

# **SOCIAL RESPONSIBILITY ENTREPRENEURSHIP AND BUSINESS ETHICS IN SELECTED HOSPITALITY FIRMS IN RIVERS STATE**

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## **ABSTRACT**

Problems cannot be solved with the mentality that has caused them. This paper provides influence of Social Responsibility Entrepreneurship on Business Ethics of selected hospitality firms in Port Harcourt. Survey data were obtained from 120 respondents using researcher-designed questionnaire validated by experts and shown to have a reliability coefficient of 0.86. Descriptive and ordinary least square regression analysis statistical techniques were used in analyzing the data. The result revealed that contrary to apriori expectations, employee relations and community relations do not influence business ethics. Hence given the influence of SRE on Business Ethics, the study recommends that: Promotion of understanding that social responsibility entrepreneurship includes: governance, management and organization, human rights, labour relations, natural environment, fair business practices, consumer issues, community involvement and development. It links all of them with consideration of: interdependence as the basis, and holism as the top intention/achievement. One should prefer no limitation of SRE to companies; they act along with influential humans' decisions.

**Keywords:** Social Responsibility Entrepreneurship, Employee Relations, Community, Business Ethics.

## **1. INTRODUCTION**

Since the 20th century, the recent empirical and theoretical research interest across cultural collaborative of social responsibilities entrepreneurship and business ethics is very welcome. Milton Friedman, The late Nobel Laureate in economics, famously said that "the social responsibility of business is to increase products". For decades his dictum served as a brake on the idea of Social Responsibility Entrepreneurship (SRE) becoming established in business (Bvaddock, 2003).

Business leaders often used Monlton's argument that adopting notions of social responsibility would lead society down the slippery slope to socialism. Now, it seems that social responsibility and corporate citizenship have become mainstream as evidenced by the number of companies appearing to adopt the idea in corporate practice (Dudafa, 2012). The reasons for this trend of social responsibility entrepreneurship going mainstream are varied but an increasing number of investors being interested in so-called socially responsible funds provide one compelling incentive. Demos (2006), as reported in Forturn Magazine, socially responsible investments account for approximately \$2.3 trillion of capital funds in USA markets. This provides an empirical compelling argument why managers of these companies are choosing to adopt social responsibility. Corporate executives generally respond to shareholders' expectations because failing to do so will hurt the company's business ethics

and by extension will hurt executive remuneration (Suchman, 1995; Smith, 2005; RED, 2009).

There is a growing awareness that public firms have a responsibility to be good corporate citizens and consider the interests of more than just their financial stockholders. Brammer and Poven (2004) state that companies now make decisions concerning the kind and level of responsibilities entrepreneurship should provide to their stakeholder groups. These include employee relations, local communities, customers, products and quality of the service, and performance of the natural environment. As such, managers must address the contrary expectations and conflicting objectives of different stakeholder groups (Itarrisian & Freeman, 1999; Kassinis & Vafeas, 2002). Social responsibility entrepreneurship refers to how the policy, programme and action of a firm involves the quality of life in society, as well as its effort to promote a positive relationship with key stakeholders' groups (Hillman & Kcim, 2011).

Interestingly, a number of empirical studies on social responsibility's entrepreneurship have been undertaken predominantly in the context of stakeholder. However, in more recent years, there has been heightened interest on the issues related with the social responsibility's entrepreneurship and business ethics. The motivation for the research growth in the area is related to the evolving and expanding empirical and cum theoretical literature of social responsibility's entrepreneurship as well as business ethics (Abrams, 2001; Smith & Alcom, 2002; Porter & Kramer, 2000).

The average conclusion from extant literature redounds to two faces. First, there are no consequences on the empirical influence of SRE on Business Ethics and second, definite details concerning SRE and Business Ethics are still unclear. This ambivalent situation calls for more empirical evidence. The remainder of this paper is structured as follows: the next section provides a review of related literature and the section that follows deals with the methodology employed in the empirical analysis. The penultimate section takes care of the empirical results and its discussion, while the last section provides the summary of the findings, concluding remarks and recommendation.

## **2. REVIEW OF RELATED LITERATURE AND HYPOTHESES DEVELOPMENT**

The theoretical framework introduces and describes the theory which explains why the research problem under study exists. In other words, it explains the theory driving this work of social responsibility entrepreneurship and business ethics. The expected utility theory (EUT) states that choice is coherently and consistently made by weighting outcomes (gain/loss) of actions (alternatives) by their probabilities (with pay offs) assumed to be independent probabilities. The alternative which has the maximum utility is selected. In other words, expected utility theory predicts a preference for dominant alternatives as such, alternatives which produce greater utility will always be chosen over those which provide less utility. In addition, expected utility theory predicts that the choice is invariant, that is, the manner of presentation of the alternatives should not influence the choice. (Nwaiwu, 2014). Such a view assumes that decision makers seek to be aware of multiple outcomes and are able to sift through the complexities of a problem to determine a clearly dominant prospect (Onuha, 2008). Those who participate in SRE act rationally and are interested in maximizing their expected benefit from their activities.

### ***Concepts of Social Responsibility Entrepreneurship***

Within the world of business, the main responsibility for corporations has historically been to make money and increase shareholder value. In other words, entrepreneurship responsibility has been to sole bottom line driving force.

In this case, social responsibility (SR) is a movement that emerged in the 1970's that focuses on the need for corporations to go beyond the interests of their shareholders and address the impact their activities have on a broader social and environmental spectrum. It attempts to counteract any negative effects that corporations have on society and replace them with constructive influence.

In the last decade, a movement at defining broader corporate responsibility's — for the environment, for local communities, for working conditions, and for ethical practices, has gathered momentum and token hold. This new driving force is known as social responsibility entrepreneurship. Social responsibility entrepreneurship has been defined as a function that transcends but includes making profits, creating jobs and producing goods and services (Oketch, 2005). Some researchers claim that it has come to mean the positive actions that a company takes to help discharge its responsibilities to external stakeholders (Rushton 2002; Nwaiwu, 2015). Still other definitions include financial performance as aspect of social responsibility's entrepreneurship. In line with this, a wide range of behaviours are classified under social responsibility's entrepreneurship. In Line with this, a wide range of behaviours are classified under social responsibility entrepreneurship including cause — related marketing, sponsoring charitable events, offering employee volunteerism programs, making charitable donations, utilizing environmental initiative and demonstrating a commitment to health and safety issues (Maignan & Ralston, 2002). This concept has been diversely defined by various authors to mean virtually the same thing. Often cited definition of social responsibility entrepreneurship (SRE) is that of Carroll's model (1979) Carroll designed a four-part conceptualization of SRE that included economic, legal, ethical and philanthropic elements. The SRE of business encompasses the economic, legal, ethical and discretionary expectations that the society asks of organization at a given point in time. Also, it is

- (I) An obligation, beyond that required by the law and economics, for a firm to pursue long term goals that are good for society. .
- (ii) The continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as that of the local community and society at large (Benedict, 2007).
- (iii) How a company manages its business process to produce an overall positive impact on society.

What these entail is, conducting business in an ethical way and in the interests of the wider community, responding positively to emerging societal priorities and expectations, a willingness to act ahead of regulatory confrontation, balancing shareholder interests against the interests of the wider community and being a good citizen in the community. While there is no universal definition of SRE, it generally refers to transparent business practices that are based on ethical values, compliance with legal requirements, and respect for people, communities, and environment. Thus, beyond making profits, companies are responsible for the totality of their impact on people and the planet. People constitute the company's stakeholders; its employees, customers, business partners, investors, suppliers and vendors,

the government, and the community. Increasingly, stakeholders expect that companies should be more environmentally and socially responsible in conducting their business. In the business community, CRE is alternatively referred to as “corporate citizenship” which essentially means that a company should be a “good neighbour” within its host community. Many companies assume that SRE means engaging in philanthropic activity in their business environments often motivated by a desire to give something back to society (Peters, 2009).

### ***Components of SRE***

Business affect many different people both from within and outside the organization (internally -employees, shareholders and management, and externally — customers, suppliers, environment, society (or local community), and government. It also has a wider impact on the environment. Others include the media, labour union, financial institutions and competitors. SRE can cut across almost everything corporations do and everyone that deals with them.

### ***Dimensions of SRE***

This is described in Carhops (1979) as four— part definition of SRE to be economic, legal, ethical and discretionary (Philanthropic) expectations that society has of any given organization. These four dimensions of SRE refer to:

- 1) Ethical — not acting just for profit but doing what is right, just and fair.
- 2) Legal — responsibility to comply with the law (society’s codifications of right and wrong).
- 3) Voluntary and philanthropic — promoting human welfare and goodwill, being a good corporate citizen contributing to the community and the quality of life. This is described as discretionary by Carroll’s (1979).
- 4) Economic — responsibility to earn profit for owners.

### ***Benefits of SRE***

Broomhill (2007) suggests that the business case for SRE within a company will likely rest on one or more of the following arguments which are a combination of risk management and strategic advantage approaches:

- i) Human resources: It aids recruitment and retention, particularly within the competitive graduate market. SRE can also help to build a “feel good” atmosphere among existing staff.
- ii) Risk management: Managing risk is a central part of many corporate strategies. Reputations that take decades to build up can be ruined in hours through incidents such as corruption scandals or environmental accidents. These events can also draw unwanted attention from regulators, courts, governments and media. Building a genuine culture of doing the right thing within a corporation can offset these risks.
- iii) Brand Differentiation: it ensures that brands are built on strong ethical values such as the body shop.
- iv) License to operate: Corporations are keen to avoid interference in their business through business ethics or regulations. By taking substantive voluntary steps they can persuade governments and the wider public that they are taking current issues like

health and safety, diversity or the environment seriously and so avoid intervention, and

- v) Diverting Attention: Entities which have existing reputation problems due to their core business activities may engage in high-profile SRE programmes to draw attention away from their perceived negative impacts.

## **2.1 ETHICS: SCOPE AND CONTROL ORIENTATION**

Ethics programs typically include some or all of the following elements; formal ethics codes, which articulate a firm's expectations regarding ethics (Antal, et al, 2002), ethics committees charged with developing ethics policies, evaluating company or employee actions, and/or investigating and adjudicating policy violations (Bowen, 2003), ethics communication system providing a means for employees to report abuses or obtain guidance (Carob, 2009), ethics officers or ombudspersons charged with coordinating policies. Providing ethics education, or investigating allegations (Bowen, 2003), ethics training programs, aimed at helping employees to recognize and respond to business ethical issues, and (Drucker, 1984), disciplinary processes to address unethical behaviour. Previous survey research has only reported on the number of companies engaging in these activities, without developing constructs that might help explain what these activities represent and the roles they play within companies (Frederick, 2000). Therefore, we begin by developing a conceptualization of business ethics programs as a type of organization control system (Lee, 2008; Valor, 2008).

Control, a major responsibility of management, covers many types of behaviours in a company, including ethical conduct and compliance with the law. Business ethics programs can be conceptualized as organizational control systems aimed at standardizing employee behaviour within the domains of ethics and legal compliance. As such, business control systems have goals similar to those of control system in general; standard behaviour that allows "stable expectations to be formed by each member of the group as to the behaviour of the other members under specified conditions" (Simon, 2014).

### ***Scope of Business Ethics***

Control system can be characterized in terms of their scope - that is, the degree to which behavioural control is achieved through formalization, specialization, and hierarchy (Bendie, 2006; Edwards, 2009). In the case of corporate ethics programs, codes of conduct and other policy documents formalize company values and expectations for ethical behaviour. These policies are administered by occupants of specialized positions. Therefore, we define the scope of a business ethics program as the number of different ethics program elements included in the formal ethics management effort. In some companies, ethics programs are broad in scope. With multiple elements, including dedicated staff, supporting structures and policies, and extensive employee involvement. In other companies, the scope of ethics management is limited, with little, if any, staff and few supporting structures.

### ***Business Ethics Program Control Orientation***

Control systems are also characterized by their control orientation; that is, the manner in which they standardize behaviour. Theorists distinguish between overtly coercive systems that rely on restraints like punishment to achieve behavioural compliance and systems that aim for member identification with and commitment to organizational goals and values

(Adler and Bows, 2000; Etzimi 2001; Gouldnes, 2014; Scott and Meyer, 2005). Business ethics programs similarly can differ in control orientation. Some ethics programs embody a coercive orientation toward control that emphasizes adhering to rules, monitoring employee behaviour, and disciplining misconduct, the study refer to such programs as compliance - oriented (Panic, 2005). However, business ethics programs may also aim to standardize behaviour by creating commitment to shared values and encouraging ethical aspirations (Etzimi 2001; Painc, 2005). We refer to formal ethics programs that emphasize support for employee ethical aspirations and the development of shares as values - oriented. But compliance and values orientations need not be mutually exclusive (Valor, 2008).

An organization's ethics program may aim for both internationalization of values and compliance with rules, so that organizational value are not perceived as empty rhetoric.

Base on the literature, this paper empirically attempts to answer the following questions.

1. Does social responsibility entrepreneurship exert any significant influence on individual moral values of selected hospitality firms in Port Harcourt?
2. Can social responsibility entrepreneurship exert any significant effect on organizational code of conduct of selected hospitality firms in Port Harcourt?

Based on the above mentioned questions, the foregoing discussion provides the context for two important hypotheses that track the influence of social responsibility entrepreneurship on individual moral values and organizational code of conduct of selected hospitality firms in Port Harcourt.

Ho<sub>1</sub>: SRE does not exert any significant influence on individual moral values of selected hospitality firm in Port Harcourt

Ho<sub>2</sub>: SRE do not exert any significant effect on organizational code of conduct of selected hospitality firms in Port Harcourt.

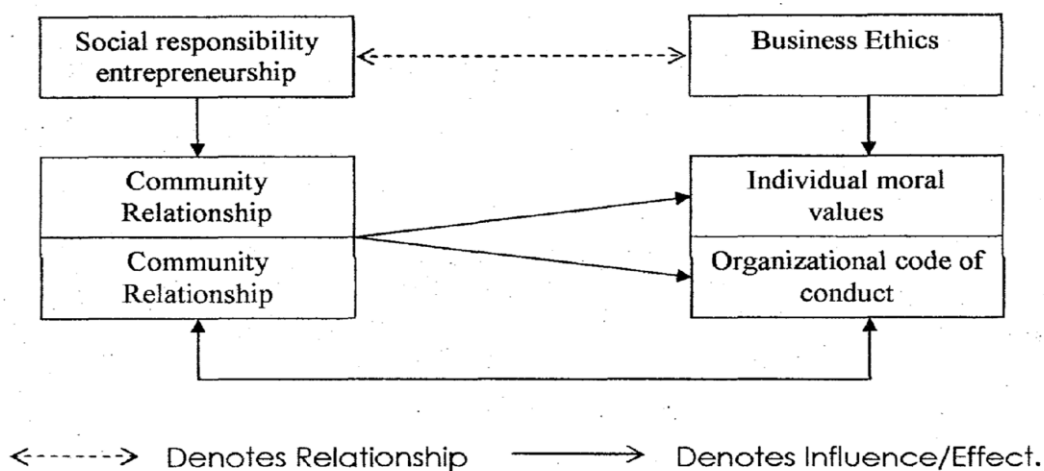


Figure 1: Operational framework of SRE and Business Ethics of selected hospitality firms in Port Harcourt.

### 3. METHODOLOGY

Descriptive survey and causal-comparative research designs were adopted for the study. The researcher designed questionnaire that was validated by experts in management and organizational behaviour, and its reliability established using Pearson Product Moment Correlation Coefficient analyses in a test-retest interval of two weeks was used. It gave a reliability coefficient of 0.86 which is considered to be high enough. The instrument was administered on a sample of 150 respondents drawn from among directors, managers, accountants of selected hospitality firms in Port Harcourt.

The area of study was limited to Port Harcourt, Rivers State. The data collected were analyzing using descriptive and ordinary least square regression analysis statistical technique with the aid of Special Package for Social Sciences (SPSS) version 21.0 software.

#### Model Specification

$$BE_{it} = \beta_0 + \beta_1 ER_{it} + \beta_2 CR_{it} + \beta_3 IMV_{it} + \beta_4 OCC_{it} + e_{it} \quad (i)$$

$$SRE = \beta_0 + \beta_1 ER_{it} + \beta_2 CR_{it} + \beta_3 IMV_{it} + \beta_4 OCC_{it} + e_{it} \quad (ii)$$

where

- BE = Business Ethics
- SRE = Social Responsibility Entrepreneurship
- ER = Employee Relation
- CR = Community Relation
- IMV = Individual moral Values
- O<sub>it</sub> = Objectivity from period i to t
- e = random variable
- β<sub>0</sub>, β<sub>1</sub>, β<sub>4</sub> = The correlation coefficients

### 4. EMPIRICAL RESULTS

This section discusses the empirical results with respect to the two hypotheses, striation.

H<sub>01</sub>: Social responsibility entrepreneurship does not significantly influence individual moral values of selected hospitality firms in Port Harcourt.

Table 1: Effect of SRE on individual Moral Values

Test statistical variable	Linear function	Semi-log function	Double-log function	Exponential functions
Constant (intercept)	17.991*** (3.606)	10.457* (0.671)	3.156*** (4.157)	2.853*** (12.997)
Community relation	-0.666* (-1.272)	-7.718* (-0.534)	-0.626* (-0.952)	-0.082* (-1.445)
Employee relation	2.389** (2.235)	8.675* (0.818)	0.569* (1.109)	0.114** (2.430)
R	0.357	0.324	0.257	0.333
R <sup>2</sup>	0.128	0.105	0.066	0.111
Adj R <sup>2</sup>	0.066	-0.019	-0.069	0.045
Std error of the estimate	22.18831	25.94688	1.17903	0.95315
Durbin Watson	1.986	2.545	1.888	1.989
f-ratio	2.038*	0.846*	0.491*	1.676*

Table 1 shows the results of the ordinary least square regression analysis of the effect of SRE on individual moral Values. The linear function yielded the best fit with an  $R^2$  of 0.357, implying that about 35.7% of the variations in individual moral values are explained by changes in SRE components. This means that 64.3% of the changes in individual moral values are attributable to factors other than the four identified dimensions of SRE. Except for community relations which has significant positive effect on individual moral values at 5% level of probability, the table 1 shows the results of the ordinary least square regression analysis of the effect of SRE on individual moral Values. The linear function yielded the best fit with an  $R^2$  of 0.357, implying that about 35.7% of the variations in individual moral values are explained by changes in SRE components. This means that 64.3% of the changes in individual moral values are attributable to factors other than the four identified dimensions of SRE.

Except for community relations which has significant positive effect on individual moral values at 5% level of probability, the other one predictors proved to be insignificant at that level. This indicates that SRE is not a strong driver for enhancing individual moral values as inconsistent with the findings in Nwaiwu (2015). Consequently, the study accepts the null hypothesis and concludes that the dimensions of SRE do not significantly affect individual moral values of selected hospitality in Port Harcourt.

Table 2. Influence of SRE on organizational code of conduct.

Test statistical variable	Linear function	Semi-log function	Double-log function	Exponential functions
Constant (intercept)	27.848*** (4.168)	3.076*** (15.158)	44.456*** (2.115)	2.962*** (4.273)
Community relation	1.053* (0.601)	-0.017* (-0.336)	11.507* (0.592)	0.008* (0.012)
Employee relation	0.351* (-0.245)	0.048* (1.107)	-18.399* (-1.289)	0.346* (0.746)
R	0.125	0.168	0.262	0.189
$R^2$	0.016	0.029	0.069	0.037
Adj $R^2$	-0.056	-0.049	-0.062	-0.113
Std error of the estimate	29.70276	0.83374	34.93145	1.04525
Durbin Watson	2.057	2.008	2.146	1.646
f-ratio	0.219*	0.307*	0.529*	0.242*

The regression results in table 2 indicate none of the dimension of SRE as having any significant effect on organizational code of conduct under each of four functional firms adopted. The semi-log function produced an  $R^2$  of 0.069 implying that only 6.96 of the changes in organizational code of conduct can be the regression results in table 2 indicate none of the dimension of SRE as having any significant effect on organizational code of conduct under each of four functional firms adopted. The semi-log function produced an  $R^2$  of 0.069 implying that only 6.96 of the changes in organizational code of conduct can be explained by variations in SRE components; thus, unable to explain about 93.3% of the changes in organizational code of conduct. The f-ratio of 0.529 is not significant, highlighting the appropriateness of the model specification. Contrary to our apriori expectation, community relations were shown to be negatively correlated with organizational code of conduct, while employee relations was positively related to organizational code of conduct in line with our expectation.



Since the dimension of SRE are unable to explain about 93.3% of the variations in organizational code of conduct and all two components proved insignificant, the study accept the null hypothesis and conclude that SRE components do not significantly influence organizational code of conduct of selected hospitality firms in Port Harcourt. This is consistent with the findings of Oketch, 2005 in UK.

## 5. CONCLUSION AND RECOMMENDATIONS

This paper attempts to add to the literature by providing evidence from an emerging economy on the influence between social responsibility entrepreneurship (SRE) and business ethics of selected hospitality firms in Port Harcourt. One of the distinguishing features of this study is the development of additional models to consider the influence of SRE on individual moral values and organizational code of conduct. Hence, SRE are found to be exert positively significant influence on individual moral value and negative effect on organizational code of conduct of selected hospitality firms in Port Harcourt.

Thus, the study recommends the following actions to governments, non-governmental and similar organization and enterprises:

- 1) Promotion of understanding that social responsibility entrepreneurship includes: governance, management and organization, human rights, labour relations, natural environment, fair business practices, consumer issues, community involvement and development. It links all of them with consideration of: interdependence as the basis, and holism as the top intention/achievement. One should prefer no limitation of SRE to companies; they act along with influential humans' decisions.
- 2) Awareness building about the crucial importance of giving up the one-side and short-term behaviour of so far in order to practice requisite holism through SRE in order to enable (a) survival of the current civilization of humankind in (b) healthy global and local social, economic business and natural environment by adding sufficiency to efficiency and effectiveness of life and work.
- 3) Promotion of understanding that SRE diminishes and prevents costs resulting from the lack of well-being and from dissatisfaction of human masses.

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