

An Investigation into the Ethical Ideology of Immigrant Entrepreneurs in South Africa

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KEYWORDS Ethical Ideology. Idealistic. Relativistic. Immigrant Entrepreneurs. South Africa

ABSTRACT Corruption and other unethical practices are endemic in the business environment. An individual's ethical ideology provides guidelines that can be used in evaluating ethically questionable behaviours and ultimately the decision to refrain or engage in them. The study investigated the ethical ideology of immigrant entrepreneurs in South Africa. In addition, the study examined whether there is a significant gender difference in the ethical ideology of immigrant entrepreneurs. The results showed that immigrant entrepreneurs are more idealistic than relativistic with respect to their ethical ideology. Most of the immigrant entrepreneurs can be classified as situationists. Female immigrant entrepreneurs are more idealistic and relativistic than males. However, the gender difference is not statistically significant. Recommendations to improve the ethical behaviour of immigrant entrepreneurs are suggested.

INTRODUCTION

The Organisation for Economic Co-operation and Development (2013) points out that migrants contribute to the economic growth of their host countries in many ways. Migrants bring new skills and competencies and also help to reduce labour shortages. Many migrants become entrepreneurs. Business ownership and self-employment rates are higher among immigrants than natives in many countries. By creating new businesses, immigrant entrepreneurs create employment for locals and other immigrants (Fairlie and Lofstrom 2013). Immigrant entrepreneurs can also help to maintain and develop economic activities in specific urban and rural areas at risk of economic or demographic decline (Organisation for Economic Co-operation and Development 2013). In South Africa, on the average, three people are employed by small enterprises owned by immigrant entrepreneurs. In addition, 97 percent of immigrant entrepreneurs rent the business premises that they occupy from private individuals thereby contributing to the development of the housing market. Immigrant entrepreneurs can be classified as providing a form of micro foreign direct investment and contribute positively to the local economy (Garg and Phayane 2014).

However, despite the noted contribution of immigrant entrepreneurship, the failure rate of immigrant-owned businesses is higher than

that of natives. Immigrant entrepreneurs are negatively affected by factors such as credit constraints, language ability and length of residence in the host country (Organisation for Economic Cooperation and Development 2013). According to Wiid et al. (2014), the business world has been negatively affected by scandals of unethical behaviour in the past few years. Corruption and other unethical practices are endemic in the business environment. Unethical business practices are prevalent in large, medium, and small enterprises. This has led to an increased attention on business ethics around the world. In addition, in today's globalised environment, there are many ethnic groups with different cultures living in a society with many opposing morals, values, and ethics. The business environment in many countries include both native and immigrant entrepreneurs (Fairlie and Lofstrom 2013).

Effective decision-making is critical to the success of immigrant entrepreneurs. Ethics has implications for decision-making and performance of organisations. An individual's ethical ideology provides guidelines that can be used in evaluating ethically questionable behaviours and ultimately the decision to refrain or engage in them (Ameh and Odusami 2010). There is a need to examine the ethical ideologies of immigrant entrepreneurs in order to understand their ethical behaviour. Greater knowledge of factors that can influence the performance of immigrant

entrepreneurs is essential if policy makers are to better support migrant enterprises and their role in economic growth and job creation (Organisation for Economic Co-operation and Development 2013).

Objectives of the Study

The objective of the study is to investigate the ethical ideology of immigrant entrepreneurs in South Africa. In addition, the study will investigate if there is a significant gender difference in the ethical ideology of immigrant entrepreneurs.

Literature Review

Immigrant Entrepreneurship

Zhang (2010) points out that “an immigrant entrepreneur is an individual, who works individually, or employs others, is involved in either co- or the non-ethnic market, or both, to respond to a disadvantaged position and/or economic opportunities through entrepreneurship, including taking a risk by starting-up and innovating to meet demands of the market”. According to Volery (2007) and Zhang (2010), the theories of immigrant entrepreneurship can be categorised into the disadvantage theory, the cultural theory, the ethnic enclave model, the middleman minority model, the ecological succession concept, the opportunity structure theory and the interactive theory.

Light (1979) emphasised the disadvantage of immigrants in the labour markets of host countries. Immigrants often lack human capital such as language skills, education and experience, which prevent them from obtaining salary jobs, leaving self-employment, as the only option. The cultural theory advocated by Masurel et al. (2004) and Volery (2007) argue that immigrants possess some culturally determined features. These include dedication to hard work, membership of a strong ethnic community, economical living, acceptance of risk, compliance with social value patterns, solidarity and loyalty, and orientation towards self-employment. These features are a sort of ethnic resource and can encourage entrepreneurship. The ethnic enclave theory by Wilson and Portes (1980) identifies ethnic enclaves as a distinct form of economic adaptation. Immigrants tend to be spatially con-

centrated. This concentration leads immigrants to organise businesses to serve their own market as well as the general population. The middleman minority was developed by Blalock (1967) and expanded by Bonacich (1973). The middleman minority theory argues immigrant entrepreneurs tend to concentrate in certain occupations such as trade and commerce. Immigrants tend to have strong ethnic ties. The ecological theory by Aldrich et al. (1989) suggests that changes in the environment of a residential area can nurture immigrant entrepreneurship. When immigrant population increases in an area, the natives tend to move to other areas leading to a decrease in their population. This leads to ethnic segregation of ethnic minorities and immigrants. This has led to the growth and persistence of ethnic enclaves. The opportunity structure theory by Evans (1989) argues that immigrant groups act as economic niche for small business. Immigrant entrepreneurs have an advantage in tapping the preferences of consumers in the group and also in tapping the skills of co-ethnics compared to native entrepreneurs who are not members of the immigrant cliché. Waldinger et al. (1990) present the interactive model of immigrant entrepreneurship. The model offers an explanation for immigrant enterprise based on the interaction between the opportunity structure of the host society and the group characteristics and social structure of the immigrant community.

Ethical Ideology

Ethical ideology can be defined as “a system of ethics used to make moral judgments, which offers guidelines for judging and resolving behaviour that may be ethically questionable” (Henle et al. 2005). Ethical ideology is “a set of beliefs, values and attitudes, which may influence an individual’s judgment and decision-making when faced with difficult situations and ethical dilemmas” (Ameh and Odusami 2010). Four distinct ethical perspectives were discussed in the taxonomy of ethical ideologies by Forsyth (1980). These are (1) *Situationism*: this advocates a contextual analysis of morally questionable actions. (2) *Absolutism*: this uses inviolate, universal moral principles to formulate moral judgements (3) *Subjectivism*: this argues that moral judgements should depend primarily on individual own personal value. 4. *Exception-*

ism: this admits that exceptions must be made to moral absolutes.

The ethical position questionnaire developed by Forsyth (1980) and cited in Fatoki (2014) measure the extent to which an individual adopts one of the four ethical ideologies. Situationists reject moral rules and advocate individualistic analysis of each action in each situation. Absolutists assume that the best possible outcome can always be achieved by following universal moral values. Subjectivists base their appraisal on personal values and perspective rather than universal moral values. Exceptionists believe that moral absolutes guide judgements but there are exceptions. Individual variations in the approaches to moral judgement can be described by examining two basic factors. (1) Relativism: this is the extent to which an individual rejects universal moral rules in favour of relativism. (2) Idealism: this focuses on the assumption that desirable consequences can always be obtained with the right action (Forsyth 1980). The group that an individual belongs to is determined by whether the individual follows idealistic or non-idealistic idea and believes that moral rules are universal or relative. Situationists and subjectivists are the high relativism groups. Situationists believe that people's situations, rather than their characters, are the explanatory powerful factors in determining why different people behave differently.

According to Forsyth (1992), relativists can be either high or low in idealism and a distinction can be made between ethical egoism and situation ethics. Situation ethics however argues that morality should focus on a contextual appropriateness and not the good or the right but on the fitting. The absolutists and the exceptionists belong to the non-relativistic side. Absolutists tend to agree with the deontological approach to moral philosophy. This philosophy appeals to natural law or rationality to determine ethical judgements. Exceptionists are more compatible with the teleological ethical philosophy. The philosophy proposes that the morality of action depends on the consequences that it produces. An individual is ethically bound to act in a way that produces good consequences.

Ethical ideology can influence the ethical perception of business owners. A study on ethical ideology by Redfern (2005) finds that Chinese managers are high on both idealism and relativism dimensions. The high relativism scores

suggest that these managers reject universal moral principles in favour of a situational, or relativist, approach to ethical decision making. Ameh and Odusami (2010) examined the ethical ideology of building professionals in Nigeria. The study finds that most of the building professionals are situationists while some are absolutists. Gender is also an important factor that can influence ethical ideology, although the results of empirical studies are inconclusive (Fernando et al. 2008). The ethical evaluations of men are often less sensitive than those of women. Females scored higher on moral idealism than males. Males scored higher on moral relativism for both items. However, there are no significant differences between males and females for the overall relativism mean of the scale items (Donoho et al. 2012).

RESEARCH METHODOLOGY

The study used the quantitative research approach with a descriptive research design. Data was collected through the use of self-administered questionnaire in a survey. The survey was conducted in Johannesburg in the Gauteng province of South Africa because of the large number of immigrant entrepreneurs in the city. Because of the difficulty in obtaining the population of immigrant entrepreneurs in the study area, convenience and snowball sampling methods were used. A pilot study was conducted on the survey instrument used in this research with twenty immigrant entrepreneurs in order to ensure face and content validity. Owners were assured of confidentiality with regard to the data collected.

To measure the ethical ideology of immigrant entrepreneurs, the study used the Ethical Position Questionnaire (EPQ) developed by Forsyth (1980). The EPQ is a 20-item instrument designed to assess individual differences in idealism and relativism. Idealism scores are calculated by summing responses from items 1 to 10 of the EPQ. Relativism scores are calculated by summing responses from items 11 to 20 of the EPQ. Forsyth (1980) reported Cronbach alpha coefficients of 0.80 and 0.73 for idealism and relativism respectively. This depicts an acceptable level of internal consistency. Therefore, to classify immigrant entrepreneurs into one of the four ethical ideologies, idealism and relativism scores were used. This was done by using the median

scores of idealism and relativism as cut-off points. Ameh and Odusami (2010) note that Forsyth's (1980) EPQ is valid and not reflective of social desirability bias and has been used in a variety of studies on ethical ideology. The participants in the study with high scores on both idealism and relativism are referred to as situationists. Those with high score on the idealism scale but low on relativism scale are referred to as absolutists. Those with low score on idealism scale but high on relativism scale are referred to as subjectivists and those with low scores on both idealism and relativism are called exceptionists. This study used a 7-point scale ranging from "1 strongly disagree to 7 strongly agree". The study used descriptive statistics (mean, median and standard deviation) and the t-test for data analysis.

RESULTS AND DISCUSSION

Two hundred questionnaires were distributed to owners of immigrant-owned enterprises and 88 questionnaires were returned. The response rate was 44 percent. Table 1 depicts the biographical characteristics of the respondents.

Table 1: Biographical information of the respondents

<i>Biographical characteristics</i>	<i>Number</i>	<i>Percentage</i>
<i>Educational Qualification of Owner/Manager</i>		
Matric equivalent or below	33	37.5
Post-matric qualifications	55	62.5
<i>Gender</i>		
Female	31	35.9
Male	57	64.1
<i>Age of the Firm</i>		
0-3	0	0
3-5	41	46.6
6-10	45	51.1
Above 10 years	2	2.3
<i>Sector</i>		
Retail	51	57.9
Service	37	42.1

Results of Ethical Ideology

Table 2 depicts the descriptive statistics and Cronbach's alpha coefficients for idealism and relativism of immigrant entrepreneurs. The mean for idealism is 5.628 and the mean for relativism is 4.306. The Cronbach's alpha coefficients for

Table 2: Descriptive statistics for idealism and relativism

<i>Descriptive statistics</i>	<i>Idealism</i>	<i>Relativism</i>
Mean	5.628	4.306
Standard deviation	0.901	0.924
Median	5.725	4.242
Cronbach's alpha coefficients	0.748	0.722

idealism and relativism were 0.748 and 0.722 respectively. According to Bryman and Bell (2007), a score of 0.7 is an acceptable reliability coefficient. The results indicate an acceptable level of internal consistency for both idealism and relativism. In addition, the results show high scores for both idealism and relativism. The results indicate that immigrant entrepreneurs are more idealistic than relativistic with respect to their ethical ideology. Idealism focuses on the assumption that desirable consequences can always be obtained with the right action. Relativism is the extent to which an individual rejects universal moral rules in favour of relativism (Forsyth 1980) The findings are consistent with that of Wiid et al. (2014) which find that small business owners in South Africa are more idealistic than relativistic.

To classify the respondents into one of the four ethical ideologies, the idealism and relativism scores were used. This was done by using the median scores of idealism and relativism as cut-off points. Forsyth (1980) points out that respondents with high scores on both idealism and relativism are referred to as situationists. Respondents with high score on the idealism scale but low on relativism scale are referred to as absolutists. Respondents with low score on idealism scale but high on relativism scale are referred to as subjectivists. Respondents with low scores on both idealism and relativism are called exceptionists. 49 respondents were classified as situationists, 37 respondents classified as absolutists, 2 respondents were classified as subjectivist and no respondent was classified as exceptionists (Table 3). The results indicate that most of the immigrant entrepreneurs can be

Table 3: Ethical ideology of immigrant entrepreneurs

<i>Ethical ideology</i>	<i>N</i>	<i>%</i>
Situationist	49	56
Absolutist	37	43
Subjectivist	2	1
Exceptionist	0	0

classified as situationists with respect to their ethical ideology. The results are consistent with the findings of Ameh and Odusami (2010) and Wiid et al. (2014).

Gender Influence

Table 4 shows that women are slightly more idealistic and relativistic than men with a mean of 5.572 for males and 5.684 for females under idealism. Under relativism, the mean for male is 4.297 and for female 4.315. Table 5 shows the results of the t-test. The results indicate that there are no significant differences in the mean scores of both male and female students with respect to idealism and relativism. The results are consistent with the findings of Donoho et al. (2012) which conclude that although women are more idealistic than men, the difference is not statistically significant.

Table 4: Descriptive statistics by gender

Gender	Mean (idealism)	Standard deviation (idealism)	Mean relativism	Standard deviation (relativism)
Male	5.572	0.904	4.297	0.928
Female	5.684	0.944	4.315	0.979

Table 5: t-test results for gender difference

Ethical ideology	t-value	Sig.
Idealism	.498	0.405
Relativism	.502	0.309

Sig. 0.05

CONCLUSION

The study investigated the ethical ideology of immigrant entrepreneurs in South Africa. In addition, the study examined if there is a statistically significant gender difference in the ethical ideology of immigrant entrepreneurs. The results indicated high scores in both idealism and relativism. The results showed that immigrant entrepreneurs are more idealistic than relativistic with respect to their ethical ideology. Most of the immigrant entrepreneurs can be classified as situationists. Female immigrant entrepreneurs are more idealistic and relativistic than males although the gender difference is not statistically significant.

RECOMMENDATIONS

It is important for immigrant entrepreneurs to recognise that good ethical behaviour will have positive impact on business performance. Immigrant entrepreneurs should always exhibit high standards of honesty, fairness in dealing with other stakeholders. An ethical culture is of great value to any business. Immigrant entrepreneurs should attend training on business ethics and how to introduce formal codes of ethics in their businesses. Agencies that support small businesses in South Africa such as the Small Enterprise Development Agency can assist to train immigrant entrepreneurs on good ethical behaviour.

LIMITATIONS AND AREAS FOR FURTHER STUDY

The study used the convenience and snowball sampling methods. These are non-probability sampling methods and could have created bias in data collection. Further studies can compare the ethical ideology of native and immigrant entrepreneurs. In addition, the effect of entrepreneur's characteristics (that is, the age and the level of education of the business owner) and firm characteristics (that is, the age and the industry of the firm) can be investigated.

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