

# Small Business Management <sup>19e</sup>

LAUNCHING AND GROWING ENTREPRENEURIAL VENTURES

Longenecker · Petty · Palich · Hoy



## CHAPTER

# 2

Integrity, Ethics,  
and Social  
Entrepreneurship

## **California Code of Regulations**

- A must read resource for a small business owner

<https://oal.ca.gov/publications/ccr/>

## **Small Business Start-up Guides**

- These resources can help provide insight

[http://consultapedia.com/main/startup\\_guides.php](http://consultapedia.com/main/startup_guides.php)

Look at the chart – try to quickly say the COLOR (not the word)

<b>YELLOW</b>	<b>BLUE</b>	<b>ORANGE</b>
<b>BLACK</b>	<b>RED</b>	<b>GREEN</b>
<b>PURPLE</b>	<b>YELLOW</b>	<b>RED</b>
<b>ORANGE</b>	<b>GREEN</b>	<b>BLACK</b>
<b>BLUE</b>	<b>RED</b>	<b>PURPLE</b>
<b>GREEN</b>	<b>BLUE</b>	<b>ORANGE</b>

Ethics is often confused as an illusion ...

It is not, so let's begin to explore in more detail

# Greetings

Get to know all of those around you a bit.

(In front, behind, and to the sides)

1. Share Name
2. How did you do on the color chart?
3. What do you hope to learn by taking this class?
4. Any questions about the class/ syllabus?

# Integrity and Entrepreneurship

- What Is Integrity?
  - Doing the right thing, regardless of the circumstances
    - Honesty, reliability, and fairness
    - Vital element of successful business relationships
    - Is as much about ***what to do*** as it is ***who to be***
- Doing the Right Thing
  - Ethical issues—questions of right and wrong
  - Social Media Test (what if everything you did appeared on social media – how would you feel?)
  - Scenarios for you ...

# What IS the right thing? Scenario

You are the co-owner of a company (5 partners) that is in need of a copy machine – estimated annual costs in the thousands. You want to get the best quality for the best price to stay competitive. You want to contract for a year of copier and support services, and you have opened it up to bid by multiple vendors. Your Manager (an employee of yours) is now evaluating 3 bids from 3 different vendors. All 3 vendors are relatively close in terms of quality of work, reputations and prices (but are not the same).

One of the vendors offers your manager a pair of season tickets to the Los Angeles Lakers basketball games if he contracts with them for the year (the other two vendors do not). The manager chooses that vendor, signs the contract for the year, and begins to take his girlfriend to the games.

# Most Frequently Observed Forms of Workplace Misconduct



Source: Adapted from Ethics Resource Center, "National Business Ethics Survey of the U.S. Workforce," 2014, pp. 41-42.

**Have you done any of these? Do you see others do these?  
Does it bother you?**

# Integrity and Entrepreneurship

- We can not control what happens to us
- We can control how we react

**How do we react to little things? (3 min)**

Film

**Things ever escalate for you?**

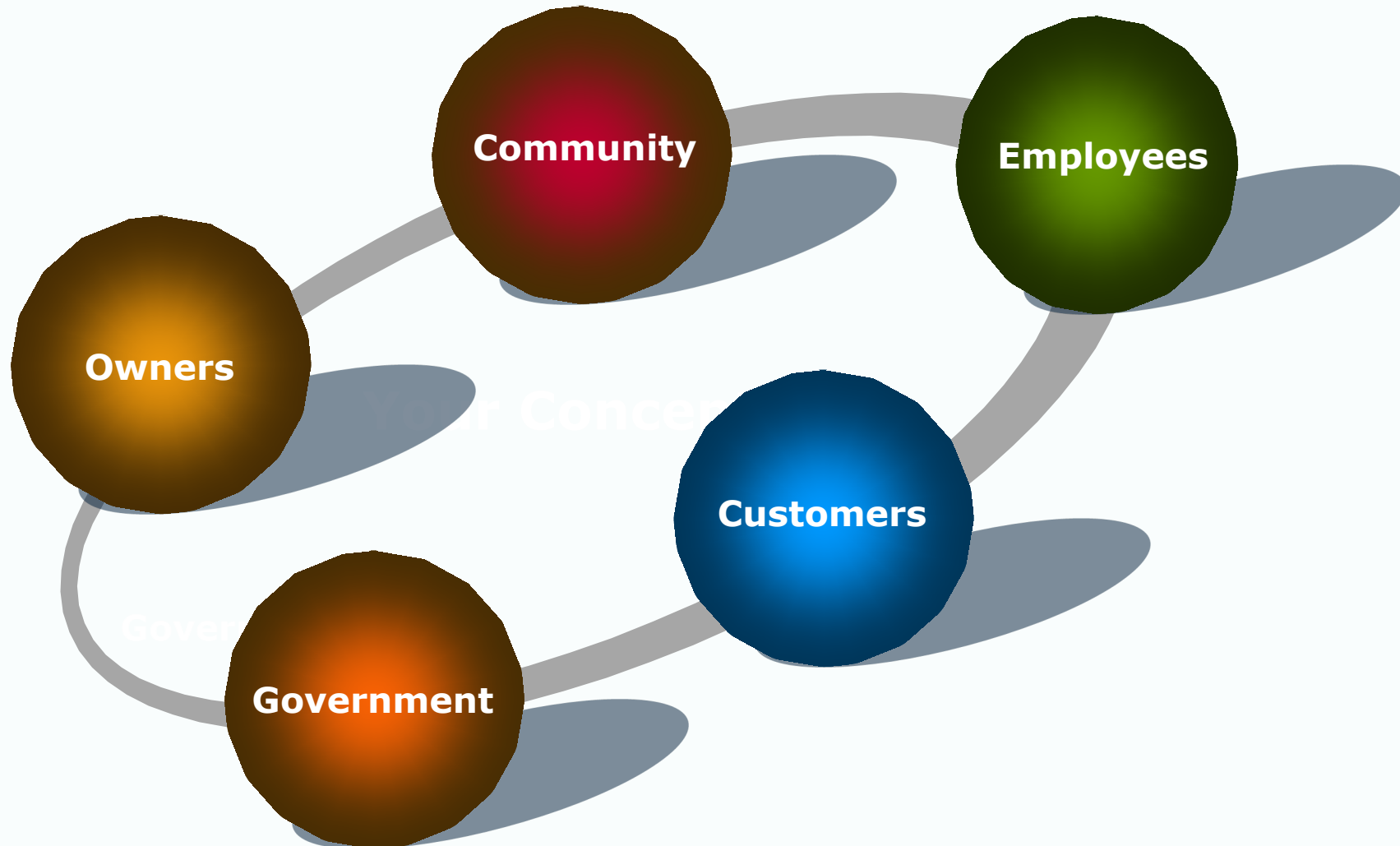
**It's often just a matter of degree**

**Conflict creates opportunity**

**There is a solution to the last film clip**



# A Juggling Act – who to satisfy? Owners, Customers, and Employees



## 2.2 Four Types of Responsibilities for Small Businesses

Type of Responsibility	Societal Expectation	General Focus
Economic	<b>Required</b>	Be profitable.
Legal	<b>Required</b>	Obey all laws, adhere to all regulations.
Ethical	Expected	Avoid questionable practices.
Discretionary	Desired/Expected	Be a good corporate citizen, and give back.

Source: Adapted with permission from Archie B. Carroll and Ann. K. Buchholtz, *Business and Society: Ethics, Sustainability, and Stakeholder Management*, 9e (Mason, OH: Cengage Learning, 2015), p. 35.

# Social Entrepreneurship



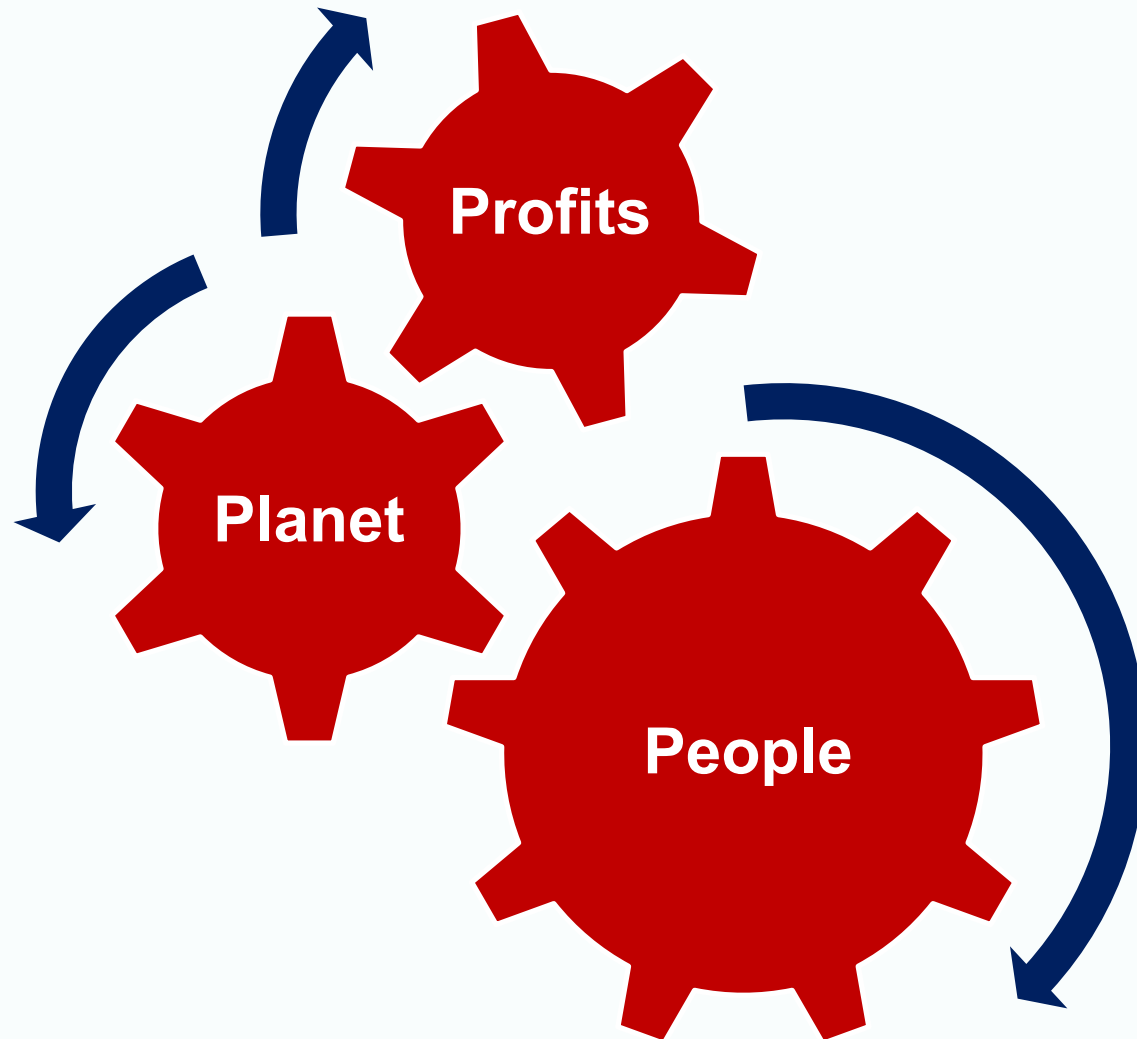
## **Social entrepreneurship**

Entrepreneurial activity that provides innovative solutions for social issues.

## **A social entrepreneur**

One who comes up with innovative solutions to society's most pressing needs, problems, and opportunities and then makes them happen.

# Triple Bottom Line



# Integrity and the Internet

People act differently on web  
(also, while driving - quick example )

Why is this?

## On-Line Ethical Issues

- Risks of buying and selling on the Internet
- Maintenance of personal privacy
  - “Cookies” to profile customers’ usage of the Web
  - Monitoring employees’ e-mail and Internet access.
- Protection of intellectual property rights
  - Misappropriation of brand, trademarks, patents or copyrights.

# Code of Business Conduct (Groups)

Research  
& Draft

## Write a group paper:

You own a small coffee shop -

1. Develop a “Code of Business Conduct” for your employees.
2. How would you communicate this to them?

### Definition

Codes of conduct usually describe the:

- Required behaviors
- Responsibilities
- Actions or attitudes employees should have in an organization
- Ensures all individuals are on the same page and have a clear understanding of the business
- Provide guidance on how employees should act or react in various business situations
- May include disciplining employees who fail to follow company guidelines

Conflicts of interest	Asset protection
Company policies	Company culture
Attendance expectations	Sexual and general harassment and discrimination
Dress code	Cell phone and technology use while at work
Disciplinary actions that may be taken	Privacy policy
Substance use	Equal opportunities

Companies use these policies to develop and promote a safe and courteous work environment. Other policies may be included or added in the code of conduct as business operations grow and expand.

Guidelines on developing one: <https://www.indeed.com/hire/c/info/write-a-code-of-conduct>

Starbucks example: <https://livingourvalues.starbucks.com/business-practices>

Verizon example: <http://www.verizon.com/about/sites/default/files/Verizon-Code-of-Conduct.pdf>