1.000	.355	.363	.225
rel8	.257	.267	.335	.353	.364	.355	1.000	.413	.272
rel9	.185	.197	.331	.377	.326	.363	.413	1.000	.509
rel10	.225	.162	.302	.236	.215	.225	.272	.509	1.000

Summary Item Statistics

	Mean	Minimum	Maximum	Range	Maximum / Minimum	Variance	N of Items
Inter-Item Correlations	.338	.162	.592	.429	3.649	.011	9

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
rel2	33.45	56.282	.531	.437	.800
rel3	33.24	60.067	.424	.281	.812
rel4	33.41	54.286	.639	.479	.786
rel5	34.06	56.842	.554	.336	.797
rel6	33.68	55.768	.553	.363	.797
rel7	34.13	56.261	.548	.368	.798
rel8	33.44	58.339	.504	.277	.803
rel9	33.71	55.521	.527	.399	.800
rel10	33.86	57.163	.410	.285	.817

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
37.87	70.208	8.379	9

CEV 1

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.647	.656	3

Item Statistics

	Mean	Std. Deviation	N
corp3	5.00	1.310	414
corp4	5.25	1.279	414
corp5	4.35	1.496	414

Inter-Item Correlation Matrix

	corp3	corp4	corp5
corp3	1.000	.524	.297
corp4	.524	1.000	.345
corp5	.297	.345	1.000

Summary Item Statistics

	Mean	Minimum	Maximum	Range	Maximum / Minimum	Variance	N of Items
Inter-Item Correlations	.389	.297	.524	.227	1.763	.011	3

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
corp3	9.60	5.194	.489	.290	.508
corp4	9.35	5.120	.531	.314	.455
corp5	10.25	5.110	.367	.138	.688

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
14.60	9.833	3.136	3

CEV 2

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.716	.716	2

Item Statistics

	Mean	Std. Deviation	N
RCORP1	4.04	1.607	415
RCORP2	4.36	1.597	415

Inter-Item Correlation Matrix

	RCORP1	RCORP2
RCORP1	1.000	.558
RCORP2	.558	1.000

Summary Item Statistics

	Mean	Minimum	Maximum	Range	Maximum / Minimum	Variance	N of Items
Inter-Item Correlations	.558	.558	.558	.000	1.000	.000	2

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
RCORP1	4.36	2.551	.558	.312	.(a)
RCORP2	4.04	2.583	.558	.312	.(a)

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
8.40	8.000	2.828	2

ORGANIZATIONAL COMMITMENT

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.709	.713	4

Item Statistics

	Mean	Std. Deviation	N
ROGCOM1	3.85	1.599	413
ROGCOM2	3.01	1.476	413
ROGCOM3	2.94	1.410	413
ROGCOM4	3.18	1.520	413

Inter-Item Correlation Matrix

	ROGCOM1	ROGCOM2	ROGCOM3	ROGCOM4
ROGCOM1	1.000	.318	.270	.295
ROGCOM2	.318	1.000	.525	.463
ROGCOM3	.270	.525	1.000	.430
ROGCOM4	.295	.463	.430	1.000

Summary Item Statistics

	Mean	Minimum	Maximum	Range	Maximum / Minimum	Variance	N of Items
Inter-Item Correlations	.383	.270	.525	.255	1.942	.010	4

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
ROGCOM1	9.14	12.585	.366	.136	.728
ROGCOM2	9.98	11.354	.579	.362	.594
ROGCOM3	10.05	12.058	.536	.325	.623
ROGCOM4	9.81	11.632	.516	.279	.633

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
12.99	19.296	4.393	4

CORRELATION ANALYSIS

Correlations

		TOTAL IMPORTANCE	PROFIT IS NOT PARAMOUNT - PRESOR 2	EQUALLY IMPORTANT - PRESOR 3	Total Idealism (used)	Total Relativism (used)	TOTAL ENFORCEMENT OF CODES OF ETHICS	CORPORATE ETHICAL VALUE - CEV	TOTAL ORGANISATION COMMITMENT
TOTAL IMPORTANCE	Pearson Correlation	1	.180**	.077	.482**	.076	.294**	.031	-.276**
	Sig. (2-tailed)		.000	.117	.000	.122	.000	.526	.000
	N	414	413	413	412	414	413	414	412
PROFIT IS NOT PARAMOUNT - PRESOR 2	Pearson Correlation	.180**	1	.459**	.032	-.202**	-.010	.315**	.096
	Sig. (2-tailed)	.000		.000	.515	.000	.842	.000	.051
	N	413	414	413	412	414	413	414	412
EQUALLY IMPORTANT - PRESOR 3	Pearson Correlation	.077	.459**	1	-.062	-.279**	-.092	.250**	.183**
	Sig. (2-tailed)	.117	.000		.210	.000	.063	.000	.000
	N	413	413	414	412	414	413	414	412
Total Idealism (used)	Pearson Correlation	.482**	.032	-.062	1	.127**	.401**	.029	-.304**
	Sig. (2-tailed)	.000	.515	.210		.010	.000	.550	.000
	N	412	412	412	413	413	412	413	411
Total Relativism (used)	Pearson Correlation	.076	-.202**	-.279**	.127**	1	.165**	-.179**	-.341**
	Sig. (2-tailed)	.122	.000	.000	.010		.001	.000	.000
	N	414	414	414	413	415	414	415	413
TOTAL ENFORCEMENT OF CODES OF ETHICS	Pearson Correlation	.294**	-.010	-.092	.401**	.165**	1	.034	-.346**
	Sig. (2-tailed)	.000	.842	.063	.000	.001		.488	.000
	N	413	413	413	412	414	414	414	412
CORPORATE ETHICAL VALUE - CEV	Pearson Correlation	.031	.315**	.250**	.029	-.179**	.034	1	.197**
	Sig. (2-tailed)	.526	.000	.000	.550	.000	.488		.000
	N	414	414	414	413	415	414	415	413
TOTAL ORGANISATION COMMITMENT	Pearson Correlation	-.276**	.096	.183**	-.304**	-.341**	-.346**	.197**	1
	Sig. (2-tailed)	.000	.051	.000	.000	.000	.000	.000	
	N	412	412	412	411	413	412	413	413

**. Correlation is significant at the 0.01 level (2-tailed).

REGRESSION ANALYSIS
Model 1a – PRESOR 1

Model Summary (b)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.482(a)	.233	.229	5.112

a Predictors: (Constant), Total Relativism (used), Total Idealism(used)
b Dependent Variable: TOTAL IMPORTANCE

ANOVA (b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3241.107	2	1620.554	62.002	.000(a)
	Residual	10690.127	409	26.137		
	Total	13931.235	411			

a Predictors: (Constant), Total Relativism (used), Total Idealism(used)
b Dependent Variable: TOTAL IMPORTANCE

Model 1b – PRESOR 2

Model Summary (b)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.210(a)	.044	.039	4.627

a Predictors: (Constant), Total Relativism (used), Total Idealism(used)
b Dependent Variable: PROFIT IS NOT PARAMOUNT - PRESOR 2

ANOVA (b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	402.979	2	201.489	9.410	.000(a)
	Residual	8758.048	409	21.413		
	Total	9161.027	411			

a Predictors: (Constant), Total Relativism (used), Total Idealism(used)
b Dependent Variable: PROFIT IS NOT PARAMOUNT - PRESOR 2

Model 1c – PRESOR 3

Model Summary (b)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.281(a)	.079	.074	3.295

a Predictors: (Constant), Total Relativism (used), Total Idealism(used)
b Dependent Variable: EQUALLY IMPORTANT - PRESOR 3

ANOVA (b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	379.353	2	189.676	17.475	.000(a)
	Residual	4439.247	409	10.854		
	Total	4818.600	411			

a Predictors: (Constant), Total Relativism (used), Total Idealism(used)
b Dependent Variable: EQUALLY IMPORTANT - PRESOR 3

Model 2a - PRESOR 1

Model Summary (b)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.499(a)	.249	.240	5.056

a Predictors: (Constant), TOTAL ORGANISATION COMMITMENT, MANAGERS ARE ACTING ETHICALLY – CEV 1, Total Idealism(used), Total Relativism (used), TOP MANAGEMENT SUPPORT FOR ETHICS – CEV 2
b Dependent Variable: TOTAL IMPORTANCE

ANOVA (b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3398.951	5	679.790	26.594	.000(a)
	Residual	10224.851	400	25.562		
	Total	13623.802	405			

a Predictors: (Constant), TOTAL ORGANISATION COMMITMENT, MANAGERS ARE ACTING ETHICALLY – CEV 1, Total Idealism(used), Total Relativism (used), TOP MANAGEMENT SUPPORT FOR ETHICS – CEV 2
b Dependent Variable: TOTAL IMPORTANCE

Model 2b – PRESOR 2

Model Summary (b)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.358(a)	.128	.117	4.448

a Predictors: (Constant), TOTAL ORGANISATION COMMITMENT, MANAGERS ARE ACTING ETHICALLY – CEV 1, Total Idealism(used), Total Relativism (used), TOP MANAGEMENT SUPPORT FOR ETHICS – CEV 2
b Dependent Variable: PROFIT IS NOT PARAMOUNT - PRESOR 2

ANOVA (b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1165.030	5	233.006	11.775	.000(a)
	Residual	7915.530	400	19.789		
	Total	9080.561	405			

a Predictors: (Constant), TOTAL ORGANISATION COMMITMENT, MANAGERS ARE ACTING ETHICALLY – CEV 1, Total Idealism(used), Total Relativism (used), TOP MANAGEMENT SUPPORT FOR ETHICS – CEV 2
b Dependent Variable: PROFIT IS NOT PARAMOUNT - PRESOR 2

Model 2c – PRESOR 3

Model Summary (b)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.344(a)	.118	.107	3.187

a Predictors: (Constant), TOTAL ORGANISATION COMMITMENT, MANAGERS ARE ACTING ETHICALLY – CEV 1, Total Idealism(used), Total Relativism (used), TOP MANAGEMENT SUPPORT FOR ETHICS – CEV 2
b Dependent Variable: EQUALLY IMPORTANT - PRESOR 3

ANOVA (b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	544.873	5	108.975	10.730	.000(a)
	Residual	4062.548	400	10.156		
	Total	4607.421	405			

a Predictors: (Constant), TOTAL ORGANISATION COMMITMENT, MANAGERS ARE ACTING ETHICALLY – CEV 1, Total Idealism(used), Total Relativism (used), TOP MANAGEMENT SUPPORT FOR ETHICS – CEV 2
b Dependent Variable: EQUALLY IMPORTANT - PRESOR 3