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Stakeholderism and Ethical Management Practices in Nigerian Industrialization

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ABSTRACT

Perhaps we need another Milton Friedman today to blow the whistle on much of the rhetoric surrounding the increasingly fashionable idea of stakeholders. The term ”stakeholder” started in 1963 and was a neat play on ethical management idea that in addition to shareholders-those holding stock in a company or organization, lots to of the people who are also affected by the organization has a stake” in a company in terms of how it behaves. The rapid growth of industrialization coupled with uncontrolled depletion in environmental goods as a result of industrial pollutants and effluent in many countries today makes the understanding of stakeholderism and ethical management practices very essential. However, this paper set out to examine the concept of stakeholderism and ethical management in Nigeria from the stockholder’s theory adapted from the pluralist and structural-functionalist perspective. It also aims at explaining the nexus between the two concepts. Conclusively, the paper recommends that stakeholders and ethical management practices in business administration should be enhanced in Nigerian industrialization in order to ensure sustainable industrial environment and ethically responsible management.

Keywords: Stakeholders, Industrialization, Environment, Ethical and management.

1. Background

Industrialization stands out as a child of necessity in every nation’s economy because is a major developmental index to accelerate the process of economic, social and technological development. Thus, the fortune of every society lies in its industrial sector; the heartbeat of both national and global development (Alhassan & Jimoh, 2006; Famade, 2009). Failure of industrial sector in any nation to provide necessary or needed goods and services to satisfy the snowballing consumers’ needs and to participate effectively in the competitive globalized market we affect the stakeholders expectation as well as developmental process. According to Hardin (1968) and Ostrom (1990) sustainable development strategies often fail due to their inability of industries to adequately take social interaction such as dialogues, negotiations, conflicts, coalition formation and institution building into consideration. More so, given the constant depletion of environmental goods as a result of industrialization it is therefore necessary that the proceeds from industrialization are fairly dispensed among all the beneficiaries (stakeholders) in order to promote ethically responsible management, cordial industrial environment and productive social interaction. Usually collective action is seen as a problem in common pool resources, where unregulated resource access by a group of individuals leads to resource depletion and the violation of common interests, as can be observed in the so-called “Tragedy-of-the-Commons”. However, considering the indispensable role of industrialization in nation building, it is very important to unmask lucidly the connection between stakeholderism, ethical management practices and industrialization in contemporary society.

2. Concept of Stakeholders

The word stakeholder was first used in 1963 internal memorandum at the Stanford Research Institute. Therein, stakeholders are 'those groups (government, creditor, workers, customers, owners) without whose support the organization would cease to exist. They may not hold property in the company however they are essential to corporate planning and the success of the organization; their views are taken into account during policy making. A stakeholder is usually an investor in a company or an organization who actions determine the outcome of your business decisions. They can be employees who have a stake in the organization success and incentive for product to succeed. They can be business partners, who rely on organizational success to keep the supply chain going. Also, they can be prospective customers who seek to get more new products from the organization.

Furthermore, the practice of *stakeholderism* has been one of the indispensable features of operating business enterprises and organizations in modern age. Sometimes, it is unconscious referred to as a small set of people who are intimately involved in the running of the business-typically shareholders, employees, suppliers and those with technical skills essential to the company's operations. However, due to increase in industrialization and its related environmental consequences in most countries of the world; the concept of stakeholders has been broadened in scope to include everyone with an interest (or "take") in what the entity does such as decision-making process for institutions- including its vendors, employees, and customers as well as members of a community where activities of industries, offices or factories may affect the external environment (Clarkson Centre for Business Ethics, 1999/2001).

In this paper, "stakeholders" includes not only the directors or trustees who are company's governing board (who are stakeholders in the traditional sense of the word) but also all persons who "paid in" the figurative stake and the persons to whom it may be "paid out" (in the sense of a "pay off" in game theory, meanings the outcome of the transaction). Unfortunately, some work organizations see the participation of members of the community in decision making as well as other corporate affairs as problematic and a way of putting economic value at risk. Accordingly, Goodpaster opined that *much of what makes responsible decision-making difficult is understanding how there can be an ethical relationship between management and stakeholders that avoids being too weak (making stakeholders mere means to stockholders' ends) or too strong (making stakeholders quasi-stockholders in their own right) non-business oriented (Goodpaster, 1990).* In sharp contrast, D'Aveni, (1994) and Freeman (1999) noted that satisfaction of superior stakeholder is critical for successful companies in a hypercompetitive environment. Similarly, Porter (1980) recognized the importance of these stakeholder groups when he formulated his "Five Forces" model of competition, which included the bargaining power of customers and the bargaining power of suppliers. However, proponent in favour of true stakeholderism may base their judgment on the following assertions:

- *Value can best be created by trying to maximize joint outcomes. For example, programs that satisfy both employee's needs and stockholders' wants are doubly valuable because they address two legitimate set of stakeholder at the same time. Also, there is evidence that the combined effects of such policies are additive by simultaneously addressing customer wished in addition to employee and stockholder interests both of the latter two groups also benefit from increased sales (Morsing and Schultz, 2006).*
- *By attempting to fulfill the needs of stakeholders ranging from the local population and customers to the own employees and owners of companies, they promote and prevent the company's image and brand, prevent losing large amounts of sale and disgruntled customers, and prevent costly legal expenses (Freeman, Reed and David, 2002).*

Nonetheless, good corporate governance helps to ensure that corporations take into account the interests of a wide range of constituencies, as well as of the communities within which they operate, and that their boards are accountable to the company and the shareholders. This, in turn, helps to assure that corporations operate for the benefit of society as a whole.

3. Types of Stakeholders in Industrial System

Stakeholders can be active or passives, primary or secondary. A stakeholder who is actively involved can also be called Key actors. Key stakeholders are those actors who are considered to have significant influence on the success of a project. Passive stakeholders are those are affected by decisions or actions of others. Some distinguish between primary and secondary stakeholders. Primary stakeholders are the intended beneficiaries of the project. Secondary stakeholders are those who perform as intermediaries within a project. However, all stakeholders have their interests which they protect in the process of industrial development. There interests are presented in Table 1 below:

Table-1. Types of stakeholders and their interests

Stakeholders	Examples of interests
Government	Taxation, VAT, legislation, low unemployment, truthful reporting
Employees	Rate of pay, job security, compensation, respect, truthful communication Kfk
Customer	Value, quality, customer care, ethical products
Supplier	Provide of products and services used in the end product for the customer, equitable business opportunities
Creditors	Credit score, new contracts, liquidity
Community	Jobs, involvement, environment protection, shares, truthful communication
Trade Unions	Quality, staff protection, jobs
Owner(s)	Have interest of the success of his/her business

More so, it can be deduced from the table that stakeholders in industrial system have conflict views, interests and objectives. Thus; it becomes imperative for industrial experts and management scientist to find a way of including the practices of true stakeholderism in industrial environment. By so doing, the yearning for harmonious and productive industrial relations will be realized.

4. Stakeholderism in Nigeria

Stakeholder practice started in Nigeria during the colonial period which marked the beginning of industrial development in Nigeria. The stakeholders in Nigerian industrial development during the colonial era were the colonial masters and workers (indigenes) working in the colonial establishment such as railway corporation, road construction, school and hospital building, mining, agriculture etc. This pattern of stakeholderism can be referred to as a bi-(dual) relationship where the colonial masters dominate and subjugate the other party (indigenous workers) thus, it's a unitary-military system of industrial system of administration where unequal power relation exist between the actors. The colonial masters makes decision and implement policies without considering the interest of the workers although, this act sometimes lead to conflict and disagreement.

After impendence, there was change in the practice of stakeholder in Nigeria. The stakeholder now consist of private owner of organization and their shareholders; workers and their trade unions; government and it agencies. Thus, it is a tripartite- traditional system of stakeholderism where other actors like; creditors, suppliers, debtors, customers and members of the society where the organizations are located are not considered as 'stake' in the running of the industrialization. However, the re-birth of democratic system of governance has encouraged the involvement of other actors and interest groups i.e. creditors, supplier, debtors, customers and members of the society into the practice of modern stakeholderism though, their involvement is very minimal and insignificant in the administration of industrialization in Nigeria. The next section briefly examines the concept of ethical management practices

5. Ethical Management Practices

Ethics simply means a code of conduct that guides an individual or organization in his/her dealings with others. It has to do with acceptable personal or organizational behaviour and moral duty. It is concerned with what is right and wrong. In work situation, it is concerned with principles and practices of moral and good conducts in business life. Goodpaster (2008) defined ethical responsible management as management that includes careful attention not only to stockholders but to stakeholders generally in the decision-making process.

According to Mintzberg, the concern for business ethics or ethical management practices in organization is similar to the social responsibility debate of the 1970s. Around the mid – 1960s in the U.S, questions about the role of business and debates about the business-society relationships had reached a significant pitch (Mintzberg, 1982). On the surface, there were elements for radical change, which included:

1. Widespread debate of the subject of Ethics;
2. The appointment of vice-presidents for social responsibility;
3. Widespread call for social audit;
4. The introduction of codes of practice;
5. New literature on Ethics springing up in business schools;

All these were set in an atmosphere of serious ecological concern (Gray, 1990)

Majority of organizations in United Kingdom subscribed to a published code of practice/statement of mission/statement of social responsibility. Therefore, codes existed as a significant part of organizations life. However, whether they do or can affect behaviour is very much in question.

Gray (1990) noted that the current business ethics debates and the debates on social responsibility before lac the tendency to 'take root' where it matters in organizations and governments. In the same vein, majority of work on business ethics is mostly described in terms of individuals and in particular the self-interest or the moral motivation of individuals. There is the problem of the nature of relationship between individual and organization roles, and a consideration for "individual role" in the organization (Wilbug, 1988). Organizations on the other hand, are seen as managerialists, where managers have powers in their own hands to change organization to benefit their own interest. This is a simplistic view. In actual practice, the process of changing the moral or ethical behaviour of organization is profoundly complex and requires careful approach (Smith, 1982).

Gray (1990) suggested two approaches in introducing ethical changes in the society. The first approach is the revolutionary option. This stems from recognition that the problems we perceive are the result of systematic distortion and this morphogenetic change can only be achieved through systematic change. Second, the market option (doing nothing). This is formed on the principle of person selfishness, which sees the calculated cleverness in the interest of self. This option is, unethical and shows no desirable possibilities for the species. Studies of ethics have been made compulsory courses in the advanced countries in institutions of learning based on the belief that the more you teach or repeat them, the more they are likely to take root in the hearts of the people and consequently influence their behaviour.

6. Ethical Management Practices in Nigeria

Some scholars are of the opinion that there is widespread of lack of commitment to ethical behaviour concern for excellence and self-reliance in Nigeria and in Nigerian Organizations (Ogundele, Hassan, Idris, Adebakin and Iyiegbuniwe 2010). Consequently, Akinyemi (2002) noted that one of the greatest social and economic problems in Nigeria and indeed Africa, which must be tackled, is that of breakdown in morals, work ethics, discipline, social responsibility and general civility among its citizens. More explicitly, Ogundele (1999) reported several acts of indiscipline, which had their roots in socio-cultural patterns in the; political process, economic system, psychological orientation, family background, leadership behaviour, value system, legal/ judicial system, modernization process, majorly due to management slacks, lack of motivation and lack of commitment to religious tenets. These had made the attainment of national development goal difficult and equally resulted in low performance of organizations in Nigeria.

Since 1976, ethical problems have forced various governments in Nigeria to introduce one form of legislation or the other to curb this monster. And up to 2003, Nigeria had consistently been listed as one of the corrupt countries in the world by Transparency international. In its 2001 annual corruption index released by Transparency International (TI), Nigeria was second to the Asian country of Bangladesh. The reported survey of 91 countries ranked Nigeria 90th while Bangladesh ranked 91st. Other countries in the bottom ranked states were; Uganda, Indonesia, Kenya, Cameroun, Bolivia, Ukraine, and Tanzania. Ranking of some other African countries were Zambia 25, Zimbabwe 65, Malawi 61, South Africa 38 and Namibia 30. Botswana had the lowest perceived corruption rate of any developing country and was no. 30 on the index. Rich countries topped the clean list as they had the lowest level of public corruption. The cleanest were Finland, Denmark, New Zealand, Iceland Singapore, Sweden, Canada, Netherlands, Luxembourg and Norway, while Haiti, a small Island in the Caribbean topped the list of corrupt countries in the world. Coming second and third were Berman and Iraq respectively, while Bangladesh was in the 8th position in the list released by Transparency International. Nigeria did not make the list of the 10 most corrupt countries that year.

Thomas (2007), while evaluating the performance of the Economic and Financial Crimes Commission (EFCC) reports Nigeria's movement up Transparency International's corruption perception index in 2007. Nigeria was dead last, when only 90 nations were listed in the index. In 2006, there were 13 countries ranked below Nigeria. Nevertheless, in 2007, the list runs to 163 countries and Nigeria placed 142nd on the list. This movement he credited to President Olusegun Obasanjo's effort to expose and prosecute crooked politician.The most visible effort being the EFCC, described by a western diplomat as "the most effective law enforcement agency in West Africa". Also, Eso (2007) described the anti-corruption officers of the EFCC and Independent Corrupt Practices Commission (ICPC) as highly disciplined persons.

Ogundele (2000) reported that other countries in Asia, at the same level of economic development as Nigeria at independence had produced entrepreneurs who responded positively to government economic policies, thus making their countries better developed than Nigeria. These include Pakistan, Singapore, and Trinidad and Tobago. The relatively lower level of development in Nigeria was traced partly to acts of indiscipline when were unethical behaviours. Ogundele & Opeifa (2004) gave a comprehensive description and analysis of unethical business practices in Nigeria including electronic fraud. Earlier on, Joseph (1991) stated that Nigeria obtained and expended $100,000 million US dollars in the periods 1974 to 1982 in oil revenues that were available for investment purpose. Such a sum, if properly used, could have catapulted Nigeria into the rank of industrialized nations of the world.

The various governmental initiatives and actions and the writing of concerned citizens were targeted at ensuring and putting in place an ethically decent society. The study of ethical behaviour in Nigerian organizations attempts to establish how far Nigerians and Nigerian organizations have moved towards establishing ethical behaviour in the individual. Ekpo-Ufot (1990) study of ethical behaviour in Lagos State among prison inmates, the seminary and the general public and Ogundele (1999) study of ethical behaviour in the primary, secondary and tertiary educationalb institutions in Lagos and Oyo State serve as benchmark for this current study.

Ekpo-Ufot (1990) found that reported frequencies of unethical behaviour were high and were virtually the same among the studied groups. Ogundele (1999) findings were similar to Ekpo-Ufot (1990) study, except that the latter study isolated the twelve factors that were responsible for unethical behaviour. Leadership, which was singled out as being central in promoting corruption in Nigeria was a major factor. (Eso, 2007).

7. Theoretical Framework

The stakeholder theory produced by the US Academic Edward Freeman in the 1980's, assumed that stakeholders in any business were identified as its work force; its customers; its suppliers and it surrounding community. As a stockholder's theory developed the term "stakeholders" became used umbrella type to cover all those individuals and groups including shareholders whose interest are seriously affected by a firm behavior. Equally, stakeholders can be regarded as a way of investigating organizational performance whether through their capital, their working lives, their purchases loyalty, their supplier's commitment or their local support and infrastructure.

In the stakeholders theory, things are quite different for there is differential property ownership has been removed from its decisive role in ultimate decisions making (Donaldson 1982; Evan and Freeman 1993; Freeman 1993). Indeed, once property right cease to be decisive, the whole tool of the organization is radica5`lly transformed. The pursuit of shareholder wealth no longer determines what is to be done. Instead, various groups with some connection to the business are regarded as deserving some influence over such matters as plant relocation, remuneration policy, and anything else that might affect the well-being of the enterprise and all somehow connected with it.

Form the structural-functionalist viewpoint, the reality of the stockholder's ideal is that it bring a valuable wide-angle approach to the conduct of a business by alerting it to all the parties in the society who can be of helped or hurt its actions. Thus, stakeholders and ethical management practices makes business organization to operate like a system; that comprise of interdependent and interrelated parts the failure of any fraction of the system to perform is function will have implication on the effectiveness and efficiency of the whole system.

In the pluralist model, no one group should be decisive, but a balance should be struck among all those affected by the business. Such parties include trade unions, residents of the locality in which the firm is situated, suppliers, any others touched in some way by the activities on the enterprises. Even shareholders are thought to be significant and their worthy of consideration of course; a cynic justifiably observe that because the importance of a group to the industry does not depend on the group's property right in the industry strictly there is no limit to the number of affected groups. In as much as the industry has some impact on, say the community at large, then 'society' itself ought to the considered a stakeholder indeed, this conclusion was an implication of Ralph Nader's early plan for the federal chartering bb of corporations (Nader, Green and Seligman; 1976).

However we must limit the important groups to those with a direct tangible interest in the industry. What is crucial to the argument is that the owners do not have a decisive influence in decision making. As prominent stakeholder theorist William Evan and Edward Freeman (1993) assert 'the very purpose of the industry is to serve a vehicle for stakeholder interest'. According to these explicitly Kantian writers, a utilitarian consideration, such wealth maximization ought to have no normative bearing on what firm should do; at most it should be considered along with other stakeholder concerns.

8. Conclusion

From the foregoing it can be deduced that Nigerian industrial system comprises of multi-stakeholders but mostly dominated by three (3) powerful actors of industrial relations; employers (owners of work organization), trade union (workers representative) and government and its agencies. Thus; stakeholderism in Nigeria should be practice the way it should be that is; all the actors and interest groups (creditors, customers, directors, employees, government and its agencies owners and shareholders, supplier, union and community from which the business draws its resources) should have a stake in the administration, decision making and policy formulation in order to denture sustainable and non-malfeasance industrial development. Moreover, it should be noted that most of the ethical and other problems facing Nigerian organizations result in part because of inconsistency in or lack of commitment to policy implementation. It should be noted that any set of policies designed and put in place for business and economic development must bear in mind the value system and behavioural response of the groups for which such policies are designed. Therefore, to be relevant and take advantage of globalization, Nigerian Organizations must teach ethics to their people at all levels. Unethical conducts are negatively affecting our educational system, industrial development, international relations and blocking commitment of foreign investment into the economies of most African countries. They should also ensure that ethics is practiced in all spheres of life. These are some of the ways of solving several problems created by corruption and bribery in African businesses.

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