

## **Ethical Sensitivity and Success of Female Entrepreneurs in Akwa Ibom State of Nigeria**

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**Abstract:** This research investigates the sensitivity of female business owners/managers to ethical challenges and the effect on their success as female entrepreneurs in Akwa Ibom State, Nigeria. The survey design was used with study population consisting of 1,678 female owners of registered small and medium scale enterprises (SMEs) operating in Akwa Ibom State, Nigeria. From the population, random sampling technique was utilized to select a sample of 400 female entrepreneurs for the study. Data were obtained through the Multidimensional Ethical Questionnaire and were analyzed using descriptive and inferential statistics. Result showed that except in conflict of interest, relationship between moral equity, contractual obligation, and entrepreneurial success was positive and significant. Participants were found to be aware of what constituted ethical issues, and tended to act accordingly to minimize ethical challenges in the process of doing business. We recommended sensitization on the consequences of unethical business decisions to business and the larger society.

**Keywords:** Business Ethics, Ethical Sensitivity, Female Entrepreneur, Contractual Obligation

### **INTRODUCTION**

Female entrepreneurship is a growing area of policy interest around the world, and studies including [1-4] have acknowledged the rising influx of women into hitherto exclusive male-dominated domains. Today, women are making significant breakthrough in many professions and positions that were not only considered exclusive reserve of men, but where men actually had control. In the areas of politics, banking, sports, manufacturing, aerospace, religion and entrepreneurship to mention just a few, women have demonstrated remarkable presence [2, 5, 4]. By starting and successfully running business enterprises, female entrepreneurs are said to make huge contributions on key developmental outcomes: job creation, increased economic growth, enhanced household living standard, poverty alleviation, and generation of additional wealth [6, 7, 3].

The number of women entrepreneurs has accelerated radically in recent years. The increasing rate of women in business enterprises could be attributed to their unique attributes. For instance, it is argued that women have high propensity to take calculated risk with huge success and to think through business proposals positively [8, 10, 11]. Women are equally noted for perseverance, innovativeness in problem-solving, and ability to empathize with customers than their male counterparts [7, 12, 4, 13]. Given the preponderance of females in modern business enterprises and the added value to entrepreneurship,

scholars and public policy makers are beginning to show keen interest in the study of gender-related issues in entrepreneurship particularly in less-developed economies [6, 10, 11].

The reason for the growing interest in issues that border on performance of female entrepreneurs in Nigeria, as is common in many other less-developed nations, could be explained by the fact that given the cultural, and socio-economic hurdles women have to cross, there was low expectation of success in business. Thus, scholars became curious on patterns of female entrepreneurship and how women have managed to succeed despite so many ethical pressures they have to contend with [6, 7].

Indeed, ethics plays a crucial role in business. And ethical consciousness is considered a vital quality for profound business success. Business ethics relates to the moral values, norms and behavioral standards that guide business owners and managers as they make decisions, solve customer problems, and interact with other stakeholders. It culminates in a commitment to do what is right as opposed to what is wrong, what is just versus what is unjust, and what is considered fair rather than unfair. It is about upholding values cherished, desired and accepted by others as right and beneficial.

Starting from the top rung of an organization, entrepreneurs' personal values and beliefs influence the way they lead their enterprises and are apparent in every

decision they make, every policy they craft, and every action they implement [20]. Entrepreneurs who succeed in the long term are considered to have strong moral sensitivity, personal values and beliefs that they articulate and put into practice in ways observable by others. Value-based entrepreneurs do more than merely follow rules and regulations; their consciences dictate that they do what is right. Entrepreneurs also face unique challenges and pressures which can have profound effect on their ethical decision-making processes [14]. In such situation, scarcity of resources as well as other sources of personal strain can impact negatively on the ethical standard of entrepreneurs [15].

In addition, specific ethical dilemmas that are especially salient to female entrepreneurs can arise with respect to means and cost of obtaining external funding, the division of profits within the organization, high risk associated with new product and service development, tradeoff between impression management, honesty, as well as contractual sensitivity [16]. Furthermore, female entrepreneurs tend to face ethical dilemmas involving their own values, organizational culture, employee well-being, customer satisfaction, external accountability and a host of other such dilemmas [17].

Over the past decades, ethics as a concept has received significant attention in business, public governance, science, and technology. This may probably be because the costs associated with unethical behavior in business and social contexts are enormous namely: reputational damage, risk of corporate sponsorship, loss of intellectual property, loss of credibility, lost sales and decline profit, and other devastating effect in terms of shattered and lost lives are few examples [18]. Despite many measures to stem the tide, ethical violations continue to engulf organizations and damage their reputation irrespective of size, country of origin, and location or industry [18, 19].

Notwithstanding the increasing research interest on ethical issues in business, little of such research has been directed at female entrepreneurs and/or their enterprises. In Nigeria, studies on the propensity of achieving entrepreneurial success through ethical responsiveness are scanty. This leaves much to wonder as to whether the same dimensions of ethical orientation for corporate business concerns could be applicable to start-up enterprises managed by women. In the same vein, it is not clear if the performance of female-owned enterprises is dependent on similar ethical issues that confront the companies large managed by males.

### OBJECTIVES OF THE STUDY

This study sought to understand ethical issues in female entrepreneurship as well as how sensitive female business owners/managers are to ethical dilemmas and how its impacts on their success. The specific objectives of this study are to:

- Examine the ethical dimensions to female entrepreneurial performance.
- Assess the relationship between sensitivity to contractual obligation and success of female entrepreneurs.
- Determine how sensitivity to conflict of interest affects successful performance of female entrepreneurs.

### Research hypothesis

The study tested the following propositions

H1: Actions taken and decisions made in scenarios of high moral sensitivity are likely to make significant positive effect on female entrepreneurial success.

H2: Success of female entrepreneurs is dependent on their sensitivity to contractual obligation.

H3: Sensitivity to conflict of interest is positively and significantly related to successful performance of female entrepreneurs.

### METHODS AND MEASURES

The descriptive survey was considered for this study. It targeted all registered female entrepreneurs that owned and operate business enterprises in Akwa Ibom State. Access to the target population was facilitated through the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), the apex body regulating entrepreneurship development activities. Thus, information accessed from the internal records in custody of the State chapter of SMEDAN shows that 1,678 registered female owned small and medium scale enterprises (SMEs) were operating in the State as at 2015. The study cut across all shades, forms and types of business enterprises irrespective of sector and professions in the state. To obtain relevant primary data, inclusion criteria were limited to business enterprises in existence for a minimum of 5 years and employing at least 5 persons. This limitation was obvious; firms with such attributes were assumed to have the kind of data that might be relevant for a study of this magnitude [17].

Studying the entire population was difficult given logistical constraints. Thus, simple random sampling technique was used to select 400 female entrepreneurs. Primary data for this study was collected through a pre-tested, closed-ended and structured questionnaire. The design of questionnaire items was done taking inputs majorly from the Multidimensional Ethical Scale (MES) and Moral Intensity Scale (MIS) originally designed [22] and modified by [23]. These instruments (MIS and MES) have gained wide acceptability in ethical researches in business, psychology, healthcare, legal and public services [21].

The scale captured the basic constructs of moral equity, relativism and contractualism. Moral equity addresses the question of right versus wrong. It consists of four constructs: ethical awareness, ethical judgment, ethical intent, and ethical behaviour. Relativism define behavior in the context of

cultural acceptability. Contractualism refers to the ethical expectations of unwritten contracts or promises. Use of the MIS and MES allows respondents to articulate the relationship between feelings about the seriousness of an issue and their resultant behavior or behavioral intent.

The study questionnaire consisted of 5-point Likert type statements that explained key variables of study. Each item in the structured questionnaire was scored and ordered as follows; 5= very great extent, 4= great extent, 3 = neutral, 2 very little extent, 1 =not at all. The scales were meant to evaluate respondents' ethical perception of the different business scenarios they might have encountered in their daily business operation. The multiple correlation and multiple regression analyses were used in this regard. Multiple correlation test was performed to determine the strength and direction of relationship between the dependent (Entrepreneurial Success) and independent variable (Ethical Dilemma) of the study. Regression analysis was carried out to ascertain the contributions of each independent variable towards predicting changes in the dependent variable.

**RESULTS AND DISCUSSION**

Descriptive statistics were used to define the ethical sensitivity of the study sample. Mean scores and

standard deviation were used for decision making. The mean score of  $\geq 3.00$ , derived by dividing the sum of the scale by 5, was used as the threshold for gauging the ethical sensitivity of participants (female entrepreneurs). Thus, a scenario (variable) with ethical index less than 3.00 was considered low in terms of the three ethical dimensions (moral equity, contractual obligation or deontology, and conflict) used in this study.

Table 1 indicated the mean and standard deviation for participants' responses to questions regarding moral equity, contractual equity, and conflict of interest. The mean scores for each scenario were averaged to create overall means for moral equity, contractual equity, and conflict of interest. The results from the study suggested generally that: the participants were morally fair in their ethical judgment (Mean=3.80, SD=1.44), and respected contractual obligations (Mean=3.59. SD=1.15). They were however not inclined towards the intention to minimize conflict of interest (Mean=2.80. SD=0.67) in terms of acting in the best interest of the enterprise even if friends and family members were offended, taking home company's resource for personal use, and using company's time for personal business.

**Table-1: Mean and Standard Deviation: Moral Equity, Contractual Obligation; Conflict of Interest (N= 316)**

Ethical Dimension	Mean Score	Std. Dev	Remarks
1. Perceived Moral Equity	3.80	1.44	High Ethical Sensitivity
2. Contractual Obligation (Deontology)	3.59	1.15	High Ethical Sensitivity
3. Conflict of Interest	2.80	0.67	low Ethical Sensitivity

NB: Mean Score < 3.00= low sensitivity and vice versa  
Source: Field Survey, 2016

**Relationship between ethical dimension and entrepreneurial success**

To estimate the nature of relationship between ethical sensitivity and entrepreneurial success, Pearson

correlation analysis was carried out on the data. The results are as summarized in Table 2

**Table-2: Multiple correlation analysis of relationship between moral equity, contractual obligation; conflict of interest and entrepreneurial success.**

		Moral Equity	Contractual Obligation	Conflict of Interest	Entrepreneurial Success
Moral Equity	Pearson Correlation	1.00			
	Sig. (2-tailed)	.000			
	N	316			
Contractual Obligation	Pearson Correlation	.732**	1.00		
	Sig.(2-tailed)	0.01	0.00		
	N	316	316		
Conflict of Interest	Pearson Correlation	.652**	.643**	1.00	
	Sig. (2-tailed)	.003	.001	.000	
	N	316	316	316	
Entrepreneurial Success	Pearson Correlation	.875**	.657**	-.032	1.00
	Sig. (2-tailed)	.001	.003	.022	.000
	N	316	316	316	316

Source: Field Survey, 2016.  
\*\*Correlation is significant at 0.05 level

In Table 2, result shows that except in conflict of interest, relationship between moral equity, contractual obligation, and entrepreneurial success was positive and significant at 0.05 probability level. Relationship between moral equity and entrepreneurial success was ( $r = 0.875$ ,  $p < 0.05$ ) while that of contractual obligation and entrepreneurial success was ( $r = 0.738$ ,  $p < 0.05$ ). Given the results, Hypotheses one and two were upheld with conclusion that significant positive relationship existed between moral equity, contractual obligation, and entrepreneurial success of female entrepreneurs in the study area.

By implication, these results indicated that the higher the sensitivity of female entrepreneurs to moral ethical business scenarios, the higher their probability of business success. Again, the study suggested that the more ethically sensitive female entrepreneurs were to business issues with unspoken or unwritten contractual

obligations, the more they were likely to succeed as entrepreneurs in the Nigerian business environment.

On the other hand conflict of interest was not significantly related to entrepreneurial success as indicated by results of correlation coefficient ( $r = -.032$ ,  $p > 0.05$ ) in Table 2. The negative and non-significant relationship may suggest that increased conflict of interest between personal gains and that of the business enterprise limits the chances of business success for female entrepreneurs.

### Effect of Ethical Sensitivity on Entrepreneurial Success

In order to estimate the success factors for female entrepreneurs using ethical dimensions, multiple regression analysis was performed. Summary of multiple regression analyses are as shown in Table 3.

**Table-3: Estimating the Effect of Ethical Sensitivity on Entrepreneurial Success**

Independent Variable	Standardized Beta Coefficient( $\beta$ )	T score	Sig.	Remark
Constant( $\alpha$ )		-2.493	.014	
Moral Equity	.333	7.507	.000	Retain H1
Contractual Obligation	.299	5.789	.000	Retain H2
Conflict of Interest	-.063	-1.215	.068	Reject H3
R <sup>2</sup>	0.939			
Adjusted R <sup>2</sup>	0.935			
F statistics	265158			
Durbin Watson	1.918			
Overall P value	0.000			

*Dependent Variable: Entrepreneurial Success*

*Source: Computation from field survey, 2016*

As results in Table 2 indicate, the coefficient of determination (adjusted R<sup>2</sup>) was 0.935. This implied that the fitted model explains about 93.5% of variance in achieving entrepreneurial success; the remaining 6.5% could be due to chance variation. The Durbin Watson value of 1.918, by rule of thumb, suggested little or no problem of autocorrelation in the model since it was very close to 2.00. The overall fit of the regression model was good since the F-value of 265,158 was large and significant at 0.01 level of significance. This suggested that ethical dimensions used in this study were significant determinants of entrepreneurial success for female business owners/managers in the study area.

Furthermore, each independent variable was evaluated to determine their predictive effect in the model. The standardised Beta estimates ( $\beta$ ) and t-scores were used in order to estimate entrepreneurial success. Table 3 shows that two ethical dimensions: moral equity (comprising ethical awareness, ethical judgment, ethical intent, and ethical behaviour) and contractual obligation (ethical perception to unspoken and

unwritten contract) were significant success factors for female entrepreneurs. Specifically, at 0.05 significant level, moral equity ( $\beta = 0.333$ ;  $t = 7.507$ ;  $p < 0.01$ ) made the highest significant contribution (33%) towards predicting female entrepreneurial success. Thus, a percentage increase in female entrepreneur's ethical awareness, ethical judgement, ethical intention and ethical behaviour in diverse business situation would result in 33% increase in likelihood of business success. Based on the findings, we upheld the first hypothesis to be true that actions taken and decisions made in scenarios of high moral sensitivity were likely to make significant positive effect on female entrepreneurial success.

The results are consistent with prior research documented by [24]. Entrepreneurs exhibited a sense of morality or commitment to ethical behavior. An enterprise owner and leader was the ethical mirror for the organizations. Customers, suppliers, investors, and employees were aware of the ethical disposition of entrepreneurs.



Given the regression results for contractual obligation ( $\beta = 0.299$ ;  $t = 5.789$ ;  $p < 0.01$ ), the same conclusion was made by accepting the second hypothesis stating that success of female entrepreneurs in the area of study was dependent on their sensitivity to contractual obligation. The findings were similar to [25] which reported that the two components of contractualism had significant predicting effect on ethical decision making. In the same vein, our findings agreed with [17] which suggested that as individuals faced morally charged situations, their awareness of the moral dilemma, judgments about potential consequences, and intention to act were significantly affected by characteristics of the contractual obligation.

### CONCLUSION AND RECOMMENDATIONS

Relations between ethical orientation and business performance have been documented [6, 7, 25]. The literature is thin on the sensitivity of female entrepreneurs to ethical issues in business. In Nigeria, very little has been reported on ethical sensitivity and entrepreneurial success among female entrepreneurs. This study has attempted to bridge the gap by examining success factors for female entrepreneurs in Nigeria. Relying on the stakeholder and agency theory, the study concluded that the behavior and by extension business success of female entrepreneurs could be constrained by some ethical issues. These were categorized into three, namely: moral equity or moral justice, contractual expectations or contractualism, and the conflict of interest.

In terms of moral justice, the study found that participants were morally fair in their ethical judgment; they were aware of what constitute ethical issues, and intended to act accordingly to minimize ethical problems in the process of doing business. Hence, we concluded that actions taken and decisions made in scenarios of high moral fairness (equity) would certainly lead to entrepreneurial success for female business owners and managers in Akwa Ibom State. This study has also indicated that female entrepreneurs that were sensitive to contractual obligation, by respecting both unwritten contract and unspoken promises were likely to be successful in business.

Based on the findings and conclusion, we recommend that female entrepreneurs be conscientiously and consistently sensitized on business ethics. Female entrepreneurs should be made to understand consequences of unethical behaviors in business, people, and the larger society.

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