BUSINESS ETHICS AND PERFORMANCE OF QUICK SERVICE RESTAURANTS IN RIVERS STATE

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ABSTRACT

The study investigated business ethics and performance of quick service restaurants in Rivers State. The study adopted a descriptive research design. The study used a structured questionnaire to obtained data from a sample of 268 respondents from 20 quick service restaurants in Rivers State. The Pearson Product Moment Correlation served as the test statistic. All statistical analyses relied on the Statistical package for social sciences (SPSS) version 23.0. The study found that business ethics have a very weak positive relationship with performance of quick service restaurants. The study concludes that business ethics manifested in honesty and integrity in a firms business practices contributes to its performance; and recommends that quick service restaurants in Rivers State that desire improved performance should engage in ethical business practice exemplified in honest interaction with customers and consistent good conducts.
Keywords: Business ethics, integrity, firm performance, quick service restaurant,

BACKGROUND TO THE STUDY

Ethical business practices benefits long-term health and sustainability of firms by consolidating relationships between the firm and its publics through improved relations with shareholders, creation of goods and services for customers, and improved quality of work-life for employees (Mackie, 1991). Musa (2008) asserts that corporate ethics increase profitability through reduced transaction costs, and by fostering stakeholders' trust, a culture of productive teamwork internally, and protecting social capital that is essential to organizations' marketability. Business also reduces theft, fraud, corruption, and employee financial mismanagement. Less money is spent on advertising by an ethically conscious business organization, and there is a high demand for their product. The foundation of an organization's integrity and culture is established through business ethics.

The basic principles that govern behaviour of individuals or groups; establishing appropriate behaviour and indicating what is right and wrong is the foundation of business ethics. Ateke (2019) states that ethics are not laws because they are not enforced by governmental statutes; but that ethics go beyond laws and regulatory specifications; and addresses the heart of a situation and looks individuals' or organizations' sense of morality. So, ethics enable businesses to determine the equilibrium between profits and societal demands. True business success in today's operating climate is linked to business ethics; and this success is mostly achieved businesses operate with a high level of consideration for societal demands and expectations. Bucholz (2003) states firms must function at a higher level of ethics than the law provides for. In today's business world, a firm's level of ethics is gauged by its concern and support for community activities, social causes, charity work etc. Firms also exhibit ethical behaviour in their provision of social and health benefits to employees. The way a firm address social programmes and community issues also serve as a mirror for their ethical behavior.

Quick service restaurants in Rivers State have a high mortality rate. Most quick service restaurants fail within the first five years of their opening, while others survive the first five years, but struggle to prosper. In alignment with this position, Ateke and Nwulu (2018) and Harcourt and Ateke (2018) states that firms fail too often; and that more than half of new businesses do not survive beyond five years. Some businesses stride the business-scape for a couple of years; others fade away as quickly as they emerged (Harcourt & Ateke, 2018). Different reasons may be adduced for the high rate of failure of quick service restaurants in Rivers State, including poor capital base, poor power supply, high state and local government taxes and levies, and poor entrepreneurial skills.

However, Turyakira (2018) asserts that persistent corporate failures result from immoral behavior of employees; and in recent times, quick service restaurants in Rivers State have been accused of engaging in unethical business practices. Several fast food establishments have suffered from poor reputations (Ononogbo et al. 2016); and this may account for failure. Yet, most often, owners and operators of quick service restaurants in Rivers State may be aware of the factors that contributed to their failure (Collins, 2011). Hence, this study is geared towards examining the relationship between business ethics and performance of quick service restaurants in Rivers State.

THEORETICAL FRAMEWORK

This study is rooted in the cognitive moral development theory (Kohlberg, 1976, 1971). Cognitive moral development theory is the dominant theory in the area of moral development. The theory focuses on how individuals' behavior transits through various moral levels and how those transitions influence the morality of organizational members. More specifically, pre-conventional, convention, and post-conventional levels make up an individual's moral development (Kohlberg, 1976). Individuals at each of these levels base their decisions on various moral justifications. People are thinking about themselves and their own interests at the pre-conventional level. This particular moral justification supports people's self-serving actions, such as acquiring material or intangible advantages. People advance to the ordinary level as their moral development continues. At the most basic level, people use social relativism to excuse their actions. In particular, the necessity of forging and upholding enduring social bonds and being trustworthy reinforces people's behavior. People are able to pay attention to social expectations from the larger social system while using this kind of moral reasoning (Kohlberg, 1984).

At the highest stage of moral growth, people make moral decisions based on internalized moral ideals. Particularly, people begin to recognize their own individual rights and make sure that their actions uphold these rights in the greater social order (Kohlberg et al., 1984a). Additionally, moral standards at the post-conventional level are universal and remain constant in all social systems. Because morality recognizes the difference between good and evil or between right and wrong, respect for and obedience to the rules of right conduct, and the mental disposition or characteristic of behaving in a manner intended to produce good results are also needed in business, Cognitive moral development theory thus serves as a cogent baseline theory for this study on business ethics and performance of firms.

BUSINESS ETHICS CONCEPTUALIZED

Scholars concur that ethics is a set of guiding principles, morals, and values that influence and direct how individuals and groups behave in society or in a commercial organization. The study of ethics examines right and wrong, as well as moral duty and obligations. The goal of ethical principles of conduct is often to offer recommendations for human action that will protect a society and its members. Bucholz (2003) states that ethics describe ideals, principles and standards that guide behaviour and determine proper conduct; while Spence and Van Heekeren (2005) view ethics as a collection of prescriptive laws, virtues, values, and principles that serve to inform and direct behavior. Therefore, ethics refers to moral principles that direct the behaviour of individuals or group (Abiodun & Oyeniyi 2014). Ethics establishes what is morally right or wrong, good or evil, moral or immoral, and fair or unfair actions and behavior (Mujtaba, 2005). Conducting oneself ethically entails acting morally (Okafor 2011).

The application of ethical principles in business is termed business ethics; and what is considered acceptable or wrong conduct in business may be influenced by different circumstances, such as the sort of workers and their cultural background, and will differ from one firm to another (Anele & Onyeaghala, 2014). Business ethics refers to how an organization incorporates fundamental principles like integrity, respect, honesty, and fairness into its procedures, practices and decision-making (Hellriegel et al. 2005). Business ethics, according to Rossouw (2008) is the process of developing and putting into practice, rules of behaviour that ensure that a company does not adversely influence the interests of stakeholders. It should be highlighted that moral judgment determines moral action in people. Accordingly to Borade (2012) refer to morality in business as judgments, values, and standards of proper behaviour in the workplace, whereas business ethics refers to the abstract moral code approved and followed by members of the firm. Therefore, morality is what directs individuals towards appropriate action in light of fundamental principles (Mujtaba 2005).

Business ethics requires consistency in a firm's behaviour and interaction with stakeholders. The firm must have integrity. Integrity and goodness go hand in hand. Therefore, while those who have integrity may exhibit a particular type of consistency, integrity itself cannot be reduced to formal consistency. Integrity is established through consistent good conduct. Customers' level of confidence in a brand is based on how consistent that brand is, in its interactions and transactions with customers. Integrity requires that the firm meets its every obligation consistently, not some (Levine, 2010). Integrity is the practice of doing what one promise to do (Kouzes & Posner, 2012) in order to promote an atmosphere of transparency, credibility, and information sharing. All corporate operations depend on integrity, which is a crucial trait to uphold. In the economic world, integrity and trust go hand in hand. Owning up to every responsibility is essential because customers need to believe that the people they do business with will keep them (Levine, 2010; Fijnaut & Huberts, 2012). Thus, to be deemed ethical, a firm must have integrity.

CONCEPT OF FIRM PERFORMANCE

Performance of companies describes the companies' health as an outcome of management processes measured against stated business goals or compared to the health of competing firms (Ateke & Kalu, 2016). Firm performance is also a measure of a company's capacity to achieve set goals by employing or utilizing scarce resources effectively and efficiently (Daft, 1991, as cited in Ateke & Kalu, 2016). A business is said to be performing if it is able to cope, survive and make progress (Amah et al., 2013) amidst the pressures of the business environment.

Firm performance can be assessed in different ways, using various techniques. However, one of the most popular techniques makes use of financial indicators profitability ratios to gauge performance. Although many theories have attempted to explain why some firms are more profitable than others, and many studies have looked into various factors that may impact a firm's performance, the problem of business success continues to be an endless topic that captures the interest of many practitioners and researchers. Gagliardi (2006) asserts that for a business to succeed, it must outperform its rivals in the marketplace, and that the secret to success is to forge dominant competitive positions that rivals cannot breach. Performance metrics both financial and non-financial are used to determine a company's success.

Nonfinancial performance measures include customer complaints, employee turnover rate, percentage of repeat customers, growth in market share, percentage of returned products, average hours of employee training, job satisfaction survey, and staff competency. Other measures of nonfinancial performance include strategic planning, process improvements, brand equity, risk management, and human resource management reporting (Rouse, 2015). Financial performance measures on the other hand include, sales growth, cash flows, operating income, net profit margin, and return on investment. In this study, profitability and customer satisfaction are adopted as financial and nonfinancial measures of company performance.

Profitability is the capacity of a firm to make profits; and is demonstrated if revenue is higher than cost of goods sold but if the income is less than the input cost, it reflects poor performance. A company that is not profitable will not last. Profitability analysis is one of the best methods for determining the productivity of capital utilized and operational efficiency (Tulsian, 2014). In order for an organization to be profitable, it must be able to generate revenue in excess of operating costs. The maximization of owners' wealth is one of financial management's main goals, and profitability is a key performance indicator, hence profitability is one of the most significant financial management goals (Hifza, 2011).

Customers are the primary driver of a company's existence and market development. It follows that companies who want to compete must provide customer value and distinctive terms that meet their requirements. This satisfaction takes into account both the mood before and after making purchases (Biesok & Wyród-Wróbel, 2011) as well as the emotions experienced throughout the purchasing procedure. Customer happiness is crucial to company strategy and is essential for long-term success of businesses (Lovelock & Wirtz, 2007). Kotler (2000) state that measuring customer satisfaction involves assessing how well a product matches customers' expectations. Specific characteristics of a product and perceptions of quality affect customer satisfaction. One of the most important instruments for a successful business has been customer happiness (Fornell et al., 1996).

EMPERICAL REVIEW

Ogbari et al. (2016) examined the impact of business ethics on corporate performance of selected Universities in Nigeria. The results showed that there was a significant relationship between the ethical practices of organizations and their corporate performance. Similarly, Uwa, et al., (2018) examined the impact of ethical compliance on organizational profitability in the Nigerian telecommunication companies. The study focused on three ethical compliance variables which are integrity, customer value and fairness to customers. Result obtained shows significant positive impact of ethical compliance in terms of integrity, customers' value and fairness on profitability in Telecommunication companies. Also,

Enofe et al. (2015) examined the impact of business ethics on corporate growth in the wake of several corporate fraud, misstatement and misrepresentation. The study also found a positive, nut insignificant relationship between corporate growth and corporate adherence to rules and regulations. This means that that if organizational structures and culture are aligned with ethical code of business conduct, corporate growth may be achieved. Consequently, the study hypothesizes as follows:

Ho_1 Business ethics does not significantly relate to profitability of quick service restaurants in Rivers State.

Ho_2 Business ethics does not significantly relate to satisfaction of customer of quick service restaurants in Rivers State.

METHODOLOGY

The aim of this study is to examine the relationship between business ethics and performance of quick service restaurants. The study adopted a descriptive research design. The population of the study comprised 843 staff of 20 quick service restaurants in Rivers State. The Yamane formula was employed to derive a sample of 273. The study surveyed top-management level staff of the quick service restaurants because they are most likely to possess knowledge of variables under investigation and because they are the most adequate staff to speak on the firms' behalf. The study adopted a standardized questionnaire to collect primary data from respondents. The questionnaire was delivered to the respondents and retrieved after one week. After retrieval and cleansing, responses from a total of 268 respondents were found valid; and were used in the final analysis. The Pearson Product Correlation Moment Correlation, a parametric inferential statistical tool was used for the bivariate analyses. All the data analyses conducted were done with the aid of the Statistical Package for Social Sciences (SPSS) version 23.0.

RESULT AND DISCUSSION

Table 1: Relationship between integrity and profitability

		Business Ethics	**Profitability**
Business Ethics	Pearson Correlation	1	.161
	Sig. (2-tailed)		.005
	N	268	268
Profitability	Pearson Correlation	.161	1
	Sig. (2-tailed)	.005	
	N	268	268

***S= Significant p<0.05**

Source: SPSS output of data analysis on business ethics and performance of quick service restaurants (2022).

Table 1 reveals that the correlation coefficient (r) between business ethics and profitability of quick service restaurants is 0.161. This means that a very weak relationship exists between business ethics and profitability. The analysis also showed that the probability value of the relationship between the variables is less than the critical value (i.e. $p = 0.005 < 0.015$). This suggests that business ethics has a statistically significant relationship with profitability. These results ($r = 0.161$; $N = 268$; $p = 0.005 < 0.05$) indicates a very weak, positive and statistically significant relationship between business ethics and profitability. Hence, the study rejects the null hypothesis which states that business ethics does not significantly relate to profitability of quick service restaurants.

Table 2: Relationship between integrity and customer satisfaction

		Business Ethics	**Customer Satisfaction**
Business Ethics	Pearson Correlation	1	.100
	Sig. (2-tailed)		.085
	N	268	268
Customer Satisfaction	Pearson Correlation	.100	1
	Sig. (2-tailed)	.085	
	N	268	268

****S= Not Significant p<0.05**

Source: SPSS output of data analysis on business ethics and performance of quick service restaurants (2022).

Table 2 shows that the correlation coefficient (r) between business ethics and customer satisfaction is 0.100. This means that a very weak relationship exists between business ethics and customer satisfaction. The analysis also showed that the probability value of the relationship between the variables is less than the critical value (i.e. $p = 0.085 < 0.05$). This suggests that business ethics has a statistically significant relationship with customer satisfaction. These results ($r = 0.100$; $N = 268$; $p = 0.085 < 0.05$) indicates a very weak, positive and statistically significant relationship between business ethics and customer satisfaction. Hence, the study rejects the null hypothesis which states that business ethics does not significantly relate to customer satisfaction of quick service restaurants.

Table 1 show that there is a very weak positive correlation between business ethics and profitability of quick service restaurants in Rivers State. This means that quick service restaurants in Rivers State will experience slight change in their profitability when their business practices are laced with ethics. Organizational profit improves when business ethics increases. A company's reputation will improve if it maintains level of honesty and integrity in their dealings. This result concurs with that of Ebitu and Beredugo (2015) organizational integrity relates to profitability. Similarly, Legal Research Network (2014) discovered that companies that operate with a high level high integrity and compliance programmes are more successful.

Similarly, Table 2 shows that a very weak connection exists between business ethics and patron customer satisfaction. This discovery can be a result of quick service restaurants' low customer satisfaction rates. Most quick service businesses do not keep track of what patrons have to say about their honesty. Customers' satisfaction is influenced, not only by their purchase experience but also by how their perception the firm. Customers who place a high value on environmental awareness may stop doing business with a company that has a poor record of environmental stewardship, for instance. In addition to a customer's level of happiness with a product, customer satisfaction measures how well an organization is doing at meeting consumer demand (Ping, 2014). Long-lasting customer connections, open communication, delivering consistent outcomes, and client retention are all ascribable to business ethics.

CONCLUSION AND RECOMMENDATIONS

This study investigated business ethics and performance of quick service restaurants in Rivers State. The study found that business ethics have a very weak positive, but statistically significant relationship with performance of quick service restaurants. The study therefore concludes that performance of quick service restaurants in Rivers State is enhanced by business ethics; and that business ethics manifested in honesty and integrity in a firms business practices contributes to its performance. The study recommends that quick service restaurants in Rivers State that desire improved performance should engage in ethical business practice exemplified in honest interaction with customers and consistent good conducts. Ethical organizational practices for genuine and proper customer relations have the capacity to enhance the performance of their quick service restaurants.

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