freedom is more than just the decentralisation or delegation of work. Gifford Pinchot III suggested that well-established companies should learn to make use of the entrepreneurial talents within to avoid stagnation and decline. Intrapreneur introduces new products, services and process which enable the company to grow and succeed in a changing environment. What is, therefore, needed to grow a system and an organisation culture within a large organisation that would allow the executives to operate like entrepreneurs. These persons are driven not by monetary gain but by a deep desire of personal achievement. Therefore, companies should provide such people with adequate financial resources and the autonomy necessary for the development and applications of their ideas. Pinchot suggested the creation of a system which will provide selected executives a status within the corporation similar to that of an entrepreneur in a society. Such people are ‘intra-corporate entrepreneurs’ or ‘intrapreneurs’.

5.7 Ethics and Social Responsibilities of Entrepreneurs

An enterprise must earn profits for its own survival, for expansion, for bearing the risks and finally for the prestige of its management. But profit cannot be the sole objective of the entrepreneur. It is a means and not an end. No enterprise can last long unless along with earning profits, it continues to fulfil its obligations to the society. The ultimate objective of every enterprise has to be the good of the people. Business must be run by the people through the people and for the people. An entrepreneur must take risks with his or her own capital in order to sell and deliver products and services while expending greater energy than the average businessperson in order to innovate.

An entrepreneur is very much linked with society. Since any venture owes its existence to society, it has to function under the overall control and discipline of the society. Any business, which is injurious to any segment of the society, can neither be tolerated nor allowed to continue. Every enterprise is required to perform and satisfy certain obligations which it owes to the society and the performance of which is essential for its own survival and the well-being of the society. It is the obligation of an enterprise which it owes to the different segments of the society that determine its objectives. Besides earning profit, an entrepreneur has to satisfy the requirements of various other groups of people.

Faced with daily stressful situations and other difficulties, the possibility exists that the entrepreneur will establish a balance between ethical exigencies, economic expediency, and social responsibility, a balance that differs from the point at which the general business manager takes his or her moral stance. How much and what type of social responsibility an organization should pursue has been a topic of heated debate for a number of years. Social responsibility is the obligation of organizational decision makers to act in ways that recognize the interrelatedness of business and society. Social responsibility assumes the existence of stakeholders, individuals or groups of individuals who have a stake in or are significantly influenced by an organization’s actions and who, in turn, can influence the organization.

According to H.R. Brown, an entrepreneur, today, has an obligation ‘to pursue those policies, to make those decisions or to follow those lines of action which are desirable, in terms of the objectives and values of the society. The entrepreneur, therefore, has to include his social obligations and social values as inputs into the decision and action process, along with organisational, economic, technological and other relevant values and variables. According to Koontz O’Donnell “Social responsibility is the personal obligation of everyone as he acts for his own interests, to assume that the rights and legitimate interests of all others are not impugned.”

The traditional view of social responsibility was that organizations existed solely to serve the interests of one stakeholder group: Stockholder. However, the traditional - and purely economic - view of social responsibility
has given way to a belief that organizations have larger social role to play and a broader constituency to serve than stock holders alone.

**Obligations of the Entrepreneur to the Different Segments of the Society**

Possible organizational stake holders are illustrated in figure 5.3. Balancing the demands of these various stakeholders is, as you can well imagine, a difficult process because they often have a wide range of needs and conflicting expectations.

![Figure 5.3: Possible Organizational Stake Holders](image)

According to Earnest Dale, “the manager sees himself as an arbiter among the many interests of ‘public’ affected by the business, the stockholders, the employees, the suppliers, the local community and the customers. It is his duty to divide the returns from the business equitably by providing a ‘fair’ return to the shareholders, ‘fair’ working conditions and pay for the employees or ‘fair’ prices to the suppliers and customers and to make the business, in general, an asset to the local community and the nation.” The most important social obligation of an entrepreneur is to reconcile and balance the various conflicting interests in the best possible manner. The various stakeholders are:

1. **Employees**: Employees need security of job, higher wages, full employment, better conditions of work and opportunities for self-development and promotion. They also desire their work itself to be rewarding and to contribute something good to the society in general. Management, as a part of its social responsibilities, is expected to provide for their social security, welfare, grievances settlement machinery and sharing of excess profits.

2. **Stockholders**: An entrepreneur must provide safe, fair adequate and stable long-run rate of return and steady capital appreciation to the shareholders for their investments. It must also provide regular, accurate and adequate information about the working of the company.

3. **Suppliers**: Dealings with the suppliers should be based on integrity, impartiality and courtesy. Terms and conditions regarding delivery of goods and payment of prices must be reasonably fair. Producers may make available to the suppliers the benefits of their information and research so as to promote indigenous growth or for the improvement of the quality of their products.

4. **Customers**: In the words of Henry Ford, an entrepreneur must provide, “those goods and services which the society needs at a price which the society can afford to pay.” Entrepreneurial ventures must meet the requirements of the customers of different classes, tastes and with different purchasing power at the right time, place, and price and in right quality. An entrepreneur should act as a friend...
and guide to the customer. He must try to protect consumers’ interest at all costs. He must guard against adulteration, poor quality, lack of service and courtesy to the consumer, misleading and dishonest advertisement, underweighting, supply of stale goods, etc. He must handle the complaints of the customers carefully and efficiently and cooperate to the maximum extent with the consumers associations. A customer must also be protected against the ill effects of monopolistic and restrictive business practices.

5. **Government:** Entrepreneurs must abide by the laws of the country in their true spirit. They must conduct their affairs as may cause the minimum possible social damage such as air or water pollution. They must help in the proper implementation of all social improvement policies adopted by the Government. They must pay taxes honestly and promptly.

6. **Trade Associations and Competitors:** An entrepreneur should develop healthy inter-business relationships with fellow-entrepreneurs. He must adopt fair trade practices regarding prices, quality, terms and conditions of sale and after-sales service. The policy of under-cutting or restricted trade practices should be avoided. An entrepreneur must patronise business associations to ensure development of healthy business practices.

7. **Community:** The entrepreneurs should manage their business with such competence and skill that it inspires confidence and pride in the mind of the people. They must encourage democratic institutions and assist national integration. Enterprise, on the whole, should act on the ideas of social justice without discrimination of any kind. Business must set high standards of morality and put in all efforts to minimise social damage. It must help in bringing about a cultural, social and economic revolution in the society and lead to the economic growth of the backward regions of the world.

**Business Ethics:**

Ethics refers to the “study of whatever is right and good for humans, business ethics concerns itself with the investigation of business practices in light of human values. Ethics is the broad field of study exploring the general nature of morals and the specific moral choices to be made by the individual in his relationship with others.

Although the English word ethics is generally recognized as stemming from the Greek ethos, meaning “custom and usage, “it is more properly identified as originating from *swedhethos*, in which the concepts of individual morality and behavioural habits are related and identified as an essential quality of existence.

Ethics involves the rules and principles that define right and wrong decisions and behaviours. In other words, as we live our lives - attend school, go to work, engage in hobbies, go out with friends, and so forth - certain decisions are ethically “right” and others are ethically “wrong”. Considering the varied interpretations of right and wrong, you can see how ethics is a complex topic to address. However, ethical considerations do play a role in the decisions you make and the actions you take with your entrepreneurial venture. You need to be aware of the ethical consequences of these. The example you set, especially if you have other employees, can be significant in influencing behaviour. A manager’s attitude concerning corporate responsibility is related to the organizational climate perceived to be supportive of laws and professional codes of ethics. On the other hand, entrepreneurs with a relatively new company who have few role models usually develop an internal ethical code. Entrepreneurs tend to depend on their own personal value systems much more than other managers when determining ethically appropriate courses of action. Ethics is not only a general topic for conversation but a deep concern of business people.