

ENTREPRENEURIAL MANAGEMENT – LECTURE 2

CHAPTER 2 – Integrity, Ethics, and Social Entrepreneurship

LESSON 2

Integrity, Ethics, and Social Entrepreneurship

Learning Objective 1 – What is Integrity?

In other words, integrity is a broad sense of honesty and dependability manifested by a strong dedication to always doing the right thing regardless of the circumstances. Certain acts, such as tax evasion, are obviously in violation of this criteria, while others are less obvious yet may be equally so. For instance, one entrepreneur who operated a flooring sales business frequently sold sheets of linoleum at first-quality pricing, despite the fact that the factory graded them as "seconds." To conceal his fraud, he created an ink roller that altered the manufacturing stamp to say "SECONDS TO NONE!" Those who noticed the error likely assumed it was a typo and moved on, but naive clients were paying for first-rate flooring and receiving substandard items. By any standard, this sleazy business technique demonstrates the entrepreneur's lack of ethics.

Fortunately, many small business owners attempt to conduct themselves with the utmost integrity, fairness, and respect in their commercial dealings. While immoral business actions garner considerable media attention, the majority of entrepreneurs and other business leaders are persons of principle, whose integrity governs their pursuit of profit.

Learning Objective 2 – Integrity and the Interests of Major Stakeholders

By now, it should be clear that the concept of integrity is inextricably linked to ethical difficulties, which encompass questions of right and wrong. These are issues that extend far beyond what is lawful or criminal. Entrepreneurs frequently have difficult choices on what is respectful and equitable, and these choices are growing increasingly critical over time.

A critical examination of the marketplace reveals that ethical issues occasionally arise. According to a recent Ethics Resource Center poll, employees encounter a variety of types of wrongdoing at work, with the most often reported violations being aggressive behavior and lying to employees. (For

percentages of employees who observed these and other instances of unethical behavior, see Exhibit 2.1.) This is a grave error. And, because a diverse group of individuals may be involved and/or impacted, it can be difficult for a small business owner to choose the best course of action to address underlying issues or settle residual concerns associated with such misconduct. While it comes to ethical behavior, small business owners that are guided by integrity must take into account the interests of a variety of various groups when making judgments. These constituencies include, but are not limited to, owners (or investors), customers, employees, the community, and the government. Individuals who belong to these groups are occasionally referred to as stakeholders, implying that they have a "stake" in the business's operation. While definitions vary, stakeholders are often defined as persons or groups that have the ability to influence or are affected by the performance of a business.

EXHIBIT

2.1 Most Frequently Observed Forms of Workplace Misconduct



EXHIBIT

2.2 Four Types of Responsibilities for Small Businesses		
Type of Responsibility	Societal Expectation	General Focus
Economic	Required	Be profitable.
Legal	Required	Obey all laws, adhere to all regulations.
Ethical	Expected	Avoid questionable practices.
Discretionary	Desired/Expected	Be a good corporate citizen, and give back.

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Source: Based on Carroll/ Buchholtz, *Business and Society: Ethics, Sustainability, and Stakeholder Management*, 9e. © 2014 Cengage Learning, p. 35.

The “Big Three” Stakeholders—Owners, Customers, and Employees

According to some, businesses must adhere to the Golden Rule—that is, those with the gold (owners) establish the rules! Others adhere to the philosophy that the consumer is always right. And how often have you heard someone claim that a company's most valuable asset is its people? The reality is that each of these groups (often referred to as major stakeholders due to their direct interaction with the organization) wields considerable influence.

Learning Objective 3 – The Challenges and Benefits of Acting with Integrity

Small businesses face specific integrity difficulties, particularly throughout important periods like as starting and building a brand, launching internet operations, and growing overseas. Small businesses are frequently vulnerable due to their size and desire to succeed. However, the benefits of honesty are genuine and can provide small businesses with a significant competitive advantage. As a result, we will explain how the payout from managing with integrity may make or ruin a small firm.

Perhaps the most significant benefit of company ethics is the trust it fosters. Trust develops only when a company's proclaimed beliefs and its behavior in the marketplace are consistent. When a small business leader takes into account the needs of others and keeps his or her promises, stakeholders take notice. Customers purchase more of what a business sells when they recognize the company is doing everything possible to ensure the quality of its products and customer service. Employees are considerably more inclined to "go the extra mile" for a small business when it is evident that they are more than interchangeable pieces in an impersonal machine.

And members of the community also respond positively when they are convinced that a firm is living up to its commitments to protect the environment and pay its fair share of taxes. Community support can keep the company going, even if it falls on hard times. It all comes down to trust

Learning Objective 4 – Building Business with Integrity

The Foundations of Integrity

The business practices that executives and employees of a corporation believe are right or bad reflect their underlying principles. Individuals' views have an effect on what they do on the job and how they behave toward customers and others. Thus, business behavior reflects the extent to which an individual is committed to honesty, respect, truthfulness, and so on—in other words, to integrity in all of its dimensions. These principles are frequently reflected in the mission statement of a corporate firm.

The values that underpin commercial integrity are based on personal perspectives on humanity's place in the cosmos and, naturally, are a part of fundamental philosophical and/or religious convictions. In the United States, Judeo-Christian concepts have historically served as the foundation for corporate behavior, however there are numerous examples of honorable behavior based on principles from other religions. Given that religious and/or philosophical ideas pervade business operations of all kinds, a leader's personal commitment to certain fundamental values is a critical predictor of his or her firm's dedication to corporate integrity.

It appears obvious that a strong commitment to fundamental principles influences market behavior and results in well recognized corporate practices. Without a strong commitment to integrity on the side of small business executives, ethical standards are readily violated.

Learning Objective 5 – Social Entrepreneurship: A Continuing Trend

Businesses face a plethora of social challenges. Businesses are expected to assist in resolving societal problems linked to education, crime, poverty, and the environment at various times and by diverse groups. Indeed, these expectations merge in a form of venture capital known as social entrepreneurship, which is gaining traction. Though the phrase has been defined in a variety of ways, Harvard scholars propose that the term refers to "entrepreneurial action with an imbedded social purpose." More poetically, it has been described as "[having] a vision of a larger good and laboring to make it a reality."

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In other terms, a social entrepreneur is someone who envisions and implements novel solutions to society's most pressing needs, problems, and possibilities.

Social Entrepreneurship and the Triple Bottom Line

Becoming a social entrepreneur does not always imply that the business owner is no longer concerned with profit—financial gain is typically just one of a broader range of objectives. Indeed, because they prioritize people, profits, and the environment, the outcomes of interest are commonly referred to as the "triple bottom line." Clearly, no business can survive indefinitely without producing a profit. However, social entrepreneurs believe that initiatives should consider people and the environment as well.

Small Business and the Natural Environment

There was a time when businesses were unconcerned about their environmental impact, but that is gradually changing. For example, it is no longer permissible to discharge industrial waste into streams, toxins into the air, or noise into communities. Indeed, growing environmental awareness has sparked a trend toward sustainable small company.

Sustainability Matters

Small company entrepreneurs and environmentalists' interests are not always at odds. Certain business executives, particularly those in small businesses, continuously labor and act in support of environmental causes, and in many situations, this emphasis makes financial sense. While environmental concerns increase the cost of doing business for some small businesses, they create tremendous opportunity for others. Indeed, many businesses have emerged precisely as a result of business's "greening" and the opportunities that this has provided. The amount of interest in "green," "clean," or "sustainable" initiatives continues to grow, and this trend has resulted in the establishment of numerous creative eco-focused startups.

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Progress Check:

Requirements:

1. Due Date : _____ before 5pm
 2. Essay format, minimum of 20 words and maximum of 100 words.
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3. Format



4. Rubrics (40 points)

Criteria	Below Expectations	Proficient	Exemplary
Reasoning and Analysis	Weak reasons and/or irrelevant or confusing reasons given that don't support the answers; incomplete answers.	Reasons support answers with some / an important reason(s) overlooked; general examination and assessment.	Clear and accurate answers; insightful, specific.
Focus on Topic	Some of the documentation relates to the assigned topic; misuses or uses limited course vocabulary.	The answers are not as detailed and/or concise as needed; and/ or use limited course vocabulary.	Answers address the questions clearly and fully, showing higher level analysis and synthesis of concepts and uses course vocabulary.
Accuracy of Facts and Citations	No direct quotes or "work consulted" used or referred to in the paper. Incorrect facts and / or citations.	All facts are accurate and relate back to the answer, yet there was a disproportionate amount of opinion based statements then facts. Provided 2-5 citations throughout paper using the text, interview and or other related documentation.	All facts are accurate and relate back to the answer. Provided 2-5 citations throughout paper using the text, interview and or other related documentation.
APA	No works cited.	Works cited is not formatted in the correct APA style.	Works cited is formatted in the correct APA style.
Mechanics/ Organization	Numerous errors, paper hard to read; questions are not stated before answers; format details are not adhered to.	Enough errors to distract the reader; organization problems; questions not stated before answers; and / or format difficult to navigate.	Use of correct grammar, spelling, and punctuation; well organized; one idea follows another in a logical sequence with clear transitions; questions

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			stated before answers; format easy to navigate.
Timeliness	On time	late	No points

Questions:

- I. Define integrity, and understand its importance to small businesses.
- II. Explain how integrity applies to various stakeholder groups
- III. Suggest practical approaches for building a business with integrity.

Answers:

I. Integrity refers to a strong commitment to doing the right thing, regardless of the circumstances, that is characterized by a general sense of honesty and reliability. When people are motivated solely by a desire to make money, it is easy for business practices to become skewed.

- When it comes to their professional relationships, many small-business owners strive for the highest levels of integrity, fairness, and mutual respect.

II. • Ethical issues are closely linked to integrity, which goes beyond the legal or unlawful to cover more basic questions of right and wrong.

- Entrepreneurs must take into account the interests of all stakeholders when making company decisions, including the owners, consumers, employees, the community, and the government, among others, when making decisions.

To put it simply, a company's owners have a clear and legitimate right to profit from its financial performance.

- Managerial integrity requires that managers show sufficient respect for their employees as people and as valued members of the team.
 - Research shows that most small business owners have tremendous integrity, but others are likely to cut shortcuts when it comes to social duties if earnings are harmed.
 - The majority of people regard an ethical small business to be one that acts as a good citizen in their community.
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In order to keep their integrity and avoid prison time, entrepreneurs must abide by all applicable rules and regulations.

- II.
- It's important to note that the values and behavior of corporate leaders can have a significant impact on ethical behavior.
 - Creating a work environment where employees are encouraged to act with integrity is essential to a company's success. The staff of small businesses should be given a code of ethics to follow.
 - Many small businesses join Better Business Bureaus in order to promote ethical conduct in the business world.

Entrepreneurs can safeguard their own and their company's integrity by following an ethical decision-making process.

Quiz – Chapter 2

Multiple Choice

1. These are typically described as those individuals or groups who either can affect the performance of the company or are affected by it.
 - a. Stockholder
 - b. Stakeholders
 - c. Government
 - d. NGO
 2. The seeds of business misdeeds are sown when individuals compromise their personal _____—that is, when they do not behave in a way that is consistent with the noble values, beliefs, and principles they claim to hold.
 - a. Ethics
 - b. Values
 - c. Integrity
 - d. Beliefs
 3. Which is NOT included in primary stakeholders
 - a. Owners
-

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- b. Clients
 - c. Staff
 - d. Competitors
4. The firm's ethical obligations as a good citizen to its community.
- a. Community Service
 - b. Extension Service
 - c. Social Responsibility
 - d. Social Issues
5. Beliefs that provide a foundation for ethical behavior in an individual or a firm
- a. underlying beliefs
 - b. underlying behavior
 - c. underlying values
 - d. underlying ethics
6. Official standards of employee behavior formulated by a business owner.
- a. code of ethics
 - b. standards
 - c. values
 - d. policy
7. Entrepreneurial activity that provides innovative solutions for social issues.
- a. Social responsibility
 - b. Social innovations
 - c. Socialist
 - d. Social entrepreneur
8. A profitable company that responds to customers' needs while showing reasonable concern for the environment.
- a. green marketing
 - b. sustainable small business
 - c. environmentalism
 - d. sustainability
9. A general sense of honesty and reliability that is expressed in a strong commitment to doing the right thing, regardless of the circumstances.
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- a. Ethics
 - b. Values
 - c. Integrity
 - d. Social responsibility
- 10.** One of the first steps experts recommend for building a healthy family-to-business relationship is to hold a_____.
- a. Teambuilding
 - b. Reunion
 - c. Retreat
 - d. open forum

Answers

- 1. b
 - 2. c
 - 3. d
 - 4. c
 - 5. c
 - 6. a
 - 7. d
 - 8. b
 - 9. c
 - 10. c
-

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