Factors Influencing Ethical Standards of Managers within the Kenyan Oil Industry

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DECLARATION

This project is my original work and has not been presented for a degree in any other University for academic credit.

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This research project has been submitted for examination with my approval as a University Supervisor.

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DEDICATION

This project is dedicated to my wife and children, Tweba and Chendo as well as my dear parents without whose guidance and care I would not have developed the culture of continuous learning and development.

ACKNOWLEDGMENTS

I would like to acknowledge the LORD my God who has enabled me to come this far and has given me the grace and perseverance to complete this project in the face of many challenges.

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ABSTRACT

The Government of Kenya ended regulation of retail fuel prices in Kenya in 1994, with the expectation that competitive forces would prevent price exploitation by the oil companies. In 2008, global prices of crude rose to unprecedented levels resulting in previously unseen prices in Kenya. As prices started dropping later in 2008, the collapse of an oil importing company, Triton Oil, caused shortages that were widely seen as an attempt by the oil companies to maintain high oil prices. This resulted in claims by both the public and the sector regulator, that the oil companies operating in Kenya had poor ethical practices.

The objectives of the study were therefore to determine the level of ethical standards of managers within the Kenyan oil industry and to determine factors that influence their ethical standards. The scope of the study was limited to oil marketing companies operating in Kenya. The study was a cross-sectional survey that assessed the same variables across respondents in the oil industry in Kenya and over a limited period of time. The target population was made-up of the junior employees, middle and senior level managers in the oil marketing companies operating in Kenya. The employees were sampled using the stratified random sampling method based on seniority level. The data was collected through a structured questionnaire that was administered on a drop and pick basis and the results analyzed using SPSS.

The findings of the study were that, based on the responses received, the managers in the oil marketing companies in Kenya are primarily ethical in nature. The study also found that two key factors (i) the presence of values and (ii) the presence of a code of ethics specifically, had a positive impact on the ethical performance of senior managers in the companies.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

CHAPTER ONE: INTRODUCTION

1.1. Background of the Study

The Government of Kenya ended regulation of retail fuel prices in Kenya in 1994, with the expectation that competitive forces would prevent price exploitation by the oil companies. In 2008, global prices of crude rose as high as 150.00 US dollars per barrel resulting in local price increases to over Kenya Shillings 100.00 per liter. Later in 2008, the collapse of Triton Oil resulted in fuel shortages that were widely seen as an attempt by the oil companies to manipulate oil prices and maintain them at high levels by creating artificial shortages. This resulted in claims by both the public and the sector regulator, that the oil companies operating in Kenya had poor ethical practices.

1.1.1. Business Ethics

Business Ethics is part of applied ethics, the branch of ethics that examines ethical rules and principles within a commercial context and the various moral or ethical problems that can arise in a business setting. Crane and Matten (2003) state that business ethics is the study of business situations, activities, and decisions where issues of right and wrong are addressed. It also covers any special duties or obligations that apply to persons who are engaged in commerce. General business ethics overlaps with the philosophy of business, which determines the fundamental purposes of a company.

The word ethics is derived from the Latin word “ethica” from the Ancient Greek adjective of ēthos meaning "custom or habit" (Wikipedia, 2009). Ethics is a major branch of philosophy that studies the values and customs of a person or group. The subject of Ethics covers the concepts of right and wrong, good and evil, and responsibility and is divided into three primary areas namely meta-ethics, normative ethics and applied ethics.

According to Wikipedia (2009), meta-ethics is the study of the concept of ethics, the nature and justification for moral standards, values, principles, theories and the meaning of moral concepts and term. Normative ethics is the study of moral standards, principles, concepts, values and theories or the study of how to determine ethical values. Applied ethics is the study of the use of ethical values in other words the study of ethical dilemmas, choices, standards in various occupations, professions, situations and application of moral theories and concepts in particular contexts. Wikipedia (2009) defines business ethics as the branch of ethics that examines ethical rules and principles within a commercial context.

Wikipedia (2009) further defines applied ethics as a discipline of philosophy that attempts to apply 'theoretical' ethics, to actual or real world dilemmas. Applied ethics uses analytical or normative approaches in attempts to solve actual dilemmas. An example is the issue of the need to meet the demands of business owners or shareholders for ever-increasing returns. What means does the organization use to achieve these growing results on an ongoing basis? Another example begs the question that when a company does business with another that has a reputation for unethical behavior, does this make the first company unethical by association?

The challenge for most organizations in business is balancing the opportunity to make bigger returns with the need to uphold ethical principles in their day-to-day dealings and activities. A good example is that the application of business ethics should eliminate exploitation for example, from the use of child labor to produce goods at lower costs. As the global market becomes more and more competitive, the application of stricter business ethics becomes more and more critical given the perceptions of consumers who are becoming more aware and discerning in their decision-making.

In other words, we can say that business ethics is the behavior that a business adheres to in its daily dealings with the world. Business ethics apply not only to how the business interacts with the world at large, but also to their one-on-one dealings with a single customer and activities within the organization itself. Good business ethics should be a part of every business.

On the inner workings of the organization, business ethics applies over wide areas including corporate governance, which includes adherence to regulation, the effectiveness of board committees, accurate financial reporting auditing, executive compensation for the leadership of the organization, the role of the CEO in setting ethical standards etcetera.

Business ethics approaches can be employed in the corporate culture of an organization focusing on equitability of the application of human resource policies, the adherence to values of the organization, labor and employment practices, ensuring and effective work/life balance for employees, the behavior of managers and employees in matters such as honesty etcetera. In dealings with the outer world, business ethics principles may be utilized in areas such as the social contract with society at large. This includes implementing and sustaining corporate social responsibility programs, ensuring consumer safety in relation to products produced and marketed by the organization, the need to respect intellectual property rights of others, minimizing corporate wrongdoing for example, bribery and other corrupt activities etcetera.

1.1.2. Global Focus on Ethics

Globally there is an increased focus on business or corporate ethics. This has been necessitated by the significant impacts of the collapse of companies like Enron Corporation and WorldCom that resulted from unethical practices of the senior management of the companies involved. In Kenya, we have recently seen the collapse of organizations like Triton Kenya, an event that has the potential to cause significant loss to the Kenyan taxpayer. This local press widely reported that the collapse resulted from unethical practices.

The impact of collapsed companies has been so significant that a number of developed countries like the United States of America have enacted legislation in an attempt to curb unethical practices in organizations. In the USA for example, the Sarbanes-Oxley Act was enacted to improve the accuracy and transparency of financial reports and corporate disclosures as well as to reinforce the importance of corporate ethical standards (Marchetti, 2005). The Sarbanes-Oxley Act was implemented for publicly quoted and traded companies. It has been argued in various forums that the capitalist system is an exercise in amoral greed. The senior managers of companies are under increasing pressure from owners and shareholders to perform great exploits and provide ever-growing returns. The historic Sarbanes-Oxley legislation was created due to the public outrage over ethical and financial misconduct by the senior management of companies (Marchetti, 2005).

In addition to outright unethical practices, as the world economy becomes more and more competitive and consumers become more and more discerning, there is growing concern about the level of profits that businesses should make. The dilemma in this case is whether an organization should make significant profits for its shareholders at the expense of consumers who have to pay more due to higher prices. This is best illustrated by the reaction of consumers worldwide to retail fuel price increases resulting from high global oil prices in mid to late 2008. During this period, consumers globally reacted angrily to the resulting high retail fuel prices and in some cases attempted to boycott specific outlets and oil companies that were seen as high priced. Given the increased significance of ethics in society and the high cost of ethical failures, it is imperative that organizations include ethical principles and practices in their corporate strategy.

1.1.3. The Oil Industry in Kenya

The oil industry in Kenya is made up primarily of private sector participants with no Governmental ownership, that is to say, they are primarily privately owned companies with the exception of Kenol-Kobil and Total Kenya, which are also quoted on the stock exchange. The larger companies are affiliates of global, internationally registered oil marketing companies, for example Shell, Chevron, Total. The bulk of the companies are locally registered oil marketing companies.

The regulator is the Ministry of Energy and other than for the Kenya Pipeline Corporation, which is mandated to provide pipeline transport services to all industry players and the National Oil Corporation of Kenya, which is an oil marketing company, all the other players, are private sector players. There were nineteen (19) registered and active oil companies in Kenya that were responsible for the importation and sale of approximately 3.8 million cubic meters of petroleum products worth a value of approximately Kshs 175 billion (Petroleum Insight, 2009).

The industry wields extensive influence on Kenyan society and business circles as it provides fuel for more than half a million individual Kenyan motorists as well as fuelling public sector transport and commercial road and rail transport in Kenya. The oil marketing companies in Kenya employ approximately 1,300 employees directly but provide business opportunities for over 1,000 individual business persons who run service stations as well as employment opportunities for another approximately 15,000 people employed at the service stations country-wide.

Prior to October 1994, the oil industry in Kenya was regulated with the Ministry of Energy allowing only a few large multi-national oil marketing companies to import both crude oil and refined fuels but limiting the prices that the oil companies could apply in the market. The margins of the oil companies were depressed to the point that it was difficult for new entrants to enter the sector and exploit any niches that were not well serviced by the large multi-national oil companies. The Government also restricted operating licenses to the few large multi-national oil companies effectively shutting out smaller players from the market.

In October 1994, the Kenya Government de-regulated the oil industry and allowed competitive forces to determine the margins that the oil marketing companies could extract from the market. The Government also relaxed licensing requirements enabling registration of smaller companies to increase the competitive forces in the market. This enabled new entrants to enter the sector.

The competitive nature of the industry eventually led to growth in unethical practices, especially amongst the smaller players in the industry. These practices included willful adulteration of fuels to increase profit margins and the diversion and dumping of export products back into the local market. Over time, the Government has come up with tactics to minimize the unethical practices but these efforts have failed to completely stamp out or eradicate these practices.

In the recent past, the industry has been rocked by large scandals including the Triton - Kenya Pipeline Company scandal that will potentially expose the Government of Kenya to liabilities worth approximately 100 million US dollars or Kshs 7.6 billion. In addition, in the recent past the oil industry in Kenya has been accused by consumers, the press and the Kenya Government of failing to lower retail prices of petroleum products when the international cost of crude oil and refined petroleum products was declining.

The concern on petroleum pricing was taken so seriously that the industry regulator, the Ministry of Energy set up an Energy Regulatory Commission with a fresh mandate to look into ways to regulate the retail prices of petroleum products. The regulations are expected to be put in place in 2010.

1.2. Statement of the Problem

Firms with strong corporate cultures are said to achieve higher results because employees have clear guidance on the expectations of the organization. The employees therefore have a sustained focus both on what to do and on how to do it. This also applies to the ethical context. Organizations with corporate cultures that place a strong emphasis on ethical practices are also likely to achieve better ethical performance.

According to Posner & Schmidt (1992), managers consistently reported that the actions of senior management are the most important factor in influencing the ethical or unethical behavior of middle and lower level staff in an organization. It is therefore clear that the values of the senior management have a significant impact on the entire ethical climate of the organization.

In the recent past, the oil industry has undergone a crisis of confidence. This started at the time when global oil prices rose to above US$ 150.00 per barrel resulting in a significant increase in the prices of motor fuels locally. The consumers of the fuel products, led by the

FM radio talk show hosts and the printed press reacted angrily and even made attempts to boycott the retail fueling stations that were considered to have the highest prices. Shortly thereafter, when the global prices of fuel were dropping around the Christmas holiday season of December 2008, consumers accused the oil marketing companies of failing to reduce to prices in line with the international trends. At the same time, the industry underwent another crisis in that the collapse of Triton Kenya resulted in a shortage of products. Consumers then accused the oil companies of deliberately causing the shortage so as to manipulate prices and continue fleecing motorists of their own hard earned cash.

A commission paper on petroleum pricing regulations stakeholders forum (2009) published by the Energy Regulatory Commission of Kenya stated that;

> "*it has been observed that the post deregulation retail prices of petroleum products have not closely followed the changes in international oil prices. It has been argued variously that oil companies are quick to adjust retail petroleum prices upwards when international oil prices are rising and slow to lower prices when oil prices are falling. This implies that retail petroleum prices are sticky downwards which generates non trivial economic efficiency and asymmetrical costs concerns on the downstream gasoline market*."

It may be that there exists a difference between the perceptions of the regulator and consumers and the actual practices of the oil marketing companies in relation to application of ethical practices within the oil industry in Kenya. Though there are no empirical studies to support this position, it is inconceivable that one whole sector of such high level of significance within the economy of Kenya would be entirely unethical.

In a survey of ethical issues in the use of information technology among commercial banks in Kenya, it was found that there is a high level of awareness of ethical issues among information technology professionals working in banks in Kenya. A large number of Kenyan banks have taken steps to deal with ethical issues arising from the use of information technology (Onduso, 2001). In a study on the state of ethics in the banking industry, it was established that the concept of ethics is also well appreciated in the banking industry. Though there exist differences in ethical perceptions between customers and junior staff as opposed to the views of middle and senior level managers in NIC bank in Kenya even though deliberate steps had been taken to deal with ethical issues in the banking industry in Kenya (Wambua, 2006). In spite of this, there exists a whole range of ethical issues that cannot safely be ignored, not only in the banking industry in Kenya but in other sectors of the economy as well (Wambua, 2006). While there have been studies carried out to establish the state of ethics in the banking industry in Kenya, a gap exists in that there has been no study conducted to establish the state of ethics in the oil industry in Kenya.

Given the background of the perception of unethical practice within the organizations participating in the oil industry in Kenya, this study attempts to understand if the oil marketing companies in Kenya have established ethical values and principles. Do the oil marketing companies in Kenya have an appreciation for the social contract between themselves and the society in general given the impact of the industry among the general populace? Is there a clear understanding, within the oil marketing companies in Kenya, of the ethics issues relating to their industry? Do the oil marketing companies appreciate the consumer's perceptions of the oil marketing companies as far as ethics are concerned?

1.3. Objectives of the Study

The objective of this study is (i) to determine the level of ethical standards of managers within the Kenyan oil industry and (ii) to determine factors that influence such ethical standards.

1.4. Significance of the Study

This study will be of assistance to the oil marketing companies in that it will help them understand the factors that may influence their ethical standards thereby helping them to enact and implement programs that will help improve their ethical decision-making. In addition, this study may be of use to other stakeholders like the Government of Kenya, which is in the process of setting up legislation to regulate and control the prices that the oil industry can charge to retail consumers. The study will also be of use to society in general in that it may enhance the understanding and appreciation of the ethical standards of managers in the oil marketing companies operating in Kenya. This study also seeks to add to the body of knowledge in the study of ethics practices and approaches in companies operating in Kenya as well as provide a basis for future studies in the area of business ethics.

1.5. Scope of the Study

The scope of the study shall be limited to oil marketing companies operating in Kenya. The focus will primarily be the oil companies that market their products locally and have well appreciated brand names. The study will therefore exclude any oil marketing companies registered in Kenya but whose primary markets are regional or export markets. The study shall cover the factors that affect ethical predispositions within the oil marketing companies themselves by seeking input from employees in the oil marketing companies operating in Kenya. The employees to be covered will be lower level as well as middle and senior level managers in the oil marketing companies. The study shall therefore exclude feedback from the regulator and the public or consumers of the oil marketing companies' products.

CHAPTER TWO: LITERATURE REVIEW

2.1. Ethics Theories

According to Bradburn (2001), there are two main and broad schools of thought as far as ethics is concerned. Teleological ethics focus on the result of the decision made rather than the means used to arrive at the decision. This may be described in simpler terms by the phrase the "end justifies the means". Various theories subscribe to this school of thought including ethical egoism, utilitarianism and Machiavellism. Deontological ethics theories focus on the means of getting the decision or result. Another way of describing this approach is "how you get there is as important as where you get". Various views have been forwarded which subscribe to these schools of thought.

2.1.1. Teleological Ethics Theories

The ethical egoism theory suggests that it is an agent's moral obligation to do what promotes his own good or welfare (Copp, 2006). In other words, people should act in a way that maximizes their own long term interests, that is to say, it suggests putting ones interests first. This would imply that morality is of little value and therefore implies that there is really no need to be ethical. Utilitarianism on the other hand proposes that one should act in a manner that would achieve or maximize good for the greatest number of people. Wainwright (2005) states that Utilitarianism prizes and pursues happiness wherever it is found, including the unworthy. He states that this theory is guided by rules, namely that everyone is deemed equal irrespective of status, race religion or intelligence, that one always has to take into account the long term consequences of any decisions made and that the "good" must be measured in total.

Bradburn (2001) defines Machiavellism as a form of expediency in that one would be expected to do whatever is necessary to get the job done. Scharfstein (1995), states that Machiavellism is the disregard of scruples or the use, limited only by expediency, of every kind of deception or force. This theory in essence overlooks the existence of morals and is often used when tough decisions have to be made, for example, in times of crisis.

2.1.2. Deontological Ethics Theories

The philosopher Immanuel Kant suggested that one should act according to their duty. According to Wainwright (2005), Kant argued that one's actions should ultimately be expressions of one's basic commitment to a moral law that is incumbent on all rational beings or that one should act in such a way that “the principles of the action could become a universal law in a world which one would have to live in”. Kant’s view therefore assesses morality by examining the nature of actions rather than goals achieved. This view supports the well known phrase “do unto others, as you would have them do unto you”. The second view was that one should act in a way that ensures “respect for others as rational and free beings” and that one should make decisions in a large part based on this respect.

The English philosopher John Locke held that everybody is born with certain natural rights, which cannot be taken away and should therefore be used as a fundamental grounding for decision-making (Bradburn, 2001). In other words, for whatever decision that has to be made, one has to first take into account any human rights. The Harvard Philosopher John Rawls developed the concept of “justice as fairness”. Rawls (2005) states that “justice as fairness” is a status quo in which agreements reached are fair. In addition, it is a state of affairs in which the parties are equally represented as moral persons and the outcome is not conditioned by arbitrary contingencies or the relative balance of social forces.

Rawls (2005) also prescribed to the idea of the “veil of ignorance” when making decision of an ethical nature and in which one does not know how various alternatives will affect one’s case and that one is then obliged to evaluate a situation on the basis of general considerations. Under this idea, Rawls assumes that one does not know ones sex, race, nationality, individual tastes, place in society, fortune in natural assets, abilities, one’s aversion to risk and economic or political situation. Decisions should therefore be made on a selfless view that has not been influenced by who we are, what we know and our motivations. In essence, this view holds that decisions must be made with a level playing field in mind.

Ronald Green developed the Neutral Omnipartial Rule-Making (NORM) theory, which requires that “conduct must be publicly known and acceptable to all persons in society” as the underlying principle in which moral choice is evaluated (Bradburn, 2001). Green’s view was that decisions must be made not on the majority but on the free consensus of all the people in society. According to Gasparski and Ryan (1996), this approach defines an action as right if each person might reasonably think of that action as being accepted by anyone who looked at the matter in an informed and abiding form of conduct known by everyone and open to everyone in similar circumstances. This approach takes into consideration the beliefs and feeling of all concerned after which an impartial and neutral decision is taken. Bradburn (2001) states that this theory sees the modern day manager as a rational individual who has to balance competing claims and make normative decisions.

2.2. Ethical Standards

A standard is something established by authority or general consent as a model or something set up and established by authority as a rule for the measure of quantity, weight, extent, value or quality (Merriam Webster's online dictionary, 2009). It is also something that others of a similar type are compared to or measured by, or the expected level of quality (Cambridge online dictionary of American English, 2009). Ethics are themselves considered moral standards used to judge right from wrong (Stralser, 2004). Three definitions of ethical behavior exist, the first being socially acceptable behavior, the second is normative or based on certain ideals and the third being legalistic where codes of conduct can be used to decide what is ethical or not (Herrick, 2003).

Ethics flow out of individual values and the strength of these values. However, the ethical standard of an organization is a function of shared values, and the relative strength of those individually respected values (Fairholm, 1994) and individuals may be tempted to act outside the organizations ethical standards when their values conflict with those of the organization. Because ethics are subjective in nature, which means that organizations must define their ethical standards through code of ethics or corporate values (Stralser, 2004). A large percentage of employees feel that unethical behavior of executives is the primary cause for decline in business standards, productivity and organizational success (Ciulla, 2004), which means that a company's leaders are looked upon to set the example for ethical standards in an organization. Having a clear set of standards is easier for employees to follow (George, 2003) as they refer to clear norm and expectations that help employees distinguish from right and wrong behavior at work (Quatro & Sims, 2008).

2.3. Factors Affecting Ethical Standards

2.3.1. Values

Values are stable evaluative beliefs that guide personal preferences to particular outcomes or courses of action in a wide range of situations (McShane & Glinow 2008). Values provide a "moral compass" that directs individual motivations and also individual decisions and actions. In many ways, values can be used to define individuals as well as corporate entities and they tend to be relatively stable and enduring. Jones (2004), states that values are general criteria, standards or guiding principles that people use to determine which types of behaviors, events, situations and outcomes are desirable or undesirable.

Robbins & Judge (2007) contend that values represent basic convictions that a specific mode of conduct or end state of existence is personally or socially preferable to an opposite or converse mode of conduct or end-state of existence. They argued that values influence individual perceptions, attitudes and finally behavior. In essence, this definition shows that values have a judgmental element, that is to say, individuals will assess what is good or bad, right or wrong based on the values they hold.

Values are intimately connected with ethical and moral codes and determine what people think ought to be done (Brown, 1998). Brown (1998), further states that values and beliefs are part of the cognitive sub-structure of an organizational culture thereby tying individual values to the behavior of the organization as a whole. He pointed out that given this view, individuals and organizations that valued integrity and openness would therefore believe that they and others should act likewise because it is the "right thing to do". There are two types of values, terminal values and instrument values. Terminal values generally refer to end states or destinations, for example, what one wants to achieve in a lifetime or in the case of an organization, in the long-run. Instrument values refer to preferred modes of behavior or in other words the means by which the terminal values will be achieved.

Values may also be grouped into personal or individual values, shared or group values, organizational values and societal or community values. In a corporate entity, values are usually set-up into a value system or a hierarchy of value preferences. This hierarchy is usually developed from individual and group experiences, socialization norms, religious influences and the specific traditions of the community to which that one belongs. The values that have an ethical component are generally referred to as moral values and may include values such as honesty, reliability and truthfulness etcetera. The other values are generally competence values that focus on achievement, ambitions, intellect etc.

2.3.2. Individual Values

Most of an individual's ethical development occurs before entering an organization and are usually learnt very early in life. The influence of family, church, community, and school will determine individual values. McShane & Glinow (2008) state that as an individual, there are three qualities that one has to possess to make effective ethical decisions. The first is the ability to recognize ethical issues as they arise and thereafter to reason through the ethical consequences of any decisions made. The second is the ability to look at alternative points of view and decide what is right in a particular set of circumstances or put differently, the ability to reframe the issue. The third is the ability to deal with ambiguity and uncertainty or in other words, the ability to make a decision based on the best information available.

Haslam (2007) states that the most popular psychological model of values was developed by Schwartz and is based on studies covering the observation of values of thousands of respondents in a wide variety of countries. In the Schwartz model (figure 1), the values are grouped into four generic and opposing approaches. The first approach which covers universalism and benevolence, is described as self-transcendence or the motivation to promote the welfare of others and nature. Self-transcendence is opposed to the second approach, which is known as self-enhancement. This is where one is motivated by self-interest and covers power, achievement and hedonism. The third approach is that of openness to change or the motivation to pursue innovative ways covering self-direction, stimulation and hedonism. These are opposed to the fourth approach, which covers the values of conformity, tradition and security. These values are known as conservation values or the motivation to maintain the status quo.

Figure 2.1: The Schwartz Values Model (Bilsky, W., Jehn, K. A., 2002)

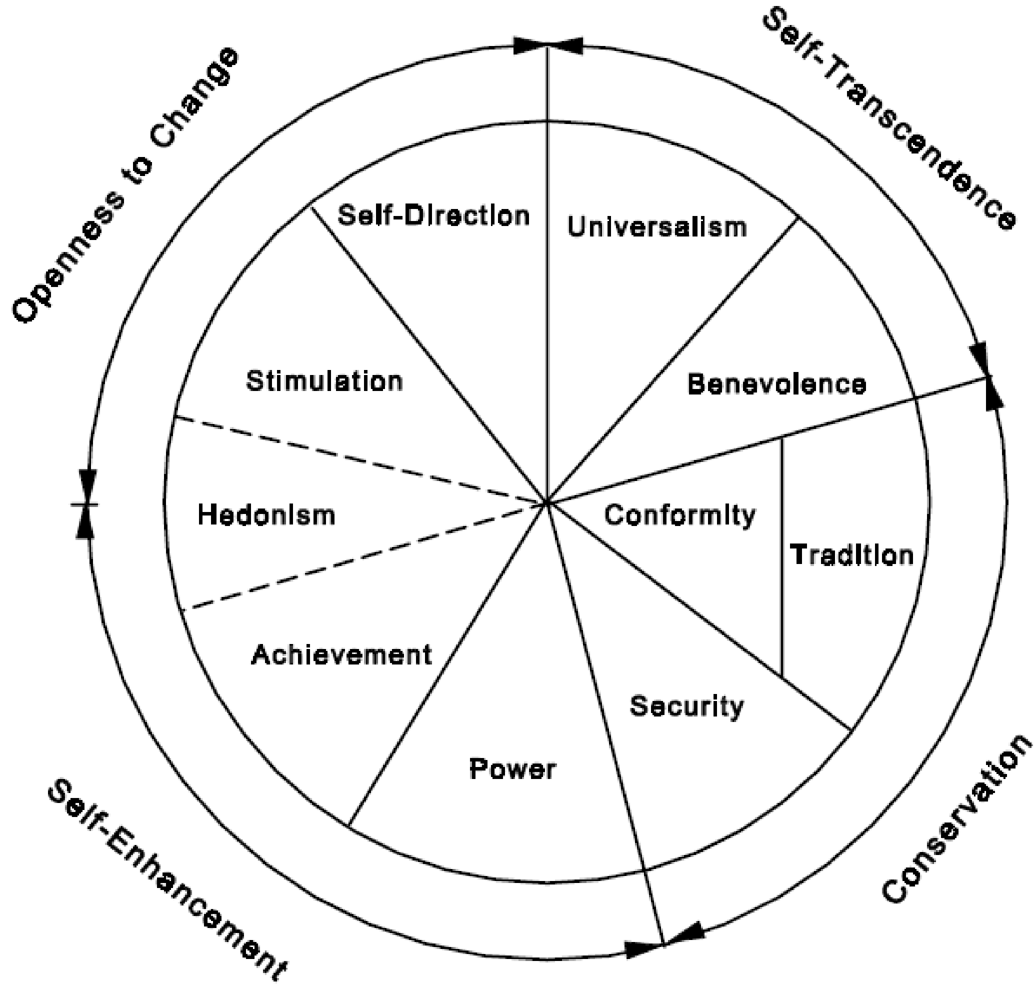

Figure 1: Schwartz Values Model – a psychological model of values based on observation

2.3.3. Corporate Values

Davis (2003) notes that corporate values serve as the defining elements around which norms, symbols, rituals and other cultural activities revolve and that values help employees form a social identity that provides meaning and connectedness. Corporate values are shared values that develop trust and link individuals in an organization together. In order that these values are adhered to, they have to be stated as both corporate objectives and individual values. These values will then also form part of the identity of the organization by which an organization is known throughout its business areas. Different corporate entities and their respective leaders will have different sets of values that are to be applied to their specific business situations.

Davis (2003) further identifies four types of corporate values. The first group is core values, which are deeply ingrained principles that guide an employer's actions because they serve as cultural cornerstones. Aspirational values are the second group and these are the values a company needs to succeed but that the organization currently lacks, for example to carry out a new strategy. The third set is referred to as permission-to-play values, which reflect the minimum behavioral standards, required of any employee. The last set of values is accidental values, which arise spontaneously, take root over time, and would usually reflect the common interests and personalities of employees.

The core, aspirational and permission-to-play corporate values tend to be espoused. In other words, they are theoretical or ideological values. They tend to be those that are usually socially acceptable and represent those values the corporate entity would desire the employees to use or apply. The values that individuals practice are referred to as the enacted values and tend to be the same as accidental values. These values are relied upon most to guide decisions and actions in the corporate body. The challenge then for the organization is therefore to drive at achieving a congruence of values in order to ensure that ethical decisions, guided by the core and aspirational values of the organization, are made by the managers and employees of the organization.

2.3.4. Moral Reasoning

Values alone do not determine ones actions. One's behavior is also controlled by organizational and social culture, by the influence of significant other people in one's life and moral reasoning. Fredrick (2002) states that Kohlberg developed the moral development theory, which is concerned with how people judge what is morally right, out of a study covering 58 males over a 12 year period. Kohlberg found that the moral reasoning abilities of individuals develop through an invariant or fixed sequence of hierarchical stages.

The theory holds that moral reasoning has six identifiable developmental stages, categorized in three stages (Table 1). Development through the stages results from cognitive disequilibrium that results when one's current thinking is challenged. Accordingly, one's reasoning becomes more independent as one develops through the stages. At the higher reasoning stages, decisions are more ethical because thinking is more consistent with the ethical principles of justice and rights. The ethical nature of the decision that one would make will be dependent of the level and stage of moral development of the individual.

The first level is pre-conventional morality or the self-centered level. Here the emphasis is on consequences rather than the principle and is teleological in approach. The second level is the Conventional Morality or conformity level and the third is the Post-Conventional or Principled Level. The nature of ethical decision that one would make will be dependent of the level and stage of moral development of the individual. According to Frederick (2002), Level 1 moral reasoning has an emphasis on consequences rather than the principle and tends to be "clear-cut in that either the decision is right or wrong or good or bad. In stage 1, the "Punishment-Obedience Orientation", the individual focuses on the physical consequences of an action and seeks to avoid punishment. In stage 2, the "Instrumental Relativist Orientation", the individual has a concern for personal satisfaction but a sense of duty also develops and the individual may consider the needs of others by repaying a favor.

Table 2.3.1: Kohlberg's Theory of Moral Development (Balbach, L., 1998)

Level One: **Pre-conventional Morality**	Stage 1: Punishment-Obedience Orientation
	Stage 2: Instrumental Relativist Orientation (Individualism, Instrumentalism, and Exchange)
Level Two: **Conventional Morality**	Stage 3: Good Boy-Nice Girl Orientation
	Stage 4: Law and Order Orientation
Level Three: **Post-Conventional Morality**	Stage 5: Social Contract Orientation
	Stage 6: Universal Ethical Principle Orientation

Table 1: Kohlberg's Theory of moral development showing development of the moral reasoning abilities of individuals

Table 1 shows that level 2 moral reasoning the individual internalizes moral norms of important social groups and focuses on being loyal to the social order, that is to say, doing the right thing or what most people would do. Stage 3 is the "Good Boy-Nice Girl Orientation" where the individual perceives good as that which pleases others and is approved by them. In stage 4, the "Law and Order Orientation", the individual sees their rightful behavior as consisting of doing one's duty, showing respect for authority, maintaining the given social order and fulfilling agreed upon duties. Fredrick (2002) asserts that research in business ethics has placed most business managers at this level.

In level 3 moral reasoning the individual has progressed beyond making decisions in order to identify with others' expectations and the individual makes decisions more autonomously. These decisions will usually be carefully reasoned and based upon principles of justice and rights. Stage 5 is the "Social Contract Orientation", where the individual may consider breaking or changing a law if it creates the greatest good for society. In Stage 6, the "Universal Ethical Principle Orientation", the individual identifies with decision making based on conscience in accord with a self-chosen ethical principle that appeals to logical completeness.

2.3.5. Moral Intensity of the Situation

McShane & Glinow (2008) contend that three factors generally influence the ethical conduct in the organization. First is what is referred to as moral intensity of a decision, second, the ethical sensitivity of the decision maker and finally the significant influences surrounding the decision as represented in figure 2 below.

Figure 2.2: General Framework for Ethical Decision Making Process (Chonko, 2006)

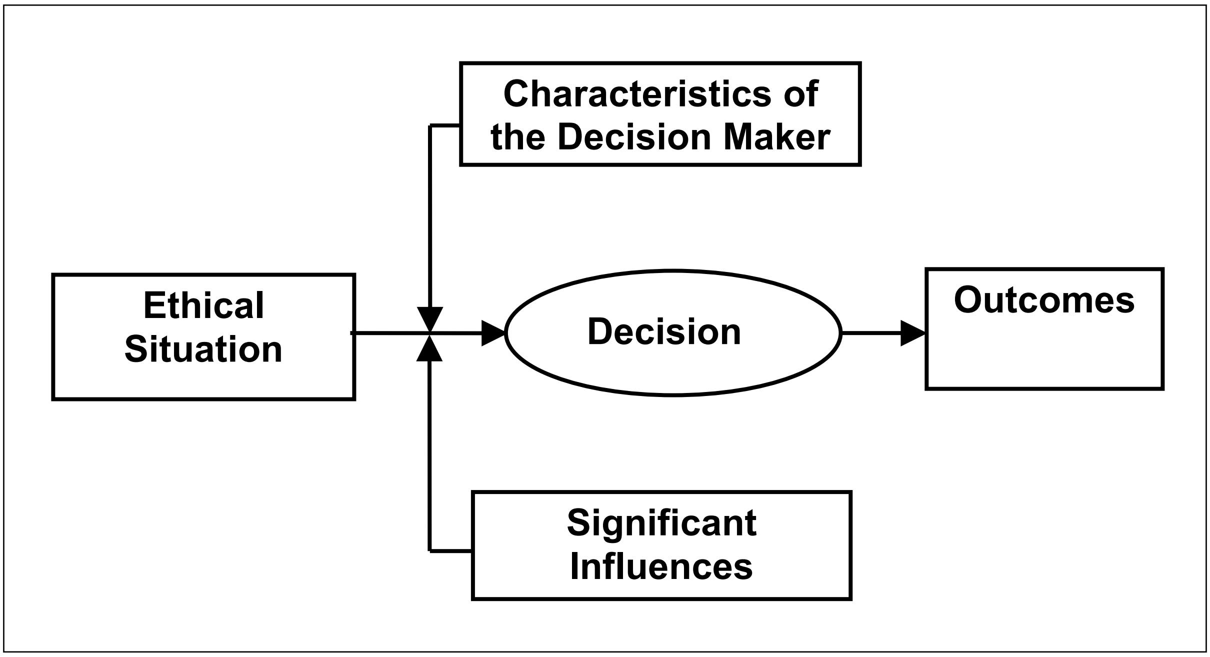

Figure 2: Showing three main factors that influence ethical conduct in the organization

Moral intensity relates to the ethical situation (figure 2) in that it is part of the context related factors of significant influences and the term “moral intensity” refers to the degree to which a particular issue demands the application of ethical principles in a particular ethical situation. According to Crane, A. and Matten, D. (2003) the concept of moral intensity incorporates the idea that the relative importance of the ethical issue would itself have some bearing on the process that decision makers go through. He states that there are six factors that influence moral intensity.

The first is the “magnitude of consequences” which represents the expected sum of harms or benefits for those impacted by the problem, action or decision. If the effects are significant then the moral intensity of the decision maker should be higher. The next factor is the “social consensus” or the degree to which other people are in agreement over the ethical position of the problem, action or decision. The moral intensity of a specific issue should be higher if it is deemed unethical by others.

The “probability of effect” factor is the third factor. This represents the likelihood that the harms or benefits are actually going to happen. Where the possibility that the harms or benefits will materialize exists, the moral intensity shall be higher than where only an abstract possibility. Fourth, is the “temporal immediacy” factor, which relates to the speed with which the consequences of a decision are likely to occur. Where the outcomes are likely to take longer, the moral intensity of the problem, action or decision will be much lower.

The factor of “proximity” is the fifth factor to be considered. This factor relates to the feeling of social, psychological, cultural or physical closeness, of the decision maker and those who are likely to be impacted by the decision. The final factor is that of “concentration of effect” which assesses whether the impact will be concentrated over a few individuals or if the effects will be spread lightly over a large number of individuals. If one has a high degree of control over the decision, there is also a likelihood of a higher moral intensity. Other elements of the ethical situation may include opportunity, ethical decision history and moral intensity of the situation.

2.3.6. Ethical Sensitivity of an Individual

Jones and Bos (2007), state that ethical sensitivity is an ability to recognize that a particular situation poses an ethical dilemma. Ethical sensitivity also embodies intolerance towards unethical behaviors and a disposition to do the right thing. Jones and Bos (2007), also state that ethical sensitivity derives from experience generally and, further, out of experience in relationships and out of responsibility to others. Ethical sensitivity is therefore related to the characteristics of the decision maker (Figure 2).

Ethical sensitivity is a personal characteristic, which is a level of responsiveness or measure of a person's ability to determine whether a particular issue will raise an ethical dilemma. Persons with high ethical sensitivity have been identified as people who in many cases tend to have greater information on the issue at hand and tend to have higher empathy, that is to say, they tend to be more understanding of and ability to enter into other's feelings. The characteristics of the decision maker may include such factors as achievement motivation, need for affiliation, ego strength, locus of control, knowledge, experience, risk taking and possibly Machiavellianism.

2.3.7. Situational Influences

Situational influences relate to the context related factors of the significant influences (figure 2), where context relates to the organizational context in which one is working that has an impact on ethical decision making. Specifically, the term situational influences relates to expectations and demands placed on individuals within the work environment that are likely to influence their perceptions of what is the morally right course of action to take (Crane, and Matten, 2003). There are three main factors, that is to say, systems of reward, authority and bureaucracy.

Crane and Matten (2003) state that there is considerable evidence to suggest that employee's ethical decision making is influenced by the systems of reward that they see operating in the workplace. Systems of reward relates to the fact that people are likely to do what they are rewarded for. An example is an organization that gives commissions to the sales team. This motivates them to increase sales but may also motivate them to act unethically to continue obtaining the commissions. In such an environment, adherence to ethical principles and standards are also less likely to be maintained unless individuals are motivated to do so by incentives.

The concept of authority suggests that people do what they are told to do, or what they think they have been told to do. Managers therefore have an influence over their subordinate's ethical behavior by setting an example. Many individuals tend to look up to their superiors to determine what types of behavior pass as ethical in the workplace. Despite this, the manager may behave in a way that leaves little option but for the employee to behave unethically. An example is a manager giving an employee a task that is extremely difficult to accomplish within the given deadline. The employee may be tempted to complete the work in an unethical manner.

Bureaucracy is a type of formal organization based on rational principles, characterized by detailed rules and procedures, impersonal hierarchical relations, and fixed division of tasks (Crane and Matten 2003). These characteristics lead to a number of negative effects on ethical decision making through suppression of moral autonomy, instrumental morality, distancing and denial of moral status. Suppression of moral autonomy covers situations where the employee is hidden from the challenge of making a moral decision by just following the prescribed rules and regulations. In addition, because organizations deploy employees for effectiveness in the pursuit of organizational goals, employees are only likely to exercise moral authority if there is conformity to rules established for achievement of those goals. This is referred to as instrumental morality.

In larger organizations, the effect of the decision may be very distant from the decision maker thereby shielding them from consequences of their actions. This is known as distancing. In some organizations, there is an effect of denial of moral rights. This is where the organization has divided up the tasks in pursuit of efficiencies to the point that the totality of individuals as moral beings is lost. The organization would for example, refer to employees by human resource numbers in a database or refer to customers as a collection of traits represented by variables in a database. Significant influences on the ethical decision making process may further include the organization, work, the law, economics, professionalism, technology and significant others in the individual's life, that is to say, customers, peers, immediate supervisor, top managers, family, friends and other "opinion leaders".

2.3.8. Social Influences

In the workplace, social influence may take a variety of forms, for example, offering information, attempting to persuade, suggesting a certain course of action, requesting a favor, ordering something, or demonstrating how something should be done (Oberlechner, 2007). In this way, one can radically influence others' ethical decision making. Like situational influences, social influences are part of the significant influences affecting ethical decision making (figure 2). Some of the specific forms of social influence are coercion, manipulation, persuasion and facilitation.

Coercion minimizes the freedom of the influenced individual. It is commonly expressed as a threat to deprive the other of something essential. Persuasion uses arguments and discussion to change the attitudes or behavior of another person while facilitation attempts to maximize freedom of choice of the influenced person by making resources and information available. Manipulation can take a variety of forms. Environmental manipulation is a change in the alternatives available in the environment of the person being influenced. It leaves the other person a choice, but the available alternatives to the person are reduced. This contrasts with psychic manipulation through which one would limit the information made available to others and attempts to change their motivations.

2.3.9. Impression Management

According to Oberlechner (2007), impression management is the term used to refer to when people aim to control the impressions that others have of them. Ethical impression management is used to define actions and events for others in ways that shed an ethically favorable light on oneself. The specific methods include reputation tactics and remedy tactics.

When people use reputation tactics, they try to create a particular ethical image of themselves among others. They may engage in such strategies as associating themselves with other persons or outcomes that they know to be perceived as ethical. Remedy tactics are used to remove or improve unethical impressions others may have of someone after that person has done something unethical. If caught in unethical behavior, a person may engage in such verbal strategies as self-justification, excusing oneself, or apologizing. Self-justification of behavior attempts to portray the behavior as legitimate while an excuse aims at minimizing the professional’s personal responsibility for the behavior.

2.4. Supporting Ethical Behavior in Organizations

Ethical behavior is best supported in organizations through organizational culture. Jones (2004) defines organizational culture is a set of shared values and norms that guide the organizations members interactions with each other, suppliers, customers and other people outside of the organization. Organizational culture controls the ways in which the members of the organization interpret the organizational environment, how they make decisions, how they behave and can be used as a tool for increasing organizational effectiveness.

In most cases, organizations support the correct ethical behavior by developing and publishing a code of ethics. This code of ethics is usually entrenched into the culture of the organization through training programs. It is a common practice in larger organizations to train new employees on the code of ethics as part of the orientation process to ensure that the knowledge is quickly obtained and assimilated. Organizations also provide support through feedback mechanisms to enable the reporting of observed ethics failures. Organizations may also provide reporting processes, for example, suggestion boxes or complaint boxes through which ethics failures can be reported. Some organizations with labor intensive processes that require large work forces will also provide a telephone hotline to enable employees to report any ethical failures.

Generally, the organizational culture and ethical disposition of an organization is determined by the beliefs and values of the employees. These values form the basis on which employees interpret experiences within the context of the workplace and also how the employees will behave when they encounter different situations at the workplace. The organizational culture tends to become operationalized when members of the senior management of the organization not only articulate and publish the corporate values but also enforce the values through behavior and motivation. These values and their application within the organization provide patterns for how employees should behave in the course of carrying out their duties.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1. Research Design

The method of study was a cross-sectional survey that assessed the same variables across respondents in the oil industry in Kenya and over a limited period of time. The cross-sectional survey was conducted to obtain an assessment of findings from the respondents that enabled the researcher to draw generalizations as to the ethical predisposition of the managers in the oil industry in Kenya.

3.2. Population

According to Mugenda and Mugenda (1999), a population is an entire group of individuals with observable characteristics and a target population defined as that population to which a researcher wants to generalize the results of a study. The target population in this study was made up of the junior employees, middle and senior level managers in the oil marketing companies operating in Kenya. The sampling method used was the stratified random sampling method whereby three sub-groups were selected. The stratification was then based on seniority level in the organization.

3.3. Data Collection Procedure

The study used both primary and secondary data. The primary data was collected through a structured questionnaire that was administered on a drop and pick basis and through email sent to respondents. The questionnaire aimed at getting information on the ethical behavior and practices of managers in the companies surveyed. The questionnaire used structured, closed ended questions and matrix question, specifically Likert type scale to assess views of the respondents.

Secondary data was derived from a baseline study that will involve literature search covering published sources of information such as journals, magazines, newspapers. Additional secondary data was also sought from unpublished sources such as internal company material covering ethics based policies and procedures that helped in assessing the ethical positioning of the organizations as a baseline for the ethical standards of the managers.

The respondents were senior managers, middle level managers and lower level staff in each of the organizations surveyed. This provided a cross reference between perceived ethical behavior of the managers from their own standpoint and from the view of lower level employees who use the senior managers as “moral compasses”.

3.4. Data Analysis

The data was checked for accuracy and completeness of the recording of the responses. The data was then coded to allow for statistical analysis and checked for coding errors. The data was run through the statistical package for social sciences (SPSS). The analysis of the data was done primarily using descriptive statistics. The chi-square was used to determine the dependence or inter-dependence of the variables.

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

This chapter provides a summarization of the responses to the questions in the questionnaire. The questionnaire was prepared using Microsoft Word and was administered in two methods. Some respondents were given a printed copy of the questionnaire to fill out and while others preferred to fill out the form online on a computer and email the filled questionnaire. In all cases, the completed questionnaires were printed out to provide an auditable or verifiable base of data.

The summarized responses are provided in table form and are accompanied by an analysis of the data. In total, thirty-eight respondents were obtained, with each of them filling out the questions in the questionnaire. In some cases, some respondents stated that filling out particular questions was against the principles and code of ethics of their companies and as such did not respond. Three respondents actually noted that their primary markets were export oriented. Because the numbers was low, that is less than 10% of the total respondents; it was decided to maintain their responses in the analysis, as they would still be able to provide valuable input into the responses without skewing the overall results.

4.1. Demographic data

Table 4.1.1 Positions held by respondents in Company

	Frequency	Percent	Cumulative Percent
Junior Position	13	34.2%	34.2%
Line/ Middle Management	21	55.3%	89.5%
Senior Management	4	10.5%	100.0%
Total	38	100.0%	

Table 4.1.1 shows the spread of the respondents to the questionnaire. The frequency of respondents was expected to be in line with the numbers of staff at each of the levels of seniority in a typical organization. Therefore more responses had been anticipated from junior employees than from middle level or line managers who were in turn expected to be more that the senior managers. Senior managers were 10% of respondents, middle level managers were 55.3 % while junior level employees were 34.2% of the respondents. This result may be due to junior level employees avoiding responding due to the sensitive nature

of the study. Considering that the senior managers were also primary subjects of the study, the spread of respondents is acceptable.

Table 4.1.2 Respondents years of expericence with Company

	Frequency	Percent	Cumulative Percent
0-5 Years	15	39.5%	39.5%
6-10 Years	14	36.8%	76.3%
11-15 Years	6	15.8%	92.1%
Over 15 Years	3	7.9%	100.0%
Total	38	100.0%	

The table 4.1.2 shows the spread of the period of years that the respondents have worked with their respective companies. 39.5% of the responses are from employees who have worked for less than 5 years in their respective companies while those who have worked for more than five years constitute 60.5% of the respondents. This statistic was intended to help assess familiarity with the sector and operations of the companies in the petroleum sector in Kenya. The majority of responses received are from employees who have worked for more than five years thereby qualifying the respondents as having sufficient experience and time to have made relevant observations concerning ethical behavior and to respond to questions in this questionnaire.

Table 4.1.3 Activities that Respondents are Involved with in their Company

	Frequency	Percent	Cumulative Percent
Sales/ Marketing	13	34.2%	34.2%
Procurement	1	2.6%	36.8%
Administration	1	2.6%	39.5%
Supply	9	23.7%	63.2%
Customer Service	3	7.9%	71.1%
Operations/ Logistics	8	21.1%	92.1%
Human Resources	1	2.6%	94.7%
Other	2	5.3%	100.0%
Total	38	100.0%	

The respondents are involved is diverse activities in their respective companies. While the spread of the nature of activities the respondents are involved is wide, three important clusters stand out. As can be seen in table 4.1.3, these are sales and marketing activities at 34.2%, supply activities at 23.7% and operations or logistics activities at 21.1%. These activities are the primary activities relating to petroleum product and tend to be the larger of the departments in most oil marketing companies. The respondents involved in these activities are key to the outcome of this study. The other activities tend to be support activities and it is acknowledged that the views of respondents carrying out these activities are important because they provide an alternative view of the level of ethical approach of the oil marketing companies.

4.2. Company Profiles

Table 4.2.1 Form of Company ownership

Response	Frequency	Percent	Cumulative Percent
Local	4	10.5%	10.5%
Pan-African	23	60.5%	71.1%
Multinational	11	28.9%	100.0%
Total	38	100.0%	

Table 4.2.1 shows that of the respondents surveyed, the majority were from pan-African oil companies. This reflects the influx of new companies into the petroleum sector in Kenya given that prior to 1994, all the oil marketing companies in Kenya were multi-national companies. The combination of the respondents from local and pan-African companies accounts for 71.1% of the respondents compared to the respondents from multinational companies that make up 28.9%.

Table 4.2.2 Main markets of Respondents Company

Response	Frequency	Percent	Cumulative Percent
Not Applicable	1	2.6%	2.6%
Local	34	89.5%	92.1%
Export	3	7.9%	100.0%
Total	38	100.0%	

The majority of the companies that the respondents worked for had operations in the local market at 89.5% compared to the export market at 7.9% as shown in table 4.2.2. One respondent failed to provide a response to this category as the respondent felt that the two markets were not distinguishable as far as the operations of their company were concerned.

Table 4.2.3 Company size by employee numbers

	Frequency	Percent	Cumulative Percent
0-50 Employees	4	10.5%	10.5%
51-100 Employees	1	2.6%	13.2%
Over 100 Employees	33	86.8%	100.0%
Total	38	100.0%	

Based on the responses received and tabulated in table 4.2.3, the majority of the respondents came from companies that have more than one hundred employees 85.8% while those with less than one hundred employees constituted only 13.2%. This indicates that the companies surveyed are primarily large companies with sufficiently large number of employees that would provide sufficient ethical dilemmas in the normal course of operations.

Table 4.2.4 Period of oil company operations in Kenya operating in Kenya

	Frequency	Percent	Cumulative Percent
0-5 Years	15	39.5%	39.5%
6-10 Years	1	2.6%	42.1%
Over 15 Years	22	57.9%	100.0%
Total	38	100.0%	

The respondents to the survey are primarily from companies that have been in operation more than 15 years i.e. 57.9% as shown in table 4.2.4. This period corresponds to the point in time when the deregulation petroleum sector in Kenya was deregulated. However, 42.1% of the respondents work for companies that came into operation after deregulation of the petroleum sector in Kenya. This percentage is reflective of the influx of newer oil marketing companies after deregulation of the Kenyan oil industry.

Table 4.2.5 Number of branded service stations operated by Company

	Frequency	Percent	Cumulative Percent
No Stations	2	5.3%	5.3%
1-25 Stations	1	2.6%	7.9%
26-50 Stations	1	2.6%	10.5%
51-100 Stations	26	68.4%	78.9%
Over 100 Stations	8	21.1%	100.0%
Total	38	100.0%	

The majority of the respondents also came from fairly large companies in that 79.5% of the respondents come from companies that operate more than 50 service stations in Kenya. From table 4.2.5, it is noted that two respondents came from companies without any station in Kenya and this is a reflection of the respondents that indicated that their companies were primarily involved in export activities.

4.3. Ethical Standards of the Companies

Table 4.3.1 Respondents' companies with declared values

	Frequency	Percent	Cumulative Percent
Yes	37	97.4%	97.4%
No	1	2.6%	100.0%
Total	38	100.0%	

As shown in table 4.3.1, the feedback obtained indicates that most respondents (97.4%) work for companies that have published values. The one response to the negative was obtained from a respondent who works for a start-up local oil company. This indicates that the company may not yet have fully established operating systems. However, it does indicate that the majority of oil marketing companies have corporate values. This is indicative of an awareness of ethical concerns and issues that the employees of the companies are likely to encounter in the normal course of conducting business for the company.

Table 4.3.2 Respondents' companies with code of ethics

	Frequency	Percent	Cumulative Percent
Yes	37	97.4%	97.4%
No	1	2.6%	100.0%
Total	38	100.0%	

Likewise, table 4.3.2 shows that 97.4% of the respondents also work for companies with either an ethics policy or a code of ethics. The one response to the negative was obtained from a respondent who works for a start-up local oil company. Once again, this indicates that the company may not yet have fully established it operating systems. In essence, this means that most of the companies have established ethical standards against which they may measure their ethical performance.

Table 4.3.3 Respondents' companies with published values or code of ethics

	Frequency	Percent	Cumulative Percent
No Response	1	2.6%	2.6%
Yes	35	92.1%	94.7%
No	2	5.3%	100.0%
Total	38	100.0%	

Table 4.3.3 shows that 92.1% of the respondents work for companies that publish the values while 5.3% work for companies that have not published their values. The most common way of publishing the values is either via notice boards in the company or through brochures presented to new employees during orientation sessions. The one none response (2.6%) relates to the respondent whose company does not have established values.

Table 4.3.4 Respondents' companies that have communicated their values

	Frequency	Percent	Cumulative Percent
No Response	1	2.6%	2.6%
Yes	32	84.2%	86.8%
No	5	13.2%	100.0%
Total	38	100.0%	

Table 4.3.4 shows that 84.2% of the respondents work for companies that communicate the values in meetings while 13.2% work for companies that have not communicated their values in employee meetings. This means that for the companies that have values, fewer companies mention their values in meetings than those that have published them. The one none response (2.6%) relates to the respondent whose company does not have established values.

Table 4.3.5 Respondents whose companies have trained on values or code of ethics

	Frequency	Percent	Cumulative Percent
No Response	1	2.6%	2.6%
Yes	32	84.2%	86.8%
No	5	13.2%	100.0%
Total	38	100.0%	

Table 4.3.5 shows that the ratio of respondents who were trained by their companies on the ethics policy or company values is exactly the same as those whose companies communicate their values in meetings. This indicates that the primary method of communicating the values and ethics policies of these companies may be through training sessions, for example at orientation. 84.2% of the respondents were trained by their companies while 13.2% were not trained by their companies. The one none response (2.6%) relates to the respondent whose company does not have established values.

Table 4.3.6 Last mention of values or code of ethics during employee meeting in respondents' companies

	Frequency	Percent	Cumulative Percent
In Last One Year	27	71.1%	71.1%
In Last 3 years	1	2.6%	73.7%
At Orientation	5	13.2%	86.8%
Not Applicable	5	13.2%	100.0%
Total	38	100.0%	

A total of 71.1% of the respondents indicated that their company's values were mentioned in meetings in the last one year while 1% indicted they were mentioned in the last three years, as shown in table 4.3.6. A total of 13.2% indicated that their values or code of ethics were mentioned at orientation. Five respondents or 13.2% indicated that this was not applicable as they had not been trained in the first instance. This response includes the one respondent whose company did not have any published values or code of ethics.

Table 4.3.7 Last training on Values or code of ethics in respondents' companies

	Frequency	Percent	Cumulative Percent
In Last One Year	21	55.3%	55.3%
In Last 3 years	9	23.7%	78.9%
At Orientation	3	7.9%	86.8%
Not Applicable	5	13.2%	100.0%
Total	38	100.0%	

Looking at table 4.3.7, it is clear that training on values or ethics occurred less frequently than the number of times they were mentioned in meetings with only 55.3% indicating that they were trained on company values or code of ethics in the last one year. The number trained in the last three years was 27% compared with the fewer number who were only trained at orientation, that is, 7.9%. The same five respondents or 13.2% indicated that this was not applicable as they had not been trained on ethics. This response includes the one respondent whose company did not have any published values or code of ethics

Table 4.3.8 Whether respondents company has processes for reporting ethics violations

	Frequency	Percent	Cumulative Percent
Yes	29	76.3%	76.3%
No	9	23.7%	100.0%
Total	38	100.0%	

Based on the responses summarized in table 4.3.8, 23.7% indicated that their companies had no established processes for enabling employees to report ethics violations. This is one of the means of supporting ethical behavior in organizations. Although most, though not all, companies have ethics standards in the form of values and codes of ethics, they do not have established processes or established ways of detecting ethics violations and for the reporting of the violations.

Table 4.3.9 Respondents' companies that rewarded employees for ethical behavior in last one year

	Frequency	Percent	Cumulative Percent
No Response	1	2.6%	2.6%
Yes	2	5.3%	7.9%
No	35	92.1%	100.0%
Total	38	100.0%	

Table 4.3.9 indicates that 92.1% of the respondents work for companies that do not support or reward employees who adhere to the values and code of ethics of the company. It is possible that this does not happen because the companies expect the employees to adhere to them as a minimum.

Table 4.3.10 Respondents' companies that punished employees for ethics violations in past one year

	Frequency	Percent	Cumulative Percent
No Response	1	2.6%	2.6%
Yes	21	55.3%	57.9%
No	16	42.1%	100.0%
Total	38	100.0%	

The table 4.3.10 indicates that 55.3% of the respondents worked for companies that punished employees for ethics violations while 42.1% worked for companies that had not punished employees for ethics violations in the past one year. However, the companies that did not punish employees for ethical violations may not have actually had any ethics violations and therefore had no opportunity to demonstrate that they live according to their values or code of ethics.

Table 4.3.11 Respondents' companies whose senior managers acted consistently with company values

	Frequency	Percent	Cumulative Percent
No Response	1	2.6%	2.6%
Yes	18	47.4%	50.0%
No	19	50.0%	100.0%
Total	38	100.0%	

In order to properly institutionalize ethical behavior in organizations, the senior managers of the company need to set an example by themselves behaving ethically. However, table 4.3.11 shows that only 47.4% of the respondents felt that the senior managers of their companies acted in a manner that is consistent with their values or code of ethics. This indicates that the senior managers at the oil marketing companies are generally not living up to their published values and codes of ethics.

4.4. Ethical Practices of the Company

Table 4.4.1 Basis for ethical decisions in respondents' companies

	Frequency	Percent	Cumulative Percent
No Response	2	5.3%	5.3%
The End Result	11	28.9%	34.2%
The Process	25	65.8%	100.0%
Total	38	100.0%	

The two approaches to ethical principle are based either on focus of the end result versus the process of getting the result. Based on the responses provided, it is clear that the majority 65.8% felt that their companies' ethical decision making processes were determined by the process rather than by the end result (28.9%) as shown in table 4.4.1. In terms of moral reasoning, a focus on the end result would demonstrate that the level of moral reasoning of the companies is in the lower stages, primarily in level one. This then means that the level of moral reasoning applied in the oil marketing companies in Kenya is above the first level of Kohlberg's theory of moral reasoning.

Table 4.4.2 Extent to which Respondents' Companies behave as others do

	Frequencies				Freq.	Mean	Std. Dev.
	Always (Code=1)	Regularly (2)	Sometimes (3)	Never (4)			
Company Seeks Own Objectives at all Cost	2	6	18	12	38	3.05	0.837
Company Prices As Others Do	3	23	9	2	37	2.27	0.693
Company Does as Other's Do in Public Relations	2	10	16	8	36	2.83	0.845
Company Meets Statutory and Regulatory Requirements	32	6	0	0	38	1.16	0.370
Company focuses on Employees Rights	7	19	9	1	36	2.11	0.559

Extent to Which Company Seeks Own Objectives at all Cost

Companies that seek their objectives at all costs can be seen as tending to ethical egoism where promotion of the welfare of the company is the only moral obligation of the company. At the extreme, this can tend to Machiavellism, which is the disregard of scruples in pursuit of the company's goals. From the responses tabulated in table 4.4.2, it is clear that the majority (79%) of the respondents felt that their companies either never or only sometimes sought to achieve its own objectives at all costs thereby demonstrating a care or concern for the others interests. Only 21.1% felt that their companies regularly or always sought to achieve their own objectives whatever the cost.

Extent that Company Prices as Others Do

The different levels of moral reasoning progress through six stages in three levels. Level one where the focus on the end result or to satisfy ones on needs to level two where the focus is on doing as others do or acting so as to do one's duty. In the third level, one's focus would be based on principles of law and justice or acting according to a self-determined ethical principle. In the case of pricing, more than two-thirds or 68.4% of the respondents felt that their companies tended to act like other companies did. This would indicate a presence of stage three, level two moral reasoning.

Extent That Respondents Company has similar approach in Public Relations as other companies

In the case of public relations, the table 4.4.4 shows that only about one third or 31.6% of the respondents felt that their companies tended to act like other companies did. This stage of moral reasoning is lower than demonstrated in the case of pricing. This seems to indicate that the level of moral reasoning applied by the oil marketing companies is dependent on the nature or sensitivity of the activity rather than having a generic approach.

Extent That Company tries to meet Statutory and Regulatory Requirements

Table 4.4.5 shows that all respondents felt that their companies did their duty by seeking to comply with the law or showing respect for authority. This is a clear demonstration that the oil marketing companies applying stage four, level two moral reasoning. This result corroborates the views of Frederick (2002) that majority of modern day managers are generally at this level of moral reasoning.

Extent of Focus on Employee Rights

The respondents were asked to state whether their companies had a focus on employee rights. As shown in table 4.4.6, it is clear that more than two-thirds or 68.4% of respondents felt that their companies either always or regularly focused on the rights of their employees. This result reflects the application of stage five, level three moral reasoning. This is beyond the expectation of Frederick (2002) as outlined above.

Table 4.4.3 Nature of relationships of respondents' companies with competitors

	Frequency	Percent	Cumulative Percent
Collaborative	17	44.7%	44.7%
Fierce Competition	15	39.5%	84.2%
Follow-the Leader	6	15.8%	100.0%
Total	38	100.0%	

In order to try to determine the extent to which the companies demonstrated level two reasoning in different spheres of the business, the respondents were asked to about the relationships between their companies and competitors, their companies and the press and their companies and the sector regulator. As shown in table 4.4.7, 44.7% of the respondents felt that their companies had a collaborative relationship with competitors and 15.8% felt their companies had a "follow the leader" approach. This means that 60.5% of the respondents felt that their companies demonstrated stage three, level two moral reasoning.

Table 4.4.4 Nature of relationships of respondents' companies with the press

	Frequency	Percent	Cumulative Percent
Openly Seek Attention	9	23.7%	23.7%
Indifferent to the Press	9	23.7%	47.4%
Avoid Attention of press	20	52.6%	100.0%
Total	38	100.0%	

Table 4.4.8 shows that 76.3% of the respondents felt that their companies either indifferent to the press or avoided the attention of the press showing. This could have led to the situation in 2008 where the press portrayed the oil marketing companies in negative light during the period of high fuel prices. Alternatively, this behavior of the oil marketing companies could be in reaction to the generally negative press that they have obtained in the past.

Table 4.4.5 Nature of relationships of respondents companies with the sector regulator

	Frequency	Percent	Cumulative Percent
Supportive of Regulator	14	36.8%	36.8%
Compliant with Regulator	24	63.2%	100.0%
Uncooperative with the sector regulator	0	0.0%	100.0%
Total	38	100.0%	

All the respondents felt that their companies were either supportive of or compliant with the sector regulator indicating a very strong respect for authority or sense of duty as shown in table 4.4.5. This is a very strong indication of stage four, level two moral reasoning. As indicated earlier, this is very much in line with the expectations of Fredrick (2002).

4.5. Ethical state of the Companies

4.5.1 Ethical state of respondents' companies

	Frequencies				Freq	Mean	Std. Dev.
	Unethical (Code=1)	Somewhat Unethical (2)	Somewhat Ethical (3)	Ethical (4)			
Pricing Practices	0	0	12	25	37	3.68	0.747
New Employee Hiring Practices	0	2	18	18	38	3.42	0.475
Employee Rewards Management and Practices	0	6	19	13	38	3.18	0.599
Procurement Process Practices	1	3	15	19	38	3.37	0.692
Distributor and Dealer Selection Practices	1	6	17	14	38	3.16	0.751

Ethical Assessment of Pricing Practices

Based on the results summarized in table 4.5.1, the respondents felt that their companies were primarily ethical in nature, even though the standard deviation was very large. In fact, 97.4% of the respondents felt that their companies pricing processes and activities were primarily ethical in nature and none of the respondents indicating that the pricing processes may be either somewhat unethical or unethical in nature. The pricing process was assessed as the most ethical of the evaluated processes.

Ethical Assessment of New Employee Hiring Practices

Table 4.5.1 shows that the respondents felt that the new employee hiring practices of their companies were ethical with 94.8% of the respondents felt that the hiring practices of their companies were primarily ethical in comparison with only 5.3% indicating that the hiring practices of their companies were somewhat unethical.

Ethical Assessment of Employee Rewards Practices

The respondents were also asked to state how ethical or unethical they felt that the employee rewarding practices in their companies were. The view of the respondents was that their companies' practices regarding employee reward management were somewhat ethical in nature as shown in table 4.5.1.

Ethical Assessment of Procurement Process Practices

Table 4.5.1 shows that the respondents felt that the procurement processes in their company were somewhat ethical.

Ethical Assessment of Distributor and Dealer Selection Practices

In the case of distributor and dealer selection, the respondents felt that their companies were somewhat ethical in approach. This is shown in table 4.5.1. This is the respondents assessed this as the least ethical process in their companies.

4.6. State of ethics of the Different Organizational Strata

Table 4.6.1 Level of ethical awareness of respondents

	Frequency	Percent	Cumulative Percent
High	28	73.7%	73.7%
Medium	7	18.4%	92.1%
Low	3	7.9%	100.0%
Total	38	100.0%	

Assessment of Self Awareness

Table 4.6.1 shows that about three-quarters of the respondents felt that they had a high level of awareness of ethical issues. This is indicative of the ethical sensitivity of the respondents and it shows the ability of the respondents to recognize that a particular activity or situation poses an ethical dilemma.

Table 4.6.2 State of ethics at different strata in the organization

	Frequencies				Freq	Mean	Std. Dev.
	Unethical (Code=1)	Somewhat Unethical (2)	Somewhat Ethical (3)	Ethical (4)			
Self	0	0	5	33	38	3.87	0.343
Junior Employees	0	3	15	20	38	3.45	0.645
Middle Management	0	2	20	15	37	3.35	0.588
Senior Management	1	4	22	11	38	3.13	0.704

Ethical Assessment of Self

In spite of 73.7% of the respondents stating that they have a high level of awareness of ethical issues, all respondents indicated that they are primarily ethical in nature with 86.8% stating that they are completely ethical and 13.2% stating that they are somewhat ethical in nature as shown in table 4.6.2 .

Ethical Assessment of Junior Employees

In addition, respondents were asked to assess how ethical employees at different level in the organization were. As shown in table 4.6.2, 7.9% of the respondents felt that junior employees were unethical whereas 92.1% felt that junior employees were ethical.

Ethical Assessment of Middle Management

Table 4.6.2 shows that 92.1% of respondents felt that line managers or middle level employees were ethical in nature compared to 5.3% who felt that line managers were unethical.

Ethical Assessment of Senior Management

Based on results summarized in table 4.6.2, 13.2% of the respondents felt that the senior managers in their company were unethical in nature compared to 86.8% felt that the senior managers in their company were ethical in nature. This means that respondents felt that the senior managers were the least ethical of the three identified levels of employees in their company.

4.7. Cross tabulations

Cross Tabulation of Presence of Declared values against Ethical Assessment of Senior Management

Table 4.7.1 Cross-Reference of Presence of Declared values and Ethical assessment of senior managers in the company

		Ethical Assessment of Senior Management				Total
		Unethical	Somewhat Unethical	Somewhat Ethical	Ethical	
Presence of Declared values	Yes	0	4	22	11	37
	No	1	0	0	0	1
Total		1	4	22	11	38

Chi-Square Test

Table 4.7.2 Chi-square test on the presence of declared values and ethical behavior of senior managers

	Value	df	Asymp. Sig. (2-sided)	Value	Asymp. Std. Error	Approx. T	Approx. Sig.
Chi-Square	38.00	3	0.000	-0.504	0.191	-3.505	0.001

The significance level is less than the 1% level and the outcome can therefore be said to be statistically significant. The analysis above therefore shows that there is a strong correlation between the ethical behavior of employees and the presence of corporate values in the company.

Cross Tabulation of Presence of Ethics Policy or Code against Ethical Assessment of Senior Management

Table 4.7.3 Cross reference of presence of ethics policy and ethical assessment of senior managers in the company

		Ethical Assessment of Senior Management				Total
		Unethical	Somewhat Unethical	Somewhat Ethical	Ethical	
Presence of Ethics Policy or Code	Yes	0	4	22	11	37
	No	1	0	0	0	1
Total		1	4	22	11	38

Chi-Square Test

Table 4.7.4 Chi-square test on presence of ethics policy and ethical behavior of senior managers

	Value	df	Asymp. Sig. (2-sided)	Value	Asymp. Std. Error	Approx. T	Approx. Sig.
Chi-Square	38.00	3	0.000	-0.504	0.191	-3.505	0.001

The significance level is less than the 1% level and the outcome can therefore be said to be statistically significant. The analysis above therefore shows that there is a strong correlation between the ethical behavior of senior managers and the presence of ethics policy or code of ethics in the company. None of the other factors that were included in this study were found to have a positive effect on the ethical performance of senior managers in the company.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter outlines the main findings of the study, explores the limitations of the study, provides suggestions for further research and outlines possible implications of policy and practice.

5.1. Summary discussion

Based on the data collected, 97% of the respondents work for companies that have values while 92% of the respondents work for companies that have published their values and 84% work for companies that have either communicated the company values in meetings or have trained their employees on the company values. This means that most of the companies for which the respondents worked for, have established standards for ethical behavior through corporate values.

In the previous chapter, it was established that the highest form of moral reasoning applied by the companies that the respondents work for is stage five, level three moral reasoning. However, the respondents' companies applied level two moral reasoning more frequently with a frequency of four against the single instance of level three moral reasoning. As stated earlier, this is the expected level of moral reasoning for most corporate managers today and is reflective of high moral reasoning given the circumstances that most businesses face.

The responses received from each of the respondents showed that the companies that they work for practice deontological ethics more than they practice teleological ethics. This is an indication that most of the oil marketing companies for which the respondents worked are duty bound in the process of conducting business and have a tendency to have a concern for others over self.

The study also found that close to half of the respondents indicated that their companies work in collaboration with each other. In addition, 68.4% of the respondents indicated that their company's price products as other companies do, 39.5% of the respondents indicated that their companies have a collaborative relationship with competitors while 15.8% indicated that they follow the leader. This means that some of the smaller companies may price product similar to the larger companies as a way of ensuring that they are competitive in the market and that they do not lose relevance while the larger companies find it easier to collaborate rather than engage in fierce and direct competition with others. This behavior may have given credence to the end consumers and members of the press that the oil marketing companies work in collusion with each other.

The findings of the study are that the key processes of pricing of products, hiring of new employees, employee reward management, procurement processes and dealer/ distributor selection processes of the companies were assessed to have been primarily ethical or somewhat ethical. Specifically, the pricing of petroleum product was determined to more ethical with no responses indicating that these practices may be somewhat unethical or unethical in nature. Given that this was the major concern of this study, this means that the public and the sector regulator's concerns of impropriety in pricing practices are probably unfounded.

The respondents to the study indicated that they found 28.9% of the managers in their companies to be entirely ethical with 57.9% of the respondents stating that their managers are somewhat ethical. This indicates that 57.9% of the respondents felt that their managers acted ethically most of the time, but not all of the time. This was the lowest score of the three different levels of employees in the companies with the junior employees appearing the most ethical. This result may have occurred because the types of decisions that are made at the lower levels of the organization tend to be simpler, more straightforward decisions. The decisions made tend to become more ethically challenging as the seniority of the employee increases in the organization. It may also be that the respondents, being primarily from the junior and middle levels of the organization failed to understand the motives for decisions of their managers or even the criteria used by the managers to make decisions, thereby seeming less ethical.

5.2. Conclusions

The study set out to determine the level of ethical standards of managers within the Kenyan oil industry and to determine factors that influence such ethical standards. The findings of the study are that the managers in the oil marketing companies in Kenya are primarily ethical in nature as 86.8% of the respondents indicated that their managers were either ethical or somewhat ethical. The study also found that the presence of values and codes of ethics enabled the companies to set an ethical standard that their employees could follow. Specifically, these two factors positively affected the ethical performance of senior managers in the companies.

5.3. Limitations of the study

A number of limitations to the study were noted. These are listed below:

There were minimal responses from junior employees in the targeted companies. This seems to indicate that the junior employees felt uncomfortable answering questions in the questionnaire, which in turn indicates the sensitive nature of the questionnaire. There were also two CEO’s of the oil marketing companies who declined to respond, because they felt that they would expose their companies even though the researcher advised them that their responses would be taken in confidence. These problems had been anticipated and the researcher attempted to set generic questions that the respondents would be less sensitive about before those seeking opinions of the respondents on ethical assessments of self or others.

The study was limited to oil marketing companies operating locally and only two responses from one company that has its primary market in the regional markets were received. The researcher targeted companies that operate within Kenya and no responses were sought from these companies in the export market even though they are incorporated in Kenya and licensed by the Kenyan Ministry of Energy. This has limited the extent of the study as these oil marketing companies whose primary market are the export markets tend to be smaller, recently incorporated companies that may have greater challenges than those operating locally because they are less likely to have established processes or corporate vales and codes of ethics.

5.4. Suggestions for further research

Some of the suggestions for further research are that a research needs to be carried out to cover all companies licensed and registered in Kenya as they each have an impact on the ethical performance of the oil industry in Kenya. This study established that the level of ethical performance reduced the higher one went in the organization. It would therefore be beneficial if a research could be carried out that specifically targets the Chief Executive Officers of the oil marketing companies. This will provide greater insight into the pressures that affect ethical performance of managers in the oil industry. A study can also be conducted to determine the level of employees of the oil marketing companies in general. This is because his study focused on the senior managers of the oil marketing companies, thereby leaving out a significant number of employees in the line management who are also key decision makers in the companies.

5.5. Implications for policy and practice

Given the results of the study, it is imperative that if any company wants its employees to act in an ethical manner, it is imperative that the company establish corporate values and a code of ethics or Ethics policy. In order that the code of ethics is institutionalized, the companies need to ensure that the employees are trained on a regular basis.

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APPENDICES

APPENDIX I – Oil Companies in Kenya

List of Oil Companies Operating in Kenya – as of June 2009

1. Shell East Africa Limited
2. Total Kenya Limited
3. Kenol-Kobil Petroleum Limited
4. Chevron Kenya Limited (currently Total Marketing Kenya Limited)
5. Libya Oil Kenya Limited
6. National Oil Corporation of Kenya
7. Gapco Kenya Limited
8. Bakri International Limited
9. Galana Oil Kenya Limited
10. Engen Kenya Limited
11. Hass Petroleum Limited
12. Petro Oil Kenya Limited
13. Oilcom Limited
14. MGS International Limited
15. Muloil Limited
16. Addax Kenya Limited
17. Hashi Empex Limited
18. Riva Petroleum Limited
19. Fossil Limited

Source: Petroleum Insight, April – June 2009.

APPENDIX II – Letter of Introduction

UNIVERSITY OF NAIROBI
MBA PROGRAMME

TELEPHONE: 418416/5 EXT 208
TELEGRAMS: "VARSITY", NAIROBI
TELEX:22095 VARSITY

P O BOX 30197
00100 NAIROBI
KENYA

5th August 2009

To Whom it May Concern

Dear Sir/ Madam,

INTRODUCTION – PAUL MWAPONDA (D61/P/8429/05)

The abovementioned is a student of the University of Nairobi, pursuing a Masters of Business Administration Degree. In partial fulfillment of the requirements for this degree, he is required to carry out a management research project on real problems or situations in Kenya. His area of study is on Factors Influencing Ethical Standards of Managers within the Kenyan Oil Industry.

I kindly request, that you provide the required information to the best of your knowledge by filling out the attached questionnaire. This information is strictly for academic purposes and will be treated in the strictest confidence.

A copy of the research project will be made available to you on request. Your kind assistance will be highly appreciated.

Yours faithfully,

Paul Mwaponda
RESEARCHER

Mr. Eliud Mududa
SUPERVISOR

APPENDIX III – Research Questionnaire

Please take some 10 minutes to answer the following questions.

Demographic Information: Respondent

1. What position do you hold in the company? (Please select only one)

   ☐ Junior Position ☐ Line/ Middle Management (for example Section Manager)

   ☐ Senior Management (Department Manager/ CEO)

2. How long have you worked for your current company? (Please select only one)

   ☐ 0-5 years ☐ 6-10 years ☐ 11-15 years ☐ over 15 years

3. Which of the following activities are you involved in? (Select all that apply)

   ☐ Sales/ Marketing ☐ Procurement ☐ Administration ☐ Supply

   ☐ Customer Service ☐ Operations/ Logistics ☐ Human Resources ☐ Other

The Company that you work for:

4. Which of the following best describes the ownership of your company? (Please select only one)

   ☐ Local company ☐ Pan-African ☐ Multinational

5. Which is your company's main market? (Please select only one)

   ☐ Local ☐ Export

6. How many people does your company employ? (Please Select Only One)

   ☐ 0 – 50 Employees ☐ 51 – 100 Employees ☐ Over 100 Employees

7. How long has your company been in operation in Kenya? (Please Select Only One)

   ☐ 0-5 Years ☐ 6-10 Years ☐ 11-15 Years ☐ Over 15 Years

8. How many branded service stations in Kenya (Please Select Only One)

   ☐ No Stations ☐ 0 – 25 Stations ☐ 25 – 50 Stations ☐ 50 – 100 Stations

   ☐ Over 100 Stations

Factors Influencing Ethical Approach of the Company

9. Does you company have specific and declared values? (Please Select Only One)

   ☐ Yes ☐ No

10. Does your company have an Ethics policy/ Code of ethics/ Conflict of interest policy? (Please select either Yes or No)

    ☐ Yes ☐ No

11. If you answered "Yes" to either Q.9 or Q10 above, Does your company publish the values and/ or code of ethics, for example, on notice boards or in in-house magazines? (Please select either Yes or No)

    ☐ Yes ☐ No

12. If you answered “Yes” to either Q.9 or Q10 above, Does your company communicate the company values and/ or code of ethics to employees during various meetings or forums? (Please select either Yes or No)

☐ Yes ☐ No

13. If you answered “Yes” to either Q.9 or Q10 above, Has your company trained you on the values of the company and/ or code of ethics? (Please select either Yes or No)

☐ Yes ☐ No

14. If you answered “yes” to question 12 above, when was the code of ethics last mentioned in an employee meeting? (Please Select Only One)

☐ Last 1 year ☐ last 3 years ☐ at orientation ☐ N/a

15. If you answered “yes” to question 13 above, when was this training last conducted? (Please Select Only One)

☐ In the last 1 year ☐ In the last 3 years ☐ At orientation ☐ N/a

16. Does your company have hotlines/ complaints box/ suggestion boxes or other established processes for reporting observed ethics violations (Please select either Yes or No)

☐ Yes ☐ No

17. In the last one year, has your company rewarded any employee/s who adhered to the Ethics policy/ Code of ethics/ Conflict of interest policy? (Please select either Yes or No)

☐ Yes ☐ No

18. In the last one year, has your company punished any employee/s who violated the Ethics policy/ Code of ethics/ Conflict of interest policy? (Please select either Yes or No)

☐ Yes ☐ No

19. Over the last one year, do you feel that members of the management team have acted consistently with the company’s Ethics policy/ Code of ethics/ Conflict of interest policy? (Please select either Yes or No)

☐ Yes ☐ No

Observed Ethical Tendencies of the Company

Please indicate your view on the following questions.

Please indicate your view on the following questions.

20. Which of the following best describes your company’s decision making process in ethically sensitive situations? (Please Select Only One)

☐ The end result (Benefits/ consequences of the decision)

☐ The process of achieving the end result (The manner in which the activity is conducted)

21. To what extent does your company seek the performance of its own objectives at expense of all else including ethics? (Please select only one response)

☐ Always ☐ Regularly ☐ Sometimes ☐ Never

22. To what extent does your company generally price products based on what other companies do during retail price changes? (Please select only one response)

☐ Always ☐ Regularly ☐ Sometimes ☐ Never

23. To what extent does your company generally do what is approved by other oil industry participants when responding to public relations crises or challenges, for example, public outcry over high fuel prices? (Please select only one response)

☐ Always ☐ Regularly ☐ Sometimes ☐ Never

24. To what extent does your company generally strive to meet statutory and regulatory requirements? (Please select only one response)

☐ Always ☐ Regularly ☐ Sometimes ☐ Never

25. To what extent does your company have a specific focus on the rights of employees? (Please select only one response)

☐ Always ☐ Regularly ☐ Sometimes ☐ Never

26. Which of the following best describes the nature of relationships between your company and competitors? (Please Select Only One)

☐ Collaborative (work closely with other companies)

☐ Fierce competition (Avoid direct contact and always seeks to out-perform competitors)

☐ Follow-the-leader (generally do what the market leader does)

27. Which of the following best describes the nature of relationships between your company and members of the press? (Please Select Only One)

☐ Openly seek press attention ☐ Indifferent to the press

☐ Avoid attention from the press

28. Which of the following best describes the nature of relationships between your company and the sector regulator? (Please Select Only One)

☐ Supportive of regulators position ☐ Compliant with regulator position

☐ Uncooperative with the regulator

Please indicate how ethical you consider your company to be in relation to the following processes (Please select only one response for each question).

29. The pricing of products to various consumers, customers and sectors

☐ Unethical ☐ Somewhat Unethical ☐ Somewhat Ethical ☐ Ethical

30. The practice of hiring new employees

☐ Unethical ☐ Somewhat Unethical ☐ Somewhat Ethical ☐ Ethical

31. The management of Employee rewards (annual increments, bonuses, incentives etcetera)

☐ Unethical ☐ Somewhat Unethical ☐ Somewhat Ethical ☐ Ethical

32. Procurement practices and processes, for example, supplier selection

☐ Unethical ☐ Somewhat Unethical ☐ Somewhat Ethical ☐ Ethical

33. The selection of distributors or dealers of your company's products

☐ Unethical ☐ Somewhat Unethical ☐ Somewhat Ethical ☐ Ethical

Please indicate how ethical you consider the following employees in your company to be (Please select only one response for each question)

34. What is your level of awareness in ethical issues? (Please Select Only One)

☐ High ☐ Medium ☐ Low

35. Yourself? (Please select only one response for each question)

☐ Unethical ☐ Somewhat Unethical ☐ Somewhat Ethical ☐ Ethical

36. Junior level employees in your company? (Please Select Only One)

☐ Unethical ☐ Somewhat Unethical ☐ Somewhat Ethical ☐ Ethical

37. Middle level/ Line managers in your company? (Please Select Only One)

☐ Unethical ☐ Somewhat Unethical ☐ Somewhat Ethical ☐ Ethical

38. Senior level managers in your company? (Please Select Only One)

☐ Unethical ☐ Somewhat Unethical ☐ Somewhat Ethical ☐ Ethical

Optional

You may wish to provide the following information about yourself and your company. Please note that all respondent contact information shall be held in the strictest of confidence and will only be used to verify responses made in this questionnaire.

39. Name of Company: _____

40. Name : _____

41. Mobile Phone Number: _____

42. Email Address: _____

I thank you for taking the time to complete the questionnaire.