

# **Sustainable Ethical Culture in Family Owned Businesses**

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**Abstract:** Building an ethical culture is challenging and a basic requirement of the companies to embed transparency in their systems, creating a positive image; serving the internal and external communities. This paper based on detailed interviews of 12 family owned businesses over a period of 16 months explores how these companies build the ethical culture, identifying the ethical culture sustainability triggers, challenges and role of religion in such practices. The values, culture, community and social norms are identified as major ingredients of a sustainable ethical culture development and implementation of the ethical policies and procedures require institutional and structural mechanisms for effectiveness in family owned businesses. The findings at numerous occasions are in contrast to the literature, whereas, in other instances are similar. The religion, society, family image, the entrepreneurs themselves and their family members play a vital role. Non-interference in private matters of the employees, whistle blowing, code of ethics, training and awareness creation and a number of other factors play a leading role in ethical culture development in family businesses.

## INTRODUCTION

Ethics is an important commonly used term. The ethics and morals that we were taught or learned in our lives, shapes our behavior personally as well as professionally. Ethics is derived from the Greek work “ethos”, which means habit or custom whereas the word “moral” comes from the Latin word “moralis”, meaning mores of customs. Ethics is defined from several perspectives. According to Treviño and Nelson (1995) ethics can be defined as a set of moral principle or values portraying ethics as highly personal matter. Organization ethics, on the other hand, describes what constitutes right and wrong or good and bad, in human conduct in the context of an organization” Mellahi et. al. 2010.

## LITERATURE REVIEW

In a business, ethical policies and procedures are practiced when controversial issues arise in corporate governance, like, insider trading, bribery, discrimination, and business social responsibility and fiduciary responsibilities. Business ethics are often guided by law, while offering a basic framework that companies can choose to follow in order to achieve public acceptance. Moreover, ethics is applied to businesses in order to ensure a certain level of trust required between consumers and businesses. Ethics in a business refer to the equity and morality of employees to help avoid discrimination in the organization and thus getting closer to achieving the organization goal (Mellahi, Morrell, & Wood, 2010). Loughran & Russell, 2002 suggested that morality plays an important part in businesses by shaping the employees' behavior. They opined that it is important that business leader demonstrates as a moralist, where he instills ethics and morality in the organization with not only his words but actions as well.

## Mechanisms to Develop and Implement the Ethical Systems

The discussion on the ethics in organizations show that there are formal and informal mechanisms that help develop, maintain and implement ethical policies and procedures in an organization. The discussion on literature is carried out below.

Implementing business ethics ought to be part of a change in enterprise policies embedded in workplace routines. In implementing enterprise ethics, Murphy (1998) distinguishes between formal and informal organizations. Researchers like Trevino et al., 1999, 2000; Laufer and Robertson, 1997, have developed methods for implementing enterprise ethics and divided them into three categories, i.e. *the formal method* (or control) that includes training and courses on the subject of ethics, means of enforcement, conferences and ethics officers; *the informal method* that includes an example, set by the manager and social norms of the organization; and the *personal method* encompassing controls that lie within the individual rather than those determined by the organization (that is, the personal ethical standards of an individual). According to Thommen (2003), measures of business ethics implementation can be divided into two groups, i.e. institutional and structural measures. Under the term “institutional measures”, Thommen (2003) understands measures and instruments that support enterprise credibility strategy implementation, such as code of ethics, enterprise culture and human resource measures. In general, he divides institutional measures into preventive and support measures. The first group of measures gives all enterprise stakeholders the direction of behavior. It supports the way of functioning and imposes sanctions for unwarranted behavior. According to Sajjad et.al (2013) and Kobayachi et.al. 2017 the impact of training on employee motivation and progress is evident and plays an important role.

Morris et al. (2002) developed the framework of ethical structures, which originates from core values. In the authors' opinion, ethical behavior of an enterprise is not possible without the implementation of these ethical core values. Informal measures of business ethics implementation Informal ethical structures are crucial for the emergence and actualization of formal ethical structures (Morris et al., 2002).

Formal ethical structures cannot emerge if there is an absence of managerial concern about ethical problems or sincere ethical communication between management and employees. Furthermore, employees need to discuss ethical topics and as a sign of approval of ethical behavior, such employees should be rewarded. Typical of informal ethical structures are various stories, legends and myths about the ethical behavior of individuals, communicated within a business. Morris et al. (2002) define informal ethical structures as structures that affect the atmosphere in a business. Informal methods play an important role in the socialization process, in which “other employees” or people, co-workers, etc. play a major role as sources of, or references for ways of thinking, feeling, perceiving and evaluating and as an audience which may be physically present or absent in any interaction, but towards which an actor orientates their conduct (Casell et al., 1997). Mechanisms of informal control may include a social dimension through which superiors regulate the behavior of subordinates, or employees regulate the behavior of their peers through daily interaction in compliance with the enterprise's norms or values. Adam and Moore (2004) argue that informal methods such as the social norms of the enterprise may reflect the enterprise's values and rules of ethics.

Adam and Moore, 2004 discussed the importance of the adhering to informal measures of business ethics implementation. These relate to manager as role model, candid ethical communication, ethics as a topic of employee conversation, reward and penalty system and communication of stories. Manager concern / role modeling Managers have a strong impact on the behavior of their employees. This informal method is labeled as the example set by the manager, which is part of the formation of manager-subordinate relationships. The example set by the manager may be the tool advocated by the philosophy of the enterprise. “The role model” is also one of the roles that managers are expected to perform, since they can set the example for “proper and desirable behavior” for the employee to imitate.

The importance of a manager’s clear commitment to ethical values has been subject to much research, showing that it is especially important for top management/leaders to demonstrate ethical behavior. Trevino et. al. (1995) distinguish two pillars of ethical leadership. The first pillar is a moral person with traits (for example, integrity), proper behavior and decision making (incorporates values). The second pillar is a moral manager with several supportive characteristics, one of which is being a visible and positive role model in the firm. The importance of top management being good role models has been noted by other established researchers as well (Cavanagh and Moberg, 1999; Morris et al., 2002). Gebler (2006) recognized that this is a significant problem, especially in start-up enterprises. Trevino 1990; ethical communication work establishes another supportive characteristic of a moral manager, i.e. the ability to communicate ethics and values with other members of the enterprise. He also argues that values should guide and decisions must begin at the top. Discussion on ethics among employees play an important role in the ethical life of the firm (Trevino and Nelson, 1999).

In a qualitative study in 2009, Ardihvili et al. identified ‘Center for Ethical Business Cultures Model (CEBC Model)’ of ethical business culture bearing five distinct characteristics. These are Values-Driven, Leadership Effectiveness, Stakeholder Balance, Process Integrity, and Longterm Perspective. The key characteristic of the model is the ‘values driven’ nature of the ethical culture. According to the scholars it embodies the organization’s consciousness. They opined that ‘values-driven’ behavior holds great importance in sustaining an ethical business culture.

Culture is diverse and not formed by the senior management and then implemented (Naranjo-Valencia, Jiménez-Jiménez, & Sanz-Valle, 2011); but it is the organizations’ objective picture (Iivari & Iivari, 2011). It is the sum of all the collective behaviors and values of all the employees including leaders, workers and managers. It can be gauged by the standards reflecting employees’ individual values. Therefore, understanding the vulnerabilities of the culture can lead to the ethical issues and affect sustainability (Prajogo, & McDermott, 2011).

Gebler, 2006 postulated a model that provides a detailed structure of gauging cultures by mapping certain values that are achieved at each stage. He argues that there are seven layers and an organization passes through all of them in order to stamp it as ethical and possessing ethical culture. These tiers or echelons commence from financial stability and going through certain steps reach a point of ethical sustainability, where it can meet the integrity challenges successfully. Once the financial stability is achieved the communication to develop stakeholder relationships are developed to support the organization.

Nguyen, & Mohamed, 2011 argue that establishing an ethical culture in vacuum, i.e. without considering the company to implement it, is useless. Undertaking the ethical corporate culture development tasks needs understanding of different theories on ethics in the wider perspective. It also requires an awareness of the methods on which the organizations are formulated and function (Van Zyl, 2012). They indicated that the human resource model could have the impacts upon certain factors of the organization such so it could serve as important tool to develop an ethical corporate culture. In developing an ethical corporate culture, ethical theory and organization theory are seen as being dependent on and complementary to each other.

Corporations' fraud, conspiracy to commit securities fraud, insider trading and suspect accounting are some of the practices which have led to the collapse of corporations. The power-authority nexus, the chain of command/control and the notion of compliance, all with negative and unpleasant connotations, are identified as evils to see that organizational goals are met. Establishing meaning and purpose in an individual's work situation may help to counteract the negative aspects of corporate life at a personal level. At the organizational level, equality and natural justice or fairness are not always present.

The attitude of senior management was seen to be highly significant in determining the extent to which an ethical corporate culture was promoted and developed. Adams et. al. (2004) spoke on "Ethics and the corporate culture" in an address at Bentley College, Massachusetts. He emphasized three conditions, which were substantiated during the discussions with the interviewees from the Navy, Police Academy and the engineering firm. The authors further argued in developing a strong ethical corporate culture, certain conditions apply, i.e. the top leaders must set the right tone. The organization must offer formal training in ethics and standards of conduct; and the organization must provide formal mechanisms, both inside and outside one's organizational structure for reporting any wrongdoing. The discussions with the senior executives participating in this study validated Adams et. al. (2004) comments.

### **Reward and penalty system**

A reward system is an important tool in incentivizing the employees on specific occasions when they positively resolve conflicts or dilemmas by implementing ethical behavior. Trevino and Nelson (1999) argue that the ethics implementation tool should be used to a limited extent – but is important in influencing the preferred types of behavior in the future. One such type is exemplary behavior, a specific individual act that goes beyond management expectations and reflects the core values of the enterprise. Trevino and Ball, 1992 advocate sanctions for code violations are necessary and must be enforced to the letter of the code. Managers who avoid disciplinary situations may be sending a powerful signal to their subordinates that misbehavior is acceptable. The mechanism for doing this is telling stories (Breuer, 1998). By transmitting what is proper behavior throughout the enterprise, they serve as an important resource for ethical purposes. Stories may be told about ethical leaders or by leaders to provide appropriate examples for others to emulate. These informal measures of ethics implementation (manager concern/role modeling, candid ethical communication, ethics as a topic of employee conversation, reward and penalty system, and communication of stories) will be examined in this study.

## Formal institutional measures of business ethics implementation

The formal measures of business ethics implementation define several criteria for an effective compliance program (Laczniak and Roberson, 1999; Morris et al., 2002; Thommen, 2003; Belak and Mulej 2009; Belak et al. 2012) and may include:

- A statement of enterprise's core values,
- A mission statement
- Training in ethics, evaluation of ethical behavior,
- Ethics standards and indexes
- A compliance manual
- Anonymous hotlines
- An ethics committee, an ethics audit,
- An ethics consulting service, an ombudsman and ethic advocate and a manager responsible for ethical issues. And more
- A code of conduct
- Job descriptions
- Sanctions for ethics abuse

These elements are indispensable when communicating moral expectations within the enterprise. Based on the earlier text, we argue the importance of the following formal institutional measures of business ethics implementation.

- Core value statement
- Mission statement
- Code of ethics
- Compliance manuals and Ethics standards and indexes.

Once defined, values impact every aspect of an enterprise, which has to support and nurture this impact or only identifying values will be wasted exercise.

According to Costa (1998), this tool is appropriate for enterprises that have a history of integrating values into their decisions, and not suitable for enterprises where such a history does not exist. Wheelen and Hunger (2004) argue that an enterprise's mission statement may also include a business's philosophy about how it does its business and treats its employees. This puts into words not only what the enterprise is now, but also what it wants to become management's strategic vision of the enterprise in future. In the authors' opinion (Hunger and Wheelen, 2004), a mission statement promotes a sense of shared expectations in employees and communicates a public image to important stakeholder groups in the enterprise.

### Code of ethics

A code of ethics as one business ethics implementation tool has been subject to much research in the past (Mathews, 1987; Murphy, 1995; Trevino, 1990; Morris et al., 2002). The research conclusions show that more than 90% of enterprises have a code of ethics or some type of ethics statement (Morris et al., 2002). Another important research insight is that the mere presence of an ethics code has a positive impact on enterprise ethics (Adams et al., 2001).

The code of ethics is an instrument for implementing business ethics within the enterprise, as well as in the enterprise's environment. According to Thommen (2003), the code of ethics is the best known instrument for improving and achieving the enterprise's

ethical behavior. It contains ethical principles that should be followed by certain enterprise behavior. Also in Adam and Moore (2004) opinion, the code of ethics is one of the most important instruments for business ethics implementation. Researchers in the field of enterprise ethics realized that many enterprises use compliance manuals to communicate relevant rules, emphasize important policies, or to make these policies understandable (Trevino and Nelson, 1999; Morris et al., 2002). Some researches show that such manuals are widely distributed in large firms. Weaver et al. (1995) conducted research on a sample of Fortune 500 industrial and service firms.

Ethics deals with different issues, like

- How to live a normal life (The normal life concept)
- The rights and responsibilities
- The formula of right and wrong
- Moral decisions - what is good and bad?

The concepts of ethics were derived from religions, philosophies and cultures. It broadcasts discussions on issues such as human rights, professional ethics and types of business. Philosophers divided ethical theories into three areas, meta-ethics, normative ethics, and applied ethics. According to Krawietz (2008) and Driscoll and McKee (2007), ethics has lost its significance in our societies; he believes this is due to people's conception of ethics has changed and also due to the challenges that morality had to face. Enron's case showed that not telling the truth and/or ignoring a misconduct may result in a disaster, where the company goes downhill and lost jobs due to a mistake made by the company's CEOs (Ferrell & Ferrell, 2011).

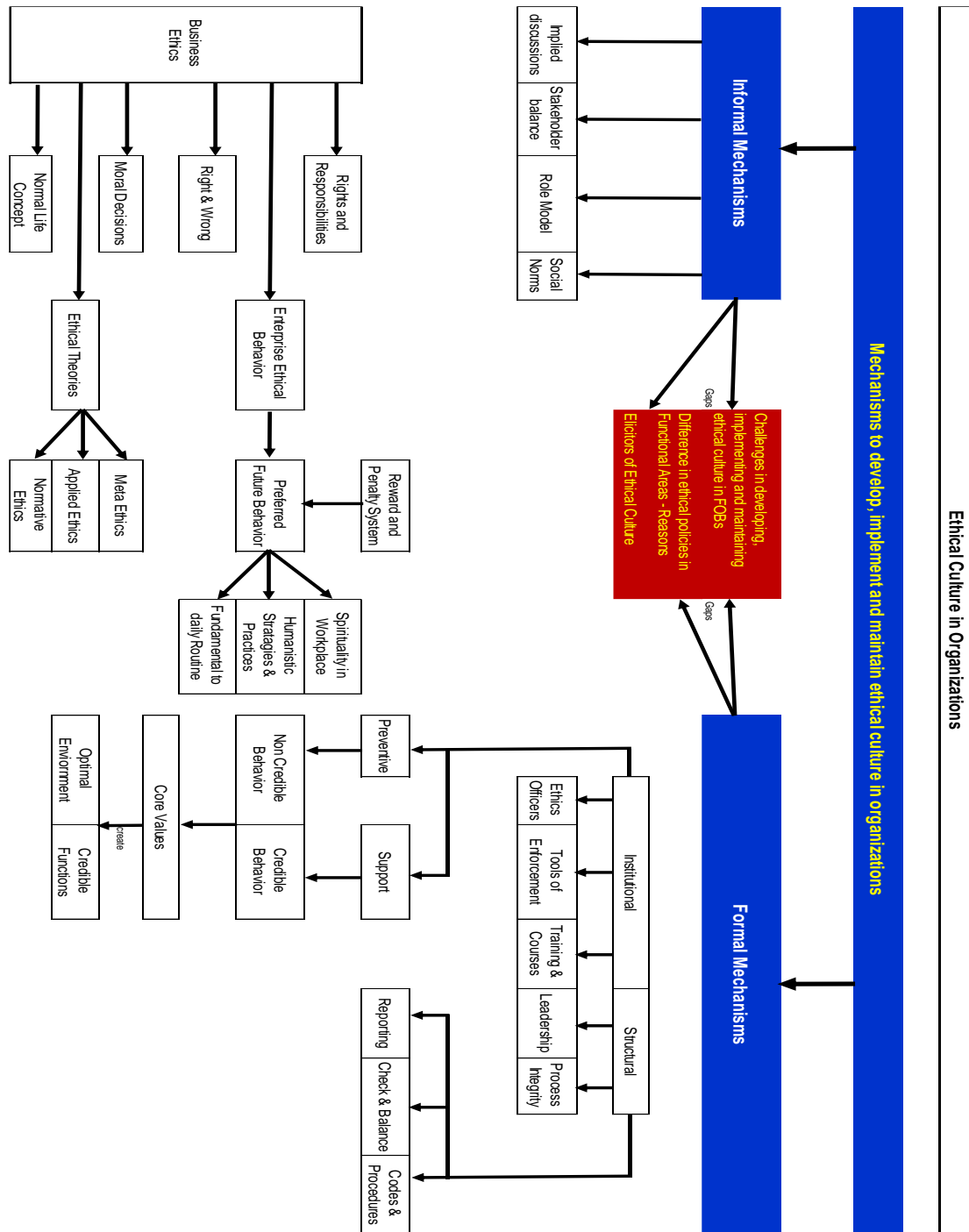
### **Summary of the Literature, Gaps and Questions Raised**

The following diagram summarizes the literature and identifies the gaps that this study will attempt to bridge. The literature identifies 'formal' and 'informal' mechanisms that help implement the ethical culture in an organization. The informal mechanisms could be implied discussions, the stakeholder balance, being the role model and the social norms that restrict an unethical behavior display by employees. On the other hand the formal mechanisms are more related to institution and have structural nature. Some organizations even have ethics officers who implement the policies with the help of certain tools available to them including the training courses. These institutional mechanisms help prevent unethical practices, encourage and support ethical behavior at the workplace. It leads to identifying core values of the organization to develop credible functions, optimize and build ethical environment. The structural mechanisms are implemented by the organization leadership to bring in integrity. This brings in checks and balances processes and procedures that are guided by a code of ethics and reporting policies.

The scholarly contributions opine that the prevalence of ethical policies and procedures in the business are pivotal to business brand building, gaining trust of stakeholders and bringing in transparency. These policies would affect each functional area of the business and there can be difference of the policies from one business function to another and from within the same categories of jobs. Literature identified that there exist numerous challenges to meaning full implementation of the ethical policies and procedure.

However, the challenges identification in family businesses is rarely discussed and brought to light.

Diagram 1 – Summary of the literature



The rich body of literature amply discusses the ethical culture development, however, it is important to know the following.

1. If the measures are value driven
2. What are the challenges in implementing an ethical culture,
3. How are ethical policies developed in relation to functions of the business
4. What is the implementation process



This study attempts to answer the above questions and add to the knowledge in terms of the family businesses in particular and traditional businesses in general. The family businesses in Saudi Arabia have been selected because of several reasons as shown below.

1. The knowledge gained from family businesses will contribute and add another dimension to existing literature.
2. It will help identify if there are any differences between the family business and traditional businesses when it is related to the ethical culture. It will add interest to the study because of the unique nature of the family businesses.
3. The context of the Saudi Arabia and family business would provide a unique blend and the information so gained might be able to provide a different perspective to the ethical culture development. The family businesses in Saudi Arabia form a significant portion of the overall business community and there might be an opportunity of learning.

The Thommen's (2003) model of credibility strategy implementation, developmental frameworks and studies of ethical structures proposed by Morris et al. 2002; Belak 2009; Murphy, 1995, 1998 and Laufer and Robertson, 1997, presents the foundation for the empirical part of this research.

## **METHODOLOGY**

One of the major reasons for doing qualitative research is to become more experienced with the phenomenon of interest. The data are normally "raw" and not pre-categorized (Alkhateeb 2018). Whereas, Sorsa et. al. (2015) state that qualitative methods provide distinctive value to investigate complex and sensitive issues. The data can be recorded using any of the number of options available from stenography, audio recording, video recording or written notes.

Corbon and Morse 2003 suggest that the interview help probe ideas of the interviewees about a particular phenomenon where discreet measures do not require the researcher to encroach upon the research context. However, Chan et. al. 2013 argue that such unobtrusive measures reduce the researcher control over the data and its type collected. Such measure being present in the interview help reduce the respondent biases.

Talmy 2010, suggests that Interviews are used in empirical inquiry across the social sciences to generate data. In exploring ethics and ethical research interview research is being adopted in an increased manner in recent past. This is particularly true in studies aiming at investigating participants' identities, experiences, beliefs, and orientations towards a range of a phenomenon.

The interviews help achieve in-depth, circumstantial, current and contemporary, open-ended responses from participants. The respondents offer their views, points of opinion, feelings, knowledge, thoughts and experiences (Patton, 2002; Creswell, 2009). Interviews aid in revealing the past and may uncover affected of events on people's thoughts and feelings (Billing 1987). Interviews also assist to obtain information regarding social settings that may be otherwise unreachable (Weiss, 1994). Nielsen

(2007) states that interviews provide rich and multi-faceted information to analyze, draw implications and make recommendations.

Yet this can be achieved only when serious consideration is given to the phenomenon to be explored and facts to be investigated while preparing for the interviews. If this is not the case, the interviews may produce inconsistent or incorrect data not conforming to the notion of qualitative data (King and Horrocks, 2010, Sapir 1947). The flexibility and ability of the interviewer to efficiently and promptly react to on-going discussions during the interview and develop further questions from answers of respondents help dig deep into the topic (Mikene 2013). He further postulates that developing summary responses of interviewee experiences are helpful to secure an insight into the topic of discussion.

Burr 1995 identifies interview as an interpretative, constructive and a process focused on formulating possibilities for change as can be seen from table below.

| <b>Theory of scientific method</b>      | <b>Central features of the interview situation</b> | <b>Central features in the presentation of data</b>                            |
|---|--|--|
| A phenomenological/hermeneutic position | The interview as an interpretative process         | Focus on descriptions  |
| A social constructionist position       | The interview as a constructive process            | Focus on negotiations of meaning in the interview situation                    |
| An action-oriented position             | The interview as an action context                 | Focus on insights which potentially can change the situation (action research) |

Adapted from Burr 1995

Burr, further states that these three positions are identified as these represent three of the main positions today in relation to the social sciences. They represent a phenomenological/hermeneutic position where the interview is an interpretative process; a social constructionist position that develops the interview as a constructive process and an action-oriented position where the interview is seen as an action context.

Personal interviews were conducted in this research with the representatives / employees of the family businesses. In all requests for interviews were sent to 37 family businesses known to researcher and his circle of associates. Twelve granted interviews and it took 16 months of work to realize the interviews starting October 2016 to April 2018. The context of study had been family businesses in Saudi Arabia. The reason for this was that these companies were accessible.

On the basis of the gaps and potential research areas identified, the open ended questionnaire was developed with 31 questions. The questions were classified into six categories for the respondents of the family businesses. These classifications and the response summaries are shown below.

The dependability in the study was assured by developing a questionnaire and asking the same questions from each responded the contextual ascertainment and gaining dependability.

The interviews conducted in this research take 'an action oriented position' where these interviews are viewed as an action context and the focus is on insights secured from

experts/family members of the business. These interviews and results can change the courses of action adopted and taken by family firms with regards to the sustainable ethical practices.

### Profiles of researched companies

The businesses selected belong to diverse sectors and these are listed among top 100 Saudi businesses. The table below provides a brief profile of these companies.

| Company name          | Trans Desert Transport Co. Ltd | Coca-Cola Bottling | Nestle Water | Kadi & Ramadi          | PepsiCo           | McDonald's | Binmahfouz                        | Almarai                     | Unilever KSA  | Albaik            | Centrepont                           | OMMAT                      |
|-----------------------|--------------------------------|--------------------|--------------|------------------------|-------------------|------------|-----------------------------------|-----------------------------|---|-------------------|--------------------------------------|----------------------------|
| Owner family          | Abdur Rahman Omer Al Ammoudi   | Al Olayan Family   | Al Baghdadi  | Thuraya Adel Batterjee | Al Jomaih         | Ali Reza   | Bin Mahfouz                       | Muhammad Bin Saud Al Kabeer | Bin Zager   | Rami Abu Ghazaleh | Al Bander                            | Al Turki                   |
| Products and services | logistics services             | cocacola drinks    | water        | books for cheldren     | food and beverage | fast food  | Industrial Manufacturing services | food and beverage           | Foods, beverages, cleaning agents and beauty & personal care products | fast food         | clothes , beauty and living products | poultry product production |
| Date of establishment | 1976                           | 1993,              | 2001         | 2006                   | 1965              | 1994       | 1951                              | 1977                        | 1929  | 1974              | 2002                                 | 1990                       |

### Response summaries and classification

The interviews were recorded and notes were also taken with the help of research colleagues. After the interviews were completed the responses were summarized into six categories shown below.

1. The Importance the family businesses attach to the ethics and ethical policies and procedures.
2. The challenges faced in implementing the ethical policies and procedures.
3. Alignment of the ethical policies and procedures with corporate social responsibility and society.
4. The value provision of these policies and procedures
5. The implementation modus operandi and
6. Role of ethics in functional areas of the business.

Each interview responses were carefully listened and perused. Notes were written from interview scripts and audio recorded files. In the next stage short summaries were developed and inserted into an excel sheet as shown in below paragraphs for detailed commentary and discussions.

Table 3 - Interview summaries – Importance and Challenges

|             |  | Trans Desert<br>Transport Co.<br>Ltd                        | Coca-Cola<br>Bottling                      | Nestle Water                                      | Kadi & Ramadi   | PepsiCo  | McDonald's  | Binmahfouz                                      | Almarai                             | Unilever KSA                                   | Albaik  | Centreport                                  | OMMAT   |
|-------------|--|---|--|---|---|--|---|---|-------------------------------------|--|---|---|---|
| Questions   |  | Abdur Rahman<br>Omer Al<br>Ammoudi                          | Al Olayan<br>Family                        | Al Baghdadi                                       | Thuraya Adel<br>Bakerjee                                    | Al Jomah   | Ali Reza  | Bin Mahfouz                                     | Muhammad Bin<br>Saud Al Kaber       | Bin Zager                                      | Rami Abu<br>Ghazaleh  | Al Bander                                   | Al Turki  |
| The Brand → |  | ← Family →  |  |   |   |  |   |   |                                     |  |   |   |   |
| Importance  |  |   |  |   |   |  |   |   |                                     |  |   |   |   |
| 1           | What are the benefits of ethical policies?   | Credibility, Morality and Loyalty                           | Increases the level of standards           | They provided consistency and minimize risk       | Builds better communication and a more friendly environment | Most important to build our brand, image and trust of the stakeholders         | Improves company credibility                      | Confidence of customers and employees increases | Consensus becomes easier            | Ensuring that the business is moral            | Integrity of the company increases                            | maintains trust, integrity, and framework   | It is the base for everything and creates loyalty |
| 2           | How Ethical Culture can be developed ?   | Making sure that values appreciated                         | Respecting and protecting workplace rights | Choosing the right people and policies            | We target the younger generations when we seek change       | By reviewing our Ethics Code periodically                                      | Implementation of code of conduct                 | Leaders as role models                          | Superiors being role models         | With the right people and measures             | Management keeps the community as their top priority          | providing the employees with ethics courses | Visiting Code of Conduct regularly                |
| 3           | Are ethics important for the success of an organization?   | Yes, it is important  | Yes, it is important                       | Yes, Ethics Code is important                     | Yes, especially for publishers                              | Yes, Ethics Code is important  | Yes, ethical policies are important               | Yes, Ethics Code is important                   | Yes, ethical policies are important | Yes, Ethics Code is important                  | Yes, Ethics Code is important                                 | Yes, Ethics Code is important               | Yes, Ethics Code is important                     |
| 4           | How do ethical policies impact the business?   | Business is built on these practices                        | important for human and workplace rights   | Maintains collective and individual relationships | Builds loyal relationships with clients                     | These are foundations of business  | They have a lot of impact                         | Business grows because of this                  | Customer relationships              | Employees will work more efficiently           | Ensures highest standard of quality                           | Stakeholder relationships                   | It greatly impacts the business                   |
| Challenges  |  |   |  |   |   |  |   |   |                                     |  |   |   |   |
| 5           | What are the challenges of ethical policies development and dissemination?                                     | Shipping to foreign countries can bring many obstacles      | Human rights, assessing suppliers          | There are no major challenges                     | Lack of transparency, late replies from writers             | Sustainability of global policy  | Sustainability of global policy                   | There are no major challenges                   | There are no major challenges       | There are no challenges                        | if suppliers are exclusive to the company only                | Saudization                                 | If suppliers are exclusive to the company only    |
| 6           | Do you see any draw backs in identifying, developing and implementing mechanism to spread the ethical culture? | It has been mechanised and I think this may deteriate trust | Human intervention                         | It might breakdown                                | Some jobs require more flexible hours                       | No, there aren't any drawbacks   | Less flexibility                                  | Employees sometimes are reluctant to follow     | No flexibility                      | Difficult to adjust for certain jobs/employees | The difficulty in taking everyone on board from top to bottom | Accuracy is the only drawback               | Going good  |
| 26          | What are the challenges in implementing Ethical practices in Human Resources?                                  | Justifiable distribution of rewards                         | Compensation management                    | There are no challenges                           | Laws of natives getting more salary                         | Developing criteria for compensation employees in a multicultural organization | Females working in a crew, Saudization, education | Difficult to adjust rewards on performance      | None                                | There are no challenges                        | Rewards distribution  | Compensation policies require working       | Recruiting and training the right people          |

Table 4 – Response summaries – CSR alignment and Values

|               |   | Trans Desert Transport Co. Ltd                          | Coca-Cola Bottling   | Nestle Water   | Karl & Ramadi                                      | PepsiCo  | McDonald's  | Binmattouz                                | Almarai  | Unilever KSA  | Albaik  | Centreport  | OMMAT  |
|---------------|---|---|--|--|--|--|---|---|--|---|---|---|--|
| Questions     |   | Abdur Rahman Omer Al Amoudi                             | Al Olayan Family   | Al Baghdadi  | Thuraya Adel Batterjee                             | Al Jomaih  | Alli Reza   | Bin Mattouz                               | Muhammad Bin Saud Al Kabeer                        | Bin Zager   | Rami Abu Ghazaleh   | Al Bander   | Al Turki   |
| Family        |   | Community and Society                                   |  |  |  |  |   |   |  |   |   |   |  |
| 7             | How is your ethical policy aligned to social priorities and community?                          | Help community uplift                                   | Raising public awareness on child labor                              | Depends on the country                                       | They hold settings to increase ethical awareness   | By offering healthier choices                                    | Healthy choices                                   | Safe and secure environment for shopping  | Healthy alternatives                               | Responsibility to people and environment                              | Since 896 CSR have been part of culture   | By making contributors and offering opportunities | By giving back to the community                            |
| 8             | Do you believe that the ethics and religion go hand in hand?                                    | They work within the principles of Islam                | There shouldn't be religion discrimination                           | These are two different phenomenon when it comes to business | Yes, they are practically one                      | Yes, they do   | Yes they are                                      | Yes both are integral to each other       | We have developed policies that separate the two   | We separate the ethics from religion at the workplace                 | A lot of ethical and moral principles come from the religions but we don't mix the two together | Yes, they do                                      | Yes  |
| <b>Values</b> |   |   |  |  |  |  |   |   |  |   |   |   |  |
| 9             | How can you bring transparency in routines in business?   | Code of Conduct   | Internal Communications  | Communication and setting objectives                         | Through emails and weekly meetings                 | By discussing ethics with our employees                          | Through the open door policy                      | Flat structure and open door policy       | regular information flow                           | Employees have the same information                                   | Communications  | By training the employees                         | Communication and by having everything written             |
| 10            | How Trust and Ethics play part in the business?   | By building a positive environment and keeping an audit | Important for the success of the business                            | You have to build trust to do business                       | Without it, you can't do business                  | By building a bridge of trust for consumers                      | Being ethical makes you credible                  | It develops commitment among stakeholders | Great at developing business                       | the entire business is built on trust                                 | When partners trust we develop together   | By treating the customers ethically               | The trust and ethics run hand in hand to grow business and |
| 11            | Is it ok to monitor the emails, activities and internet browsing by employees?                  | No, it's not  | No, not all, it will deteriorate trust employees have in the company | No, they do not monitor their employees                      | No, especially if the employees love their jobs    | They do not monitor their employees                              | No our policy guidelines discourage this          | No we don't have any such policy          | No, it is against an individual's right of privacy | Only in the case of suspension  | No, it is a matter of trust   | No, it's not                                      | No, it deteriorate the relationships and trust             |
| 12            | Does your company have any mechanism to ensure employee attendance?                             | Yes, they have finger scanning                          | No, they don't   | Yes, they have finger scanning                               | They have a time sheet                             | Yes, finger scanning exists                                      | They have time card sheet for restaurant crew     | Thumb impression                          | Finger print almost in every area and department   | No, it doesn't  | Electronic system   | Yes, finger scanning exists                       | Thumb verification   |
| 13            | What else can this mechanism achieve?   | Records of employees attendance                         | Attendance   | For Safety purposes  | Fosters a sense of trust and responsibility        | For security purposes  | Attendance and nothing else                       | Attendance                                | Attendance   | Attendance  | Trust and giving employees their space  | Monitoring the employees' attendance              | Attendance   |
| 14            | Do you encourage whistle blowing and how do you keep it confidential?                           | Yes, for the betterment of the organization             | Yes, they do   | They call it "speak up"                                      | They have a confidentially contract                | Yes, but it is kept as classified                                | Yes   | It is great to oil when used and openly   | We have a mechanism in place for it                | Yes, they do  | Yes, they do  | No, they don't                                    | We encourage it as it is good for our business and culture |
| 15            | Do you believe nepotism is good?  | No it demotivates the non family employees              | No, it is a reason for escalation in tension among employees         | No, it is not  | No, but they are given chances to prove themselves | Nepotism is subjective and open to discussion and interpretation | No, it is not a good thing                        | No, it never helps                        | No, First deserve them desire                      | No, it will create difficulties for both the family and the business. | Depends how we perceive and how do we implement it  | Not at all  | No, it is not  |
| 16            | Is it ok to make a distinction between the employees on the basis of gender?                    | No  | Only/or the jobs which are exclusive for a certain gender            | No, they have more than 80 nationalities                     | No, but for specific jobs                          | Some jobs are for males only                                     | No, except when it comes to Saudi law and culture | There are some jobs women cannot do       | Some jobs are gender based                         | In routine jobs we don't make any distinction                         | For jobs related to physical fatigue are separated  | Depends on jobs                                   | No, but women take maternity leaves                        |
| 17            | Do you believe that everyone is equal when it comes to business? Like junior, senior and gender | Yes, everyone is equal                                  | Yes, everyone is equal   | Yes, everyone is equal                                       | They don't always base it on experience            | Yes  | Yes, everyone is equal                            | Yes                                       | Yes  | Yes, everyone is equal  | Yes, everyone is equal  | Yes   | Yes  |

Table 5 – Interview summaries – Implementation Modus operandi

| Questions | The Brand →   | Trans Desert Transport Co. Ltd<br>Abdur Rahman Omer Al Amoudi             | Coca-Cola Bottling<br>Al Olayan Family                           | Nestle Water<br>Al Baghdadi                               | Kadi & Ramadi<br>Thuraya Adel Batejee              | PepsiCo<br>Al Jomah                                | McDonald's<br>Ali Reza   | Bimahfouz<br>Bin Mahfouz   | Almarai<br>Muhammad Bin Saud Al Kabeer   | Unilever KSA<br>Bin Zager              | Albaik<br>Rami Abu Ghazaleh                                | Centreport<br>Al Bander                                   | OMMAT<br>Al Turki   |
|-----------|---|---|--|---|--|--|--|--|--|--|--|---|---|
| 18        | What steps have you taken to help everyone follow ethical policies in your company? | Employee orientation, continuous training and awareness                   | Training and awareness   | Induction, refreshers, the Nest, with a prize with Nestle | They have manual with all ethical rules            | By providing annual ethics training program        | Awareness through internal communications & encouragement                  | Code of Conduct  | Code of (Conduct   | Employees are trained and tested       | Engaging employees into ethical policies                   | Having the code of conduct as a guideline                 | By being a role model and having written regulations                |
| 19        | What is the role of CEO in implementing ethical policies?                           | Making sure ethical values are conflicting race, policy matters           | Role Modelling   | He is the person with authorities                         | Acting as a role model for the employees           | He empowers executing moral strategies             | Writing and updating the code of ethics                                    | CEO is the leader and role mode  | Developing and implementing policies   | Communicating policies                 | Role model   | Assigning positions and salaries                          | Developing, seeking approvals, communicating and monitoring         |
| 20        | What is the role of managers in implementing ethical policies?                      | Implement policies provided by CEO  | Leading by example   | They have to ensure the continuity of operations          | Overseeing the daily events                        | He administrates the execution of moral strategies | Understanding the employees  | Role models  | Role models  | Follow the business policies           | Act as a role model for employees                          | Implement   | Implement and control   |
| 21        | What is the role of Social media in developing an ethical culture?                  | Making everyone aware   | Easy-to communicate to employees                                 | Important in responding to negative trends                | It helps in communicating with more people         | Stakeholders can be kept informed                  | Sustaining good relationship with customers and keeping ethical reputation | Internal Communications  | Communications   | Makes people more mindful              | Communicating with employees                               | Communications  | They help in creating a family like environment                     |
| 22        | Do you implement any such practice?   | Yes, we do  | Yes we have set a mechanism to implement                         | We created DAT to track negative customer sentiments      | They have gatherings to discuss their rights       | Yes  | Twitter and Facebook for recruitment and services                          | Yes we have a set policy guideline for implementing  | It is implemented and every one in the organization is informed                          | No, they don't                         | Yes our ethics manual includes this                        | It is part of our ethical policies and procedure handbook | Yes we have a detailed chapter in the code of conduct book          |
| 23        | What can Government do in order to ensure the ethical policies?                     | Discussion of ethical policies between the CEO and government authorities | Regular discussion at senior levels                              | They can initiate audit                                   | Implement an award system for businesses           | Briefings to Shura Council                         | Provide line for complaints  | Involves   | Include the major companies in discussions and feasibility studies                       | Establish clearer laws and punishments | Spread awareness in terms of ethical rules and regulations | Involve Chamber   | Shura Council   |
| 24        | How do you encourage your employees to follow ethical practices at personal levels? | By providing incentives for good attitude and behavior                    | Develop and promote values and ethical vision among organization | By promoting right values                                 | By building an ethical culture, it becomes a habit | Making it safe to people to talk about ethics      | Posters, disciplinary procedures   | Regular communications of organization's values, ethics expectations and industry ethics codes   | Open discussions on making ethical decisions   | Through communication                  | Regular discussions  | Ethical decision making should be made easy               | Ethical decision making made easy                                   |
| 25        | Does your company have an ethics manual?  | No, whatever is provided by the government if followed                    | Yes we follow international code of conduct of the company       | Yes, the Nestlé Corporate Business Principle              | Yes, since 2010                                    | Yes we follow international manual                 | Yes, since opening   | Yes we have a detailed handbook for employees to follow that include the family members who work | Yes we have developed one of the most detailed comprehensive code for everyone to follow | No, everything is online               | Yes, we do   | Yes and provided Online                                   | Yes we have developed the code and placed it on our website as well |

Implementation Modus Operandi

Table 6 – Functional Areas and Ethics

| The Brand |   | Trans Desert Transport Co. Ltd                     | Coca-Cola Bottling  | Nestle Water                                   | Kadi & Ramadi                           | PepsiCo   | McDonald's   | Binnahfouz  | Almarai  | Unilever KSA                                     | Albaik   | Centreport   | OMMAT                                 |
|-----------|---|--|---|--|---|---|--|---|--|--|--|--|---------------------------------------|
| Questions |   | Abdur Rahman Omer Al Ammudi                        | AI Olayan Family  | AI Baghdadi                                    | Thuraya Adel Batterjee                  | AI Jomah  | Ali Reza   | Bin Mahfouz   | Muhammad Bin Saud Al Kabeer                                | Bin Zager  | Rami Abu Ghazaleh  | AI Bander  | AI Turki                              |
| 27        | Does your Recruitment policies make distinction between employees based on gender or family relationship?               | Yes, depending on job, we have to make distinction | No distinction is made based on the gender for work related to office | No, they don't                                 | Sometimes the system makes it difficult | For jobs that are gender specific               | No, but they have to cope with the culture   | Only for jobs where male and females are expected   | No, for most of the jobs we don't                          | No, only when it comes to Saudization            | Yes, we have a business in which gender discrimination is important for some particular jobs | We don't make distinction for routine office tasks unless it comes to physical tasks at the warehouse etc. | No, only when it comes to Saudization |
| 28        | Does your Compensation and Benefits policies make distinction between employees based on gender or family relationship? | Performance matters                                | No, it doesn't  | No, they pay for the position not the person   | No, it is based on achievements         | No, we are performance based company            | Sometimes, Saudis get paid more  | Everyone is treated equal, infact women get better compensation especially when it comes to child birth | No! at all, we have no such policy                         | No, it is based on experience and responsibility | No, our company works on merit   | No every category of the jobs gets same benefits, except when it comes to the seniority and experience.    | No, it is based on feedback           |
| 29        | Does your Training and Development policies make distinction between employees based on gender or family relationship?  | No, it is considered discrimination                | Only on basis of requirements   | No, it doesn't                                 | No, it doesn't                          | Because of women boarding and lodging           | No distinction except where the distinction has to be made between office and physically demanding work. | Due to women travel restrictions we do  | No, it doesn't   | If travelling is required we make choice         | It may depend if the woman needs to travel   | Yes due to travel restrictions on women  |                                       |
| 30        | Is it important to include ethical policies in Finance and Accounts based on gender or family relationship?             | In some cases we require arabic speaking employees | Yes, to avoid legal problems  | Yes, they have to be extra cautious with money | Yes, especially for publishers          | Arabic speakers are needed for a particular job | Yes, it is important   | Yes in this department the ethical policies will be more rigorous as money is dealt here                | Some times Arabic speakers are needed for a particular job | Yes, it is important                             | Yes, it is important   | Some times Arabic speakers are needed for a particular job   | Yes, it is important                  |
| 31        | Is it important to include ethical policies in Marketing based on gender or family relationship?                        | Yes  | Yes   | Yes, it is important                           | Yes, it is important                    | Yes   | Yes, it is important   | Yes   | Yes, it is important                                       | Yes, it is important                             | Yes, it is important   | Yes  | Yes, it is important                  |

Functional Areas and Ethics

## **FINDINGS AND DISCUSSION**

### **Formal and Informal Measures and Structures of Ethical Practices Implementation**

In order to understand the formal and informal measures and structures of ethical practices implementation the responses of the companies have been divided into 6 main categories. These are same categories developed after the response collection and shown below.

- The Importance the family businesses attach to the ethics and ethical policies and procedures.
- The implementation modus operandi
- Role of ethics in functional areas of the business.
- The ethical core value provision of these policies and procedures
- Alignment of the ethical policies and procedures with corporate social responsibility and society.
- The challenges faced in implementing the ethical policies and procedures.

Similarly, with the purpose of developing ethical behavior in an organization a number of factors are needed to be considered as envisaged by the literature. These may be related to individual / person and or organization related, ethical philosophy, past enforcement decision and their impact and certain external forces.

This study attempts to provide an insight into an ethical, moral and administrative dilemma of developing and then implementing the formal and informal systems, procedures and processes that help stimulate a sustainable ethical culture in a family business.

The following discussion is developed based on the interviews of the 12 family businesses in Saudi Arabia.

#### **1. Importance and Benefits of Ethical Policies**

The first question in the structured formal interview questionnaire was to know the importance attached to ethical policies by the businesses and steps taken to develop an ethical culture. Among the most important factor in developing, implementing and maintaining ethical systems, policies and procedures is that such policies help build brand, image and trust of stakeholders.

Family businesses such as Trans Desert, Al Jomaih and Bin Mahfouz, suggest that the ethical policies are very important and these are the foundation of the business and its culture development. The ethical policies build organization norms and human relations suggested AlBaik. Firms such as Al Baghdadi, Batterjee, Al Kabeer and Al Bander opine that the customer including collective, individual and stakeholder relations are built on ethics. Al Olayan on the other hand sight rights issue and asserted that the ethics help develop' human and work place rights; however, employees may perform comparatively more efficiently and produce quality output while working in an ethical environment suggest the Bin Zagr.



Trans Desert believe that the credibility, Morality and Loyalty are essential for trust building and hence the role of trust and ethics is all the more important. This was further endorsed by Nestle water by suggesting that these qualities build bonds among employees and are important for B2C relationships. PepsiCo, Cocal Cola and Almarai dealing in bottling and dairy products had strong opinions about the ethics and such a culture. They suggested that ethics would build consensus promote consistency, and improve company credibility. Bin Mahfouz, Unilever, Centrepoint and AlBaik showed importance attached to ethics by saying that the business is built on trust and commitment, morality and integrity form basis of the relationships with customers and agents.

The respondents also opined on prominence by advocating for appreciation of values, respecting and protecting workplace rights, periodic review of ethical procedures, policies and manuals.

The companies like Batterjee and AlBaik identified a number of benefits in implementing and following ethical policies. Major findings related to benefits include the development of trust components. It was also envisaged by Rahatullah 2009. The study elaborated that once the trust components like, credibility, integrity and benevolence prevail, securing the partner / stakeholder commitment becomes easier and leads to competitive advantage. It is interesting to note that the companies find achieving these components as important benefit for their firms. It can be implied here that these benefits help accrue further advantages related to securing consistency in performance, enhancement in level of standards and cultural transformation. Narrowing the trust component to this single factor, Unliver, Baghdadi and Kadi and Ramadi expressed that without trust a business cannot perform. Similarly, AlBaik's understanding is that the trust and ethics run hand in hand. Al Bandar had comparable views, i.e. Ethics acts as a foundation and maintains trust and integrity.

## **2. Implementation of Ethical Policies**

The literature identifies that the businesses take certain measures to help the employees follow ethical practices. The studies of (Phillips, 2011) and (Taylor & Simpson, 2013) identified a number of measures taken by the companies to disseminate the information to their employees. The responding family owned businesses identify for steps to help everyone follow ethical norms. These included regular training and awareness, a manual or a code of conduct. Engaging employees in discussions, reflection and reporting and the managers acting as role models to follow ethics.

Companies such as Al-Marai, Unilver and AlBaik help open discussions on Ethics and ethical practices through communications in routine. Family businesses including Bin Mahfooz regularly communicate organization's values, industry ethical code and expectations with internal and external stakeholders.

The major ethical practice in implementing ethical policies being carried out by the companies under study was that the communications campaigns carry out the true images, information, animation and designs etc. as are offered by actual services and products which is evident at Nestle water, AlBaik, Almarai, Bin Mahfouz, Centrepoint and McDonalds.

The companies such as Kadi and Ramadi, Bin Mahfouz, Almarai and Centrepoint also identified that they implement the policies through a code of conduct which is regularly updated. Other family concerns hold regular trainings, orientations and internal communications on matters related to ethical values and principles.

The respondents were also asked on the role of managers, CEO's and the Government in helping implement and following the ethical policies and procedures.

A number of businesses like Trans Desert, Nestle water, Kadi and Ramadi, PepsiCo, BinMahfouz, Centrepoint and Omnat suggest that the managers are implementers of the policies as envisaged and recommended by the CEOs and the boards. However, Coca Cola, Bin Mahfouz, Kadi and Ramadi and AlBaik also identified the role of CEOs as role models in implementing these policies. Other companies' opinion was that the role of CEOs and managers was to develop the ethical policies and procedures and employees have to follow.

There were three main roles of Government identified in implantation of the ethical policies and procedures in the business community by the respondents. Pepsico and Omnat suggested to involve the shura council (Consultative assembly for the king) in order to bring in uniformity. Whereas, AlBaik and BinMahfouz suggest involving the business community by the government to conduct audits and reviews to produce reports and implement. The other family enterprises suggested that the business community has little understanding on the ethical policies and systems as they come from diverse backgrounds therefore, the government should bring in more laws and vibrant policies and systems.

### **3. Ethical Policies and Systems in Functional Areas of the Business**

Companies like, Unilever and suggest that the practices in recruiting at times may need adjustments especially when it comes to mandatory requirement by the government to employ a set number of Saudi citizens and when the jobs are gender specific as stated by Al Jomaih, Bin Mahfooz and Al Baik. Otherwise, the companies don't discriminate in hiring the workforce.

The benefits and compensation packages are related to achievements like in Kadi and Ramadi, whereas, it is related to performance in Trans Desert and Pepsico, on the other hand Unilever KSA relates it to the experience and responsibility levels and little distinction is made in this matter. However, sometimes companies pay more salary to Saudis then non-Saudis as the case in Ali Reza holding.

The training and development policies impact a great deal on employee job satisfaction, morale and motivation as suggested by Sajajd et.al. 2013 and Kobayachi 2017. The responses in our study seem to be corresponding to the literature and they suggested that the companies do not make any differences in the choice of employee for training and training choice is built on need (Coca Cola). However, Ppsico, Omnat, Almarai, AlBaik and Unilever have more locally adjusted policies and their response was in sharp contrast and practical in such an environment that they keep the difficulties in women travelling and logistical issues in mind. The family businesses also suggested that the ethical policies are more rigorously implemented in the accounting and finance department where some policies may be different from others.

Ethics in Finance and Accounting play a vital role in implementing the ethical practices and it determines the reputation of a company a great deal. The Saudi FOB's seem to be aware of this fact and businesses such as Coca Cola cite legal issues as well if they do not comply with the ethical problems in finance and accounting. However, a specific policy has to be implemented and that is that the finance and accounts should be led by a Saudi national for legal purposes. Similarly, an Arabic speaker is required legally for such jobs as the legal and support systems are Arabic based. This was agreed and being implemented by all. It may seem contrary to universal ethical policies that dictate "equal opportunities for all" but due to language and specific customs it is legally required. Certain companies have implemented specific policies such as following Sharia law in financial transaction. The Unilever advises their employees to report any gift received from outside company that values more than \$100. Yet other international businesses that operate on franchise or license like McDonalds follow a particular code of conduct in financial transactions and hence they do not have to make any adjustments.

#### **4. Ethical Core values**

The exploratory questions on ethical core values included equality, gender specific policies, nepotism, monitoring emails and website browsing, transparency, whistle blowing and attendance. Beschorner and Hajduk 2017 argue that responsible practices are culturally embedded and transparency is major dynamic in identifying, developing or implementing the ethical values. The entrepreneurs running family companies in Saudi Arabia contend three major ways to bring transparency. The companies like Coca Cola bottlers, Nestle water, Kadi and Ramadi, Pepsico, McDonalds, Bin Mahfouz etc. bring in transparency through the direct, internal or through open doors communications. Whereas, businesses such as Trans Desert and AlBaik rely on both communications and written information through the code of conduct and Centrepoint conduct regular training sessions.

The companies assist and encourage employees to perform ethically at personal levels, as being practiced at Trans Desert who provide incentives for good attitude by the employees. Whereas, Coca Cola and Nestle water promote ethical vision and values among their organizations. Some companies encourage and safeguard the whistle blowing by providing safety and anonymity to talk about wrong doings etc. like at Trans Desert as they opine that it is for the betterment of the organization. Some companies such Kadi and Ramadi and Bin Mahfouz assert that this is great tool as it discourages ill practices. The Pepsico keeps the whistle blower information classified.

Monitoring employee emails has been an issue discussed by numerous studies. The businesses in KSA have denied having any policy on monitoring employee emails. Having such policy would deteriorate trust and relationship with employees except for the Unilever who may screen suspended employee communications.

In order to bring transparency in business routines, the firms identify three steps to be taken, i.e. a code of conduct, internal communications and training. Whereas, the literature like Pierce (2013) suggests moral awareness, moral reasoning, moral courage and moral effectiveness as effective ways to build and nurture the ethical culture.

According to Sipior and Burk (1995) monitoring employee email or internet browsing is ethically incorrect. They considered it as intrusion; intrusion into private affairs of the employees and regarded it as highly offensive. The study found similar answers and the family businesses in Saudi Arabia also hold such views and overwhelmingly regarded it as the employee private affair and inappropriate for the employers to monitor emails of their employees. However, there was an exception to the norm, one of the companies mentioned that its employee emails may be monitored when the subject worker is under investigation and suspension. The responses are mixed on both the employee internet browsing and email monitoring policy and at times remain in contrast and at other instances in accordance with the literature.

## 5. Ethical Policies and Society / Community

The responses of the companies related to their ethical policy alignment to social priorities and community were very interesting. The three factors emanating from the responses are creation of public awareness, offering healthier choices and effective contribution to the environment. Most of the companies align their policies by offering safe and secure environment for shoppers, they contribute to the environment through their CSR programs that include generating public awareness and offering the customers and consumers healthier alternatives.

Almost all of the interviewed family businesses attach great importance to aligning their policies to society and family businesses recognize the value they can add to the society and community. They have established CSR policies for public good. The businesses are engaged in giving back to communities through charities, special programs of assistance and community uplift programs including the management of private orphanages, to schools for special children and others.

Majority of the firms believe that the religion and ethics go hand in hand and ethics is integral part of their religion and business. However, there are contradictions as well. Some businesses understand that the religion and ethics should be kept separate when talking about the business. This standpoint mainly comes from international firm subsidiaries. Majority of firms stated that they at number of occasions took the ethical guidelines from the religion and religious practices.

The companies were asked about their opinion on 'How trust and ethics play part in the businesses. The findings are revealing. This satisfies the Rahatullah and Raeside 2015 study where the authors relate commitment with the trust manifestation and business success. The findings show that the companies believe that once the trust components prevail, the commitment from relationships is secured and that leads to business success.

Al Olayan and Trans Desert Transport operates community uplift programs and assist the groups of people in guidance on religious principles and beliefs. Similarly, Child labor awareness campaigns are run by Olayan, Kadi and Ramady, BinMahfouz and Albaik. Majority of the businesses also seem to imply that the religion and ethics are interdependent and interlinked. However, Unilver does not believe that and Olayan state that the religion cannot be used for racial discrimination. Ommat opined that they provide the community with as much assistance they can as they create wealth from these communities. Albaik, Pepsi, BinMahfouz, Nestle waster and Centrepoint assert that

they involve the employees in practical discussions in finding out the solutions to ethical issues and problems. Family businesses also take certain steps to help the employees follow ethical policies by delivering training and evaluating them. Trans Desert and international brand representatives of Coca Cola, Pepsi Co, Unilever conduct training sessions. Whereas, companies like Binmahfouz, Almarai and Kadi and Ramadi have written codes of conduct delivered and employee grievances are addressed according to these manuals. However, some businesses like AlBaik and Nestle water create awareness of the ethical policies, procedures and systems through communication campaigns at regular intervals.

## **6. Challenges in implementing the Ethical Policies and Developing Culture**

The family businesses identified following major challenges in development and implementation of ethical norms and principles in organizations.

- a) Lack of transparency in certain systems at the national levels. However, the government has introduced a number of measures including the digitalization of the governmental procedures. Most of the governmental services are now accessed through internet and the businesses need not to make any personal contact the offices.
- b) Import and export may be harmed as ethical policies are not same across the world.
- c) Saudization. It is the new law in the Kingdom which makes it mandatory for the businesses to maintain certain percentage of Saudi nationals as employees due to high unemployment rates in the Kingdom.
- d) Human Relations and Psychological barriers leading to difficulties in following and adapting by certain employees
- e) Access to correct information and implementation policies sometimes are the major obstacle and challenge to implement.
- f) Developing criteria for compensation employees in a multicultural organization
- g) Providing all categories in each function of the business receive similar opportunities for development and training.

## **CONCLUDING COMMENTS**

This study has contributed to the knowledge by responding to particular questions unanswered in the literature. The above findings help conclude that values, culture, community and social norms are major elicits of sustainable ethical culture development and implementation of the ethical policies and procedures require institutional and structural mechanisms for effectiveness in family owned businesses.

This research has identified that the importance of informal measures such as being a role model and adhering to social norms develops a stakeholder balance and delivers value. This is similar to the findings of the work of Ardihvili et. al. 2009 and Moore 2004 where the scholar identified the significance of informal measures. However, even though the above would also deliver leadership effectiveness but this study shows that among the benefits of an ethical culture would also include the buildup of credibility and increase the level of effectiveness standards. Credibility is an important component of trust (Rahatullah and Raeside 2015). The study shows that the family businesses attach

importance to trust enhancing measures in their organizations. There was unanimity among respondents regarding the usefulness and effectiveness of the ethical policies and procedures, especially when it comes to stakeholder relationship management.

The literature suggested lack of challenges' identification in a sustainable ethical culture development even though there is consensus that such culture ensures success (Gebber 2006). It has been ascertained in the study that the major challenges exist as narrated earlier, however, human resource management faces in recruitment, rewards, gender equality and other related areas. This could be unique to certain societies and not applicable universally.

The family businesses are divided regarding the relationships between religion and ethics; however, this may again have a context dimension of the study and may differ elsewhere. Nelson 1995 and Mellahi et. al. 2010 agreed that the ethics and moral values are related to individual's personal understanding either in one own or organizational capacity. The literature is ripe with discussions on values the ethical systems deliver.

Communications has been considered as key to bring in transparency in a business. Trust between business and its employees is identified as key to effective outcome of an ethical culture. The ethical culture value is also recognized as gender equality and the family businesses consider that the gender equality in operations of the business is of significance. However, there is a difference of opinion on this equality when it comes to work distribution and compensation. This seems to be universally the case as well. Organizations increasingly are becoming tolerant and encourage whistle blowing.

There are certain jobs that can only be performed by either a male or a female and other than these the companies tend to maintain a non-gender based policy. The family businesses seem to take more precautions of ethical norms when developing and implementing marketing strategies. The respondents have agreed to need, effectiveness and ethical culture's link to firm development, achievement(s) and prosperity.

The family owned firms seem to be implementing the ethical policies, procedures and systems in cognizance with and in similar manner as non-family businesses. The firms adopt both the institutional and structural measures (Thommen 2003 and Kobayachi et. al. 2017. The family businesses also seem to further authenticate the findings of Morris et. al. 2002 by endorsing the fact that the ethical cultures emanate from ethical values that the organizations set up. However, the role of senior employees like CEO and managers has been highlighted as important in executing the structural or institutional policies. The government plays significant part in developing national level laws and policies that are adhered in the whole country.

Study can be used as basis for future research to understand the relationship of ethics and culture from a social context perspective by carrying out a study in different countries with religious diversity that may reveal sustainability issues in a different context.

## **LIMITATIONS OF RESEARCH**

The time taken in certain cases was a major issue and challenge during the primary data collection. The officers were extremely busy and a number of interviews were either rescheduled or held in two or more sessions.

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