STRATEGIC FACTORS INFLUENCING ETHICAL BEHAVIOR IN ORGANIZATIONS: A CASE STUDY OF KENYA NATIONAL EXAMINATIONS COUNCIL

BY

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UNITED STATES INTERNATIONAL UNIVERSITY AFRICA

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A Project Report Submitted to the Chandaria School of Business in Partial Fulfillment of the Requirement for the Degree of Masters in Business Administration (MBA)

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STUDENT’S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University Africa for Academic Credit.

Signed: __________________________  Date: __________________________

Mercy M. Ayugu (ID. 624187)

This project report has been presented for examination with my approval as the appointed supervisor.

Signed: __________________________  Date: __________________________

Dr. Zachary Mosoti

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Dean, Chandaria School of Business
ABSTRACT

Ethical behavior is important for the performance of every organization; strategies are therefore put in place to ensure ethics is observed in every organization. The purpose of the study was to determine the strategic factors leading to ethical behavior, a case study of Kenya National Examination Council. The research was guided by the following four research questions; how does organizations structure and control influence ethical behavior in the organization, does leadership affect ethical behavior in organizations, what is the effect of social-cultural factors on ethical behavior and how does recruitment selection and training influence ethical behavior.

The study incorporated a descriptive design to carry out the research. The research was carried out at KNEC with the target population being the employees. The study used simple random sampling technique in determining the representative sample of 80 employees. Primary data was collected by use of questionnaires. The collected data was analyzed and presented using Microsoft Excel in the form of tables and figures.

The findings of the study revealed that organizations structure and controls does influence ethical behavior. Well laid down procedures, policies and open communication channels facilitate coordination of activities and realizing the main goals and objectives of an organization. Employees and management should be keen in ensuring the procedures and processes are in check in order to encourage and ensure ethical behavior is practiced within the organization. Management should also strengthen the structures and controls in place and constantly review the procedures which will enforce ethical behavior in the organization.

Similarly leadership does influence ethical behavior in the organization. Managers have a big influence on the ethical behavior in the organization as they set the standards in which the rest of the employees work under. Ethical behavior should be nurtured in an organization and management should encourage and motivate employees to realize the set goals and objectives in an ethical manner. The organizations stakeholders should be able to communicate their grievances in to ensure a proper working environment.

Social-cultural factors has a direct relationship with ethical behavior in an organization. If the values in an organization are of ethical nature then the employees will tend to behave
according to the morals and guidelines set within the organization. The organizations culture is also influenced by other factors such as national culture, the organizations rules, policies and code of ethics. High value in ethical conduct and behavior must be implemented in the organization in order to foster an ethical environment at all levels.

On the other hand recruitment selection and training influence ethical behavior. The human resource is responsible in ensuring recruitment is done in a fair and open way and that employees are trained on ethical behavior. HR is also responsible in ensuring that the employees are motivated by the rewards and compensation in order to facilitate ethical behavior in the organization.

The major conclusions drawn from the study were that organizations structure and control does influence ethical behavior in the organization. On the other hand leadership does affect ethical behavior in organizations and the social-cultural of an organization influences ethical behavior. The study also concludes that the recruitment selection and training process in an organization does influence ethical behavior. Therefore ethical behavior should be nurtured in an organization and management encourage and motivate employees to realize the set goals and objectives in an ethical manner.

The study recommends that more research be done on what other strategies put in place ensure lead to ethical behavior across the organization. More investigation should also be in regards to the objectives, which is narrowing in on how to implement effective strategies that facilitate ethical behavior, what exactly under organizational structure and control has a great influence on ethical behavior. How to structure policies, code of conduct and procedures, how effective they are in ensuring ethical behavior is practiced and not just written guidelines. Further studies also need to be done with regard to leadership and how the different styles of leadership lead to ethical behavior. The best practices in social-culture, recruitment selection and training used in an organization to ensure ethical behavior.
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To the respondents who participated, I am truly grateful.

God Bless you All!
DEDICATION

This project is dedicated to my loving family and friends who are constantly encouraging and supporting me. May God bless everyone abundantly.
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LIST OF ABBREVIATIONS

AQR:  Audit Quality Reduction
EEO:  Equal Employment Opportunity
GAAP: Generally Accepted Accounting Principles
KNEC: Kenya National Examinational Council
LMX:  Leader-Member Exchange
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Problem

According to Pearce and Robinson (2007), a strategy is a large scale, future oriented plans for interacting with the competitive environment to achieve company objectives. A strategy is a company’s game plan. Although the plans not precisely detail all future deployments of people, finances and materials, it does provide a framework for managerial decisions. Strategic factors are therefore a set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company’s objectives.

According to Ferrell, Fraedrich and Ferrel (2005), ethics is an inquiry into the nature and ground of morality where the term morality is taken to mean moral judgments, standards and rules of human conduct with an emphasis on determining right and wrong. High ethical standards require both business and individuals to conform to sound moral principles. Business ethics comprises the principles and standards that guide behavior in the world of business. Whether a specific action is right or wrong, ethical or unethical, is often determined by investors, employees, customers, interest groups, the legal system and the community. Although these groups are not necessarily “right”, their judgments influence society acceptance or rejection of a business and its activities.

An organization that wants to establish trust with its employees, investors, and customers must start with a sure sense of what defines it. It must know why it exists to begin with and what makes it uniquely different from every other organization in the marketplace. (Shockley-Zalabak et al, 2010). Research and examples from the business world demonstrate that building and ethical reputation among employees, customers and the general public pays off. Among the rewards for being more ethical and socially responsible in business are increased efficiency in daily operations, greater employee commitment, increased investor willingness to entrust funds, improved customer trust and satisfaction, and better financial performance. The reputation of a company has a major effect on its relationships with employees, investors, customers and many other parties (Ferrell et al, 2005).
Organizations develop a code of business ethics to help ensure consistency in the implementation of ethical standards. The trends for the code of business ethics is that they are not only found solely on employee handbooks but also prominently displayed in corporate Web sites, in annual reports and posters on bulletin boards. Another trend is that companies are adding enforcement measures to their code of ethics, including policies that are designed to guide employees on what to do if they see violations occur and sanctions that will be applied including consequences on their employment including civil and criminal charges. As a consequence, businesses are increasingly requiring all employees to sign the ethics statement as a way of acknowledging that they have read and understood their obligation (Pearce and Robinson, 2007).

The other trend is increased attention by companies to in improving employees training in understanding their obligations under the company’s code of ethics. The objective is to emphasis the consideration of ethics during the decision making process. Training and subsequent monitoring of actual work behavior is also aided by computer software that identifies possible code violations, which managers can then investigate in details (Pearce and Robinson, 2007).

Whereas unethical behavior is episodic and individualistic in nature, evil is systemic and embedded in the culture of the organization. Programs, policies, practices, reward systems, hiring and training, external and internal relations—all are designed with the intention to seek immediate advantage through the deliberate harm of others. Organizational culture, whether positive or negative, develops over time as policies are reinforced, leaders model behavior (Dickson et al., 2001; Grojean et al., 2004), individuals are rewarded for behaviors, and the collective activities of organizational players cohere into an identity an organizational personality. Emergent from the culture is a set of moral precepts, a corpus of moral principles that act as rules to constrain or facilitate behavior among organizational members, an ethic (Jurkiewicz, 2012).

In order for an organization to survive, ethical behavior is very important. The study therefore sought to establish some of the strategic factors that influence ethical behavior in organizations, more so a focus on Kenya National Examinations Council.
The Kenya National Examinations Council (also referred to as KNEC or the Council) was established in 1980 under the Kenya National Examinations Council Act Cap 225A of the Laws of Kenya. This Act (Cap 225A of 1980) was repealed in 2012 and replaced with KNEC Act No. 29 of 2012 (KNEC, 2014).

KNEC was established to take over the functions previously undertaken by the defunct East African Examinations Council and the Ministry of Education to conduct school, post school and other examinations. The establishment of the Council followed the breakup of the East African Community and the need for an institution to take over control of such examinations to ensure their validity and reliability; and to ensure conformity to Kenya’s goals and changes in Government policy relating to the curriculum and examinations (KNEC, 2014).

According to section 10 of the Kenya National Examinations Council Act No. 29 of 2012; KNEC is mandated to: set and maintain examination standards; conduct public academic, technical and other national examinations within Kenya at basic and tertiary levels; award certificates or diplomas to candidates in such examinations; confirm authenticity of certificates or diplomas issued by the Council upon request by the government, public institutions, learning institutions, employers and other interested parties; issue replacement certificates or diplomas to candidates in such examinations upon acceptable proof of loss or damage of the original; undertake research on educational assessment; advice any public institution on the development and use of any system of assessment when requested to do so, and in accordance with such terms and conditions as shall be mutually agreed between the Council and the public institution; promote the international recognition of qualifications conferred by the Council; advice the Government on any policy decision that is relevant to, or has implications on, the functions of the Council or the administration of examinations in Kenya; do anything incidental or conducive to the performance of any of the preceding functions (KNEC, 2014).

KNEC Core Functions are to: develop national examination tests; register candidates for the KNEC examinations; conduct examinations and process the results; award certificates and diplomas to successful candidates; issue replacement certificates and diplomas; conduct educational assessment research; carry out equation of certificates and diplomas issued by
other credible examining boards; conduct examinations on behalf of foreign examination boards.

The Council is guided by the following values: respect to rule of law as stipulated in the Constitution; the KNEC Act No. 29 of 2012; Basic Education Act No. 27 of 2012 and other laws of the land; responsiveness to national and sectoral policies; strict adherence to examination regulations in the conduct of examinations; maintenance of high level of efficiency, integrity and honesty by all Council employees and contracted professionals involved in the conduct of examinations; Conducting examinations that are relevant, fair, valid and reliable; responsiveness to public needs in service delivery (KNEC, 2014).

KNEC’s Vision is “To be a world class organization in assessment for quality education” and its Mission is “To objectively assess learning achievements in order to safeguard and enhance globally acceptable educational certification standards”. The business of KNEC is to administer examinations and issue certificates to successful candidates, equate certificates issued by other examining bodies, and to carry out research on educational assessment (KNEC, 2014).

Examinations play a crucial role in education and in Kenya, KNEC being the main examination body has to ensure that they top notch quality examinations and ensure best practices in valuation of tests in all levels, which is primary, secondary and other higher learning examinations. Therefore emphasizes on tests that are valid, dependable and effective is very crucial to KNEC. The Kenya National Examinations Council has over the years endeavored to maintain high quality and standards in the national examinations. Ethical behavior plays a major role in ensuring the standards are maintained and consistent over the years.

The strategies in place has so far seen the organization to where it is now in terms of ethical behavior. There is therefore a need to establish what strategies in place impact the organizations performance and influence the ethical behavior among employees in the organization.
1.2 Statement of the Problem

Ethical behavior is the standards in an organization, and in particular the behavior of those who own and manage the organization. Ethics has been a matter of public concern since the industrial revolution. Much of the current concern of ethics has been prompted by a resurfacing of public criticism if organizations are perceived to have amassed vast personal fortune at the expense of the public or being ruthless and corrupt in their dealings with anyone. Ethical dilemmas arise in business more frequently than it is convenient to recognize. Indeed what is right or wrong is sometimes very unclear in organizations and vary from place to place and change with time (Rollinson, 2002).

It is important to recognize that there are a large number of factors that influence a person’s behavior, some of which are not conducive to the individual behavior in a way that is ethical in a particular organizational context (Rollinson, 2002). Since the list of issues about the ethical standards is continually growing, a convenient way to consider matters is to examine two relationships: the internal relationship between the organization and its employees and the relationship between an organization and its external stakeholders (Rollinson, 2002). For this study the researcher focused on the internal relationship between the organization and its employees that is the way an organization deals with employees and the way that employees deal with the organization.

Research suggests that people at work often encounter ethical dilemmas in their relationships with superiors, subordinates, customers, competitors, suppliers and regulators. Common issues underlying the dilemmas involve honesty in communications and contracts, gifts and entertainment, kickbacks, pricing practices, and employee termination. More and more organizations are offering ethics training programs that offer advice for handling ethical dilemmas. In addition, the trainings helps participants learn how to identify and deal with this common rationalizations for ethical misconduct (Schmerhorn, Hunt, and Osborn, 2003).

What constitutes to good ethical behavior has never been clearly defined and in recent years, the line differentiating right from wrong has become even more blurred. Employees see people all around them engaging in unethical behavior which could also lead to them behaving in the same manner. Today’s manager needs to create an ethically healthy climate
for his and her employees, in which employees can work productively and confront a minimal degree of ambiguity regarding what constitutes right and wrong behaviors (Robbins and Judge, 2010).

The study therefore sought to investigate on the strategies that influence ethical behavior in organizations. In order to avoid ethical dilemmas, plans and procedures have to be put in place in an organization. The information gathered from the study on strategies put in place to ensure ethical behavior will benefit both managers and employees of KNEC and other organizations. The results and recommendations from the study will therefore assist managers in decision making and in ensuring that ethics is practiced and instilled in everyone within the organization. The information also highlights areas that need to be bridged or changed in order to make sure ethics behavior is practiced at all time.

1.3 Purpose of the Study

The purpose of this study was to evaluate the strategic factors that influence ethical behavior in organizations.

1.4 Research Questions

The research questions that guided the study were:

1.4.1 How does organizations structure and control influence ethical behavior in organizations?

1.4.2 Does leadership affect ethical behavior in organizations?

1.4.3 What is the effect of social-cultural factors on ethical behavior in organizations?

1.4.4 How does recruitment selection and training influence ethical behavior in organizations?

1.5 Importance of the Study

The research, findings and recommendations of this study will be of benefit to;
1.5.1 Kenya National Examination Council
The study will help KNEC position themselves from the ethical side of view. Ethical behavior is an integral part of all departments of the organization. Ethics ensure that organizations are well managed and that are working in accordance to the laws and regulations governing the organization. Good ethical behavior ensures low turnover rate in organizations and that policies put in place are in line with the organization’s mission, vision and objectives.

1.5.2 Employees
The findings of this study will be of importance to employees of KNEC and other organizations. Employees are directly affected by the strategies in place and are responsible for ensuring that ethical behavior is practiced on a daily basis. Employees will therefore benefit from the study as they will get to understand the importance of ethics, whether the strategies in place are effective and efficient. They are at a better position to recommend the study depending on the communication system in the organization; they are also in highlight what needs to be done to ensure ethical behavior and what needs to be done to enforce the strategies in place.

1.5.3 Management
Management being the team behind planning, coordinating, controlling and implementation of the strategies in the organization, will also benefit from the finding and recommendations of the study. Management will also be at a better position in making informed decisions and improving on areas that need improvement or ensuring smooth change where need be.

KNEC being an examining body has a large pull of customer’s primary and secondary schools, higher institution of learning and foreign exam bodies. The research will be of importance to management as they will learn more on the benefits of ethical behavior and how ethics plays a big role in retaining their customers. Ethical behavior is also key to the customers as it will build and strengthen their trust and understand the strategies enforced by management to ensure ethical behavior within the organization. Suppliers and creditors will
also benefit from the research and appreciate the importance of ethical behavior because they work closely with management and the organization.

1.5.4 General Public
Secondary stakeholders that being the general public, the media, unions and communities will also benefit from the findings of the study. The brand and image created by KNEC is very important and lasts long in the minds of the general public, therefore unethical behavior would tint or create a bad image to the general public which lasts a long time. The general public will be able to understand the strategies put in place to ensure ethical behavior within the organization. Ethics is not just about the internal activities in the organization but also the external activities and how the organization deals with it. For example ethical behavior is needed to sustain and maintain good environments and avoid pollution. Ethics also works hand in hand with Corporate Social Responsibility of an organization.

1.5.5 Researchers and Academicians
The study will also be of benefit to other researchers and academicians in line with strategic management, organization development and ethics. They will be able to borrow ideas and improve on the recommendations for further studies or gaps that have not been tackled or addressed.

1.6 Scope of the Study
The study focused on KNEC. KNEC has its offices in Nairobi, the head office being at National Housing Corporation House, the other offices are located at National Bank Building, Mitihani House and Industrial Area Offices. The population for the study was all full time employees of KNEC. The study was conducted between the months of May and June 2015.

The research encountered a few limitations, one of them being ability to access data from the respondents and other secondary internal journals within the organization. In order to overcome this limitation the researcher clearly stated, on the introduction letter that the
information given was purely for research purposes and that any information given was treated with confidentiality. The researcher also ensured that questionnaires avoid questions leading personal information as it may discourage respondents from giving truthful answers.

1.7 Definition of Terms

1.7.1 Ethical Behavior

The process of acting to achieve the greatest good for the greatest number; acting on principles that seek rights, justice, equality; eschewing personal gain for long-term societal benefit (Jurkiewicz, 2012).

1.7.2 Organizations Structure and Control

An organization structure refers to the formalized patterns of interactions that link a firm’s tasks, technology and people. Organizations structure and systems ensure that resources are used effectively and efficiently in accomplishing organizations mission and vision (Dess, Lumpkin, and Eisner, 2010)

1.7.3 Leadership

It is the influencing process of leaders and followers to achieve organizational objectives through change (Achua, 2012).

1.7.4 Social-cultural Factors

These involve people’s attitude, beliefs, values, opinions and lifestyles in a firm. Social-Cultural forces are dynamic, with constant change resulting from the efforts of individuals to satisfy their desires and needs by controlling and adapting to environmental factors (Pearce and Robinson, 2007).

1.7.5 Recruitment Selection and Training

It is the process through which employee determine whether information or documents provided by the applicants regarding their education and professional qualifications are accurate or authentic (Publishing, 2000).
1.8 Chapter Summary

This chapter covers the background of the problem and the statement problem of the study, the general objectives, specific objectives, importance of the study highlighting who will benefit from the study, scope of the study and definition of terms. Chapter two looks at the literature review, secondary data was used to focus on the specific research questions. Chapter three looks into the Research Methodology; it highlights the methods and procedures that were used to carry out the study. Chapter four gives the results and findings and Chapter five highlights the discussions, recommendations and conclusion.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

Chapter two looks into the literature pointing out the research objectives. The objectives include; effects of organizations structure and controls on ethical behavior, effects of leadership on ethical behavior, effects of social-cultural factors and recruitment, selection and training and how they influence ethical behavior in organizations.

2.2 Effects of Organizations Structure and Controls on Ethical Behavior

Organizations structure entails the procedures, controls, authority and the firms formal reporting relationships and how decisions are made within the organization. Ensuring that an organizations structure are aligned and consistent with one another, that is the reporting systems, relationships and procedures leads to realizing firms strategies in an effective way. Therefore organization structure is an important aspect in ensuring effective strategy implementation process. Organization structure is also very key in order for an organization to maintain its current competitive advantage while on the other hand providing the flexibility to develop advantage it will need in future. Organizations structure and the controls affect firm’s performance, performance declines when the firm’s strategy is not matched with the most appropriate structure and controls. Managers try to act rationally when forming or changing their firm’s structure even though mismatches between strategy and structure does occur. Thus organizational structure influences how managers work and the decision resulting from the work. Having the right structure and process is important (Volberda, et al. 2011).

According to White and Bruton (2007), organizations have set objectives and in order for a firm to realize the set objectives effective allocation of tasks according to the different functional areas. The organizations structure is regarded as a tool that ensures proper coordination and communication of tasks and activities internally and externally, that is within the organization and with the organizations customers. The organization structure is therefore important and provides a firm base in ensuring implementation of organizations strategy and facilitating an ethical behavior (Rees and Porter, 2001).
Organizational controls are an important aspect of structure. Organizations controls guide the use of strategy, indicate how to compare actual results and with expected results and suggest corrective actions to take when the difference is unacceptable. It is difficult for the organization to successfully exploit its competitive advantage without effective organizational controls. Properly designed organizations control provides clear insight regarding behaviors that enhance firm’s performance. Firms use both strategic controls and financial controls to support using their strategies. Strategic controls are largely subjective criteria intended to verify that the firm is using appropriate strategies for the conditions in the external environment and the company’s competitive advantage (Volberda, et al. 2011).

2.2.1 Establishing Balanced Organizational Controls

Organizations control is a basic to a capitalistic system and has long been viewed as an important part of strategy implementation process. Controls are necessary to help ensure that firms achieve their desired outcome. Controls help strategic leaders build credibility, demonstrate the value of strategies to the firm’s stakeholders, and promote and support strategic change. Most critically controls provide the parameters for implementing strategies as well as the corrective action to be taken when implementation related adjustments are required. Strategic leaders especially those at the top of the organization are responsible for the development and effective use of strategic and financial controls, where strategic control focuses on the content of strategic actions rather than their outcomes and financial control focuses on short term financial outcomes (Volberda, et al. 2011).

An understanding and implementation of organizational control tends to bring out its impersonal and behavioral features with little regard for how meaning, culture or ideology are seen by and implicated in structural configurations of control. Mintzberg’s (1983) review of control structures, for example, identifies five means of coordination, each of which is concerned principally with such configurations. Yet, the coordinating and controlling of organizing practices is hardly restricted to the design and implementation of impersonal, generally bureaucratic, mechanisms, where issues of identity are less overtly addressed.

Current organization theory concentrates on the administrative form to the exclusion of all else’. Since then, interest in organizational culture and symbolism has undoubtedly increased
Organizational control is achieved through the self-positioning of employees within managerially inspired dialogues on their daily duties and activities and the organization with which the employees identify with the organization and become more committed. According to Deetz, (1995) the modern business of management is often managing the “insides” the hopes, fears, and aspirations of workers, rather than their behaviors directly.

According to Dess, Lumpkin, and Eisner (2010), successful leaders are actively involved in building structures, teams, systems, and organizational processes that facilitate the implementation of their vision and strategies. A firm would generally be able to attain an overall low cost advantage without closely monitoring its cost through detailed and formalized cost and financial control procedures. Related diversification strategy would necessitate reward systems that emphasize behavioral measures to promote sharing across divisions within a firm whereas in unrelated strategy should rely more on financial indicators of performance.

2.2.2 Corporate Governance and Ethical Behavior

According to Griseri and Seppala (2010), Margaret Blair defines corporate governance as the whole set of legal, cultural and institutional arrangements that determine what publicly traded corporations can do, who controls them, how that control is exercised and how the risks and returns from the activities they undertake are allocated. Behind the fluctuations in the level of corporate governance is a cluster of interrelated ethical problems. These problems include; how to ensure that the governing body of an organization acts with integrity and operates for the good of the business, how to balance the influence upon decision making of shareholders and others with an interest in a business and how the governing body of an organization should protect each key stakeholder group.

An organization’s corporate values function is looked at as the beliefs within the organization, usually enhanced by management that assist in making choices among different options that help to sustain the organization. More precisely, as the weight which corporate decision makers attach to alternative goals when making their decisions. The other goals and objectives could vary from different functions such as; accounting, profitability, stock
returns, customer value, market share, company growth, employee satisfaction, supplier surplus or measures of corporate social performance like image, environmental impact, and tax revenues. They can be probabilistic to capture different attitudes towards risk. Effectively, they can even encompass the weight, which managers attach to their personal goals. Company behavior can be modeled as a balance struck between these alternative concerns, or more formally as maximizing the expected value of corporate value function defined on the range of potential growth variables. What is key is whether and how much potential goal variables influence the behavior of the company. If a company is a legal fiction, it has no intrinsic values of its own, its values must therefore be imported from the outside (Thomsen, 2004).

Corporate governance includes: the relationship of a company to its shareholders and to society; the promotion of fairness, transparency and accountability; reference to mechanisms that are used to “govern” managers and to ensure that actions taken are consistent with the interests of key stakeholder groups. The key points of interest in corporate governance therefore include issues of transparency and accountability, the legal and regulatory environment, appropriate risk management measures, information flows and the responsibility of senior management and the board of directors. Many companies have adopted legal compliance mechanisms which address ethics or conduct issues in formal documents (Weaver et al. 1999).

The board of directors usually composed of a chair, senior management, significant shareholders, legislation in some countries requires that there also be a secondary board that represents other interests usually employees such as the chief officer, maybe be expected to attend board meetings. It is also generally required that there also be an audit committee that oversees corporate finance performance. Often there will be committees relating to matters such as the appointment and remuneration of directors. Operations of board of directors are a key element of governance; issues that undermine their ethical soundness include potential conflict of interest and recruitment of too like-minded individuals (Griseri and Seppala, 2010).

It is important for an organization to differentiate between values that are held for their own sake, and that are valued as instruments or proxies for more basic, underlying goals. It maybe
standard practice to regard shareholders value creation as the overall goal, and to regard variables like market share, cost efficiency, employee satisfaction and product safety as a means to the end. But some managers may regard product safety and employee satisfaction as goals in their own right, and some may regard shareholders value creation as nothing but a necessary condition to implement their business vision. Such managers may pay lip service to goals like shareholders value and justify their views by arguing that product safety and employee satisfaction are a means to the end. It is therefore important to establish what values management wants to prevail in an organization (Thomsen, 2004).

Falling stock markets, corporate failures, dubious accounting practices, abuses of corporate power, fraud, criminal investigations, mismanagement, excessive executive compensation indicate that the entire economic system upon which investment returns have depended is showing signs of stress that have undermined investors’ confidence. Some corporations have grown dramatically in a relatively short time through acquisitions funded by inflated share prices and promises of even brighter futures. In others, it seems as if the checks and balances that should protect shareholder interests were pushed to one side, driven by a perception of the need to move fast in the pursuit of the bottom line. While some failures were the result of fraudulent accounting and other illegal practices, many of the same companies exhibited actual corporate governance risks such as conflicts of interest, inexperienced directors, overly lucrative compensation, or unequal share voting rights (Anderson and Orsagh, 2004). In the face of such scandals and malpractices, there has been a renewed emphasis on corporate governance.

There are a number of factors that have brought ethical issues into sharper focus, including globalization, technology, and rising competition. Van Beek and Solomon (2004) also note the ability to deliver a professional service will necessarily take place in an environment in which there is an increasing tendency towards individuality, while society as a whole becomes more global. The new realities of corporate governance show that no entity or agent is immune from fraudulent practices and have altered the way companies operate; they have re-defined the baseline for what is considered prudent conduct for businesses and executives (Dandino, 2004).
2.2.3 Auditing and Reporting Social Performance

A code of ethics, through beliefs and values, forms the building blocks of organizational behavior with a stakeholder firm. Values and beliefs are part of the cognitive sub-structure of any organizational culture. Values are intimately connected with moral and ethical codes, and determine what people think ought to be done. The value set is composed of rights and duties. The distinction is reasonably straightforward. For the most part, rights and duties are the opposite ends of given spectrum. If management as an employer has a duty to ensure reasonable standards of health and safety for workers, workers have a right to expect it. If it disbelieved or if it has become a norm that workers have a right to a minimum wage, then management as employers have a duty to pay it (McNutt and Batho, 2005).

The difficulty with legal compliance mechanisms is that many abuses that have enraged the public are entirely legal, for example, companies can file misleading accounting statements that are in complete compliance with Generally Accepted Accounting Principles (GAAP). France et al. (2002) point out that laws regulating companies are ambiguous, that juries have a hard time grasping abstract and sophisticated financial concepts.

The existence of “irregular auditing” practices also called “audit quality reduction” (AQR) behaviors is evidence that proper implementation of audit procedures by field auditors may not always be achieved, however. An act of irregular auditing has been defined as “an action taken by an auditor during an engagement which reduces evidence-gathering effectiveness inappropriately” (Malone and Roberts, 1996). As a result, the collected evidence can be unreliable, false or inadequate quantitatively or qualitatively. Survey-based research has shown that irregular auditing is widespread in the USA (Malone and Roberts, 1996), Ireland (Otley and Pierce, 1996), the UK (Willett and Page, 1996) and France (Herrbach, 2001) and this raises important questions about the extent of its impact on audit quality. On one hand, irregular auditing can be viewed as a serious potential threat to quality. As noted by McNair (1991): This type of behavior, namely a failure to exercise due care, can in the extreme undermine the integrity of the audit process. The inability to monitor true effort is perhaps the most critical exposure, or danger, faced by an audit management held accountable for audit integrity by the public. On the other hand, AQR behaviors appear to be so frequent that the extent of their harmful impact can be questioned (Herrbach, 2005).
Audit quality reduction behaviors are interesting in that they reflect the deeper contradictions inherent to the audit activity: audit staff must internalize the “cost verses quality” dilemma arising from the professional and competitive constraints faced by auditing firms an idea which was also elaborated on by Lee (2002). This dilemma reflects the interplay between the “craft of auditing” ensure quality to protect the public interest and the “business of auditing” maximize profitability, which characterizes audit firms organizationally

Audit quality is traditionally defined as the probability that an auditor will both discover a breach in the accounting system, and report the breach (Dingell, 1981). Within the risk-based conceptual view of modern auditing (Smeliuskas and Smith, 1990), audit quality can be more precisely approached as the fact that the performed audit procedures enable the auditor to gather enough evidence to cover the assertions linked to the financial statements of the audited company. The apparent simplicity of this definition cannot, however, hide one important characteristic of auditing: it is very difficult to specify what an appropriate evidence level is. In any particular situation, nothing really indicates that the risk has been covered. In a way, it is always possible to perform more procedures or less or differently given some level of evidence, without being certain that the gathered evidence is adequate. Therefore, if the idea of audit quality can easily be grasped that is that “the amount and nature of audit work undertaken is appropriate for a particular client company” (Mouser, 1997, p. 62) – its practical implementation is much less obvious. Auditing has an arbitrary dimension and one never really knows when it is “good enough” (Hogarth, 1991, p. 282).

This is why the contemporary audit approach is not to be used without intellectual attitudes aimed at managing the arbitrariness. These attitudes are usually summarized in the literature by the notion of “professional judgment”. Judgment represents using common sense, professional experience and general managerial knowledge to adapt the set of audit procedures and the interpretation of their outcomes to the client and to the situation (Tan and Libby, 1997). Auditor judgment is a complex phenomenon that relies on auditors’ cognitive abilities, their technical knowledge, their experience, as well as largely in dissociable environmental, organizational and psychological factors (Hogarth, 1991; Libby and Luft, 1993). Much research has been devoted to audit judgment and “expertise” in auditing that is performance in judgment (Herrbach, 2005).
The main objective of the internal audit function, what is carried out inside the organization differs slightly from the audit carried out externally. Internal audits “provide independent, objective assurance to express an opinion on the fairness of the financial statements and whether they conform to GAAP in all material respects, activities provide the public with additional assurance beyond managements’ own assertions that a company’s financial statements can be relied upon a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes” (Institute of Internal Auditors, 2009) while the external audit objective is: However, a considerable amount of commonality exists between both audit functions including, but not limited to, the goal of insuring a quality and validity of the financial objectives (Donald, et al, 2013)

2.3 Impact of Leadership on Ethical Behavior

According to Dess, et al (2010), leadership is the process of transforming organizations from what they are to what the leaders would have them become. Change is brought about by the leaders in the organization and the vision they hold for the organization. Doing the right thing is becoming increasingly important. The global village is becoming increasingly complex, interconnected and unpredictable. Despite the importance of doing the “right thing” leaders must also be concerned about doing “things right”. Thus leaders are change agents whose success is measured by how effectively they implement a strategic vision and mission. In order for a leader to be successful, they must consider the following three dependent activities that is; establishing the direction which the organization should follow, designing and crafting the organization and foster a culture dedicated to excellence and ethical behavior.

Leaders help to establish the culture of an organization as they set the example that others follow. Other employees in a business often take their cues from business leaders, and if those leaders do not behave in an ethical manner, employees may not either. It is not what leaders say but what leaders do that matters. A good example is failing to follow the code of ethics as a leader or not disciplining subordinates who engage in unethical behavior, unethical behavior should not be tolerated and standards should be set (Jones and Hill, 2013).
Leaders should be able to overcome the barrier to change by the effective use of power to bring about change. Some of the reasons why organizations are prone to inertia and are slow to learn, adapt and change include; many people vesting interests in the status quo, they tend to be risk averse and resistance to change, systematic barriers that is barriers to change that stem from on organizations design that impedes the proper flow and evaluation of information, behavioral barriers that is barriers to change associated with the tendency for managers to look at issues from a biased or limited perspective based on their prior education and experience, political barriers related to conflicts arising from power relationships and personal time constrains (Dess, Lumpkin and Eisner, 2010).

2.3.1 Emotional Intelligence: A key Leadership Trait

Successful leaders possess the valuable traits that enable them to perform effectively in order to create value for their organization. Some of these traits include; integrity, maturity, energy, judgment, motivation, intelligence and expertise. These traits are further grouped into purely technical skills, cognitive abilities and emotional intelligence. Emotional intelligence is the capacity of recognizing one’s owns emotions and those of others. Studies show that effective leaders have a high level of emotional intelligence (Dess, et al 2010).

According to Dess, et al (2010), there are five components of emotional intelligence; Self-awareness, self-regulations, motivation, empathy and social skills. Self-awareness involves a person having a deep understanding of his or her emotions, strengths, weaknesses and drives. People with strong self-awareness are neither overly critical nor unrealistically optimistic. Instead they are honest with themselves and others. Leaders are required to make judgment calls that require a candid assessment of capabilities, their own and those of others. Whereas self-regulation is the ability of someone to control their feeling and impulses and are able to create an environment of trust and fairness. People who have mastered their emotions are better able to bring about and implement change in an organization.

Empathy, ethical values, and relations-oriented behavior are distinct constructs that may jointly influence the development of exchange relationships. An implicit assumption in much of the theory and research on effective leadership is that behaviors mediate the effects of leader traits and skills on outcomes such as subordinate satisfaction, motivation, and
performance (Yukl, 2010). Based on the theory and research involving leader empathy and ethical values, it is plausible that the effects of empathy and ethical values are mediated by the leader’s relations-oriented behaviors.

Motivation on the other hand is the drive to achieve beyond expectations, people are driven by external factors such as money and prestige, but people with leadership potential are driven by deeply embedded desire to achieve for the sake of achievement. Empathy is the thoughtful consideration of employee’s feelings, along with other factors in the process of making intelligent decisions. Empathy increases use of teams, rapid pace of globalization and growing need to retain talent. Social skills are the friendliness with a purpose: moving people in the desire you want (Dess, et al, 2010).

Decision making process is very key, leaders must be able to think through the ethical implications of decisions in a systematic way and in order to do this they need a moral compass and both right theories. Experts on ethics have proposed a straightforward practical guide, or ethical algorithm, to determine whether a decision is ethical. A decision is acceptable on ethical grounds if a leader and his followers can answer yes to each of these questions; Does my decision fall within the accepted values or standards that typically apply in the organization environment as articulated in the code of ethics or some other corporate statement, Am I willing to see the decision communicated to all stakeholders affected by it for example in the newspapers or on television, would the people whom have significant personal relationship that is family members, or even managers approve of the decision (Jones and Hill, 2013).

2.3.2 Developing a Learning Organization

Learning organizations are those that create a proactive, creative approach to the unknown characterized by; inspiring and motivating people with a mission and purpose, empowering employees at all levels, accumulating and sharing internal knowledge, gathering and integrating external information and challenging the status quo and enabling creativity.

Leader-member exchange (LMX) theory suggests that a leader will develop an exchange relationship over time with each subordinate (Dienesch and Liden, 1986; Graen and
Cashman, 1975; Graen and Scandura, 1987; Graen and Uhl-Bien, 1995). Social exchange theory and role theory provide the basis for explaining how the exchange relationship develops gradually over time as a leader interacts with each subordinate and the role of the subordinate is negotiated. The quality of the relationship may vary from one subordinate to another. In a high exchange relationship there is a high level of trust, liking, and respect. The leader provides outcomes desired by the subordinate for example interesting tasks, additional responsibilities, more rewards, and in exchange the subordinate is expected to be committed to the work and loyal to the leader. In low-quality exchange relationships, subordinates are only expected to perform the formal requirements of their jobs, and extra benefits are not provided by the leader (Mahsud, Yukl, and Prussia, 2010).

The quality of a leader’s exchange relationships with subordinates has important implications for leadership effectiveness. A leader who is able to develop high quality relationships with most or all subordinates is likely to be more effective than a leader who is unable to develop high quality relationships (Graen and Uhl-Bien, 1995). Empirical studies have found a positive correlation between LMX quality and several indicators of leadership effectiveness (e.g. Graen and Uhl-Bien, 1995; Harris et al., 2009; Schriesheim et al., 1999). In a meta-analytic study Gerstner and Day (1997) found that favorable exchange relationship was related to higher subordinate satisfaction, greater organizational commitment, better job performance, and lower turnover. Erdogan and Liden (2002) reported additional positive outcomes of a favorable exchange relationship, such as more creativity, less job stress, and better workplace safety (Mahsud, Yukl, and Prussia, 2010).

A favorable exchange relationship isomer likely when the subordinate is perceived to be competent and dependable, and the subordinate’s values, attitudes, and demographic attributes are similar to those of the leader. Some personality traits for the leader and subordinate for example agreeableness, extroversion, positive affectivity may also be related to LMX. It may be more difficult for the leader to develop favorable exchange relationships when the work unit or team has many members, when the members are only temporarily assigned to the team, when the members are widely dispersed and seldom interact with the leader, when the leader is overloaded with responsibilities and has little time for interaction with individual members, or when the leader has little power to provide rewards and benefits.
desired by members. The extent to which leaders develop different LMX relationships with their subordinates is probably affected by other aspects of the situation as well, such as the organizational culture, human resource practices, and the type of team or work unit (Henderson et al., 2009).

Two other leader characteristics that appear relevant for the development of favorable exchange relationship involve leader skills and values rather than leader behaviors. Empathy is the ability to recognize and understand the emotions and feelings of others, and this interpersonal skill can make it easier to develop cooperative relationship of mutual trust with a subordinate. Ethical leader values include concern for the welfare of subordinates and willingness to protect, help, develop, and empower them. A leader with these values will have more desire to develop and maintain a cooperative relationship with subordinates (Mahsud, Yukl, and Prussia, 2010).

2.3.3 Creating an Ethical Organization

The Neoclassical model of the firm describes its objectives as profit maximizing under the constraint of a production function. In fact, it considers the entrepreneur as indistinct from the firm itself. In a world where management and ownership are separated and often mutually exclusive, management is best defined as an employee. Although separated by financial criteria exception arises when management are offered bonus shares in the company management and ownership are more integrated within the stakeholder firm, wherein the objectives are maximized under the constraint of a value set. Each competing firm in a market has its specific value set. And the market, often initiated by governments and reinforced by the legislature, can dictate a market value set, for example, minimum pollution standards, minimum wage payments or the length of the working week (35 hours) (McNutt and Batho, 2005).

The stakeholder firm does not necessarily lag the market in creating a value set; on the contrary, the stakeholders would take the lead role in a market by creating a value set. This divergence between the firm and the market, manifested in a lead-lag relationship, may create an agency cost for the stakeholder firm and there is the risk that such agency costs could operate as constraint on the profit function. In a value set model of the firm, it is useful
to think of management as heterogeneous group of people with different if not divergent or 
goal incongruent objectives. Likewise, homogeneity cannot be taken for granted amongst all 
employees. In the classical model, satisfaction is measured in terms of utility maximization. 
In the stakeholder firm, any divergence of views between management and workers has to be 
minimized. This can be achieved through an adaptation of Kantian ethics for the stakeholder 
firm with all employees displaying a conscious obedience to ethical rules (McNutt and 
Batho, 2005).

Strong corporate governance procedures are needed to ensure that mangers adhere to ethical 
norms in particular, that senior managers do not engage in self-dealing or information 
manipulation. Strong corporate governance require an independent board of directors that is 
willing to hold top management accountability for self-dealing and is capable of verifying the 
information managers provide them. There are five cornerstone of strong governance. The 
first is a board of director that is composed of a majority of outside directors who have no 
management responsibilities in the firm, who are willing and able to hold top managers 
accountable and who do not have business ties with important insiders. Outside directors 
should be individual of high integrity whose reputation is based on the ability to act 
independently (Jones and Hill, 2013).

The other cornerstone is a board where the position of CEO and chairman are held by 
separate individuals and the chairman is an outside director. When the CEO is a chairman of 
the board of directors he or she can control the agenda thereby furthering his or her own 
personal agenda which may include self-dealing or limiting criticism against current 
corporate policies. The third cornerstone is compensation committee formed by the director 
that is composed entirely of outside directors. It is the compensation committee that sets the 
level of pay for top managers including stock option grants and additional benefits, the scope 
of self-dealing is reduced by making sure that the compensation committee is independent of 
managers. The audit committee of the board which reviews the financial statements should 
be composed of outsiders which encourage vigorous independent questioning of the firm’s 
financial statements. The auditors should not have a conflict of interest (Jones and Hill, 
2013).
2.3.3.1 Individual Ethics versus Organizational Ethics

Ethics has a lot to do with leadership and leaders who fail to provide proper leadership to institute proper systems and controls that facilitate ethical conduct share responsibilities with those who conceive, execute and knowingly benefit from corporate misdeeds. Ethical orientation of a leader is the key factor in promoting ethical behavior. Ethical leaders must take personal, ethical responsibilities for their actions and decision making. Leaders who exhibit high ethical standards become role models for others and raise the organizations overall level of ethical behavior. Ethical behavior must start with the leaders before the employees can be expected to perform accordingly (Dess, et al, 2010).

According to Sims and Keon (2000), some of the three crucial qualities of multiple virtues present in a moral character and organizational ethics. Employees must, first, have practical wisdom, what Aristotle called phronesis, to be able to analyze problems, to distinguish among more and less relevant facts, to know the best means for achieving desired ends, and, maybe most important, to know where to seek advice. Second, they must have honesty, with themselves – so as to avoid self-deception with co-workers, and with clients. And, third, they must have courage to do the right thing, even in the face of peer or managerial pressure.

2.4 Effects of Social-Cultural Factors on Ethical Behavior

There is no simple answer as to why managers and employees behave unethically or what motivates stakeholders to engage in actions that violate accepted principles of right and wrong, trample on the rights of one or more stakeholder groups or simply break the law. It is important to recognize that business ethics is not divorced from personal ethics that is the generally accepted principles of right and wrong governing the conduct of individuals. The personal ethical code that guides behavior comes from a number of sources, including parents, schools, religion and the media. A personal ethical code will exert a profound influence on the way individual behave in an unethical manner in a business setting; in particular, one is likely to engage in self-dealing and more likely to behave with integrity (Jones and Hill, 2013).

Stokes and Wendy (2008), points out that organization culture dictates how responsibilities and authority is distributed within an organization in line with informal rules and regulations
created and maintained that define what is wrong and right. Holt (2004) indicates that 52% of the businesses fail because management is unable to separate structure and culture hence the failure to resolve issues affecting implementation. Through the structure, strategy implementation plans are broken into activities which guide delegation of different tasks of people. This encourages innovation and quick adaptation of changing conditions as well as strategy implementation.

According to Jones and Hill (2013), many studies of unethical behavior in business setting have come to the conclusion that business people sometimes do not realize that they are behaving unethically, primarily because they simply fail to ask if a decision is unethical. Instead they apply straightforward business calculus to what they perceive to be a business decision, forgetting that the decision may have an ethical an important ethical dimension. The fault here is within the process that does not incorporate ethical dimensions.

The climate in some organizations does not encourage people to think through the ethical consequences of business decisions. An organizational culture that de-emphasizes business ethics and considers all decisions to be purely economic ones. Another cause of unethical behavior maybe pressure from top management to meet performance goals that are not realistic and can only be attained by cutting corners or acting in an unethical manner. An organizations culture can “legitimize” behavior that society would judge as unethical, particularly when this is mixed with a focus upon unrealistic performance goals such as maximizing short-term economic performance regardless of the cost. In such circumstances there is a high probability that managers will violate their own personal ethics and engage in behavior that is unethical (Jones and Hill, 2013).

2.4.1 Addressing and Creating an Ethical Culture

Given the complex nature of corporate culture, attention must be paid to how it is established and maintained. The most powerful influence comes from just where one would expect executives, directors, managers, and, in smaller companies, owners; that is it comes from those who create and sustain the organizational agenda. They do this in both explicit and implicit ways. Explicitly, they develop the policies, organizational rules, and codes of ethics that proclaim company values. Implicitly, they do so through promotions and subtle social
approval, ranging from invitations to lunch or for drinks, to the “nudge-nudge, wink-wink” forms of body language. Key here is the relationship between what managers say is of value and what they actually reinforce, combined with the recognition that, according to most accounts of organizational theory, it is the implicit and subtle processes that most effectively establish organizational culture. Humans respond more to behavioral reinforcement than to verbal rules and policies.

According to Jones and Hill (2013), an organization’s culture can do just the opposite by reinforce the need for ethical behavior. In order to foster ethical behavior businesses must build an organization’s culture that places high value on ethical behavior. Three actions are particularly important. First business must explicitly articulate values that place a strong emphasis on ethical behavior. Many companies now do this by drafting a code of ethics, which is a formal statement of the ethical priorities to which a business adheres. Other businesses have incorporated ethical statements into documents that articulate the values or mission of the business. Having built a code of ethics it is important that leaders give life and meaning to those words by repeatedly emphasizing their importance and then acting on it. That is by using every relevant opportunity to stress the importance of business ethics and making sure that key business decisions not only make good economic sense but also are ethical.

Just as the culture is set by executives, directors, managers, and owners, so must it be reset by them, to make it more consistent with broader moral norms. Considering how the culture is established, those in positions of authority use their power to create the rules and values and to motivate behavior consistent with them. And since the more subtle forms of reinforcement are the most effective, there must be a direct correlation between them and explicit statements and policies. Without that correlation, the latter come across at best as window dressing, or at worst as organizational (and managerial) hypocrisy. Indeed, the explicit statements and policies have effective value only when they serve to express what is already present in behavior (Vitel and Nwachukwu, 1997).

Culture does not exist independent of people; any tone whether positive or negative that is set by managers must be lived out in the actions of employees. Thus in-the-trenches workers
must have characters consistent with the desired norms. Others have effectively shown the relationship between organizational culture and individual character (Waters and Bird, 1987).

Some companies go a step further to hiring independent firms to audit the organization and make sure that they are behaving in a manner consistent with their ethical code. Building an organization culture that places a high value on ethical behavior requires incentives and reward systems, including promotional systems that reward people, including promotional systems that reward people who engage in ethical behavior and sanction who do not (Jones and Hill, 2013).

Kleining (1999) observes that despite certain congruities and convergences, there are some very important differences in the character and content of ethical and legal requirements which can help us understand why ethics is accorded a normative primacy in practical affairs and legality is to be judged by reference to ethics and not vice versa. Specifically, law is concerned primarily with conduct and ethical requirements are centrally concerned with reasons, motives, intentions, and more generally with the character that expresses itself in conduct. Ethics therefore is concerned with what we are and not just what we do. Also, law is jurisdictionally limited since what is legitimately required in one state or country may differ from another, whereas ethical values are inclined to be more universal.

Kidder (1995) defines ethics as obedience to the unenforceable. Longstaff (1986) argues that an overemphasis on legal compliance mechanisms could be at the expense of ethical reflection since people may have less reason to form their own opinions and take personal responsibility for the decisions they make. This could result in a subtle substitution of accountability for responsibility and may also result in an attempt to legislate morality, which consequently leads to legalism.

Legalism is an approach which emphasizes primarily the strict and precise observance of law while tending to overlook the purpose for which the law exists. Bouckaert (2002) points out the paradox of ethics management is that in creating new regulations to temper opportunistic behavior within and between organizations, the symptoms may be tempered but the underlying roots of opportunism may also be reinforced. Seidman (2004) explains the paradox in that focusing on informed acquiescence often obtains the opposite results,
producing ever increasing bureaucracies designed to enforce compliance with multiplying legal and regulatory requirements which are often met by cynicism, and by the clever employees who attempt to game the system. In addition, violations lead to more bureaucracy resulting in a vicious cycle.

Seidman (2004) concludes that the failures of corporate responsibility have been shown to be not only failures of legal compliance, but more profoundly and fundamentally failures to do the right (ethical) thing; the current environment results from a loss of ethical, rather than simply legal footing. Harshbarger and Holden (2004) also agree that as the new realities of corporate governance set in, the substance of the new laws and rules must not be lost in the race to comply with their form. They point out that organizations must make a good faith effort to comply not just with the letter of the law, but with the spirit of the new reforms that recognizes three primary benefits: provides organizations with a stronger measure of an inexpensive insurance mechanism and is a strong mitigating factor in any sanction imposed, more accurate information flows to the top enabling more efficient and effective business decisions, and the imprecise reforms offer business leaders the opportunity to emerge with more well-defined standards.

2.4.2 Nurturing Ethical Behavior in an Organization

According Dess et al (2010), nurturing a culture dedicated to excellence and ethical behavior is one of the key roles of leaders. Leaders play a part in developing and sustaining, as well as changing when necessary an organizations culture. On the flip side leaders can also have a very negative effect on a firm’s culture and ethics. Managers and top executives must also accept personal responsibility for developing and strengthening ethical behavior thru throughout the organization. Leaders must continuously demonstrate that such behavior is central to the vision and mission of the organization. Several elements must be present for a firm to become a highly ethical organization; role models, corporate credos and codes of conduct, reward and evolution systems and policies and procedures.

In the adaptation of a Kantian code of ethics for all employees two important sources of organizational culture have to be recognized – the national cultural identity of the country wherein the firm or company operates and whether or not a sense of duty and obligation
permeates as a rule based code within the organization in either an overt or covert manner. The sources of organizational culture can influence employee corporate governance in firms in various countries and societies. A successful code of ethics depends on the apportionment of obligation amongst, and acceptance by, all employees. Therefore, good governance at the employee level has been obtained when rational individuals in a state of nature would freely have agreed to the contract or arrangement within the s-firm that obligates them to do X (McNutt and Batho, 2005).

Organizational culture plays a powerful role in creating and maintaining these virtues, through role modeling and through implicit and explicit reinforcement of desirable habits. But while culture is a powerful force, it is not a determining one; individual decision-making, and thus individual accountability, is still fundamental to organizational ethics. Hence individuals need a means of breaking outside the script and acting instead on moral principles. Werhane describes the process of such breaking out as using moral imagination, by which one engages in a critical perspective on oneself, one’s activities, one’s behavior, one’s situation, and one’s organizational script (Waters and Bird, 1987).

Hofstede referred to culture as the software or collective programming of the mind and the programming of ethical values. Of course if the culture of a society fails to provide individuals with the ethical foundation for a rule based code of ethics then core values within a firm or organization may be hard to change, as these tend to be central to the stability of society. Obligation and duty within the firm may have to inform obligation and duty within society and not vice versa. Therefore, a value set theory of the firm allocates responsibilities between all employees in such a way as to maximize joint effort. There is ethical symmetry between management and workers: they share the end of the action, Kant (1967). The firm thus teaches people morality. This is the quintessence of employee governance (McNutt and Batho, 2005).

Being caught up in the script is an excuse, but only a partial one; with an ethical commitment, and with help, one can employ moral imagination. Hence, again, one sees the importance of virtuous character. Honesty is needed to truthfully appraise is needed to know
what good ethics demands instead; and courage is needed to act accordingly (Benson and Ross, 1998).

2.5 Effects of Recruitment Selection and Training on Ethical Behavior
The attainment of core employee status is likely to be a demanding process. The importance of an individual being able to work with, assimilate, ask for more specific information, judge people’s credibility, engage with structured networking relationships, organisational politics, and deal with the flood of information that senior people in organisations have to operate within will necessitate similarly complex simulations for employees to demonstrate their capabilities within. In the urgent quest to get the right person, some of the processes used may become psychologically or even physically invasive (Kwiatkowski, 2003). Human resource plays a crucial part in order for an organization to survive in the current turbulent environment. Various strategies have to be used to ensure that the organization has the best HR force and in order to and have a competitive edge (Peeling, 2005).

While good human resources (HR) practices have been shown to be indicative of good organisational health the presence of a physical HR department is no longer automatically seen as necessary. Many trends in organisations and selection organisations have outsourced their HR function, and have HR intranets that perform administrative functions. They retain a small number of staff at the strategic level. Many organisations will not be able to maintain large cadres of trained assessment specialists, and this function itself will be frequently outsourced. This will require that organisations will have to be very clear about the sort of people, and their qualities and competencies that they wish to have in their organisations, so that this information can guide external assessors. However, if the organisational environment is changing rapidly, then it will be difficult for an organisation to keep its core competencies relevant, and perhaps even its people-competency requirements up to date. Thus selecting the right people may prove to be even more complex (Kwiatkowski, 2003).

2.5.1 Managing the Employee Relationship
An interesting twist on the notion of justice and fairness is formalized ethics program. As a complement to an employer’s specific attempts to be fair, formalized ethical programs are
designed primarily to ensure honest, fair and responsible actions on the part of employees. Ethical thinking programs usually emphasize four elements; respect the customers/rituals of others, thinking of yourself and the organization as part of the larger society, trying to evaluate a situation objectively and evaluate the anticipated and unintended consequences of each possible action and considering the welfare of others as much as is feasible (Bernardin, 2010).

According to Zuzeviciute and Tereseviciene, (2010), human resource development act as a facilitator in employee learning and development. Continuous learning and development enables employees to improve performance and sharpen their abilities to adopt to innovation and new conditions and creating an ethical behavior. Human Resource development should therefore support, organize and provide learning opportunities to all employees as well as encourage employees to make use of the opportunities. However Human resource development requires commitment at all levels. Employee development practices are generally of the following type: mentoring, coaching and education programs.

Organization policy or legal obligations binds employees to specific behavior in most instances, these programs attempt to ensure that employees will always act in the manner that is fair and ethical to the organization. Benefits of formalized ethical programs are reduced employee misconduct and add protection against lawsuits brought against the organization. The most important component of the ethical program may be the managerial support and role modeling. It seems that a formalized ethics program in and itself is not enough to ensure that employees behave in an ethical manner. Justice, fairness and ethics, on the part of both the organization and the employees are fundamental to the employment relationship (Bernardin, 2010).

Moving from the Human Resource Planning to recruitment is essentially a process of translating broad strategies into operational tasks. HR managers are responsible for determining recruitment policy, ensuring EEO (Equal Employment Opportunity) compliance, training and evaluating the recruiters. Many organizations actively involve line managers and employees as recruiters. Under such circumstances conflict can occur between HR and line managers when their priorities diverge. For example the line manager may be concerned
about filling a position more quickly, that is when the new employee is needed, while HR managers may be more concerned about affirmative action guidelines or complying with EEO regulations. Their goal should be the same, hiring the most qualified person when needed and without violating any laws or regulations (Bernardin, 2010).

2.5.2 Recruitment and Organizational Attractiveness

The process of recruitment is attracting candidates who are qualified and capable of carrying out the job in an organization (Dale, 2003). Recruitment is an important function of HRM because it leads to new and better employees with skills and also provides opportunity to change the organizational culture (Marchington and Wilkinson, 2002). There is an interdependent nature of recruiting with other HR activities and the reputation of the organization. Decisions regarding employee testing, work policies and programs, compensation, benefits and corporate image all can have an impact on recruiting. Based on the gap analysis, an organization should have a fairly good idea of its overall recruitment and downsizing needs. The three main steps for translating future needs into specific operational terms are; work analysis, time lapse data and yield ratio analysis (Bernardin, 2010).

Businesses should strive to hire people who have a strong sense of personal ethics and would not engage in unethical behavior. In the same way you will not expect a business to promote people and perhaps fire people, whose behavior does not match generally, accepted ethical standards. Ensuring this is very hard it is not easy to tell whether someone has a poor sense of personal ethics. In this society, if someone lacks personal ethics, he or she may hide this fact to retain people trust (Jones and Hill, 2013).

Businesses can give potential employees psychological test to try and discern their ethical predisposition, and the can check there prior employees regarding someone’s reputation, such as by asking for letter of reference and talking to people who have worked with the prospective employee. The latter approach is certainly not uncommon and does influence the hiring process. Promoting people who have displayed poor ethical should not occur in a company where the organization’s culture values ethical behavior and where leaders act accordingly (Jones and Hill, 2013).
2.5.2.1 Internal and External Sources of Recruiting

Internal recruiting seeks applicants from positions from among the ranks of those currently employed. With the exception of entry-level positions, most organizations try to fill positions with current employees. Some of the advantages of internal recruiting is; internal recruiting is less costly, than external recruiting, organizations typically have a better knowledge of internal applicants skills and abilities than that which can be acquired of candidates in an external recruiting effort. Through performance and competency assessment, decision makers typically will have more extensive knowledge of internal candidates and thus make more valid selection decisions. The other advantage of internal recruiting is that an organization policy of promoting from within can enhance organizational commitment and job satisfaction. These variables have been shown to be correlated with lower employee turnover rates and higher productivity. A policy of internal recruiting is one of high performance work systems (Bernardin, 2010).

In short internal recruitment has the following advantages; better assessment of candidates, reduces training time, faster, cheaper and motivates current employees. Whereas the disadvantages are; it creates vacancies, can stifle politics diversity and insufficient supply of candidates. And external recruitment the advantages are; increases diversity, facilitates growth, can save training time, new problem solving. The disadvantages of external recruitment include; it is slower, less valid data about candidates and stifles upward movement of personnel (Bernardin, 2010).

2.5.2.2 Ethics Officer

A number of firms now have ethics officer to make sure that a business behaves in an ethical manner. These individual are responsible for making sure that all employees are trained to be ethically aware, that ethical considerations enter the business decision making process and that they adhere to the firm’s code of ethics. Ethical officers may also be responsible for auditing decisions to ensure that they are consistent with this code. Ethics officers act as an internal ombudsperson with the responsibility for handling confidential inquiries from employees, investigating complaints from employees or others, reporting findings, and making recommendation for change (Jones and Hill, 2013).
2.5.3 Motivating with Rewards and Incentives

Rewards and incentives systems and structures are a powerful way of influencing an organizations culture, focusing efforts on high priority tasks and motivating individuals and collective task performance. The reward system that is who gets rewarded and why is an effective motivator and control mechanism. To be effective incentives and reward systems need to reinforce basic core values and enhance cohesion and commitment to goals and objectives. An effective reward and incentive system should have the perception that a plan is “fair and equitable” is important and the firm must have the flexibility to respond to changing requirements as its directions and objectives change. Some of the attributes of effective reward and evaluation systems include; objectives are clear and well understood, rewards are clearly linked to performance and desired behaviors, performance measures are clear and highly visible, feedback is prompt and clear and unambiguous, the compensation system is perceived as fair and equitable and the structure is flexible, it can adapt to changing circumstances (Dess, Lumpkin, and Eisner, 2010).

Guidelines can be used to minimize improper and unethical conduct, especially is specifying proper relationships with company’s customers and suppliers. This includes guidelines regarding commercial practices, including the prohibition of any form of payment, bribe or kickback. Regulations backed up by strong sanctions can also help and organizations avoid conducting business in an unethical manner. On the other hand behavioral control in an organization can be achieved by ensuring that the behavior of individuals at all levels of the organization is directed towards achieving organizations goals and objectives (Dess, Lumpkin, and Eisner, 2010).

2.6 Chapter Summary

This chapter reviews the literature on the strategic factors influencing ethical behavior in organizations and narrows in on the objectives of the study. The proceeding chapter discusses the research methodology used in the study.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction
This chapter looks at the research methodology used to carry out the study. The chapter will further focus on what is included in the research methodology outline that is; research design, population and sample design, data collection methods, research procedures and data analysis methods to be used. The chapter concludes with a summary of what has been pointed out.

3.2 Research Design
According to Cooper and Schindler (2010), research design is a detailed outline of how a study or investigations took place. It typically includes how data will be collected, what instruments will be used, how the planned means for analyzing data will be used. Research design is the contextual thinking process behind a given research problem. It basically refers to the ways the researcher plans and structures the research process. The design provides some sort of guideposts to keep the research in the right direction to achieve the desire objectives. The study will adopt descriptive research design. According to Cooper and Schindler (2010), descriptive studies answers questions of who, what, when, where and how of the topic in this case what strategic factors lead to ethical behavior.

This research employed descriptive research design since it seek a deeper understanding of what strategies are being used to ensure ethical behavior in the organization. The dependent variable in the study being ethical behavior and independent variables include; organizations structure and control, impact of leadership, social-cultural factors on ethical behavior and recruitment selection and training. Descriptive research design for the study was appropriate because the purpose and problem of the study had been established. Descriptive research design also enabled the researcher to collect data from the population of interest that being employees of Kenya National Examinations Council.
3.3 Population and Sampling Design

3.3.1 Population

A population refers to the total collection or the total number of elements that are to be studied or which one wishes to make inferences. Target population refers to all the members of a real or hypothetical set of people, the entire group of individuals, events or objects to which we wish to generalize the results of the study (Cooper and Schindler, 2010). For this study, the target population comprised of employees of KNEC. KNEC has a population of about 500 employees that is from all levels and from all the branches.

Table 3.1: Population Distribution

<table>
<thead>
<tr>
<th>Staff</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top Level</td>
<td>50</td>
<td>10%</td>
</tr>
<tr>
<td>Middle Level</td>
<td>100</td>
<td>20%</td>
</tr>
<tr>
<td>Subordinates</td>
<td>350</td>
<td>70%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>500</td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Source: KNEC (2014)

3.3.2 Sampling Design

3.3.2.1 Sampling Frame

According to Cooper and Schindler (2010), a sampling frame is the working population or the list containing the population element of the study. In this study the sampling frame was a list of top, middle and subordinate employees in Kenya National Examinations Council.

A sampling frame is the complete and correct list of population, individuals or events, source material or device from which a sample is drawn. It comprises a list of all those within a population who can be sampled, and may include individuals, organizations or institutions (Cooper and Schindler, 2010).
3.3.2.2 Sampling Technique

Kothari (1985) defines a stratified random sample as where the population is divided into mutually exclusive groups such as age groups and random samples are drawn from each group. Cooper and Schindler, (2010) defines stratified random sampling to involve a process of stratification that is different strata are made on the bases of different factors such as life stages, income levels and management levels. A stratified random sampling is used when the population is heterogeneous in this case the top, middle and subordinates.

The sampling technique that was used in the study is stratified random sampling method. A sample is a specific group of people to be observed and which information is obtained. It involves selecting the individuals to research on from the population. Sampling is a method that allows researchers to infer information about a population without having to investigate every individual in population. To get a sample, the researcher used the stratified random sampling technique. Stratified random sampling is defined as the process in which certain sub groups or strata are selected for the sample in the same proportion as they exist in the population (Fraenkel and Wallen, 2000). A stratified sampling method was used to identify the KNEC employees who were selected for the study.

3.3.2.3 Sample Size

The sample size is a smaller set of the larger population (Cooper and Schindler, 2010). The sample size in a research is the number of observations or replicates to include in a statistical sample. The sample size is important in achieving the objective of making an inference about a population from a given sample. For this study a sample size of 80 out a total of 500 employees was an adequate representation of the employees. Questionnaires were electronically issued to the 80 employees of KNEC.
3.4 Data Collection Methods

The study used primary data. Primary data was collected by use of structured questionnaire which was administered to the employees electronically. The questionnaire was structured according to the objectives that is organizations structures and control, leadership, social-cultural factors and recruitment and training and how they influence ethics. According to Cooper and Schindler (2010), primary data is the original information collected in relation to the specific research objective. Primary data can also be defined as the original search where data being collected from despondences is designed specifically to answer the research questions.

The questionnaire that was used to collected primary data comprises both open ended and closed ended questions. The questionnaire was divided into five parts that is A to E, it has both closed ended questions with multiple choice options and scale questions of 1 to 4 where 1= strongly disagree and 4 = strongly agree, for the responded to tick and open ended questions for the respondent to comment. The first part of the questionnaire, that is Part A has general information on the respondent; Part B to E has questions in relationship to the specific research objectives. The questionnaires was issued electronically by the use of Google Forms and analyzed using excel. A graph tracking the number of daily respondents was used and an email to remind respondents to answer the questionnaire. The Google program assisted in tabulating and presenting the final data analysis.

3.5 Research Procedures

The questionnaires was subjected to a pretest. Pilot pretesting questionnaire were prepared and administered to 10 selected peers, colleagues and experts in different fields. The test was

### Table 3.2: Sample Size Distribution

<table>
<thead>
<tr>
<th>Staff</th>
<th>Sampling Frame</th>
<th>Sample Size</th>
<th>% Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top level</td>
<td>50</td>
<td>10</td>
<td>20%</td>
</tr>
<tr>
<td>Middle level</td>
<td>100</td>
<td>20</td>
<td>20%</td>
</tr>
<tr>
<td>Subordinates</td>
<td>350</td>
<td>50</td>
<td>14%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>500</strong></td>
<td><strong>80</strong></td>
<td><strong>54%</strong></td>
</tr>
</tbody>
</table>
used to determine whether the questions are understood and appropriate, timing of the online questionnaire was also noted. To increase willingness of respondents and appropriateness an attractive format was used, cool colors and a nice attractive font helped to increase the response rate. Conducting the pilot test ensured that the data collection tools and data collected for the study was reliable. Feedback received from the pretest was incorporated into the questionnaire before administering the final copy to the employees of KNEC.

In order to ensure that the response rate was high, the researcher attached a letter of introduction stating why the study was being conducted and that the information was to be used for the research only, at no point was the information used against the respondent. For confidentiality reasons the questionnaire has omitted asking the respondent their Name. Permission was sought from the Human Resources Department so as to look professional and that it is known that the data was used for the research only. Follow up through email was done after the administration of the questionnaires to ensure a high response rate.

3.6 Data Analysis Methods

Data analysis was carried out using Microsoft Excel for ease of data interpretation and analysis. Primary data was cleaned, coded and edited according to dependent and independent variables of the study. Data analysis is basically a process of inspecting, cleaning transforming and modeling data collected in a research. Data analysis methods that was used in the study included both qualitative and quantitative techniques (Wagner, Halley and Zaino, 2011). The analysis of the data permitted interpretations that was made in regards to the research objectives.

The raw data was transformed into charts, tables, with frequency distribution and percentages. This helped in analyzing the data that was collected. According to Punch (2009), data is presented in the form of tables and figures to give a clear picture of findings from the study for appropriate applications. The study made use of qualitative and descriptive statistics to present the data that was collected from the field.
3.7 Chapter Summary
This chapter describes the research design, the population and sampling design, the data collection methods that was used when carrying out the study, research procedures and the data analysis methods used. Data was collected using questionnaires administered online to employees from the top, middle and subordinate level. Data was analyzed using Microsoft Excel to determine the relationship between independent and dependent variables. Chapter four looks into the results and findings.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

This chapter seeks to bring out the results and findings collected from the field based on the following research objectives; effects of organizations structure and controls on ethical behavior, effects of leadership on ethical behavior, effects of social-cultural factors on ethical behavior and recruitment, selection and training and how they influence ethical behavior in organizations.

4.2 General Information

A sample of 80 employees of Kenya National Examinations Council (KNEC) was used. An online questionnaire was issued through employees email address. Follow up was made after a week to ensure the questionnaires were filled and submitted. Google forms and excel was used to analyze the data collected from the respondents. Table 4.1 shows the respective response rate.

Response Rate = \( \frac{\text{Number of Questionnaires Completed}}{\text{Number of Sample Size}} \times 100 \)

\[ = \frac{73}{80} \times 100 = 91.25\% = 91\% \]

Table 4.1 Response Rate

<table>
<thead>
<tr>
<th>Strata</th>
<th>Sample</th>
<th>Respondents</th>
<th>Response Rate %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top Level</td>
<td>10</td>
<td>8</td>
<td>11%</td>
</tr>
<tr>
<td>Middle Level</td>
<td>20</td>
<td>17</td>
<td>23%</td>
</tr>
<tr>
<td>Subordinates</td>
<td>50</td>
<td>48</td>
<td>66%</td>
</tr>
<tr>
<td>Total</td>
<td>80</td>
<td>73</td>
<td>91%</td>
</tr>
</tbody>
</table>
4.2.1 Gender of Respondents

From the results, the study had a higher number of male respondents compared to the female respondents. As shown in Figure 4.1, the male respondents were 60% while the female respondents were 40%.

![Gender of Respondents](image)

**Figure 4.1: Gender of the Respondents**

4.2.2 Average Age of Respondents

The average age of the respondents was as follows; majority of the respondents were aged between 30 and 39 years with 43% followed by 40 to 49 years with 38%, the rest of the respondents were between 20 and 29 years old 17% and between 50 and 59 years 2% respectively. None of the respondents was 60 years and above.
4.2.3 Work Experience

According to results in figure 4.3, a majority of the respondents that is 57% had between 5 to 9 years of work experience within the organization, while 29% of the respondents had worked for KNEC for 0 to 4 years. 8% of the respondents had between 10 to 14 years and 6% of the respondent had 15 years and above working with the organization.
4.2.4 Highest Level of Education

The respondents highest level of education is represented in figure 4.4. 22% of the respondents had a Diploma/Certificate, 40% had an Undergraduate degree, 38% had a Masters Degree and none of the respondents had a PhD degree.

**Figure 4.4: Highest Level of Education of Respondents**

4.3 Effects of Organizations Structure and Controls on Ethical Behavior

The study sought to examine the effects of organizational structure and control on ethical behavior. Online structured interview questionnaire were issued to employees of KNEC at all levels and the following were the findings on the first objective.

4.3.1 Organizations Structure and Controls on Ethical Behavior

Figure 4.5 shows the results of the respondents when asked whether they thought the organizations structure and control encourage ethical behavior. Ninety-eight percent were in agreement that the organizations structure and control encourage ethical behavior in their organization whereas two percent were not of the opinion that organizations structure and control does encourage ethical behavior.
Figure 4.5: Response Rate on Organizations Structure and Control Encourage Ethical Behavior

Of the Ninety-eight percent of the respondents who were in agreement that the organizations structure and control promote ethical behavior, 8% of the respondents strongly agree that the organization structure and control put in place does promote ethical behavior in the organization, whereas 43% moderately agree, 47% agree, 2% disagree and none of the respondents strongly disagree.

Figure 4.6: Response Rate on Organizational Control and Ethical Behavior
4.3.2 Benefits of Organizations Structure and Controls on Ethical Behavior

Figure 4.7 shows the results of the respondents when asked whether they felt the measures put in place benefited the organization in regards to ethical behavior. 86% of the respondents were in agreement that the measures put in place did indeed benefit the organization in ensuring ethical behavior, whereas fourteen percent were not of the opinion that the organizations benefited from the measures put in place to ensure ethical behavior.

![Response Rate of the Benefits of Measures put in Place to Ensure Ethical Behavior](image)

**Figure 4.7: Response Rate on Benefits of Measures put in place Ethical Behavior**

From the eighty-six percent of the respondents who were in agreement that the measures put in place did indeed ensure ethical behavior in their organization. The responses from the open ended questionnaire administered include; organizations structure and control ensures that daily duties and things are carried out in the right manner. Policies and procedures set ensure organizations credibility. The procedures and guidelines also minimize fraud, mismanagement of funds especially in accounting practices, illegal practices and minimizes risk. Clear channels of communication also help employees work in an ethical behavior.

The employees have a clear formal reporting systems, whereby information is shared through email, memos usually shared on the notice boards and email. They also hold meetings where employees give their views and take on issues they encounter and how to come up with possible solutions, corrective actions are discussed in cases where the behavior is
questionable. The meeting help with decision making and in ensuring ethical behavior is practiced within the organization. The organizations control measure assist in strategy implementation.

The respondents also felt that the teams created within the business units play a role in ensuring ethical behavior is practiced. For example in the finance and accounts department there are systems in place right from reporting of all transactions and following channels when it comes to approving of any money transfers. There is a clear system that ensures all daily activities are carried out in the most effective and ethical manner, more so they can be traced and the person in charge is accountable. Senior management work with their subordinates in ensuring that the procedures and processes are followed.

Transparency and accountability is practiced within the organization and this ensures that the employees practice ethical behavior. They are well aware on what is wrong and right and avoid any dubious practices which brings out a negative image of the organizations to the customers and the public at large. KNEC has a code of ethics which can be easily accessed by the employees and the public at large. Being an examining body the organization is determined to eliminate and form of cheating in national examinations. The code of conduct also highlights on the penalties on any examination irregularities, come of them include; employees being on suspension, fines of two to five million shillings, cancellation of results in the case of students caught cheating. The code of ethics not only applies to the employees but also involved parties.

The organization also ensures auditing is done in accordance with the laid procedures and processes. Presentation of the financial records and statements to the shareholders yearly. The use of both internal and external audit functions provide independent assurance and ensures fairness of the financial statements and whether they are in line with the laid procedures. The process and procedures within the organization is regularly monitored and adhered to, this is also in line to and mandatory for obtaining the ISO certification.
4.4 Impact of Leadership on Ethical Behavior

The study sought to identify the impact of leadership on ethical behavior and the responses varied depending on the question asked in regards to management and ethical behavior.

4.4.1 Employees Involvement in Key Decision Making

According to the findings 64% of the respondents agree that managers do involve employees in key decision making, whereas 28% of the respondents disagree that managers involve employees in key decision making. 6% of the respondents strongly agree and 2% of the respondents strongly disagree.

Figure 4.8: Response Rate on Employees Involvement in Key Decision Making

4.4.2 Employees Motivation to Work in an Ethical Behavior

According to the findings in regards to whether managers motivate employees to work in an ethical behavior in achieving the set goals and objectives, 72% of the respondents agree that managers do in fact motivate employees to work in an ethical manner, whereas 10% strongly agree, 16% disagree and 2% strongly disagree.
4.4.3 Employees Orientation on Ethical Issues and Handling Ethical Problems

According to the findings represented by figure 4.10, 62% agree and 15% strongly agree that they are well oriented on ethical issues and how to handle ethical problems whereas 15% and 8% respectively of the respondents disagree and strongly disagree that they were well oriented to ethical issues and how to handle ethical problems.
4.4.4 Employee Development of Skills in an Ethical Manner

According to the findings of the respondents when asked whether management encourage employees to develop their skills in an ethical manner, 52% of the respondents were in agreement while 12% strongly agreed. 35% of the respondents disagreed and 1% strongly disagreed.

![Response of Employee Skill Development in an Ethical Manner](image)

**Figure 4.11: Response Rate on Employee Development of Skills in an Ethical Manner**

4.4.5 Employee Communication with Top Management

According to the findings on whether the employees communicate their grievances to top managers without fear, 42% of the respondents agree and 4% of the respondents strongly agreed, whereas 44% of the respondents disagreed and 10% strongly disagreed. Represented by figure 4.12.
According to the findings when respondents were asked whether strong corporate governance procedures are enacted to ensure ethical behavior in the organization, 82% of the respondents were in agreement and 10% strongly agreed. 7% disagreed and 1% strongly disagreed on the corporate governance procedures in place ensure ethical behavior in the organization.

Figure 4.12: Response Rate on Employee Communication with Top Management

Figure 4.13: Response Rate on Corporate Governance Procedures and Ethical Behavior
4.4.7 Managers as Role Models to Employees in Terms of Ethics

According to the findings represented in figure 4.14, 70% of the respondents agree and 4% strongly agree that managers do indeed serve as role models to employees in term of ethics whereas 2% of the respondents strongly disagree and 24% disagree that the managers serve as role models.

![Response Rate on Managers being Role Models to Employees in term of Ethics](image)

Figure 4.14: Response Rate on Managers as Role Models to Employees in Terms of Ethics

4.5 Effects of Social-Cultural Factors on Ethical Behavior

The study sought to examine the effects of social-cultural factors on ethical behavior. The following were the findings in regards to the objective.

4.5.1 Social-Cultural Factors and Ethical Behavior

Figure 4.15 shows the results of the respondents when asked whether they thought the social-cultural factors in the organization encourage ethical behavior. 86% were of the opinion that social-culture does indeed encourage ethical behavior in the organization, while 14% were of the opinion that social culture does not encourage ethical behavior.
Figure 4.15: Response Rate on Social-Cultural Factors and Ethical Behavior

From the 86% of the respondents who were in agreement that social-cultural factors does encourage ethical behavior in the organization, their responses to some of the ways in which culture encourage ethical behavior include; some of the respondents felt that the organization has in its core values integrity which is backed by a strong religious background that has enabled members to be well grounded in religious teachings and principles which in turn has promoted ethical behavior across the organization. Religion plays a key part in ensuring ethical behavior is practiced in the organization.

The respondents also felt that the social-cultural was the basis in which the foundation of policies stand, in that without a proper social-cultural environment following policies and procedures is hard and therefore does not lead to an ethical working environment. The organization's values of honesty, integrity and transparency promote ethical behavior. More so the culture in an organization promotes respect and equity among employees, it is important to establish a culture of doing the right thing at the right time.
4.5.2 Ethical Behavior Nurturing in the Organization

Figure 4.16 shows the results of the respondents when asked whether they felt ethical behavior is nurtured in the organization. 66% of the respondents were in agreement that ethical behavior was indeed nurtured in the organization, whereas 34% of the respondents were of the opinion that ethical behavior is not nurtured in the organization.

![Response Rate on Ethical Behavior Nurturing in the Organization](image)

**Figure 4.16: Response Rate on Ethical Behavior Nurturing in the Organization**

From the 66% of the respondents who were in agreement that ethical behavior is nurtured in the organization, the respondents felt that ethical behavior is nurtured in the following ways:

- By ensuring transparency in the dealings with partners and stakeholders, and reporting audited accounts records accurately and when required. The policies in place nurture an ethical behavior in the organization.
- The respondents also felt that the workshops and trainings held promote and facilitate ethical practices in the organization and ensure employees have a good relationship with management, that is ensuring an open system and doing what is right. Other ways in which ethical behavior is nurtured in the organization is by rewarding excellence and reprimanding of those who behave unethically.
- Culture plays a key part in nurturing ethical behavior in the organization. Culture is all about values and how things are done, so if the organization promotes an ethical culture the
employees will follow suit. Ethics is enter-twined with culture and with procedures and controls put in place by management the organization will behave in an ethical manner because people have a tendency to respect their bosses and managers.

4.6 Effects of Recruitment Selection and Training on Ethical Behavior

The study sought to examine the effects of recruitment selection and training on ethical behavior. The following were the findings in regards to the objective.

4.6.1 Influence of Recruitment and Training on Ethical Behavior

Figure 4.17 shows the results of the respondents when asked whether they felt recruitment is done in a fair and open way, where skills match job description. 1% of the respondents strongly disagreed and 45% disagreed, however 52% agreed and 2% strongly agreed that the recruitment is done in a fair and open way where skills match job descriptions.
4.6.2 Employee Training on Ethical Behavior

When the respondents were asked whether they were trained on ethics and ethical behavior and how to carry themselves in an ethical manner. 66% of the respondents agreed and 2% of the respondents strongly agreed. However 30% disagreed and 1% strongly disagreed that they were trained on ethical behavior and how to carry themselves in an ethical manner. Figure 4.18 shows the results.

![Response Rate of Employee Training on Ethical Behavior](image)

4.6.3 Compensation is used to Reward Personnel

Figure 4.19 shows the results of the respondents when asked whether compensation is used to reward personnel and reduce employee dissatisfaction. 56% of the respondents agreed and 2% of them strongly agreed. 40% disagreed and 2% strongly disagreed to the fact that compensation was used to reward personnel and reduce employee dissatisfaction.
4.6.4 Employee Motivation by the Pay

When respondents were asked whether they are motivated by the pay for their contribution in the organization, 58% agreed and 10% strongly agreed whereas 30% disagreed and 2% strongly disagree.
4.6.5 Unethical Behavior is Punished

Figure 4.21 shows the results of the respondents when asked whether unethical behavior is punished in the organization. 75% agreed and 25% strongly agreed that unethical behavior was indeed punished, none of the respondents disagreed that ethical behavior goes unpunished in the organization.

![Response Rate on whether Unethical Behavior is Punished](image)

**Figure 4.21: Response Rate on Whether Unethical Behavior is Punished**

4.6.6 Ethics Officer

Figure 4.22 shows the results of the respondents when asked whether there was an ethics officer in their organization. 40% of the respondents agreed that there was an ethical office in the organization whereas 60% of the respondents were not in agreement that there was indeed an ethical officer in the organization.
Figure 4.22: Response Rate on whether there was an Ethical Officer

40% of the respondents who were in agreement that there was an ethical officer, felt that the main role of the ethical officer in the organization was to; Educate employee on the importance of ethical practices in the organization. Other duties of the ethics officer was to ensure the procedures manual and code of conduct are in place and act as a guide on ethical and unethical behavior. Most import is to ensure that the employees are aware of the procedures and the code of ethics. Some of the respondents felt that the ethics officer was the line managers and that they are the main people who are responsible for ensuring set standards are adhered to and establishing an ethical environment. The other responsibilities and duties of the ethics officer is to maintain discipline among the employees and within the organization. Help sort out any ethical grievances and trainings on ethical behavior.

4.6.7 Effectiveness of Ethics Officer in the Organization

When the respondents were asked whether they felt the ethics officer in the organization was effective or not effective, 66% of the respondents felt that they were effective while 44% felt that the ethics officers were not effective.
4.6.8 Other Factors Contributing to Unethical Behavior in the Organization

The respondents were asked for other factors that contributed to unethical behavior in the organization. The responses were as follows; pressure from bosses, customers, and coworkers to meet deadlines or engage in other unethical behavior. Some of the respondents felt that at times they may not know what they did was unethical, or look at the fact that they may benefit from the unethical practice, what is in it for them or a weak moment.

4.7 Chapter Summary

This chapter presented the results and findings of the research in regard to the research questions that is; effects of organizations structure and controls on ethical behavior, influence of leadership on ethical behavior, effects of social-cultural factors on ethical behavior and recruitment, selection and training and how they influence ethical behavior in organizations. The data was analyzed and presented using tables and figures. From the analysis the results showed that a majority of the respondents had a good idea of what the research entailed and how the research questions related to ethical behavior in the organization. Chapter five discusses the results and findings of the study at length and gives recommendations derived from the research.
CHAPTER FIVE

5.0 DISCUSSIONS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction
This chapter looks at the discussion, conclusion and recommendations of the study. The first part of the chapter gives a summary of the objectives of the study, research methodology used and the findings as earlier presented in the previous chapter. A comprehensive discussion on the major findings in regards to the objectives is provided. The chapter gives a conclusion of the study and also highlights recommendations that can be used by other researchers and the organization in regards to the research purpose.

5.2 Summary

The purpose of the study was to evaluate the strategic factors influencing ethical behavior in organizations, a case study of KNEC. The research study was steered by the following four objectives; to evaluate how organizations structure and controls influence ethical behavior, to examine the effects of leadership on ethical behavior, to analyze the effects of social-cultural factors on ethical behavior and to evaluate how recruitment, selection and training influence ethical behavior in the organization.

The research project integrated a descriptive design which enabled the researcher to carry out an in-depth study on the strategies that influence ethical behavior. The study was carried out at KNEC with the target population being employees of KNEC and a sample size of 80 employees. The employees were from different levels in the organization that is the top management, middle management and subordinates. The study engaged in stratified random sampling technique in determining the representative sample for the unit of analysis from the sample frame of KNEC employees. Primary data was collected and analyzed by use of online Google forms that addressed the structured questionnaires in regards to the research questions.
The data collected from the respondents was analyzed using Microsoft excel and the analysis represented in form of tables and figures in percentages for easy interpretation and observation. The general information gathered from the respondents showed that the male respondents were 60% while the female respondents were 40%. Majority of the respondents that is 43% were aged between 30 and 39 years followed by 40 to 49 years old with 38%. 57% of the respondents had worked with the organization for 5 to 9 years. 78% of the respondents had at least an Undergraduate degree and a Master’s Degree, which made it easier for understanding and answering the questionnaire.

The respondents were asked whether the organizations structure and controls encourage ethical behavior and 98% percent were in agreement that the organizations structure and control encourage ethical behavior in their organization. The respondents who were in agreement that the organizations structure and control promote ethical behavior, 90% of the respondents were in agreement that the organization structure and control put in place did promote ethical behavior in the organization. The respondents had different views in regards to some of the ways in which the organization has benefited from the measures put in place to ensure ethical behavior.

The findings in regards to the impact of leadership on ethical behavior showed that management did indeed play a crucial part in ensuring ethics behavior is practiced in the organization and that the relationship between managers and subordinates should be a positive one and encourage ethical behavior. In regards to the effects of social-cultural factors and how it influences ethical behavior, 86% of the respondents felt that the social-culture in the organization does encourage ethical behavior in the organization and had different views in regards to the ways in which culture encourages ethical behavior.

The respondents were also asked what they felt in regards to the effects of recruitment selection and training and how it influenced ethical behavior in the organization. Majority of the respondents were in agreement that recruitment played a part in ensuring ethical behavior is practiced in the place of work.
5.3 Discussion

The main purpose of the researcher was to evaluate the strategic factors influencing ethical behavior. It was guided by the research objectives that is; to evaluate how organizations structure and controls influence ethical behavior, to examine the effects of leadership on ethical behavior, to analyze the effects of social-cultural factors on ethical behavior and to evaluate how recruitment, selection and training influence ethical behavior in the organization. The findings in comparison to the literature review are outlined below.

5.3.1 Effects of Organizational Structure and Controls on Ethical Behavior

Organizations structure and control entails an organizations procedures, the formal reporting channels and relationships and the decision making process. Organizations realize their main strategies if the organizations structure and control are aligned together and clear. Therefore in order to ensure ethical behavior is practiced proper control and procedures have to be established. The study showed that 98% of the respondents were in agreement that the organizations structure and control encourage ethical behavior in the organization, and of the 98% of the respondents who were in agreement, 8% of the respondents strongly agreed that the organization structure and control put in place does promote ethical behavior in the organization, whereas 43% moderately agreed, 47% agreed. 2% of the respondents disagreed and none of the respondents strongly disagree. This is a clear indication that the organization structure and control in place does encourage ethical behavior.

According to Rees and Porter (2001), organizations structure and control facilitates clear communication and coordination of activities within the employees and customers, this intern leads to an ethical environment within the organization. Effective controls are a guideline to any strategy the organization wants to realize. Good controls ensure that laid out plans are followed and avoid deviating from what was intended to be realized. Strategic controls do promote ethical behavior and give the organization a competitive advantage and a good public image.

The study also established that 86% of the respondents felt they benefited from the measures put in place to ensure ethical behavior in the organization. The respondents also felt that
some of the benefits derived from ensuring clear and effective organizational structure and controls in their daily duties and activities include; the policies and procedures set ensure organizations credibility internally and externally. This fosters corporate governance which includes a good relationship with the shareholders and the organization, promotes fairness, accountability being responsible of ones actions and transparency.

The procedures and guidelines also minimize fraud, mismanagement of funds and irregular auditing especially in accounting practices, illegal practices and minimizes risk. Clear channels of communication facilitate information dissemination which also helps employees work in an ethical behavior.

The employees have a clear formal reporting systems, whereby information is shared through email, memos usually shared on the notice boards and email. They also hold meetings where employees give their views and take on issues they encounter and how to come up with possible solutions, corrective actions are discussed in cases where the behavior is questionable. The meeting help with decision making and in ensuring ethical behavior is practiced within the organization. The organizations control measure assist in strategy implementation.

The respondents also felt that the teams created within the business units play a role in ensuring ethical behavior is practiced. For example in the finance and accounts department there are systems in place right from reporting of all transactions and following channels when it comes to approving of any money transfers. There is a clear system that ensures all daily activities are carried out in the most effective and ethical manner, more so they can be traced and the person in charge is accountable. Senior management work with their subordinates in ensuring that the procedures and processes are followed.

According to Weaver, (1999) corporate governance is inclusive of the relationships created with the organization shareholders and society, that is promoting fairness, transparency and accountability; reference to mechanisms that are used to “govern” managers and to ensure that actions taken are consistent with the interests of key stakeholder groups. The key points of interest in corporate governance therefore include issues of transparency and accountability, the legal and regulatory environment, appropriate risk management measures,
information flows and the responsibility of senior management and the board of directors. Many companies have adopted legal compliance mechanisms which address ethics or conduct issues in formal documents such as code of conducts.

Transparency and accountability is practiced within the organization and this ensures that the employees practice ethical behavior. They are well aware on what is wrong and right and avoid any dubious practices which brings out a negative image of the organizations to the customers and the public at large. KNEC has a code of ethics which can be easily accessed by the employees and the public at large. Being an examining body the organization is determined to eliminate and form of cheating in national examinations. The code of conduct also highlights on the penalties on any examination irregularities, some of them include; employees being on suspension, fines of two to five million shillings, cancellation of results in the case of students caught cheating. The code of ethics not only applies to the employees but also involved parties.

The organization also ensures auditing is done in accordance with the laid procedures and processes. Presentation of the financial records and statements to the shareholders yearly. The use of both internal and external audit functions provide independent assurance and ensures fairness of the financial statements and whether they are in line with the laid procedures. The process and procedures within the organization is regularly monitored and adhered to, this is also in line to and mandatory for obtaining the ISO certification.

5.3.2 Impact of Leadership on Ethical Behavior

The study showed that the leadership played a major role in ensuring ethical behavior in the organization. Leaders in this case the management team are responsible in transforming and steering the team into realizing the set goals and objectives. Leaders need to ensure that the right thing is being done, that is by determining the right direction in which to work towards and by designing and nurturing an ethical environment dedicated to excellence. Therefore the managers need to work closely with the employees and involve them in key decision making. The findings showed that 6% of the respondents strongly agree and 64% of the respondents
agree that managers do involve employees in key decision making which ensure openness leading to ethical working behaviors.

According to Dess, et al (2010), leaders who are successful have a valuable trait such as maturity, motivation, self-awareness, integrity, intelligence and expertise. These traits ensure organizations performance is effective and the best. Leaders need to be emotionally intelligent and of high ethical values as employees work under them and together with them. The study revealed that 72% of the respondents agree and 10% of the respondents strongly agreed that managers do motivate employees to work in an ethical behavior in achieving the set goals and objectives.

The findings revealed that leaders did facilitate a learning organization that is by being proactive and sharing knowledge in regards to ethical behavior. According to the leader-member exchange theory which suggest that leaders who are keen on developing a learning organization develop a high quality relationship with their subordinates which is key in leadership effectiveness, organizational commitment and excellent performance. The study revealed that 62% agree and 15% strongly agreed that they are well oriented on ethical issues and how to handle ethical problems which is a clear indication that the leadership exchange relationship is effective.

The study also revealed that management encourage employees to develop their skills in an ethical manner, 52% of the respondents were in agreement while 12% strongly agreed. This helps employees develop in terms of individual ethics by learning and developing their skills in an ethical manner. Ethical employees lead to an ethical organization and being able to stand up for what is right and avoiding wrong deeds. The study also showed that employees communicate their grievances to top managers without fear, 42% of the respondents agreed and 4% of the respondents strongly agreed which creates open channels or communication.

Strong corporate governance which entails a set of legal and institutional procedures are key in ensuring both managers and employees adhere to ethical norms. The results or output of an organization reflects the morals and standards to the public. It is very important to maintain a
positive image in order to retain the customers. Therefore it is the responsibility of stakeholders of an organization to maintain a strong corporate governance procedures to ensure ethical behavior in the organization. According to the findings 82% of the respondents were in agreement and 10% strongly agreed to the strong corporate governance which facilitates ethical behavior in the organization.

Ethical leaders take up their responsibilities in an ethical manner. The decisions made are based on upright morals and raise the organization in an ethical environment. Leaders with excellent ethical standards are role models to the rest of the employees. According to the findings in regards to managers being role models to employees in terms of ethics, 70% of the respondents agreed and 4% strongly agreed that managers do indeed serve as role models to employees in regards to ethics. Ethical behavior starts with the leaders then the employees.

5.3.3 Effects of Social-Cultural Factors on Ethical Behavior

The generally accepted principals of right and wrong in an organization is determined by the organizations culture, that is the way of life, values, philosophies and discipline. Social-culture factors is very paramount if an organization is to realize the goals and objectives. Organizations with an unethical practices face challenges in the long run and may never revive. When asked whether the culture in KNEC encourages ethical behavior, majority of the respondents that is 86% were of the opinion that social-culture does indeed encourage ethical behavior in the organization.

The findings from the study showed that of the respondents who were in agreement that social-cultural factors does encourage ethical behavior in the organization, their responses to some of the ways in which culture encourage ethical behavior include; some of the respondents felt that the organization has in its core values integrity which is backed by a strong religious background that has enabled members to be well grounded in religious teachings and principles which in turn has promoted ethical behavior across the organization. Religion plays a key part in ensuring ethical behavior is practiced in the organization.
The respondents also felt that the social-cultural was the basis in which the foundation of policies stand, in that without a proper social-cultural environment following policies and procedures is hard and therefore does not lead to an ethical working environment. The organization's values of honesty, integrity and transparency promote ethical behavior. More so the culture in an organization promotes respect and equity among employees, it is important to establish a culture of doing the right thing at the right time.

The study also showed that the employees were positive that ethical behavior is nurtured in the organization. This was represented by 66% of the respondents were in agreement that ethical behavior was indeed nurtured in the organization. A culture that emphasizes on ethical behavior reduces the chances of employees acting or behaving in unethical behavior. Circumstances such as pressure from management to meet deadlines and meeting performance goals are some of the reasons that may lead to unethical practices, and not just by the employees but also top management.

Respondents who were in agreement that ethical behavior is nurtured in the organization felt that ethical behavior is nurtured in the following ways; by ensuring transparency in the dealings with partners and stakeholders, and reporting audited accounts records accurately and when required. The policies in place nurture an ethical behavior in the organization. The respondents also felt that the workshops and trainings held promote and facilitate ethical practices in the organization and ensure employees have a good relationship with management, that is ensuring an open system and doing what is right. Other ways in which ethical behavior is nurtured in the organization is by rewarding excellence and reprimanding of those who behave unethically.

The results and findings did bring out the importance of culture and the key part culture plays in nurturing ethical behavior in the organization. Culture is all about values and how things are done, so if the organization promotes an ethical culture the employees will follow suit. Ethics is enter-twined with culture and with procedures and controls put in place by management the organization will behave in an ethical manner because people have a tendency to respect their bosses and managers.
5.3.4 Effects of Recruitment Selection and Training on Ethical Behavior

The human resources department is responsible in ensuring that they hire the right person for the job. It may be a challenge for the HR department to establish individuals who are ethical and unethical. However some good HR practices are used to try and narrow in on the ethical background of an individual. Such practices include interviews, where applicants are interrogated to know more about them, background checks are done in regards to documents, feedback from referrals and criminal records. According to the finding from the study, 52% of the respondents agreed and 2% strongly agreed that the recruitment is done in a fair and open way where skills match job descriptions. In order to ensure ethics and ethical behavior hiring the right staff who have a strong sense of personal ethics is important.

Training employees on what is wrong and right ensure employees work in an ethical behavior. The results and finding of the study revealed that the employees were trained on ethics and ethical behavior and how to carry themselves in an ethical manner, 66% of the respondents agreed and 2% of the respondents strongly agreed. However 30% disagreed and 1% strongly disagreed that they were trained on ethical behavior and how to carry themselves in an ethical manner. Training applies to all level of the organization that is top management, middles management and subordinates.

Rewards and incentives is powerful in influencing the culture of an organization. Reward system is a very effective motivation and directly determine the performance of an organization. Employees who are well compensated are highly unlikely to engage in unethical behavior. The respondents were also asked whether compensation is used to reward personnel and reduce employee dissatisfaction, 56% of the respondents agreed and 2% of them strongly agreed to the fact that compensation was used to reward personnel and reduce employee dissatisfaction. Satisfied employees are productive and direct or focus their energies towards achieving the goals and objectives of the organization.

The study also highlights the results of the respondents when asked whether unethical behavior is punished in the organization, 75% agreed and 25% strongly agreed that unethical behavior was indeed punished, none of the respondents disagreed that ethical behavior goes
unpunished in the organization. Which is a clear indication that unethical behavior is not tolerated in the organization. In regards to whether the organization had an ethical officer, which could be a personnel in HR or an ethical leader who deal with ethical issues when they arise, 40% of the respondents agreed that there was an ethical office in the organization whereas 60% of the respondents were not in agreement that there was indeed an ethical officer in the organization.

Respondents felt that the main role of the ethical officer in the organization was to; educate employee on the importance of ethical practices in the organization. Other duties of the ethics officer was to ensure the procedures manual and code of conduct are in place and act as a guide on ethical and unethical behavior. Most import is to ensure that the employees are aware of the procedures and the code of ethics. Some of the respondents felt that the ethics officer was the line managers and that they are the main people who are responsible for ensuring set standards are adhered to and establishing an ethical environment. The other responsibilities and duties of the ethics officer is to maintain discipline among the employees and within the organization. Help sort out any ethical grievances and trainings on ethical behavior. However 66% of the respondents felt that they were effective while 44% felt that the ethics officers were not effective.

5.4 Conclusions

The results and findings showed that organizations structure and controls, leadership, social-culture factors and recruitment selection and training influence the ethical behavior in an organization.

5.4.1 Effects of Organizational Structure and Controls on Ethical Behavior

The study established that the organizational structure and control does indeed determine the level of ethical behavior in an organization. Well laid down procedures, policies and open communication channels facilitate coordination of activities and realizing the main goals and objectives of an organization. Employees and management should be keen in ensuring the procedures and processes are in check in order to encourage and ensure ethical behavior is
practiced within the organization. Management should also strengthen the structures and controls in place and constantly review the procedures which will enforce ethical behavior in the organization.

5.4.2 Impact of Leadership on Ethical Behavior
Ethical leadership is key in ensuring ethical behavior in the organization. Managers have a big influence on the ethical behavior in the organization as they set the standards in which the rest of the employees work under. Ethical behavior should be nurtured in an organization and management encourage and motivate employees to realize the set goals and objectives in an ethical manner. The organizations stakeholders should be able to communicate their grievances in to ensure a proper working environment.

5.4.3 Effects of Social-Cultural Factors on Ethical Behavior
Social-cultural factors has a direct relationship in the behavior practiced in an organization. If the values in an organization are of ethical nature then the employees will tend to behave according to the morals and guidelines set within the organization. The organizations culture is also influenced by other factors such as national culture, the organizations rules, policies and code of ethics. High value in ethical conduct and behavior must be implemented in the organization in order to foster an ethical environment at all levels.

5.4.4 Effects of Recruitment Selection and Training on Ethical Behavior
The human resource has the main responsibility of ensuring recruitment is done in a fair and open way and that skills match the job description. HR also ensures that training on ethical behavior is carried out. Employees are greatly influenced and motivated by the rewards and compensation they receive in respect to their contributions to the organization, therefore good packages encourage ethical behavior in the organization. HR is also responsible for ensuring the employees are aware of the ethical officers in an organizations and their duties and responsibilities. Unethical behavior should also be punished to bring forth the consequences of behaving in unethically.
5.5 Recommendations

5.5.1 Recommendations for Improvement

5.5.1.1 Organizational Structure and Controls on Ethical Behavior

It is important to constantly review and ensure that the organizations structure and controls are up to date. Ensuring the organizations formal procedures, processes, governance, control mechanism are in line with the organizations strategy and are effective in the implementation of ethical behavior in the organization. A firm that can adopt to the current turbulent environment is better off and reduces the risks of engaging in unethical practices. Management should support the employees and work together with employees in ensuring the procedures, code of conduct and processes are well understood and followed.

5.5.1.2 Leadership on Ethical Behavior

Leadership plays a major role in ensuring the organization practices ethical behavior, it is therefore vital to ensure the leaders have a high ethical standard and are keen on ensuring ethics is adhered to. Ethical leaders are role models and captains in an organization. They are therefore responsible for ensuring employees know what is right and wrong and how to handle ethical problems. Managers should also involve employees in key decision making and create a relationship where employees can be open and free. Management should be effective by constantly seeking information that may lead to unethical behavior.

5.5.1.3 Social-Cultural Factors on Ethical Behavior

The study recommends that social-culture of an organization should regard ethics in high standards. The culture of an organization reflects the morals and values of the employees, which is reflected internally and externally. Therefore ensuring that the social-culture factors in an organization are aligned to recommendable ethical behavior. Managers also play a role in influencing the culture in an organization, they should therefore encourage and develop an attitude that is in line to ethical behavior. Ethical behavior is intertwined with human interactions in an organization, in that if managers practice what is right it will reflect with the employees.
5.5.1.4 Recruitment Selection and Training on Ethical Behavior

The study recommends that recruitment should be done in a fair way and that the human resources department should ensure that proper vetting is done in order to hire staff with good ethical morals right from the beginning. Employees should also be trained on how to carry out their duties in the most ethical manner and how to tackle ethical issues and dilemmas. Human resources should also ensure that employees are compensated and rewarded according to their input to the organization, that way employees are most likely to be motivated and work in an ethical environment.

Punishment of unethical behavior is recommended that way unethical behavior will not be taken lightly. The human resources department should also officially appoint an ethical officer, and ensure the employees are aware of the ethical officer. This could be a manager in a different department who can carry out duties of ensuring ethics is practiced and one who is confidential, easily approachable but most important, of high ethical standards.

5.5.2 Recommendations for Further Studies

The study was certainly a guideline to some of the strategies used by organizations in ensuring ethical behavior is adhered to. The researcher recommends that more investigation be done in regards to the objectives. More so narrowing in on what exactly under organizational structure and control influences ethical behavior, policies, code of conduct and procedures, how effective they are in ensuring ethical behavior is practiced and not just written guidelines. Further studies also need to be done with regard to leadership, social-cultural factors and recruitment selection and best ways of training in ethics.

The research was planned to cover a limited sample size within a limited timeframe and resources. Therefore, more research with a bigger sample size and over a duration of time with available resources will definitely yield to finer details. Employee behavior patterns can be monitored in regards to ethical behavior and this will determine what strategy is more effective and appropriate.
REFERENCES


APPENDICEs

APPENDIX 1: LETTER OF INTRODUCTION

To Whom It May Concern

Dear Sir/Madam,

My name is Mercy Murinda Ayugu, I am graduate student at United States International University Africa. I am conducting a research to examine the Strategic Factors Leading to Ethical Behavior in Organizations for my research project in partial fulfillment of the requirements of Masters in Business Administration concentration Strategic Management.

This letter is to request for your cooperation in providing the information for all sections of the questionnaire to enable me obtain the required information for this research. The information collected herein is meant for academic purposes and will be treated with utmost confidentiality. Your cooperation will be highly appreciated. Thank you for your time.

Yours Faithfully,

Mercy Ayugu
APPENDIX 2: RESEARCH QUESTIONNAIRE

Kindly answer the following questionnaire. The questionnaire seeks information about the **Strategic Factors Leading to Ethical Behavior in Organizations**, A case study of KNEC employees.

**SECTION A: GENERAL INFORMATION**

Kindly answer all the questions by ticking in the relevant box or answer.

1. Gender? Male □ Female □

2. In which age group do you belong to?
   - [ ] 20-29
   - [ ] 30-39
   - [ ] 40-49
   - [ ] 50-59
   - [ ] 60 and above

3. How long have you worked at KNEC?
   - [ ] 0-4 years
   - [ ] 5-9 Years
   - [ ] 10-14 Years
   - [ ] 15 Years and Above

4. Highest level of education attained
   - [ ] Diploma/Certificate
   - [ ] Undergraduate Degree
   - [ ] Masters Degree
   - [ ] PhD
SECTION B: EFFECTS OF ORGANIZATIONS STRUCTURE AND CONTROL ON ETHICAL BEHAVIOR

Kindly tick the box corresponding to your opinion for each statement

1. In your opinion, does your organizations structure and control encourage ethical behavior?
   
   Yes [ ]
   No [ ]

2. If yes, do you think the controls put in place promote ethical behavior in your organization?
   
   (a) Strongly Agree [ ]
   (b) Moderately Agree [ ]
   (c) Agree [ ]
   (d) Disagree [ ]
   (e) Strongly Disagree [ ]

3. Do you believe that your organization has benefited from the measures put in place to ensure ethical behavior?
   
   Yes [ ]
   No [ ]

4. If yes, in what ways do you think your organization has benefited from the measures put in place to ensure ethical behavior?

___________________________________________________________________________
___________________________________________________________________________

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SECTION C: IMPACT OF LEADERSHIP ON ETHICAL BEHAVIOR

On a scale of 1 to 4 where 1 = strongly disagree and 4 = strongly agree, how would you rate the effectiveness of leadership in terms of ensuring ethical behavior in your organization? Tick which best describes your opinion of the statement.

<table>
<thead>
<tr>
<th>Impact of Leadership on Ethical Behavior</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Managers involve employees in key decision making</td>
<td></td>
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</tr>
<tr>
<td>2. Managers motivate employees to work in an ethical behavior in achieving the set goals and objectives</td>
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<tr>
<td>3. Employees are oriented properly on ethical issues and how to handle ethical problems</td>
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<tr>
<td>4. Managers encourage employees to develop their skills in an ethical manner</td>
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<tr>
<td>5. Employees communicate their grievances to top managers without fear</td>
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<tr>
<td>6. Strong corporate governance procedures are inacted to ensure ethical behavior in the organization</td>
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<tr>
<td>7. Managers serve as role models to employees in terms of ethics</td>
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</table>

SECTION D: EFFECTS OF SOCIAL-CULTURAL FACTORS ON ETHICAL BEHAVIOR

1. The culture in your organization encourages ethical behavior?
   - Yes [ ]
   - No [ ]

If yes, in what ways do you think the culture encourages ethical behavior in your organization?
2. In your opinion, is ethical behavior nurtured in your organization?
   Yes  
   No  

If yes, in what ways do you think the ethical behavior is nurtured in your organization?

SECTION E: EFFECTS OF RECRUITMENT SELECTION AND TRAINING ON ETHICAL BEHAVIOR

On a scale of 1 to 4 where 1 = strongly disagree and 4 = strongly agree, how would you rate the recruitment selection and training influence on ethical behavior in your organization? Tick which best describes your opinion of the statement.

<table>
<thead>
<tr>
<th>Influence of Recruitment and Training on Ethical Behavior</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Recruitment is done in a fair and open way, where skills match job description</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>2. Employees are trained on ethical behavior and how to carry themselves in an ethical manner</td>
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<tr>
<td>3. Compensation is used to rewards personnel and reduce employee dissatisfaction</td>
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<tr>
<td>4. Employees are motivated by the pay for their contribution in the organization</td>
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<tr>
<td>5. Unethical behavior is punished/unaccepted</td>
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</tr>
</tbody>
</table>

6. Is there an Ethics officer in your organization?
   Yes  
   No  

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7. If yes, what do you think is there main role in your organization?
________________________________________________________________________
________________________________________________________________________

8. How effective are they at ensuring ethical behavior in the organization?
   Effective ☐
   Not Effective ☐

9. What other factors not mentioned above contribute to unethical behavior in your organization?
________________________________________________________________________
________________________________________________________________________

THANK YOU FOR YOUR TIME AND PATIENCE IN COMPLETING THE QUESTIONNAIRE
APPENDIX 3: TIME FRAME

<table>
<thead>
<tr>
<th>ACTIVITY</th>
<th>MAY</th>
<th>JUNE</th>
<th>JULY</th>
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</thead>
<tbody>
<tr>
<td>Proposal Approval</td>
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<td>Report Writing</td>
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</table>
APPENDIX 4: BUDGET

<table>
<thead>
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<tr>
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</tr>
<tr>
<td>Transport</td>
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</tr>
<tr>
<td>Internet</td>
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<tr>
<td>Photocopying and Printing</td>
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<tr>
<td>Binding</td>
<td>900</td>
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<tr>
<td>Phone costs</td>
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</tr>
<tr>
<td>Miscellaneous</td>
<td>5,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>12,900</strong></td>
</tr>
</tbody>
</table>