

BUS 408

# Ethics and the Entrepreneur

# Overview

1. Definition of Ethics and Business Ethics
2. Levels of Ethical Standards
3. Ethical Dilemmas of Entrepreneurs
4. Ethical Collapse
5. Ethical Principles to Guide Entrepreneurial Behaviour
6. Building an Ethical Culture

# Stakeholders of a Business Venture

- The various groups that affect or are affected by the venture
- Business ventures have economic, social & **ethical responsibilities** **towards** their **internal & external stakeholders**

# Ethics

- **Ethics** is a major **branch of philosophy**, encompassing **right conduct and good life**
- A central aspect of ethics is "the good life", the life worth living or life that is satisfying

# Business Ethics

- Thus, business ethics originate from the **commitment to do what is right**

# Definition

- **Business Ethics** involve a **code of conduct** based on the **moral values & behavioural standards** business people rely on to **guide** them as they make **decisions & solve problems**

(Zimmerer & Scarborough, 1996)

# Definition

- **Business ethics** consist of fundamental **moral values and behavioural standards** that form the foundation for people in the organization to make decisions and interact with stakeholders

# Levels of Ethical Standards

## 1. First Level: **The law**

- Defines for society as a whole which actions are permissible & which are not
- Establishes the minimum standard of behaviour



# Levels of Ethical Standards

## 1. First Level: **The law**

- **Note:** Actions that are legal“ may not need to be ethical“

# Levels of Ethical Standards

## 2. Second Level: **The policies & procedures of the organisation**

- Serve as specific guidelines for decision making on daily basis
- Written codes of ethics emanate from organisational policies & procedures

# Levels of Ethical Standards

## 3. Level three: **The moral stance of an individual**

- This is governed by the values one learns from an early age in society
- Formal rules do not play a role here
- Training is a major determinant of ethical behaviour

# Levels of Ethical Standards

## 3. The moral stance of an individual

- Organisational policies & procedures can serve to support, undermine, or enhance employees ' concept of what constitutes ethical behaviour

# Ethical Behaviour

**Ethical Behaviour** refers to doing what is right and good“ as opposed to wrong and „bad“

**Responsibility** for Ethical Behaviour:

- The individual worker
- Management
- The Chief Executive Officer

# What is Ethical Dilemma?

- The inherent difficulty in determining what constitutes ethical behaviour
- There 's no clear-cut right or wrong answers

# What is Ethical Dilemma

- At times implications of unethical actions are clear & established guidelines for handling the situation exist, in other instances, they are less obvious

# Ethical Dilemmas of Entrepreneurs

- Ethical issues involved in starting a firm are complicated
- Entrepreneurs repeatedly face some ethical dilemmas: promoter, innovator, relational



# Promoter dilemmas

- To give or not to give positive impressions about the venture when the entrepreneur is quite aware of the dangers, risk and potential pitfalls of the new venture

# Innovator dilemmas

- The entrepreneur frequently has the dilemma of **expediting production & distribution** **OR** **engaging in the long process of product testing for safety**
- If the entrepreneur waits until all the risk & uncertainties have been eliminated, someone else may be first to market

# Relational dilemmas

- As a member of a number of different networks, or groups of individuals & firms, the **ethical demands** of membership in one group **may conflict** with those of another
- Conflicts of interest & roles may arise

# Ethical Collapse

- So many **moral misdeeds** are engulfing the business world today
- Society is therefore demanding higher standard of behaviour from businesses

# Why Ethical Lapses Occur

## 1. “Bad apple”

- some people are **naturally corrupt** & no matter where they are they will still be corrupt

# Why Ethical Lapses Occur

## 2. “Bad barrel”

- A firm’s culture may have been poisoned with unethical overtones
- Pressures to prosper produces an **environment** that creates conditions **that reward unethical behavior**, & employees act accordingly

# Why Ethical Lapses Occur

## 3. Moral Blindness

- Sometimes, people commit ethical blunders because they are blind to the ethical implications of their conduct
- For example the everybody does it syndrome

# Why Ethical Lapses Occur

## 4. Competitive pressures

- If competition is so intense that a company's survival is threatened, entrepreneurs may begin to view what were once unacceptable as acceptable



# Why Ethical Lapses Occur

## 5. Opportunity pressures

- When the opportunity to “get ahead” by taking some ethical action presents itself, some people cannot resist the temptation even when it implies being unethical

# Why Ethical Lapses Occur

## 6. Globalization of business

- This has intertwined what once were distinct cultures
- Firms have discovered that no single standard of ethical behaviour applies to all business decisions in the international arena

# Why Ethical Lapses Occur

## 6. Globalization of business

- Practices that are unethical in one country may be perfectly acceptable in another

# Ethical Principles to Guide Entrepreneurial Behaviour

- Honesty
- Integrity
- Promise-keeping
- Fidelity
- Fairness

# Ethical Principles to Guide Entrepreneurial Behaviour

- Caring for others
- Respect for others
- Responsible citizenship
- Pursuit of excellence
- Accountability

# Building an Ethical Culture

1. Lead by example
2. Establish a code of conduct
  - formal statement of organization's values on certain ethical & social issues
3. Enforce the code fairly & consistently

# Building an Ethical Culture

4. Implement an ethics training programme
5. Hire the right people
6. Perform periodic ethical audits

# Building an Ethical Culture

7. Set impeccable ethical examples at all times
8. Create a culture that emphasizes two-way communication



# Payoff For Acting Ethically

