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Manduku Daniel Ogwoka, Dr. Juliana Namada and Dr. Damary Sikalieh

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INFLUENCE OF ETHICAL CONSUMER RELATIONS ON THE FINANCIAL PERFORMANCE OF LISTED FIRMS IN KENYA

[1*] Manduku Daniel Ogwoka
Post graduate student: United States International University – Africa

*Corresponding Author's Email: danielmanduku@yahoo.com

[2] Dr. Juliana Namada
United States International University – Africa
[3]Dr. Damary Sikalieh
United States International University – Africa

Abstract

Purpose: The objective of the study was to investigate the influence of ethical consumer relations on the financial performance of listed firms in Kenya.

Methodology: The study adopted a causal research design to establish the relationship between ethical leadership and financial performance of companies listed in the Nairobi Securities Exchange using correlation and regression analysis. Primary data was collected through a semi-structured questionnaire. Secondary data was collected from both the listed firms in the Nairobi Securities Exchange (NSE), and information from the sector regulator, the Capital Markets Authority (CMA). The target population of this study was 64 companies listed in the Nairobi Securities Exchange (NSE) with consistency being evaluated between the years 2011 to 2015. Data analysis was done using the Statistical Package for Social Scientists (SPSS).

Results: The study found out that there exists a strong relationship between ethical consumer relations and financial performance. The study showed that listed firms uphold consumer relation policies, and the firms put the interest of consumers first, before profitability.

Unique contribution to theory, practice and policy: This study recommends that listed firms need to religiously adhere to conducts of ethical leadership. To the consumers, quality is of priority. Listed firms should formulate ways of always adhering to provision of quality services to consumers.

Keywords: *Ethical consumer relations, Ethical leadership, financial performance, Listed Firms*

1.0 INTRODUCTION

Ethical leadership is all about acting morally and doing what is required for the overall benefits of not just the stakeholders, but to the company as a whole (Oates and Dalmau, 2013; Osemeke, 2014 and; Omondi, & Muturi, 2013). By this argument, ethical leadership should thus be able to contribute to the overall profitability of the company. In addition, the researchers argue that ethical leadership is more or less about balancing the company's short term objectives and longer term goals in ways that enable the achievement of positive result for all those who could be affected by the organization and the decisions of its leaders. While demonstrating moral management behaviour, ethical leaders do not compromise both ethical standards in pursuit of short-term performance and bottom-line organizational performance (Oates and Dalmau 2013; Osemeke, 2014; Omondi, & Muturi, 2013).

An ethical customer relation refers to the way a business communicates and interacts with the public to gain and retain customers (Tallontire et al., 2001; Otuya, Onyango, Ofafa, Ojera, and Wachana, 2013). It is important as a requirement for organizations to inculcate appealing customer relations within the workforce to attract and maintain loyal customer base. A customer's relation is key to understanding consumer motivation. Without assessing customer relations, it is difficult for a company to know how visible it is concerning its client base. It is also hard to figure out how to grow the company without understanding the relationships it has with current customers (Shaharudin et al., 2009).

Performance refers to the accomplishment of a given task measured against preset known standards of accuracy, completeness, cost and speed (Persons, 2011; Wambua, 2013; Obiwuru et al., 2011). Performance can be measured using the balanced scorecard. Kaplan & Norton (1992) assert that the Balance Score Card (BSC) can generally be used for performance measurement. For its usage, BSC is composed of four dimensions namely; customer perspective, internal business process perspective, learning perspective and financial perspective, and innovation (Kaplan & Norton, 1992). The first three dimensions enable them to re-tool and provide leading measures of performance while the last dimension provides a lagging measure of performance. The current study focused on the financial perspective, since financial performance measures define the long-run objectives of the business unit (Kaplan & Norton, 1992).

A positive relationship between ethical leadership with good decision making among top administrators and productivity experienced among the lower ranking employees in an organization (Fehr, Kai Chi, & Dang, 2015). This affirms the notion that ethical leadership creates an environment that condition Organizational Citizenship Behaviour (OCB) and other ethical practices. Financial performance is established on the idea that an organization is a voluntary association of productive assets to accomplish a common goal. These productive assets consist of human, physical and capital resources (Alchian & Demsetz, 1972). The financial performance for the firms listed in the Nairobi Securities Exchange (NSE) was measured by use of ROA. This is because ROA is both suitable and reliable method for such measurement (Achian & Demsetz, 1972; Barney, 2001; Jensen & Meckling, 1976).

In the Kenyan scenario, majority of firms listed on the Nairobi Securities Exchange (NSE) have been experiencing declining performance, and forecasts have indicated a similar trend in future. In one of the cases, seven listed agricultural firms have an average price to earnings (P/E) ratio of 4.74. This is below a third of the average stock market P/E of 16.70 (Omboi, 2011; Maina and Sakwa, 2010; Hutchings Beimer, 2010; Mwangi, Makau and Kosimbei, 2014). The companies that have of late witnessed declined financial performance in Kenya include: Eaagads Limited, Kapchorua Tea Company Limited, Kakuzi, Limuru Tea Company Limited, Rea Vipingo Plantations Limited, Sasini Limited and Williamson Tea Kenya Limited. These companies have reported frequent negative reports for the last ten years compared to other listed companies (Omboi, 2011; Mathenge, 2012).

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Besides the above-mentioned firms, analysts have also cited firms such as Mumias Sugar Company, Uchumi Supermarket and Sameer Africa as also experiencing poor performance (Munda, 2015; Osemeke 2014; Bedicks, & Arruda, 2005 and Mathenge, 2012). Besides, some firms such as CMC Holdings Limited have also failed to practice ethical leadership. The suboptimal performance would have been caused by unethical management practices in human resource, advertising, consumer relations and investor relations. However, others have done well, e.g. Safaricom Company and Equity Bank (Munda, 2015; Osemeke 2014; Bedicks, & Arruda, 2005 and Mathenge, 2012). For those that have seen better performance, their ROA have been either steadily been rising or have relatively stayed in a constant value within the last five years, measured over the duration 2010-2015. The data on performance was obtained from the 2016 NSE handbook as well as information contained in the Capital Markets Authority (CMA).

The Capital Markets Authority of Kenya was established to oversee the orderly development of Kenya's capital markets. It is the government's regulator mandated to license and regulate the capital markets in Kenya. It also approves public offers and listings of securities traded at the Nairobi Securities Exchange (NSE). The NSE has a double responsibility for growth and regulation of the financial market operations to ensure efficient and reliable trading (Almajali et al., 2012; Liargovas, and Skandalis, 2008). Based on the data from both the CMA and NSE, this study sought to unravel whether ethical leadership has a role in the performance of firms listed on the NSE. From the perspective of governance, this research believed that ethical consumer relation is responsible for the financial peformance of firms listed in the Nairobi Securities Exchange. This study thus aimed to ascertain the relationship between ethical consumer relations and financial performance of firms listed in the Nairobi Securities Exchange.

1.1 Problem Statement

Ethical consumer relations is crucial for the performance of organizations (Breene & Nunes, 2006). This is because ethical leadership implies that there is a focus on the triple bottom line which is profits, people and planet. With regard to people, ethical consumer relations ensure that the stakeholders such as suppliers and customers are satisfied with the activities of the company. Acting wholesomely, ethical leadership ensures that there is environmental sustainability (Nel & Beudeker, 2009). Theory suggests that ethical consumer relations may have an influence on performance (Bandura, 1977).

Happy customers due to ethical customer relations give repeat business and this leads to an improvement in the financial performance (Avtonomov, 2006; Deshpandé, 2000; Shaharudin *et al*., 2009). Various studies have been conducted to examine the factors that affect the financial performance of listed firms at the Nairobi Securities Exchange (NSE). Studies such as Avtonomov (2006), Webster (1992), Deshpandé (2000), and Shaharudin *et al*. (2009) did not operationalize the ethical customer relations into its sub components. This study thus took into account that it is challenging to appreciate the importance of the ethical consumer relations in the emerging market because of the large number of poorly informed and unsophisticated investors, weak legal, regulatory and institutional framework and operational bottleneck.

1.2 Research Objective

The objective of the study was to establish influence of ethical consumer relations on the financial performance of listed firms in Kenya.

2.0 LITERATURE REVIEW

2.1Theoretical Framework: Stakeholder Theory

Stakeholders are involved in the generation of firms' ethical identity. Thus, a stakeholder approach appears as the suitable framework. Also, management scholars studying social and ethical issues have mostly drawn on stakeholder theory (Freeman, 1984), generating a wide-ranging body of research (Garriga & Melé, 2004). From Freeman's (1984) seminal works titled 'Strategic Management: A Stakeholder Approach', stakeholder theory deepens its roots in the notion of corporate social responsibility. The key thesis of this theory is that the firm coordinates and manages the constellation of cooperative and competitive interests of different stakeholders or constituencies (Carroll, 1979). Thus, firms have multiple goals other than the solely shareholder's value maximization end, contrary to the proposition of the traditional economic theory (Friedman, 1970).

As stakeholder theory increasingly became popular, it also varied in diverse interpretations and arguments for its justification (Donalson & Preston, 1995). In applying stakeholder theory, two almost entirely separate methodological strands of literature can be distinguished. On one hand, the normative stakeholder literature is theoretically based and emphasizes the ethical and moral standards as the only acceptable way for corporate behaviour, independently of the repercussions of these behaviours on the firm's performance (Deegan, 2006). There is considerable pressure from firms' stakeholders to become more transparent and accountable on their decisions, hence necessitating managers to disclose more information than what is legally required to satisfy the interest of their stakeholders (Ponnu & Okoth, 2009).

With the stakeholder being any group or individual who is affected and can affect the achievement of the organization's objectives (Freeman, 1984), the stakeholders' theory is deemed relevant in this study because it informs the ethical consumer relations. From the ethical perspective of the theory, each of these groups has different interests which conflict with those of others. It is therefore the responsibility of the individual entities to manage the firms in such a way that balances the interests of all these stakeholder groups (Deegan, 2002). The stakeholders are engaged in the construction of the ethical identity of firms, and its approach appears as the appropriate framework since the theory deepens its roots in the notion of Corporate Social Responsibility (Deegan & Blomquist, 2006).

The theory is also helpful in this study since listed firms manage and coordinate the constellation of competitive and cooperative interests of different constituencies or stakeholders. The theory however only believes that organizations wholly view as ultimately important, the interests of the stakeholders and thus, organizational performance is only a function of stakeholder satisfaction.

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The shortcoming of this theory is therefore that it is difficult, if not impossible, to make sure that firms fulfil their wider objectives, hence fails to give both managers and directors set priorities to live up to the organizations' full social obligations (Blair, 1995). To further develop an integrated system that concerns also the behaviour of organizational employees and with respect to their employers, the cognitive moral development theory was adopted by this study.

2.2 Empirical Review

With the satisfaction influencing customer loyalty, quality may therefore be one of the factors that affect performance. Studies have been conducted that seek to correlate customer satisfaction and loyalty (Fornell, 1992; Bowen & Chen, 2001; Silvestro and Low, 2006). Inasmuch as loyalty and satisfaction are greatly interdependent, one does not authentically translate to the other. This is especially true in scenarios of relatively few choices to be made by the customers. In the study by Jahanshahi et al. (2011) which analysed customer service and product quality on customer satisfaction and loyalty established high positive correlation between constructs of consumer satisfaction and loyalty. The researchers opine that quality to customers is a key factor in identifying new customer needs. This is in line with findings of Bastos & Gallego (2008) and Chai et al., 2009.

Otuya et al. (2013) conducted a study on the influence of ethical treatment towards customers on the enterprise performance in Mumias Sugar Belt, Kenya. Findings showed that ethical treatment indicators are predictors of enterprise performance among the cane transport companies in Mumias Sugar belt. Their revelations were in tandem with those established by Cragg (2002) and Lorraine et al. (2004) who established that cooperate ethics enhanced the appeal of the firms share. The study by Tallontire *et al.,* (2001) however, focused on mumias sugar belt thus presenting a knowledge gap. This current study focused on the firms listed at the Nairobi Securities Exchange (NSE).

Consumers are quite skeptical regarding corporate ethics and firms should be more effective in communicating their ethical stand. Some researchers have stressed the fact that sufficient information is important in making ethical judgments and that consumers need more information to make ethical purchase (Carrigan, & Attalla, 2001; Uusitalo & Oksanen, 2004). Ethical consumption implies that consumers have an important role through their purchasing activities in promoting ethical corporate practices. Ethical consumerism also implies that the consumer considers not only individual but also social goals, ideals and values (Uusitalo & Oksanen, 2004). Ethical behaviour can also be affected by the nature of the product. For low involvement products (bath soaps) consumers are less ethically orientated.

Ethical Customer relations
- Ethical Quality
- Ethical Consumer Treatment
- Ethical consumer Communication

→

Financial Performance
- ROA

Figure 1: Conceptual Frame work

3.0 RESEARCH METHODOLOGY

The study used the causal research design. A causal design plays an instrumental role regarding identifying reasons behind a wide range of processes, as well as, assessing the impacts of changes in existing norms, processes (Olusola et al., 2013). The target population of this study was 64 companies listed in the Nairobi Securities Exchange (NSE) with consistency being evaluated between the years 2011 to 2015. The justification for the choice of NSE listed firms was that public firms have a duty of care to the public and hence ethical leadership is a major concern for these firms (Mweta, 2014). In addition, these firms have come to the spot light regarding poor ethical practices such as CMC holdings (Mweta, 2014). Senior managers were chosen to be the unit of analysis because these are the key personnel who have key information about the companies. The unit of analysis of this study was the top financial managers of the firms listed in the NSE.

The study used a census approach due to the small number of the listed companies in the NSE. The total number of firms that were used in the research was 64 firms in which each questionnaire was filled by either the Chief Finance Officer (CFO) or the Chief Executive Officer (CEO) from each of the 64 firms. Secondary data from the listed firms was collected on ROA. This secondary data was collected from the firms listed at the Nairobi Securities Exchange. Primary data was collected through semi-structured questionnaires. The questionnaire contained both the Likert scale and closed questions. The questionnaire was in form of a Likert scale. Simple regression analysis was conducted to establish the relationship between the ethical consumer relations and financial performance.

The regression model was as follows:

$$Y = \alpha + \beta X + \varepsilon$$

Where:

Y = Financial Performance (ROA)

α = Constant

β, = Regression coefficients of the independent variables

X=Ethical consumer relations

ε = Error term.

4.0 RESULTS AND DISCUSSIONS

It looked at ethical consumer relation practices. The variables of study under this objective were: firm endeavours to provide quality services to the customers; Firm's service delivery is timely; firm practices their customer relations policies; firm ensures that the demands of the consumers are met; firm promptly responded to customer feedback, and; the firm incorporated Corporate Social Responsibility in its consumer relations. Others were: The firm upheld building relationship-marketing; Customer satisfaction came before profitability and lastly; the firm's corporate strategy was focused on customer satisfaction.

4.1 Component Factor Loadings

The study sought to carry out factor analysis to describe variability among observed, correlated variables in terms of a potentially lower number of unobserved variables. Factor analysis was used in the study to remove redundancy or duplication from a set of correlated variables. The factor loadings for Ethical Customer Relation Practices were obtained in the study. Two components were loaded. In the first component, "*The firm practices their customer relations policies*" had the highest factor loading of 0.758 while "*The firm ensures that the demands of the consumers are met*" had the highest factor loading of 0.553 in the second component. The findings are shown in Table 1.

Table 1: Factor Loadings for ethical customer relation practices

	Component	
	1	**2**
The firm endeavors to provide quality services to the customers	.483	-.410
The firm's service delivery is timely	.688	-.028
The firm practices their customer relations policies	.758	-.008
The firm ensures that the demands of the consumers are met	.675	.553
The firm promptly respondents to customer feedback	.447	.530
The firm incorporates Corporate Social Responsibility in its consumer relations	.647	-.071
The firm upholds building relation-marketing	.678	-.488
Customer satisfaction comes before profitability	.695	.422
The firm corporate strategy is focused on customer satisfaction	.672	-.452

Extraction Method: Principal Component Analysis.

a. 2 components extracted.

4.2 Assumptions for Regression

4.2.1 Linearity Test

The study conducted linearity test to determine whether the relationship between ethical customer relation practices and financial performance was linear or not. Findings are as shown in Table 2. If the significant deviation from linearity is greater than 0.05, then the relationship between the independent variable is linearly dependent. If the significant deviation from linearity is less than

0.05, then the relationship between the independent variable and the dependent variable is not linear. According to the results, the significant deviation from linearity is 0.590 which is greater than 0.05 implying than there is a linear relationship between Ethical Customer Relationship Practices and Financial Performance.

Table 2: Linearity Test for ethical customer relation practices

<table>
<tr><th colspan="3"></th><th>Sum of Squares</th><th>df</th><th>Mean Square</th><th>F</th><th>Sig.</th></tr>
<tr><td rowspan="5">Financial Performance * Ethical Customer Relations Practices</td><td rowspan="3">Between Groups</td><td>(Combined)</td><td>10.474</td><td>3</td><td>3.491</td><td>.369</td><td>.776</td></tr>
<tr><td>Linearity</td><td>.381</td><td>1</td><td>.381</td><td>.040</td><td>.842</td></tr>
<tr><td>Deviation from Linearity</td><td>10.092</td><td>2</td><td>5.046</td><td>.533</td><td>.590</td></tr>
<tr><td colspan="2">Within Groups</td><td>492.507</td><td>52</td><td>9.471</td><td></td><td></td></tr>
<tr><td colspan="2">Total</td><td>502.980</td><td>55</td><td></td><td></td><td></td></tr>
</table>

4.2.2 Homoscedascity Test

The study also conducted homoscedascity test between ethical customer relation practices and financial performance of the firms. Ethical customer relation practices was the independent variable while financial performance was the dependent variable of the study. A scatter plot was derived to show homoscedascity in the study as shown in Figure 2.

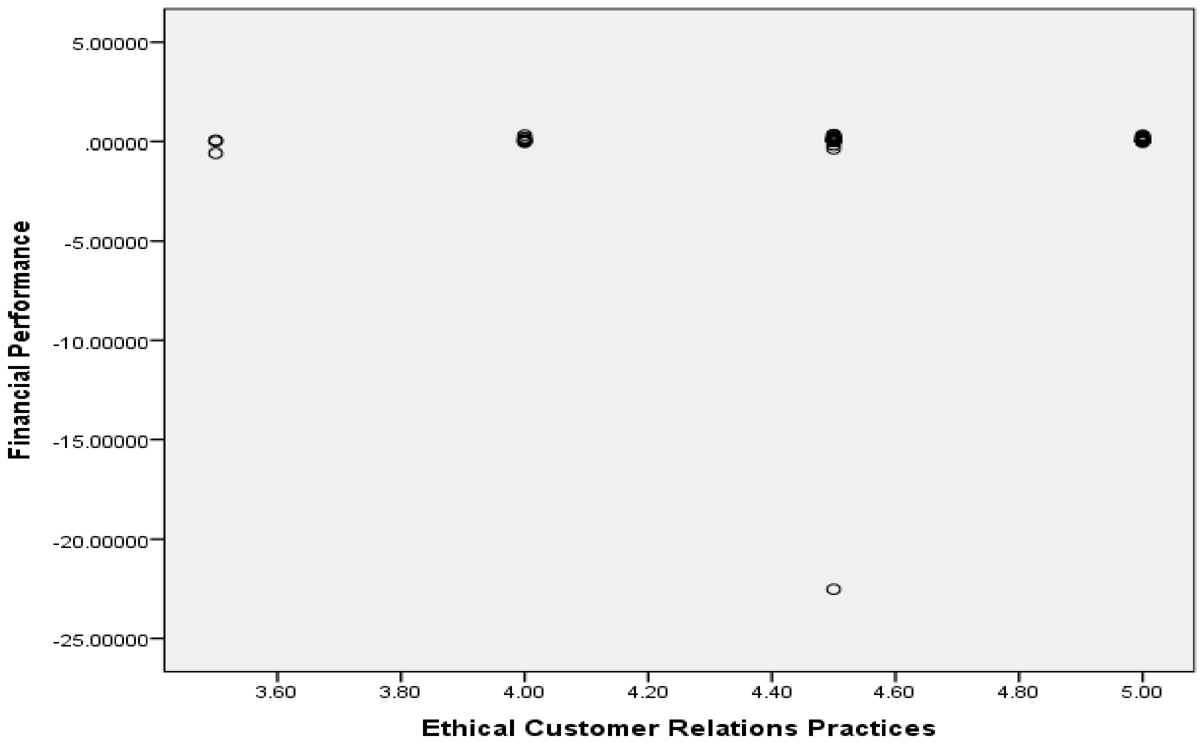

Figure 2: Homoscedasticity Test for Ethical customer relation practices

The violation of homoscedasticity is present when the size of the error term differs across values of an independent variable. Findings in Figure 2 show that the error term is the same across the values of ethical customer relationship practices (independent variable) and therefore homoscedasticity has not been violated in the study.

4.2.3 Normality Test

The study tested for normality of the data using the Shapiro-Wilk test. Normality test was done at 95% confidence interval for mean. If the p-value is less than 0.05, then the null hypothesis is rejected and there is evidence that the data tested are not from a normally distributed population. The results in the study shown in Table 3 indicate that the p value was 0.000 which implies that data tested is not from a normally distributed population.

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Table 3: Tests of Normality for Ethical customer relation practices

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	**Df**	**Sig.**	**Statistic**	**df**	**Sig.**
Ethical Customer Relations Practices	.261	56	.000	.823	56	.000

a. Lilliefors Significance Correction

4.2.4 Multicollinearity Test

Multicollinearity test was also done in the study to determine whether ethical customer relationship practices and financial performance were highly correlated, meaning that one can be linearly predicted from the other with a substantial degree of accuracy. Findings are as shown in Table 4.33. If the VIF value lies between 1 – 10, then there is no multicollinearity. If the VIF value is less than 1 or more than 10, then there is multicollinearity. As shown in Table 4, the VIF value was 7.989 which indicate that there were no multicollinearity issues in the study.

Table 4: Multicollinearity Test for Ethical customer relation practices

Model		Collinearity Statistics	
		Tolerance	**VIF**
1	(Constant)		
	Ethical customer relationship practices	5.784	7.989

a. Dependent Variable: Financial Performance

4.3 Principal Component Analysis

Principal component analysis was done for ethical customer relationship practices. KMO Test was used to measure of how suited the data was for Factor Analysis. KMO values close to zero imply that there are large partial correlations compared to the sum of correlations. The study found that KMO had a value of 0.741 and Bartlett's test, $x2(3, N = 57) = 163.210$, $p = .000$. This implies that sampling was adequate for ethical advertising practices in the study. Results are shown in Table 5.

Table 5: KMO and Bartlett's Test for Ethical customer relation practices

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.741
Bartlett's Test of Sphericity	Approx. Chi-Square	163.210
	df	3
	Sig.	.000

Communalities for Ethical Customer Relationship Practices were also sought in the study. The findings shown in Table 6indicate that "*The firm ensures that the demands of the consumers are met*" had the highest communality of 0.762 under ethical customer relationship practices whereas "*The firm endeavors to provide quality services to the customers*" had the lowest community value of 0.401.

Table 6: Communalities for Ethical Customer Relation Practices

	Initial	Extraction
The firm endeavors to provide quality services to the customers	1.000	.401
The firm's service delivery is timely	1.000	.475
The firm practices their customer relations policies	1.000	.575
The firm ensures that the demands of the consumers are met	1.000	.762
The firm promptly respondents to customer feedback	1.000	.481
The firm incorporates corporate social responsibility in its consumer relations	1.000	.423
The firm upholds building relation-marketing	1.000	.697
Customer satisfaction comes before profitability	1.000	.661
The firm corporate strategy is focused on customer satisfaction	1.000	.657

Extraction Method: Principal Component Analysis.

The study findings shown in Table 7 give the Eigen values for the factors under ethical customer relationship practices. According to the findings, the first factor accounts for 41.658% of the variance while the second factor accounts for 15.354% of the variance. All the remaining factors were found to be not significant hence were dropped.

Table 7: Total Variance Explained for Ethical customer relation practices

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.749	41.658	41.658	3.749	41.658	41.658
2	1.382	15.354	57.012	1.382	15.354	57.012
3	.954	10.605	67.617			
4	.939	10.433	78.050			
5	.596	6.619	84.669			
6	.478	5.306	89.975			
7	.381	4.230	94.204			
8	.290	3.226	97.430			
9	.231	2.570	100.000			

Extraction Method: Principal Component Analysis.

Based on the Eigen values, a scree plot was obtained as shown in Figure 3. The scree plot indicates that 2 factors had Eigen values greater than 1.

Figure 3: Scree Plot for Ethical customer relation practices

4.4 Descriptive Statistics for Ethical Customer Relations Practices

The study sought to determine the descriptive statistics for ethical customer relationship practices using means, standard deviations, skewness and coefficient of variation. Findings are as shown in Table 8. A Likert scale data was collected rating the views in a scale of 1 to 5 where 1 represents not at all whereas 5 represent always. The results from the collected responses were analyzed based on means and their standard deviations to show the variability of the individual responses from the overall mean of the responses per each aspect. The mean results are therefore given on a scale interval where a mean value of up to 1 is an indication of no influence at all; 1.1 – 2.0 is rarely; 2.1 – 3.0 is sometimes, 3.1 – 4.0 is a fairly often and a mean value of 4.1 and above is an indication of always.

Table 8: Descriptive results for Ethical customer relations practices

	N	Mean	Std. Deviation	Variance	Skewness	
	Statistic	**Statistic**	**Statistic**	**Statistic**	**Statistic**	**Std. Error**
The firm endeavors to provide quality services to the customers	56	4.84	.371	.137	-1.899	.319
The firm's service delivery is timely	56	4.25	.640	.409	-.270	.319

According to the findings, firms always endeavored to provide quality services to the customers (*M* = 4.84, *SD* = 0.371). The standard deviation which is less than 1 show that the responses given did not vary significantly from the mean value and therefore changing the population units studied would not alter significantly the current results. Also, the firm's service delivery was timely (*M* = 4.25, *SD* = 0.640). The standard deviation was less than 1 implying that the responses given did not vary significantly from the mean value.

4.5 Correlation Analysis Results

The study sought to establish correlation between financial performance and each of the ethical customer relationship practices components. Financial performance was the dependent variable of the study. The correlation test was conducted at the 5% level of significance with a 2-tailed test. Thus, the significance critical value is 0.025 above which the association is deemed to be insignificant and vice versa. The strength of the correlation is measured based on the Pearson correlation scale. The correlation coefficient ranges from -1.0 to +1.0 and the closer the coefficient is to +1 or -1, the more closely the two variables are related.

The findings illustrated in Table 9 show that, the components under Ethical Customer Relationship Practices had a positive and significant relationship with Financial Performance. The correlation coefficient for '*the firm endeavors to provide quality services to the customers*' is 0.845 with a significance value of 0.006 which is less than 0.025 at the 5% level. '*The firm endeavors to provide quality services to the customers*' has a correlation coefficient of 0.762 with significance value of 0.001 which is also less than 0.025 at the 5% level.

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Table 9: Correlation between Ethical Customer Relation Practices components and Financial Performance

		Financial Performance
Financial Performance	Pearson Correlation	1
	Sig. (2-tailed)	
	N	57
The firm endeavors to provide quality services to the customers	Pearson Correlation	.845
	Sig. (2-tailed)	.005
	N	56
The firm's service delivery is timely	Pearson Correlation	.762
	Sig. (2-tailed)	.001
	N	56

The study further conducted the correlation between ethical customer relationship practices and financial performance of the firms. The test was 2 tailed at 95% confidence level. The findings obtained show a strong and significant association between ethical advertising practices and financial performance, r (57) = .840, p< .018. Table 10 gives the results of the study.

Table 10: Correlation between Ethical Customer Relation Practices and Financial Performance

		Financial Performance	Ethical Customer Relations Practices
Financial Performance	Pearson Correlation	1	.840
	Sig. (2-tailed)		.018
	N	57	56
Ethical Customer Relations Practices	Pearson Correlation	.840	1
	Sig. (2-tailed)	.018	
	N	56	56

4.6 Hypothesis Testing

Hypothesis was tested in the study using regression analysis. The following hypothesis was tested;

$H_{0:}$ Ethical customer relation practice does not have a significant influence on the financial performance of listed firms in NSE.

The study conducted regression analysis to determine the effect of customer relationship practices on the financial performance of the firms listed in Nairobi Securities Exchange (NSE). The regression was carried out at 0.05 level of significance. Results in Table 11 indicate the regression model summary showing the extent to which ethical customer relationship practices influence financial performance. Based on the coefficients, the predictor variable (Ethical Customer Relationship Practices) explains 76.1% of the variation in Financial Performance of listed firms by NSE. This is as represented by the R^2 coefficient of 0.761. This therefore reveals that other factors not studied in this research contribute to 23.9% of the variability in the financial performance of firms listed by NSE.

Table 11: Model Summary for Ethical customer relation practices

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.828[a]	.761	.718	.05080114

a. Predictors: (Constant), Ethical Customer Relations Practices

From Table 12, the significance value in testing the reliability of the model for the relationship between ethical customer relationship practices and financial performance was obtained as 0.000 which is less than 0.05 the critical value at 95% significance level. Therefore the model is statistically significant in predicting the relationship between ethical customer relationship practices and financial performance in the listed firms by NSE. The model was significant for the relationship as given by the regression coefficients F = 6.041, p = .000. The study therefore concludes that ethical customer relation practices have a significant influence on the financial performance of listed firms in the Nairobi Securities Exchange (NSE).

Table 12: ANOVA Table for Ethical customer relation practices

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.381	1	.381	6.041	.000[b]
	Residual	502.599	54	9.307		
	Total	502.980	55			

a. Dependent Variable: Financial Performance
b. Predictors: (Constant), Ethical Customer Relations Practices

The estimates of the regression coefficients, t-statistics and the p-values for the relationship between ethical advertising practices and financial performance are as shown in Table 13. These coefficients answer the regression model relating the dependent and the independent variable.

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Table 13: Coefficients Table for Ethical customer relation practices

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.230	4.484		2.274	.005		
	Ethical Customer Relation Practice	.199	.983	.028	3.202	.000	5.784	7.989

a. Dependent Variable: Financial Performance

The findings imply that for every unit increase in ethical customer relationship practices, financial performance increases by Kshs. 0.199. This is a significant and positive influence of ethical customer relationship practices on financial performance.

5.0 DISCUSSION CONCLUSIONS AND RECOMMENDATIONS

5.1 Findings

The findings of the study agree with the findings of Aguilera *et al* (2007) who determined that when firms demonstrate customer realtion practices, they demonstrate fairness to key stakeholders. By this, they raise customer satisfaction, which is one of the most essential goals of firms and is an important aspect in business strategy. Other scholars supporting the present findings include Homburg *et al*. (2005) and Fornel *et al*. (2006) who determined that financial performance of firms are influenced by ethical customer relations positively through good relationship with their customers.

The findings of the study also agree with the findings of Schultz and Good (2000) who determined that consumers are essentially customers, whose satisfaction and delight are pegged on longevity and profitability. Their satisfaction is also a substantial issue in relationship marketing. Further, Schultz and Good (2000) added that positive relationship between salespeople and their customers resulted into organizational success. In addition, Keiningham *et al.* (2005) found out that there is a significant affiliation between customer satisfaction, purchase intentions, and consequently financial performance.

Other studies such as Kotler and Keller (2009) agree with the present study. Kotler and Keller (2009) revealed that marketing is geared to matching service promise to customer needs, essentially to increase customer loyalty. Such a relationship is an index for consumer satisfaction, of which Armstrong and Kotler (2009) added that maintenance of solid relationship marketing strategy is beneficial in enhancing customer loyalty and subsequently financial performance of organizations.

5.2 Conclusions

Consumers have been characterized as the lifeblood of any business. The relationship between quality customer service and loyalty has been observed by a number of researchers, who insist on the quality of customer service as that which is not just reliable but also ethical. Ethical customer satisfaction and loyalty are positively correlated as have been determined by this research. It is also possible that firms can fulfill their customers' demands while remaining ethical themselves. Well serviced customers are likely to remain part and parcel of a business. In other words, it suffices to say that ethical customer service, in the long run, brings about good financial returns that enables an organization to flourish.

The relationship between satisfaction and loyalty is required to be reliant on ethical foundations and not just the nature of the item and services involved. The study determined that ethical customer relation practices had a significant influence on Financial Performance of listed firms in NSE. In addition, ethical customer relation practices had a strong correlation with financial performance, significantly influenced financial performance and had a significant value with Financial Performance. The study therefore concluded that firms always endeavored to provide quality services to the customers and that the firm's service delivery was timely.

5.3 Recommendations

The study determined that financial performance is high when firms endeavored to provide quality services to the customers and when the services delivery was on time. The study therefore recommends that firms should always endeavor to provide quality services to the customers and to ensure that service delivery is done within the required time.

5.4 Suggestions for Further Studies

This study was only conducted in the listed firms by NSE in Kenya. This limited the study to one the listed firms. The study also only measured the viewpoints of top managers only; therefore, the views of other employees were not taken into account. The researcher recommends that other studies be conducted on the ethical leadership aspects and financial performance in listed firms using the views of the junior employees in the firms. Other researchers could carry out a similar research in other firms other than the listed firms studied in this research and the results be compared so as to establish whether there is consistency among the firms. Other researchers could also introduce moderating variables such as size of the firm, which the present study did not cover.

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