Business Environmental Scanning and Ethics Impact on Small Scale Enterprise: A Case Study of Las Palmas Restaurant

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Abstract

Importance of environment scanning and ethics in the business world is superlative and global in its nature. The ethical action and environmental scanning of businesses in developing countries are highly linked with business performance. This study therefore evaluates the business environmental scanning and ethics impact on the performance of small-scale enterprises, Las Palmas Restaurant. The research approach used was exploratory. Primary data has been collected by using questionnaire, interview and focus group discussion to collect the desired data from managers and employees. The study has been conducted through a case study. As the target population of the study has been managers and employees. A Sample size of 40 is taken; the collected data analysis has been supported by Microsoft Excel 10. As result shows that business environmental scanning and ethics have positive effect on the performance of small scales.

Keywords- Ethics, Environmental Scanning, Business Performance.

Chapter one

Introduction

There is currently increasing pressure on small business organizations to be ethical, in addition to running their operations in the most economical, efficient and effective manner possible to increase performance (Khomba and Vermaak 2012). Due to continually changing competitive environments, businesses must also find new ways of framework of social and other obligations.

On the academic field, researchers had debate particularly on the problems in the management of business environment and etiquette. The role of the business environment in firms' operations is supported by most previous studies, although their findings are mixed. Previous studies have provided empirical evidence that the specific local business environment in which a firm is embedded can make a significant contribution to its performance (Neneh and Vanzyl, 2012; 2014; Ng and Kee, 2012; Tu, 2012; Chittithaworn, Islam, Keawchana, and Yusuf, 2011; Kennerley and Neely, 2003; Tan, 1996; Tan and Litschefter, 1994; Okoroafo, 1993). Other studies have found that these factors have an inverse relationship (De Jong, Phan, and van Ees, 2012; Chittithaworn et al., 2011; Luo, 1999; Ward, Duray, Keong Leong, and Chee-Chuong, 1995).

Overall improvement of the business meeting competition other than the traditional ways of offering better products, or lower prices (McMurrian and Matulich 2006). Small scale enterprises involve number of objectives including profit maximization within an environment is considered a very important element in attracting foreign investments and is a key catalyst for economic growth acceleration (Alexandrova, 2004). Scholars in strategic management have emphasized that the activities of businesses are affected by external, task and internal environmental factors and, managers identify these factors through Business Environmental Scanning (Aguilar, 1967; Choo, 1993; Hough and White, 2004; Albright, 2004; Jorosi, 2008). The need for studying business environment scanning and ethics is important considering the fact that small scale enterprises do not operate in vacuum. The study is to examine the business environment scanning and ethics impact on small scale enterprise performance.
Problem statement

In Ghana today, it is believed that business fold-up at an alarming rate which result in competition and constantly changing environment. To enhance the performance of small-scale enterprises in Ghana may therefore call for the re-examination of environment scanning and ethics by Ghanaian small-scale enterprises.

According to Drucker (2007) the management of business must maintain its wealth producing resource intact by making adequate profits to offset the risk of economic activity, and ensuring a continued increase in wealth-creating and wealth-producing capacity of these resources. The researcher investigated how environmental scanning could contribute to the performance of Las Palmas Restaurant.

Aim of the research

To examine the business environmental scanning and ethics impact on small scale enterprises performance

Specific objectives

1. To assess interest level that is related positively to business performance.
2. To examine whether the frequency of environmental scanning and ethics leads to business performance.
3. To investigate whether small scale enterprises’ frequent scanning of the environment and their performances are determined by their characteristics.

Research questions

1. How interest level relates positively to business performance?
2. How frequency of scanning of the business environment leads to business’s performance?
3. How the frequency of environmental scanning and the business’s performance finds the characteristics of the enterprise?

Significance of the study

The significance of this study is to increase output in Las Palmas Restaurant in Kumasi. It will also inform SME stakeholders, especially SME owners and managers to create and promote an environment that nurture and facilitates the SME sector and enables it to realize its true potential.

Scope of the research

This research is examined the environment scanning and ethics impact on small scale enterprises’ performance specifically Las Palmas Restaurant in Kumasi-Ghana.

Limitations of the study

1. The case study might not represent the overall small-scale enterprises in the country.
2. The study is limited in terms of time to present the project. Thus, examine of large number of small-scale enterprises is limited.
3. The extensive of data collection is limited by cost i.e. more data collection better examination of small-scale enterprises.

Organization of the study

The research work has been organized into five Chapters. The first chapter covers the general introduction of the study, consisting of background of the study, the statement of the problem, research objectives, research questions, scope and limitations of the study and organization of the research report. Chapter Two is basically a literature review on key issues such as aspects of business environment and business ethics. Empirical findings from this review was used to inform the data needs and requirements for empirical data collection from the field. The third Chapter focuses on the research design, techniques and procedures employed in the study. It further examines population, sample and sampling procedure, the instrument for data collection, administration of instrument and procedures used for analysing data collected. This chapter ensured the validity and reliability of data collected from the field. Chapter Four deals with the analysis, interpretations and conceptual explanations for trends established from the analysis of collated data. The conclusions and recommendations of the entire study are presented in Chapter Five.

Chapter two

Literature review

Concept of business environment and business ethics

Ethics refers to a system of moral principles or rules of behaviour which involves doing the right thing in the right manner (Okafor 2011). According to Mujtaba (2005), ethics is the branch of philosophy that theoretically, rationally and
reasonably determines right from wrong, good from bad, moral from immoral, and fair from unfair actions and behaviour. Behaving ethically implies doing what is morally right (Okafor, 2011; Riley, 2012). According to Abiodun and Oyenyi (2014), ethics is based on broad principles of integrity, transparency, accountability, responsibility and fairness, and focuses on internal stakeholder issues such as product quality, customer satisfaction, employee wages and benefits, and local community and environmental responsibilities. Ethics is also viewed as the moral values and principles that guide action and behaviour.

Business environment is regarded to be a complex and important consequent, the concept has been addressed in a number of ways by different scholars. For example, Ola (1993) seems to believe that business environment is phenomenon that is too complex and too varied to be captured by any one definition. The important of business environment has been attested to by numerous scholars such as Oyebanji (1994), Lawal (1993) and Aldrich (1979). All these scholars have discussed extensively that business environment is an important process to influence on a group in particular situation to motivate others to goals achievement. Environment in management does not mean the surrounding but it covers the factors of forces that affect business effectiveness in the process of producing an intending result. Oyebanji (1994) defined business environment as those factors that can influence the individual’s business organization. He stressed further by saying that every organization must take into consideration the environmental constraints, material and human resources in their respective business in spite of their differences in status and that the effect of the environment carries from one situation to another. Scholars such as (Milliken, 1987; Buchko, 1994), perceived environmental uncertainty to occur when an organization’s decision-makers perceive unpredictability in their environment; there is a difference between information which is available and required information. There is lack of confidence or understanding in the major events or trends happening in the external environment; and the decision makers are unable to accurately assign probabilities to the likelihood that particular events and/or changes will occur (Milliken, 1987; Buchko, 1994). Scanning the environment therefore reveals all these.

### Interest level of business environment scanning

According to Ebrahimi (2000) information regarding environmental factors or trends can be collected based on interest level and frequency of scanning. Business environment scanning enables the enterprises to gather strategic information in other to assess emerging developments and process events that may affect the strategic or tactical objectives of the enterprises. Above all, maintain the enterprise’s competitiveness, necessary to start and sustain their interest in the collection of adequate information needed to cope with the dynamic and highly uncertain environment. Therefore, Kaish and Gilad (1999) asserted that interest level in strategic scanning activities of small firm owners’ decreases as they gained experience and as their business prospered. However, micro entrepreneurs still undertake periodic scanning so as to enhance the performance of their enterprises (Abiodun, 2009; Oghojafor et al., 2011; Adeoye & Eleigunde, 2012). Dollinger (1984) found that the number of hours spent by the owner with persons from outside the firm who are likely to provide him with strategic information contributes significantly and positively to the variance in performance, while the number of weekly contacts with these persons showed that the relationship is positive but not significant.

### Frequency of business environmental scanning impact on business performance

Aragon-Sanchez and Sanchez-Marin (2005) explained business performance as a phenomenon of multiple features that is difficult to quantify. This is due to the large number of interrelated factors that influence performance. However, it is referred to as the rate of growth and level of profit and a measure of how well a firm has achieved its goals (organizational and financial goals) (Audet and Gerald, n.d.) and the measure of how a manager utilizes the resources of the organization efficiently and effectively to accomplish the goals of the organization as well as satisfying the stakeholders (Jones and George, 2008). Many literatures have shown that both quantitative indicators (e.g., return on investment, profit and sales volume) and qualitative indicators (e.g., knowledge, business
experience, ability to manage and work in groups, labour productivity, ability to offer quality products/services, capacity to develop new processes and products, and corporate social responsibility) have limitations (Sarwoko et al., 2013).

Therefore, researchers have measured performance using a mixture of quantitative and qualitative indicators or financial (e.g., capital, profit, amount sold, cashflow, income, cost and economic value added) and non-financial indicators (e.g., owners’ satisfaction, relationship with employees and customers, customer satisfaction, and product quality) (Wijewardena and Zoysa, 1993; Freeman, 1996; Watson, 2001; Robinson et al., 2006). This is because both financial and non-financial indicators offer a broad perspective in measuring performance and in clarifying the relationship between the financial and non-financial aspects of the firm performance under investigation (Venkatraman and Ramanujam, 1986; Panigyraskis et al., 2007).

**Determination of entrepreneurs’ characteristics**

Entrepreneurs have varying characteristics and practices. Hence, it is important to understand the relationship between the characteristics of the entrepreneur or the enterprise and entrepreneurial performance (Sarwoko et al., 2013). Street and Cameron (2007) have reported that business performance or business success is determined by several factors, namely; individual characteristics and organizational characteristics. Nimalalathasan (2008) further noted that there is a positive relationship between the characteristics of the owner/manager and business performance. Sarwoko et al. (2013) found that entrepreneurial characteristics have a significant influence on business performance.

**Chapter three**

**Research methodology**

**Research approach**

The main purpose of this research is to examine the business environmental scanning and ethics impact on small scale enterprises’ performance in Kumasi. Based on this purpose, research approach used was exploratory. A research approach is a type of blueprint that guides the researcher to investigate and analyze (Onwumere, 2009). Case study method was used to accomplish the desired objective of the study. Case studies are carried out in a natural atmosphere aiming to understand the nature of the current process [40], letting the researcher understand the phenomenon under investigation in a holistic approach [41, 42].

**Sample and data collection**

Respondents of the different demographics background were chosen from the Las Palmas Restaurant. The survey was conducted and the researcher went personally to the targeted restaurant and distributed questionnaires to the respondents. A total of 40 sets of questionnaires were distributed to respondents. This is due to proximity, time constraints, cost involved. 40 questionnaires were received and were valid so the response rate was 100% since purposive sampling was applied. Primary data were collected by using self-administered questionnaires which were distributed to respondents who were briefed on the purpose of the study. Before distributing the questionnaire all the contents were explained to the respondents. The researcher depended on director’s prerogatives to encourage other executives to participate effectively and complete all the items seriously in order to get accurate results. Before distribution of final questionnaire, a pilot study was conducted to see the reliability and validity of the questionnaire; in this regard 5 questionnaires were distributed among restaurant employees to see how much our questionnaire will examine the environmental scanning impact on business performance of such employees who work in restaurant. After collection of these questionnaires, it was observed that questionnaire statements were reliable and consistent with the main topic of the study, to examine business environmental scanning and ethics impact on Las Palmas Restaurant.

To analyze the data gathered, Microsoft Excel 10 was used.

**Chapter four**

**Results and discussion**

**Respondents interest level of questionnaire response**

Table 4.1 shown that majority of the respondents was able to return their questionnaires. Total questionnaire of 40 distributed, 35 respondents returned their
completed questionnaire indicating 86%. Three (3) of the remaining were unreturned and this indicated 7.5%. The remaining 2 destroyed indicating 5%. The high percentage of respondents returned their questionnaires. This proved that the respondents were interested to respond to the questionnaire to know what will make the business to perform better.

Table 1. Respondents response to questionnaire

<table>
<thead>
<tr>
<th>Questionnaire</th>
<th>Respondents Number</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Returned</td>
<td>35</td>
<td>87.5</td>
</tr>
<tr>
<td>Unreturned</td>
<td>3</td>
<td>7.5</td>
</tr>
<tr>
<td>Destroyed</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: field data (June, 2018)

Respondents response to understanding of environmental scanning

36 of the respondents understood what business environmental scanning means as indicated on Table 4.2. This indicates 91.4% of the respondents’ response rate. The remaining 4 respondents misunderstood and this represents 8.6% of the total respondents. Majority of the respondents they understood the meaning of business environment. Respondents understanding of Business environment scanning will enable the enterprise to gather strategic information in other to assess emerging developments and process events that may affect the strategic or tactical objectives of the enterprises.

Table 2. Understanding of environmental scanning

<table>
<thead>
<tr>
<th>Responses</th>
<th>Respondents’ Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>32</td>
<td>91.4</td>
</tr>
<tr>
<td>No</td>
<td>3</td>
<td>8.6</td>
</tr>
<tr>
<td>Unknown</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>35</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: field data (June, 2018)

Respondents interest level in business environment

Majority of the respondents (30) show high level of interest in business environmental scanning as revealed by Table 4.3. This represents 85.7% of the respondents’ response rate. Only 5 of the remaining respondents show low level of interest which represents 14.3% of the total respondents. According to Ebrahimi (2000) information regarding environmental factors or trends can be collected based on interest level and frequency of scanning. In line with Ebranimi (2000) statement, the managers of Las Palmas restaurant should undertake periodic scanning so as to enhance the performance of their enterprise (Abiodun, 2009; Oghojafor et al., 2011; Adeoye and Elegunde, 2012) since majority of the respondents have high interest level in business environment.

Table 3. Interest level response in business environment

<table>
<thead>
<tr>
<th>Responds</th>
<th>Respondents’ Number</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>30</td>
<td>85.7</td>
</tr>
<tr>
<td>No</td>
<td>5</td>
<td>14.3</td>
</tr>
<tr>
<td>Total</td>
<td>35</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: field data (June, 2018)

Respondents response to business environmental scanning leads to firm’s performance

From the Table 4.4 below, respondents of 33 agreed that business environmental scanning leads to firm’s performance. This indicates 94.3% of the respondents’ response rate. Three (3) respondents disagreed to the statement and this indicated 5.7% of the response rate. This indicates that many respondents agree that business environmental scanning leads to firm’s performance. It confirmed to this researched statement “periodic environmental scanning enhanced the performance of their enterprises” stated by (Abiodun, 2009; Oghojafor et al., 2011; Adeoye and Elegunde, 2012). Through interview respondents revealed that environmental scanning enables the management to identify threats and opportunities of the enterprise.

Table 4. Business environmental scanning leads to firm’s performance

<table>
<thead>
<tr>
<th>Responds</th>
<th>Respondents’ Number</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>33</td>
<td>94.3</td>
</tr>
<tr>
<td>No</td>
<td>2</td>
<td>5.7</td>
</tr>
<tr>
<td>Total</td>
<td>35</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: field data (June, 2018)
Environmental scanning period

In all 35 respondents answered the questionnaires. This comprised of 27 respondents who agreed that environmental scanning is done quarterly (Figure 4.1) and indicates 77% of response rate (Figure 4.2). 5 of the respondents agreed that scanning is done monthly (Figure 4.1). This indicates 14% of the respondents’ response rate.

![Figure 1](image1.png)

**Figure 1.** Respondents’ response to environmental scanning period

The remaining 3 respondents agreed that yearly environmental scanning is done (Fig. 4.1). This indicates 9% of response rate (Fig. 4.2). The data indicated that there were more respondents who agreed that environmental scanning is done every quarter of the year.

![Figure 2](image2.png)

**Figure 2.** Percentage response of business environmental scanning period

Output increases when management scans environment

In all 35 respondents answered the questionnaires. This comprised of 32 respondents who agreed that when management scans the environment to identify threads and opportunities output increases (Fig. 4.1) and indicates 91.40% of response rate (Fig. 4.2). Simply, output increases with increase in environmental scanning.

![Figure 3](image3.png)

**Figure 3.** Respondents’ output response to environmental scanning

The remaining 3 of the respondents disagreed to the statement that output increases when management scans environment (Fig. 4.3). This represents 8.60% of the respondents’ response rate. This indicates that majority of the respondents agree to the assertion that much output is obtained when management scans the environment to identify threats and opportunities.

![Figure 4](image4.png)

**Figure 4.** Percentage respondents’ output response to environmental scanning

Through interview, information was gathered from the respondents concern the factors that affect the firm’s performance. 32 of the respondents pinpointed related factors such as high inflation makes it difficult for the firm to obtain resources needed for the smooth process of the firm; Staff attitude towards work hinders work progress as staff do not develop positive attitude to work.
Entrepreneurial characteristics have significant influence on business performance

Concerning the number of respondents who served in the restaurant, majority of them 34 (97.1%) accepted that entrepreneurial characteristics have significant influence on business performance (Table 4.5). The remaining 1 (2.9%) of the total respondents didn’t accept the statement. This implies that most of the respondents accepted that entrepreneurial characteristics have significant influence on business performance. Street and Cameron (2007) reported that business performance or business success is determined by several factors, namely; individual characteristics and organizational characteristics. Nimalathasan (2008) further noted that there is a positive relationship between the characteristics of the owner or manager and business performance. Sarwoko et al. (2013) found that entrepreneurial characteristics have a significant influence on business performance. This researched confirmed to works of the researchers.

Table 5. Entrepreneurial characteristics have significant influence on business performance

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Respondents’ Number</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>True</td>
<td>34</td>
<td>97.1</td>
</tr>
<tr>
<td>False</td>
<td>1</td>
<td>2.9</td>
</tr>
<tr>
<td>Unknown</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>25</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field data (June, 2018)

Chapter five

Conclusions

This chapter focused on drawing conclusion on the basis of the analysis of the data, the research methods employed and the final results of this study.

1. Interest level of micro entrepreneurs is related positively to business performance.
2. The frequency of environmental scanning and ethics leads to business performance.
3. Small scale enterprises’ frequent scanning of the environment and their performances are determined by their characteristics.

Recommendations

1. Micro enterprise owners should develop interest level in businesses.
2. Before establishing them since this has a direct effect on the performance of the firm.
3. Micro entrepreneurs should also focus on training employees more on business etiquettes and how to scan the environment to identify weaknesses, threats, strength and opportunities to increase business performance.

Limitation and future research

This study has geographical and enterprise limitations. The study focuses only on small scale enterprise acting on Las Palmas Restaurant. Consequently, the results from this study are only to be taken into the context of the Las Palmas Restaurant in Kumasi.

Since the findings may differ depending on in which enterprise and country the study is done, a suggestion for future research is to perform the same study in different industries and geographical locations in order to validate the findings from this study.

References

