

Entrepreneurship 09/27/2012

In-class speaker Wednesday, October 3rd. You have the opportunity to earn professionalism points this day. You will have your first test on Friday, October 5th over all material covered in class.

Learning Objectives for 09/27/2012

- I CAN categorize business risk as human natural, human or economic, pure, speculative, controllable, uncontrollable, insurable or uninsurable.
- I CAN describe the nature of legal procedure. Analyze the impact of ethical decisions.
- I CAN identify the role of administrative law.

Managing Risk

- **Risk** is the possibility that a loss can occur as a result of a business decision or a business activity.
- **Risk management** includes providing security and safety for products, personnel, and customers.
 - Identify risks
 - Evaluate risks
 - Select risk management techniques
 - Implement and review decisions

Pure vs Speculative Risk

- Pure risk exists when there is uncertainty as to whether loss will occur
 - No possibility of gain is presented—only the potential for loss
- Speculative risk exists when there is uncertainty about an event that can produce either a profit or a loss
- Both pure and speculative risks may be present in some situations

Classifications of Risk

- **Natural risk** is caused by the unpredictability of nature. Examples: floods, tornados, earthquakes
- **Human risk** is caused by the potential actions of customers, employees, or other individuals. Examples: shoplifting, employee pilferage or negligence
- **Economic risk** is associated with political and economic trends. Examples: unemployment, inflation, competition, new government regulations

Dealing With Risk

- Risk can be dealt with in the following ways:
 - Avoid the risk – choose a different strategy that doesn't involve that risk.
 - Transfer the risk – let another business assume the risk of that activity. (VISA and MasterCard)
 - Insure the risk – purchase insurance to cover that risk, however, some risks are uninsurable.
 - Assume the risk – proceed with the activity and take full responsibility for the risk.

Risk Advice for Entrepreneurs



“You can’t succeed if you’re afraid to fail.”
Lebron James

- ❑ Entrepreneurs must be willing to accept risk in order to be successful.
- ❑ The opposite of risk is opportunity – the possibility of success.
- ❑ There is a direct relationship between risk and reward. The greater the potential success, the greater the risks involved.
- ❑ However, the opposite is NOT necessarily true: situations that involve great risk often have little or no upside. There are stupid risks that should NOT be taken.

Regulations That Promote Competition

- Antitrust legislation
 - ▣ Sherman Act
 - ▣ Clayton Act
 - ▣ Robinson-Patman Act
 - ▣ Wheeler-Lea Act
- Government agencies that protect competition
 - ▣ Justice Department
 - ▣ Federal Trade Commission

Laws That Protect Business

- Patents
- Copyrights
- Trademarks

Laws That Protect Consumers

- Licenses
- Zoning Laws
- Consumer Protection Laws

Laws That Protect Employees

- Workplace discrimination
 - ▣ Equal Employment Act
 - ▣ Protection for disabled people
- Safe working conditions
- Family Medical Leave Act
- Wages

What Are Ethics?

- **Ethics** is the study of moral choices and values.
- Different cultures define ethical behavior differently.
- A **code of ethics** is the level of ethical behavior demanded by an individual, a business, or a culture.
- **Business ethics** is the application of the principles of right and wrong to issues that come up in the workplace.

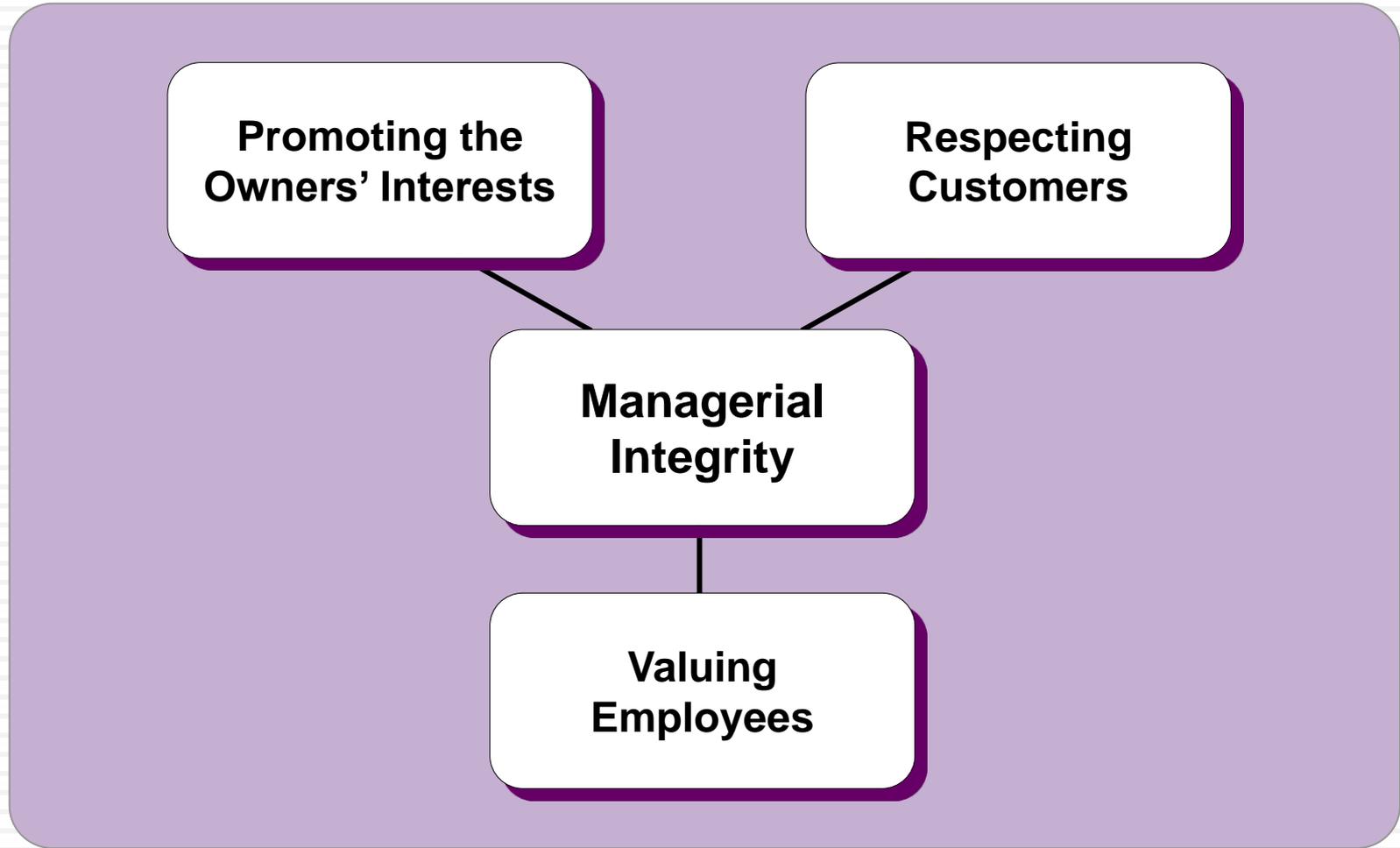
Business & Ethics

- Set high standards
 - ▣ Myths about business and ethics
 - ▣ Consumer awareness
- Establish an ethical workplace
- Create a written code of ethics

Integrity & Entrepreneurship

- What Is Integrity?
 - An uncompromising adherence to doing what is right and proper
 - Honesty, reliability, and fairness in business practices
 - An essential 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
 - Legal and ethical considerations
 - Conflicts of self-interest

Ethical Framework for Entrepreneurs



Managing Risks

Legal Considerations

Ethical Considerations

Difficult Issues Facing Entrepreneurs

- Relationships with customers, clients, and competitors
- Human resource decisions
- Employee obligations to employer
- Management processes and relationships
- Governmental obligations and relationships
- Relationships with suppliers
- Environmental and social responsibilities

Kinds of Ethical Issues

- Ethical Issues in Business Operations
 - ▣ Income and expense reporting (income tax fraud)
 - ▣ “Truth in advertising”—persuasion and deception
 - ▣ Bribing customers and rigging bids
 - ▣ Direct selling—pyramid schemes, bait-and-switch selling
 - ▣ Effects of owners’ ethics on their employees
 - ▣ Accurately reporting financial information

Kinds of Ethical Issues

- Ethical Issues and Employees
 - “To do an honest day’s work”
 - Fraudulent workers’ compensation claims
 - Theft of company property and embezzlement of funds
 - Violation of personal ethics to make a sale

The Burden of Environmentalism

- The Burden of Environmentalism
 - ▣ Environmentalism is the effort to protect and preserve the environment.
 - Adverse impact of environmentalism
 - Cost of updating and modifying facilities
 - Compliance with government regulations
 - Potential of environmentalism
 - Enhances firm's image with customers.
 - Improves firm's image in the community.
 - Provides business opportunities (e.g., recycling).

Social Responsibility

□ Social Responsibility

- The role of a small business as a good citizen in its community in meeting its ethical obligations to customers, employees, and the general community.
 - Regarded as the price of freedom to operate in a free economic system.
 - Frequently takes the form of personal contributions, volunteerism and the contribution of services by the firm and its employees.

Social Entrepreneurship

- Social Entrepreneurship
 - ▣ Entrepreneurial activity with an embedded social purpose (goal) of finding innovative solutions to social needs, problems, and opportunities.
- Triple Bottom Line
 - ▣ People
 - ▣ Profits
 - ▣ Planet (environment)