

# Business Ethics Needed For an Effective Entrepreneurship Practice As Perceived By Business Educators in Rivers State

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**Abstract:** - For achieving self-reliance, self-employment, wealth and job creation through entrepreneurship, ethical issues should be seriously taught and imbibed among business owners. This study was conducted in Rivers State to determine the business ethics needed for an effective entrepreneurship practice as perceived by business educators. Survey research design was adopted in this study. The population of the study consisted of 690 managers of small and medium enterprises and a sample size of 230 respondents was randomly chosen. Two research questions and two null hypotheses guided the study. A structured questionnaire was used for data collection. The instrument was validated by two experts from the field of measurement and evaluation and business education. Cronbach alpha reliability test was used to determine internal consistency of the instrument and reliability coefficient value of 0.87 was obtained. Mean and standard deviation were used in analyzing data related to the research questions and z-test was to test null hypotheses at .05 level of significance. Based on the findings, it was concluded that business ethics enable entrepreneurs to maintain high ethical standard by creating a company credo, develop a code of conduct, being fairly and consistence in course of carrying out daily business activities.

**Keywords:** - Business ethics, effective, entrepreneurship needed and practice.

## Introduction

Some businesses whether big or small thrive and some fail even few months after opening. Factors responsible may be far from lack of solid capital base but standards of dealing in a society where children are getting wiser than adults. The rights of buyers/consumers so developed and made known, make fair deal imperative for any set up to be sustained and ran from one generation to another. The present day unemployment experience has shows that graduates need skills to create jobs rather than skills to fill existing vacancies (Agbionu, 2010). The author further stated that the bane of Nigeria' education system is that it produces mainly those looking for non-existent jobs, rather than those that can create jobs. This shows that there is a great need for inculcating entrepreneurship potentials into learners for preparing them for job and wealth creation as well as for self-sufficiency.

Entrepreneurship is the process of creating something new with value by devoting the necessary time and effort, assuming the accompanying

Financial psychic and social risks and receiving the resulting rewards of monetary and personal satisfaction and independence (Anaehobi, 2010). Entrepreneurship is developed by entrepreneurs who are men and women of action, who are courageous, alert and sensitive to environment and possess ability to create visions concerning the business environment (Nzelibe, 1996). One will then say that entrepreneurship is the driving force behind any business. It creates and combines other factor inputs in production to enable the achievement of profitability in any effort.

Small and Medium Enterprises (SMEs) are increasingly recognized as important drivers of socio-economic development all over the world (Kazungu, Ndiege Mehopa, & Moshi, 2014). Employees are the internal stakeholders of these firms and ethical practices towards them are of primary concern if the long term sustainability is to be aimed at. It is a universal truth that a satisfied and motivated work force is the primary step towards

long term success in business. It is our contention that ethical practices towards the employees can want job satisfaction and enhanced motivation levels which will eventually lead to better profitability.

Caldwell, Harland, Powell and Zheng, (2013) noted that in order for SMEs to succeed, they will require various forms of support from various parties including support in cultivating their entrepreneurial and business leadership skills of which business ethics forms an integral part, in support of cultivating an ethical practice supportive of entrepreneurial business, Gawaxab in Black (2013) alluded to the fact that entrepreneurship seems to have become synonymous with unethical and corrupt business practices in the collective Nigerian mindset. There is, therefore, a need for Nigerian based research in the area of business ethics and entrepreneurship with a view to create a supportive environment for SMEs which would boost the Nigerian GDP.

Business activity is undertaken by persons of various ages, education, and social or professional backgrounds. Therefore, their hierarchy of values is different; they represent various ethical standards (Marcin, Wojciech & Katazyna, 2015). Business ethics is the system of laws and guidelines by which business professionals and corporations operate in a fair, legal and moral fashion. Business ethics involves the moral values and behavioral standards that business people draw on as they make decisions and solve problems. It originates in a commitment to do what is right. Ethical behavior-doing what is "right" as opposed to what is "wrong" - starts at the top of an organization with the entrepreneur. In view of this, Mariotti (2010) stated that ethical business values such as honesty, fairness, mutual respect and kindness benefit entrepreneurs in building trust and developing substantial employee loyalty to the firm and to the entrepreneur. The author inferred that in a small enterprise the owner-manager who abides by a code of ethics allows the benefits derived by such to contribute to business performance.

The ethics of entrepreneurs and small business in general is especially important due to the unique role of the entrepreneur in organizations. Entrepreneurs are the core of their organizations. They exert strong

influence on the behavior of the company and its personnel (Dollinger 2003). An entrepreneur is one who organizes, manages and assumes the risks and reaps the benefit of starting a new entrepreneurial venture, is a role model in a Society who creates something new, something different, it, always "searching for change, responding to it, and exploiting it" (Baron, 2007). The reputation of entrepreneurs from developed countries in the European Union (EU), rest of Europe and USA is remarkable. In America for instance, entrepreneurial are respected for their role in creating new jobs, providing new competition to existing businesses, improving product quality, reducing prices. Introducing new goods and services through innovation and technology advancement. Today's business environment is characterized by increased scrutiny regarding ethical practices. The infamous collapses of large corporations like ENRON, Tyco, World corn have compelled enterprises worldwide, to reckon with the ethical dimension of business on a much more stringent basis. Irrespective of their size, business enterprises can no longer afford to ignore business ethics. It is noteworthy that the small and medium sized businesses which have been playing a dominant role in the business domain since the last few decades, have remained outside the floodlights of review as regards the issues of business ethics and corporate social responsibility (Dutta & Banerjee. 2011). Ethical studies on business are gradually broadening their scope to extend beyond large enterprises, to encompass the small entrepreneurs, the real challenge for many smaller enterprises in the new millennium is to navigate their businesses within the complexity of an increasingly global marketplace in an ethical manner so as to ensure their sustainable existence. In order to establish one's Competitive advantage in the global arena, it is becoming imperative for these small businesses to imbibe ethical practices in their work processes and accept responsibility for their impact on their various stakeholders especially the employees.

The issue of entrepreneur ethics is extremely important, chiefly because it is entrepreneurs who form the managerial staff in SMEs and, as such, who manage people / employees, finances, and

relationships between the remaining stakeholders. The entrepreneurs are the ones forming the so called small business; they have a major influence over the reputation of SMEs and profession of the entrepreneurs, and they shape the working comfort of the people employed in such businesses. Entrepreneurs in every decision they make, every policy they write, and every action they take (Marcine, Wojceich & Katarzyna, 2015). Entrepreneurs who succeed in the long term have a solid practice in ways that others can observe. Values-based leaders do more than merely follow rules and regulations; their consciences dictate that they do what is right.

Business operate as an institution in the often complex and ever-evolving society. As such, every entrepreneur is expected to behave in ways that are compatible with the values system of society. It is society that imposes the rules of conduct for all business owners in the form of ethical standards of behavior and responsibilities to act in ways that benefit the long-term interest of all (Mariotti, 2010). Society expects business owners to strive to earn a profit on their investments. Ethics and social responsibility simply set behavioral boundaries for decision makers. Ethics is a branch of philosophy that studies and creates theories about 'the basic nature of right and wrong, duty, obligation, and virtue. Managers set the tone of every organization. A small business manager can maintain high ethical standards in the following ways; create a company credo, develop a code of ethics, enforce the code fairly and consistently, hire the right conduct ethical training. perform periodic ethical audits, establish high standards of behavior, not just rules, set an impeccable ethical example at all times, create a culture emphasizing two-way communication and involve employees in establishing ethical standards (Marcin, Wejciech & Katarzyna, 2015). When ethical guidelines are followed trust develops between workers and management, as well as haven the public and the corporation. Thus, business ethics lead to a more productive workplace. Social responsibility of business involves how an organization responds to the needs of the many elements in society, including shareholders, lenders

employees, consumers, governmental agencies, and the environment (Adrain, Credo & Phelps, 2014). Because business is allowed to operate in society, it has an obligation to behave in ways that benefit all of society. Ethical conduct toward clients demands that the entrepreneur accepts personal responsibility for meeting the clients' expectations. All this is what guarantees repeat patronage. The entrepreneur, must also measure success not only by the progress of each business toward minimizing profit, but as a citizen of the greater community must also seek to uphold the common good because it is the community that provides the enabling commercial and economic environment that ensures that the business thrives.

Entrepreneurs today encounter uniquely challenging ethical problems. According to Brenkert (2011), entrepreneurial organizations face unique challenges; depending on the industry settling and the specific nature of the business, new ventures often experience constant change and limited financial resources. These pressures can have a profound effect upon ethical decision-making processes. Resulting in ethical situations for entrepreneurs that are fraught with ambiguity. In such conditions. Scarcity of resources as well as other sources of personal strain can impact the ethical standards of entrepreneurs. In addition, specific ethical dilemmas that are especially salient to entrepreneurs can arise with respect to the division of profits within the organization, high' risk associated with newness, and the tradeoff between impression management, legitimation and honesty (Adewole, 2015). Furthermore, entrepreneurs tend to face ethical dilemmas involving their own values, organizational culture, employee well-being customer satisfaction, and external accountability (Volkman & Berg, 2012). Today's economic environment thrust the entrepreneurs into a survival mentality. Business ethics stand as a vital bridge between entrepreneurship and economics. Business ethics do not stand as the primary pillar of the house (firm); it will fall under the weight of corruption. Which pervades most nations.

## **Statement of the Problem**

There has been an explosion of new interest in entrepreneurs and their activities. Yet, only recently, serious research attention is known to have been devoted in some developed countries to the ethical problems encountered by entrepreneurs and their organizations. Entrepreneurs face uniquely complex moral problems related to basic fairness, personnel and relationships. Distribution dilemmas and other challenges that need to be addressed by all concerned through appropriate legal frame work and social order. Entrepreneurs today encounter uniquely challenging ethical problems. They typically operate in stressful business: environments and they often struggle to find time and perspective for focused ethical reflections. Entrepreneurs make choice and take actions that affect many, usually without the moral guidance available in established organizations. Their decisions can strengthen or seriously weaken a firm's future business viability. Therefore, business ethics are internally self-imposed limitations for entrepreneurial success hence the need for this study.

## **Purpose of the Study**

The main purpose of the study was to determine the business ethics needed for successful entrepreneurship in small and medium scale enterprises in Rivers State. Specifically, the study sought to determine:

1. Business ethics need by entrepreneurs for successful entrepreneurship in Rivers State.
2. Challenges encountered by entrepreneurs in adopting business ethics for successful entrepreneurship in Rivers State.

## **Research Questions**

The following research questions guided the study:

1. What are the business ethics required by entrepreneurs for successful entrepreneurship in Rivers State?
2. What are the challenges encountered by entrepreneurs in adopting business ethics for effective entrepreneurship in Rivers State?

## **Hypotheses**

The following hypotheses were tested at .05 level of significance:

1. There is no significant difference in the mean ratings of managers of small and medium scale enterprises in Rivers State on the aspects of business ethics required of them for successful entrepreneurship.
2. Managers of small and medium scale enterprises in State do not differ significantly in their mean ratings on the challenges encountered in adopting business ethics for successful entrepreneurship.

## **Method**

Survey design was adopted for the study. The researchers considered this design appreciate for this study since it intended to collect data from managers of SMEs in Rivers State. The population of the study consisted of 690 small and medium scale managers in the three senatorial zones of Rivers State. The sample of this study comprised 230 managers were selected through randomization from each stratum. Instrument for data collection was a structured questionnaires. The instrument was validated by i.ile experts in business education. Their comments enhanced the content validity of the instrument. Test re-test method was used to establish the reliability of the instrument, and the Pearson Product Moment Correlation Coefficient was used to test the reliability of the instrument. The analysis yielded a co-efficient of 0.89 indicating that the instrument was reliable for the study. The questionnaire was structured on a five-point rating scale with response categories as: Strongly Agreed, Agreed, and Undecided, Disagree, and Strongly Disagree. The administration of the instrument was carried out personally by the researchers with the aid of research assistants. All copies of the questionnaire distributed were retrieved, which indicated 100% return rate.

Data collected regarding the research questions were analyzed using mean and standard deviation while the z-test was used to test null hypotheses at .05 level. In order to determine the business ethics managers of SMEs, a decision rule based on a mean rating

between 4.50 -5.00 was adopted by SMEs managers to a strongly agreed, an item with mean rating of 3.50-4.49 was required at an agreed and an item with 2.50-3.49 was needed at an undecided. Furthermore, an item with mean rating of 1.50-2.49 and 0.50-1.49 was required by SMEs managers to disagree and strongly disagree respectively. In testing the hypotheses, a null hypothesis was accepted where the calculated a value is less than the critical value of z, it means that there is no significant difference and

the hypothesis would not be rejected. Conversely, where the calculated z value is equal to or greater than the critical value, it means that there is significant difference and the hypothesis would be rejected.

**Results**

Research Question 1: What are the business ethics required by entrepreneurs for successful entrepreneurship in Rivers State?

**Table 1:** Mean ratings on the business ethics needed by entrepreneurs for successful entrepreneurship in Rivers State. N=230

S/No	Items relating to Business Ethics include:	<u>X</u>	SD	Decision
1	Provision of safe working environment	3.58	91	Agreed
2	Payment of fair wages	3.59	89	Agreed
3	Fair treatment of workers	4.06	56	Agreed
4	Use of defensive instead of destructive competitive strategy	3.89	72	Agreed
5	Promotion of fair and favourable business climate	3.75	87	Agreed
6	Quality services at reasonable prices	4.04	64	Agreed
7	Respect for consumer’s right of choice	3.69	96	Agreed
8	Avoidance of activities that many undermine the consumer	3.89	70	Agreed
9	Disseminate timely information on business state of affairs	3.5	1.17	Agreed
10	Fair treatment to all categories of shareholders	3.91	84	Agreed
11	Payment of taxes/levies	3.90	72	Agreed
12	Provides basic needs of the society	4.09	69	Agreed
13	Supports government activities	4.12	68	Agreed
	<b>Grand mean/standard deviation</b>	<b>3.84</b>	<b>79</b>	<b>Agreed</b>

As indicated by the grand man of 3.84 in Table 1, business ethics are needed by managers of SMEs in Rivers State to an agreed level. The item by item mean shows that all the items in the mean ranging from 3.5 to 4.12 are required. The highest variation 1.17 amongst responses was observed in item 9. There was homogeneity in other items amongst managers of small and medium scale responses.

Ho1: There is no significant difference in the mean ratings of managers of small and medium scale enterprises in Rivers State on the aspects of business ethics required of them for successful entrepreneurship.

**Table 2:** Z-test analysis of the mean ratings of managers of small and medium scale enterprises in Rivers State on the business ethics needed by them for a successful entrepreneurship.

Group	N	<u>X</u>	SD	Df	z-cal	z-crit	Decision
Small scale managers	148	3.29	41	230	-3.53	1.96.05	Significant
Medium scale managers	84	3.48	56				

As shown in Table 3 the difference in the mean ratings of small and medium scale SMIs managers on

business ethics needed for successful entrepreneurship was significant. This was shown by

the z-cal value o -3.53 which was greater than the critical value of 1.96 at .05 level of significance. Therefore the null hypothesis of no significant difference between the two groups was rejected.

**Research Question 2:** What are the challenges encountered by entrepreneurs in adopting business ethics Tor successful entrepreneurship?

**Table 3:** Mean responses of respondents on the challenges encountered by entrepreneurs in adopting business ethics for successful entrepreneurship. N = 230

S/No	Items relating to challenges of Business Ethics include:	- X	SD	Decision
1	Lifestyle challenges	4.23	0.73	Agreed
2	Intercultural differences	3.91	0.86	Agreed
3	Differing expectation on leadership style	4.06	0.78	Agreed
4	Employee treatment	4.13	0.83	Agreed
5	Scarcity of resources	4.71	0.87	Agreed
6	Limited financial resources	3.89	0.91	Agreed
7	Division of profits within the organization	3.89	0.91	Agreed
8	Customer satisfaction	3.75	0.84	Agreed
9	Constant change by new ventures	4.02	0.84	Agreed
10	High risk associated with newness	3.76	0.90	Agreed
	<b>Grand mean / standard deviation</b>	<b>3.68</b>		<b>Agreed</b>

Result in Table 2 shows that all the respondents used for the study agreed with these items as challenges of adopting business ethics by SMEs managers in Rivers State. The grand mean revealed that respondents accepted all the items as challenges of adopting business ethics to agreed level with a mean score of 3.68.

Ho2: Managers of small and medium scale enterprises in Rivers State do not differ significant in their mean ratings on the challenges encountered in adopting business ethics for successful entrepreneurship.

**Table 4:** Z-test comparison of the mean ratings of managers of small and medium scale enterprises in Rivers State on the challenges encountered in adopting business ethics for successful entrepreneurship.

Group	N	-X	SD	Df	z-cal	z-crit	Decision
Small Managers	148	2.82	41	230	1.38	1.96.05	NS
Medium Managers	84	2.84	17				

Result Table 4 shows that the z-calculated of 1.38 is less than the z-critical value of 1.96 at 693 degree of freedom at 0.05 level of significance. Since the z-calculated value is less than the z-critical value, the null hypothesis is accepted. This implies, therefore, that there is no significant difference in the mean responses of on the challenges of adopting business ethics by managers of SMEs in Rivers State. The null hypothesis was therefore, accepted while the alternate hypothesis was not retained.

**Discussion**

The result of the analysis showed that all the aspects of business ethics listed ere agreed to be required by managers of SMEs for suxessful entrepreneurship in Rivers State of Nigeria. Business ethics has definitely promoted increasing decision making competencies in entrepreneurship. The findings of this study tallied with the findings Adrain, Credo and Phelps (2014) that social responsibility of business involves how an organization responds to the needs

of the many elements in society, including shareholders, lenders, employees, consumers, governmental agencies, and the environment. Further, the result of the first hypothesis revealed that there was significant difference in the mean responses of respondents on the business ethics required by managers of SMEs in Rivers State for successful entrepreneurship.

The result of the second research question showed that the challenges in adopting business ethics by managers of SMEs included that these pressures can have a profound effect upon ethical decision-making processes, resulting in ethical situations for entrepreneurs that are fraught with ambiguity. In such condition. Scarcity of resources -. As well as other sources of personal strain can impact the ethical staid.rds of entrepreneurs in developing countries. The findings this study agreed with the findings of Brenkert (2009) that entrepreneurial organization face unique challenges depending on (lie industry setting and the specific nature of the business. Finally, the test of the second hypothesis revealed that there was no significant difference in the mean responses of respondents on the challenges in adopting business ethics by managers of SMEs to: effective entrepreneurship in Rivers State.

### **Conclusion**

Based on the findings of the study, it is concluded that aspect of business ethics are required by managers of SMEs in their business for successful entrepreneurship in Rivers State. Furthermore, business ethics enable entrepreneurs to maintain high ethical standards in the following ways: create a company credo, develop a code of ethics, enforce the code fairly and consistently, hire the right people, conduct ethical training, perform periodic ethical audits, establish high standards of behavior, not just rules, set an impeccable ethical example at all times, create a culture emphasizing two-way communication and involve employees in establishing ethical standards. Despite this entrepreneurs tend to face ethical dilemmas which affect their decision making in entrepreneurial activities.

### **Recommendations**

Based on the findings and conclusion of the study, the following recommendations were made:

1. Practitioners in government and stakeholders that have an interest in SME growth should be able to enhance performance through increased provision of training courses and educational opportunities. This will help in stimulating SME performance, contribute to employment creation and are direct attack on poverty.
2. Small and medium scale enterprises should work very hard in order to satisfy and sustain expectations of broad spectrum of stakeholders which include consumers, suppliers, government, environment, society, labor/workforce and shareholders. By so doing, enterprises shall be assured of continuous growth and development.
3. There are needs to lay greater emphasis on adequate understanding and implementations of ethical business practices by Nigerian business because ethical business practices enjoin enterprises to understand their expected roles in relation to business stakeholders.

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