An evaluation of the ethical behaviour of MBA students at a selected business school

Sello Daniel Rapule

12021989

STD., HED (Cum Laude), Hons BEd., MEd (Cum Laude), PhD

Mini-dissertation submitted in partial fulfillment of the requirements for the degree Masters of Business Administration at the Potchefstroom Business School at the North-West University (Potchefstroom campus)

Supervisor: Prof. Christo Bisschoff

November 2011

ABSTRACT

Business schools have been under scrutiny over the last few years with regard to the type of manager leaders that they produce. This is because the business sector has suffered significantly, both financially and in terms of global reputation due to the unethical conduct of those in management and leadership of the organisations. The scandals that rocked the world in recent times, from business entities such as Enron and Tiger Brands provide examples of the unethical behaviour in the day-to-day running of business and further bring forth the essential need for an in-depth study in the behaviour of the manager-leaders.

These manager-leaders are said to be graduates from business schools around the world. Researchers and business schools have started to put emphasis on the importance of ethical behaviour in manager-leaders. Business schools in particular have introduced and included business law and ethics as one of the modules in the curriculum of the MBA program so as to inculcate the ethical conduct in the present and emerging manager-leaders in organisations. Therefore, this study is based on the evaluation of the ethical behaviour of the MBA students at a selected business school in South Africa.

The subjects of this study (MBA students) were subjected to questionnaires that prompted their convictions with regard to ethical behaviour at personal (individual) level and on company level as well. The results of the study indicated that the MBA students at this selected business school are ethical in behaviour at both individual and company levels, hence complied with principles that are guidelines in the renowned King reports. However, a comparative study with other business schools will be necessary so as to measure the relative ethical behaviour of the MBA students at other business schools.

***Key words**:* *Business school ethics, MBA, managerial ethics, corrupt business practices, company ethics, Code of Conduct*

ACKNOWLEDGEMENTS

Someone said, "*It is in the quite crucible of our personal private sufferings that our noblest dreams are born and God's greatest gifts are given, and often given in compensation for what we have been through*". I would therefore like to thank God through Christ and the guidance of the Holy Spirit for the courage, strength and wisdom to pursue this daunting task of successfully completing this dissertation and the MBA program.

"To get something you never had, you have to do something you never did". The truth is, I could not have been able to do *something I never did* (completing the MBA degree) had it not been for the insurmountable support I enjoyed from the following pillars of strength:

- My wife, Martha and daughters, Reabetswe and Tshiamo, for the unwavering, astounding and immeasurable support and motivation throughout my studies.

- Prof. Christo Bisschoff for his expertise, zeal and drive he provided for the duration of my studies.

- Ms Lusilda Boshoff for her warm, extensive and professional statistical assistance she offered.

- Ms Christine Bronkhorst for flooding my mail box with relevant, updated literature and references on requested study material.

- Ms Wilma Pretorius for being there, thereby making the MBA degree workload to be much more bearable.

- Ms Antoinette Bisschoff for the meticulous proof reading phase of the dissertation and the grammatical editing of the dissertation.

- The PBS lecturers for their zeal and the motivational way in which they conducted their classes.

- TITANS, my syndicate group members throughout our three years of study, for their support and encouragement.

- School of Physical and Chemical Sciences staff, for their support and believing in me.

- The AFM Emmanuel Assembly; leadership, Agape and Living Waters cell groups, for their prayers and support during my studies.

- My sisters and brother, for their encouragement and overwhelming support in my educational career.

- My friends, for being there every step of the way. Your support has not gone unnoticed, may God richly bless you and your families.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

CHAPTER 1

NATURE AND SCOPE OF THE STUDY

1.1 INTRODUCTION

The global expansion of businesses, coupled with the recent and ongoing global credit crunch has placed great scrutiny on how manager-leaders behave in an endeavour to drive and implement turn around strategies in their respective businesses/organisations. Manager-leaders in various businesses are therefore faced with adverse challenges to present favourable bank balances to their respective boards. The modern business phrases such as "*doing more with little*" does not make the situation manager-leaders find themselves in any better. Public access to information in recent times makes it impossible for manager-leaders to work in absolute secrecy (Coldwell, 2010:190; Nicolaides, 2009:490).

Therefore, the behaviour of manager-leaders is subjected to so much more scrutiny than ever before. Thus manager-leaders are put under extensive pressure to perform. Manager-leaders become evasive and take unethical decisions to keep up with the pressure and try to keep their respective businesses abreast with the demand from the boards (Coldwell, 2010:190; Nicolaides, 2009:490).

The rising unethical behaviour of manager-leaders has led to a rapid explosion of literature. The last decade has seen an increase in the publication of business ethics literature. The KPMG survey conducted in South Africa in 2002 revealed that 84% of the businesses compiled their ethics code of conduct to manager-leaders. Manager-leaders, who are enrolled with various business schools for MBA degrees, are encouraged through ethics modules to behave ethically in their positions. However, despite the presence of this support (literature, ethics code of conduct, King Reports, qualifications) manager-leaders are found to be contravening these ethical codes of conduct (Coldwell, 2010:190; Nicolaides, 2009:490; Rossouw & Van Vuuren, 2003:2).

As its central point, the study intends to evaluate the ethical behaviour of the MBA students, referred to as emerging manager-leaders, registered with the Potchefstroom Business School in South Africa at the time.

1.2 PROBLEM STATEMENT

Despite the imposition of ethical standards on business and organisations, such as the King I, II and III reports, ethical behaviour in manager-leaders remains a rare commodity in business operations. Various business sectors such as franchising, lifestyle business, food corps and the pharmaceutical industry globally, have experienced challenges with respect to the unethical practices or unfairness in pricing of their products or services from both public and law agencies (Murphy, 2010:751).

The collapse of Enron, World-com, Peregrine Systems and Adelphia in the United States of America; Tyco International in Switzerland emanated from, as Coldwell (2010:190) puts it, a deliberate fraud rather than failure from systems such as accounting, finance, law and *management*. The deliberate fraud from the listed business units can be characterized as unethical business behaviour. The outbreak of the bread scandal in South Africa involving Tiger Brands, Premier Foods and Pioneer Foods in 2007 is another classic case of the unethical misconduct and behaviour on the side of manager-leaders in their business escapade (Gydye: 2007; Deshpande & Joseph, 2010:103; Mayer *et al*., 2009:1).

The unethical practices by manager-leaders listed by literature (as examples cited in the previous paragraph) triggered prompt reactions by governments to establish commissions of enquiry, such as the King's Commission. Therefore, the quest to have accountable, responsible and ethical leadership in manager-leaders has drawn attention from the boards of businesses, organisations, the general members of the public as well as governments (Le Roux, 2010:81).

Businesses consider ethics in leadership to be a crucial aspect since the lack thereof could cost them (businesses) a fortune, as is the case in the bread scandal in South Africa (Gydye, 2007). Den Hartog and De Hoogh (2009:200) contend that ethics, or lack of it, in manager-leaders do not only impact on the financials of the business but also on the sustained success of the business. As a result emerging manager-leaders become trapped in the mode of operations of the businesses.

Managers-leaders are put in positions of power in their respective businesses and therefore take decisions on the direction the business has to take. This is done to achieve the objectives set by businesses as well as strategic implementation. The decisions taken by manager-leaders revolve around ethics. However, to achieve objectives and implement strategy by unethical means prove to be costly for business (Den Hartog & De Hoogh, 2009:200; Elms *et al*., 2010:402).

Brenkert (2008:111, 2010:703) and Mules (2010:3) assert that manager-leaders in their respective businesses have daring responsibilities. These responsibilities cut across the requirement to report to the board on the business's triple bottom-line and striving to strike and maintain a balance between the interests of a range of stakeholders which include owners, shareholders, employees, customers and management.

Fullerton *et al*. (2008:162) concur with the notion that the "South African business world is increasingly characterized by the absence of clear ethical norms and behaviours". This absence of clear ethical behaviour from manager-leaders tarnishes the reputation of the businesses. It remains the focus of this study to evaluate the ethical behaviour of the emerging manager-leaders (MBA students registered with the Potchefstroom Business School) in South Africa.

Business schools globally incorporate ethics education in their curriculum so as to inculcate the culture of good ethical behaviour in current and emerging manager-leaders (MBA students in particular). The Potchefstroom Business School of the North-West University is no exception to this global trend. It is imperative that the emerging manager-leaders be trained and educated in ethical behaviour so that they begin to act ethically in positions of influence and power (Cavaliere *et al*., 2010:4).

1.3 OBJECTIVE(S) OF THE STUDY

The overarching objective of this study can be stated as follows: *Evaluating the ethical behaviour of the MBA students registered with the Potchefstroom Business School (emerging manager-leaders) in South Africa*. The overarching objective of this study was achieved by addressing the following sub-objectives, namely to:

1.3.1. Determine if these MBA students (emerging manager-leaders) are ethical in their conduct or not.

1.3.2. Establish whether or not these MBA students (manager-leaders) consider ethical behaviour in the decision-making processes.

1.3.3. Establish whether or not these MBA students (manager-leaders) comply with the King Report's guidelines.

1.3.4. Provide ethical insight and guidance to the business sector, with respect to ethical business conduct.

In the following section the research methodology to achieve these objectives will be outlined.

1.4 RESEARCH METHODOLOGY

The literature concerning this study was obtained by means of an intensive electronic search on publications on the subject in scientific and business journals, books and from the internet. The following key words were used: *evaluating, ethical, business ethics, manager-leader, leadership.* The library service of the North-West University (Potchefstroom campus) was consulted for assistance in this regard.

Based on the descriptive nature and objectives of this study, a quantitative research approached was adopted. According to Leedy and Ormrod (2010:134) and Welman *et al*. (2005:188) quantitative research has four advantages:

- Through its descriptive nature, quantitative research can help to reveal the nature of a situation or process, as in the ethical behaviour of manage-leaders in this study (addresses objectives 1.3.1 and 1.3.2 of this study).

- By means of its interpretative form, quantitative research enables researchers to gain new insight about a particular phenomenon – ethical behaviour, develop new concepts about phenomenon and discover the problems that exist within the phenomenon (addresses objective 1.3.3 of this study).

- Through verification, quantitative research allows researchers to test the validity of certain assumptions, claims and theories within businesses (concerns objective 1.3.4 of this study).

- Through its evaluative nature, quantitative research provides a means through which researchers can judge the effectiveness of particular policies; practices or innovations (address objectives 1.3.2 and 1.3.4 of this study).

A survey was therefore conducted using the MBA students as respondents to this study. These respondents are described in the subsequent section.

1.4.1 Empirical Study

The objectives of this study (sub-objectives 1.3.1 – 1.3.3) are concerned with the ethical behaviour, or lack of it, of MBA students referred to as manager-leaders in businesses/organisations. Therefore, this type of ethics is classified as prescriptive or normative ethics. Normative ethics thus require subjects' convictions about the practices of a particular phenomenon. Thus data in this study was acquired by means of questionnaires developed and tested in previous research studies by Fullerton (1993) (Fullerton *et al*., 2008:163). The instrument used by Fullerton (1993) was chosen for this study because the instrument was successful in getting the respondents to convict themselves to a particular behaviour in their respective business practices.

The respondents (Phases I; II and III MBA students with Potchefstroom Business School) in this study were asked to respond to various ethical scenarios by indicating the level of acceptability or unacceptability for a specific scenario which relates to a particular ethical behaviour. The ethical scenarios cut across various managerial aspects and disciplines. These scenarios relate to personal as well as business/company ethics.

The respondents of this study attended their classes on campus every second week of the month and during the week-long study school in February and July. Data were collected during the study school in July when the phase I students have completed the business law and ethics module in the first semester of their study. The questionnaire designed on a 5-point itemized rating scale was administered during one of the core modules which the respondents enrolled for.

The biographical information of the respondents was sought. This information is helpful in identifying the experience, age and the position of the manager-leaders in their respective businesses or companies they are employed in.

1.4.2 Population

The study focused on the phase I; II and III MBA students who were registered with the Potchefstroom Business School at the time. The school had registered 91 phase 1 students; 70 phase II students and 81 phase III MBA students. Therefore the Potchefstroom Business School had, at the time of the study registered 242 students and the group was considered as respondents to this study. Therefore, the population of the study is (N) 242. However 217 responses were received back from the participants of the study that constituted an 89.6% response rate. Therefore, the study comprised an availability sample of 217 (n).

1.4.3 Statistical Analysis

The Statistical Support Services of the North-West University (Potchefstroom campus) was consulted to assist in the statistical analysis of the data. The specific statistical analysis and software used is discussed in Chapter 2 of this study.

1.4.4 Statistical techniques employed

The statistical techniques employed in this study are discussed in the following sub-sections.

1.4.4.1 Inferential statistics

According to Sprinthall (2003:19), inferential statistics involves the techniques used for measuring a sample (MBA Phases I; II and III) and then generalizing these measures to the population. In an attempt to reach conclusions that extend beyond the immediate data alone, the following techniques were employed.

1.4.4.2 Effect size

Effect size is a simple way of qualifying the difference between the groups that have many advantages over the use of tests of statistical significance alone. It emphasizes the size of the difference rather than confounding this with the sample size (Sprinthall, 2003:444). The focus of this study was on the ethical behaviour of the three MBA phases/groups registered with the Potchefstroom Business School. Therefore, the difference between the groups with regard to their ethical behaviour was sought.

Subsequently the effect size, Cohen's d-value was used to determine if the differences were practically significant. The interpretation of the parameters thereof is presented in Table 1.1 below:

Table 1.1: Cohen's d-values for practical significance

Cohen's value	Measure (effect size)	Significance
$d = \lvert 0.2 \rvert$	Small	No practical significant difference
$d = \lvert 0.5 \rvert$	Medium	Practically visible difference
$d = \lvert 0.8 \rvert$	Large	Practically significant difference

Source: Sprinthall (2003:444)

1.4.4.3 Reliability analysis

To be able to use the average score on a questionnaire, it is essential to know that the items are sufficiently inter-relational, that is to say, it is essential to test whether the questionnaire is reliable or not (Clarke & Watson, 1995:309; Field, 2009:666). Therefore to establish whether the questionnaire is reliable or not, Cronbach's alpha (internal consistency estimate of reliability of test scores) is used and the parameters thereof is given in the table hereunder:

Table 1.2: Cronbach's Alpha parameters

Parameters (α)	Description
$\alpha \geq 0.9$	Excellent
$0.9 \geq \alpha \geq 0.8$	Good
$0.8 \geq \alpha \geq 0.7$	Acceptable
$0.69 \geq \alpha \geq 0.6$	Questionable
$0.59 \geq \alpha \geq 0.5$	Poor
$0.5 \geq \alpha \geq 0.4$	Unacceptable

Source: Field (2009:667)

According to Field (2009), a value which is greater than 0.7 indicates that the questionnaire is reliable. To further test the reliability of the questionnaire, the mean inter item correlation as well as the item total correlations were performed. To ascertain reliability, the mean inter item correlation should be greater than 0.15 (Clarke & Watson, 1995:309) and the item total correlation should be greater than 0.3 (Field, 2009:667).

1.4.4.4 Post-hoc tests

Post-hoc tests in the *Analysis of Variance* (ANOVA) are designed for situations in which the researcher has already obtained a significant omnibus F-test with a factor that consists of three or more means and additional exploration of the differences among means is needed to provide specific information on which means are significantly different from each other.

Omnibus tests were conducted to determine if there were differences in the items. If this test (omnibus-test) indicated a statistically significant difference, that is if $p < 0.05$, post-hoc-tests were conducted to determine pair-wise which of the groups differed. In this pair-wise comparison ($p < 0.05$), indicated a statistically significant difference.

1.5 DEMARCATION OF STUDY

The demarcation of this study is limited to those manager-leaders who were registered as MBA students (2011) with the Potchefstroom Business School of the North-West University in South Africa. For the current academic year, 2011, the Potchefstroom Business School has registered 242 MBA students and 217 participated in the study. One of the critical requirements to admission to this business school is that one has to be in a position of a manager-leader at the workplace, hence the MBA students are referred to as manager-leaders in this study. At first year level (phase I), these MBA students at this business school undertake, as one of their core modules, business law and ethics. In this module, ethical behaviour is inculcated to these emerging manager-leaders.

The emerging manager-leaders in this MBA program were selected from various business sectors across the country. The study intended to evaluate the ethical behaviour of these emerging manager-leaders. However, for ethical purposes, the identity of these businesses will not be revealed.

1.6 LAYOUT OF THE STUDY

This study is presented in the article format. This means that a scientific article is presented in Chapter 2 of the study, and that some relevant text will be repeated in this chapter. Chapter 2 will also have its own list of references. The layout per chapter follows below.

In Chapter 1 the motivation for the study of the evaluation of the ethical behaviour of manager-leaders is presented based on the reviewed literature. The chapter further sought to outline the overarching aim of the study, intended sub-objectives and the method of research.

Chapter 2, being the scientific article, constitutes the literature pertaining to the study. The literature sought to outline the ethical aspects and impact thereof by manager-leaders in business and organisations. The chapter also outlines the detailed research methodology that was employed in this study. The empirical results are also analysed and discussed. This chapter sought to address sub-objectives 1.3.1-1.3.4 of this study.

The analysis of results is followed by the conclusions and recommendations in Chapter 3. This chapter rounds-off the overarching aim as well as sub-objectives that are stated in section 1.3.1-1.3.4 of this study.

Regarding the lists of reference, the scientific article (Chapter 2) has an individual reference list relating to the article itself. The complete list of reference pertaining to the study as a whole appears at the end of the study.

1.7 SUMMARY

The literature reviewed in this study revealed the critical importance of ethical behaviour from the manager-leaders' perspective. The damage caused by unethical behaviour from the actions of manager-leaders is immense as it positively relates to counterproductive behaviour. Ethical behaviour is critical as according to literature puts an indelible mark on the image of the business as well as that of manager-leaders. This in turn impacts on the global image of the business (Mayer *et al*., 2009:1).

Therefore, it becomes imperative to pursue a study wherein the ethical behaviour of emerging manager-leaders in South Africa is evaluated. This was done so as to gain insight on the extent of the malpractices and attempt to remedy the phenomenon (sub-objectives 1.3.1-1.3.4). The next chapter contains the literature review and results of the study.

CHAPTER 2

<u>SCIENTIFIC ARTICLE</u>:

AN EVALUATION OF THE ETHICAL BEHAVIOUR OF MBA STUDENTS AT A SELECTED BUSINESS SCHOOL

2.1 INTRODUCTION

The rating of the South African manager-leaders in international indexes designed on the basis of countries' perceived levels of corruption, is a cause for concern. The Corruption Perception Index (CPI) score relates to perception of the degree of corruption or unethical behaviour as seen by business people and analysts across the globe. The index reflects on the three components of the country, police; *business* and political unethical behaviour. South Africa has a score of 4.5 and ranked 45th from 159 countries. The rating ranges from 10.0 (the cleanest) to 0.0 (the most corrupt). The downward spiral of countries in this index is compounded by the unethical deeds of manager-leaders in organisations. Unethical conduct of manager-leaders, according to Thompson *et al*. (2010:14), entail substantial risk to organisations/businesses as their corporate images are tarnished and their profitability as well as financial strengths are affected.

This chapter sought to present the theoretical background on the ethical behaviour/disposition of manager-leaders based on literature followed by the statistical processing and analysis of the empirical results obtained by means of questionnaires administered to the subjects of the study – MBA students at a selected business school. This was done to address the objectives of the study hence the overarching aim of the study, evaluating the ethical behaviour of the MBA students at a selected business school.

2.2 PROBLEM STATEMENT

Manager-leaders work in a social environment as they interact with stakeholders (board members; shareholders; management teams; employees and general members of the public) within the organisations of their employ. They further interact with government and other companies at national level. The interaction of manager-leaders expands beyond the borders of the continents and reaches other shores-globally. Therefore, it is evident that manager-leaders in executing their corporate functions (discussed in paragraph 2.5.1) operate in positions of social power. Ethical leadership focuses on how manager-leaders use their social power in their actions when they talk, take actions on decision-making processes and influence others on their decisions (Den Hartog & De Hoogh, 2009:201).

Current global unethical business trends resulting from manager-leaders have lead to the explosion of research on ethical studies (Brenkert, 2010:703; Valentine, 2009:227). This explosion emanates from the unethical occurrences that result from deliberate fraud (*from the actions of manager-leaders*) rather than failure from systems such as accounting, finance, law and *management* in businesses such as the collapse of Enron, World-com, Peregrine Systems and Adelphia in the United States of America and Tyco International in Switzerland (Gydye, 2007; Deshpande & Joseph, 2010:103 and Mayer *et al*., 2009:1).

According to Le Roux (2010:81) unethical practices by manager-leaders in operations cited above prompted reactions by governments to establish commissions of enquiry, such as the King's Commission. Therefore, the quest to have accountable, responsible and ethical leadership in manager-leaders has drawn attention from the boards of businesses, organisations, the general members of the public as well as governments. Manager-leaders are therefore encouraged to conduct themselves ethically as well as the organisations that they manage/lead since the lack thereof could cost them (businesses/organisations) a fortune.

Den Hartog and De Hoogh (2009:200) contend that ethics, or lack of it, in manager-leaders do not only impact on the financials of the business but also on the sustained success of the business globally. As a result emerging manager-leaders become trapped in the mode of operations of the businesses.

Emerging manager-leaders are the products of business schools throughout the world. They have registered for MBA degrees in the various business schools. However, business schools have come under scrutiny and criticism recently about the kind of manager-leaders that they produce. The criticism levelled against business schools refers to the MBA graduates, who are the current and future manager-leaders in organisations. These manager-leaders are said to be lacking in ethical conduct. The evidence is seen from recent scandals that further plunged organisations in debt as well as tarnishing the image of the organisations due to unethical conduct from manager-leaders (Deshpande & Joseph, 2010:102).

Deshpande and Joseph (2010:103) assert that the International Association to Advance College Schools of Business (AACSB International) – an organisation devoted to the improvement of higher education in accounting and administration, has recommended that business ethics be included as part of the curriculum in business schools. The Potchefstroom Business Schools of the North-West University in South Africa has, as part of the MBA curriculum, a module on business ethics in the first year of the curriculum.

It is against this background that this study is envisaged so as to evaluate the ethical behaviour of emerging manager-leaders (MBA students) in South Africa.

2.3 RESEARCH METHODOLOGY

In achieving the intended objectives of the study, research was conducted as follows:

2.3.1 Population

The study focused on the MBA students who were registered with the Potchefstroom Business School at the time. The school had registered 242 students (Phase I; II and III) and the group was considered as the population to this study. A total of 217 responses were received which constitute an 89.7% success rate. Therefore the survey comprised a sample width of 217. This sample can be considered as an availability sample from the population.

The population of the MBA students is regarded as emerging manager-leaders as they are in transitional senior managerial positions who will in recent time manage their organisations respectively (refer to Section A of the questionnaire). The population represented an array of organisations in South Africa as some were from the manufacturing, engineering, marketing and sales, human resource, finance management and state organisations.

2.3.2 Nature of research

To pursue the objectives of this study the researcher sought for the research approach that addresses two essential aspects. The first is the nature of the subject in question, ***ethics*** and secondly the means to address the objectives of the study. To ensure that the nature of the former, *ethics* is addressed, the researcher considered that the type of ethics dealt with in this study is normative. Therefore normative ethics require subjects' convictions about the practices of a particular phenomenon (ethical behaviour) (Brenkert, 2010:703). Hence the appropriate instrument developed by Fullerton (1993) was used (Fullerton *et al.*, 2008:163). This instrument is regarded as appropriate since it was used effectively in similar previous research where the ethical dispositions of subjects were sought. This type of instrument used in quantitative research eliminates the personal bias of the researcher and test what it intends to, that is the ethical dispositions of the MBA students in this business school (sub-objectives 1.3.1-1.3.3) (Welman *et al*., 2005:92).

In addressing the latter the researcher considered the nature of research that:

- allow for a broader study, involving a greater number of subjects and enhancing the generalisation of the results;

- can allow for greater objectivity and accuracy of results. Quantitative methods are said to be designed to provide summaries of data that support generalisation about the phenomenon under study (ethical behaviour/disposition of the MBA students). In accomplishing this, quantitative research usually involves few variables and many cases and therefore employs prescribed procedures to ensure validity and reliability (refer to section 2.5.2 of the study);

- can use standard means that the research can be replicated and then analysed and compared with similar studies;

- best investigates the constraints of the day-to-day events of human behaviour;

- gets the conviction in response to a ethical or unethical behaviour (by means of structured questionnaires);

- works with the dynamic and changeable nature of reality such as ethical behaviour.

According to Welman *et al*. (2005:92) quantitative research has all the qualities mentioned above therefore the nature of this study is quantitative.

2.3.3 Data collection

As it follows from the previous paragraph, data in this study were collected in the form of questionnaires which sought to probe (i) biographical information of the subjects of the study and (ii) the convictions of the subjects on acceptability or unacceptability of ethical or unethical dilemmas presented to them. The questionnaire was administered to the subjects during their contact session (study school) where adequate time was allotted for completion.

2.3.4 Data analysis

The Statistical Consultation Services of the North-West University Potchefstroom campus were consulted to assist with the analysis of the data of the empirical study. Simple descriptive statistics, reliability coefficients, correlation coefficients and comparisons of ethical behaviour based on demographic variables were used and in achieving the intended aim of the study, analysis using SPSS (SPSS, Inc. 2009) and Statistica (StatSoft, Inc. 2011) software programs were employed.

2.3.5 Research Instrument

The research instruments form the bedrock on which the research rests, therefore it is critical that the instrument(s) should comply with certain criteria. The instrument must be valid and reliable (Welman *et al*., 2005:142). The instrument must therefore accurately represent the ethical behaviour of the manager-leaders used in this study (validity) and be consistent and credible (reliability).

The instrument used (questionnaire) in this study was designed and based on the validated Fullerton (1993) and Fullerton *et al*. (2008) findings where business students were asked to indicate their opinions regarding questionable ethical conducts. Small adaptations were made to clarify some of the statements. For this particular sample, the reliability of the instrument was tested by Cronbach Alpha coefficient where a measure of 0.7 and greater is regarded as acceptable (Nunally & Bernstein, 1994).

Since normative ethics require subjects' convictions about the behaviour of particular phenomenon (ethical conduct in this regard), the respondents in this study **(n=217)** were asked to respond to the items on the questionnaire to demonstrate their convictions on particular scenarios. The instrument used by Fullerton (1993) was chosen as basis for this study because it was successful in getting the respondents to convict themselves to a particular behaviour (by indicating the level of acceptability or unacceptability on various scenarios) in their respective business practices, thereby revealing their ethical or unethical behaviour.

The questionnaire used a five-point Likert scale where respondents had to rate statements that represent ethical or unethical conduct on a scale from completely acceptable to completely unacceptable (Refer to Appendix B). The items of the questionnaire cut across the aspects of (but not limited to) management in various disciplines such as marketing, corporate governance and financial management. It included the factual questions which entails socio-demographic and personal information from the respondents.

The study is structured such that it comprises the conceptual framework which stems from the literature. The conceptual framework, based on the literature, forms the basis of this study as it consists of the theories that the research study is embedded in. The conceptual framework also encompasses the overarching aim of the study*: evaluating the ethical behaviour of emerging manager-leaders in South Africa.* This conceptual framework is discussed hereunder.

2.4 LITERATURE REVIEW

Ethical leadership is considered to be an important component of the modern process of management in all spheres of business. Ethical leadership is not only important in the modern business, but it is also crucial as it determines the sustainability and success of the business, as failure on the side of manager-leaders to comply with the ethical conduct will prove costly to the business and entire organisation (Den Hartog & De Hoogh, 2009:200; Thompson *et al*., 2010:14).

Often the words ethics, morality and values are used interchangeably. This is because of the closeness of meaning to these words. The next sub-section seeks to clarify the distinction as these form character traits in manager-leaders.

2.4.1 Definition

Various researchers attach different meanings to the term ethics. However, the term, from various definitions, encompasses aspects such as *corporate governance*; reputation management; accurate accounting and audits; fair labour practices and environmental stewardship (Den Hartog & De Hoogh, 2009:200; Erasmus & Wordsworth, 2004:77). From these aspects encompassing the definition of the term ethics, it follows that "ethics" addresses a wide range of scope of responsibilities and tasks for manager-leaders.

Within these tasks the character traits of the manager-leaders emerge as they engage in different functions of the organisation. Their values, sense of morality and hence ethics come to the fore. The distinction in the three is that (i) values refer to the qualities or ideas which all human beings care about and consider important. Values can be based on ethics or on natural want/need. Someone's values can be motivated by greed hence values can be good or bad. On the other hand (ii) morality refers to individuals' perceptions of right or wrong, good or evil. (iii) Ethics refer to a set/system of moral ideas. It follows therefore that ethics should be a product of society and not that of an individual. As a result ethical activities refer to the relationship between the individual and the group; in this context, it refers to the relationship between the manager-leader, his functions and the organisation in which he is employed (Den Hartog & De Hoogh, 2009:200; Nicolaides, 2009:491). The relationship between the manager-leader and the organisation is essential as it involves the core corporate functions to be executed by the manager-leaders.

The corporate functions of manager-leaders cut across the five essential components of ethical behaviour. These are fairness; accountability; transparency; integrity and responsibility employed (Den Hartog & De Hoogh, 2009:200). These components are also entrenched in the King Report and are central to this study as they address objectives 1.3.1; 1.3.2 and 1.3.3 of the study. Based on the nature of the essential components of ethical behaviour it follows therefore that ethics has to do with what is good and doing right in human interaction (Den Hartog & De Hoogh, 2009:200; Erasmus & Wordsworth, 2004:78; Nicolaides, 2009:491).

According to Erasmus and Wordsworth (2004:79), in executing these corporate functions, manager-leaders need to interact and act at five different levels of business/organisation ethics. These levels highlight the degree of challenges that manager-leaders are faced with in their daily duties. These challenges constitute unethical behaviour and are shown in terms of levels (levels wherein manager-leaders are exposed to in their daily activities). These levels (Erasmus & Wordsworth, 2004:79) are listed hereunder.

2.4.1.1 Level 1 (Individual level)

At this level manager-leaders may encounter incidents of unethical behaviour such as cheating on the expense accounts; accepting bribes; manipulating leave and sexual harassment.

2.4.1.2 Level 2 (Organisational level)

Manager-leaders operate within the organisation and it is at this level that they experience or encounter ethical behaviour that relates to employees being encouraged to perform unethical acts or being pressured to conduct unethical behaviour. This may also take a turn of peers covering up for one another in the name of harmony in the workplace.

2.4.1.3 Level 3 (Association level)

According to Erasmus and Wordsworth (2004:79) at this level of operation an unethical manager-leader will make use of the professional association's charter or code of ethics to conduct business.

2.4.1.4 Level 4 (Societal level)

At this level the unethical behaviour of manager-leaders according to Erasmus and Wordsworth (2004:79), involves laws, norms, customs and traditions governing the acceptability of actions where facilitation payments may be acceptable in one society but not in others.

2.4.1.5 Level 5 (International level)

The unethical conduct of manager-leaders at this level pertains to the involvement of companies in countries where there are accusations of gross violations of human rights and economic sanctions against other governments such as Zimbabwe recently and South Africa (Erasmus & Wordsworth, 2004:79).

The latter (level 5) is of critical importance as it reflects the position and relationship of the organisation with the rest of the world. Therefore, the role played by manager-leaders in leadership positions within organisations hold organisations in high esteem when it comes to ethical behaviour. It is for this reason that Erasmus and Wordsworth (2004:83) contend that at manager-leader position it is not sufficient to be an ethical person, but leadership should be visibly ethical. This according to literature will be achieved when manger-leaders create expectations in others that they will act ethically and expect the same ethical conduct from others

(Nicolaides, 2009:490). This fact is at the heart of this study as it forms part of the objectives of the study as indicated in section 1.3.

From the discussion of the different levels wherein manager-leaders execute their functions, it emerges that there could be different types of ethical managers. Literature identifies the four different types of ethical leadership which are briefly discussed hereunder (Nicolaides, 2009:490).

Unethical manager-leaders: The decisions of these manager-leaders are not guided by ethical principles but by personal motives. Ethics have no room in the organisations lead by these kinds of manager-leaders.

- *Ethical manager-leaders*: These are the kind of manager-leaders that who through their words, actions and conduct are personally perceived to be ethical. It is through these manager-leaders that the four corporate functions are upheld and performed maximally and in an ethical manner.

- *Ethically neutral successful manager-leaders*: these manager-leaders are said to be ethical in what they say or do, however they do not want to expose their conduct to the public.

- *Hypocritical manager-leaders*: These are manager-leaders who deliberately choose to act unethically.

Based on the definition of the term ethics and the tasks assigned for manager-leaders it follows therefore that ethical leadership should exhibit the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships and the promotion of such conduct to followers through two way communication, reinforcement and decision-making Ethical leadership therefore puts emphasis on the corporate functions of manager-leaders and draws special attention to essential ethical components such as fairness; accountability; honesty;

trustworthiness; transparency; integrity; responsibility and role modelling (Den Hartog & De Hoogh, 2009:201).

In the subsequent sections the trends of unethical behaviour is discussed globally then brought to the local scene (South Africa). The context of this study is on South African manager-leaders. As discussed in section 1.3 the overarching aim of this study is to assess the ethical behaviour of emerging manager-leaders in South Africa. The study seeks to achieve the four objectives as stated in section 1.3.

The trend in unethical behaviour is discussed hereunder.

2.4.2 Global trend

The process of integration of national economies into the international economy through trade, foreign direct investment, capital flows, migration and technological spread has brought the world together. This process (globalisation) has increased the connectivity and the interdependence of the world's markets and businesses/organisations. Therefore the manager-leaders need to be ethical in their daily activities and execute the four major functions (fairness; accountability; transparency and responsibility) within the five levels of operations with aplomb. The globalization process of the business world has also necessitated the King reports (King Reports I, II & III) of corporate governance. Globalization has thus placed enormous amounts of pressure on manager-leaders as the world is watching their performance in all areas and levels of the business/organisations. Ethics, or lack thereof, has plagued organisations globally such that the behaviour of the manager-leaders is placed under scrutiny (Murphy, 2010:751).

Literature gives a plethora of support to the studies conducted by Brenkert (2010); Den Hartrog and De Hoogh (2009); Deshpande and Joseph (2010); Fullerton *et al*. (2008) on the lack of ethical behaviour from manager-leaders in various business sectors across culture differences. Businesses globally have endured the malpractices emanating from unscrupulous conduct from people who wield more power in the organisation for over a period of fifty years.

This trend is increasingly significant as it started with the defence scandals in the 1960s which were followed by the bribery scandals in the 1970s'. Between the 1980s and 1990s the United States of America was rocked by one of the greatest scandals concerning the savings and loans, commonly known as the S&L scandal. The intention of the society (S&L) was to enable low earning groups to afford and manage mortgage for housing. The S&L scandal emanated from, amongst others, the unethical conduct of the behaviour of the manager-leaders in that they were accused of dereliction of their duties and fraud (Brenkert, 2010:703).

Business ethics, or lack of it, continues to be an ongoing subject of debate internationally. Since the beginning of the new millennium, 2000, there have been scandals that are recorded that resulted from unethical conduct of manager-leaders. These unethical conduct of manager-leaders, lead to the collapse of a number of corporates/organisations. These corporates according to Coldwell (2010:190); Deshpande and Joseph, (2010:103); Mayer *et al*. (2009:1), include, but are not limited to:

- *Enron*: an American energy company recorded as the biggest audit failure due to unethical conduct from manager-leaders,

- *Peregrine Systems*: an enterprise software company whose manager-leaders were charged with conspiracy to commit multi-billion dollar security fraud in America,

- *Adelphia Communications Corporation*: an American company whose founder members are father and son and were charged with conspiracy; bank fraud and securities fraud for stealing the cable company and deceiving their investors of share prices,

- *WorldCom*: an American communication company whose manager-leaders under-reported line costs and inflated revenues by overstating cash flows,

- *Tyco*: a highly diversified manufacturing company incorporated in Switzerland whose manager-leaders were indicted for tax evasion and fund embezzlement,

- *Parmalat*: an Italian dairy and food company whose manager-leaders deliberately did not account for 8 billion Euros in their accounting books and

- *Marsh & McLennan*: an American insurance group whose manager-leaders were engaged in unethical conduct such as price collusion.

The cited unethical conduct of manager in the previous paragraph is not unique to international companies. Manager-leaders in South Africa have had their share of public and media scrutiny. In the subsequent section the trend of unethical conduct of manager-leaders in South Africa is discussed.

2.4.3 South African trend

The impact that ethics has on business has been a contentious subject in various research disciplines over the years. To curb the malpractices and uphold the code of ethics in business/organisations, South Africa, like other 56 commonwealth countries as well as 27 European Union countries, has adopted the King Reports (I, II and III) recommendations as part of their corporate governance, albeit on the "comply or explain" basis. The entrenchment of these Reports in South Africa became necessary because of the implementation of the new Companies Act no. 71 of 2008 and changes in the international governance trends (Enderle, 2010:730; Valentine, 2009:227).

The purpose of the Companies Act no 71 of 2008 (SA, 2008) is to ensure, amongst others, that, businesses:

- promote development of the South African economy by encouraging transparency and high standards of corporate governance as appropriate, given the significant role of enterprises within the social and economic life of the nation, and

- encourage the efficient and responsible management tasks and processes.

The Act, as illustrated above focuses on the five essential components of ethical behaviour as mentioned in section 2.5.1 of this study such as fairness; accountability; transparency, integrity and effective responsible management as well as sound corporate governance activities. Therefore the Act aligns itself with the recommendations of the King's I, II and III Reports (Den Hartog & De Hoogh, 2009:200; Enderle, 2010:730; Erasmus & Wordsworth, 2004:78; Nicolaides, 2009:491; Valentine, 2009:272).

The outbreak of the bread scandal in South Africa resulting from the unethical conduct of the manager-leaders of Pioneer foods (Sasko); Tiger Brands (Albany); Premier Foods (Blue Ribbon); Food Corp (Sunbake) has shaken the industry. Gydye (2007) reported that Tiger Brands, one of the leading milling companies in South Africa was slapped with a R98,7 million cartel fine for colluding with Premier Foods and Pioneer Foods on price fixing.

In the beginning of 2007, Fidentia Group, a company designated to manage Mineworkers Provident Fund and the Transport Education Training Authority, was placed under provisional curatorship by the High Court of South Africa on application by the Executive Officer of the Financial Services Board (FSB). This was after the inspectors of the FSB were unable to trace an amount of R680 million of the R2 billion under the management of Fidentia Asset Management (Pty) Limited. The matter emanated from the unethical conducted of the company's manager-leaders (CEO and CFO) (Hogg, 2007:15; Steenkamp, 2007:1).

Manager-leaders are in positions of power in their employ and can therefore influence their employees. This is the case where issues such as promotions; appraisals; strategies; resources and decision-making processes are concerned. In executing their functions, manager-leaders perform at various levels (five levels as indicated in section 2.5.1) that cut across setting the tone for organisational goals and behaviour. These goals may include decisions that require ethical conduct to be pursued. Throughout the process there is interaction with other stakeholders. Therefore research contends that employees do not only rely on their manager-leaders when faced with ethical questions and problems, but they conform to the ethical values of their manager-leaders. This fact proves that manager-leaders have influence on employees and organisations (Brown & Mitchell, 2010:583).

Studies conducted by Fullerton *et al*. (2008:163) and Nicolaides (2009:491) confirm that ethical conduct in the South African manager-leaders is in short supply and business therefore is characterized by the absence of clear ethical norms and conduct. Albeit the enforcement of code of conduct and codes of corporate governance, companies and organisations lose millions in revenue as a result of the unethical behaviour of manager-leaders. It is for this reason that this study intends to evaluate the ethical behaviour of the MBA students of the North-West University in Potchefstroom and Vanderbijlpark as a group of emerging manager-leaders in South Africa.

The subsequent section discusses the empirical aspects of the study.

2.5 RESULTS

In this section the results from the empirical study are presented and discussed. Prior to addressing the objective of the study it was essential to profile the subjects of the study. Therefore, the initial stage of data collection entailed the profiling of the 85 Phase I; 64 Phase II and 68 Phase III MBA students of the Potchefstroom Business School registered at the time. This profiling is presented and analysed in section 2.5.1.1 of the study (Section A of the questionnaire).

The second stage of the data collection (Section B of the questionnaire) entailed probing of the subjects about their ethical convictions at individual level. The third stage was probing the ethical predisposition of the subjects at company level (Section C of the questionnaire); then the last stage, which focused on the comparison of the Phase groups in terms of their ethical conduct. That is, the comparison was done to establish if there was any difference in the way the Phase I;

II and III manager-leaders conducted themselves at individual as well as at company level. These were sought so as to address the aim of the study: *evaluating the ethical behaviour of the MBA students registered with the Potchefstroom Business School in South Africa.*

The subjects' profile follows hereunder:

2.5.1 Percentages of responses and descriptive statistics

2.5.1.1 Demographic data (Section A)

The demographic profile of the respondents will now be discussed. Note that the percentages are calculated without taking the missing values into account. Item 1 of Section A1 of the questionnaire sought to categorize the subjects of the study in terms of age in years. The information reveals that the MBA students registered with the Potchefstroom Business School are relatively young (hence they are referred to as emerging manager-leaders) as the large percentage (59%) lie between the ages 29 and 40. The age in years of the respondents of this study is presented in Table 2.1 below.

Table 2.1: Age in years of subjects

Younger than 30	21.4%
30 – 35	30.7%
36 – 40	28.8%
41 – 50	18.1%
Older than 50	0.9%

Item 2 of the questionnaire (Section A) categorised the subjects into their gender. It emerged, as represented on the table that there are twice as many males than females.

Table 2.2: Gender representation of the subjects

Male	69.6%
Female	30.4%

Items 3 and 4 on Section A of the questionnaire were aimed at the work experience in years of the subjects and their experience in management positions respectively. One of the requirements of the Potchefstroom Business School to be accepted as a student is that the student must be employed in managerial position. Therefore the two subsequent tables depict the responses on these questions.

Table 2.3: Percentages of work experience in years

0– 5 years	16.1%
6– 10 years	33.6%
11– 15 years	27.2%
16– 20 years	13.8%
21– 25 years	6.0%
26 and more years	3.2%

The table below indicates that 61.8% of the subjects were still inexperienced in managerial positions (hence they are referred to as emerging manager-leaders).

Table 2.4: Percentages of experience in managerial position in years

0 – 5	61.8%
6 – 10	22.6%
11 – 15	9.2%
15 – 20	2.8%
20 – 25	3.7%
26 and more	0.0%

The MBA students registered with the Potchefstroom Business School at the time were drawn from various sectors as indicated in the figure hereunder. Some 23.5% of the students were from the financial sector, which was the largest in the sample and the least was from the safety industry with a percentage of 0.5.

Table 2.5: Employment industry

Education	8.9%
Marketing	10.8%
Production	12.2%
Operations	14.6%
Finances	23.5%
General Management	5.2%
Health care	6.1%
Safety	0.5%
Human Resource	6.1
Other	12.2

Item 6 of the questionnaire is essential as it sought from the respondents the level of appointment in their managerial positions. The study is aimed at evaluating the ethical behaviour of MBA students (emerging manager-leaders); it is therefore imperative that the information is gathered on their level of appointment. Literature reviewed in this study revealed that manager-leaders are influential in their positions and as a result may play an integral; part when ethical behaviour is subjected to managerial decision-making. As such, inexperienced managers may be more susceptible to unethical behaviour (Brenkert, 2010; Den Hartog & De Hoogh, 2009; Deshpande & Joseph, 2010; Fullerton *et al*., 2008). The empirical study also revealed that 61.8% of these manager-leaders are relatively inexperienced: they have an experience of five years or less in managerial positions (Table 2.4 in this report).

The information in the table below indicates that 37.0% of the subjects were still employed at the lower management positions and 33.3% in middle management. This concurs with the overarching aim of the study as these manager-leaders are referred to as “emerging leaders”.

Table 2.6: Percentages of level of managerial appointment

Lower management	37.0%
Middle management	33.3%
Experienced middle management	16.2%
Executive management	9.7%
Other	3.7%

Item 7 sought to classify the subjects according to their academic background and the information is presented in the following table.

Table 2.7: Percentages of first degree

BCom	31.5%
BSc	15.7%
B.Eng	19.9%
BA (Humanities)	13.9%
BA (Law)	1.4%
Other	17.6%

The study, as discussed in sections 1.4.1 and 1.4.2, is focused on the MBA students (Phases I, II and III) registered with the Potchefstroom Business School at the time, therefore item 8 of the questionnaire sought to categorise the subjects into their year groups/phases. From the 217 respondents, the majority were Phase I students (39%). The representation thereof is given on the table below.

Table 2.8: Percentages of phases

Phase I	39.2%
Phase II	29.5%
Phase III	31.3%

The analysis of sections B and C of the questionnaires are respectively discussed hereunder.

2.5.1.2 Ethics Questionnaire (Section B and C)

It is the aim of this study to evaluates the ethical behaviour of emerging manager-leaders in South Africa at a specific business school, it is thus that Den Hartog and De Hoogh (2009:201) contend that ethical leadership should exhibit the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships and the promotion of such conduct to followers through two-way communication, reinforcement and decision-making.

Therefore, Section B (refer to Appendix B) of the questionnaire relates to the behaviour of individuals in different business decision-making scenarios and Section C (refer to Appendix C) focused on the behaviour of businesses. Different businesses' scenarios are painted in Section C which also required subjects' convictions. The sections prompted the subjects to convict themselves to a particular decision on a five-point Likert scale ranging from completely acceptable to completely unacceptable. The sections B and C of this questionnaire were adopted from the study conducted by Fullerton (1993) and aimed at addressing objectives 1.3.1 – 1.3.3 of this study.

The responses from sections B and C of the questionnaire are presented in Tables 2.9 and 2.10 respectively. Section B of the questionnaire refers to the ethical scenarios at individual level whilst Section C refers to the scenarios at company level. The tables give the scenarios (B1 – B15 and C1 – C14 in the first columns) percentage of each response. Note that the percentages given in the tables were calculated without including the missing values. The tables also include the calculated means and standard deviations.

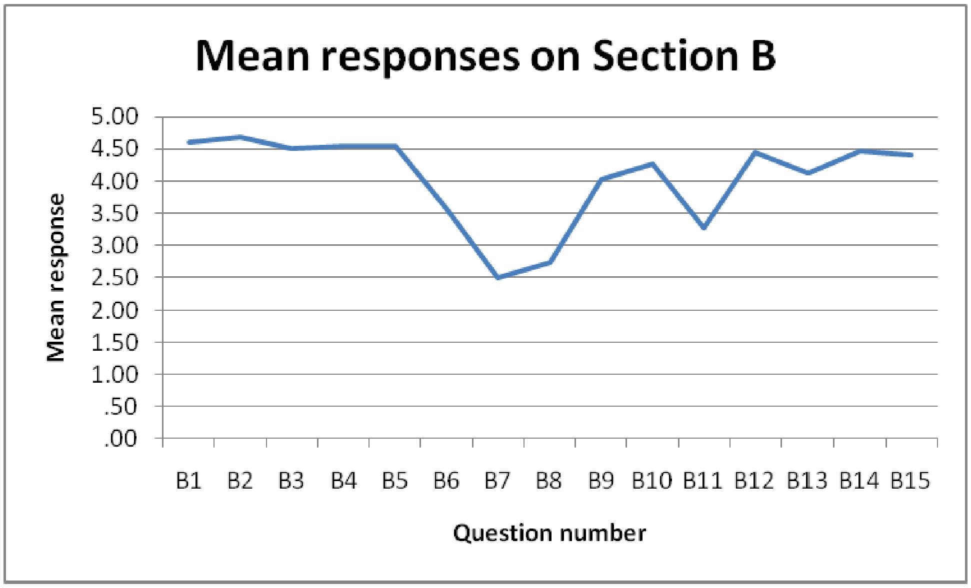
Table 2.9: Ethics questionnaire (Section B)

Scenario	Completely Acceptable (1)	Somewhat Acceptable (2)	Neutral (3)	Somewhat Unacceptable (4)	Completely Unacceptable (5)	Number Missing	Mean	Standard Deviation
B1	0.9	3.2	6.9	11.5	77.4	0	4.61	0.826
B2	1.4	1.8	3.7	12.4	80.6	0	4.69	0.753
B3	2.3	3.7	5.1	18.5	70.4	1	4.51	0.925
B4	0.9	3.2	7.4	16.1	72.4	0	4.56	0.838
B5	1.0	3.4	5.8	19.3	70.5	10	4.55	0.828
B6	10.8	14.1	16.4	65.3	34.7	4	3.58	1.370
B7	38.0	19.4	12.0	17.1	13.4	1	2.49	1.472
B8	24.9	29.0	12.9	15.7	17.5	0	2.72	1.440
B9	2.8	12.5	13.4	21.8	49.5	1	4.03	1.177
B10	2.8	8.3	8.8	19.4	60.8	0	4.27	1.099
B11	14.7	21.7	14.7	19.8	29.0	0	3.27	1.451
B12	3.2	2.3	4.6	26.4	63.4	1	4.44	0.933
B13	4.6	6.9	12.0	23.1	53.2	1	4.13	1.156
B14	0.9	6.1	9.9	10.8	72.3	4	4.47	0.964
B15	4.6	5.1	5.6	14.8	69.9	1	4.40	1.104

The items of the questionnaire were designed such that the minimum value is 1 and the maximum is 5. The mean score of section B (Table 2.1) ranges from 2.49 to 4.69. The lowest mean score in this section is at item 8 (2.49) which referred to "taking advantage of an offer that limits the amount of that can be purchased per visit". The scenario, according to the respondents seemed to have been slightly acceptable as an individual could visit the shop more than once for the purchase. A mean score of 2.49 is regarded as unacceptable behaviour.

The mean score of responses on Section B of the questionnaire are presented in the graph below.

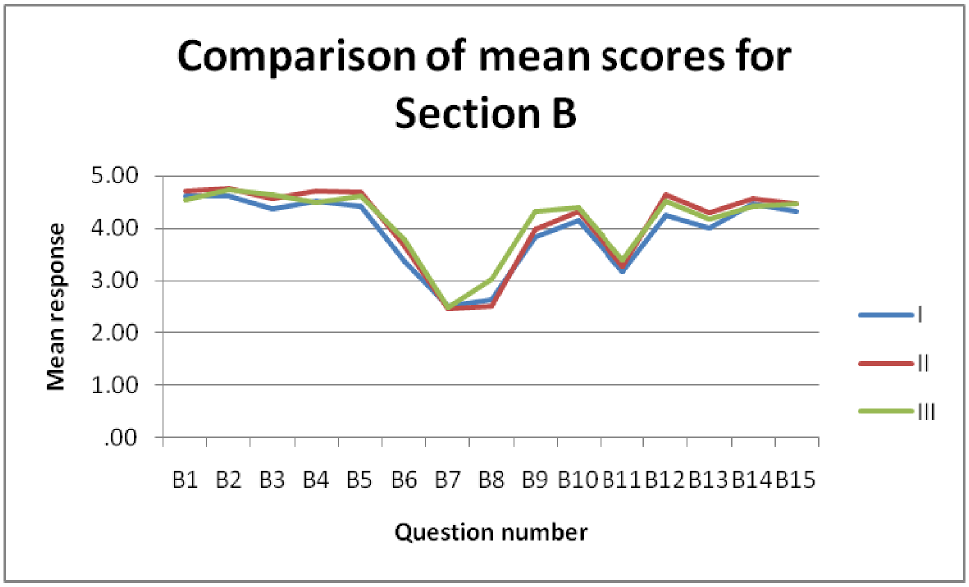
Figure 2.1: Mean responses on Section B



The information in Figure 2.1 depicts that the mean score for section B hovers above the 2.5 value and hence proves the higher mean score for this section. This is discussed further in section 2.5.2 of this study.

Since the study comprised of the phases I, II and III MBA students of the Potchefstroom Business School, a graphical comparison of mean scores for section B of the questionnaire was done. Figure 2.2 indicates that the responses of the three phases were similar as the shape is in tandem. The result is that the three phases agreed that it would be unethical to accept the scenarios in the questionnaire. The mean item scores are generally above 3.0 and therefore lie towards the larger end of the scale.

Figure 2.2: Comparison of mean score for section B



Similarly the results of section C (presented in Table 2.10) indicate that the mean scores for the questionnaire items ranges from 1.81 to 3.78. The lowest mean score for section C was item C5. This item referred to a scenario where "*people have a great admiration for sports heroes. A marketer often uses these athletes to endorse products because of their belief that such an endorsement will lead consumers to prefer their products over those of their competitors*". The respondents considered the scenario to be ethical as it perhaps enhances competition in the market.

The other lower score in this section (with a mean score of 2.02) is an item C12 that sought to probe the ethical convictions of the subjects on labour costs. The scenario is: *in order to hold down the costs for manufacturing a product, a company has moved part of the production from the United States to Mexico. The lower labour costs result in lower prices for consumers.* The subjects gave the scenario a moderate approval.

In the construction of questionnaires it becomes essential that each item is carefully and specifically constructed. This is important because each item measures a specific element (Welman *et al*., 2005:142). Therefore the item (item 11) had to be reversely phrased for clarity and precision purposes. It is the researcher's objective for respondents to interpret the meaning of each item the same way. If the item question is unclear then this may result in data that cannot be applied to the survey goal.

The mean score for Section C of the questionnaire which measured the ethical predisposition of the MBA students at company level is given on Table 2.10 hereunder:

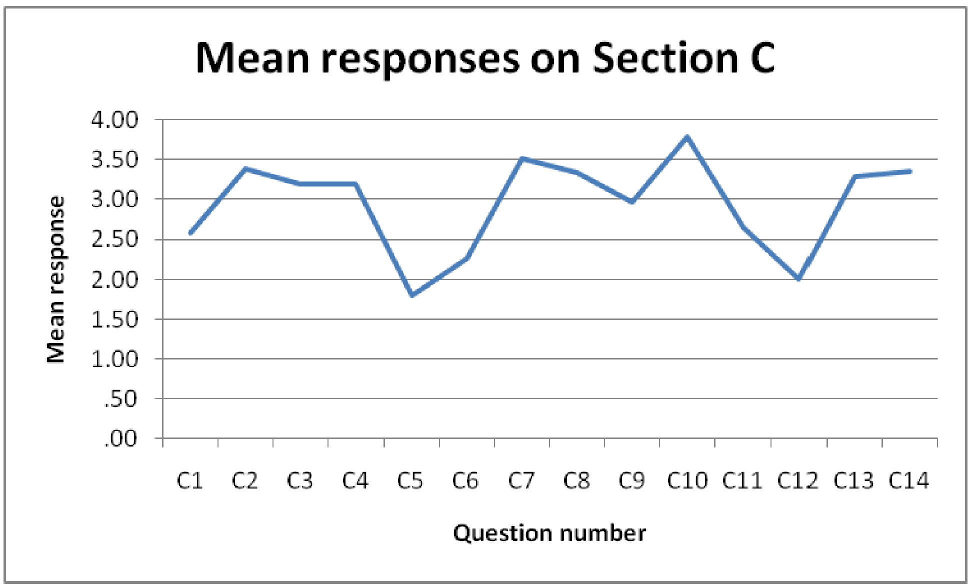
Table 2.10: Ethics questionnaire (Section C)

Scenario	Completely Acceptable (1)	Somewhat Acceptable (2)	Neutral (3)	Somewhat Unacceptable (4)	Completely Unacceptable (5)	Number Missing	Mean	Standard Deviation
C1	38,7	17,1	9,2	17,5	17,5	0	2,58	1,559
C2	18,4	13,8	12,9	20,3	34,6	0	3,39	1,524
C3	15,7	23,5	11,5	24,9	24,4	0	3,19	1,436
C4	15,2	25,8	12,4	18,0	28,6	0	3,19	1,471
C5	58,1	18,4	13,8	4,1	5,5	0	1,81	1,162
C6	35,9	30,9	13,4	10,1	9,7	0	2,27	1,306
C7	13,4	20,7	10,6	12,0	43,3	0	3,51	1,531
C8	12,9	21,2	16,1	18,9	30,9	0	3,34	1,431
C9	22,1	23,0	13,8	18,0	23,0	0	2,97	1,492
C10	10,6	11,1	12,0	22,1	44,2	0	3,78	1,386
C11	34,3	21,8	11,1	11,1	21,8	1	2,64	1,566
C12	45,3	30,8	7,9	8,4	7,5	3	2,02	1,245
C13	12,5	23,1	15,7	19,9	28,7	1	3,29	1,415
C14	12,9	18,9	16,1	24,0	28,1	1	3,35	1,397

In support of the results given above, the graphical representation is given below. The lower peaks of the figure below indicate the response for items C5 and C12 respectively where the ethical predisposition of the subjects is low. However, the mean score for other items is hovering above the 2.5 line which indicates a higher mean score. This is further discussed in section 2.5.2 of the study.

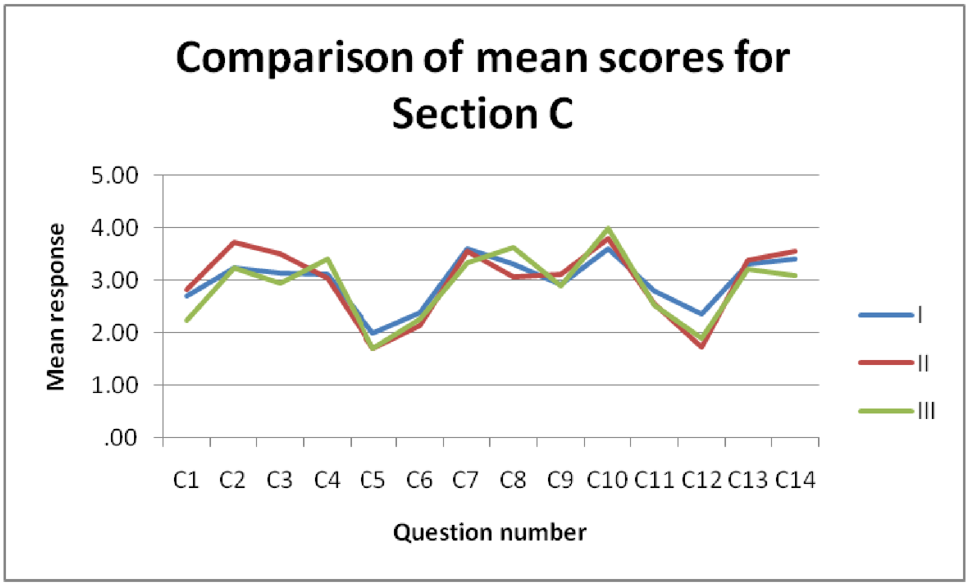
The subjects gave the item C10 disapproval as it had a mean score of 3.78. The item referred to a *US doctor smuggling an illegal pharmaceutical product home with the belief that the drug would benefit the patient.* The respondents considered the scenario to be completely unacceptable hence the highest mean score.

Figure 2.3: Mean responses on Section C



In the same way, the comparison of mean scores for Section C was done to evaluate the responses between the three phases. It emerged from the graphical representation that the phases did not differ much as the results were close (refer to figure 2.4 below).

Figure 2.4: Comparison of mean scores for Section C



The results shown above seem to address the objectives of the study as they reveal that the MBA students registered with the Potchefstroom Business School at the time are ethical in their conduct, hence the overarching aim of the study (*evaluating the ethical behaviour of the MBA students at a selected business school*). This is drawn from the fact that the choice of the responses to the questionnaire items were tilted more towards the ethical conduct side of the scale. That is the mean score was higher, and according to the scale, the higher the score the more ethical the subject is.

In order to be able to calculate and use an overall mean score for each section, the section's reliability must be determined. Therefore, the reliability of Sections B and C is presented in the following section.

2.5.2 Reliability test

The instrument used in this study as stated in section 1.4.1 was based on the study conducted by Fullerton (1993). The instrument (questionnaire) comprised two sections, B and C. Section B focused on the individual ethical behaviour and Section C related to the ethical behaviour of the business sector or company.

The reliability test was done by determining the Cronbach alpha of which the value must be larger than 0.7 for acceptability (Field, 2009:636).

For section B of the questionnaire the following measures were obtained:

Table 2.11: Section B Reliability test coefficient

Section B measures	Coefficient
Cronbach alpha	0.887

The conclusion that can be drawn from Table 2.11 above is that the data obtained from the questionnaire in section B is reliable as the Chronbach coefficient obtained is larger than the threshold given thus the section tested what it was intended to – *the ethical behaviour of the MBA students at a selected business school*.

As discussed earlier, for section C, item C11 was reversely phrased. The scores for this question were therefore reversed to form C11 reversed (C11_r) before the reliability measures were calculated. Item C11 reversed (C11_r), however, turned out to be negatively correlated with the other items with an item total correlation of 0.468. It was therefore decided not to include item C11 or C11_r in a further reliability analysis.

The following measures were obtained for section C of the questionnaire:

Table 2.12: Section C Reliability test coefficient

Section C measures	Coefficient
Cronbach alpha	0.773

The information on the table reveals that the data is reliable; this means that the mean score for this questionnaire can be used as in section B. In the following table, Table 2.13, the descriptive statistics for Section B (for all items) and Section C (on all items excluding C11) are summarised.

Table 2.13: Descriptive statistics

	Mean	Standard Deviation
Section B	4.04	0.70
Section C	2.97	0.83

Table 2.13 indicates that the mean score for all items for Section B is 4.04. This is indicative of the fact that the subjects of the study (MBA students) responses lie more towards the end of the five point scale. That is, the subjects concluded that the scenarios depicted on the questions are more unacceptable. The questionnaire was designed such that the lower the score the less ethical the subjects would be. Therefore, the results drawn from this study conclude that, with regards to the perceptions on individual ethical behaviour (Section B), the MBA students of the Potchefstroom Business School are perceived to be ethical in the way they conduct themselves and in their perceived decision-making processes. The standard deviation concurs as the values are low (0,753-1,472) and indicate that the data points tend to be close to the mean and hence depict a picture of a homogeneous group (Phases I; II & III MBA students). This further illustrates that the three phases seem to be ethical with regard to their convictions about their individual ethical behaviour. It follows therefore that the instrument used for this study is reliable.

Similarly, the mean score for all items in Section C is 2.97. This score indicates the ethical predisposition of the MBA students (manager-leaders) at company level. As in Section B the subjects proved to be ethical in their conduct as the convictions about the scenarios lay slightly more to the right end of the scale; that is towards five. This is because the lower mean score would prove that the subjects are more unethical in conduct. As in section B, the lower the score the less ethical the behaviour is. The two paragraphs above are essential as they address the objectives of the study.

As discussed in section 1.4.4.4 of this study, the comparison between the responses provided by the three phases (Phases I; II & III) was conducted using ANOVA tests to establish whether there were any significantly statistical and practical difference in them. The effect size (Cohen's d-value) tests were conducted to establish the practical significance of the differences between the year groups pertaining to the items of the questionnaire. The results thereof are presented below.

2.5.3 Comparison in the three phase groups

In the ANOVA test, an omnibus test was first conducted to test if there were any differences between the different study phases of MBA students. If this test (omnibus-test) indicated a statistically significant difference, that is if $p < 0.05$, post-hoc-tests were conducted to determine pair-wise which of the groups differed. In this pair-wise comparison ($p < 0.05$), a statistically significant difference was indicated. For these pair-wise comparisons, effect sizes (Cohen's d-values) were also calculated to determine whether the pair-wise differences were practically significant.

Guidelines for the interpretation of Cohen's d-value are as follows: $d=|0.2|$ is a small effect size, indicating no practically significant difference; $d=|0.5|$ is a medium effect size, indicating practically visible difference; and $d=|0.8|$ is a large effect size, indicating a practically significant difference (Ellis & Steyn, 2003:53).

ANOVA tests were first conducted for the overall mean scores on Sections B and C. For Section B's mean score, the omnibus test's p-value was $p = 0.21 > 0.05$, which indicates that no statistically significantly difference was found in the three phase groups on the mean scores of Section B.

Similarly, for Section C's mean score, the omnibus test's p-value was $p = 0.81 > 0.05$, which indicates that no statistically significant difference was found in the three phase groups on the mean scores of Section C.

Because the ANOVA tests on the overall mean scores of the Sections did not show any statistically significant differences, it was decided to conduct ANOVA tests on the individual items. In all items the omnibus tests did not indicate that the year groups (phases) differ statistically significant, except for items B9 ($p = 0.03$); B12 ($p = 0.03$) and C12 ($p = 0.01$). For these items post-hoc tests were conducted in order to determine which of the phases differed. The results of the post-hoc tests for these items (B9; B12 and C12) are presented on the subsequent Tables 2.6 – 2.8 respectively.

Table 2.14: Post-hoc test for item B9

Phase	**Mean**	**Standard deviation**	**Compare with I**		**Compare with III**	
			p	**d**	**p**	**d**
I	3.82	1.27	0.71	0.13	0.03	0.39
II	3.98	1.16			0.23	0.29
III	4.32	1.01				

The post-hoc test for item B9 shows that there is a statistically significant difference between Phases I and III ($p = 0.03$). The effect size (Cohen's d-value) is small to medium ($d = 0.39$), which indicates that in practice the difference is slightly visible. Item B9 referred to a scenario where a friend sold a frequent flier ticket to their friend despite specific airline rules against the act. Based on the mean values for this item, it follows that the Phase I MBA students at this business school have shown to be less ethical as the mean score for Phase I was 3.82 and 4.32 for the Phase III students.

Table 2.15: Post-hoc test for item B12

Phase	Mean	Standard deviation	Compare with 2		Compare with 3	
			p	d	p	d
I	4.25	1.15	0.04	0.34	0.25	0.22
II	4.64	0.60			0.66	0.16
III	4.50	0.86				

For item B12 the post-hoc test revealed that there is a statistically significant difference between Phases I and II (p = 0.04). The effect size (Cohen's d –value) is small to medium which also indicates that in practice the difference is slightly visible. This means that for item B12, which depicted the scenario of someone redeeming coupons for items not purchased at a supermarket, the mean score for Phase I students is 4.25 and for the Phase II students is 4.64. The results show that the Phase I students where less ethical in their conduct as compared to Phase II.

Table 2.16: Post-hoc test for item C12

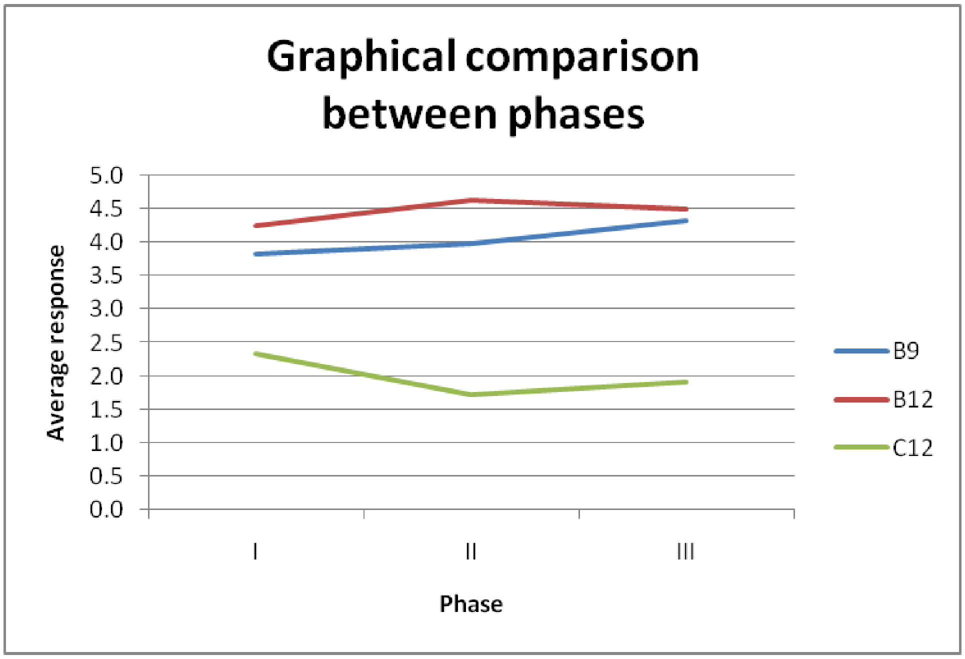
Phase	Mean	Standard deviation	Compare with 2		Compare with 3	
			p	d	p	d
I	2.33	1.37	0.01	0.45	0.11	0.31
II	1.72	1.03			0.65	0.16
III	1.91	1.20				

Similarly, the post-hoc test for item C12 shows the existence of the statistical significant difference between Phases I and II (p = 0.01). The effect size (Cohen's d-value) is close to 0.5 (d = 0.45) which indicates a practically visible significance. Item C12 was about a scenario where a company moved part of their production plant to another country of lower labour costs. In this item the mean score for the Phase I students is 2.33 and 1.72 for the Phase II students. The

Phase II students demonstrated to be less ethical in this item as they considered the scenario to be more acceptable.

The summary of the practically significant responses is presented in Figure 2.5.

Figure 2.5: Graphical comparison between phases



It can be concluded therefore that, based on the results presented, the different Phase groups of the Potchefstroom Business School at the time are ethical in their behaviour. The difference in the three phases as discussed is only on the three items discussed above.

2.6 SUMMARY

This chapter sought to address the objectives of the study, and hence the overarching objective of the study which is: *evaluating the ethical behaviour of the MBA students at a selected business school*. The aim of the study was motivated by a plethora of publications either in business or social reports about the lack of ethical conduct by manager-leaders in various companies. This was also supported by the public perception of the predisposition of the manager-leaders' ethical behaviour, or lack of it, in the business world globally (Gydye, 2007; Deshpande & Joseph, 2010:103 and Mayer *et al*., 2009:1). The chapter addressed this by focusing on two aspects, (i) the literature concerning the subject and (ii) the empirical study relevant to the subject.

The literature reviewed in this study revealed that manager-leaders globally have had their share of public scrutiny as a result of their decisions that were unethical (Gydye, 2007; Deshpande & Joseph, 2010:103 and Mayer *et al*., 2009:1). The second aspect of the chapter was about the empirical study which is outlined on section 2.5. The results of the empirical study are presented and discussed on section 2.5 of the study.

The next chapter is the final chapter. It renders the conclusions and recommendations of the study and identifies areas for future research.

LIST OF REFERENCES

ACT **see** SOUTH AFRICA.

BRENKERT, G.G. 2010. The limits and prospects of business ethics. *Business ethics quarterly*, 20(4):703-709.

BROWN, M.E. & MITCHELL, M.S. 2010. Ethical and unethical leadership: exploring new avenues for future research. *Business ethics quarterly*, 20(4): 583-616.

COLDWELL, D.A.L. 2010. A road to organisational perdition? Business ethics and corporate social responsibility. *South African journal of economic management sciences*, 13(2):190-202.

DEN HARTOG, D.N. & DE HOOGH, A.H.B. 2009. Empowering behaviour and leader fairness and integrity: studying perceptions of ethical leader behaviour from a levels-of-analysis perspective. *European journal of work and organisational psychology*, 18(2):199-230.

DESHPANDE, S P. & JOSEPH, J. 2010. The impact of ethical values and perceptions of ethical conduct on counterproductive behaviour of future managers. *Advances in competitiveness research*, 18(1/2):102-111.

ELLIS, S.M. & STEYN, H.S. 2003. Practical significance (effect sizes) versus or in combination with statistical significance (p-values). *Management dynamics,* 12(4):51-53.

ENDERLE, G. 2010. Clarifying the terms of business ethics and CSR. *Business ethics quarterly*, 20(4):730-732.

ERASMUS, B.J. & WORDSWORTH, R. 2004. Aspects of business ethics in South Africa. *South African journal of labour relations*, 28(4):77-112.

FIELD, A. 2009. Discovering statistics using SPSS. 3rd ed. London: Sage. 821 p.

FULLERTON, S. 1993. The ethical predisposition of our next generation of business and community leaders. (*In* Thompson, D., ed. *Proceedings of the Atlantic marketing association*, 188-193.)

FULLERTON, S., BISSCHOFF, C.A. & MOORE, D.L. 2008. Examining the ethical predisposition of the next generation of business leaders in China and the Republic of South Africa. *South African journal of economic management sciences*, 11(2):157-171.

GYDYE, L. 2007. Give us our daily bread. *The Mail & Guardian*: Nov. 15. [Web:] http://www.mg.co.za/article/2010.03.23-give-us-our-daily-bread [Date of access: 8 Dec. 2010].

HOGG, A. 2007. Fidentia: it's our worst nightmare, February 8 2007. [Web:] http://www.moneyweb.co.za/mw/view/mw/en/page1655?oid=67928&sn=Detail [Date of access: 12 March 2011].

LE ROUX, P.G. 2010. Stewardship ethics: a concept fit to deal with dilemmas in ethical leadership? *Journal of Christian scholarship*, 46(1 & 2):79-92.

MAYER, D.M., PRIESEMUTH, M., BROWN, M. & KUENZI, M. 2009. Antecedents and consequences of employee supervisor agreement on ethical leadership. Chicago. *Academy of management annual meeting proceedings*, 1-6.

MURPHY, P.E. 2010. Business and marketing ethics: good news and bad news. *Business ethics quarterly*, 20(4):751-753.

NICOLAIDES, A. 2009. Business ethics in Africa. *Journal of contemporary management*, 6: 490-501.

NUNNALLY, J. & BERSTEIN, I.H. 1994. Psychometric theory. 3rd ed. New York: McGraw-Hill Inc. 752p.

SOUTH AFRICA. 2008. Companies Act, No. 71 of 2008. Pretoria: Government Printer.

SPSS. Inc. 2009. PASW statistics 18, release version 18.0.0. Copyright © by SPSS. Inc. Chicago, IL. www.spss.com

STATSOFT. Inc. 2011. STATISTICA (data analysis software system) version 10. www.statsoft.com

STEENKAMP, P. 2007. Fidentia: a strategic and corporate governance analysis. Stellenbosch: University of Stellenbosch. (Dissertation – MBA). 64 p.

THOMPSON, A.A., STRICKLAND, A.J. & GAMBLE, J.E. 2010. Crafting and executing strategy: the quest for competitive advantage. 17th ed. Boston: McGraw-Hill Irwin. 413 p.

VALENTINE, S. 2009. Ethics training, ethical context, and sales and marketing professionals' satisfaction with supervisors and co-workers. *Journal of personal selling and sales management*, 29(3): 227-242.

WELMAN, C., KRUGER, F. & MITCHELL, B. 2005. Research methodology. 3rd ed. Cape Town: Oxford University Press. 342 p.

CHAPTER 3

CONCLUSIONS AND RECOMMENDATIONS

3.1 INTRODUCTION

This chapter aims at presenting the concluding remarks and recommendations of the study based on the empirical findings presented and discussed in the previous chapter (Chapter 2). The chapter will therefore address these by firstly focusing on the statistical results of the empirical survey conducted and presented in the previous chapter. In this chapter, by way of concluding, the statistical analysis together with the relevant literature and experience sought by the researcher (from interaction with respondents), is used to propose recommendations for further research in the field.

The conclusions as well as recommendations based of this study address the overarching aim of the study (*evaluating the ethical behaviour of the MBA students at a selected business school)* and the list of objectives listed in section 1.3 of the study:

- To determine if the sample of MBA students (emerging manager-leaders) are ethical in their conduct or not.

- To establish whether or not the sample of MBA students (manager-leaders) consider ethical behaviour in the decision-making processes.

- To establish whether or not the sample of MBA students (manager-leaders) comply with the King Report's guidelines.

- To provide ethical insight and guidance to the business sector, with respect to ethical business conduct.

3.2 CONCLUSIONS

The initial stage of data collection in this study entailed identifying the subjects' (MBA students registered with the Potchefstroom Business School at the time of the study) demographic profile (Section A of the questionnaire). The important observation made in this part of data collection was that the MBA students, referred to as manager-leaders, are drawn from various industry fields of this business school.

The MBA students registered with the Potchefstroom Business School at the time were drawn from various sectors. Some 23.5% of the students were from the financial sector, which was the largest in the sample and the least was from the safety department which constituted percentage of 0.5.

As the demographic profile revealed, 76.9%of the respondents have up to 15 years working experience. The demographic information of the sample also indicated that 84.4% boast 10 years experience in managerial positions. However, 70.3% of these mangers are still employed in lower and middle line management positions.

The questionnaire used in this study was based on the questionnaire developed and validated by Fullerton in 1993. The questionnaire is based on a five point Likert scale where the lowest score of the scale (1) indicated that the respondents completely accept the scenario. The largest score of the scale (5) indicated that the respondents perceive the given scenario to be completely unacceptable. The scenarios, based on the study by Fullerton (1993), were designed such that *the lower the score, the less ethical the respondent*. Therefore, the lower mean score will indicate a less ethical behaviour from the subjects. Since a five point Likert scale was used in this study, the mean score of above 2.5 was considered to be statistically significantly high and hence depicted ethical behaviour from the subjects.

The parts of the questionnaire that measured the ethical dispositions comprised two sections, B and C. Section B focused on the individual ethical behaviour and Section C related to the ethical behaviour of the business sector or company.

The statistical parameters used in this study to test the reliability of the instrument as well as the analysis of the results was done by determining the Cronbach alpha of which the value must be larger than 0.7 for acceptability. The mean inter item relation correlation must be larger than 0.15 and the item total correlation must be larger than 0.3 for reliability. Means and standard deviations were also determined and analysed for the two different sections of the questionnaire. A comparison between the three phase groups was also determined, using the effect size measure (Cohen's d-values) to establish whether there was any statistical and practical significant difference in the phase groups in terms of ethical predispositions. To establish if there were differences in the responses to items, the post-hoc tests were determined.

Data for Section B of the questionnaire revealed that the manager-leaders, MBA students at this business school, are ethical in their conduct as the mean score for the responses is 4.04 with the standard deviation of 0.70. The score is tilted more towards the "completely unacceptable" choices which confirm that the subjects of the study proved to be ethical in their decision-making processes as individuals.

The mean score for Section C of the questionnaire was 2.97 with a standard deviation of 0.83. Similarly, the scores indicated that the MBA students in this business school are ethical in their conduct with regards to the decision-making process in their respective companies/businesses. This is also in accordance with the objectives of the study. Therefore, with the help of the tested instrument developed by Fullerton (1993), the objectives of the study were achieved in that:

- The mean score for the items in section B show that the ethical predisposition of the MBA students (manager-leaders) is high (4.04). This section evaluated the ethical behaviour of the MBA students (manager-leaders) at individual level.

- Similarly, the mean score for the items in section C proved that the ethical disposition of the subjects of this study is high (2.97). This section evaluated the perceived ethical behaviour of the MBA students (manager-leaders) at company level. It is said in this study (section A of the questionnaire: Tables 2.5 & 2.7) that the subjects of this study were drawn from various companies and are employed at various levels of management as well. Therefore it was essential to evaluate the subjects' predisposition about their companies' ethics.

- The ethical disposition of the subjects at individual and company level as shown above bear testimony to the fact that the subjects consider ethical behaviour in their decision-making processes.

- The fact that the manager-leaders in this business school showed an ethical disposition in their behaviour; it is evident that they adhere, or at least consider the King Report's guidelines as specified in their first year of study (Business ethics). The King Reports I, II and III became essential because of the Companies Act (No. 71 of 2008) and the global trends in international governance (SA, 2008). These trends as discussed in sections 2.4.2 and 2.4.3 of this study have let companies down due to the unethical disposition of the manager-leaders said to have been through business schools (Brenkert, 2010; Den Hartrog & De Hoogh, 2009; Deshpande & Joseph, 2010; Enderle, 2010; Erasmus & Wordsworth, 2004; Fullerton *et al*., 2008; Nicolaides, 2009; Valentine, 2009).

- Therefore, the King Report's provide a good and substantial ethical guide to good governance. The subjects of this study were exposed to the King Reports during their first year (phase I) of their MBA program in this business school.

- The fact that the three phase groups are not entirely different in their ethical behaviour/predisposition (based on the analysis of their responses on Sections B & C of the questionnaire) further addressed the objective(s) that the MBA students at this selected business school are ethical across the board in their conduct.

3.3 RECOMMENDATIONS

In section 2.4.1.5 of this study the different types of ethical leaders were discussed and it emerged from the empirical study that the subjects of this study are ethical in conduct (section 3.2 above). This means that they are manager-leaders who, through their words, actions and conduct are personally perceived to be ethical. It is through these manager-leaders that the four corporate functions are upheld and performed maximally and in an ethical manner.

As stated in section 2.4.1 the corporate functions of manager-leaders cut across the five essential components of ethical behaviour, which are fairness; accountability; transparency; integrity and responsibility. These components are also entrenched in the King Reports and are central to this study as they address objectives 1.3.1; 1.3.2; 1.3.3 and 1.3.4 of the study (Den Hartog & De Hoogh, 2009:200; Erasmus & Wordsworth, 2004:78; Nicolaides, 2009:491).

As argued by Erasmus and Wordsworth (2004:79) in executing these corporate functions, manager-leaders need to interact and act at five different levels of business/organisation ethics. These levels highlight the degree of challenges that manager-leaders are faced with in their daily duties. These challenges constitute unethical behaviour from the side of manager-leaders (MBA students).

Therefore, the scope of corporate governance in South Africa with its core philosophy revolving around *leadership*, sustainability and corporate citizenship has been broadened by the King III report. In this report, the following are given prominence:

- As argued by Den Hartog and De Hoogh (2009:201), good governance is essentially about effective leadership. Leaders need to define strategy, provide direction and establish the ethics and values that will influence and guide practices and behaviour with regard to sustainability performance.

- The findings of this study support Le Roux (2010:81) in that the fundamental shift in the way companies and directors act and organise themselves is needed so as to curb the unethical behaviour of manager-leaders.

- Innovation, fairness; accountability; transparency; integrity, collaboration and responsibility are aspects that came out to be key in this study and are therefore regarded by researchers (Den Hartog & De Hoogh, 2009:200; Erasmus & Wordsworth, 2004:78; Nicolaides, 2009:491) as driving forces towards ethical behaviour and transition to sustainability. Fairness is vital because social injustice is unsustainable collaboration on the other hand is perceived as the prerequisite for large scale change.

- Manager operate in a social environment as contended by Den Hartog and De Hoogh (2009:201) therefore social transformation and redress is important and needs to be integrated within the broader transition to sustainability. Integrating sustainability and social transformation in a strategic and coherent manner will give rise to greater opportunities, efficiencies, and benefits, for both the company and society.

Therefore, in providing ethical guidance from the study as intended by the objectives of this study, it is recommended that the King reports continue to be used as guides. The King III report has opted for an 'apply or explain' governance framework. Where the board believes it to be in the best interests of the company, it can adopt a practice different from that recommended in King III, but must explain it. Explaining the different practice adopted and an acceptable reason for it, results in consistency with King III principles.

The framework recommended by King III is principles-based and there is no 'one size fits all' solution. Entities are encouraged to tailor the principles of the Code as appropriate to the size, nature and complexity of their organisation. This is good news for companies in South Africa as it avoids some of the pitfalls seen in the United States where a 'one size fits all' approach was initially adopted.

It is recommended that all entities disclose which principles and/or practices they have decided not to apply or explain. This level of disclosure will allow stakeholders to comment on and challenge the board to improve the level of governance within an organisation thereby providing ethical guidance to the manager-leaders.

3.4 AREAS FOR FUTURE RESEARCH

Literature reviewed in this study (Brenkert, 2010:703; Den Hartog & De Hoogh, 2009:200; Murphy, 2010:751; Thompson *et al.,* 2010:14; Valentine, 2009:227) revealed that the MBA students, referred to as manager-leaders in various business schools proved to be unethical. This statement emanated from the recent trend of scandals globally (refer to sections 2.4.2 & 2.4.3 of this study) that cost companies fortunes as a result of unethical behaviour of the graduates from the business schools. This study was therefore focused on the evaluation of the ethical behaviour of the MBA students from the Potchefstroom Business School.

Subsequently, after a thorough analysis of data and literature reviewed in this study, the following are suggested as a means to future research emanating from this study:

- A comparative study concerning the ethical behaviour of the MBA students in various business schools is imminent. That is conducting a parallel study between business schools to get a larger sample in South Africa and determine their ethical predisposition with the same instrument as in this study. Such a study will further bring into conscience the detrimental position that manager-leaders (MBA students) put the companies into and challenge the ethical disposition of the MBA students. This will further build on the work done by Fullerton et al. (2008) where the ethical predisposition of MBA students in South Africa and China was sought.

- Literature reviewed in this study revealed that the unethical behaviour of manager-leaders has affected businesses from various continents, Africa; Europe and America. Therefore a study on the factors that enhances ethical behaviour in manager-leaders (MBA students) could be pursued.

- Literature also revealed that intense international (global) competition may cause unethical behaviour of manager-leaders, therefore a study that focuses on the causal effect of unethical behaviour of manager-leaders (MBA students) may be pursued.

3.5 SUMMARY

The day-to-day running of businesses and organisations is found to be compelling as manager-leaders find themselves under tremendous pressure to perform to the satisfactory level of the board, failing which they face the proverbial axe. Subsequently these manager-leaders, who happen to be MBA graduates from respected business schools, find out that there is little time to divert attention to the ethical content of the companies' decision-making processes or code of ethics.

As mentioned in section 2.4.1, the definition of the word "ethics" encompasses a wide scope of responsibilities and tasks for manager-leaders. This definition therefore is germane to effective leadership in organisations in that it connotes an organisation code conveying moral integrity and consistent values in service to the public. Certain manager-leaders in organisations will commit themselves to a philosophy in a formal pronouncement of a Code of Ethics or Standards of Conduct. Having done so, the recorded idealism is distributed or shelved, and all too often that is that. Such are the unethical and hypocritical manager-leaders as discussed. However other manager-leaders in organisations, ethical manager-leaders, will be concerned with aspects of ethics of greater specificity, usefulness, and consistency. These are such that business schools hope to produce and send out to the organisations globally.

From the literature surveyed and the empirical study it emerged that ethical leadership is a challenge to the MBA students used in this sample. This challenge is aggravated by the fact that standards for what constitutes ethical behaviour lie in a "grey zone" where clear-cut right-versus wrong answers may not always exist. As a result, sometimes unethical behaviour is forced on organisations by the environment in which it exists and laws such as the Foreign Corruption Practices Act of 1977 and commissions. But then, as revealed by the literature, unethical leadership become a cost to companies and hence need to be eradicated.

It is for these reasons that, business schools as well as organisations, companies and the public envisage releasing manager-leaders (MBA graduates) who understands the importance of ethical obligations. This in turn will help these manager-leaders to meet their organisations' expectations as well as model appropriate behaviour for others, thereby creating an environment of ethical manager-leaders and citizens.

LIST OF REFERENCES

ACT **see** SOUTH AFRICA.

BRENKERT, G.G 2010. The limits and prospects of business ethics. *Business ethics quarterly*, 20(4):703-709.

BRENKERT, G.G. 2008. Marketing ethics. Malden: Blackwell Publishing. 256 p.

BROWN, M.E. & MITCHELL, M.S. 2010. Ethical and unethical leadership: exploring new avenues for future research. *Business ethics quarterly*, 20(4): 583-616.

CAVALIERE, F.J., MULVANEY, T.P. & SWERDLOW, M.R. 2010. Teaching business ethics after the financial meltdown: Is it time for ethics with a sermon? *Education,* 131(1):3-7.

CLARKE, L.A. & WATSON, D. 1995. Constructing validity: basic issues in objective scale development. *Psychological assessment,* 7(3):309-319.

COLDWELL, D.A.L. 2010. A road to organisational perdition? Business ethics and corporate social responsibility. *South African journal of economic management sciences*, 13(2):190-202.

DEN HARTOG, D.N. & DE HOOGH, A.H.B. 2009. Empowering behaviour and leader fairness and integrity: studying perceptions of ethical leader behaviour from a levels-of-analysis perspective. *European journal of work and organisational psychology*, 18(2):199-230.

DESHPANDE, S P. & JOSEPH, J. 2010. The impact of ethical values and perceptions of ethical conduct on counterproductive behaviour of future managers. *Advances in competitiveness research*, 18(1/2):102-111.

ELLIS, S.M. & STEYN, H.S. 2003. Practical significance (effect sizes) versus or in combination with statistical significance (p-values). *Management dynamics,* 12(4):51-53.

ELMS, H., BRAMMER, S.J., HARRIS, J.D. & PHILLIPS, R.A. 2010. New directions in the strategic management and business ethics. *Business ethics quarterly*, 20(3):401-425.

ENDERLE, G. 2010. Clarifying the terms of business ethics and CSR. *Business ethics quarterly*, 20(4):730-732.

ERASMUS, B.J. & WORDSWORTH, R. 2004. Aspects of business ethics in South Africa. *South African journal of labour relations*, 28(4):77-112.

FIELD, A. 2009. Discovering statistics using SPSS. 3rd ed. London: Sage. 821 p.

FULLERTON, S. 1993. The ethical predisposition of our next generation of business and community leaders. (*In* Thompson, D., ed. *Proceedings of the Atlantic marketing association*, 188-193.)

FULLERTON, S., BISSCHOFF, C.A. & MOORE, D.L. 2008. Examining the ethical predisposition of the next generation of business leaders in China and the Republic of South Africa. *South African journal of economic management sciences*, 11(2):157-171.

GYDYE, L. 2007. Give us our daily bread. *The Mail & Guardian*: Nov. 15. [Web:] http://www.mg.co.za/article/2010.03.23-give-us-our-daily-bread [Date of access: 8 Dec. 2010].

HOGG, A. 2007. Fidentia: it's our worst nightmare, February 8 2007. [Web:] http://www.moneyweb.co.za/mw/view/mw/en/page1655?oid=67928&sn=Detail [Date of access: 12 March 2011].

LE ROUX, P.G. 2010. Stewardship ethics: a concept fit to deal with dilemmas in ethical leadership? *Journal of Christian scholarship*, 46(1 & 2):79-92.

LEEDY, P.D. & ORMROD, J.E. 2010. Practical research: planning and design. 9th ed. Boston: Pearson. 336 p.

MAYER, D.M., PRIESEMUTH, M., BROWN, M. & KUENZI, M. 2009. Antecedents and consequences of employee supervisor agreement on ethical leadership. Chicago. *Academy of management annual meeting proceedings*, 1-6.

MULES, R. 2010. The ethics of marketing sports drinks to a youth market. *BusiDate*, 18(3):2-5.

MURPHY, P.E. 2010. Business and marketing ethics: good news and bad news. *Business ethics quarterly*, 20(4):751-753.

NICOLAIDES, A. 2009. Business ethics in Africa. *Journal of contemporary management*, 6: 490-501.

NUNNALLY, J. & BERSTEIN, I.H. 1994. Psychometric theory. 3rd ed. New York: McGraw-Hill Inc. 752p.

ROSSOUW, G.J. & VAN VUUREN, L.J. 2003. The business case for business ethics. *Management dynamics,* 12(1):2-11.

SOUTH AFRICA. 2008. Companies Act, No. 71 of 2008. Pretoria: Government Printer.

SPRINTHALL, R.C. 2003. Basic statistical analysis. 7th ed. New York: Pearson Education Group. 660 p.

SPSS. Inc. 2009. PASW statistics 18, release version 18.0.0. Copyright © by SPSS. Inc. Chicago, IL. www.spss.com

STATSOFT. Inc. 2011. STATISTICA (data analysis software system) version 10. www.statsoft.com

STEENKAMP, P. 2007. Fidentia: a strategic and corporate governance analysis. Stellenbosch: University of Stellenbosch. (Dissertation – MBA). 64 p.

THOMPSON, A.A., STRICKLAND, A.J. & GAMBLE, J.E. 2010. Crafting and executing strategy: the quest for competitive advantage. 17th ed. Boston: McGraw-Hill Irwin. 413 p.

VALENTINE, S. 2009. Ethics training, ethical context, and sales and marketing professionals' satisfaction with supervisors and co-workers. *Journal of personal selling and sales management*, 29(3): 227-242.

WELMAN, C., KRUGER, F. & MITCHELL, B. 2005. Research methodology. 3rd ed. Cape Town: Oxford University Press. 342 p.

APPENDIX A

QUESTIONNAIRE ON ETHICS

PLEASE BE SO KIND AS TO COMPLETE THE QUESTIONS BELOW.

SECTION A

DEMOGRAPHICS

Mark the description most appropriate to your situation with an **X**.

A1.1. Age in years

Younger than 30	**1**
30 - 35	**2**
36 – 40	**3**
41 – 50	**4**
Older than 50	**5**

A1.2. Gender

Male	**1**
Female	**2**

A1.3. Work experience in years

0 – 5	**1**
6 – 10	**2**
11– 15	**3**
16 – 20	**4**
21 – 25	**5**
26 and more	**6**

A1.4. Experience in managerial work in years

0 – 5	**1**
6 – 10	**2**
11 – 15	**3**
15 – 20	**4**
20 – 25	**5**
26 and more	**6**

A1.5. My career is in (choose the appropriate column)

Education	**1**
Marketing	**2**
Production	**3**
Operations	**4**
Finances	**5**
General Management	**6**
Health care	**7**
Safety	**8**
Human Resource	**9**
Other **Specify:__________________________________**	**10**

A1.6. My level of job appointment is (or equivalent to)

Lower management	**1**
Middle management	**2**
Experienced middle management	**3**
Executive management	**4**
Other **Specify:___________________________________**	**5**

A1.7. My first degree is in_____(please choose from the options)

BCom	**1**
BSc	**2**
B.Eng	**3**
BA (Humanities)	**4**
BA (Law)	**5**
Other **Specify:_________________________________**	**6**

A1.8. Please indicate whether you are a 1st,2nd or 3rd MBA student

Ist year	**1**
2nd year	**2**
3rd year	**3**

APPENDIX B

SURVEY AMONGST MBA STUDENTS

B. A survey amongst MBA students on Individual level

Instruction: Please indicate how you rate the following scenarios by making a cross (X) on the appropriate column of the specific scenario.

Your response will be treated with anonymity

		Completely Acceptable	Somewhat Acceptable	Neutral	Somewhat Unacceptable	Completely Unacceptable
Scenario	**Description**					
B1	A co-worker was given too much change from the shop assistant at the corner bakery. Your co-worker kept the extra money.	1	2	3	4	5
B2	A friend's apartment was damaged by a fire. In reporting losses to the insurance company, your friend included items that she never owned.	1	2	3	4	5
B3	A friend's apartment was damaged by a fire. In reporting losses to the insurance company she inflated the value of items that were lost in the fire.	1	2	3	4	5
B4	You have seen other people misrepresent their own age in order to take advantage of discounts that are given to senior citizens.	1	2	3	4	5
B5	You have seen other people misrepresent their children's age in order to take advantage of a child's discount.	1	2	3	4	5
B6	A friend of yours finds an item at a store that is obviously mismarked at a lower price. Rather than notifying the store, your friend purchases the product at the incorrect price.	1	2	3	4	5
B7	Some people will go to a retailer to get information on a specific product and then use this information to purchase the product from a cheaper source. (A shop's catalogue or the Internet are two examples of sources where information could have been obtained).	1	2	3	4	5

		Completely Acceptable	Somewhat Acceptable	Neutral	Somewhat Unacceptable	Completely Unacceptable
B8	Some people will go to the same store repeatedly in order to take advantage of an offer that limits the amount that can be purchased per visit.	1	2	3	4	5
B9	Someone you know sold a frequent flier ticket to a friend despite specific airline rules that prohibit such a sale.	1	2	3	4	5
B10	Through word-of-mouth, you hear that a neighbour returned a product to a shop other than the shop where the product was purchased, convincing them that he has lost his slip	1	2	3	4	5
B11	Someone you know went to purchase a TV. In order to get a better deal, your acquaintance told the salesperson that another retailer was selling the same TV at a much cheaper price. The retailer, without verifying the competitor's price, matched the lower price. Your acquaintance then purchased the TV.	1	2	3	4	5
B12	At the supermarket, the person in front of you redeems coupons for items he has not purchased.	1	2	3	4	5
B13	In order to sell an item at their garage sale, your neighbours exaggerate its quality	1	2	3	4	5
B14	A person you know has been untruthful in marketing research surveys.	1	2	3	4	5
B15	Friends of yours purchased clothing from a local retailer. After wearing the clothing, they see it at another store for a substantially lower price. They return the worn clothing for a refund; then they buy the same clothing at the store offering the lower price.	1	2	3	4	5

C. A survey amongst MBA students on Company level

Instruction: Please indicate how you rate the following scenarios by making a cross (X) on the appropriate column of the specific scenario.

Scenario	Description	Completely Acceptable	Somewhat Acceptable	Neutral	Somewhat Unacceptable	Completely Unacceptable
C1	A manufacturer agrees to supply a retailer with a highly desirable new product. The retailer guarantees a large initial purchase and in return, the manufacturer agrees not to sell to any other retailers within that trade area.	1	2	3	4	5
C2	A retailer advertised a portable, brand-name colour TV for R749. When customers arrived at the store, they were told that the retailer had sold out of the bargain TV. The retailer then attempted to sell each customer a more expensive TV.	1	2	3	4	5
C3	Supply and demand dictate prices in the marketplace. After a recent hurricane in Florida and an earthquake in Los Angeles, many shops were closed. With the supply of many products down and demand up, many prices rose substantially. Prices on some products were three to eight times the normal price. Retailers argued that price is a function of economic conditions and refused to lower their prices.	1	2	3	4	5
C4	A grocery chain has stores in both a wealthy suburb and a poor city with a high incidence of crime. Insurance premiums, theft, and vandalism make it more expensive to operate in the poorer area. These expenses are passed on to customers. As a result, customers in the poorer city pay more for identical products than do their wealthier suburban counterparts	1	2	3	4	5

		Completely Acceptable	Somewhat Acceptable	Neutral	Somewhat Unacceptable	Completely Unacceptable
C5	People have a great admiration for sports heroes. A marketer often uses these athletes to endorse products because of their belief that such an endorsement will lead consumers to prefer their products over those of their competitors.	1	2	3	4	5
C6	A company has developed a new product that will render one of its old products obsolete. The company has a large inventory of the old products, so they delayed the introduction of the new technology until they had sold off the existing inventory of the old, soon to be obsolete, product.	1	2	3	4	5
C7	A manufacturer has a large inventory of products that have been sold in the USA for several years. The government recently ruled that the products are unsafe and required all products to be removed from American stores. Rather than discard the product, the company decided to export it to foreign countries that don't have strict regulations on safety. The manufacturer argues that this action is good for the company's stockholders and the US economy.	1	2	3	4	5
C8	A real estate agent sells a desirable house in a nice neighbourhood. The agent does not put up a *sold* sign because they want people to continue to call and inquire about the house. When potential buyers call, they are informed that the house is sold and informed of the availability of other houses listed by the agency.	1	2	3	4	5

		Completely Acceptable	Somewhat Acceptable	Neutral	Somewhat Unacceptable	Completely Unacceptable
C9	A manufacturer does business in several countries. In allocating expenses to the various international operations, it is common practice for the manufacturer to assign higher costs in countries with high tax rates. As a result, the facilities that are located in countries with low tax rates show a larger profit. The net result is that the manufacturer reduces its total tax liability by "shifting" profits to low tax countries.	1	2	3	4	5
C10	A US doctor believes that a particular experimental pharmaceutical product could provide benefits to certain patients. The drug is illegal in the United States because it has not been certified by the government. However, it is legal and readily available in Canada. The doctor acquires a supply of the product in Canada and illegally brings it in to the US. The drug is then distributed to patients who the doctor thinks it will help.	1	2	3	4	5
C11	A company advertises a telephone number for children to call Santa Claus. The call costs 90 cents per minute. The advertiser tells children to ask their parents before calling Santa.	1	2	3	4	5
C12	In order to hold down the costs for manufacturing a product, a company has moved part of the production from the United States to Mexico. The lower labour costs result in lower prices for consumers.	1	2	3	4	5
C13	A company advertises their product on TV by stating the brand name of a competing product then indicating ways in which their product is considered to be superior to the competitor's product.	1	2	3	4	5
C14	A retailer of men's and women's clothing raised its prices two weeks ago. Today, prices were dropped to their original level and the retailer is advertising as *on sale*.	1	2	3	4	5

Source: Adapted from: Fullerton (1993)