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**EMPIRICAL REFLECTION ON BUSINESS ETHICS AND  
ENTREPRENEURIAL SUCCESS IN SMEs IN RIVERS STATE, NIGERIA**

**Agwor, Thankgod Chikordi (PhD)**

Department of Accountancy

Faculty of Management Sciences

Rivers State University, Port Harcourt, Rivers State, Nigeria

&

**Osho, Adesina Aseez**

Department of Management

Faculty of Management Sciences

Rivers State University, Port Harcourt, Rivers State Nigeria

**ABSTRACT**

The study examined the relationship between business ethics and entrepreneurial successes. A cross-sectional survey research design was adopted sampling 95 small business owners within five university campuses in Rivers state. Nine hypotheses was tested and the results shows a significant relationship between the dimensions of business ethics (social responsibility, adherence to best practice and consumer protection) and the measures of entrepreneurial success ( wealth creation, survival and competitiveness). The study therefore, concludes that there is a strong positive relationship between business ethics and success of entrepreneurship. Consequently, the researchers recommend that entrepreneurial organizations should put more effort on social responsibility in order to achieve competitive advantages.

**Key Words:** Ethics, Business Ethics, Entrepreneur, Entrepreneurship, social responsibility, wealth creation, consumer protection, competitiveness, survival.

## Introduction

Our contemporary society is replete with instances of serious moral values such as personal gains, individual values in conflict with organizational goals, entrepreneur values and attitudinal competitive pressure, indiscipline, avarice and insatiable greed for wealth.

Both ethical and unethical behaviors in organizations are relevant social issues of contemporary business world, that have incensed the Nigerian stake holders as they witness a deliberate and flagrant violation of ethics in business by both entrepreneur and other professional managers who oversee business affairs for their employers. This action depicts an erosion of integrity of business community, an abuse of trust, confidence and honesty, consequently weakening business activities in our social fabrics, leaving tension between ethics and entrepreneurial success

Nwachukwu et al (1998) have consistently told us that firms and entrepreneurs must act “Responsibly” by which is meant in part they must act ethically and that good ethics is good business. According to Weiner in Baridam (1995), ethics involves inquiry into moral judgments, people make as the rules and principles upon which such judgments are based. It pertains to precept of right and wrong that the society views as guides, regarding what ought to be done in certain circumstances while business is a purposeful activity concerned with the provision of good and services which distributed through a social system of exchange.

Obviously, the specific ethical standards for which the public holds entrepreneurs and their firms responsible have changed considerably in recent years. It has tilted upward from generation to generation, while it is clear that such concern is not new in Nigeria it has generated a genuine attempt to examine the issue despite all the clarion call for decency, integrity and elimination of advance fee fraud commonly known as 419 by former Presidents.

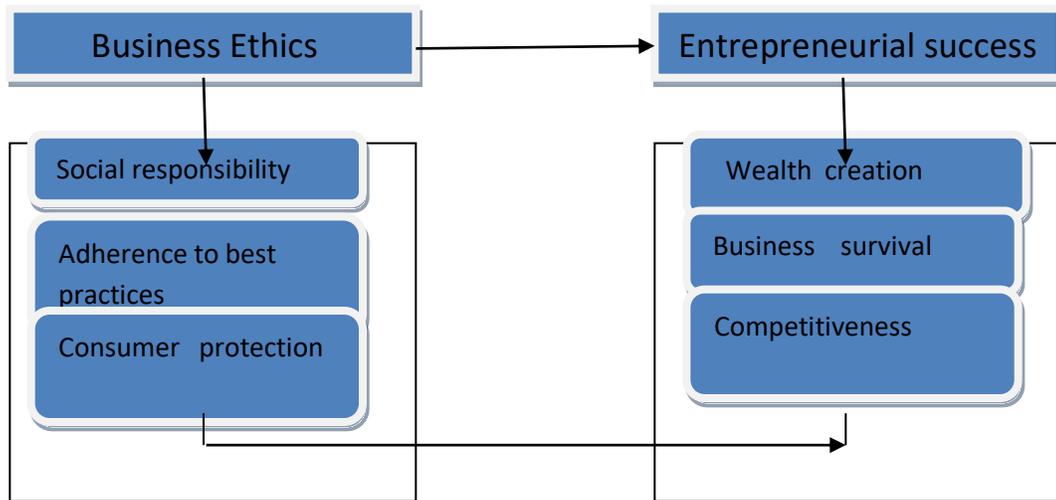
At this juncture one can elect to ask why the incessant unethical business practice by entrepreneurs or organization in the performance of their business operations? Could it be as a result of poor law enforcement, unclear guideline, principles, diverse decision areas or lack of congruence between business ethics and entrepreneurial success. This study shall explore the silent possibility by examining business ethics and entrepreneurial success using business owners in the non-formal sector of the university campuses in Rivers State.

Presumably, it is important to undertake investigation on the following key issues;

1. Some of the fundamental issues underlying the ethical dilemma in management, seeking explanation and solution through model which integrated the concept of cognitive moral development, decision making schema, value congruence and corporate decision structure.
2. Difference in attitude and distinctive ethical orientation among entrepreneurs.

3. Uncover the implicit moral standard on which entrepreneur moral judgement are based.

The effectiveness of entrepreneurs especially in our contemporary society of today globalization of business is dependent on the standardization, codification and universalisation of ethical norms of business. In spite of all the standardization and principles unethical business practices still persists. The question is can the entrepreneur succeed outside being unethical? To what extent can he achieve his goal being ethical? The study x-rayed the entrepreneurial success in relation to business ethics.



**Fig 1.1 Conceptual Foundation**

Source;- researcher's desk, 2017

We hypothesize thus;-

**H<sub>01</sub>**-; there is no significant correlation between entrepreneurial social responsibility and wealth creation

**H<sub>02</sub>**-; there is no significant correlation between social responsibility and business survival

**H<sub>03</sub>**-; there is no significant correlation between social responsibility and competitiveness

**H<sub>04</sub>**-; there is no significant correlation between adherence to best practices and wealth creation

**H<sub>05</sub>**-; There is no significant correlation between adherence to best practices and business survival

**H<sub>06</sub>**-; there is no significant correlation between adherence to best practice and competitiveness

**H<sub>07</sub>**-; there is no significant correlation between consumer protection and wealth creation

**H<sub>08</sub>**-; there is no significant correlation between consumer protection and business survival

**H<sub>09</sub>**-; there is no significant correlation between consumer protection and competitiveness

## **Theoretical Background**

**Utilitarian Theory**- holds that plan and action should be evaluated by the consequences. This theory espouse making decision directed toward promoting the greater good for the greater number of people. It advocates that while considering alternative decision making or taking any action, one should choose the option providing the highest degree of satisfaction in those affected. This is sometimes referred to as the consequential principle because it focuses on the consequence of action not how such consequences are achieved. Other related theories include deontology theory and theory of distributive justice.

## **Empirical Review**

Muhammed & Umar (2008) presented a normative analysis of why Nigeria needs to observe the principles of the national ethics towards sustainable development. The contention of their paper is that part of the reason for the chronic failure of the country to make meaningful headway in the political and socio economic sphere of national life is that Nigerians completely disregard and frequently violates national ethical rules of conduct.

Yomere & Oghene (2008), examine the strategies and modalities for promoting ethical behaviour, values and standards and managing conduct in Nigeria . The paper examines the concept of sustainable development within the context of ethics and its militating factor in Nigeria with its attendants implication for business. The paper suggested a new ethical approach realizing that the establishment and effective implementation of ethical code in an inclusive and coordinated manner depends on a true political will.

Osiegbe (2008), investigated the level of unethical practices in the deposit money banks in Nigeria 1989-1999. The study findings revealed that fraudulent practices and forgeries made banks to be distressed during the period under study.

Similarly, Ezigbo (2008), investigated and presented the challenges in definition and enforcement of ethical principles. The study analyses prevailing code of ethics and enforcement of ethical principles. The study recommends that mass education campaign on the extent and cost of corruption and unethical behaviour , also enacting improving and effectively enforcing legal instrument, codes of conduct and regulating promoting ethics and accountability. The paper concludes that commitment at the highest political level is crucial prerequisites for any successful drive to curb and punish ethical violations.

Ogundele et al (2008), takes a critical look at the dimensions of ethics and enterepreneurship in Nigeria. The paper contends that ethical valued behavior is a necessary foundation for excellent performance for entrepreneurial organizations. The lack of ethics the paper argue can create

problem and undermine the growth of entrepreneurial organizations. It is contended that low level of or unethical behavior by stakeholder creates problems for indigenous entrepreneurial organizations in Nigeria, thus inhibiting performance. The conclusion is that all stakeholders involved in the entrepreneurship process in Nigeria should cultivate ethically valued behaviour.

Amah (2008), did an exploratory review of ethical behaviour decision making models in the organization. The major approaches to this study that are considered separately by past studies were identified. These include moral development model and ethical leadership model. The exploratory study suggest a combination of these approaches to develop a robust ethical decision making model. The study identified that contextual variable play very critical role in the model and are affected by the leadership ethical model. The study recommends that organization must have ethical leaders that are strong in moral personality and moral judgment so as to design , implement and enforce ethical codes effectively.

Okereke (2008), provided a statistical treatment of unethical practices in deposit money banks , proxy by fraud and the Nigeria economy proxy by GDP (1999-2005). Secondary data sourced from CBN and NDIC were used and analysis carried out using simple percentages , graphs, and simple regression model. It was found among others that a direct and significant relationship exist between fraud in deposit money banks and GDP. This calls for a preventive and curative dimensions involving a quartile approach of planned commitment major and minor stakeholders.

Abdulahi (2008), assessed the influence of unethical behavior on national development and whether gender does have significant impact on tendency for unethical behavior. The result suggest that the country's level of national development is significantly influenced by its level of ethical standard. The study also revealed that tendency for unethical conduct and practices is significantly influenced by gender and that men are more likely to behave unethically than women. Furthermore, the study established that measures so far taken by Nigerian government to fight unethical conduct and practices are inadequate and existing measure are not as effective as they should be.

Abioye (2008), discussed ethics and integrity of Nigeria organization from descriptive and empirical perspectives. Descriptively, it recognize some unethical practice in work environment , educational institution, marketing, human resources management, production and international business transaction. Empirically, the social responsibility and ethical practices of some selected small and medium enterprises were surveyed by means of self administered questionnaire. The result revealed the involvement of participating respondents in business ethics , consumers and community affair but least involvement in environmental management. A positive relation was found between social responsibility and performance.

It is sufficient from this point in view that there are limited studies investigating the relationship between business ethics and entrepreneurial success in existing literature. It is the identification of this knowledge gap , that makes this study becomes a necessity. Therefore, it is proposed that

there is no significant correlation between business ethics and entrepreneurial success in Rivers state of Nigeria

## Methodology

The study is a co relational study/ cross sectional. 95 identified entrepreneurs operating non-formal businesses within the campuses of 5 tertiary institutions in Rivers state were censured. They respond to all the items indicating the various proxies of business ethics (social responsibility, adherence to best practice, consumer protection) and the measures of entrepreneurial success( wealth creation, business survival, competitiveness). The items were measured on 5-point likert scale with 24 items. Pearson Product moment correlation analyses were adopted to test the stated hypotheses via the aid of SPSS version 20. The results of the analyses were presented in the table below, thereafter, followed by concise discussion of findings.

## Results

The study focused on owners of small and medium scale businesses operating in the tertiary institutions in Rivers State of Nigeria, otherwise referred to as entrepreneurs (Jaja, 2009). Demographic analysis indicated that there are more males (62%) than Females (38%) among the respondents. The tables below presents the descriptive statistics and correlation analyses result.

**Table 1.1. Sample Size, Mean Score and S. Deviation of the Variables**

s/no	Variables (Proxies and Surrogates)	N	Mean	S. Deviation
1	Social responsibility	95	3.807	0.692
2.	Adherence to best practice	95	3.838	0.549
3.	Consumer protection	95	3.659	0.624
4.	Wealth creation	95	3.725	0.757
5.	Business survival	95	4.348	0.715
6.	competitiveness	95	4.503	0.827

Source- spss output/ researcher's desk, 2017

**Table 1.2. Correlation coefficients between the proxies (dimensions) of business ethics and the measures of entrepreneurial success.**

	context	N	Wealth creation	Business survival	competitiveness
1.	Social responsibility	95	.511 **	.247**	.790**
2.	Adherence to best practice	95	.692**	.132**	.724**
3.	Consumer protection	95	.230**	.569**	.238**

\*\* correlation is significant @0.01 level (2-tailed)

Source; researcher's desk, 2017

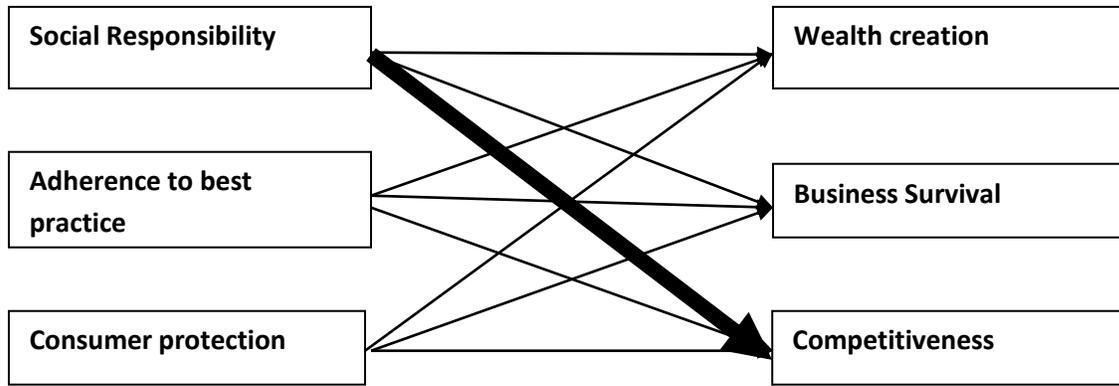


Fig 2 Heuristic model

Source; researcher's desk, 2017.

### Discussion of findings

The concept of business ethics and entrepreneurship has been explained in various perspective by different scholars and professional (Jaja, 2010; Oghor, 2008; Ogundele, 2008; Olajide, 2005; venkataraman 2010). The point of departure of this study is that the complex concept of business ethics was examined via its proxies; social responsibility; adherence to best practice; consumer protection. Entrepreneurial success was measured via ability for wealth creation (venkataraman, 2010), survival of the business at the long run and favorable competition. Ordinarily, profitability would have been expected to be part of the surrogates, venkantaramen (2008) debunked the argument.

Consequently, the study observed a very strong positive correlation between social responsibility and wealth creation. This finding is in line with the view of Kein (1998), which states that the essence of the social responsibility issue is the allocation of private resources and creation of wealth. The study equally observed a very low positive correlation between social responsibility and business survival. Business survival is very crucial at any period on the business life cycle. Maintaining a place in the competitive business environment becomes the responsibility of the owner/ entrepreneur. The implication of the finding is that for the entrepreneur to getting strongly involved in social responsibility does not necessarily dictates the extent of business survival. Various indicators of business survival were undecided upon by the respondents.

Furthermore, the correlation between social responsibility and competitiveness is a strong positive relationship. The relationship is equally statistically significant. This finding is strongly in support of the works of Mercus (1996) who stipulate that business ethics and economic competitiveness are strongly related. A further explanation of this findings is that entrepreneurs that identified their social responsibility role and keep to it are more likely to compete well in a dwindling economy and to equally compete favorably with competitors for scarce resources. For instance, workers from the host community will be more willing to work for the firm that

provides social amenities for the community than the one that does not provide such amenities. This means that in terms of competing for human resources, social responsibility inclined firm will get it faster than a non-social responsibility inclined firm.

Adherence to best practice and wealth creation indicated a very strong correlation. The indicators of best practices which include adherence to fundamental honesty and adherence to law, health and safety of workers, adequate and regular financial reporting, promptness to duty were all strongly supported by the respondents. This further reiterates that adherence to best practices increases wealth creation. This notion of display of best practice is further corroborated by Cole, (2002); Ogundele, (2005) and Koontz (2010).

The correlation between best practice and business survival is a very low positive one. The correlation coefficient is 0.132, but, it is statistically significant. The findings seem a surprise, but the reason could be because the study is a cross-sectional study. Therefore, at this point we recommend a longitudinal study between adherence to best practices and business survival in different settings. Ordinarily one would have expected that the more the owner of the business involves in best practice the longer it stays in business. Therefore, we are of the opinion that at the long run business owners or entrepreneurs that engage in ethical behavior will see their business live longer than those entrepreneurs that do not adopt best practice initiatives, no matter the amount of profit made ab-initio.

Correlation coefficient between adherence to best practice and competitiveness indicated a very strong positive relationship. Stated elsewhere ab-initio, Mercus (1996), reiterates ethics and competitiveness are highly correlated. Generally, in business, adherence to best professional practice will position the entrepreneur on a better ranking among its peers in the same business.

Consumer protection such as making sure that the genuine product is sold to the consumer at the appropriate pricing, registering with regulatory organization such as SON and NAFDAC are all integral parts of business ethics. The correlation coefficient between consumer protection as a dimension of business ethics and wealth creation as a measure of entrepreneurial success indicated a very strong positive correlation. The correlation is statistically significant. The correlation coefficient between consumer protection and business survival is equally very strong while that between consumer protection and competitiveness is very low. Overall,

### **Conclusion and Recommendations**

From the report of the research findings it could be observed that there exist a strong positive correlation between business ethics and entrepreneurial success. It is also observed that ethical perspective of entrepreneurship affects several stakeholders in entrepreneurship environment. These include their employees, suppliers, customers, government and its agencies and the host community where it operates. It is on the basis of this observation that the researchers recommend as follows

1. In order to achieve improved entrepreneurial success, measured business survival, high level of competitiveness, wealth creation etc its obligation to the larger community where it operates from in terms of social responsibility should never be neglected
2. The expectation is that the entrepreneur should strictly adhere to global best practices. This will take away unethical behavior such as dishonesty, lack of sense of duty, absence from work at will, embezzlement of funds and other fraudulent activities that could militate against its overall success.
3. The entrepreneur should also recognize that 'customer is king'. Therefore, serious need for the protection of the consumer's interest. These could include given good quality product, registration with all regulatory bodies, and prevention of the sale of harmful products that could injure the well being of the consumer even at the entrepreneurs gain.

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