



DRAFT TRAINING MANUAL
FOR
GENERAL ENTREPRENEURSHIP COURSES IN
UNIVERSITIES

COURSE 2: VENTURE CREATION AND GROWTH

MODULE 6: ETHICS AND SOCIAL RESPONSIBILITY

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MODULE 6: ETHICS AND SOCIAL RESPONSIBILITY

Learning Outcomes

Upon the completion of this module, the learner would have:

- understood the concepts of business ethics and social responsibility;
- learnt the ethical principles for entrepreneurs;
- understood the importance of ethics in business;
- discussed the application of the above concepts to the operations and success of ventures; and
- discussed social responsibility among business organizations in Nigeria.

Content

- a. The concepts of business ethics and social responsibility.
- b. Ethical principles for entrepreneurs.
- c. Importance of ethics in business.
- d. Application of business ethics and social responsibility to the operations and success of ventures.
- e. Social responsibility among business organizations in Nigeria.

Concepts of Business Ethics and Social Responsibility

Ethics, in the simplest term, involves learning what is right or wrong. When this word is applied to the world of business it is called business ethics. Simply put, business ethics involves knowing what is right or wrong in a business environment and doing what is right with regard to effects of products or services and in relationships with stakeholders (Gebler, 2012).

Business ethics is the applied ethics discipline that addresses the moral features of commercial activity. According to Wikipedia (2012a), business ethics otherwise referred to as corporate ethics represent a form of applied ethics or professional ethics that examines ethical problems that arise in a business environment. It applies to all aspects of business conduct. The range and quality of business ethical issues reflect the interactions of profit – maximizing behaviour with non-economic concerns. Business ethics and the resulting behaviour are in state of constant evolution. It is a form of applied ethics that examines just rules and principles within a commercial context, the various moral or ethical problems that can arise in a business setting and any special duties or obligations that apply to persons who are engaged in commerce. Generally speaking, business ethics is a normative discipline whereby particular ethical standards are advocated and then applied (Tabije, 2012).

On the other hand, social responsibility is an aspect of business ethics concerned with the need for business to try and serve their local community and help its employees lead better life. Social responsibility requires that the entrepreneur looks beyond making profits alone but pays attention also to how to relate with the host community of his venture and his employees in a way that promotes good will. This may take the form of sinking water borehole within the company's premises and extending the taps outside the walls of the company so that members of the community can source their drinking water there from.

According to Uadiale and Fagbemi (2011), corporate social responsibility (CSR) is a strategy for demonstrating good faith, social legitimacy, and a commitment that goes beyond the financial bottom line. This definition appears to be further amplified by Yusuf (2012) in his description of the concept of CSR. According to him, CSR is a form of self-regulation, conscious attempts and self-efforts undertaken by organizations for self preservation and enhancement of their operations. CSR, according to him, is usually integrated into a business model for an organization to be able to live in harmony with its operating environment. Yusuf

further explained that CSR policy functions as a built-in, self-regulating mechanism for a business entity to monitor and ensure its adherence to laws, ethical standards, and norms and nuances of its environment. CSR when proactively undertaken promotes the public interest by encouraging community growth and development, and by voluntarily eliminating practices that harm the public sphere, regardless of legality. It is the deliberate inclusion of public interest into corporate decision-making and the honouring of a triple bottom line known as People, Planet and Profit (Yusuf, 2012).

In a nutshell, social responsibility otherwise referred to as corporate social responsibility (CSR) is a mode of ethics that implores the entrepreneur to act in a way to benefit society (Pairier, 2012). It is a subcategory of business ethics. Entrepreneurs who adhere to the principles of social responsibility make business related decisions based on the principle that the best decision is the one that will do the most for the community hosting their ventures and the society at large even if that means sacrificing their own personal wants and/or needs. The goal of CSR is to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders, and all other members of the public sphere who may also be considered as stakeholders (Wikipedia, 2012b).

Features of Business Ethics

The following are the features of business ethics as identified by Akrani (2011):

1. Code of conduct: Business ethics is a code of conduct. It tells what to do and what not to do for the welfare of the society.
2. Based on moral and social values: Business ethics is based on moral and social values. It contains moral and social principles (rules) for doing business. This includes

self-control, consumer protection and welfare, service to society and fair treatment to social groups amongst others.

3. Gives protection to social groups: Business ethics give protection to different social groups such as consumers, employees, small businessmen, government, shareholders, creditors, etc.
4. Provides basic framework: Business ethics provide a basic framework for doing business. It gives the socio-cultural, economic, legal and other limits of business. Business must be conducted within these limits.
5. Voluntary: Business ethics must be voluntary. The businessmen must accept business ethics on their own. Business ethics must be like self-discipline. It must not be enforced by law.
6. Requires education and guidance: Businessmen must be given proper education and guidance before introducing business ethics. The businessmen must be motivated to use business ethics. They must be informed about the advantages of using business ethics. Trade Associations and Chambers of Commerce must also play an active role in this matter.
7. Relative Term: Business ethics is a relative term. That is, it changes from one business to another. It also changes from one country to another. What is considered as good in one country may be taboo in another country.

The Need for Business Ethics

The points below discuss the need for ethics in business:

1. Stop business malpractices: Some businessmen engage in business malpractices by indulging in unfair trade practices like black-marketing, artificial high pricing, adulteration, cheating in weights and measures, selling of duplicate and harmful

products, hoarding, etc. These business malpractices are harmful to the consumers. Business ethics help to stop these business malpractices.

2. **Improve customers' confidence:** Business ethics are needed to improve the customers' confidence about the quality, quantity, price, etc. of the products. The customers have more trust and confidence in the businessmen who follow ethical rules.
3. **Survival of business:** Business ethics are needed for the survival of business. The businessmen who do not follow it will have short-term success, but they will fail in the long run when discovered by the customers.
4. **Protecting employees and shareholders:** Business ethics are required to protect the interest of employees, shareholders, competitors, dealers, suppliers, etc. It protects them from exploitation through unfair trade practices.
5. **Develops good relations:** Business ethics are important to develop good and friendly relations between business and society.
6. **Creates good image:** Business ethics create a good image for the business and businessmen. If the businessmen follow all ethical rules, then they will be fully accepted and not criticised by the society. The society will always support those businessmen who follow this necessary code of conduct.
7. **Smooth functioning:** If the business follows all the business ethics, then there will be absence of disruption in the relationship among employees, shareholders, consumers, dealers and suppliers. This will result in smooth functioning of the business. So, the business will grow, expand and diversify easily and quickly. It will have more sales and more profits.
8. **Consumer satisfaction:** Today, the consumer is the king of the market. Any business simply cannot survive without the consumers. Therefore, the main aim or objective of business is consumer satisfaction. If the consumer is not satisfied, then there will be

no sales and thus no profits too. Consumer will be satisfied only if the business follows all the business ethics.

9. Importance of labour: Labour, i.e. employees or workers play a very crucial role in the success of a business. Therefore, business must use business ethics while dealing with the employees. The business must give them proper wages and salaries and provide them with better working conditions. The employees must also be given proper welfare facilities.
10. Healthy competition: The business must use business ethics while dealing with the competitors. They must have healthy competition with the competitors. They must not do cut-throat competition. Similarly, they must give equal opportunities to small-scale business.

Ethical Principles for Entrepreneurs

Ethical Principles are ethical values translated into active language establishing standards or rules describing the kind of behavior on ethical person should and should not engage in (Josephson Institute, 2010). The following principle represents the kind of behaviours expected from every ethical entrepreneur (business executive) as presented by Josephson Institute (2010).

1. Honesty

The virtues of honesty and truthfulness are the hallmark of ethical executives. Such entrepreneurs do not deliberately mislead or deceive others by misrepresentations, over-statements, partial truths, selective omissions, or any other means.

2. Integrity

In a nutshell, ethical entrepreneurs are principled, honourable and upright. They courageously fight for their beliefs. They exhibit personal integrity and the courage of

their convictions by doing what they consider to be right even in the face of pressure to do otherwise.

3. Promise-keeping and trustworthiness

Ethical entrepreneurs make a very reasonable effort to fulfill the letter and spirit of their promises and commitments. They are trustworthy. They call a spade by its name. They do not interpret agreements in an unreasonably technical or legalistic manner as a means of rationalizing non-compliance, or creating justifications for escaping their commitments.

4. Loyalty

Ethical entrepreneurs are ever loyal to persons in their business organization and the organization they are working for. They demonstrate friendship in adversity, and support and devotion to duty. They do not divulge confidential information no matter what they personally stand to gain by so doing. Such executives ensure they do not compromise their right to independent professional judgment by guarding against undue influences and conflict of interest. They cannot accept another employment without providing reasonable notice to their former employer. They will ever refuse to seek cheap popularity with their new organization through castigation of their former employers or engaging in any activities that take undue advantage of their previous positions.

5. Fairness

Ethical entrepreneurs are fair, just, and treat individuals equally. They tolerate and accept diversity, are willing to admit they are wrong and, where appropriate, are to change their positions and beliefs. They do not exercise power arbitrarily, and neither

use overreaching nor indecent means to gain or maintain any advantage. They do not take undue advantage of another's mistakes or difficulties.

6. Concern for Others

Ethical entrepreneurs strive to achieve their business objectives in a manner that causes the least harm and the greatest positive good. They treat others the way they would like to be treated. They are caring, compassionate, benevolent and kind.

7. Respect for Others

One of the traits of ethical entrepreneurs is respect for others. They show great respect for the human dignity, autonomy, privacy, rights and interests of all stakeholders in their decisions. They are imbued with the sense of courtesy. They treat all persons with equal respect and dignity irrespective of gender, race, socio-economic status and race.

8. Law abiding

Ethical entrepreneurs meticulously abide by laws, rules and regulations guiding their business activities.

9. Commitment to Excellence

Ethical entrepreneurs are sticklers to excellence. In the performance of their duties they are informed and prepared and always striving to increase their proficiency in all areas of responsibility.

10. Leadership

Ethical entrepreneurs appreciate the responsibilities and opportunities of their position of leadership. In keeping with this they strive to be positive role models by their own

conduct and by helping to create an environment in which principled reasoning and ethical decision making are highly prized.

11. Reputation and morale

Ethical entrepreneurs appreciate the need to maintain their organizations' good reputation while at the same time building the morale of their employees. They do these by engaging in no conduct that might undermine respect and taking whatever actions are necessary to correct or prevent inappropriate conduct of others.

12. Accountability

Ethical entrepreneurs are willing to be held accountable for the ethical quality of their decisions and omissions to themselves, their colleagues, their companies, and their communities.

Importance of Ethics in Business

The importance of ethics in business cannot be overemphasized. The importance are as follows:

1. Provision of moral compass

During times of fundamental change, values that were previously taken for granted tend to be strongly questioned. Many of such values are no longer adhered to. Leaders and staff at such periods are left with no clear moral compass to guide them through complex dilemmas about what is right or wrong in the business environment. It is at such moments of crises and confusion that the beauty of business ethics manifests since the ethics provide them with the moral compass to navigate the troubled times.

2. Ethics implicitly regulate area and details of behaviour that lie beyond governmental control.

This is necessary because much as governments use laws and regulations to point business behaviour in what they perceive to be beneficial directions, not all areas and details of business lie within such controls. For example, governments may establish minimum wage but how much a worker is paid beyond the minimum wage is expected to be addressed by business ethics.

3. To meet stakeholder's expectation

Stakeholders have the right to expect a business to be ethical. If business has no ethical obligation, other institutions could make the same claim which would be counterproductive to the corporation (Duska, 2007).

4. Definition of the rights and duties between a company and significant others.

Business ethics help to define the rights and duties between a company and its employees, suppliers, customers and neighbours. They also help to define the company's fiduciary responsibility to its shareholders (where applicable) as well as how companies should relate to other companies or business ventures.

5. Enhancement of business performance

Studies have shown that good CSR correlates positively with good business performance in the long run. It must be noted that CSR is an aspect of business ethics hence this positive correlation is seen as one between business ethics and performance.

6. Others

Other values accruing firm business ethics in general and CSR in particular include the following identified by Akinjide – Balogun (2001).

- Building long – term shareholder value, corporate financial stability and sustainability.
- Consumer and customer approval and loyalty;
- Promoting self-regulation and deterring government regulatory intervention; and
- Enhancing corporate reputation.

Application of Business Ethics and Social Responsibilities to the Operations and Success of Ventures.

In general, business ethics and social responsibility find their respective application in day –to- day operations of ventures. With regard to business ethics, the need arises daily for the entrepreneur to make specific judgments about what is right or wrong; what ought to be done and what ought not to be done. These decisions call for action based on ethical principles of the venture as well as those of the entrepreneur involved. Sometimes, the scenario may not just be as simple as deciding on what is right or wrong. It could take such complexity as in the case of deciding on situations where there may be conflict between the interests of the employee, the commercial enterprise, and society as a whole. In this case, serving the interest of one party may be detrimental to the other(s). For example, the entrepreneur's decision may be good for the venture and probably the employees but against the welfare of the larger society and vice versa. It is at such points as above that business ethics are fallen back on to harmonize and reconcile conflicting interests.

Furthermore, ethical issues can arise when business ventures have to generate and succeed in an environment with conflicting legal or cultural standards. For example an entrepreneur may be operating a business venture in a part of the country where child labour is an acceptable practice as opposed to the situation in the entrepreneur's home state or region where such practice is abhorred. The question in this case may be which of the two divergent

cultures the entrepreneur would subscribe to for the business to be successful. This again is a matter to be resolved with predetermined business ethics.

In the same token as above, social responsibility may be applied by the entrepreneur to successfully operate his /her business venture. A number of approaches are available for the entrepreneur who wishes to operate his/her venture to apply CSR. These include philanthropy, incorporating the CSR strategy directly into the business strategy of his/her organization, and creating shared value (CSV).

The philanthropy approach involves monetary donations and aid given to local organizations and impoverished communities. However, this seems to breed dependence hence its modification often times to community development helps in which the donor partners with the host community to plan, implement, monitor and evaluate projects capable of developing the community's human resources.

Incorporating the CSR into the company's business strategy may take the form of keeping a policy that makes the business venture source certain cadres of its manpower from the host community. This creates a commensally relationship between the business venture and the host community.

The last but not the least approach is the CSV. The shared value model is based on the idea that corporate success and social welfare are interdependent. This approach appreciates the need to invest in developing local manpower through scholarship schemes with a view to creating an informed citizenry capable of enthroning good governance needed for the successful operation of their ventures.

Social Responsibility among Business Organizations in Nigeria

CSR among business organizations in Nigeria can be assessed across all cadres of business in Nigeria ranging from the small, micro, and medium to large business enterprises.

However for the purpose of this discourse, let us focus on the large-scale business enterprises. Within this are the companies operating in the Nigerian oil sector, the banking sector, and the manufacturing sector.

The most active sector in Nigeria is the oil industry. Over 70 per cent of Nigeria's revenue comes from this sector. The sector has such big players as Shell, Chevron –Texaco, Exxon Mobil, Total Elf, among others. The age long struggle by the Niger Delta people which produced scores of militant groups agitating for social responsibility from the oil giants operating in their areas speaks volume of their CSR failure.

The above, however, does not suggest that the oil companies are doing nothing regarding CSR. The truth however is that a few things they are currently doing do not yet add up to what they could have done were they operating in their parent countries. A few instances of CSR from the oil sector have been documented.

Tuodolo (2009) observed that Shell, ENI, EXXonMobil, Chevron Texaco, Total FinaElf and other oil transnational corporations (TNCs) are contributing to economic growth and development through community development programmes in health, education, transportation and agriculture amongst others in local communities.

Among the TNCs operating in the oil sector of Nigeria, Shell cannot easily be ignored hence we will try to use their CSR in Nigeria to highlight the CSR practices in this sector in Nigeria. Shell has the largest area of operation in Nigeria and accounts for about half of the total oil production in Nigeria (Tuodolo, 2009).

Perhaps the greatest evidence of Shell's CSR activities is in its community development programmes in the local communities. Through the community development programmes, Shell contributes to the development of education. It does so by awarding primary, post –primary, and university scholarships to local people, building classrooms, providing equipment and sometimes paying the allowance of post-primary school teachers.

The corporation also provides or sponsors training in such basic skills as craftsmanship, joinery, mechanics and tailoring for some communities.

Shell also plays active role in such other areas as transportation, road construction, building of jetties, donation of speed boats and cars, agriculture, micro credit schemes for farmers, and donation of farming equipment to local communities. Others include training of farmers, electricity, and donation of power plants, supply of diesel and sinking of water boreholes amongst others. Be these as they may be however, there still remains a sore point in Shell's CSR practice in the Niger Delta. This is her failure to play by the rules in areas of environmental protection. The case of the Ogoni people that culminate in the death of the playwright Ken Saro Wiwa and others comes to the fore. Till date, the people of the Niger Delta pays the cost of environmental degradation in return to the above community development aid offered by Shell and other TNCs involved in the oil sector.

The case of the Nigerian banking sector appears to be different. There has always existed a symbiotic relationship between Nigerian banks and the society over the years (Ademosu, 2008). Banks in Nigeria perceive and practice CSR as a corporate philanthropy aimed at addressing socio-economic development challenges (Amaeshi, Ogbechi, Amao, & Adi 2006). Even without having any social responsibility objectives enshrined in their corporate philosophy, most banks have demonstrated understanding in their practices, behaviors and operations (Nwankwo, 1990).

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