

# Ethics and Entrepreneurship

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## ABSTRACT

The term "Ethics" has become the key word of this competitive era. Ethics is a system of moral principles which is concerned with what is good for the individuals and the society as a whole. Early in the 1990s, there were no much discussion about ethics in entrepreneurship but due to recent increase in number of competitors and substitutes for its products, business ethics seems to be important these days. Sustainance in any field is considered essential and only for that reason entrepreneurs come up with various proposals. Considering all that, being ethical serves as a good platform for the entrepreneurs to reach out to the users (customers, suppliers, government) in a facile manner than it was planned.

**KEY WORDS:** Ethics, ethical standards, entrepreneurship, sustainable development.

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## INTRODUCTION

### *Ethics*

According to the **Josephson Institute**, ethics is defined as, "Standards of conduct that indicate how one should behave based on moral duties and virtues".

Ethics refers to basic concepts and fundamental principles of decent human conduct. It includes study of universal values such as the essential equality of all men and women, human or natural rights, obedience to the law of land, concern for health and safety and increasingly, also for the natural environment.

### *Business ethics*

Business Ethics is a form of applied ethics or professional ethics, that examines ethical principles and moral or ethical problems that can arise in a business environment.

## ENTREPRENEURSHIP

The term **Entrepreneurship** is understood as the capacity and willingness to develop, organize and manage a business venture along with any of its risks in order to make profit.

## KEY ELEMENTS OF AN ETHICAL ORGANIZATION

There has been a huge attention paid to ethics in business lately. Ethics are a foundation of a good company, and when fixed, the best companies begin with a solid ethical footing.

### *Respect and recognize:*

As an entrepreneur building a business, one needs to have self respect and need to respect others in work. If any employee is found to show disrespect to the entrepreneur he is to be removed from the organization because such type of people ultimately don't respect their colleagues, customers, vendors or themselves. One should work on his best to rebuild mutual respect, but if it can no longer be rebuilt, then should let the person go. Further an entrepreneur need to appreciate the exemplary work of those who sacrificed for the betterment of the organization. Hence acknowledging their work is important as it encourages them as well as others to perform well.

## INTEGRITY:

It is always ethical to stand by the words. Make integrity one of the missions of the organization so that it is followed by not only the entrepreneur but also by every member of the organization. It is to be ensured that no single member sells the values of the organization in order to earn more. After all, making a bad deal to meet a

target is not only unethical, it's often unprofitable in the end.

#### **CUSTOMER FOCUS:**

It is said that customers are the kings. Hence a good entrepreneur has to understand the customers and cater to their needs which reinforce the responsibility to the market. The decision of an entrepreneur affects the investors, partners and ultimately the customers. Serving all of these people is part of one's ethical responsibility which has an impact on the long term sustainability of the organization.

#### **RESULTS-ORIENTED:**

An entrepreneur always focuses on the target but not at the cost of ethical standards. Result should be attained at the context of developing something the customers want at a price which is comfortable for both the customers and the organisation. Good entrepreneurs (most likely ethical entrepreneurs) intend to achieve the result by encouraging the employees and make them achieve their potential and the results the organization needs for success. They value results more than just numbers as they consider each activity as a lesson to achieve their goal in future.

#### **RISK-TAKING:**

No organization can perform without risk. Those who do things in a different way take the market at their sides. Being innovation keep them active in the market as they try to think 'out of the box'. It is not that those organizations which are ethical in nature are timid and mousy instead they support employees who are ready to take calculated risks and reward them when the risks pay off and if not they analyze the reason for the downfall and find measures to make good the loss suffered. Thus risk taking in order to take the organization to the next level is a healthy aspect of an ethical enterprise.

#### **PASSION AND PERSISTENCE:**

There is always a difference between work done because it was given and work done with a passion for it. The difference can be identified at the time of the results. Work done with a passion will always have a favourable result which may likely be rewarded. People in ethical organisations will persist not matter if the results are not as

expected hoping that the organisation will be 'making it' some day. And so they work harder, continue to take risk, behave with integrity and with utmost focus on customer needs. They strive hard until the goal is achieved and results are as expected.

Adhering to one's beliefs might be the ultimate representation of good ethics as it doesn't just make good sense from the ethical viewpoint, but it makes great business sense.

#### **BENEFITS OF BEING ETHICAL**

Companies with a strong ethical foundation tend to do better financially, have higher rates of employee retention, and benefit from more customer referrals and higher customer service satisfaction numbers. These benefits are generated by successful entrepreneurs who achieve a lot by working without stress. It is often difficult to identify if the employees and the organisation presume the same ethical path. It is said that "One is always engaged by a story" and hence an entrepreneur need to make the ethical practices he tends to follow as a story which are then adapted and adhered by the employees. Further we may notice that emotional bias is the main bottleneck for an ethical business. Risk aversion and attention scarcity are the main factors responsible for this emotional bias. Encouragement and connectivity can combat these factors.

#### ***Certain benefits of an ethical enterprise are:***

- Better recognition of brand.
- Building positive business reputation.
- Immense sales and customer loyalty.
- Performance analysis and cost effective.
- Persistent employees.
- Tremendous growth.
- Facile way to access capital.

#### **DIFFERENCE BETWEEN BEING ETHICAL AND SOCIALLY RESPONSIBLE**

Corporate Social Responsibility informs what ought to be done whereas ethics depends on a person's conscience. They both seem to be converging but there has always been a refutation between the two. Though organisations tend to be socially responsible, their behaviour cannot be found to be engaging in acts that can be called ethical.

Those which are good for the society sometimes are not good for the enterprise and those which are good for the business are almost always not good for the society. If the society is vigilant, it responds in such a way that the organisations are induced to behave responsibly as the organisations are using the resources of the society and they need to return back in terms of quality service to them in order to sustain in the competitive era for a long term period.

### **REASONS FOR BEING A SUCCESSFUL ENTERPRISE**

The following are the reasons mentioned by certain entrepreneurs who seem to be ethically successful in their businesses:

Focus on

- Transparency
- Authenticity
- Creating trust among employees, investors and most importantly customers.

### **SUGGESTIONS**

**If ethics are poor at the top, that behaviour is copied down through the organisation.**

Hence it is right to suggest that being ethical has to come from the top of the hierarchy which will serve appropriate to be followed by the subordinates. Being cost effective doesn't mean that there can be a compromise in the quality of the products or service to the customers. Ethical practices within the organisation are equally important as that of ethical relation with customers. Understanding the needs of the employees and supporting them will encourage them to persist in the organisation and induce them to work on the growth of the enterprise along with improvement in their skills as well. It is known that organisations make use of the resources of the society for their operations and in turn they need to cater to their needs which are their responsibility. Hence this creates good reputation for the enterprise among the customers and this helps them to approach the members of the society at time of financial needs thus facilitating as an aid to raise capital in a facile manner.

### **CONCLUSION**

### **Living up to the commitments is part of business ethics.**

This study is to disclose the importance of ethics in the functioning of an enterprise and how it helps in the enhancement of entrepreneurship which is supported by the various aspects of the study. As discussed above transparency in performance has been the important aspect for gaining the trust of customers and encouragement to take calculated risks for the betterment of the enterprise as well as the employee and frequent rewards helps the enterprise to persist the skilful employees for long period. Sustainability is important for which one has to gain reputation which can be achieved by ethical means. Organisations that support the rule of law and operate with decency and fair play around the globe will always succeed in the long term.

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