



# THE ETHICAL AND SOCIAL RESPONSIBILITIES OF THE ENTREPRENEUR

GROUP 2

# What is Business Ethics



**Ethics** is the study of moral obligation involving the distinction between right and wrong. As a consequence, the study of ethics paved the way for the adaption of the general rules of conduct in society.

The ethical behavior required of entrepreneurs is determined by the following:

1. the public;
2. interest groups like the Society of Prevention of Cruelty to Animals;
3. business organizations; and
4. the individual's personal morals and values.

# Factors Influencing Ethical Behavior

Ethical behavior, whether by a person or a business entity, is influenced by any or a combination of the following:

1. **situation;**
2. **reward system;**
3. **individual differences; and**
4. **other factors.**

# How Ethical Behavior is Encouraged

There are certain ways of encouraging ethical behavior among employees:

1. adaption of a **code of ethics**;
2. institution of **rewards and punishments** concerning ethical behavior;
3. adaption of **internal programs for resolving conflicts**;
4. creation of **ethics review committees**;
5. provision of **training in ethics** for employees; and
6. **top management support**.

# Code of Ethics



1. The **code of ethics** is a formal document indicating the entrepreneurship's adapted principles of appropriate behavior. It serves as a basic reference for employees who make big or small decisions.

2. A code of ethics can be made effective if the following requirements are met:

# Code of Ethics



3. it should refer to specific unethical practices like receiving gifts, avoiding warranty claims, bid-rigging, making fictitious claims, among others; and

4. it must be **supported by top management**. Support comes in various forms such as providing sufficient funds for its implementation and assigning specific employees to handle ethical infractions.

# Rewards and Punishments Concerning Ethical Behavior



A code of ethics is sufficient for some people if ethical behavior is required. For many people, however, this may not be enough to motivate them to act ethically. If the entrepreneurship wants to have some measure of control over the behavior of its personnel, a system of **reward and punishment** must be instituted.

Punishments could take the form of dismissal, demotion, suspension, or reprimand. Rewards may be given in the form of cash gifts, promotion, or citation.

# Internal Programs for Resolving Conflicts



Conflicts arise, even when ethical conduct of personnel is concerned. For example, a subordinate may think his superior is acting unethically regarding promotions. The subordinate may harbor ill feelings toward his superior if the subordinate is not provided with a means to ventilate his grievance.

It is important for entrepreneurs to adapt a program of resolving conflicts. For instance, a subordinate may appeal a superior's decision without exposing him to the concerned superior. Later, a meeting between management and the subordinate is arranged



# Ethics Review Committees

To encourage ethical behavior, the entrepreneurship may create an **ethics review committee**. This committee is usually composed of company employees as well as some who are not employed by the company. These persons have undergone special training in ethics. The committee provides advice to the entrepreneur and his staff concerning sensitive ethical issues.

Ethics review committees are not yet popular in Philippine entrepreneurship, but it is slowly adapted by government corporations like state colleges and universities. This is not a bad option if the entrepreneur wants ethical conduct from his employees.

# Provision of Training in Ethics for Employees

Company personnel who are exposed to activities that are ethically charged must be provided with sufficient **training in ethics**. Such training should make them sufficiently prepared to deal with various ethical issues they would encounter in their respective workplaces. Ethics training is more appropriate for persons occupying sensitive positions in purchasing, waste disposal, personnel, research and development, sales, and manufacturing.

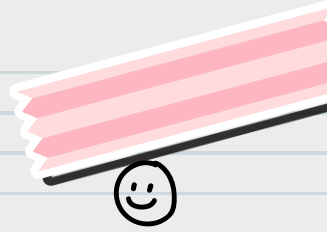
# Ethical Issues Facing Entrepreneurships



Entrepreneurships face ethical questions on a daily basis. These spring from the following relationships:

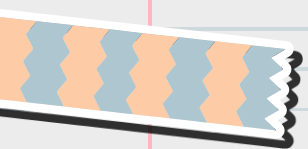
1. between the company and the **customers**;
2. between the company and its **personnel and employees**;
3. between the company and its **business associates**; and
4. between the company and the **investors and the financial community**.

# Relations with Customers



Entrepreneurs are expected by society to treat their customers fairly and not to act in ways that will be harmful to them. Entrepreneurs should provide support for **consumer rights** which are as follows:

1. the **right to be safe**;
2. the **right to be informed**;
3. the **right to choose**; and
4. the **right to be heard**



# Relations with Personnel and Employees



Good ethical conduct requires entrepreneurs to be aware of their responsibilities to employees. These are the following:

1. **workplace safety;**
2. **quality of life issues;**
3. **avoiding discrimination; and**
4. **preventing sexual harassment.**

# ° Relations with Business Associates



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Entrepreneurships operate in conjunction with the efforts of suppliers, agents, and various types of middlemen. In the course of business transactions between the players mentioned and the firms, some ethical questions may come into fore. A supplier who badly needs a contract, for instance, may attempt to bribe the company's purchasing officer. Another example would be the company's sales manager extending favors to a trader by giving priority to delivery of orders, in exchange for personal favors. The practices like those stated above are unethical and must not be allowed to happen in a company that upholds good ethical conduct. °

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# Relations with Investors and the Financial Community

The country's financial system survives partly because investors and other players have placed a certain degree of trust in firms they deal with. The degree of trust is maintained at a high level if the investors and the financial community feel that business firms practice good business ethics, especially if they think that their investments are well protected. If that is so, the desired level of investment is maintained.

# Summary

◦ The core idea is that **Business Ethics** simply doing what is right and avoiding what is wrong is the foundation for a successful company. It's not just a moral issue; it's smart business because it builds **trust**, which is the single most important factor that makes all transactions and exchanges **flow smoothly and quickly**.


To be an ethical entrepreneur, you have four main jobs:

1. Treat your **customers** fairly (ensure safety, provide full information, and listen to their concerns).
2. Treat your **employees** correctly (ensure a safe workplace, avoid discrimination, and prevent harassment).






# Summary


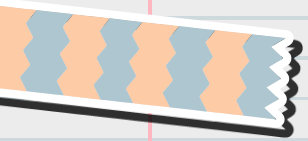


3. Treat your **business associates** honestly (avoid all forms of bribery and corruption).



4. Treat your **investors** truthfully (never lie about the company's financial health or assets).

To make these principles stick, the company must establish a formal **Code of Ethics**, provide **ethics training** for all staff, and ensure absolute **support from top management**.





# THANK YOU!

## MEMBERS

LABASA, FRENCHIE RM M.

LAGSIL, LOWRENCE DIAMODA

JULOM, JOSH SANIEL

HERRADA, FIONA