Business Ethics Perceptions of Public and Private Sector Respondents in Pakistan

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Submitted on October 22, 2010 for review and publication in the:
Asian Journal of Business Ethics - Springer
Editor Email: allankk@hkbu.edu.hk
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Abstract:
Pakistan is a developing economy and it has been a country in the forefront of ethical crossroads in today’s challenging workplace. This research surveyed 232 citizens, managers and employees in Pakistan to measure their Personal Business Ethics Scores (PBES) to see if age, gender, education, management experience, and government work experience makes a difference in making more ethical decisions. This study contributes to the theory of moral development. The results suggest that age and more years of management experience do lead to higher scores in moral maturity, but the results are not statistically significant. Gender is not a factor in ethical maturity scores. Higher levels of education did not lead to higher scores. However, statistically significant differences were found for respondents with little or no government experience and those with two or more years of government work experience. Unexpectedly, those without any government work experience had significantly higher ethical maturity scores. Kohlberg’s moral development theory regarding ethical maturity is partially supported since those who were older and with more years of management experience do have higher business ethics scores.

Key words: business ethics, ethical maturity, morality, training, Pakistan, and moral development.
Introduction

An ethical climate is crucial for nurturing innovation, entrepreneurship, and foreign investment in today’s global and competitive business environment. The creation of this ethical climate requires comprehensive and relevant anti-corruption policies and procedures. Studies from Transparency International in their 2009 Global Corruption Barometer (Transparency International, 2010) do not rate Pakistan very high on the enforcement and practices of ethical standards. As a matter of fact, several of their neighbors are also rated very high on corruption. With scores of 2.4, 1.8 and 1.3 for Pakistan, Iran and Afghanistan respectively, these three neighboring countries are basically perceived by the world as having a highly corrupt public sector. In order to increase foreign investments in this region, Afghan, Pakistani and Iranian leaders must work hard to weed out the presence of bribery and unethical behaviors in each country. Of course, a country’s citizens as well as political and business leaders should attempt to report cases of bribery and not tolerate it in order to have a culture where people from around the world would want to come for pleasure, business, and investment opportunities. It should be noted that Islam is the dominant religion in Pakistan, and it places a strong emphasis on justice, harmony, and generosity in the workplace (Ali and Amirshahi, 2002). From an Islamic perspective, the faith and belief in God will produce greater acceptance, tolerance, willingness, and sacrifices to carry out a job in an ethical and fair manner (Barham et al., 2009).

There have been many authors and researchers who have studied ethics and the unethical behaviors of managers and students in academia, as they are concerned about “copycatting” and the deleterious influence of inappropriate behaviors by managers and
senior officers of major firms (Mujtaba et al., 2009; Cavico and Mujtaba; 2009; Clark, 2008; Crary, 2008; McGill, 2008; Desplaces et al., 2007; Gao, 2004; Klein et al., 2007; Lawson, 2004, Cherry et al., 2003; Nonis and Swift, 2001; Ridley and Husband, 1998; and others). Perhaps it is greed that influences people to behave unethically; or it could be a person’s education, age or lack of management experience that leads one to make ethical lapses in judgment.

*Moral development* is the growth of a person’s ability to distinguish right from wrong, and it refers to progressive and continuous changes from the beginning of life until the end (Mujtaba et al., 2009). Moral development occurs through the process of growth and socialization during one’s formal and informal education and by gaining management experience. A key research question might be to see if what demographic variables make a difference in the ethical decision making of Pakistani respondents. Consequently, this current research is designed to compare the Personal Business Ethics Scores (PBES) of Pakistani respondents. Building on the theory of moral development, the purpose of this study is to determine whether age, education, gender, government work experience, and management experience, gained through the maturation continuum or process, are related to ethical decision making with the adult working population in Pakistan.

*Age and Ethics*

Age is important as it is associated with experience. As such, age of a person is expected to relate to that person’s moral maturity. However, Freeman’s findings conclude that there is no significant relationship between age and moral maturity (Freeman, 2007, p. 92). But, Freeman noted that his results on age were “at variance with substantial
research that found age as a significant influence in moral maturity” (2007, p. 107). Several studies have indicated that there was no relationship between age and the level of ethical reasoning of managers (Galla, 2006, p. 52; Heron, 2006, p. 143; Huang, 2006).

However, it is generally agreed that older individuals tend to be more ethical or possess a more strict views of moral issues than younger ones. As individuals progress through the experience of life, they should develop higher stages of moral cognition. According to Huang (2006), students in the 40-plus age group are the most ethical. The findings are consistent with research that older students exhibit more ethical inclinations. Some studies conclude that younger respondents tend to be less ethical than older people (Huang, 2006). Ariail (2005) found that the age groups 40-49 and 50-59 had higher DIT moral maturity scores than the other categories. Chavez (2003) indicated that banking employees who are less than 30 years tend to have lower moral maturity scores than banking employees who are 30 years of age and older (Chavez, 2003, p. 58). Hyppolite (2003) concluded that the average score for moral maturity of older participants was higher than the one for younger respondents. As one matures with age, his or her average moral maturity score is likely to increase. This research indicated age was a predictor of individual maturity level (Hyppolite, 2003 p. 139). Cannon’s results revealed that there is empirical support for age as a predictor of moral development in a meta-analysis of multidisciplinary ethics studies (Cannon, 2001, p. 195). Kohlberg’s Cognitive Moral Development theory posits that as a person increases in age, his or her capability and level of moral reasoning should concomitantly and progressively increase too. Therefore, the study for this article focused on the following hypothesis:
Hypothesis I - Pakistanis who are 25 years of age or younger will have Personal Business Ethics Scores (PBES) that are equivalent to or greater than those individuals who are 36 years of age or older.

Management Experience and Ethics

Common sense supports the idea that there is a relationship between tenure or experience as a manager and one’s level of moral maturity. This study will attempt to find empirical evidence on whether this relationship actually exists. Kennedy (2003) indicated that the experience held by an organizational leader did not relate positively to the leader’s moral judgment level (Kennedy, 2003, p. 75). Huang found that no significant relationship existed in the ethical reasoning abilities of the managers based on their level of education (2006, p. 94). Hyppolite found that there was not a positive relationship between the rank and position variables and moral maturity (2003, p. 139).

However, Cannon (2001) did find a “slightly higher” ethical maturity score for working adults with at least 14 years of work experience (pp. 198-99). Cannon noted that the relationship between work experience and moral development is not well documented in the literature (2001, p. 198). Therefore, the study for this article focused on the following hypothesis:

Hypothesis II – Pakistani respondents who do not have any management experience will have Personal Business Ethics Scores that are equivalent to or greater than respondents who have some management experience.

Education and Ethics

Some studies report a strong, positive, and predictive relationship between education and ethics (Freeman, 2007). Freeman indicated that there was a significant positive relationship between education and moral maturity (2007, pp. 98, 108). Evans
reported that “the statistical evidence…indicated formal education for African-American business professionals, as measured by the DIT, results in increased levels of cognitive moral development (CMD)” (2004, p. 81). Kennedy (2003) found that there is a positive difference in moral judgment by educational level of the leaders (2003, pp. 71-72). Kennedy stated that there was a positive relationship between the amount of ethics training received and their moral maturity levels (2003, pp. 72-73). Mobley (2002) found that there was indeed a relationship between education and moral maturity, since “education is by far the most powerfully associated with DIT scores” (p. 71). Therefore, the study for this article focused on the following hypothesis:

**Hypothesis III** – Pakistani respondents who do not have any formal college education will have Personal Business Ethics Scores that are equivalent to or greater than respondents who have four or more years of formal college education.

**Government and Ethics**

In developing economies, Governments tend to have more layers of management and higher levels of bureaucracy. Organizational cultures in the public sector should have strong influences on the behavior of employees and suppliers. Singhapakdi and Vitell (1990) showed that organizational ethical culture positively influences perceptions of ethical problems and alternative solutions in a marketing context.

According to moral development theory, as people grow their level of moral maturity increases, often due to education and work experience. If this is the case, then government work experience might be a factor since there are strict rules and regulations in almost all functioning economies. Fryxell and Lo (2001) showed Chinese managers in state-owned firms appear to embrace stronger environmental ethical values over their
private sector and joint venture counterparts. Svensson and Wood (2004) concluded that the codes of ethics in the Swedish public sector appear to be more nurturing, more developmental of staff, less regulatory and less directive than the private sector’s. The study for this article focused on the following hypothesis:

**Hypothesis IV – Pakistanis who have worked for a government agency for two or more years will have Personal Business Ethics Scores that are equivalent to or greater than respondents who have worked in government for one year or less.**
Gender and Ethics

It is often assumed that females will have higher scores than males as they are better able to empathize with victims. Empirical research appears to be inconclusive on this proposition.

Some researchers have found that gender is a significant factor in ethical maturity and ethical decision making (see Borkowski & Ugras, 1998; Forte, 2004; Jones & Hiltebeitel, 1995; Stedham, Yamamura & Beekun, 2007; White, 1999). Other researchers such as Derry (1989) have found that in a strong organizational culture, gender is unlikely to be a significant factor in ethical decision making. Socialization is the process through which employees learn the ways of the organization and its culture so they can be effective and productive members of it (Mujtaba & Sims, 2006). An effective and strong organizational culture often leads to an alignment between the manager’s decisions and the organization’s core values (Cable & Parsons, 2001); consequently, gender may not make any significant difference. To find out more, the study for this article focused on the following hypothesis:

Hypothesis V – Pakistani Male will have Personal Business Ethics Scores that are equivalent to or greater than females.

Research Methodology and Analysis

This study uses Clark and Clark's (1966) instrument to compare the results of Personal Business Ethics Scores (PBES) of respondents in Pakistan. The comparisons are based on age, gender, government work experience, management experience, and education. The research question to be answered is whether age, gender, education,
government work experience, and management experience affect the moral development of individuals in Pakistan.

The self-administered questionnaires used in this study offer anonymity which is important when conducting ethics research. The English version of the survey was translated by the second author, who is a native speaker, into Urdu and then it was given to three university professors who spoke both languages fluently for checking the accuracy of the translated survey. Then a fifth professor back-translated the Urdu survey into English to see if the meaning had stated the same. The authors and their colleagues agreed that the meaning of the survey has not changed in the Urdu translated version.

**Factor analysis.** According to Kaiser (1974), KMO (Kaiser-Meyer-Oklin) is used to test whether the variables in this study sample are adequate to correlate. A general rule of thumb is that a KMO value should be greater than 0.5 for satisfactory factor analysis to proceed. For the Personal Business Ethics Scores study, KMO is 0.812 (Chi-Square: 857.622; df 55; alpha 0.00) for business ethics; therefore, one can proceed with factor analysis. In addition, the factor loadings after rotation are greater than 0.4, it is not necessary to remove any of the measured response question. For the reliability test, each item had a corrected item-to-total correlation that are greater than 0.4 and Cronbach’s coefficient alpha are greater than 0.7 (Nunnally, 1978).

**Population demographics.** This study targeted Pakistani citizens, workers and managers. The surveys were sent to Pakistanis in the following cities: Lahore, Sargodha, Sahiwal, Faisalabad, and Multan. The focus was placed on Punjab, the largest province of Pakistan in terms of population. The questionnaires were distributed to the residents of the provincial capital, Lahore largest city of Punjab and second largest city of the
country, in terms of population and GDP, the commercial and industrial cities of Faisalabad and Multan as well as the agriculture based cities of Sargodha and Sahiwal. The responses of citizens, managers, employees and businesspeople were collected and recorded.

For this study, 500 questionnaires were sent to the candidates. The convenience sample was obtained through educational organizations, businesses and entrepreneurs, private and public sector institutions. A paragraph explaining the purpose of this research and guaranteeing total confidentiality was included with each survey. At the end of the questionnaire some blank space was provided for the respondents’ comments. The respondents were asked to voluntarily complete the questionnaire and return it to the specified researcher by company mail. Since some people do not like to complete surveys in Pakistan, two faculty members were assigned to personally interview candidates and record their answers. As such, about 50% of the surveys come from workers and managers who agreed to be personally interviewed by the assigned interviewers.

Out of total surveys distributed, a total of 232 usable surveys, comprising a response rate of 46%, were used for analysis in this study. Of the subjects, 70 (30%) are female respondents and 162 (70%) are males. While only 29 (13%) respondents reported having a high school level of education or less, 203 (87%) had a Bachelor's of Science degree or higher. In terms of management experience, 120 (52%) respondents reported having been managers and 113 (48%) had never been in management. Of the subjects, 78 (33%) are 25 years of age or younger and 49 (21%) are 36 years of age or older, and the rest are in between.
The questionnaire used consists of eleven questions which represent the Personal Business Ethics Scores (PBES). The PBES represents a score between 11, indicating low personal business ethics, to 55, indicating very high personal business ethics. An analysis at the p<.05 level of significance is used to determine if there are differences in the responses of people based on age, gender, education, management experience, and government work experience. The .05 level of significance has been chosen because it is an appropriate level of significance for most social science research.

**Hypotheses testing and analysis.** The following paragraphs and explanations are geared toward each hypothesis and its explanation.

Hypothesis I states that Pakistanis who are 25 years of age or younger (X₁) will have Personal Business Ethics Scores (PBES) that are equivalent to or greater than those respondents who are 36 years of age or older (X₂). The alternative hypothesis states that Pakistanis who are 25 years of age or younger will have PBES that are lower than those respondents who are 36 years of age or older.

\[
\begin{align*}
H₀: & \quad X₁ \geq X₂ \\
H₁: & \quad X₁ < X₂
\end{align*}
\]

Table 1 shows the results of the t-test. The PBES mean of individuals 25 years of age or younger is 37.82, and the PBES mean for individuals 36 years of age or older is 39.24. Result of t-test showed that there were no significant difference in personal business ethics (\(t= -0.83, p=0.41\)) between 25 years of age or younger and 36 years of age or older. However, it should be noted that the scores of older respondents were higher than their younger colleagues.
Hypothesis II states that Pakistanis who do not have any management experience (X₁) will have Personal Business Ethics Scores (PBES) that are equivalent to or greater than those respondents who have some management experience (X₂).

Result of t-test (Table 2) demonstrate that there were no significant differences in personal business ethics between respondents who have management experience (n=120, PBES = 38.64, St. Dev. = 7.96) and those who do not have any management experience (n=113, PBES = 38.53, St. Dev. = 9.6; t = 0.10, p = 0.92).

Hypothesis III states that Pakistanis who do not have any formal college education (X₁) will have Personal Business Ethics Scores (PBES) that are equivalent to or greater than respondents who have four or more years of formal college education (X₂). Result of t-test (Table 3) showed that there were no significant differences in personal business ethics between respondents who have four or more years of formal college education and respondents who do not have any formal college education. Surprisingly, those with a high school degree had a higher PBES scores.
Hypothesis IV states that Pakistanis who reported that they have worked for a government agency for two or more years (X₁) will have Personal Business Ethics Scores that are equivalent to or greater than respondents who have worked in government for one year or less (X₂).

Result of t-test (Table 4) showed that there were significant differences in personal business ethics between respondents who work in government agency two or more years and respondents who worked in government agency one year or less. Those who had no government experience or had worked in the public sector for less than one year had a higher PBES score. The results are statistically significant.

Hypothesis V states that male Pakistanis (X₁) will have Personal Business Ethics Scores that are equivalent to or greater than females (X₂). Result of t-test (Table 4) showed that there were no significant differences in personal business ethics scores of males and females in Pakistan. Surprisingly, males did have a higher score than females.
Table 5 - Males vs. Female PBES Scores

<table>
<thead>
<tr>
<th>Position</th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Males</td>
<td>39.099</td>
<td>8.516</td>
<td>162</td>
</tr>
<tr>
<td>Females</td>
<td>37.4</td>
<td>9.34</td>
<td>70</td>
</tr>
</tbody>
</table>

$t = 1.36; p = 0.17$

This study concludes that government work experience is a significant negative factor in moral development of these respondents in Pakistan. Furthermore, this study also demonstrated that education is a negatively correlated factor in the moral development of individuals. However, age and management experience appear to be positively related to moral maturity.

**Discussion and Implications**

This study is an initial attempt with respondents in Pakistan to determines one’s commitment level of personal integrity and honesty in business dealings and in the observance of the laws governing business using the PBES instrument. In this study, using the survey instrument with the Pakistani population, age, education, and management experience did not produce any statistically significant results. However, it should be mentioned that the older group and those in management ranks did have higher average business ethics scores.

The results from the Pakistani respondents demonstrate that there is no statistically significant relationship between education, age, management experience, and ethical maturity. These results are consistent with the findings of Freeman (2007), Galla (2006), Heron (2006) and Huang (2006) which claimed that mere age dose not play a role in ethical maturity of a person. Pakistani respondents with higher level of education did not reveal more commitment to moral obligations than their less educated counterparts. More educated individuals should be better able to recognize nuances in situations that
might justify expectations to moral norms. Therefore, it is possible to conclude that managers and superiors should feel comfortable in knowing that most Pakistani employees, regardless of their education levels, will have a good understanding of the moral dilemmas and probably know how to effectively deal with ethical challenges. The other outcome of this study was the insignificant role of management rank in the ethical maturity of Pakistani respondents. Work and management rank are highly correlated with age and are expected to be positively related to ethical sensitivity (Harris and Sutton, 1995).

Pakistani respondents with longer work experience in government sector show significantly lower business ethics score, something that was opposite of the findings by Fryxell and Lo (2001) as well. Svensson and Wood (2004) concluded that more robust codes of ethics in government agencies may help with higher ethical scores of public sector personnel as these encourage the focus on the right things to be done by employees. There is a need for the establishment of monitoring systems on unethical corporate activities and providing the best-practiced ethical management firms with social support, in order to promote more ethical behavior in the Pakistani public sector working environment. While speaking to people both in the public and private sector of Pakistan, most experts agree that ethics training and development opportunities will be highly beneficial for everyone.

During the interview sessions by the faculty members conducting this research, after answering all the questions, one respondent said that “In Pakistan, all the above practices are considered highly ethical and strongly approved.” Since the dilemmas presented all describe some unethical business decision, it is sad that participants see their
widespread use in the economy. From a qualitative perspective, the quantitative results regarding government work experience socializing people to be more tolerant of unethical practices are actually confirmed by actual comments since one respondent mentioned the following:

Ethics read in books are not implemented practically in the true sense of the word, especially in the institutions established in Pakistan. Compromises on ethics, based on the doctrine of necessity are the common practices in public sectors organizations in our country. Being on the principled level of moral development, I am of the view that personal integrity is although difficult to be adjusted in such a society, yet is ultimately rewarded with real success in the long run by the grace of Allah. (Pakistani Respondent in Lahore, July 2010)

Another respondent mentioned that “Business ethics plays an important role in establishing a sound and peaceful working environment. As such, it must be considered an important area of training at the workplace to employees and managers.” Other respondents mentioned the following thoughts or wrote them in the comment section of their completed surveys:

1. No doubt ethics in an organization play a vital role but unfortunately in Pakistan in prevailing conditions it is not being followed.

2. Business Ethics is a vital part of business and management.

3. There should be no compromise on honestly and truth. It is possible we may gain some benefit by hiding the truth in short term; but in long term, it is almost guaranteed that one will suffer a big loss. Customer is the king of the market, so never try to cheat customers because when they discover that you deceive them, you will lose all of what you have.

4. Ethics or business ethics should be implemented first on oneself first; and all others such as business should be the second. If you take care of your own behavior first, then all else will be okay.

5. Business ethics at local organization or global organization is very much necessary. Without ethics any business can’t run smoothly. This also provides a wrong trend in business.
6. This research is a good step and positive about the view which professionals are having in business. Such steps will give positive thinking and actions for employees and managers.

7. There are real ethical issues in this questionnaire which happens in businesses all the time. The guilty person usually damages his reputation as well as that of the business.

8. Our religion forbids us for conducting any wrong step/ action either in business or social life.

9. Now-a-days ethics are very important in organizations. Because it’s not about the business but it also about customer relationship management, which should be more enhanced. Good ethical practices also contribute to flourish the agency relationship.

10. An organization must not conduct any unethical activity that may harm the loyalty of the customer and make him dissatisfied.

11. In my point of view business ethics are the most important for any employee who works in a local or global organization.

12. Organizations must give special attention to business ethics. This will leads to fair and just business executions in the local and international business market. It will encourage local trade and international trade and reduce the trade barriers.

13. Business ethics guidelines set by the business or profession should be strictly followed.

14. Ethics are important. So try to be follow ethical standards first; then and only then think for business profitability.

15. Business ethics at local or global organizations should be fair, so that it would not exploit anyone—not the owners, not the customers. All persons who are conducting business should be trained regarding the best practices and ethical guidelines.

These comments made by Pakistani respondents demonstrate that people are aware of the negative consequences of unethical behaviors on employees, business owners, customers, and the community in general. As such, they have emphasized that ethics education is an important factor for organizational leaders to consider in their
training curriculum. Of course, ethics education and training should be initiated and consistently emphasized by government officials so they can role model high business standards in the community.

Like most studies, there are limitations to this study and one of them is the fact that this study was conducted with a convenient sample population. Future studies can compare specific populations in different parts of the country with similar working backgrounds and demographic variables.

Conclusions

This research was designed to compare the Personal Business Ethics Scores (PBES) of respondents based on age, gender, education, management experience, and work experience in the public sector of Pakistan. The purpose was to determine whether gender, education, age, government work experience, and management experience, gained through the maturation process, are related to ethical decision making of respondents in Pakistan.

The outcomes demonstrate that while education, gender, age and management experience may not be a factor in the level of ethical maturity, government work experience can actually decrease a person’s moral maturity scores. The establishment of a comprehensive training plan for the transmission of ethical values from the private sector in Pakistan to the public sector might be a good initial start in enhancing business ethics scores.
References


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