

Effects of Corporate Governance and Business Ethical Values in Organisation: A Study of Unilag Holdings

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Abstract— This study aimed at looking into the effects of corporate governance and business ethical values on both the organization and employee's performance as no organization can function without having good ethics and corporate governance in place. The study was carried out in Unilag Holdings Limited (UniHOLDS). The study was aimed at showing that the organizations will suffer some losses if corporate governance and business ethical values are not in place. The employees' perception on corporate governance and ethics plays a vital role in the organization. From this research, it was shown that there is a relationship between corporate governance and business ethics values hence correlation analysis was used hence it is statistically reliable, also the test reflects that corporate governance is positively correlated to business ethical values ($r=.812$, $N=94$, $P<.01$) which shows the correlation between the variables. Questionnaire was administered to the employers at Unilag Holdings Limited (UniHOLDS) in which 94 out of 130 were filled and returned. The study revealed that ethical values lead to productive employees and productive employees have a positive effect on the organization's performance. It also came to light that employees will follow rules whether or not they are ethical, so the organization can work on this by ensuring that no top level manager gives any subordinate tasks that are unethical to carry out. The study recommends that the organization should ensure a continuous practice of corporate governance and business ethics to ensure its stakeholders remain with its mode of operations.

Keywords— Business ethical values, corporate governance, and Organization.

INTRODUCTION

In the wake up of various corporate scandals and amid increasing concern about environmental sustainability issues, there has been a great deal of debate regarding the applicability of business ethics in the modern business age. The discussion on this topic was recently highlighted with the failures of giant corporations such as Enron, WorldCom and Parmalat, largely due to

corporate governance issues (West, 2009). This has led to a renewed emphasis on business ethics considerations. Ethical issues are usually debated in terms of corporate governance, environmental degradation and global warming, corporate social responsibility, and corporate consciousness (Kleine & Von Hauff, 2009). No organization in the corporate governance can survive without the proper foundation of strong corporate governance and efficient business ethical value as these two also ensures that the organizations grow accordingly. Corporate governance is targeted at ensuring that the organization performs according to the rules and regulations set by the organization and government at large.

Even the best corporate planning cannot help an organization if corporate governance is not in check. Fine corporate governance is an essential standard for establishing the striking investment environment that is needed by competing organizations to gain competitive advantage in the efficient financial markets. Corporate governance is the layout of institutions (i.e. organizations, businesses, firms and other corporate bodies) that makes it mandatory for management to ensure the welfare of stakeholders (Tirole, 2001). For corporate governance to survive, business ethical values have to back it up. Business ethical values help to reaffirm and strengthen the basic requirements an organization needs and it outlines the expected behaviors of all the stakeholders in an organization. Business ethical values help to ensure that organizations act with integrity, respect and trust towards their employees, customers, stakeholders and every other stakeholder involved.

Since organizations draw their manpower from almost every part of the world and truth be told every individual has his or her own culture, norms, values and beliefs; what might be accepted in China might not be accepted in India and because of this organization have to create a set of ethical values for its stakeholders to ensure uniformity and orderliness in the work environment. Ethical components of an organization's culture are made up of complex interplay of formal and informal systems that support ethical behaviors. The formal

system is made up of leadership, policies, training programs, and reward incentive system; while the informal system includes norms, language, and myths. An ethical policy is a written ethics statement that includes the guidelines for the staff; this statement is called the code of ethics. Everyone in the company is usually bound by the code of ethics so all the managers whether in the top level, middle level or lower level are bound by the code. An effective use of both corporate governance and ethical values will bring the company to achieve its goal and also ensure that the relationship among stakeholders is a fruitful one. This shows that corporate governance and business ethical values are very useful to ensure sustainability of growth and development in any business, firm or organization. This ensures low turnover of employees and goal driven employees and these will lead to focusing on Unilag Holdings.

STATEMENT OF THE PROBLEM

In a perfect world, managers are meant to put in all their abilities and talents into making the best possible reward for the investors but it is quite unfortunate that the reverse is the case. Many firms only want results and by doing so they forget the means used in getting the results; business malpractices impose massive damages on all the stakeholders involved and this was what led to the failure of corporate firms in the 1990s.

Many firms fail to realize that businesses can't do without having ethics because not having ethics is the same as the organization not having structure. Irrespective of the industry in which an organization operates the concepts corporate governance and ethical values can't be disputed, many responsible organizations have pointed out numerous ways of ensuring that the ethics and values of an organization is vital to how the organization is operated (Klebe Trevino and Nelson. 2011). Many firms fail to see the importance of these two concept, the corporate rules should be set in accordance with the business ethical values. Many firms now face the challenge of being responsible to their various stakeholders (Crane and Matten, 2007), and if the management can't handle this skillfully, it will be almost impossible to motivate their staff into achieving the organization's goals and objectives.

Organizations now experience a decline in the number of customers and this is because they fail to realize that business can't function in an environment where there is lack of moral uprightness. When the ethics of a business is not firm, the employees start to misbehave and this affects the quality of their services to customers and their stakeholders at large. Consequently, this study

seeks to investigate the relationship and importance between and of corporate governance and ethical values on the performance of Unilag Holdings.

Research Questions

In order to successfully achieve the objectives of this study, the research seeks to find out answers to the following questions:

1. What effect does corporate governance have on organization's performance?
2. Do business ethical values lead to higher employee productivity?
3. What effect does business ethical values have on organization's performance?
4. Is there a relationship between corporate governance and business ethical values?

OBJECTIVES OF THE STUDY

The general objectives of this study is to examine the effect of corporate governance and business ethical values on the organization's performance. The specific objectives include:

1. To determine the effect of corporate governance on organization's performance.
2. To find out if ethical values lead to higher employee productivity.
3. To understand the effect business ethical values has on organization's performance.
4. To determine if there is a relationship between corporate governance and business ethical values.

RESEARCH HYPOTHESIS

1. Corporate governance has no effect on organization's performance.
2. Ethical values have no effect on the productivity of employees.
3. Business ethical values have no effect on organizations performance.
4. There is no relationship between corporate governance and business ethical values.

METHODOLOGY

This research design used is quantitative research design. The basis for using quantitative research design is that it is objective and it makes use of numerical data which tends to obtain quantifiable information about issues. The population target is the employees at University of Lagos Holding Company Limited (UniHOLD). UniHOLD is a make-up of different organizations managed by the University of Lagos; the organizations are: Unilag Guest House, Unilag Press and Bookshop, Unilag Ventures and Unilag Pharmaceuticals. A quota of the set questionnaire would be administered to the employees. Having a finite population with 200 employees, 130 employees were

administered the questionnaire. The sampling procedure and sampling size are very important in representing the population. The sample size is 51-200 employees from the four organizations that make up University of Lagos Holding Company Limited. Content validity was used to check the representation of the research questions in the questionnaires. The items found inadequate were discarded while some were modified. Also, the researcher sought assistance from two experts in the field to improve content validity of the instrument. The test-retest technique was used to test the reliability of the research instrument using Pearson Product Moment Correlation Coefficient. The instrument realized a Pearson product correlation coefficient (r) of 0.75 which deemed the instrument reliable. The administration of the set questionnaire is the research instrument used to get comprehensive data from the workers of Unilag Holdings. Chi square was used to test the hypothesis

while mean rating was used to test the questionnaire items, a mean of 2.5 will be considered as positive, anything below 2.5 will be considered as negative.

DATA ANALYSIS

The respondents that filled the questionnaire were 56 males which is 59.6%, while 38 were female which 40.4% is, showing that majority of the respondents were males. The top level management that responded to the questionnaire were 6 which is 6.4%; middle level management that responded to the questionnaire were 54 which is 57.4%; lower level management that responded to the questionnaire were 34 which is 36.2%. The researcher used quantitative technique for the research, correlation analysis will be used in explaining the relationship between the variables of this study due to its stability. Also, mean rating will be used to test the questionnaire items.

ANALYSIS OF QUESTIONNAIRE ITEMS

RESEARCH QUESTION ONE

What effect does corporate governance have on organization’s performance?

Table 1

S/N	ITEMS	SA	A	D	SD	X	MEAN	REMARKS
1.	It plays an important role in achieving the organizations goals	192	132	4	-	94	3.49	Positive
2.	It encourages the best performance	144	120	12	12	94	3.06	Positive
3.	It brings happiness within me	88	156	-	34	94	2.96	Positive
4.	It is a key to achieving high level of customer satisfaction	192	114	8	4	94	3.38	Positive
5.	It improves the reputation of the organization	176	132	12	-	94	3.40	Positive
6.	The affairs of the organization are kept confidential	136	129	22	6	94	3.12	Positive
7.	It takes care of its immediate environment	80	144	28	12	94	2.81	Positive
8.	It makes managers understand their responsibility	64	117	38	20	94	2.54	Positive
9.	It encourages equal treatment to all shareholders	24	45	132	7	94	2.21	Negative

The above table shows the effects of corporate governance have on organization performance. The following items; it plays a role in achieving the organization goals, it encourages to perform at my best, it keeps affairs of the organization to be kept

confidential and a few items shows the effect of corporate governance in organization performance. The items that does not show any effect of corporate governance in organization performance is the equal treatment to all shareholders.

RESEARCH QUESTION TWO
Do business ethical values lead to higher employee productivity?

Table 2

S/N	ITEMS	SA	A	D	SD	X	MEAN	REMARKS
10.	It improves healthy relationship with my colleague	64	54	92	14	94	2.38	Negative
11.	My place of work has strict rules on business ethics	88	156	28	6	94	2.96	Positive
12.	Orders should be followed whether they are ethical or not	48	108	72	10	94	2.53	Positive
13.	Managers rewards employees who are highly productive	152	66	60	4	94	3.00	Positive
14.	Employees who go against the ethical standards are disciplined	224	66	28	2	94	3.40	Positive
15.	My organization has a standard ethical business policy that guides me on how to do my job	112	150	24	4	94	3.09	Positive
16.	In order to succeed in an organization, it is necessary to compromise my ethics	24	54	96	22	94	2.09	Negative
17.	What is ethically right can change depending on the situation	64	108	68	8	94	2.64	Positive

The above table shows how ethical values lead to higher employee productivity. The following items; orders should be followed whether or not they are ethical, manager’s rewards employees who are highly productive, my organization has a standard ethical business policy that guides me on how to do my job and

others showed that ethical values lead to higher employee productivity. Other items that were negative includes; In order to succeed in an organization, it is necessary to compromise my ethics and it improves healthy relationship with my colleague.

RESRACH QUESTION THREE
Effects of business ethical value on organization performance?

Table 3

S/N	ITEMS	SA	A	D	SD	X	MEAN	REMARKS
18.	It meets the needs of the society	56	162	36	7	94	2.78	Positive
19.	Honesty, transparency and accountability are practiced in my organization	112	132	32	6	94	3.00	Positive
20.	Having relationship with a colleague	48	72	84	16	94	2.34	Negative
21.	Responsible acts in dealing with company	136	144	24	-	94	3.23	Positive
22.	Uniformity in decision making	144	138	18	3	94	3.22	Positive
23.	My organization sets according to its ethical values	80	129	34	14	94	2.73	Positive
24.	Good ethical values lead to a happy organization	232	102	6	-	94	3.60	Positive

The above table indicates that all items indicated positive remarks except having relationship with a colleague which was negatively remarked.

RESEARCH QUESTION FOUR

Is there a relationship between corporate governance and business ethical values?

Table 4

S/N	ITEMS	SA	A	D	SD	X	MEAN	REMARKS
25.	Whistleblowing should be welcomed	64	144	36	12	94	2.72	Positive
26.	It encourages law and order	19	132	2	-	94	3.47	Positive
27.	It reduces maximum output level at all levels of management	232	96	4	4	94	3.57	Positive
28.	It reduces the rate of customers leaving the organization	184	126	-	6	94	3.36	Positive
29.	It leads to long term profitability for the organization	216	102	8	2	94	3.49	Positive
30.	Government should take more control of organization actions	48	54	120	14	94	2.40	Negative
31.	It encourages corruption	8	48	128	12	94	2.09	Negative

The above table shows there is a relationship between corporate governance and business ethical values. The following items are positive remarked; it reduces the rate of customers leaving the organization, whistleblowing should be welcomed, encourages law and order, ensuring maximum output level at all levels of management and a few other items were positive remarked. Government should take more control of organization actions and it encourages corruption were negatively remarked.

TESTING THE HYPOTHESIS

Hypothesis one:

H₀: Corporate governance has no effect on organization performance.

H₁: Corporate governance has effect on organization performance.

Table 5: Corporate governance plays a role in achieving the organization's goals.

	Observed N	Expected N	Residual
Strongly Agree	48	31.3	16.7
Agree	44	31.3	12.7
Strongly Disagree	2	31.3	-29.3
	94		

	Observed N	Expected N	Residual
Strongly Agree	22	18.8	3.2
Agree	38	18.8	19.2
Disagree	16	18.8	-2.8
Strongly Disagree	18	18.8	-19.6
Total	94		

Table 6: TEST STATISTICS

	Corporate governance plays a role in achieving the organization's goals
Chi-square	20.723a
Df	2
Asymp. Sig.	.000

a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 15.7

INTERPRETATION OF RESULTS

The table above gives a chi-square value of 20.723 with 2 degrees of freedom and p-value of 0.000 which is considered less than 0.05.

Hence, we reject the null hypothesis at 5% level of significance and accept the alternative hypothesis.

We therefore conclude that corporate governance has an effect on organizations performance.

Hypothesis two:

H₀: Ethical values have no effect on the productivity of employees.

H₁: Ethical values have an effect on the productivity of employees.

Table 7: My manager rewards employees who are highly productive

	Observed N	Expected N	Residual
Strongly Agree	22	18.8	3.2
Agree	38	18.8	19.2
Disagree	16	18.8	-2.8
Strongly Disagree	18	18.8	-19.6
Total	94	18.8	-19.6

Table 8: Test Statistics

	Corporate governance plays a role in achieving the organization's goals
Chi-square	16.723a
Df	4
Asymp. sig.	.002

a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 9.4.

INTERPRETATION OF RESULTS

The table above gives a chi-square value of 16.723 with 4 degree of freedom and p-value of 0.002 which is considered less than 0.05.

Hence, we reject the null hypothesis at 5% level of significance and accept the alternative hypothesis. We, therefore conclude that ethical values have an effect on the productivity of employees.

Hypothesis three:

Ho: Business ethical values have no effect on organizations performance

H1: Business ethical values have effect on organizations performance.

Table 9: The current ethical values in the organization meets the needs of the society

	Observed N	Expected N	Residual
Strongly Agree	14	18.8	-4.8
Agree	54	18.8	35.2

Disagree	20	18.8	-17.6
Strongly Disagree	6	18.8	-16.8
Total	94		

Table 10: Test Statistics

	The current ethical values in the organization meets the needs of the society
Chi-square	45.447a
Df	4
Asymp. sig.	.000

a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 9.4.

INTERPRETATION OF RESULTS

The table above gives a chi-square of 45.447 with 4 degree of freedom and p-value of 0.000 which is considered less than 0.05. Hence, we reject the null hypothesis at 5% level of significance and accept the alternative hypothesis. We therefore conclude that business ethical values have an effect on organization performance.

Hypothesis four:

Ho: There is no relationship between corporate governance and business ethical values.

H1: There is a relationship between corporate governance and business ethical values.

Table 11: Correlation

	CG	BEV
Pearson Correlation	1	.812**
CG Sig. (2 tailed)		.000
N	94	94
Pearson Correlation	.812**	1
BEV Sig. (2 tailed)	.000	
N	94	94

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

Where;

CG: Corporate Governance

BEV: Business Ethical Values

Table 11 summarizes the results of the correlation. This table reflects that Corporate Governance is positively correlated to Business Ethical Values ($r=.812$, $N=94$, $P<.01$) which shows the moderate correlations between the said variables. In the case of this correlation, the null hypothesis would be rejected and the alternative hypothesis would be accepted as the P-value is less than 0.05. This concludes that there is a relationship between corporate governance and business ethical values.

DISCUSSION OF FINDINGS

The result of the analysis of data gotten from the respondents shows that there is significant effect of corporate governance on the performance of the organization. The employees appreciate the fact that a standard corporate governance system is out to place, hence; the operations of the organization run smoothly. This was supported by (West, 2009) that efficient corporate governance is believed to be essential for maintaining investors' confidence. They feel with the presence of corporate governance in place their organization encourages them to perform at their best. It was also discovered that the organization takes care of its immediate environment and this builds the reputation of the organization. (Igor Todorovic, 2013) supported that organizations should implement corporate governance for individual tradition and market conditions.

Since ethics is defined as a system of moral principles concerned with the behavioral ideas regarding what is morally right and wrong, the employees believe that dating in the place of work will go against the ethical values of the organizations. The respondents also brought to light that erring employees are disciplined accordingly. This was supported that by (Tricker, 2012) which focuses more on systematic discipline for economic activity.

It was also discovered that the organization also attends to its customers as ethnically as possible. Furthermore, with the data analysis that was carried out it was brought to light that good ethical values leads to a happy organization and a happy organization leads to continuous growth. The organization is said to operate with honesty, transparency and fairness. Findings from the study, also showed that employees feel emotionally attached to this organization.

Finally, it was advised by the employees that whistle blowing should be encouraged and it was also inferred

from the study that corporate governance and business ethical values leads to high organization and employee's performance hence; upcoming organization should ensure that existing businesses should ensure that the corporate governance and business ethics do not lose its hold in the organization.

SUMMARY

The main focus of the study was to examine the effect of corporate governance and business ethics on the performance of the organization and employee. From the analysis, corporate governance has an effect on organizational performance since the alternative hypothesis was accepted and the null hypothesis was rejected thus we can conclude that corporate governance has an effect on both employee and organization performance.

Also, we can deduce that business ethical value leads to employee productivity since the alternative hypothesis was accepted and the null hypothesis was rejected.

Furthermore, from the analysis between corporate governance and business ethical values since the alternative hypothesis was accepted and the null hypothesis was rejected.

Hence, if UniHOLDS wants to have productive employees and sustainable continuous growth it should have a firm corporate governance and sound business ethical values in place.

RECOMMENDATIONS

Based on the summary above, the following recommendations are made:

The organizations should ensure that the employees strongly recognize that corporate governance and business ethical values play a significant role in its performance. The organization should recognize the hard-work of employees and recognize them for a job well done.

The organization should ensure that it continues to treat all shareholders equally with no form of bias whatsoever. The employees in the organization believe that dating in the organization will cause a breach in the ethics of the organizations hence; the organizations should maintain this rule.

From the result of the analysis, it shows that the employees follow rules whether or not they are ethical; this should be discouraged by the organization. The

organization should make sure that no top level manager gives unethical duties to their subordinates to carry out.

The employees are of the opinion that whistle blowing should be encouraged but the identity of the whistle blower should be kept confidential.

Since a large number of employees are happy with their jobs, the organization should ensure that it continues that way to reduce the rate of turnover because if employees leave the performance of the organization will be greatly affected. The organization can also maintain its friendly relationship with its environment and foster the participation of employees in the decision making process as this will help in building team spirit among employees and also boost their morale; it will also lead to increased productivity for the organization.

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