

## ETHICS AND MODERN ENTREPRENEURSHIP

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### Abstract

*The entrepreneurship is based on an individual or a group initiative. It aims a profit within the range of socially approved norms and values. At the same time, entrepreneurship is a culture of economic behavior, values and above all, a way of thinking. There are conflicts sometimes between the individual and the group interests of entrepreneurs.*

*In other cases, the conflicts of interest are between entrepreneurial and public interests.*

*For this reason, the problem of social responsibility of entrepreneurs is actual. The existing quantitative measures for entrepreneurship - profitability and qualitative ones - efficiency, measure the economic result of the business.*

*Sometimes more important are the public measurements - a contribution to the development of a democratic society; the market economy (through competition); ownership, middle class creation; increasing employment and regional economic development. However, the role of the entrepreneurs in building and promoting the values and culture of entrepreneurship in the society is indisputable.*

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### 1. Introduction

Peter Drucker believes that "entrepreneurship is a dividing line for both the individual and the institution. It is not a personal feature, but anyone with the ability to make their own decisions can learn to be an entrepreneur and behave like an entrepreneur. Therefore, entrepreneurship is more a behavior than a personal feature" (Dracker, 1992, pp. 36-37).

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The market is the environment in which the entrepreneur operates. The market is not just any set of sellers and buyers of a particular product (product or service). It is a complex system of relationships in which its rules operate. The relationships between sellers and buyers in the market are governed by laws and regulations. The more developed the market economy is, the better this kind of legislation is. The relationships among people in the field of entrepreneurship (including within business organizations) are governed apart from the written laws (and probably to the same extent) by unwritten laws of the market - by market ethics.

This topic is much broader than the unwritten laws of relationships, namely the behavior of the entrepreneur and his image, business etiquette, ability to manage people, etc. The entrepreneur deals not only with resources, machines and products, not only with various documents, processes of production, delivery and sale. He deals constantly with people - manages people, consults with specialists, talks with partners, communicates with the working team. As a result, how well he is doing depends on his image, authority and the success of his business.

Entrepreneurship is a profession, a vocation, but it is also a special way of thinking, behavior, style. Entrepreneurship is a culture. Entrepreneurial culture consists of the inherited elements of the entrepreneurial value system, social practice, ethics and moral. According to the specialized literature in this respect there are two main types of cultures that have an active influence on entrepreneurship in Bulgaria. In this development it will be revealed the problem of business ethics in the broad range of this concept. It will focus on entrepreneurial ethics. It will analyze the cultural, social and value elements of entrepreneurial behavior.

## **2. Problem statement**

### *2.1. Market ethics*

The logic of forming market relations in Bulgaria involves linking our economic system with the global economic processes. In this regard, the issues of comparing diametrically opposite humanitarian and psychological principles of the economies of Western Europe and Bulgaria are of a particular importance.

The experience of the businessmen in establishing economic relations with foreign partners convincingly show that the Bulgarian businessmen understand very well the fundamental values in the market. This circumstance, together with the political situation in the country, significantly affects to the willingness of potential foreign partners to invest in the Bulgarian economy. The market is not

just a place for buying and selling goods, it is not a "bazaar", but above all a special logic, psychology, ethics, in one word, a significant cultural layer that must be prepared in advance. It is not the market that is immoral, but those who bring in it the spirit of profit, greed, disrespect to the buyers, sellers and competitors. The civilized market is based on unwritten laws, rules of the game and such moral categories as nobility, reliability, decency, solidarity. There are certain anti-market economy attitudes and stereotypes of thinking, such as those attitudes of public consciousness that slow down the improvement of an effective market economy based on the use of free market mechanisms. There is no doubt that business vices are a kind of derivative of the general state of public morality.

Many companies in many countries have this principle: "Profit is above all, but the honour is above the profit". But many entrepreneurs have different principles such as: "Profit at all costs", "Money does not smell", "Everything is allowed in trade", "If you are not fooling - you are not selling", etc. How was it before? The business ethics of Bulgarian traders are legendary, as hundreds of deals were concluded with only a nod of the head, the word of the trade was more valuable than gold and the life was the guarantor of that word. Today, worldwide, market relationships are based on trust between partners, their integrity, sense of duty and others. This is at the heart of the business ethic of the entrepreneur - the businessman. For the entrepreneur, this word is a law. In United States and Japan, multimillion-dollar deals are made over the phone and no one doubts about their reliability.

The majority of the entrepreneurs who are accustomed to work in civilized markets trust each other, for them the word really is a law. There are exceptions of course. It is natural that there are entrepreneurs in every society who do business dishonestly.

## *2.2. Moral values in the market*

Ethics is the doctrine of morality and the rational use of freedom. Freedom is the most important precondition for independence. In a totalitarian society, the individual has no choice. Freedom presumes that people voluntarily make their choices, consciously switch to restrictions when necessary. In fact, the market selling process is always a compromise between seller and buyer. The market economy, among other things, is an unrivalled mechanism that allows the use of competition to turn a person's selfish interest into a public welfare.

There are certain moral standards which allow these compromises to be found. Here are some of them:

1. The concept "At the service of the public", which - thanks to internal corporate policy which involve all employees of the company from the president to the last employee. Customer Service at a Reasonable Fee is the cornerstone of their ideology. "The welfare of the manufacturer," writes Henry Ford, "ultimately depends ... on the benefits he brings to people";

2. Paradoxically, disregard for money. Money is not a goal for the entrepreneur, but just a tool used to achieve a goal. Money is in a constant flow, in circulation. This is exciting and it is the major wealth of the entrepreneur. The lack of a cult of money makes the entrepreneur relieved, enables him to take reasonable risks;

3. It follows logically the constant dissatisfaction from results of all previous experience and a sense of healthy ambition, which does not fade away over the years. Business is not only a result, but also a process. The entrepreneur, like the writer, always thinks that the main book is ahead of him. This constant focus on success, the desire to solve increasingly complex and larger tasks, is his "business card";

4. Honesty, sincerity, frankness. The honesty of the entrepreneur is an indispensable attribute of the style of business relations, as the smallest "stain" on his image can lead to serious financial losses and often bankruptcy. In a competitive environment, honesty is a useful quality. A number of associations of entrepreneurs by profession - unions, guilds, associations, not only the state are empowered to regulate the activity of their members in the interest of consumers - to ensure fair and ethically business practices which allow fair competition. In addition, such associations have a professional code of honour that describes a series of actions that members recognize as an unethical.

5. Pride of your business, regardless of its area and range. Any business that brings satisfaction to customers and generates revenue is prestigious. The basis of this approach is high professionalism, self-confidence.

6. The business success should not be achieved by environmental destruction.

7. "The profit sharing must be open to all who participate in its creation."

1. Complete absence of habits and traditions of our entrepreneurs, especially in service industry. It is not accidental that when hiring staff for numerous companies (shops, cafes, hotels), there is often a lack of experience among applicants for work in the trade, catering and hospitality industries.

2. The inferiority complex, the humbleness, the fear of reaching the target, the psychology of not a winner, but always a loser are elements

which blocks a successful entrepreneurship. At the same time - the hope for an almost immediate, improvement and success, but without relying on its own efforts, self – confidence, constancy.

3. Intolerance, unhealthy desire to "trample", humiliate, unwillingness to seek compromise.

4. The psychology of renters among some of the businessmen is explained, on the one hand, with the standard of living and, on the other hand with the uncertainty about the future.

5. Striving for restriction of the competition, monopoly, relying on "attraction".

6. The image of the businessman, the entrepreneur show his style of thinking, way of dress and behavior. A successful businessman pays attention to make a good impression, but that does not necessarily means that he or she must be dressed in an expensive suit. It can make a good impression without a smart suit. Long-term partners do business, paying little attention to the way the partner is dressed. The image is the important one.

Throughout its history, mankind has developed only three fundamentally different instruments of management - to influence the people.

1. Hierarchy, an organization where the main means of influence is the attitude of subordination, pressure on the person from above, through compulsion.

2. Social norms, attitudes, patterns of behavior, rituals, culture, ethics, values developed and recognized by society that force one to behave in that way and not otherwise.

3. The market, a network of horizontal equal relations based on the sale of products and services, on property relations, on the balance of the interests of the seller and the buyer.

These happenings are complex, they are not just "management tools". All of them almost always exist in real economic and social systems. It's just about prioritizing whom is given the priority, what is the main share. This determines the essence, appearance of the economic organization of the society.

There was an administrative-command system in Bulgaria for a long time. At its core was hierarchy, the most powerful management tool. But at the same time, there was a "solid" ethic when the traditions and social norms of society exerted a great influence on the people in the process of governing. Party ideology and membership have successfully helped to govern.

Nowadays, when the administrative-command system is gone, has gone also the ethics of relationships, including business relations. Entrepreneurship ethic is a reflection of ethical standards in society. Socialist ideology is over, but what's left? How do we behave with the Bulgarian entrepreneur? How is business managed in the new system of economic relations? Most likely, with the time being, the current situation will change and the market management tools too. The "ethical relations" will gain more weight, their balance will be balanced, as in all civilized countries.

### *2.3. Ethics and modern management*

People, who believe that organizations must increase profits by obeying the law are likely to add high value to increasing the profit, efficiency and strict compliance of the law, and low value for the altruism. Such people believe that the organization is behaved properly and it is socially responsible, as long as its actions conform to this value system. In order to make choice for right behaviour, it is important to have an initial understanding of ethics. Ethics deals with principles that determine right and wrong behavior. Business ethics however addresses not only the issue of socially responsible behavior. It focuses on a wide range of behavioral capabilities of the rulling class and people. In addition, the focus is on both the goals and the means used to achieve them by both sides.

The actions of the entrepreneurs or of the ordinary workers who break the law should also be considered as unethical. However, actions that do not violate the law could be considered as unethical, but also may not be considered as unethical, it depends on the personal value system.

Ethical problems in business are related to the conflict, or at least the likelihood of such conflict among the economic indicators of the organization, the measures of income, costs and profits, indicators of its social responsibility, expressed as obligations to others both within the organization and in society.

In addition the senior executives who often show unethical corporate behavior, anyone within the organization can also act unethically. This, for example, is the ability to use personally what is intended for the company. People willing to break the law are willing to act unethically.

The reasons for expanding the unethical business practices include:

- Competition that marginalizes ethical considerations;
- The growing desire to show profitability;
- Failure to ensure that managers are properly paid for ethical behaviour;
- A general reduction of the importance of ethics in society, which gradually excuses unethical behavior at the workplace;

- Pressure from the organization toward ordinary workers in order to find a compromise between their personal values and those of the managers.

The main influence to take unethical decisions by employees is the behavior of their managers. Thus, by acting ethically, the manager can significantly influence the ethics of the behavior of his employees. It is necessary to list some qualities which a manager must have in order to be successful in business and to find a complete understanding of his employees. A manager will be better accepted by people if he or she sticks to the rules of business ethics.

#### *2.4. Conditions for the formation of a civilized entrepreneurial ethic*

Entrepreneurship ethics can not appear by our wish. Its formation is a complex and a long process, in which the very entrepreneurs, as well as various state institutions, media, etc. take part. It is about creating of the necessary prerequisites for intensifying this process, giving it an ideological orientation, as the society is not indifferent to what moral principles will form the basis of the business ideology.

The basis for the formation of a civilized entrepreneurial ethics are:

- FREEDOM - both political and economic. A democratic state, a multi-party system, freedom of speech; the press; conscience, free competition of producers of goods, freedom of choice of economic legal entity, free pricing, equality of all individuals and legal entities in the pursuit of entrepreneurial activity, consumer sovereignty and others;

-STABILITY - strong executive power, parliamentary means of political struggle, stability of legislation;

Propaganda - use of mass media to create the image of a successful entrepreneur with high moral principles, condemning corruption, greed, unfair competition;

- The right is not only the normative consolidation of the general socially acceptable standards of conduct, which regulate the activity of the entrepreneur, but also no less the fight against the negative effects in the local business environment. In compliance with the law, the present right of the owner must become an indispensable attribute of the market ideology of the business.

In addition, it should be taken into consideration that in the beginning, while traditions have not been yet formed, the role of legal regulation is particularly responsible for the common moral values of market participants. It is important not only to write good laws, but also strictly to adhere to them. There should be appropriate mechanisms to control not to break them;

ASSOCIATIONS - establishment of professional associations of entrepreneurs. They must become an impartial arbitrator in assessing the moral level of their members and to apply the most stringent measures in case of violation of the group moral.

#### *2.5. Business ethics at the international level*

It is becoming increasingly apparent that, acting in their own interests, multinational corporations must be seen as intermediaries in the exchange that determines economic and social development. Like it or not, such corporations often influence decisively and for a long time the economy of some countries. Therefore, the impact on local culture, institutions, religion and lifestyle should be carefully assessed. That's why it is necessary periodically to be required "an audit of the impact over the ethics".

Ethical issues must be an essential element of the planning process. Problems created by the actions of the multinational corporations in the absence of such analysis are subject to regulation by the host government. It is therefore in the interest of every multinational organization to establish common ethical principles for operations in all regions of the world and at the highest possible level and to follow them strictly and consciously.

Standards for ethical behavior vary from country to country. Behavior is often determined by the application of the law, not by the actual existence of the law. There is no "upper" boundaries for the ethical behavior. Multinational organizations are characterized by a high level of ethical responsibility and accountability. The country's attention to ethics is increasing with increasing levels of economic prosperity.

Multinational organizations should follow these guidelines:

- Develop ethical standards applicable worldwide.
- Consider ethical issues when developing a strategy.
- Leaving a suspicious market in case of major undecided ethical issues.
- Preparation of periodic reports on "ethical impacts".

### **3. Conclusion**

It is made an attempt to reveal the issue of business ethics in this development. For this purpose are used publications of specialists as well as personal experience. The process of developing the problem is shown from two perspectives: how it should be and how it is really. A number of examples show that Bulgarian entrepreneurs have not joined the unified system of rules for relations among people in the field of entrepreneurship yet.



In the process of time, we hope that these rules of the market game, the code of ethics and standards of conduct for the entrepreneur will become a reality in Bulgaria.

The issue of business ethics in general has already been discussed. These are codes of conduct, but also norms relating to the entrepreneur. Now these postulates of the professional ethics of the entrepreneur can be the basis of the entrepreneur's code of ethics.

How a Civilized Entrepreneur can be defined:

- is convinced of the usefulness of his work, not only for himself but also for others, for the society;
- proceeds from the fact that the people around him want and know how to work, strive to realize themselves together with the entrepreneur;
- believes in business, considers it as an attractive creativity, treats business as art;
- recognizes the need for competition but also understands the need for cooperation;
- respects himself as a person, and respect every person - as himself;
- respects each property, state power, social movements, social order, laws;
- trusts himself, but respects the professionalism and competence of others;
- evaluates education, science and technology, culture, respects the environment;
- striving for innovation;
- does not delegate the responsibility for making the right decision to the subordinates;
- is tolerant of people's shortcomings;
- coordinates the goals of the enterprise with the personal goals of the employees;
- never humiliates anyone;
- has endless patience.

As mentioned above, the entrepreneur needs to create his own image, to stick by the ethics. He must clearly be aware that such features of conduct as courtesy, tact, delicacy are absolutely necessary not only for "the ability to lead himself in society" but also for ordinary everyday life.

We must not forget about the culture of communication, the sense of measure, benevolence, and complete control of our emotions. It should have its own civilized style of behavior, its own noble image, the very image of an entrepreneur which guarantees not only half of success but also constant satisfaction of the activity.

To master the skills for proper behavior, he must stick to:

- presentation and introduction rules;
- making business contacts rules;
- rules of conduct by negotiations;
- requirements for appearance, manners, descodes;
- requirements for way of speaking;
- culture of keeping official documents.

In conclusion, it remains to be added: the more entrepreneurs are interested in long-term and exciting success, the more people will think about the problems of ethics in general and entrepreneur ethics in particular. The increasing number of people who "read the code of ethics" will put our country equal to the countries where the civilized market already exist.

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