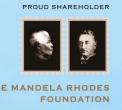# Chapter 9
Business ethics and social responsibility

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Learning outcomes

- Define the terms 'ethics' and 'business ethics'
- List ethical issues with which a business may be confronted
- Distinguish between strategic, work and ethical values
- Discuss the entrepreneur's personal ethics that could influence the venture

Learning outcomes (cont.)

- Identify and discuss ethical dilemmas that arise in the course of operating the venture

- Understand the function and importance of a 'Code of Ethics'

- Discuss the creation of an ethical culture in an organisation

- Define 'social responsibility'

- Discuss the different approaches to social responsibility as well as the areas of social responsibility and how the entrepreneur could address each one.

Entrepreneurship
& NEW VENTURE MANAGEMENT

Business ethics

- Business ethics focuses on the responsibility of the organisation towards stakeholders

- Business ethics: Identifying and implementing standards of conduct that ensure that business does not detrimentally impact the interests of its stakeholders

- Business decisions are made by individuals

- The ethical issues confronting any business might differ from industry to industry and from business to business

Values

- Businesses should formulate values or standards to tailor organisational behaviour

- There are three types of values: Strategic; work; ethical values

- These values are often defined in the company's value statement or vision and mission statement

Personal ethics of the entrepreneur

- Entrepreneur plays a major role in establishing the initial code of ethics
- The integrity of the entrepreneur have a lasting impact on the character and reputation of the business
- Integrity refers to the human character of a person or entrepreneur
- An entrepreneur is regarded as someone with integrity when he or she consistently adheres to, and make decisions based on a set of ethical standards
- Integrity is associated with values such as honesty, reliability, fairness, consistency, care, loyalty and professionalism

Operating the venture and ethical dilemmas

- The daily operation of the venture often brings an entrepreneur face to face with ethical dilemmas

- An ethical dilemma is when the entrepreneur has to balance his or her own needs with the needs and interests of the other stakeholders
  – For example: Choosing to pay workers before taking a bonus for himself

- These do not only relate to the products and services rendered but also to other aspects of the business such as advertising, personnel, natural resources and community interests

Operating the venture and ethical dilemmas (cont.)

- The following sections should be addressed in the Code of Ethics:
  - Safety of products and services
  - Quality and price of products and services
  - Advertising: comparative advertising legal in SA, as long as correct information is given
  - After-sales service and warranty
  - Dealing with employees

Creating an ethical culture in a small business

- The moral development phases and different ethical modes of managing ethics in any business:

  o **Phase one:** The immoral mode

  o **Phase two:** The reactive mode

  o **Phase three:** The compliance mode

  o **Phase four:** The integrity mode

Developing a code of ethics (code of conduct)

The structure of a Code of Ethics

- Preamble
- Application of the code
- General obligations
- Specific issues
- Specific stakeholders
- Contravention of the Code
- Ethics decision making model

Ethics resources

- Ethics Officer (Ombudsman)

- An ethics hotline (Whistle Blowers' Hotline)

  o Whistle blower: person who exposes unethical conduct

- An ethics advice line

- Line managers

Social responsibilities of entrepreneurs

Stakeholders include:

- Environment

- Customers

- Employees

- Investors

- Suppliers

- General welfare of the community

Social responsibilities of entrepreneurs (cont.)

Approaches to social responsibility

- Obstructionist approach

- Defensive approach

- Strategic or accommodative approaches

- Assimilated approach

- Altruistic approach