



HONESTY IN BUSINESS: A PANACEA FOR BUSINESS SUSTAINABILITY AMONG SMALL AND MEDIUM SCALE ENTERPRISES

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Abstract

The study investigated honesty in business as a panacea for achieving business sustainability among SMEs in Port Harcourt. Descriptive survey research design was adopted for the study. Three research questions and three hypotheses guided the study. The population for the study was 1,200 registered SMEs in Port-Harcourt. A sample size of 183 male and female owners of SMEs was randomly selected for the study using simple random sampling technique. The instrument for data collection was an 18 item structured questionnaire duly validated by research experts in Business Education. The reliability coefficient of 0.71 was obtained using the test-retest method Coefficient. 183 copies of questionnaire were administered, retrieved and analyzed using mean and standard deviation for the research questions and z-test statistics for the hypotheses at 0.05 level of significance. The study identified characteristics of honesty in business to include being straightforward, having a strong moral principle, being able to gain the trust of others among others. The study also identified increase in customer patronage, growth and development of business, increase in profit, favourable public business image and Increase in market share as benefits of honesty in business. High risk of failure, low patronage, creating opportunity for higher competition and reduction in profit and market turnover were also identified as consequences of dishonesty in business. Based on the findings, it was recommended among others that curriculum and academic planners should incorporate honesty in business as part of the educational curriculum of Nigeria at all levels in order to instil the principle and practice of honesty in youths, that owners of small and medium enterprises operating in Rivers state and Nigeria at large should identify, develop, promote and implement policies that can help build the principle of honesty in business.

Keywords: *Honesty, Business sustainability, Small and Medium Enterprise*



Introduction

Businesses operate as institutions in our complex society basically for the exchange of goods and services towards the satisfaction of human wants and needs with the purpose of making and maximising profits. In ensuring the achievement of this objective, businesses are expected to behave in ways that are compatible with the value system of society. According to Mariotti (2010) it is the society that imposes the rules of conduct for all business owners in the form of ethical standards of behaviour and responsibilities to act in ways that benefit the long-run interest of all. In the opinion of the author, ethical standards such as fairness, truthfulness, mutual respect, integrity, transparency and honesty are vital for business sustainability.

Today's business environment is characterised by increased scrutiny regarding ethical practices especially honesty. In recent times honesty has become one of the most expected business ethics among business owners. This is owing to recent scandals of dishonest practices involving businesses that have often revealed that, most times what a business claims and how it behaves are not always in agreement. These unethical practices have led to the collapse of some large businesses like Enron, Tyco, World com, Volkswagen or Wells Fargo etc (Ekwue & Azu, 2016). It's hard to fathom how lying and deceit permeated these organizations. This lack of candour impacted their company's ability to perform optimally. These dishonest practices exhibited by business owners have often trample on the rights of the consumers in the society as they are being abused and mistreated by business owners at all levels. One of the main reasons that make business owners be dishonest is to make customers buy products on a false promise. In so doing, the business owners increase sales and profitability of the company. Thus, irrespective of size, business enterprises can no longer afford to ignore honesty as a business ethics if they want to achieve sustainability.

Sustainability has gradually become a very important concept for all types and sizes of businesses, globally. According to Mar (2013) business sustainability is a strategy that prioritizes the long term survival of a business and connected ecological, social and cultural systems. The author further asserted that business sustainability is a business principle that is widely recognized as a critical strategic concern for governments and organizations such that in recent times many businesses have chosen to integrate sustainability principles into their business models. Similarly, Rouse (2013) opined that business sustainability is the management and



coordination of environmental, social and financial demands and concerns to ensure responsible, ethical and ongoing success. It is essential to the long-term profitability of businesses. Posner (2014) asserted that today's smart business owners know that they are operating in a fishbowl, where everything they do is on display and social media enables news and information to travel around the world in seconds as such their activities are obvious to all. To address these challenges, business owners are recognizing the need to incorporate honesty as an ethical practice and a broader principle of sustainability in their everyday business activities and decisions. Sustainability is built on the assumption that developing such strategies fosters longevity of the business (Posner, 2014).

Honesty is an essential virtue that business owners should cultivate. It deeply determines the success or failure of the business organization. In business, honesty isn't only about doing things the right way, it's also about expressing the values on which a company is founded (Quain, 2019). In the opinion of Brain (2016) this character-of-conduct is one of the most important qualities of great leadership in business. The author further asserted that there are no moral shortcuts in the game of business, that what makes the difference in the people is the simply the character they display. To Westfall (2017) Honesty is simply the best policy for any business as well as the only way to build a successful organization, which brings about not just a happy work environment but also more success and profit for the business. Honesty is a key characteristic of a business because it sets the tone for the kind of work culture that you want to create, provides consistency in workplace behaviour, and builds loyalty and trust in customers and prospects. Honesty simply means being truthful.

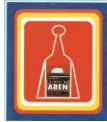
According to Eschenroeder (2016) honesty in business is perhaps the most important principle of business leadership and dependent on integrity because it demands truthfulness. In his opinion many businesses and organizations fail because they don't follow this reality principle. Honest business owners and their businesses are consistent in behaviour, steadfast, straightforward, reliable and truthful (Omonaye & Yusuff, 2016). They do not have to indulge in dishonest practices such as lying, exploitation, selling expired products, substandard products/services, price hike, lack of information, creating limited choices for consumers, unethical advertisements and false claims among others (Article Junction (2013), Wang and Shukla (2013) to attract customers patronage to their business.



Small and Medium sized Development agency of Nigeria (SMEDAN) defined SMEs based on the following criteria: a micro enterprise with less than 10 people with an annual turnover of less than 5 million naira; a small scale enterprise as with total capital employed of over N1.5million but not more than N50 million including working capital but excluding cost of land and labour size of 11-100 workers. Small and medium scale enterprises (SMEs) are the building block of the economy and catalysts for sustainable economic development, which roles include employment generation, rural development, youth empowerment, contribution to national income and growth, alleviating poverty, development of local technology, mobilizing savings and income and revenue generation (Oguno & Okejim, 2018). Running a small and medium business that is ethical and socially responsible is a challenge; as such many of such businesses end up cutting more than a few corners in the name of profit. A much closer look into the way some business activities are carried out probably suggest that honesty isn't prized as an important characteristic. However, it's nearly impossible for a business to build trust if honesty isn't a guiding principle on how that business handles every aspect of its work process.

Quain (2019) asserted that businesses can be sustained through of honesty as an ethical practice. The author further added that businesses can establish a work culture, create consistent workplace, and build the trust with customers. Honesty in business offers a lot of reward to businesses. Similarly, Omonaye and Yusuf (2016) maintained that owners of businesses are expected to be honest in their day to day running of business transactions, most especially as it can help maintain their business through increased in patronage, turnover, profit, and growth. On the other hand, Eschenroeder (2016) lamented the failure of some businesses owing to dishonest practices in business. The author stressed that the benefits of honesty in business cannot be over emphasised as dishonest practices only hold dire consequences for the business in the long-run. Dishonesty in business could result in rejection, low patronage, and poor image, vulnerability to competitors, failure and eventually collapse of the business.

Dutta and Bannerjee, (2011) noted that small and medium sized businesses which have been playing dominant role in the economy and in the domain of business have often times remained outside the floodlights of review as regards the issues of



corporate social responsibilities and ethical practices. Ethical studies in recent times are broadening to their scope to extend beyond large enterprises, to encompass smaller entrepreneurs, whose major challenge is to navigate their businesses within the complexities of an increasing globalised market place in an ethical manner so as to ensure their sustainable existence.

It is against this background that this study was carried out to investigate the benefits and dangers of dishonesty in business among small and medium enterprises in Port Harcourt city of Rivers State.

Statement of the Problem

Almost every business claims they promote values of honesty in business. However, recent scandals have revealed cases of wide-scale dishonesty that have led to failures of some large, medium and small scale businesses (Carcci, 2019). This proves that claims and behaviours of some businesses are not always in conformity with ethical practices as most times in a bid to increase sales and maximise profit, business owners often resort to dishonest practices to make customers buy products on false promises. These downsides of dishonesty in business are very obvious as it is felt by virtually every consumer of goods and services, but with continued prevalence of these dishonest practices among business owners in the corporate world, it has become imperative to ascertain the benefits of honesty in business in achieving a sustainable business.

Research Questions

The following research questions guided the study:

1. What are the characteristics of honesty in business among male and female owners of small and medium enterprises?
2. What are the benefits of achieving business sustainability through honesty in business among male and female owners of small and medium enterprises?
3. What are the consequences of dishonesty in business to business sustainability among male and female owners of small and medium enterprises?

Hypotheses

The following hypotheses were tested at 0.05 level of significance.

1. There is no significant difference in the mean ratings of male and female owners of small and medium enterprises in Rivers state on the characteristics of honesty in business.



2. There is no significant difference in the mean ratings of male and female owners of small and medium enterprises in Rivers state on the benefits of achieving business sustainability through honesty in business.
3. There is no significant difference in the mean ratings of male and female owners of small and medium enterprises on the consequences of dishonesty in business to business sustainability.

Method

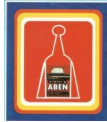
The study adopted the descriptive survey research design. The population of the study comprised of 1,200 registered small and medium scale businesses in Port-Harcourt city of Rivers State. A sample of 183 respondents (130 male and 53 female) were selected using simple random technique. The instrument for data collection was a 18 item structured questionnaire titled “Honesty in Business and Business Sustainability (HBBS)” drafted on a four-point rating scale of strongly agree (SA- 4 points), Agree (A- 3 points), Disagree (D- 2 points) and Strongly disagree (SD-1 point) with three section. The instrument was validated by two experts from Rivers State University and Ignatius Ajuru University, Port-Harcourt. Test-retest method was used to test the reliability of the items and a reliability coefficient of 0.71 obtained. The questionnaires were administered and retrieved by the researcher and two research assistants. Mean and standard deviations were used in analysing the research questions while z-test was used to test the hypothesis at 0.5 level of significance. The decision rule for the research questions were based on the criterion mean of 2.50. As such, any mean value of 2.50 and above was accepted, while mean values below 2.50 were rejected. For the hypothesis, it was agreed if z-cal was less than z-critical and rejected if z-cal is greater than z-critical.

Results

Research Question 1

What are the characteristics of honesty in business among male and female owners of small and medium enterprises?

Table 1: *Mean responses male and female owners of small and medium enterprises on the characteristics of honesty in business*



S/N	Characteristics of honesty in business	Male (X ₁) N= 130	SD ₁	Female (X ₂) N=53	SD ₂	Remark
1.	Able to gain the trust of others	3.15	0.86	3.26	0.85	Agreed
2.	Having a strong moral principle.	3.38	0.84	3.38	0.83	Agreed
3.	Being straightforward.	3.31	0.61	3.00	0.87	Agreed
4.	Loyalty and being firm in purpose	3.27	0.81	3.23	0.54	Agreed
5.	Devotion to the performance of duties, deals, agreement or promise	2.92	0.83	3.26	0.85	Agreed
6.	Readiness to discuss issues	3.15	0.72	2.91	0.92	Agreed
Grand Mean		3.20	0.78	3.17	0.81	Agreed

Source: Research Data, 2019

The responses of the respondents from table 1 show all items with mean scores ranging from 2.91 to 3.38, indicating an acceptance of all items on characteristics of honesty in business. The grand means of 3.20 and 3.17 respectively for male and female owners is an indication of their agreement of all items as characteristics of honesty in business. The standard deviation scores of 0.78 and 0.81 for male and female respectively shows that the respondents were not far from the mean and from the opinion of one another in their responses.

Research Question 2

What are the benefits of achieving business sustainability through honesty in business among male and female owners of small and medium enterprises?

Table 2: Mean responses male and female owners of small and medium enterprises on benefits of achieving business sustainability through honesty in business

S/N	Benefits of achieving business sustainability through honesty in business	Male (X ₁) N= 130	SD ₁	Female (X ₂) N=53	SD ₂	Remark
1.	Increase in customer patronage	3.23	0.70	3.15	0.56	Agreed
2.	Increase in market share.	3.42	0.63	3.15	0.79	Agreed
3.	Growth and development of business.	3.29	0.59	3.51	0.60	Agreed
4.	Increase in profit.	3.44	0.64	3.47	0.51	Agreed
5.	Favourable public business image.	3.29	0.65	3.34	0.64	Agreed
6.	Able to collect and analyse financial information	3.35	0.73	3.58	0.66	Agreed
Grand Mean		3.34	0.66	3.37	0.63	Agreed

Source: Research Data, 2019



Table 2 shows all items regarding the *benefits of achieving business sustainability through honesty in business are accepted as indicated by their mean values* ranging from 3.15 to 3.58 which are above the criterion mean value of 2.50. The grand means of 3.34 and 3.37 for the two respondent groups shows that through honesty in business owners of small and medium enterprises has a lot to benefit in terms of sustaining their businesses. The standard deviation scores of 0.66 and 0.63 for male and female owners of small and medium enterprises respectively shows that the respondents were not far from the mean and from the opinion of one another in their responses.

Research Question 3

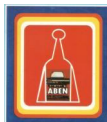
What are the consequences of dishonesty in business to business sustainability among male and female owners of small and medium enterprises in Rivers state?

Table 3: Mean responses male and female owners of small and medium enterprises on consequences of dishonesty in business to business sustainability

S/N	Consequences of dishonesty in business to business sustainability	Male (X ₁) N= 130	SD ₁	Female (X ₂) N=53	SD ₂	Remark
1.	Reduces opportunity for market growth and sustainability	3.27	0.71	3.17	0.97	Agreed
2.	Reduction in profit and market turnover.	3.35	0.62	3.40	0.65	Agreed
3.	High risk of failure and collapse.	3.15	0.72	3.38	0.86	Agreed
4.	Wastage and loss of revenue	2.92	0.78	3.30	0.63	Agreed
5.	Low customer patronage.	3.56	0.62	3.40	0.76	Agreed
6.	Creating opportunity for higher competition	3.27	0.81	3.17	0.82	Agreed
Grand Mean		3.25	0.71	3.30	0.78	Agreed

Source: Research Data, 2019

The Data in table 3 for research question 3 shows all items regarding the consequences of dishonesty in business to business sustainability with mean values ranging from 2.92 to 3.56 all above the criterion mean value of 2.50 are accepted. Furthermore, the grand mean values of 3.25 and 3.30 and standard deviation response of 0.71 and 0.78 respectively for male and female owners of small and medium enterprises shows that there are consequences for dishonesty to business sustainability.



Test of Hypotheses

Hypothesis 1

There is no significant difference in the mean ratings of male and female owners of small and medium enterprises on the characteristics of honesty in business.

Table 4: Summary of z-test analysis of mean differences in the mean responses of male and female owners of small and medium enterprises on the characters of honesty in business

Respondents	N	Mean	SD	Df	Level of Sign	Z-Cal	Z-Crit	Remark
Male	130	3.20	0.78	181	0.05	0.2	1.96	Accepted
Female	53	3.17	0.81					

Source: Field Survey Data 2019. Key: N=no. of respondents, SD=standard Deviation, DF=degree of Freedom, Z-cal=calculated Z-test value, Z-crit= Z-test table value.

The analysis in table 4 shows the z-test of differences between the responses of male and female owners of small and medium enterprises on the characteristics of honesty in business. The z-calculated value of 0.2 less than the z-critical value of 1.96 with a degree of freedom of 181 and 0.05 level of significance indicates that the null hypothesis is accepted and upheld that there is no significant difference in the mean ratings of male and female owners of small enterprises and medium enterprises on the characteristics of honesty in business.

Hypothesis 2

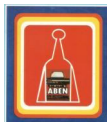
There is no significant difference in the mean ratings of male and female owners of small and medium enterprises on the benefits of achieving business sustainability through honesty in business.

Table 5: Summary of z-test analysis of mean differences in the mean responses of male and female owners of small and medium enterprises on the benefits of achieving business sustainability through honesty in business

Respondents	N	Mean	SD	Df	Level of Sign	Z-Cal	Z-Crit	Remark
Male	130	3.34	0.66	181	0.05	-0.23	1.96	Accepted
Female	53	3.37	0.63					

Source: Field Survey Data 2019.

The result from Table 5 above revealed the z-test analysis on the benefits of achieving business sustainability through honesty in business. With a z-calculated value of -



0.23 less than the z-critical value of 1.96 at 0.05 level of significance and a degree of freedom of 181, the null hypothesis is accepted and upheld that there is no significant difference in the mean ratings of male and female owners of small and medium enterprises *on the benefits of achieving business sustainability through honesty in business.*

Hypothesis 3

There is no significant difference in the mean ratings of male and female owners of small and medium enterprises on the consequences of dishonesty in business to business sustainability.

Table 6: Summary of z-test analysis of mean differences in the mean responses of male and female owners of small and medium enterprises on the on the consequences of dishonesty in business to business sustainability.

Respondents	N	Mean	SD	Df	Level of Sign	Z-Cal	Z-Crit	Remark
Male	130	3.25	0.71	181	0.05	-0.33	1.96	Accepted
Female	53	3.30	0.78					

Source: Field Survey Data 2019,

Table 6 above revealed a z-calculated value of -0.33 less than the z-critical value of 1.96 with a degree of freedom of 181 and 0.05 level of significance, indicating the null hypothesis is accepted and upheld that there is no significant difference in the mean rating of male and female owners of small enterprises and medium enterprises *on the on the consequences of dishonesty in business to business sustainability.*

Discussion

The findings of the study from research question one affirmed the opinion of male and female owners of small and medium enterprises on the characteristics of honesty in business. Findings revealed that attributes such as being able to gain the trust of others, having a strong moral principle, consistency, being loyal and firm in purpose, devotion to duties, and deals agreement among others were identified as characteristics of honesty in business. This finding confirms the assertion of Omonaye and Yussuf (2016) that honest business owners and their businesses are consistent in behaviour, steadfast, straightforward, reliable and truthful.

The study also revealed that views of male and female owners of small and medium scale enterprises on the *benefits of achieving business sustainability through honesty in business.* Results showed the agreement of respondents to the items identified,



indicating that honesty in business offers rewards such as continuous patronage, increase in market share, growth and development, increase in profit, favourable public image and reduced risk of business failure and sustainability. This finding aligns with the view of Quain (2019) that honesty as an ethical practice in business will help business owners establish their own work culture, create consistent workplace behaviour, build customer trust, and respect, increase customer patronage and give the business a good image. This goes to imply that honesty builds momentum for the sustainability of a business, making businesses more profitable as it attracts patronage to business. Therefore there is great need for honesty to exist between business owners, business owners and their employees; owners, employees and customers as well as among all parties involved in the business.

The study also ascertained the opinions of male and female owners of small and medium enterprises on *the consequences of dishonesty in business to business sustainability*. Findings from research question 3 revealed that reduction in opportunity for growth and improvement, high risk of failure, low patronage, opportunity for higher competition, loss of revenue among others as consequences of dishonesty in business. This corroborates the view of Eschenreoder (2016) that dishonesty in business could result in rejection; loss of customers/clients; loss of public image; vulnerability to competitors: a show of weakness and possible failure. This is also in line with the assertion of Brain (2017) that honesty is the secret ingredient of successful organizations.

The study also discovered that there was no disparity in the responses of male and female owners of small enterprises and medium enterprises testing of hypotheses 1, 2, and 3, as presented in tables 4, 5, and 6. This implies that the opinions of male and female owners of small and medium enterprises in Port Harcourt city, Rivers State are similar on the variables studied.

Conclusion

Based on the findings of the study, it is concluded that honesty in business is an attribute that all owners of business irrespective of the size should follow as an ethical standard of practice in all business activities as businesses stand to benefit in diverse ways which can ensure the sustainability of their businesses. Dishonest practice in business will only hold threats for the business in the long run. Therefore, it has become imperative for business owners to strive to build on the principle of honesty.



Recommendations

Based on the findings and conclusion of this study, the following recommendations are made:

1. That owners of small and medium enterprises operating in Rivers state and Nigeria at large should identify, develop, promote and implement policies that can help build the principle of honesty in business.
2. The importance of honesty in business should be emphasized in every facet of business activities in order to ensure the sustenance of the business.
3. Business owners should be encouraged to avoid dishonest practices in carrying out their transactions as it will only bears consequences for the business education.
4. Curriculum and academic planners should incorporate honesty in business as part of the educational curriculum of Nigeria at all levels in order to instill the principle and practice in youths.

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