

Effects of Code of Ethics on Hospitality Organizational Culture

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Abstract – In the business world, ethical business cultures are argued to bring about benefits that result to competitive advantage. In the hospitality industry, majority of organizations have written down ethical codes including integrity, equality and fairness. However, despite the written business ethical codes, hospitality organizations still face challenges related to as fraud, discrimination, and environmental harm. The question that arises is whether the written business ethical codes have been mainstreamed in organizational culture. In addition, there is limited information available on business ethical practices and organizational culture in Kenya. The main purpose of this study was to find out the effects of written code of ethics on organizational culture. The specific objectives were to examine the extent to which codes of ethics affect organizational culture of hotels in Kisumu City, Kenya. The study adopted utilitarian theory. The study employed both descriptive survey and explanatory research designs. The target population was 180 employees, out of which 161 formed the sample size from five hotels rated between three to five stars rated hotels in Kisumu city. The study employed purposive sampling which was used to select five hotels. Simple random sampling was used to select the respondents. Instruments for collecting data included self-administered questionnaires. Questionnaires were distributed to employees in the selected hotels. Cronbach's alpha was at the level of 0.983. Data analysis involved descriptive statistics and multiple regression. The study yielded an R-value of 0.935 and an R Square value of 0.874. Simple regression was used to analyze and test the hypothesis. The findings of this study indicated that code of ethics ($t=2.148$, $p=0.034$) business affect organizational culture. The major conclusion that the researcher drew from the study was; business code of ethics affect organizational culture. The study therefore recommends that hospitality organizations ensure relevance of their code of ethics and increase measures that enable an ethical workplace in order to minimize unethical issues that arise at the workplace

Keywords – Code of Ethics, Hospitality, Organizational Culture.

I. INTRODUCTION

An organization that operates ethically is an attractive organization and for that it interests investors from varied spectrum, these include business partners, employees and customers. Therefore, effective business ethical codes are a major requirement for today's hospitality organizations. Business ethical codes have not only to be formulated by hospitality organizations but they also have to be practiced and supported through effective structures, systems and programs in order for ethical cultures to develop. Employee attitudes and behaviors will be affected by the organizational

culture, by whether business ethics and policies are couched in terms of compliance or in terms of values, and by whether such policies are integrated into daily operations or they are simply an add-on that serves as window-dressing (Kennedy, 2000).

The ethics of a particular firm can be diverse (Solomon, 1983). They apply not only to how the firm interacts with the world at large, but also to their one-on-one dealings with a single customer (Solomon, 1991) and many hotel operators have gained a bad reputation just by being in business. To some people, businesses are interested in making money, and

that is the bottom line (Solomon, 1983). It could be called capitalism in its purest form (Antoniou, 2008). Making money is not wrong in itself rather it is the manner in which some businesses conduct themselves that brings up the question of ethical behavior in organizations (Maitland, 1994).

Ethical organizations have a major influence on both employee satisfaction and organizational success. It expresses shared assumptions, values and beliefs and is the social glue that holds an organization together (Trevino and Nelson, 1999). While every organization has a culture, it is sometimes elusive and open to different interpretations. According to (Deal and Kennedy 2000), a strong organizational culture is a system of informal and formal rules that spells out how people are to behave most of the time. In a bad organizational culture, employees waste a good deal of time just trying to figure out what they should do and how they should do it. While most managers do not deny the importance of organizational culture in employee satisfaction, few fail to realize the direct impact business ethics have in influencing it. Additionally, organizations find themselves in various unethical practices that are not called for, and in this regard, code of ethics in hospitality organizations ought to help curb unethical issues that arise at the work place, these practices not only help an organization stick to what is stipulated in the code of ethics but also in operating in the right way. This in turn enables an organization cultivate a culture that can either be termed as focused, transparent, competent, innovative or ethical by its stakeholders.

II. LITERATURE REVIEW

Business code of ethics includes ethical codes and documents which state the major philosophical principles and values embraced by an organization. Effective codes are policy documents which define the responsibilities of organizations to stakeholders, the conduct expected of employees (Kaptein and Wempe, 2002) and articulate the ethical parameters of the organization, what is acceptable and what is not (Stevens, 1996). A code can be used as a key strategic document in an organization or it can simply be window dressing, an artifact to make the organization appear more ethical to its stakeholders. Some firms draft codes to create a positive public image others attempt to guide and focus employees on ethical behavior appropriate to the organization (Stevens, 1996).

Ethical codes define values and behavior based on them; establish a higher moral level in organization, such behaviours expected from employees and those that will not

be tolerated. This establishes the norms and beliefs of the organization, and through this an intention to encourage a desirable model of thinking (Babin, *et al.*, 2000). Ethical codes define ethical standards, regulate norms of ethical conduct, as well as sanctions in case of failure and connect them with the activity of the organization. Organizations adopt codes of ethics in order to improve the relationship to moral problems.

An effective code enhances social responsibility and clarifies the norms and values the organization seeks to uphold. It is visionary and transformational, providing guidance in difficult circumstances (Stevens, 2008). It sets the tone for the organization and can be the key corporate strategic document upon which all decisions are based. Adherence to the code in organizations is a commitment an organization can undertake to ensure a strong ethical climate.

When codes are embedded in an organization's climate and both leaders and employees embrace the codes with words and actions, they can help create and maintain successful ethical organizations. Embedding the code means prioritizing strategies and policies so the code occupies a central position in the organization. When codes do not function as key documents, they usually have not been communicated effectively or culturally embedded in the organization.

Codes of ethics like the one stipulated by (KAHC, 2012) for its Kenyan members, should play an important role by directing, providing support, encouraging and assisting in resolving of specific, morally controversial issues with which managers, employees or members of a profession within the organization are faced with.

Communication plays a central role in effectiveness of organizations codes, principles, values and policies; members of a hospitality organization should be aware of these stipulated business ethical practices and know why they exist. Weeks and Nantel (1992) noted the relationship between codes and organizational communication. They saw that codes are effective if they were communicated well through the right channels. The manner in which ethical codes are communicated contributes directly to their success or failure. Schwartz's study of codes found that they are most effective when they are readable, relevant and written positively rather than negatively (Adams and Rachman-Moore 2004). When communication is discouraged or absent, silence can kill a company. By this, employees would not recognize the importance of these documents.

According to a study by Laufer and Robinson's (1997) showed that when employees' and managers' behavior was

consistent with codes, their behavior positively influenced others in the organization. Ford and Richardson noted fewer instances of unethical behavior in companies with codes than without (1994). Business codes can improve work cultures and leave employees feeling positive about the organization (Manley, 1991), shape employee behavior, and positively influence ethical decision-making (Trevino and Weaver, 2003). In Trevino and Weaver's research showed that open discussions about ethics in the organizations contributed to increased ethical behavior. Additionally they found that strong leaders who share their values with others positively affected the organization and its code (Trevino and Weaver, 2003).

III. DATA ANALYSIS

Business code of ethics

The study employed both descriptive survey and explanatory research designs. The target population was 180 employees, out of which 161 formed the sample size from five hotels rated between three to five stars rated hotels in Kisumu city. The study employed purposive sampling which was used to select five hotels. Simple random sampling was used to select the respondents. Instruments for collecting data included self-administered questionnaires. Questionnaires were distributed to employees in the selected hotels. Cronbach's alpha was at the level of 0.983. Data analysis involved descriptive statistics and multiple regression.

The respondents were asked a range of questions concerning code of ethics in the organization. The statements were analyzed on a 5 point Likert scale to establish the level of agreement. The responses were that majority of the respondents (58.3%) strongly agreed that their organizations had business ethical documents, (31.7%) agreed and (10%) neutral. With regard to if business ethical practices are important in a work environment (56.7 %) strongly agreed, (36.7%) agreed and (6.7%) neutral. On business codes having an effect on ethical conduct of the organization, (61.7%) strongly agreed and agreed, (25%) neutral, (6.7%) disagreed, and (6.7%) strongly disagreed.

On organizational values (66%) of the respondents strongly agreed and agreed it served the well-being and interest of the society, (21.7%) neutral, (8.3%) disagreed and (3.3%) strongly disagreed. However, (60%) of the respondents strongly agreed and agreed that the organization's written ethics was evidently seen in how they conducted their business operations, (21.7%) neutral, (15%) disagreed, (3.3%) strongly disagreed. In addition (61.6%) strongly agreed and agreed that the organizations core principles insists in information sharing across the

organization, (18.3%) neutral, (15%) disagreed and (5%) strongly disagreed. Also, (60%) strongly agreed and agreed that the organization has high ethical standards that are reflected in their culture, (15%) neutral, (16.7%) disagreed and (8.3%) strongly disagreed.

IV. FINDINGS

During data analysis, regression analysis was done to find out the extent to which business code of ethics affect organizational culture, the t-value was 2.148 at a p value of 0.34. This led to the rejection of null hypothesis that stated: *business code of ethics does not significantly affect organizational culture*. From the data analysis it was found out that there is a positive correlation between business code of ethics and the hotel organizational culture. Moreover, the manner in which ethical codes are communicated contributes directly to their success or failure. Business codes, values, principles and policies are an essential part of any hospitality organization but unless code of ethics are effectively embedded in the organizations culture they may not have relevance whatsoever. This is consistent with the findings of Weeks and Nantel (1992) and Adams and Rachman-Moore (2004) who noted the relationship between codes and organizational communication. They saw that codes are effective if they were communicated well through the right channels.

Overall, the respondents agreed that their organization has business code of ethics such as mission statement, core values, business codes and principles. However, the researcher also found out that some employees (17%) in hospitality firms do not know about codes of ethics in their organizations and some who have seen these codes hanged on walls, do not understand their importance. This might have been as a result of little that is done by the hospitality organizations to train employees during and after hiring them to the organization about the core of their existence.

The findings of this study emphasize that adherence to the code in ethical organizations is a commitment an organization can undertake to ensure a positive ethical culture. When ethical codes are embedded in an organization's culture and both leaders and employees embrace the codes with words and actions, they can help create and maintain successful ethical organizations. (Stevens, 2008) states in his study, embedding the code of ethics means prioritizing strategies and policies so the code occupies a central position in the organization. An effective code enhances social responsibility and clarifies the norms and values the organization seeks to uphold.

The researcher concluded that business code of ethics does affect the organizational culture. This was arrived at as a result of the positive correlation between the two variables that were subjected to statistical regression analysis. This means that when the organization has code of ethics statement hanged on their wall without necessarily embedding them into their operations, they have no effect whatsoever. Hospitality organizations therefore should take necessary steps to ensure relevance of their code of ethics, this can be done through regular employee training, rewarding ethical behavior, ethical leadership, empowering ethical practices and having ethical programme.

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