

# ETHICS AND SOCIAL RESPONSIBILITY PRACTICES AMONG ENTREPRENEURS

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## ***Abstract***

*Ethics and social responsibility are very important values in entrepreneurship ventures. This is particularly essential in decision making process. Ethical conscience reminds entrepreneurs to make trustworthy and profitable entrepreneurship decisions. Likewise, the social responsibility component sought entrepreneurs to make entrepreneurial decisions that can enhance benefits and repelling harms to the stakeholders. This paper investigates the perceptions of entrepreneurs that operated in Klang Valley regarding the practice of ethics and social responsibility among entrepreneurs. The study used personal interview technique with open ended interview questions to obtain the views of 20 entrepreneurs. The findings showed that one thirds of the entrepreneurs perceived that the practice of ethics and social responsibility is almost impossible due to the strong influence of external factors. Nevertheless, these entrepreneurs believed that these values are important. The remaining entrepreneurs viewed that ethics and social responsibility could be possibly practiced despite the strong external factors provided that entrepreneurs have strong belief. Nevertheless, the results of the study were not conclusive considering limitations on small number of interviewees and the location of the business owners. The study proposed that future research to use personal interview and self administered survey with more small business owners from other major cities.*

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## **INTRODUCTION**

Ethics and social responsibility are very important values in entrepreneurship. This is particularly essential in decision making process. Ethical conscience guides entrepreneurs to make responsible, trustworthy and profitable entrepreneurship outcomes. Entrepreneurs are trying to implement ethical decision making approach in all business decisions (Clarke & Holt, 2010; Harris, Sapienza & Bowie, 2009; Chau & Siu, 2000). However, Lu & Castka (2009) argued that entrepreneurs did not reflect their understanding on the importance of ethics and corporate social responsibility adequately. This situation leads to the inconsistency in the ethical entrepreneurship practice.

Velasquez (2006) observed that the fall of many big firms such as Enron and WorldCom in the 21<sup>st</sup> century has motivated business stakeholders to screen their executives (agents) before hiring them. According to Stanwick and Stanwick (2009), big corporations are now keen to have their executives with high personal integrity and socially responsible for all the business decisions that they made.

Ethics appears in one's personal attributes who is honest, trustworthy, and accountable for any decision (Stanwick & Stanwick, 2009; Velasquez, 2006; Weiss, 2006). Social responsibility refers to the impact of business decisions to the business shareholders and the relevant key stakeholders (Stanwick & Stanwick, 2009; Velasquez, 2006; Weiss, 2006). Stanwick and Stanwick (2009) emphasized that ethics and social responsibility are very

important values to make profitable organizational decisions. Weiss (2006) contended that personal integrity requires the decision makers to optimize their personal discretion in making trusted, credible, and profitable business decisions. Likewise, Velasquez (2006) argued that the social responsibility component sought decision makers to make decisions that providing benefits and repelling harms to the stakeholders. Both values are pertinent in the modern contexts that full with frauds, corruptions, and crime of breach of trusts (CBT).

## **LITERATURE REVIEW**

Ethical organizational decision making is important in any organization. Weiss (2006) argued that entrepreneurs are equally getting worried together with other big corporations if the ethical situation persists, they will likely to follow suit Enron and WorldCom immediately. Stanwick and Stanwick (2009) also observed the same trend persists in many parts of the world.

The value system that learnt by the business executives has shaped them to be ethical and responsible. Svensson, Wood and Callaghan (2009b) pointed that the ethical learning process that business executives had experienced made them permanently practiced them religiously. Valentine, Varca, Godkin and Barnett (2010) pointed that good personal growth and well being are important factors that shaped personal integrity.

Sparks and Pan (2010) argued that the understanding of ethics and the application in decision making process is a choice that influenced by many social variables such as the choice of upbringing, social norms, and cultural systems. DeConinck and Lewis (2010) contended that the sense of responsibility, accountability and liability towards one's action is the manifestation of one's strong conviction on integrity and responsibility. As such, Goldstein, Cialdini, and Griskevicius (2008) argued that societal norms may shape one's stand of personal integrity.

Business people learnt very fast, including the integrity and responsibility, when they learnt through learning by doing. Likewise, executives also integrated the two elements in organizational decision making. Hunt (1993) observed that executives know the consequences of their actions after learning from the history. Hunt and Vasquez-Parraga (1986) found that business people tend to have a general sense about their decision consequences. Hunt, Wood and Chonko (1989) argued that when business owners created formal corporate ethics, they are actually derived them from their own belief in personal integrity and socially responsibility.

Kim and Kim (2010) argued that cultural values carry a weigh in shaping one's personal integrity and sense of social responsibility. They used the Hofstede's dimensions of culture to prove the argument. Kim and Stoel (2010) observed that one's personal upbringing and surroundings are equally important factors in shaping personal integrity.

Prosenak, Mulej and Snoj (2008) pointed that many firms placed the target of social well beings as an indicator of performance indicates that executives are aware of the need to make decisions that are ethical and socially responsible. Nevertheless, Sparks and Pan (2010) argued that the source of ethics is not definitive and exhaustive.

Svensson (2009) argued that corporate ethics are necessary to make people ethical although they already learnt ethics from home and schools. According to Svensson and Bth (2008), such effort is instrumental to the ethical commitment. Although people learnt ethics from their own culture, Svensson *et al* (2009) contended that formal corporate ethical culture play very important role to shape ethics and social responsibility on a sustainable basis.

In other situations, Svensson, Wood and Callaghan (2009b) argued that code of ethics have both instrumental and intrinsic roles to emphasize on integrity and social responsibility. Valentine *et al* (2010) believed that good ethical program enhances good performance. Vitell,

Ramos and Nishihara (2010) argued that formal ethics shape executives to possess high level of integrity and responsibility for the success of their organizations.

**METHODOLOGY**

The study used qualitative method through personal interview technique with open ended interview questions to obtain the views of 20 entrepreneurs small business owners in Klang Valley. The informants were approached based on a convenient sampling technique.

This study used a note taking approach in all the personal interviews conducted. Feedback from all of the informants was recorded verbatim (word by word). The informants were asked about their views on personal integrity and social responsibility and how they incorporate ethical views in organizational decision making.

**FINDINGS AND DISCUSSION**

The study interviewed 20 entrepreneurs in Klang Valley from various types of businesses ranging from food, communication and cloth. Table 1 summarizes the entrepreneurs that participated in this study.

Table 1: Summary of Informants’ Background

Code	Type of business	Location	Code	Type of business	Location
E1	Financial planning	Sri Gombak	E11	Catering	Kepong
E2	Frozen food	Rawang	E12	Transportation	Selayang
E3	Fast food	Shah Alam	E13	Cleaning	Dang Wangi
E4	Furniture	Setapak	E14	Frozen food	Setiawangsa
E5	Laundry	Batu Caves	E15	Bridal services	Shah Alam
E6	Herbal products	Petaling Jaya	E16	Telecommunication	Wangsa Maju
E7	Processed meat	Ampang	E17	Cloth	Petaling Jaya
E8	Books	Setapak	E18	Cleaning	Bukit Bintang
E9	Printing	Sentul	E19	Food	Pandan Jaya
E10	Retail	Chow Kit	E20	Cleaning	Cheras

Entrepreneurs E1, E3, and E8 were not convinced that entrepreneurs practice ethics when they observed that most of entrepreneurs did not practice ethics in entrepreneurship. The rest of the informants agreed that personal integrity and social responsibility concepts are important in business activities. They attributed that the profit that they generated was a function of how much they invested integrity and social responsibility in the business.

They also pointed out that the source of personal integrity comes from home upbringings, neighborhood, school and workplace. However, one thirds of the entrepreneurs perceived that the practice of ethics and social responsibility is almost impossible due to the strong influence of external factors. Nevertheless, these entrepreneurs believed that these values are important. The remaining entrepreneurs viewed that ethics and social responsibility could be possibly practiced despite the strong external factors provided that entrepreneurs have strong belief.

**CONCLUSION**

The study interviewed 20 entrepreneurs in Klang Valley, pertaining to practice of ethics and social responsibility in their decision making. All of them agreed with the two values (ethics and social responsibility) are important for their businesses to sustain in the long term.

The incorporation of the two elements in business decisions requires support from the business people and the public. Nevertheless, the results of the study were not conclusive and cannot be generalized considering limitations on small number of interviewees and the location of the business owners. The study proposed that future research to use personal interview and self administered survey with more small business owners from other major cities.

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