

Essentials of Entrepreneurship and Small Business Management

EIGHTH EDITION



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Section 1: The Challenge of Entrepreneurship



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Ethics and Social Responsibility: Doing the Right Thing

Ethics v Morals

Ethics

Morals

What are they? The rules of conduct recognized in respect to a particular class of human actions or a particular group or culture.

Principles or habits with respect to right or wrong conduct. While morals also prescribe dos and don'ts, morality is ultimately a personal compass of right and wrong.

Where do they come from? Social system - External

Individual - Internal

Why we do it? Because society says it is the right thing to do.

Because we believe in something being right or wrong.

Flexibility Ethics are dependent on others for definition. They tend to be consistent within a certain context, but can vary between contexts.

Usually consistent, although can change if an individual's beliefs change.

Ethics v Morals

The "Gray" A person strictly following Ethical Principles may not have any Morals at all. Likewise, one could violate Ethical Principles within a given system of rules in order to maintain Moral integrity.

A Moral Person although perhaps bound by a higher covenant, may choose to follow a code of ethics as it would apply to a system.
"Make it fit"

Origin Greek word "ethos" meaning "character"

Latin word "mos" meaning "custom"

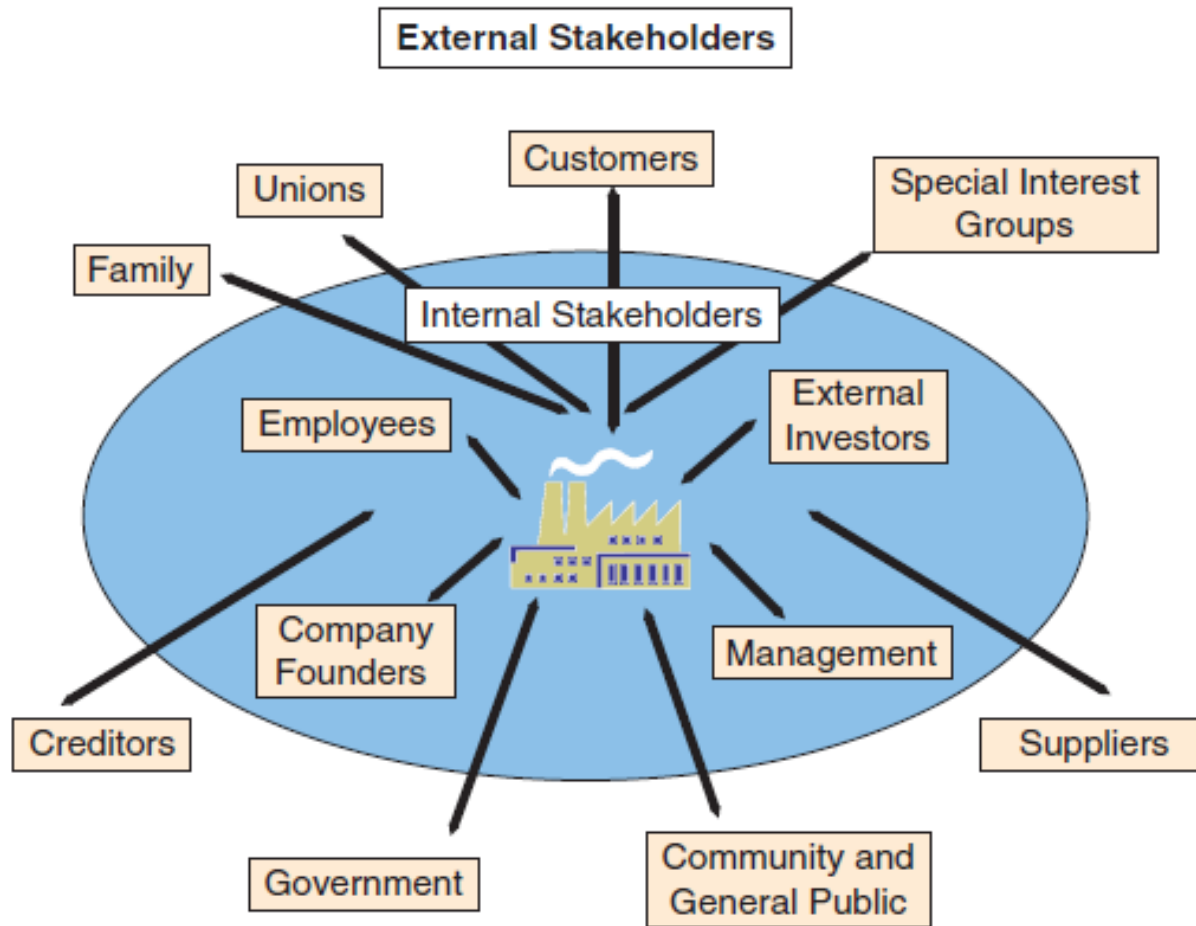
Acceptability Ethics are governed by professional and legal guidelines within a particular time and place

Morality transcends cultural norms

Ethical Behavior

- ❖ Ethical behavior: doing what is “right” as opposed to what is “wrong.”
- ❖ Reflects entrepreneur’s personal values and beliefs
- ❖ It is important to consider the perspectives of different **stakeholders**: the various groups and individuals who affect and are affected by a business.

Key Stakeholders



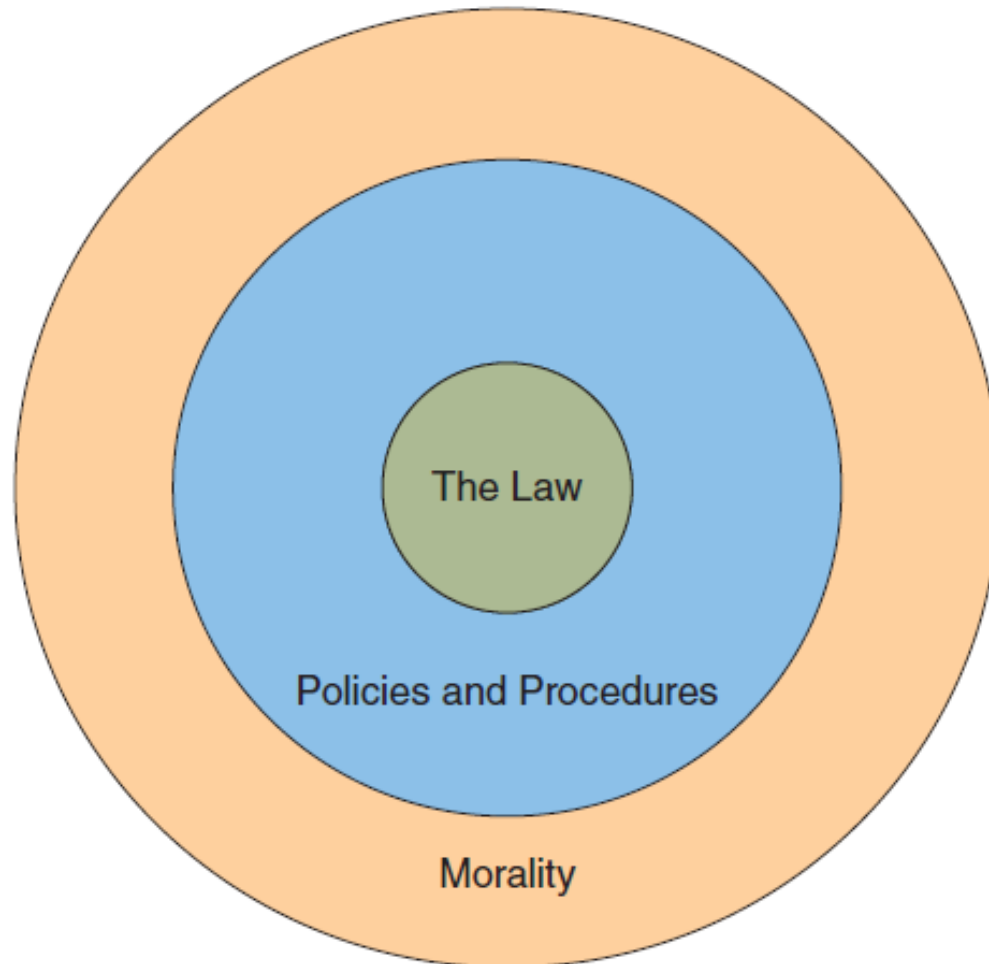
Ethics and Social Responsibility

- ❖ **Ethics:** a branch of philosophy that studies and creates theories about the basic nature of right and wrong, duty, obligation, and virtue.
- ❖ **Social responsibility:** how an organization responds to the needs of the many elements in society.

Business Ethics

- ❖ **Business ethics:** the fundamental moral values and behavioral standards that form the foundation for the people of an organization as they make decisions and interact with stakeholders.

Three Levels of Ethical Standards



Moral Management

Organizational Characteristics	Immoral Management	Amoral Management	Moral Management
Ethical norms	<p>Management decisions, actions, and behavior imply a positive and active opposition to what is moral (ethical).</p> <p>Decisions are discordant with accepted ethical principles.</p> <p>An active negation of what is moral is implicit.</p>	<p>Management is neither moral nor immoral; decisions are not based on moral judgments.</p> <p>Management activity is not related to any moral code.</p> <p>A lack of ethical perception and moral awareness may be implicit.</p>	<p>Management activity conforms to a standard of ethical, or right, behavior.</p> <p>Management activity conforms to accepted professional standards of conduct.</p> <p>Ethical leadership is commonplace.</p>
Motives	<p>Selfish. Management cares only about its or its company's gains.</p>	<p>Well-intentioned but selfish in the sense that impact on others is not considered.</p>	<p>Good. Management wants to succeed but only within the confines of sound ethical precepts such as fairness, justice, and due process.</p>
Goals	<p>Profitability and organizational success at any price.</p>	<p>Profitability. Other goals are not considered.</p>	<p>Profitability within the confines of legal obedience and ethical standards.</p>
Orientation toward law	<p>Legal standards are barriers that management must overcome to accomplish what it wants.</p>	<p>Law is the ethical guide, preferably the letter of the law. The central question is, what we can do legally?</p>	<p>Obedience toward letter and spirit of the law. Law is a minimal ethical behavior. Prefer to operate well above what law mandates.</p>
Strategy	<p>Exploit opportunities for corporate gain. Cut corners when it appears useful.</p>	<p>Give managers free rein. Personal ethics may apply but only if managers choose. Respond to legal mandates if caught and required to do so.</p>	<p>Live by sound ethical standards. Assume leadership position when ethical dilemmas arise. Enlightened self-interest.</p>

Benefits of Moral Management

1. Companies avoid the damaging fallout from unethical behavior on their reputation.
2. Dealing with stakeholders is much easier if a company has a solid ethical foundation on which to build.
3. It is easier to attract and retain quality workers.
4. It has a positive impact on a company's bottom line.
5. It has an impact on a company's ability to provide value for its customers.

Why Be Ethical?

TABLE 2.2 Reasons to Run a Business Ethically and the Factors That Drive Business Ethics

Top Five Reasons to Run a Business Ethically

1. Protect brand and company reputation
2. It is the right thing to do
3. Maintain customers' trust and loyalty
4. Maintain investors' confidence
5. Earn public acceptance and recognition

Top Five Factors That Drive Business Ethics

1. Corporate scandals
2. Marketplace competition
3. Demands by investors
4. Pressure from customers
5. Globalization

Establishing an Ethical Framework

- 1: Identify the personal moral and ethical principles that shape all business decisions.
- 2: Recognize the ethical dimensions involved in the dilemma or decision.
- 3: Identify the key stakeholders involved and determine how the decision will affect them.
- 4: Generate alternative choices and distinguish between ethical and unethical responses.
- 5: Choose the “best” ethical response and implement it.

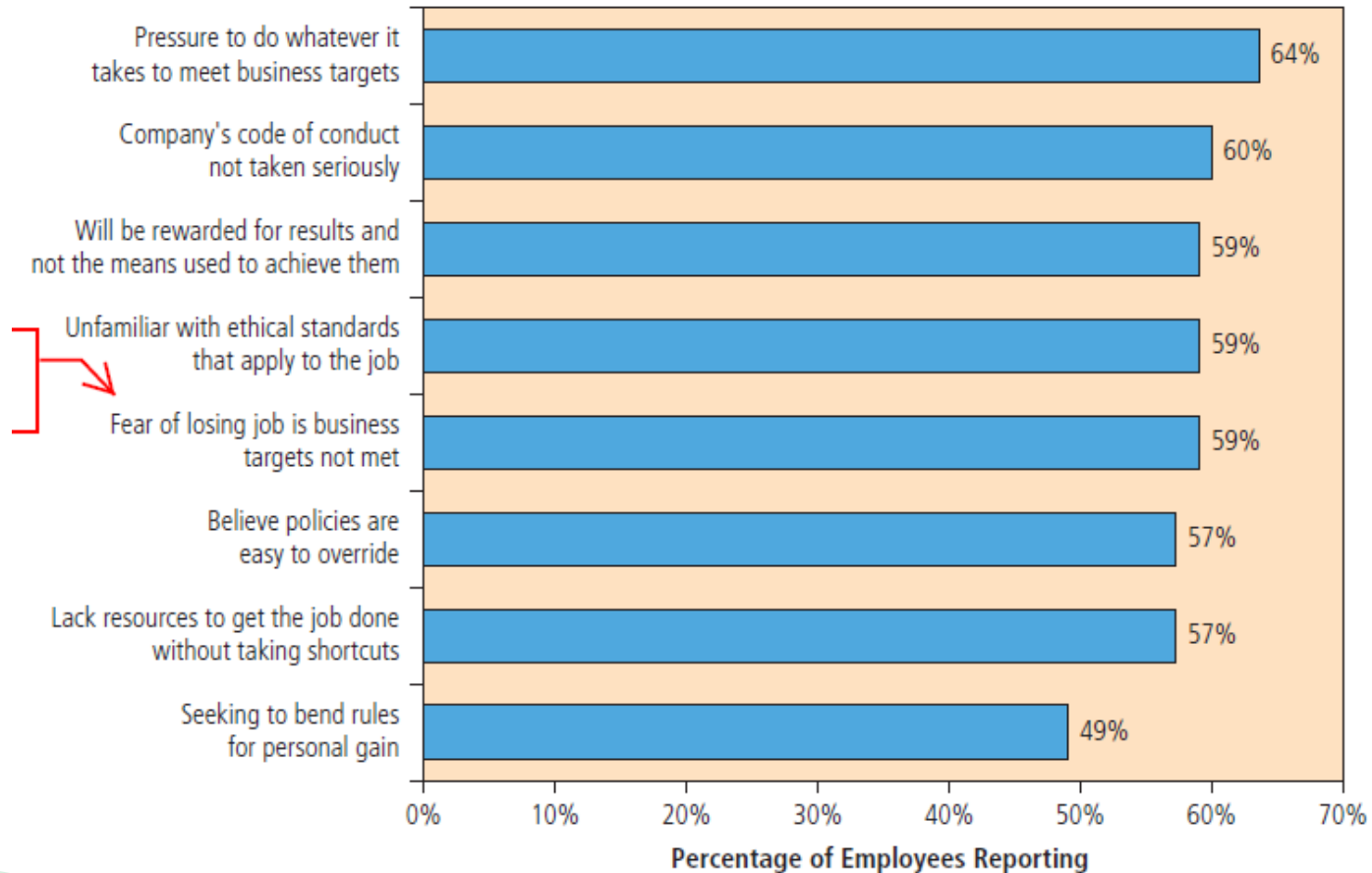
Establishing an Ethical Framework

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Triple bottom line (3BL): measuring business performance using profitability, commitment to ethics and social responsibility, and its impact on the environment (“profit, people, and planet”)

Why Ethical Lapses Occur

Causes of Ethical Lapses



Causes of Ethical Lapses

- ❖ An unethical employee
- ❖ An unethical organizational culture
- ❖ Moral blindness
- ❖ Competitive pressures
- ❖ Opportunity pressures
- ❖ Globalization of business

Features of Ethical Cultures

1. Leaders support and model ethical behavior.
 2. Consistent communications come from all company leaders.
 3. Ethics is integrated into the organization's goals, business processes, and strategies.
 4. Ethics is part of the performance management system.
 5. Ethics is part of the company's selection criteria and selection process.
 6. The needs of the various stakeholder are balanced when making decisions.
 7. A strong set of core values supports the vision and mission of the company.
 8. The company maintains a long-term perspective on all decisions.
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Establishing and Maintaining Ethical Standards

- ❖ Ethical tests for judging behavior:
 - ❖ The utilitarian principle
 - ❖ Kant's categorical imperative
 - ❖ The professional ethic
 - ❖ The Golden Rule
 - ❖ The television test
 - ❖ The family test

Principles to Guide Ethical Behavior

- ❖ Honesty
- ❖ Integrity
- ❖ Promise-keeping
- ❖ Fidelity
- ❖ Fairness
- ❖ Caring for others
- ❖ Respect for others
- ❖ Responsible citizenship
- ❖ Pursuit of excellence
- ❖ Accountability

Maintaining Ethical Standards

- ❖ Set the tone.
- ❖ Create a **company credo**:
 - ❖ A statement that defines the values underlying the entire company and its ethical responsibilities to its stakeholders.
- ❖ Establish high standards of behavior.
- ❖ Involve employees in establishing ethical standards.
- ❖ Create a culture that emphasizes two-way communication.

Maintaining Ethical Standards

(continued)

- ❖ Eliminate “undiscussables.”
- ❖ Develop a **code of ethics**:
 - ❖ A written statement of the standards of behavior and ethical principles a company expects from its employees.
- ❖ Enforce the code of ethics through policies.
- ❖ Recruit and promote ethical employees.
 - ❖ Ethical commitment.
 - ❖ Ethical consciousness.
 - ❖ Ethical competency.

Maintaining Ethical Standards

(continued)

- ❖ Conduct ethics training.
- ❖ Reward ethical conduct.
- ❖ Separate related job duties.
- ❖ Perform periodic ethical audits.

Social Entrepreneurship

- ❖ Social entrepreneurs:
 - ❖ Seek solutions for social problems that are met by neither the market nor the government.
 - ❖ Focus on creating social benefit rather than commercial success.
 - ❖ Tackle social problems by taking full advantage of natural market forces.

Social Responsibility

- ❖ Companies must go beyond “doing well” – simply earning a profit – to “doing good” – living up to their social responsibility.
- ❖ Surveys show:
 - ❖ 55% of small businesses’ mission statements include references to achieving social goals.
 - ❖ 90% of small business owners give to charity and 70% donate both money and time to local causes.

Why Be Socially Responsible?

- ❖ Research shows:
 - ❖ 75% of consumers say social responsibility is important in their purchasing decisions.
 - ❖ There is a positive correlation between ethical, socially responsible behavior and profitability.
- ❖ But it can be difficult to define just what socially responsible behavior is!

Being Socially Responsible

- ❖ Encourage recycling.
- ❖ Support local fundraisers.
- ❖ Join in community service.
- ❖ Reduce energy usage.
- ❖ Create a grant program.
- ❖ Support local causes.
- ❖ Partner with local school.

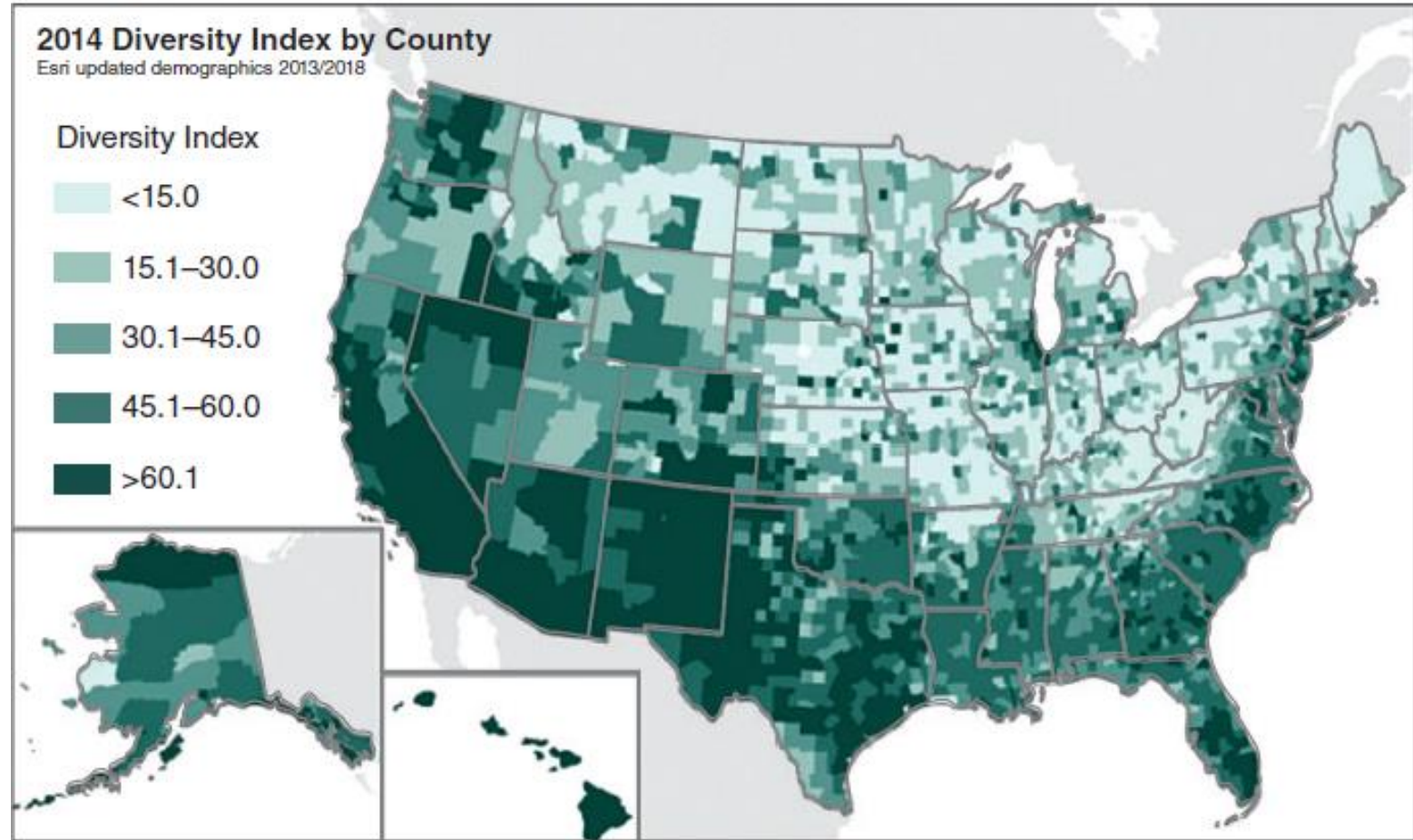
Business's Responsibility to the Environment

- ❖ Socially responsible business owners focus on the **three Rs**:
 1. **Reduce** the amount of energy and materials used in your company.
 2. **Reuse** whatever you can.
 3. **Recycle** the materials you must dispose of.

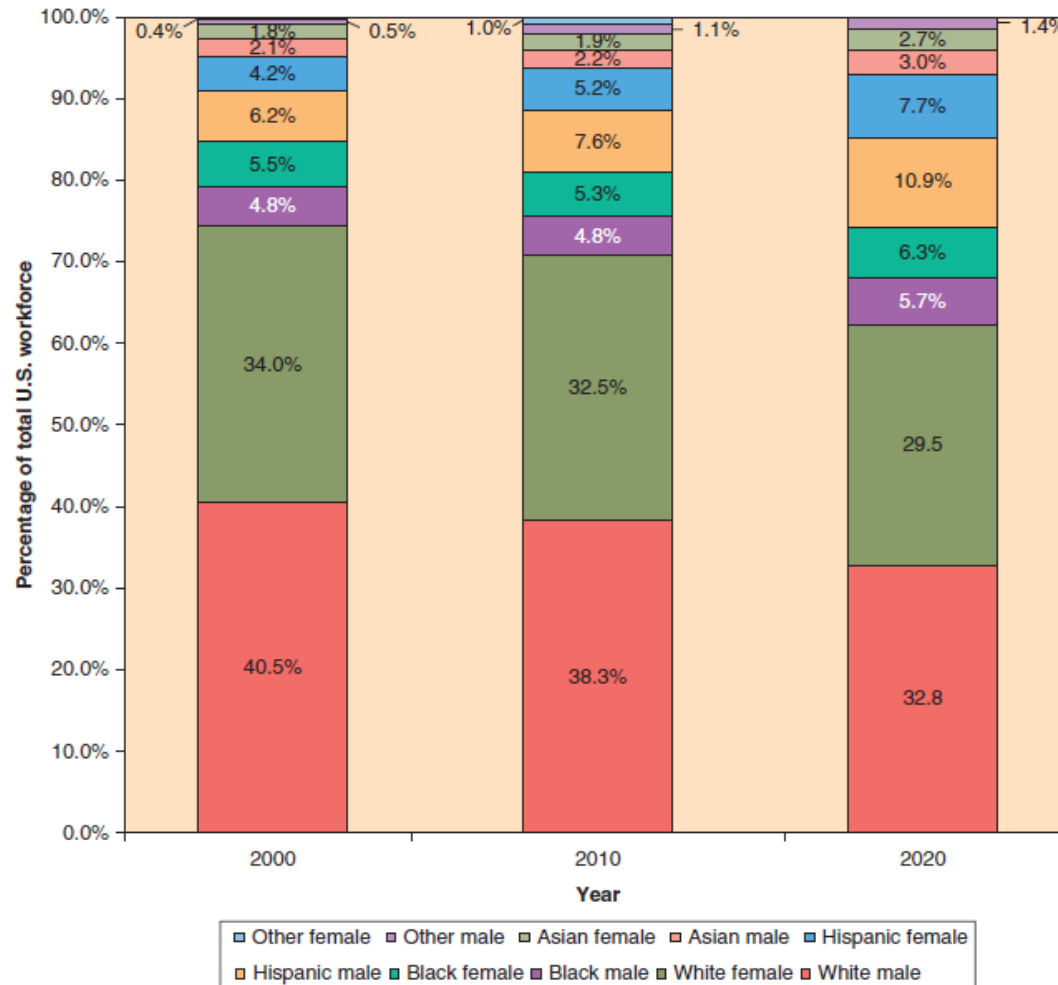
Business's Responsibility to Employees

- ❖ Recognize the value of employees:
 - ❖ Listen to them and respect their opinions.
 - ❖ Ask for their input and involve them in the decision-making process.
 - ❖ Provide regular feedback – positive and negative.
 - ❖ Tell them the truth – always.
 - ❖ Let them know exactly what's expected of them.
 - ❖ Reward them for performing their jobs well.
 - ❖ Trust them – create an environment of respect and teamwork.

Cultural Diversity in the Workplace



Composition of the U.S. Workforce in 2020



Managing Diversity

- ❖ Use a “SPLENDID” approach:
 - ❖ Study
 - ❖ Plan
 - ❖ Lead
 - ❖ Encourage
 - ❖ Notice
 - ❖ Discussion
 - ❖ Inclusion
 - ❖ Dedication

Managing a Culturally Diverse Workforce

- ❖ Business owners need to:
 - ❖ Assess diversity needs.
 - ❖ Learn to recognize and correct their own biases and stereotypes.
 - ❖ Avoid making invalid assumptions.
 - ❖ Push for diversity in their management teams.
 - ❖ Concentrate on communication.
 - ❖ Make diversity a core value in the organization.
 - ❖ Continue to adjust the company to their workers.

Drug Testing

- ❖ An effective, proactive drug program should include:
 - ❖ A written substance abuse policy.
 - ❖ Training for supervisors to detect substance-abusing workers.
 - ❖ An employee education program.
 - ❖ A drug-testing program, when necessary.
 - ❖ An **employee assistance program (EAP)**:
 - ❖ A company-provided benefit designed to help reduce workplace problems such as alcoholism, drug addiction, a gambling habit, and other conflicts and to deal with them when they arise.

Sexual Harassment

- ❖ **Sexual harassment:** any unwelcome sexual advance, request for sexual favors, and other verbal or physical sexual conduct made explicitly or implicitly as a condition of employment.
- ❖ Small businesses are especially vulnerable because they lack the policies, procedures, and training to prevent it.

What Is Sexual Harassment?

- ❖ Behaviors that can result in sexual harassment charges:
 - ❖ Quid pro quo harassment
 - ❖ Hostile environment
 - ❖ Harassment by nonemployees

Preventing Sexual Harassment

- ❖ Education:
 - ❖ Training programs can raise awareness of what constitutes harassment.
- ❖ Policy:
 - ❖ Implement a meaningful and enforceable policy against harassment.
- ❖ Procedure:
 - ❖ Provide a channel for employees to express their complaints.

Privacy

- ❖ Business owners should:
 - ❖ Establish a clear policy for monitoring employees' communications.
 - ❖ Create guidelines for the proper use of the company's communication technology and communicate them to everyone.
 - ❖ Monitor in moderation.

Business's Responsibility to Customers

- ❖ Businesses should build long-term relationships with their customers.
- ❖ Abide by the Consumer Bill of Rights.
 - ❖ Right to safety.
 - ❖ Right to know.
 - ❖ Right to be heard.
 - ❖ Right to education.
 - ❖ Right to choice.

Business's Responsibility to Investors

- ❖ Businesses have a responsibility to:
 - ❖ Provide investors with an attractive return on their investment.
 - ❖ Meet ethical and social goals.
 - ❖ Report their financial performance in an accurate and timely fashion to their investors.

Business's Responsibility to the Community

- ❖ Businesses have a responsibility to:
 - ❖ Provide jobs and create wealth.
 - ❖ Contribute to the community in other ways.
 - ❖ Act as volunteers for community groups.
 - ❖ Participate in projects to help the elderly or poor.
 - ❖ Adopt a highway to promote a clean community.
 - ❖ Volunteer in school programs.

Conclusion

- ❖ Businesses must do more than earn profit; they must act ethically and in a socially responsible way.
- ❖ But, there is no universal definition of ethical behavior.
- ❖ Business owners need to commit to following the highest ethical standards if they expect their employees to do so.

Wheel Balancing



Wheel Alignment



Sharpen The Saw[®]



Sharpen The Saw[®]

Personal and Family

(Body)

Physical

Exercise, Nutrition, Stress Management

(Mind)

Mental

Reading, Professional
Training and
Education, Planning

(Heart)

Emotional/Social

Proactivity, Relationship
Building, Synergistic
Problem Solving

(Spirit)

Spiritual

Value Clarification and Recommitment,
Study and Meditation

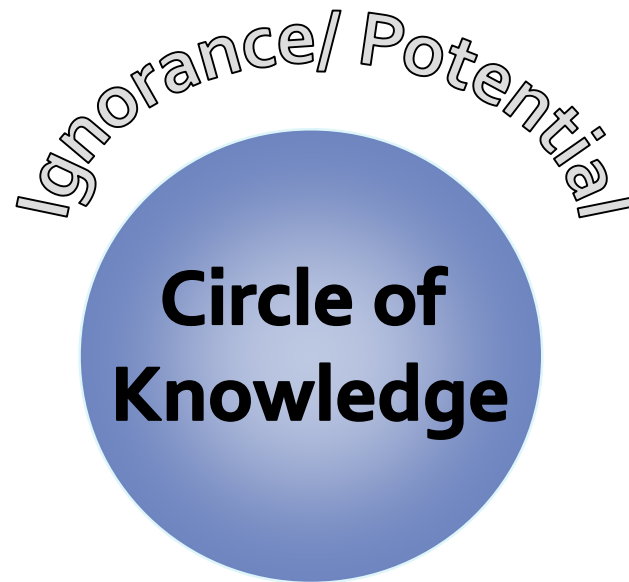
Family Renewal

(Family Times & One-on-Ones)



**Education is a progressive discovery of
our own ignorance.**

Will Durrant



Ignorance/ Potential

**Circle of
Knowledge**