

Conference Paper

Ethical Issues of Small Business Owners: A Regional Perspective and a Conceptual Framework

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Abstract

Previous research has shown that ethics is very important when conducting business domestically and internationally. There has been extensive ethics research done as it relates to managers in large firms and the ethical issues they encounter. What appears to be a limited area are the ethical issues encountered by entrepreneurs and small business owners. In this article, we will discuss some of the issues encountered by the entrepreneurs and small business owners. We will also discuss some of the ethical issues encountered by entrepreneurs and small business owners specifically in the Middle East and North Africa (MENA) region.

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1. Introduction

Ethics is an important branch of philosophy that focuses on morals and values, and the interest in ethics and ethical codes has been around for a long time [1]. Business ethics is a critical part of doing business for any organization. While there has been a tremendous amount of domestic and international ethics research conducted, the focus has been predominantly on large firms. This is a potential concern because the entrepreneurial process is a crucial factor in economic development and it is important to note that the entrepreneur is the key to economic growth [2]. Small businesses in different economies face different constraints that may be due to the different business environment influenced by the level of development and the policies set in varying countries [3]. Based on this, it can be inferred that depending on the country where the small business owner is conducting business, the policies set may create

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ethical issues as well as affect the ethical decision-making process of the small business owner.

In this article, the author discusses the ethical issues encountered by entrepreneurs and small business managers/owners. The author also takes a look at ethical issues encountered by entrepreneurs and small business owners in the Middle East and North Africa (MENA) region. There will be a discussion of theoretical perspectives in business ethics research, ethical issues encountered by entrepreneurs and small business owners, as well as those in the MENA region, including managerial implications and future research.

2. Theoretical Perspectives

2.1. Theories used in business ethics research

Social Contracts Theory (SCT) and integrative contracts theory are heavily used in research. SCT states that the firm may offer advantages to society (i.e., its customers and employees) in an exchange for the right to exist and prosper [4, 5]. The theory proposes that all businesses are ethically obligated to improve the welfare of society by satisfying consumer and employee interests without violating any of the canons of justice [6]. Integrative Social Contracts Theory (ISCT) was developed by Thomas Donaldson and Thomas Dunfee in response to their observations that the practitioner had ethical theories that went 'nowhere' [7] and may be considered as an important example of a contextual approach within the broad domain of contractualist business ethics [8]. ISCT proposes that the ethical choices made in business should take the environment into account and are fixed in situational norms and practices of the community in which the business operates. The primary purpose of the theory is to give practitioners practical guidance to ethical decision-making [8].

3. Ethical Issues of Entrepreneurs and Small Business Owners

Ethical issues are now surfacing when it comes to relation of how globalization affects the operations of small businesses within the context of economics, politics, media, social relations and technology [3]. Ethical issues such as cultural differences, the issue of gender gap in entrepreneurship and small business ownership are potential issues. Additionally, it is important to discuss how these issues, the ethical issues of

entrepreneurship and small business owners, are related to the MENA region. Small business creation appears to be limited in the MENA region. In regard to business growth, O'Sullivan et al. state that the MENA region faces the challenge of low levels of enterprise creation [9].

3.1. Bribery/Corruption

Corruption and bribery may very well be encountered when doing business in multiple countries. Bishara states that corruption has been defined to include bribery as well as the exploitation that can occur within an organization and may limit the growth of small- and medium-sized businesses [10]. The author goes on to say that corruption can act as drain of these SMEs' resources and may create a situation where the business may want to stay small and appear unprofitable to avoid facing corruption.

As mentioned earlier, entrepreneurship is limited in the MENA region and there are many reasons for this limitation. One of the reason that O'Sullivan et al. state for this limitation is the presence of corruption in the region [9]. The authors state that the barriers to doing business are 'pervasive' corruption and the lack of accountability and transparency. In their 2016 research on debt defaults in the MENA region, Zeaiter and El-Khalil found that a large number of countries in that region are not democratic and exhibit high levels of corruption [11].

3.2. Culture dimensions (Collectivism versus individualism)

Different cultures have their own customs of what may be acceptable and unacceptable conduct. When discussing culture, it is important that we mention Hofstede's cultural dimensions as it is heavily used in cross cultural research. In this article, we will focus on the dimensions—individualism versus collectivism. Individualism refers to societies in which the ties between individuals are loose. In other words, everyone is expected to look after himself or herself. On the other hand, collectivism refers to societies in which people immediately after their birth are integrated into groups. In collectivist cultures, ethics may be defined in terms of the benefits for the group (family, friends, employers, etc.), and may imply the maintenance of solidarity [12]; whereas, in individualistic societies, ethics may be defined in terms of the benefits for the individual or the individual's immediate family.

Many studies have hypothesized that entrepreneurship is expedited by and in cultures that are high in individualism and low in collectivism [13, 14]. In researching

the ethical decision-making processes of Egypt, a collectivist society, and the US, an individualistic society, Beekun et al. (2008) find that US respondents tend to find the ethical decision outcome in each of the ethical scenarios used as being unethical than did their Egyptian counterparts.

Though collectivism prevails in the MENA region [14], the research in general is very limited when discussing cultural dimensions as it relates to the MENA region. Based on the author's research, collectivism versus individualism and power distance seems to be the cultural dimensions mentioned in research. In their 2012 research, Kabasakal et al. found that the MENA regions' societal practices were rated high on 'in-group' collectivism [15].

3.3. Gender gap

Gender equality and female entrepreneurship are key factors in economic development [2]. Countries with a high total of entrepreneurial activity rates tend to also be associated with high female entrepreneurial activity rates [16]. The number of female entrepreneurs has been growing at a gradual rate across the world, and researchers and policymakers have been paying more attention to female entrepreneurship [17]. Also, it is important to note that women in developed countries have more equal opportunities than women in developing countries [2]. Entrepreneurship affords women the flexibility to handle their domestic responsibilities in the home, while at the same time providing financial support for their family [2].

While sub-Saharan Africa shows the highest rate of female entrepreneurship (27%), the female entrepreneurs in MENA region report a much lower rate at 4 percent in the region [2]. Contessi et al. (2013) state that, with the exception of Syria and Yemen, the main constraint to business is the same for male- and female-managed firms in the MENA region. The authors also say that the second most important constraint is somewhat different across countries and gender composition of a firm's management. Algeria and Lebanon are the only exceptions where access to capital and electricity, respectively, is always difficult.

4. Managerial Implications and Future Research

Ethical considerations affect business organizations of all sizes [18]. As stated by Nganga [3], ethical issues are surfacing when it comes to relation of how globalization affects the operations of small businesses. Existing research primarily focuses on

the ethical issues of large firms; however, we find that there is limited research on the ethical issues that are encountered by entrepreneurs and small business owners. As entrepreneurs and small business owners look internationally for new business opportunities, bribery and corruption may challenge their ethical reasoning and abilities. Despite efforts to combat political and/or administrative corruption, corruption in many countries remains an obstacle for doing business [19]. Large companies may be better able to protect themselves from corruption by using political power to influence government agents [20]. Small businesses may not have the monetary capital or political power to protect their business interests. Regarding corruption in the MENA region, O'Sullivan et al. state that the presence of corruption contributes to the limitation on small business creation in that region [9]. Entrepreneurs and small business owners wanting to conduct business in the region will need to be aware of the potential corruption they may encounter. This may cause ethical issues and affect how they are able to conduct business.

It is critical that business owners understand the culture of the country they are pursuing business opportunities in because different cultures may differ in the way they do business. These differences could as well affect the ethical way in which the business is done. In this article, the author focuses on Hofstede's cultural dimensions collectivism versus individualism. It is hypothesized that entrepreneurship is expedited by cultures that are high individualism and low collectivism [13, 14]. Based on this hypothesis and the fact that the MENA region is considered collectivist, growth of small businesses may be limited. Knowledge of this limitation will be important for entrepreneurs and small business owners who want to conduct business in the region. This limitation as well as issues with corruption may also cause ethical issue when conducting business in this region.

Gender equality and female entrepreneurship are considered key factors for economic development [2]. Although there has been growth in the number of female entrepreneurs, there is room for improvement. In the MENA region, there appears to be gender gap issues in terms of wages as well as the number of female entrepreneurs. The region experiences low growth in the creation of entrepreneurship in general [9], and this lack of growth has an impact on the growth of female entrepreneurship. Coupled with this, it is important for entrepreneurs and small business owners to be knowledgeable on this growth when making a decision to pursue business opportunities in the region. This growth deficiency may affect how business is conducted and the ethical process of the same.

Overall, there are many opportunities for future research in terms of ethical issues encountered by entrepreneurs and small business owners. The ethical issues faced by entrepreneurs and small business owners become critical and the information gathered in research may be valuable academically as well as practically. There is also potential for growth in research in the MENA region, especially in terms of entrepreneurship and ethics. The author finds that existing research in this area is limited and specifics on corruption, collectivism versus individualism as well as gender gap was difficult to ascertain. Based on the limited findings, it is suggested that more research should be conducted regarding corruption, culture and gender gap on the MENA region as a whole as well as specific countries in the region. Additionally, it would be interesting to see the specific theories used in ethics research applied to ethical situations in the MENA region. This potential burst of new information would be invaluable to academicians as well as practitioners.

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