

Organizational Ethics and Customer Loyalty in Selected Commercial Banks in Rivers State

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Abstract

This study X-rayed the relationship between organizational ethics on customer loyalty in selected commercial banks in port Harcourt Rivers State. Four research questions were developed to guide the investigation. A concomitant four research hypotheses were equally developed. These hypotheses were tested using spearman correlation coefficient. The analysis of the study was orchestrated using spearman correlation coefficient. The analysis was dualized into demographic and inferential. The outcomes of hypotheses testing indicated positive significant relationship between the dimensions of organizational ethics and customer loyalty in commercial banks in Port Harcourt, Rivers State. The reliability of the variables were determined using Cronbach Alpha coefficient. The dimensions indicate reliability as their coefficients were 0.7 and above. The study concludes that organizational ethics affect customer loyalty. The policy thrust of this paper is that organizations particularly banks should ensure the adherence to ethical values in order to ensure the retention of the customers patronage. This connotation is that it has positive concomitant implications in their sustainability, profitability and expansion in their market share in the given competitive environment.

Keywords: *Organizational ethics, Customer loyalty, Commercial Banks, Communal knowledge, Fairness*

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Background to the Study

The institution of ethical norms and values spans the spectrum of organizations (oil and gas, manufacturing sector, service sector, educational organization, etc.). It is deemed as the moral nerve that checks the activities of employees in an organization. Ethics is the study of good and bad, right and wrong in organizations (Steiners, 2008). It is considered the conscientious dimension of an organization that galvanizes organizational operations towards accepted ethical standards (Gates, 2004). The banking industry is one of the industries in Nigeria where ethical standard is held at high esteem. This is because a slight compromise of ethical values and norms in an organization can mar the entirety of a firm. Hence, upholding ethical values in the industry is a *sin quo non* to the successful existence of banking organizations in Nigeria.

Organizations do not exist for the sake of it. They subsist to attain the strategic goals and objectives of their divergent stakeholders key among the stakeholders are customers, clients, patients, etc. Customers are the direct beneficiaries of a firm's products and /or services. Customers suffer dearth of satisfaction when products are defective as a result of unethical conduct of employees. On the other hand, customers' applaud and are satisfied when a firm's products and/ or services meet their expectations as a result of upholding high ethical values and norms. The satisfaction of the customer's account for their continued patronage of firms' products or services. Customer Loyalty is vital in the continued existence and survival of organizations (Wuef, Odekerken-Shroder and Lacobucci, 2001, Alrabaiee and Al-Nazer, 2010).

A whole gamut of research investigations exist on organizational ethics (Sekerka, Bagozzi and Charnigo, 2009; Maisarah, Suaibah, Noor AND Azir, 2012, Perrger, 2014) but to the best of our knowledge no study has been conducted on the impact of organizational ethics on the loyalty of customers in commercial banks in Port Harcourt, Rivers state. It is this gap in the literature that triggers the researchers' minds and which this paper intends to fill.

The study objective of this paper is to investigate whether there is a correlation between organizational ethics and customer loyalty in commercial banks in Port Harcourt, Rivers state. This paper is compartmentalized into sections one: introduction, two: Literature review, three: Material and Methods while four deals with the results, recommendations and conclusions as well as limitations of the study and suggestions for further studies.

Objectives of the Study

The main objectives of this study is to determine the relationship between organizational ethics and customer loyalty in selected commercial banks in Rivers state. The specific objectives of the study are to:

1. Ascertain the relationship between communitality and customer loyalty in selected commercial banks in Rivers state.
2. Investigate the relationship between knowledge and customer loyalty in selected commercial banks in Rivers state.
3. Examine the relationship between fairness and customer loyalty in selected commercial banks in Rivers state.
4. Determine the relationship between honesty and customer loyalty in commercial banks in selected commercial banks in Rivers state

Research Questions

The following research questions are proposed:

What is the relationship between customer loyalty and communality in selected commercial banks in Rivers state?

What is the relationship between customer loyalty and knowledge in selected commercial banks in Rivers state?

What is the relationship between customer loyalty and fairness in selected commercial banks in Rivers state?

What is the relationship in between customer loyalty and honesty in selected commercial banks in Rivers state?

Research Hypotheses

With the research questions in perspective, the study seeks to find answers to the following research questions:

HO₁: There is no significant relationship between customer loyalty and communality in selected commercial banks in Rivers state.

HO₂: There is no significant relationship between customer loyalty and knowledge in selected commercial banks in Rivers state.

HO₃: There is no significant relationship between customer loyalty and fairness in selected commercial banks in Rivers state..

HO₄: There is no relationship between customer loyalty and honesty in selected commercial banks in Rivers state.

Significance of the Study

The result of this study will be of tremendous benefit to a whole gamut of people. First, it will be useful to top management of commercial banks in Rivers state. This is particularly so in making them appreciate the strategic importance of organizational ethics. This study will equally be beneficial to middle levels managers and other managers and customers and other stakeholders such as government and shareholders in commercial banks in Rivers state. The outcome of this study of this study will also enrich literature in the field of organizational ethics in particular and industrial relations in general.

Scope of the Study

This study covered an examination of impact organizational ethics on customer loyalty, in selected commercial banks. The geographical scope of this study covers commercial banks in Rivers state. The content scope covers organizational ethics and customer loyalty and the dimensions and measures of the predictor and criterion variables.

Limitations of the Study

This study does not cover all the sectors of the Nigerian economy. Accordingly, this study is domiciled to commercial banks in Port Harcourt, Rivers state. The study only utilized organizational ethics in resolving corporate issues in the commercial banks in Rivers states. The study employed SPSS version 20. The findings of this research cannot be generalized to other commercial banks in Nigeria because of possible variations in the study variables in other parts of the country. The generalizability of this study will be circumscribed to Rivers state and this underscores the essence of the study.

Review of Extant Literature

In this section, we shall review of extant literature on impact of organizational ethics on customer loyalty. This is necessitated by the assertion that it is necessary for a research endeavor to be founded on solid grounds and one of such grounds and one of such grounds is the history of the phenomena being investigated (Fubara and Mguni, 2005).

Scholars of organizational ethics have encouraged managers on the need to develop moral strength in the workplace (Verschoor, 2004; Maisarah, suaibah, Noor and Azir, 2012, perrger, 2014). Some have opined an institutionalization of behavior shift soliciting for a revolution of character and a reintroduction of personal conscience, responsibility and values (Gates, 2004 and verchoor, 2004). It is opined that ethical values will be enhanced in organization (Sekerka, Bagozzi and chamigo, 2009). This is because ethical values of employee will correlate with the manner of discharging their activities and inevitably on the products and services rendered.

Organizational ethics means conforming to accepting and professional standards of conduct (Zverow, 1992). It is the application of moral principles, standards of behavior or set of values regarding proper conduct in the workplace as individuals and in a group setting (Mohramam & Benson, 2001).

Loyalty is a deeply held commitment to rebuy or repatronize a preferred product or service in future despite that there are situational efforts having on the potential buyer to cause switching behavior (Oliver, 1999). A firm's effort to improve customer loyalty was strengthened by Reich held and Sasser (1990) who found that when a company retains just five percent more of its customers profits, increased by 25 percent.

Bowen and Chen (2001) posit that loyal customers are less likely to switch because of price and they buy more than non-loyal customers will help to spread positive word of mouth, create business returns and can also serve as channels of advertising, the importance of attracting and retaining customers for long-term business relationship has the adoption of different loyalty programmed. However, Bowen and Chen (2001) argue that there are three levels of measuring customer loyalty: behavioural, attitudinal and composite measurement .They opine that behavioural, measurement is enhanced by a consistent, repetitive purchase behaviour. Attitudinal loyalty manifest when a customer shows a sense of agreement and allegiance to a service provider. Composite loyalty according to them shows in customer's product preferences, frequency of purchase and total amount of purchase. Tuan (2015) suggests that customers' satisfaction is not the only precursor to customer loyalty but the ethical working policy of the former. A service provider who behaves ethically according to Tuan (2015) is more efficient in building customer relationship as well as getting customers' satisfied, trusted and committed. While business ethics is important in all sections, customer bonding is high is the banking industry (Aljubaiee & AL-Nazer, 2010).The attributes of a banker that have been found to attract and retain customers and knowledge ability, efficiency in performing their responsibility, punctuality, helpful, honesty, transparency and awareness (Ram, Khoso, Jamail an shdaikh, 2011). They found that punctually and honesty has the highest score of 80% each.

Ram et al (2011) categorized ethical issues surrounding banks as loan appraisal, banker's role as guarantor realization of deposits from customers and bankers acting as representative or agents of customers.

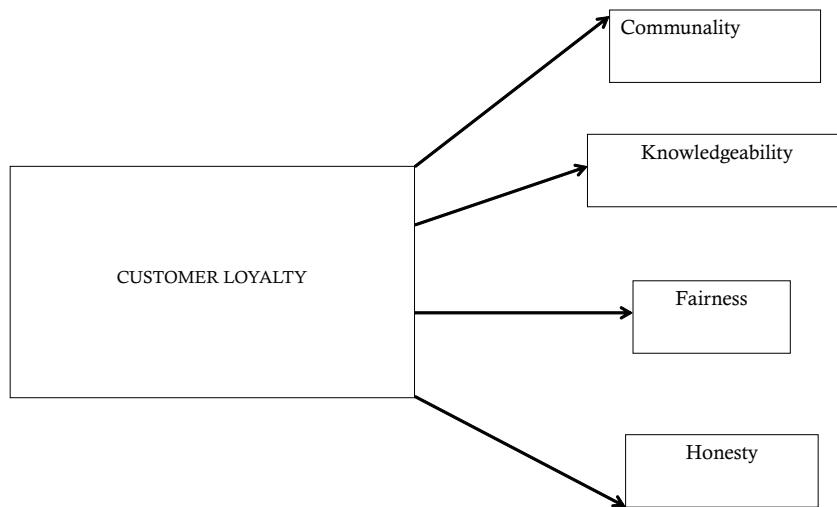


Fig. 1: Research Conceptual Model

Materials and Methods

This paper adopted cross sectional research design, and analysis is based on primary data generated through a structured five point likert questionnaire administered on respondents. Organizational ethics was measured using communal, fairness, by market competitiveness, customer care services (CCS) and innovativeness. The population of the study comprises of 228 members of staff drawn from eight micro-finance banks in Rivers-state. The researchers used the Taro Yamene's sampling formula to select 145 members of staff as the sample size.

The Analysis of the Work

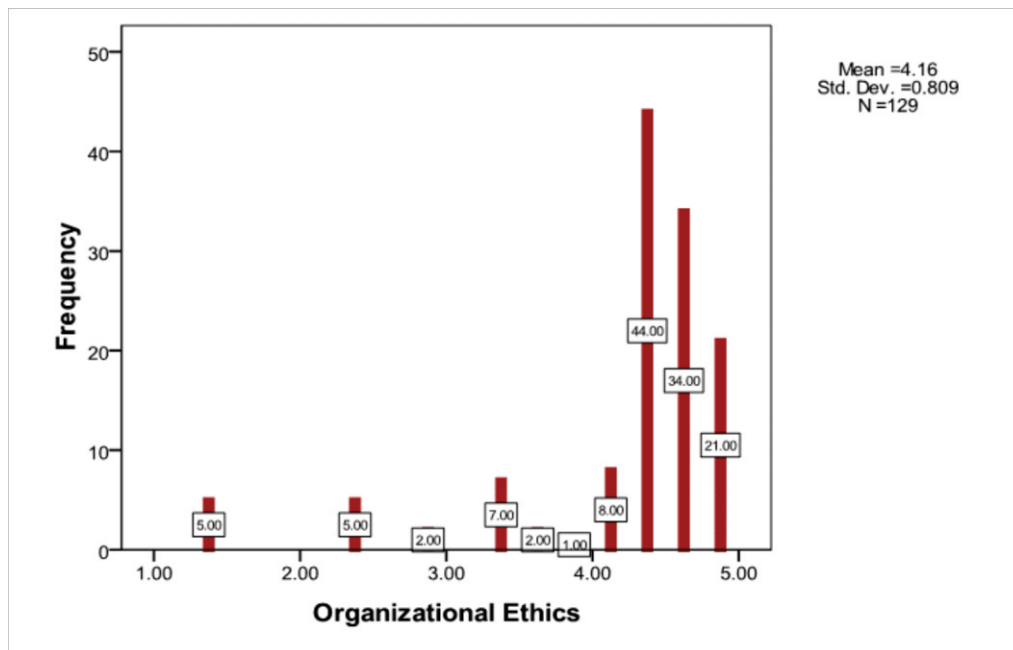
Table 1: Distribution for the variables of the study

	N	Minimum	Maximum	Mean	Std. Deviation
Communal	129	1.00	5.00	4.2171	1.03301
Knowledge	129	1.33	5.00	4.1008	.78352
Fairness	129	1.00	5.00	4.1835	.84570
Honesty	129	1.00	5.00	4.1576	.82504
Loyalty	129	1.00	5.00	4.0291	.84988
Valid N (listwise)	129				

Source: Research survey, 2016

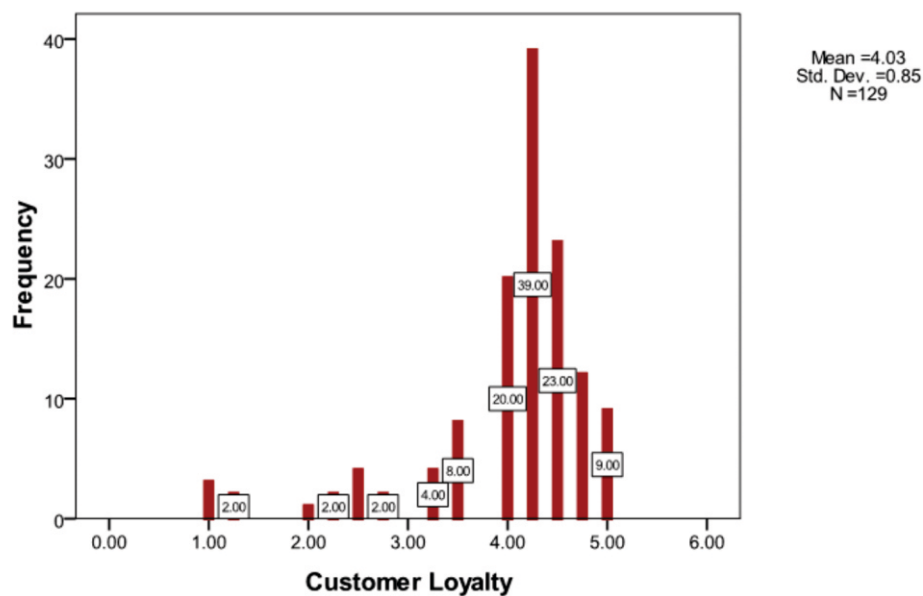
Table 1 above describes the distribution for the variables of the study with all five revealing high tendencies for agreement based on the adopted 5 – point Likert type scale. The data shows significant practices and activities related to all five variables within the selected organizations.

Figure 2: Distribution for Organizational Ethics



The figure 5 above illustrates the summary distribution for organizational ethics within the selected organizations for the study. Data reveals significant practices and experiences of respondents which are reflections of organizational ethics

Figure 3: Distribution for Customer Loyalty



The figure 5 above illustrates the summary distribution for customer loyalty within the selected organizations for the study. Data reveals significant experiences of customer retention, attitudes and repeat buying which reflect loyalty.

Table 2: Test for hypotheses

		Communal	Knowledge	Fairness	Honesty	Loyalty	
Spearman's rho	Communal	Correlation Coefficient	1.000	.383**	.426**	.371**	.548**
		Sig. (2-tailed)	.	.000	.000	.000	.000
		N	129	129	129	129	129
Knowledge	Knowledge	Correlation Coefficient	.383**	1.000	.666**	.546**	.690**
		Sig. (2-tailed)	.000	.	.000	.000	.000
		N	129	129	129	129	129
Fairness	Fairness	Correlation Coefficient	.426**	.666**	1.000	.615**	.606**
		Sig. (2-tailed)	.000	.000	.	.000	.000
		N	129	129	129	129	129
Honesty	Honesty	Correlation Coefficient	.371**	.546**	.615**	1.000	.598**
		Sig. (2-tailed)	.000	.000	.000	.	.000
		N	129	129	129	129	129
Loyalty	Loyalty	Correlation Coefficient	.548**	.690**	.606**	.598**	1.000
		Sig. (2-tailed)	.000	.000	.000	.000	.
		N	129	129	129	129	129

** . Correlation is significant at the 0.01 level (2-tailed).

The analysis reveals that there is a significant relationship between the dimensions of organizational ethics (communality, knowledge, fairness and honesty) and the criterion variable – customer loyalty. This is given as follows:

- i. Relationship between communality and customer loyalty correlation = .548 and P = 0.000
- ii. Relationship between knowledge and customer loyalty correlation = .690 and P = 0.000
- iii. Relationship between fairness and customer loyalty correlation = .606 and P = 0.000
- iv. Relationship between honesty and customer loyalty correlation = .598 and P = 0.000

Thus all null hypothetical arguments are on the basis of this empirical evidence rejected.

Findings of the Study

Our findings indicate correlation between customer loyalty and communality in commercial banks in Rivers state. It is revealed that knowledge correlates with customer loyalty in commercial banks in Rivers state. There is also correlation between fairness and customer loyalty in commercial banks in Rivers state. There is also correlation between honesty and customer loyalty in commercial banks in Rivers state.

Conclusion

From the result of the analysis above, the study concludes that organizational ethics positively impacts on the customer loyalty in commercial banks in Port Harcourt, Rivers State.

Recommendations

The outcome of the study indicates relationship between organizational ethics and customer loyalty. Hence, commercial should ensure that banking ethics should be adhered to .This will galvanize the continuous patronage of customers of such commercial banks in Port Harcourt, Rivers state. It is further recommended that commercial banks should utilize communality in the bid to secure customer loyalty. Commercial banks should employ requisite knowledge in order to secure customer loyalty. It is further recommended that fairness should be employed as a strategy to gain customer Loyalty in commercial banks in Rivers state. It is also recommended that the tool of honesty should be utilized in order to gain customer loyalty in commercial banks in Rivers state.

Limitations of the Study

The research investigation is confined to commercial banks in Port Harcourt , Rivers state. The content scope is limited to literature on the dimensions of organizational ethics and customer loyalty. This study is limited to the banking sector It is domiciled to Port Harcourt, Rivers State may not reflect the same outcome in other states in Nigeria.

Suggestions for Further Research

The paper suggests that there should be a replication of this investigation in commercial banks in Port Harcourt, Rivers State to ascertain if the same result will be determined. It is also suggested that the same study should be carried out in other states in Nigeria. This study can also be conducted in other sectors of the Nigeria economy. It is further suggested that this same investigation be carried out in other countries in west Africa.

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