

An Assessment of British-American Tobacco Compliance and Government Regulations

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Abstract

It is obvious that as the use of tobacco has declined in high-income countries, the tobacco industry has increasingly turned to low- and middle-income countries, particularly in Africa, Asia, and Eastern Europe, to recruit new users. The objective of the paper is to find out the correlate between government regulations and compliance of British-American Tobacco. The paper adopts quantitative method of data gathering and analysis. The statistical tool employed was the correlation analysis to determine the extent to which British-American Tobacco comply with government regulations in Nigeria. The correlation co-efficient determined whether there is positive or negative relationship between the two variables. The study showed that British-American Tobacco Compliance has an insignificant positive relationship with government regulations. The study concluded that Nigeria still has a long way to go in dealing with industry interference regarding public health policies. A lot still needs to be done in the effective mobilisation of resources, both human and technical, to see through the enforcement of the provisions of the tobacco control legislation.

Keywords: *Regulation, Compliance, Tobacco and Government.*

Background to the Study

In a modern democratic economy, businesses cannot function without having to deal with government taxation, guidelines, regulations and policies. Policies are generally intended to improve awareness of the business sector, promote and facilitate voluntary initiatives, capacity building, stakeholder management, international standards, convergence and transparency, evaluation and accountability, tax and funding systems in addition to legislation (Albareda, Lozano, and Ysa, 2007). The cost of legislations is generally hard to measure precisely. Whether a regulation provides a net benefit or a net cost is often difficult to determine, (Iret, 2005). According to Kary (2007), socio-legal scholars have increasingly turned their attention to regulatory processes in an attempt to discern how regulations actually operate and what impact they have on business and society. Government matters in business (Ring, Bigley, Aunno and Khana, 2005). No matter how business and government arrange things between themselves, the nature of their relationship is extremely important, (Dmitry, 2010). However, the extent to which the government intervenes in the private business sector varies from country to country. In practice, however, few firms manage their relationships with government strategically (Watkins, 2003).

The conduct of businesses is with respect to Nigerian organizations are shrouded in numerous unethical practices. Several cases evidencing this assertion are found in many organizations like banks, manufacturing companies and service oriented organizations (Eluka, 2013). The underlining issues here are those that border on British-American Tobacco, Nigeria's (BATN) ability to buy influence that seems to insulate it against all forms of regulations. For instance, BATN tends to have seemingly acceptable reasons not to comply with regulations against public smoking, illegal advertisement, child labour and much more (Akiroye, 2010). The beginning of a new century coupled with the advent of a democratic regime marks an appropriate time to examine the dimension of government and business activities in Nigeria. At a time when globalization seems to press forward relentlessly on a host of fronts, it is worth considering the central features of government and business and the nature of their relationship, and to assess their strengths and limitations (Porter, 2002). Consequently, this study examined government regulations and ethical compliance of British-American Tobacco as a study.

Statement of the Problem

According to the World Health Organization (WHO) report, the tobacco company has not been able to challenge the passage of a more stringent law against tobacco smoking and manufacturing, they have instead complied with the regulations in developed countries and moved its operations to developing countries like Nigeria, where there is little or no regulation to monitor its business activities. Given the various health problems associated with tobacco use, the Nigerian government still allow British-American Tobacco (BAT) to operate in the country but with some tobacco prevention and control policies. This study assessed how BAT are complying to these policies as a way of managing their relationships with the Nigerian government.

Objective of the study

The objective of this study is to evaluate British-American Tobacco Compliance and government regulation

Research Question

What is the relationship between BAT compliance and government regulation?

Variables Identification

$Y=f(X)$

Y = Dependent Variable

X = Independent Variable

Where:

Y = Compliance

X = Government Regulations

Where

$X = f(x_i)$

AND $x_i =$ Regulation

Therefore;

$Y = f(x_i)$ - - - - - (I)

Hypothesis

Ho. British-American Tobacco compliance does not significantly relate to government regulations

H_i. British-American Tobacco compliance significantly relate to government regulations

Review of Related Literature

This aspect of the study is divided into three; conceptual, theoretical and empirical.

Conceptualization

In legal and economic literature, there is no fixed definition of the term 'regulation'. Some researchers consider and evaluate various definitions and attempt through systematization to make the term amenable to further analysis (Baldwin and Cave, 1999; and Ogus, 2004). According to Johan, (2010), regulation will be taken to mean the employment of legal instruments for the implementation of social-economic policy objectives. Since companies are subject to national rules and regulations of countries when they enter their territory, there are some ways for governments to exercise power over businesses. It is evident in literature that governments especially of developing countries bargain with multinational corporations (MNCs) on the concessions corporations have to make in order to gain the rights to enter the market (Strange 1988).

The efficacy of government regulation over corporations depends on the power of state, on the institutional links it has with the private sector and on the compliance mechanisms on its disposal. When state policy is aligned with the interests of the private sector and dominant social institutions, there is a higher probability for it to succeed. (Tian,2006). However, Tian

went further to note that state policy can affect private strategy, but not determine it. This means that businesses are sometimes able to circumvent state policies that adversely affect their operations. Governments can implement policies that either regulate the operations of foreign companies, or encourage them to invest in the host market.

Concept of Compliance

This theme first examines the development of a number of ethical issues facing companies over the years with the aim of drawing lessons needful for the research project. In each case, we lay out the issue and discuss groups with potentialities to influence the process and what the outcome for corporate behaviour should be. Ethical issues are evolving and never stagnant issues as they concern wants, needs and responsibilities both socially corporate and individual. Tax remittance, unambiguous rules and regulations, corporate governance, executive pay, the use of child labour, control of industrial pollution, environmental degradation and prohibition of production of harmful substances are all examples of issues in business ethics that today's companies must face. According to **Pollitt and Jones (2002)**, such issues as identified above, surface increasingly commonly in the running of companies, and managers and directors find them impossible to ignore. However, when the above may be ignored with impunity by international companies operating in Nigeria, such cannot be ignored in developed economies. In fact, if companies in developed democracies take identifiable ethical issues with levity, they are not only tagged with negative labels but are also made to face the consequences. In 2003, the global tobacco treaty made history. Officially known as the **Framework Convention on Tobacco Control (FCTC)**, it is the first legally binding treaty for the World Health Organization (WHO) and the first-ever public health and corporate accountability treaty.

Table 2.2 Summary of Framework Convention on Tobacco Control Provisions

Measures to Reduce Demand	Article
Prevent tobacco industry interference in public policy	5.3
Price and tax measures	6
Non-price measures to reduce the demand for tobacco	7
Protection from exposure to environmental tobacco smoke	8
Regulation and disclosure of the contents of tobacco products	9,10
Packaging and labelling (including the use of graphic warning labels)	11
Education, communication, training, and public awareness	12
Comprehensive ban and restriction on tobacco advertising, promotion, and sponsorship	13
Tobacco dependence and cessation measures	14
Measures to Reduce Supply	
Elimination of the illicit trade of tobacco products	15
Restriction of sales to and by minors	16
Support for economically viable alternatives for tobacco growers and farm workers	17
Protection of the Environment	
Protection of the environment and health of people	18

Source: WHO, 2003a.

What is evident that most countries in Africa have signed and ratified the FCTC, but they are yet to completely implement the interventions described in the treaty's provision. Until now, the comparatively low number of current tobacco users in Africa may explain the false sense of security and complacency in this area, especially in the context of other infectious and non-infectious disease priorities that African nations face. However, prompt implementation of interventions described in the FCTC could reduce projected smoking prevalence by half and mitigate the health effects, as well as the economic and development costs, of an African tobacco-related disease epidemic (Mendez et al., 2013).

Theoretical Studies

Economic and Social Theory of Regulation

A distinction has been made by Viscusi, Vernon and Harrington (1996) between *economic* and *social theories* of regulation, for example. Economic regulation consists of two types of regulations: structural regulation and conduct regulation (Kay and Vickers, 1990). 'Structural regulation' is used for regulating market structure. Examples are restrictions on entry and exit and rules against individuals supplying professional services in the absence of recognized qualifications. 'Conduct regulation' is used for regulating behavior in the market. Examples are price control, rules against advertising and minimum quality standards. Economic regulation is mainly exercised on natural monopolies and market structures with limited or excessive competition.

Social regulation comprises regulation in the area of the environment, labour conditions (occupational health and safety), consumer protection and labour (equal opportunities and so on). Instruments applied here include regulation dealing with the discharge of environmentally harmful substances, safety regulations in factories and workplaces, the obligation to include information on the packaging of goods or on labels, the prohibition of the supply of certain goods or services unless in the possession of a permit and banning discrimination on race, skin colour, religion, sex, or nationality in the recruitment of personnel. In the theories of economic regulation, a distinction can be made between *positive* and *normative* theories. The positive variant is directed to the economic explanation of regulation and deriving the consequences of regulation. The normative variant investigates which type of regulation is the most efficient. The latter variant is called normative because there is usually an implicit assumption that efficient regulation would also be desirable because, *External effects* such as pollution and accidents can be opposed by taxes, regulation, or systems of liability (Blaug 1993).

Empirical Studies

Stephen, (2005) study on "The Cost of Government Regulation: Beyond the Initial Impact" revealed that regulation forces the private sector to produce a different mix of goods and services, and to produce them in a different manner, than it would otherwise do. Michele, Simone, Kathy, Caroline and Pascale, (2012) study on Compliance with children's television food advertising regulations in Australia investigated the effectiveness of the Australian co-regulatory system in limiting children's exposure to unhealthy television food advertising by measuring compliance with mandatory and voluntary regulations. They found out that almost 83% of all food and beverages advertised during children's programming times were for foods classified as 'Extras' in the Australian Guide to Healthy Eating.

Methodology

The data for this research work were obtained mainly from the primary and secondary source. The data were collected from Nigeria tobacco control alliance. The research instrument was the questionnaire. The data gathering instrument for this study is a standard instrument which was adapted from the 2011-2012 World Health Organization report on Tobacco, online survey and Jain and Goel (2012). Some of the questions were also modified to suit the study. The questionnaire is made up of three (3) sections with the first section on the bio data of the respondent. The second category used a scale of Yes and No. While the third category are questions on the variables using Likert scale: 6 (Strongly Agree) to 1(Strongly Disagree).

Table 1 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.019 ^a	.000	-.125	.39044

Source: Researchers Field Survey, (2015)

a. Predictors: (Constant), Compliance to Regulations

Table 2 Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.745	2.851		1.313	.225
	Government Regulations	.036	.664	.019	.054	.958

Source: Researchers Field Survey, (2015)

a. Dependent Variable: BATN Compliance to Regulations

Regression Model

$$Y = a + bx + u$$

y = Compliance

x = Government Regulations

β = Coefficient

u_t = Random error term

Discussion of Findings/Results

The regression estimates for model2 indicated that regulations in relation to the government and BATN has positive relationship with compliance and this findings is consistent with the apriori expectation of Researchers of business regulation, which have been increasingly seeking an acceptable middle ground between laissez-faire allocation of resources by the market; and draconian command-and-control measures through state legislation. Many have now proposed that a pro-active response to environmental responsibility may actually result in environmental regulation plus competitive advantage

in business (Elkington, Schmidheiny, Gladwin, Cairn cross, Porter and van der Linde, 1995). Practices of environmental responsibility by businesses may make good business sense by reducing harmful impacts of industry before the introduction of restrictive legislation. It may also provide marketing tools to add value to products, or improve the corporate image with the public. As a result of this, voluntary practices of environmental responsibility may be seen as a commercial opportunity. Yet genuine change to business practices to protect the environment may require some government intervention, or legislation to prevent 'free riders'. Such combinations of limited legislation and innovation by companies is increasingly urged by business theorists who see the need to overcome organizational inertia in companies, or who seek regulation of activities where the costs of protection are higher than likely financial benefits (Gladwin, Porter and van der Linde, 1995).

According to The passport (2014), the National Tobacco Control Bill returns to the National Assembly five years after it was proposed in 2009, indicating that tobacco control is a low priority for the Nigerian government.

As stated in the Nigeria Tobacco (Control) Act 1990 CAP. T16 on...

Section 3: Tobacco packages to contain certain information

Subsection (1) --- *No package containing tobacco products meant for smoking shall be sold in Nigeria, unless the following rotating warnings are inscribed on the package, that is-*

(a) *“The Federal Ministry of Health warns that tobacco smoking is dangerous to health”; and*

(b) *“Smokers are liable to die young”.*

Subsection (2) --- *It shall be unlawful for any person to sell any tobacco product in Nigeria unless the amount of the tar and nicotine contents of each unit of the product is stated on the package.*

Taking a look at tobacco products of the British American Tobacco Nigeria Plc, the packages is inscribed with the following warning stated in the Nigeria Tobacco (Control) Act: “The Federal Ministry of Health warns that tobacco smoking is dangerous to health”. Also the amount of the tar and nicotine contents of each unit of the product is stated on the package. BATN tend to agree to tobacco consumption posing real risks to health, therefore in agreement to this product regulated in appropriate ways and would like to see effective, evidence-based regulation that meets public health objectives but which does not impede on their ability to compete (BATN official website).

Conclusion

Nigeria still has a long way to go in dealing with industry interference regarding public health policies. While Nigeria has made some enviable strides since the ratification of the Framework Convention of Tobacco Control (FCTC) in 2005, it is evident that a lot still needs to be done in the effective mobilisation of resources, both human and technical, to see through the enforcement of the provisions of the tobacco control legislation. It is now evident that a lot depends on the prompt signing into law of the National Tobacco Control Bill by President Buhari to make the overall enforcement of the principles of the FCTC possible in Nigeria.

Furthermore, most of the government agencies responsible for the enforcement of laws and directives on tobacco are partners with the BATN. Nigerian government officials lack the required understanding about the tactics of the tobacco industry in influencing government policies.

Recommendations

In agreement with the Framework Convention of Tobacco Control, the following recommendations were made:

1. Countries should protect their public health policies from the commercial and vested interests of the tobacco industry according to national laws.
2. There should be effective enlightenment programme for representatives of government agencies who will be part of the monitoring and enforcement of the tobacco laws
3. Regulations and full disclosure of tobacco contents including their toxic and addictive levels.
4. *Manufacturers and importers should be required to disclose information to governmental authorities about ingredients, design features, company information, and sales volume*
5. Comprehensive bans on all tobacco advertising, promotion, and sponsorship; Accurate and visible tobacco product packaging and labelling that include health warnings and labels.
6. Integration of information on the ill effects of tobacco into the curricula of health promotion in primary and secondary schools to promote greater awareness of such information; and Measures to protect the environment and the health of persons in relations to the environment with respect to tobacco cultivation and manufacture.

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