

The Effect of Ethical Treatment towards Customers on Enterprise Performance in Mumias Sugarbelt, Kenya

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Abstract

This study attempts to examine the role of ethical treatment towards customers in enhancing enterprise performance. In this study, respondents are the farmers contracted to Mumias Sugar Company which recruits cane farmers to generate raw materials. The raw materials are transported by cane haulage enterprises subcontracted to Mumias Sugar Company. A total of 153 questionnaires were distributed.. To test the conceptual framework, a structural equation was modeled to analyze the data. In this regard, frequencies, correlations and binary logistic regression were used to establish the relationship between ethical treatment to farmers and enterprise performance. Findings revealed that ethical treatment indicators are predictors of enterprise performance among sugar cane farmers in Mumias Sugar Belt.

Keywords: Ethical treatment towards customers on enterprise Performance

Introduction

Ethical business is a set of principles that govern the action of an individual or group in an enterprise, Smit and Kaufman (2003). Ethical business is concerned with truth and justice and includes aspects of which society expects for instance fair competition, social responsibilities and corporate ethical business behaviour (Gilman 2003). Ethical business practices refer to actions that appear to further some social good, beyond the interests of the firm and that which is required by law (McWilliams and Siegel, 2001). Specifically ethical business practices suggest that the enterprise identify its stakeholder groups and incorporate their needs and values within its strategic operation and decision making process, Hatman et al (2006). This concept encompasses the moral responsibilities that businesses have to the societies within which they operate (Hartman et al 2006).

The extensive debate and research concerning whether ethical business is or is not profitable indicates that most do not define ethical business as only those initiatives that are beyond profits, but that it includes both profitable and unprofitable initiatives which have social benefits. This definition of ethical business inherently goes beyond Langtry's (1994) minimalist and non-minimalist pure stockholder ethical theories. However, it is consistent with both his "tinged stockholder theory," where "firms should be run to maximize the interests of stockholders, subject not only to legal constraints but also to moral or social obligations" and to an intrinsic view of non-shareholder stakeholders as described by Berman et al. (1999) MSEs across the world exhibit a variety of ethical business practices principles, policies and practices (Baughn et al., 2007; Kusku and Zarkada-Fraser, 2004) with different levels of intensity (Welford, 2005; Maignan and Ralston, 2002).

However, questions still linger as to what explains the similarities or differences in ethical business across countries, why ethical business practices change over time and what explains these changes. These unexplained questions justify the reason why a study should be carried out in Kenya to establish the status of ethical business practices among MSEs.

It is only in the last decade that business ethics scholars have made concerted effort to expand their research to countries other than the United States (Oumlil et al 2009). One country that has been getting a lot of attention of economists, business professionals, and politicians is China (Lu, 2008). It produces nearly half the world's goods and products. In less than a quarter-century since Deng Xiaoping initiated his "open door policy," China has become one of the most powerful and unpredictable force in the economic world. Its enormous pool of cheap labor and untapped market has attracted billions of dollars from multinationals all over the world and lifted over 250 million out of poverty since 1978. Today, China has the largest trade surplus with the United States and is one of the largest holders of U.S. treasury bills. In addition, it is expected to overtake the United States' gross domestic product by 2039 (Chandler, 2004). However, in the recent past, the "Made in China" label has taken a severe beating. Recent revelations of defective products from China like melamine-contaminated foods, and toys contaminated with lead paint have raised concerns about social responsibility in China (Gallagher, 2009; Lu, 2008).

Companies in Kenya display different understandings and levels of commitment to ethical business as demonstrated by the issues they prioritize and the range of ethical business processes they employ (Muthuri et al 2010). Evidently philanthropic responsibilities feature highly on the ethical business practices agenda and unlike Carrol's (1991) ethical business practices pyramid, philanthropy takes a higher priority than legal responsibilities in Kenya.

The need for focused ethical business practices research on cane haulage in Kenya is critical particularly with the concern that current approaches to ethical business practices, with their origin in developed countries, "may not sufficiently relate or respond to the context and circumstances encountered in developing economies" (Hamann, 2006). As we know it, developing countries do not share the same cultural and social values, norms and priorities that underpin ethical business practices in 'western' nations (Blowfield and Frynas, 2005; Jamali and Mirshak, 2007).

Ethical Treatment of Customers (Farmers) and Business Performance

Narver and Slater (1990) carried out a study in France on the impact of ethics on performance of the banking industry. Respondents included customers for microfinance institutions. The performance indicator was capital accumulation. It was established that ethical treatment to customers led to enhanced profitability of the micro-finance institutions. It was therefore concluded that those businesses that devote significant resources to understanding their customers and competitors and coordinate the activities of the different functions of the business for an integrated value-creation effort are rewarded with superior profitability, sales growth, and new product success relative to other firms. However, Narver and Slater (1990) did not regard the sugarcane farmer as a customer and recipient of ethical treatments from sugar cane transporters, a gap that was effectively covered by this study. More so, performance indicators used by Narver and Slater (1990) were financial. The current study made a departure from this and addressed non financial indicators. In addition, the reviewed study focused mainly on the banking sector paving way for the current study, which covered transport and agricultural sectors.

Cragg, (2002) and Lorraine et al, (2004) carried out a study in South Africa to establish the effect of cooperate revealed ethics on the financial performance of the firm among mining companies. Respondents included shareholders and managers of companies enlisted on the stock market. Their study revealed that cooperate ethics enhanced the appeal of the firms'share. When a firm discloses its ethical values and objectives on it's cooperate statements it equates them in importance to other organizational goals. The study further reveal that ethics provides a clear signal about the stance and beliefs of the firm reducing uncertainty about future actions and long-term risks.

Their study further established that ethical business may be a valuable tool to create intangible assets like good corporate image and enhanced reputation, which can be sources of competitive advantage. However, these studies were not carried out in a Kenyan setting to capture ethical practices in the sugar industry, a gap that the current study sorts to fill. Although the studies capture the reviewed business stakeholder relationships, they fail clearly to identify the farmer as the recipient of ethical treatments. Moreover, performance indicators of reviewed studies revolve around the share value. The current study deviated and studied social performance indicators.

A study was carried out by Webster (2009) in Germany to identify customer/business relationships. His study maintained that it is critical for firms to make long-term commitments to nurturing customer relationships with quality, service, and innovation because such relationships influence the firms output. This study however did not highlight the specific outcomes of ethical treatments on customers. The current study filled the gap by clearly spelling out performance indicators. Similarly, Deshpandé, Farley, and Webster (1993) did a survey in Germany on customer orientation as a measure of ethical treatment to customers. Their studies identified customer orientation as “the set of beliefs that puts the customer’s interests first, while not excluding those of all other stakeholders such as; owners, managers, and employees, in order to develop a long-term profitable enterprise.” They established that an important implication of customer orientation is its significant relationship to key marketing outcomes and business performance. This study was however biased towards marketing outcomes in retail outlets rather than focusing on ethics and performance indicators, which the current study addressed.

In various studies, the relationship between service quality and customer preference loyalty was examined (Boulding, Kalra, Staelin, &Zeithaml, 1993; Cronin & Taylor, 1992). In their study, Cronin and Taylor (1992) focused solely on repurchase intentions, whereas Boulding et al. (1993) focused on the elements of repurchasing as well as the willingness to recommend. In the study by Cronin and Taylor, service quality did not appear to have a significant (positive) effect on repurchase intentions (in contrast to the significant positive impact of satisfaction on repurchase intention), whereas Boulding et al, (1993) found positive relationships between service quality, repurchase intentions and willingness to recommend.

The finding did not clearly identify service quality as a measure of ethics. This study fills the gap by coming out clearly on service quality as a measure of ethics. Reviewed literature is not broad enough on ethical measures. The current study has an expanded scope of ethical measures as mitigation against gaps in reviewed literature. More so, service quality reviewed in the literature above was not assessed in the sugar industry. This paved way for another study to be done on the same variable in the sugar industry in Kenya.

Materials and Methods

With respect to this, the study used across-sectional survey design; a research strategy in which one or more groups of subjects are studied at one given point in time to acquire relevant data. A correlational design was also utilised in order to measure a correlation between ethical treatment towards farmers and enterprise performance. The study population employed were 30000 farmers contracted to Mumias Sugar Company out of which a sample size of 153 was obtained to represent the rest. Cluster and simple random sampling methods were utilized to identify the 153 farmers (customers).

Questionnaire Design:

The customers Questionnaire was divided into three sections namely ethical treatment towards farmers, customer satisfaction and enterprise performance in the perspective of the farmer.

Ethical Treatment towards Farmers (Independent Variable)

The independent variable (ethical treatment towards farmers), was operationalized based on previous research by Logsdon and Yuthas, (1997). It captured a wide range of items relevant to ethical treatment to customers (Waddock and Graves, 1997). The study also borrowed from SIR: Global profile data sections, which are developed to measure the level of firm's responsibilities to its customers. The study used the final score provided by Sir: which quantified the degree to which the company satisfies the customers' interest ranging from; customer involvement in major decision making regarding cane transport, trust in drivers with cane, company general contributions towards community needs and good treatment by cane transport companies. Murgolis and Walsh, (2002) enlisted these dimensions as measure of customer ethical treatment. The measures were structured on a five-point Likert scale ranging from 1 = "Not at all" to 5 = "To a very large extend." The measures on ethical treatment towards farmers formed part A of the farmers' questionnaire.

Enterprise Performance (Dependent Variables)

Measures of enterprise performance were based on a study by Klassen et al, (2010b) who measured performance based on the respondents' perception. This approach was also consistent with Murgolis and Walsh (2002), who deviated from the conventional measurement of performance in terms of firm profitability and extended it to social performance with indicators measured purely on perceptions. Murgolis and Walsh (2002) enlisted enterprise reputation, employee commitment, enterprise public image, customer satisfaction and customer loyalty as measures of organizational social performance. This study adopted these dimensions and assessed them on a seven-point Likert scale ranging from 1= "extremely displeased to 7= "extremely pleased." The measures formed part B of the Customers' Questionnaire.

This was intended to capture the extent to which employees were in agreement with statements on good pension scheme, full support to join trade union, promotion since they joined current employer, good work safety facilities, competitive salary package, good job security, employers to give local community preference during employment, gender balance during recruitment, employers to solve financial problems beyond employees' salary, and employers to sponsor employees for further training. The respondents were asked to rate each item on a seven-point Likert scale anchored at 1 = "Extremely Displeased" and 7 = "Extremely Pleased".

Reliability Test

A pilot study for pre-testing the instruments was preceded by a research permit from Bungoma Central District Commissioner's office and training of research assistants. Participants in the pilot study included 50 sugar cane farmers from Bungoma country selected through a convenience sample. These respondents were not included in the main study. Items were revised as necessary on the basis of the results of the pilot test to enhance clarification and appropriateness for this research study. The questionnaires consisted of 22 items for farmers. The instruments elicited information on (1) demographics, (2) ethical treatment towards farmers, (3) enterprise performance.

The study used internal consistency for assessing reliability. Internal consistency reliability, which is also known as internal construct reliability or internal reliability estimate, performed. It was done by measuring the homogeneity of items in the measure (Zikmund, 2003; Sekaran, 2003). The most popular test of inter-item consistent reliability was Cronbach's co-efficient alpha, which was used for multi-point scaled items. This was done through factor analysis by testing to see that the items, which make up the scale, were all measuring a single idea (Bryman, 1997).

Items, which were inconsistent with this position, were deleted. A summary of cronbach’s reliability test are reported in the tables below.

Cronbach’s alpha co-efficient

Ethical Treatment Towards Farmers Reliability Test	
[Cronbach’s Alpha = -0.596] (If item dated)	
ETF1*	Farmers involved by cane transport companies in decisions regarding transport service
ETF2*	Farmers who have had their cane spilled while on transit
ETF3	Farmers’ trust drivers with their cane (0.317)
ETF4*	Cane transport companies contribute very generously towards community needs
ETF5	Farmers’ treated well by cane transport companies (0.125)
ETF6	Farmers’ cane stolen on transit (0.265)
*Item deleted	

Farmers Perception on Enterprise Performance Reliability Test	
Cronbach’s Alpha = 0.741 (if item deleted)	
FPEP1	Farmers’ perception on enterprise reputation of cane transporters (0.711)
FPEP2	Farmers’ perception on employee commitment of cane transporters (0.673)
FPEP3	Farmers’ perception on public image of cane transporters (0.682)
FPEP4	Farmers’ goodwill to cane transporters (0.728)
FPEP5	Farmers’ perception on customer loyalty of cane transporters (0.666)

Data Analysis

Data was analysed using both descriptive and inferential statistics. Descriptive statistics was used to present frequency measures while inferential statistics was used to measure relationships among variables. Pearson correlation was applied to measure possible relationships between the independent and dependent variables while logistic regression was used to measure the strength of the relationships through Kenny and Barron (1986) 4 steps.

Results and Discussion:

Table 4.3: Frequencies of Responses on Ethical Treatment towards Farmers

Statement		NA	SE	N	GE	VGE	TOTAL
Farmers involved by cane transport companies in decisions regarding transport service	F	284	62	2	1	1	350
	%	81.1	17.7	0.6	0.3	0.3	100
Farmers who have had their cane spilled while on transit	F	1	1	1	155	192	350
	%	0.3	0.3	0.3	44.2	54.9	100
Farmers trust drivers with their cane	F	189	136	11	13	1	350
	%	54.0	38.9	3.1	3.7	0.3	100
Cane transport companies contribute very generously towards community needs	F	233	110	6	0	1	350
	%	66.6	31.4	1.7	0	0.3	100
Farmers treated well by cane transport companies	F	208	123	9	8	2	350
	%	59.4	35.1	2.6	2.3	0.6	100
Farmers' cane stolen on transit	F	39	34	31	101	145	350
	%	11.1	9.7	8.9	28.9	41.4	100

Source: Survey Data 2012

When farmers were asked if they were involved in decisions regarding can transport, 81.1% (284) did not agree at all. While 17.7% (62) disagreed with the statement to a small extent, 0.6% (2) remained neutral. 0.3% (1) agreed with the statement to a small extent that they were involved in decision-making. On the other hand, 0.3% (1) agreed to a great extent that he got involved in decision making regarding cane transport. When asked if their cane spill on the way, 0.3% (1) did not believe that their cane spilled, 0.3% (1) to a small extent believed the statement, 0.3% (1) was neutral. 44.2% (155) were convinced to a great extent about cane spillage and 54.9% (192) to a very great extend believed that their cane spill on the way. On the question of trust in cane drivers, 54% (189) did not trust them at all, 38.9% (136) trusted them to a small extent, 3.1% (11) were neutral, 3.7% (13) trusted the drivers to a small extent and 0.3 % (1) trusted the drivers to a great extent. On the question of generous contributions by transporters, 66.6% (233) did not agree at all, 31.4% (110) agreed to a small scale, while 1.7 (6) were neutral. None agreed to the statement to a small extent and 0.3% (1) agreed to the contributions by transporters to a very great extent. On the question of cane theft on the way, 11.1% (39) disagreed absolutely, 9.7% (34) disagreed to a small extent, 8.9% (31) were neutral, 28.9% (101) agreed to a small extent while 41.4% (145) agreed to a great extent.

It can be observed from Table 4.3 that majority of the farmers were in disagreement with statements regarding farmers involvement by cane transport companies in decisions on transport service, farmers trusting drivers with their cane, cane transport companies contributing very generously towards community needs, and farmers treated well by cane transport companies. Similarly, most of them did not approve statements on farmers who have had their cane spilled in transit and farmers cane stolen in transit.

Farmers Responses on Cane Transport Enterprise Performance

The responses of farmers on cane transport enterprise performance based on the first objective, helped determine whether the content of ethical treatment towards farmers had a relationship with their perception of cane transport enterprise performance. The indicator included; farmers perception on enterprise reputation of cane transporters, farmers perception on employee commitment of cane transporters, farmers perception on public image of cane transporters, farmers’ goodwill to cane transporters, and farmers’ perception on customer loyalty of cane transporters.

A seven-point Likert scale was used in capturing these response that entail; Extremely Displeased (ED), Displeased (D), Slightly Displeased (SD), Neutral (N), Slightly Pleased (SP), Pleased (P) and Extremely Pleased (EP) with corresponding values of 1, 2, 3, 4, 5, 6, and 7 respectively. The results were displayed in Table below

Response of Farmers on Enterprise Performance

Statement		ED	D	SD	N	SP	P	EP	TOTAL
Farmers’ perception of enterprise reputation of cane transporters	F	135	67	89	49	4	6		350
	%	38.6	19.1	25.4	14.0	1.2	1.7		100
Farmers’ perception of employee commitment of cane transporters	F	102	122	83	18	18	7		350
	%	29.1	34.9	23.8	5.1	5.1	2.0		100
Farmers’ perception of public image of cane transporters	F	113	109	78	45	5			350
	%	32.3	31.1	22.3	12.9	1.4			100
Farmers’ goodwill to cane transporters	F	148	114	69	9	7	3		350
	%	42.3	32.6	19.7	2.5	2.0	0.9		100
Farmers’ perception of customer loyalty of cane Transporters	F	133	95	64	13	19	23	3	350
	%	38.0	27.1	18.3	3.7	5.5	6.6	0.9	100
Source: Survey Data 2012									

On the question of enterprise reputation, 38.6% (135) were extremely displeased, 19.1% (67) were displeased, 25.4% (89) were slightly displeased while 14% (49) were neutral. Only 1.2% (4) were slightly pleased, 1.7% (6) were pleased and none was extremely pleased with enterprise reputation. When asked for their view on enterprise commitment, 29.1% (102) were extremely displeased, 34.9% (122) were displeased, 23.8% (83) were slightly displeased, 5.1% (18) were neutral, 5.1% (18) were slightly pleased while 2% (7) were pleased with employee commitment. None were extremely pleased with employee commitment. On the question of cane transport public image, 32.3% (113) were extremely displeased, 31.1% (109) were displeased, 22.3% (78) were slightly displeased, 12.9% (45) were neutral while 1.4% (5) were slightly pleased. None were either pleased or extremely pleased. When asked to express their goodwill to cane transport, 42.3% (148) were extremely displeased, 32.6% (114) were displeased, 19.7% (69) were slightly displeased, 2.5% (9) were neutral, 2% (7) were slightly pleased and only 0.9% (3) were pleased. None were extremely pleased. When asked to rate their satisfaction on the given scale, 38% (133) were extremely displeased, 27.1% (95) were displeased, 18.3% (64) were slightly displeased, 3.7% (13) were neutral, 5.5% (19) were slightly pleased, 6.6% (23) were pleased while only 0.9% (3) were extremely pleased with their loyalty to cane transporters.

For all the five indicators in Table 4.4, it was observed that most farmers had negative opinion on the enterprise performance of cane transporters. The poor performance of cane transport companies as assessed by farmers could be informed by the fact that most farmers assessed feel that they are treated badly by cane transport companies.

Hypothesis Testing

H₀ Ethical treatment towards farmers has no effect on enterprise performance

Pearson correlations of ethical treatment towards farmers and enterprise performance

Pearson correlations were obtained between variables that measured farmer’s responses on ethical treatment towards farmers to ascertain the extent to which the variables were correlated and results recorded in table 4.9 on the next page.

Pearson Correlation of farmer ethical factors and enterprise performance factors (p-value)						
Farmer	Enterprise Performance Indicators					
Ethical Factor	FPEP1	FPEP2	FPEP3	FPEP4	FPEP5	
ETF3	0.315	0.057	-0.025	0.228	0.052	
	(0.000)**	(0.291)	(0.647)	(0.000)**	(0.330)	
ETF5	-0.029	-0.048	-0.021	-0.029	-0.066	
	(0.583)	(0.375)	(0.700)	(0.583)	(0.219)	
ETF6	-0.037	0.012	0.079	-0.150	-0.196	
	(0.485)	(0.821)	(0.141)	(0.005)**	(0.000)**	
**P-value < 0.05						

Key:

ETF3 - Farmers trust drivers with their cane

FPEP1 - Farmers perception on enterprise reputation of cane transporters

FPEP4 - Farmers goodwill to cane transporters

FPEP5 - Farmers perception on customer loyalty of cane transporters

ETF6 - Farmers cane stolen on transit

Source: Survey Data 2012

In table 4.5, there were two indicators of ethical treatment towards farmers with significant correlations with enterprise performance indicators. Farmers trust drivers with their cane (ETF3) had a positive correlation with enterprise reputation (FPEP1) $r = 0.315$, ($P < 0.05$). This means that when their trust in drivers increased, enterprise reputation also went high. This is a linear relationship. It equally had a significant positive correlation with farmers goodwill to sugarcane transport companies (FPEP4) $r = 0.228$ ($P < 0.05$). This means that when their trust in drivers increased, they gave more goodwill to the companies. On the other hand, sugarcane theft in transit had a significant negative correlation with farmers’ goodwill to cane transporters (FPEP4) $r = -0.150$ ($P = < 0.05$) and a negative correlation with customer loyalty; (FPEP5) $r = -0.196$ ($P < 0.05$).

This means that when cane theft in transit increased, farmers’ goodwill to transporters decreased. Similarly, when cane theft in transit increased, their loyalty to sugarcane transporters went down. This offers preliminary rejection of H_{01} ($P < 0.05$). These relationships compare well with Webster (1992) who concluded in his study that unethical businesses perform poorly. These relationships were subjected to Baron’s assumptions to ascertain the true nature of relationship and results were reported in table 4.6 and figure 4.1 The Table and figure display the logistic regression outputs of the four steps of Kenny and Barron (1986).

Table 4.6 displays path c of the four mediation steps of Kenny and Barron (1986)

Path c of Baron and Kenny four Steps

Step Analysis	Regression and Predictor	Outcome	Un-standardized coefficient B	Standardized coefficient Beta	95% CI LL UL	P Value	Effect Size d	Power
1	c ETF6	FPEP5	-.143	-.196	-.218 to -.067	<.001**	d= -.434	.39

**P-value < 0.05

KEY:

FPEP5 - Farmers’ perception on customer loyalty of cane transporters

ETF6 - Farmers’ cane stolen on transit

Source: Survey Data 2012

According to Table 4.6, step 1 of Baron and Kenny (1986) passed. This suggests that there was evidence that ethical treatment towards farmers; cane theft in transit was negatively related to farmers perceived customer loyalty to cane transporters, $B = -0.143$, ($P < 0.05$) with a small effect size of ($d = -0.434$). This means that when cane theft in transit increased, farmers’ loyalty to cane transporters decreased. This relationship is inverse. As a result, the null hypothesis H_{101} was rejected and the alternative accepted thus cane theft while in transit influenced customer loyalty.

This result is consistent with a similar study by Webster, (1992); who carried out a study to identify customer/business relationships and established that ethical business has an impact on overall performance. Similarly, this study finding corroborate well with a study by Deshpande, Farley and Webster, (1993); who wanted to establish a relationship between customer orientation as a measure of ethical treatments to customers and performance indicators. They established that an important implication of customer orientation is its significant relationship to key marketing outcomes as business performance.

Similarly, this study is consistent with results obtained by Slater and Naiver, (1994), who concluded that, those businesses that devote significant resources to understanding their customers and competitors and co-ordinate the activities of different functions of business for an integrated value creation effort are rewarded with superior profitability, sales growth and new product success relative to other firms.

However, this study slightly varies with the findings of Slater and Naiver, (1994), in the sense that the later measure performance in terms of financial outcomes rather than social outcomes fronted by this study. Results in our study also compare well with findings by Cragg, (2002) and Lorraine et al., (2004) who carried out a study to establish the effect of corporate revealed ethics and financial performance of the firm. Their study revealed that cooperate ethics enhanced the appeal of the firms’ share. Similar to our findings, Lorraine et al., (2002) revealed that ethics provide a clear signal about the stance and beliefs of the firm reducing uncertainty about future actions and long-term risks.

Consistent with this study's' results, their study revealed that ethical business maybe a valuable tool to create intangible assets like good corporate image and enhanced reputation, which can be sources of competitive image.

Similarly, these results are inconsistent with results of another study by Queen Jones (1999) who argued out that ethical initiatives to customers justified on strategic basis are in fact unethical and unlikely to provide economic benefits because an ethical stance is hard to fake when its underlying motivation is profit maximization. A similar study by Hillman and Keina (2001), states that, participating in social and ethical issues with regard to customers may adversely affect profitability of firms to create shareholders' wealth. The sharp variance in these outcomes could be attributed to the fact that the previous studies measure performance in terms of financial outcomes contrary to performance in terms of social outcomes, which cannot be quantified and given financial values.

Most likely, the consistence in results of these studies on the correlation between ethical gestures to customers and enterprise performance could be attributed to the fact that customers who are treated well will always plan repeated purchases, which translate into higher profitability. Lorraine et al., (2002) compounds this position by insisting that ethical business particularly to its customers may be a valuable tool to create intangible assets like good corporate image and enhanced reputation, which can be a source of competitive advantage.

However, this study finding vary with a study by Cronin and Taylor, (1992); who reported that customer ethics did not seem to have a significant effect on enterprise performance. This variance could be explained by the fact that their study measured enterprise performance, while this study's performance indicators were; customer loyalty, reputation of cane transporters and goodwill to sugarcane transporters.

Conclusions and Recommendations

The objective of this study was to determine the effect of ethical treatment towards farmers (customers) on performance of enterprises. Findings reveal that ethical treatment indicator operationalized as cane theft in transit was found to have a negative relationship with enterprise indicator operationalized as farmers (customers) loyalty to cane transport thus when cane theft increased, farmers loyalty to the company went down. Based on these findings there was sufficient evidence to conclude that ethical treatment towards farmers had an effect on performance of enterprise hence the rejection of H_0 .

The study therefore recommends that enterprise owner managers should ensure that cane theft in transit is highly minimised to avoid the likelihood of a backlash from farmers whose loyalty to cane transport companies might reduce.

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