

Regional Micro-Enterprise Credential: Business Ethics and Social Responsibility

(Updated: June 12, 2017)

Every entrepreneur starts with a dream, a vision of what he/she can accomplish. This vision may be intensely personal, and it may center on trying to succeed financially and create financial security for the entrepreneur and his/her family. This is a commendable goal, and one all small businesspeople try to accomplish.

But as an enterprise becomes established, the importance of business ethics and social responsibility grows. Many small businesses start to recognize the central role they play in their community. The entrepreneurs driving these businesses to success also realize they can play a larger role in helping their business serve all their “stakeholders” – customers, employees, suppliers, community members and owners / investors.

Many entrepreneurs find they are more successful if they are “mission-driven,” where every action they take and every decision they make are guided by a set of beliefs about how they want their business to succeed.

Business Ethics and Social Responsibility Concepts

Mission-Driven – an entrepreneur’s actions and decisions are guided by a set of beliefs about how he/she wants the business to succeed.

Stakeholders – all people or companies associated with an enterprise. Stakeholders include internal stakeholders (employees and shareholders / owners) as well as external stakeholders (customers, suppliers, community members).

Transparency – the practice of operating openly and communicating fully, providing stakeholders with a clear understanding of how your enterprise operates.

Conflict of Interest – a situation in which an individual might take an action to his/her advantage that would be to the disadvantage of a person or company that believes this individual is serving them. Example: a customer tells a supplier *in confidence* that they’re buying lots of a specific product to advertise a major sale in two weeks. It would be a conflict of interest for that supplier to go to competitor stores and use this information to get them to buy more of this product and put it on sale immediately.

Fairness – treating stakeholders as the entrepreneur would hope others would treat him/her.

Intellectual Property – non-physical assets created by individuals or companies that hold the exclusive legal right to commercialize.

- A copyright gives the author the sole right to benefit economically from what he/she wrote.
- A patent gives the inventor the sole right to benefit commercially from his/her invention.
- A trademark gives the registering individual or company the sole right to benefit from a brand or image he/she created.

In each case the creator of the intellectual property has the right to benefit financially from his/her creation by selling the rights to (or “licensing”) their intellectual property to a third party.

Confidentiality – individuals and companies often promise to keep information they learn secret. They often formalize this promise by signing a Non-Disclosure Agreement (or NDA). Example: the bank signs an NDA when an entrepreneur submits lots of personal information on a bank loan application.

Corporate Social Responsibility – actions entrepreneurs and companies take that go beyond their financial self-interest. These actions are voluntary but often reflect the personal beliefs of business leaders about what their companies can or should accomplish. Many companies tie the actions they take for corporate social responsibility to initiatives that benefit their business. Example: the local pet store promises to donate \$1 to the local animal shelter for every pet owner who buys the pet food on sale over a weekend.

Business Ethics – a simple rule guides business ethics, the same basic rule that should guide all human behavior: act towards your stakeholders as you would hope they would act towards you.

Businesses often find that the more “transparent” they are – the more they disclose information about their strategies, values, products and services – the more they are trusted by customers and employees.

This becomes particularly important in cases where one party has information that they could use to the disadvantage of another party if they would choose to do so. The example above of a “conflict of interest” is something that happens regularly in business. *Entrepreneurs and small business employees that intend to be fair always make sure they do not improperly use information they have to the disadvantage of the person or business they serve.*

One area that has drawn a lot of attention is how individuals and companies handle their use of intellectual property. Intellectual property may be intangible – it’s not property that you can feel and touch, like a building or a truck. But intellectual property is still valuable, reflecting the efforts and investments of individuals who intend to benefit by their creative, hard work. Respecting copyrights, patents and trademarks – only making use of intellectual property as allowed or licensed by the inventors – is part of a company operating fairly and an individual acting ethically.

Similarly, respecting the confidentiality of important information disclosed by a stakeholder is similarly ethical. And when a businessperson signs (or “executes”) an NDA, there is the *legal requirement* to maintain confidentiality, with financial penalties possible if the individual signing the NDA then improperly discloses confidential information.

Social Responsibility – the social responsibility actions that a businesses and entrepreneurs take reflect their values and how they want to have a positive impact on their stakeholders, their community and maybe even the planet.

But these social responsibility actions can have a positive business impact as well.

Examine the mission statements from these prominent companies. Each of these mission statements reflects altruistic sentiments, ways in which the businesses hope to make the world a better place.

And each also lays the foundation for how the business actions of each company can positively differentiate them, helping them succeed financially.

Many entrepreneurs find the all-consuming time investment they make to create a successful business prevents them from focusing on social responsibility. That is okay.

Other entrepreneurs and small businesspeople find that creating a sense of social responsibility is an essential part of who they are and what they hope to accomplish, propelling their business to greater success by giving their stakeholders a sense of mission.

Facebook's mission is to give people the power to share and make the world more open and connected. People use **Facebook** to stay connected with friends and family, to discover what's going on in the world, and to share and express what matters to them

Google's mission statement is “to organize the world's information and make it universally accessible and useful.”

Under Armour: to make all athletes better through passion, design and the relentless pursuit of innovation.

Whole Foods deepest purpose as an organization is helping support the health, well-being, and healing of both people — customers, Team Members, and business organizations in general — and the planet.

McDonald's mission is to be our customers' favorite place and way to eat – with inspired people who delight each customer with unmatched quality, service, cleanliness and value every time.

Amazon: It's our goal to be Earth's most customer-centric company, where customers can find and discover anything online.

The U.S. Chamber of Commerce Foundation is a nonprofit affiliate of the U.S. Chamber of Commerce dedicated to strengthening America's long-term competitiveness and educating the public on how the Free Enterprise system improves society and the economy