**Jump Start Micro-Enterprise Credential: Ethics and Social Responsibility Student Exercise**

**Teacher Guide**

(Updated: July 2016)

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| 1 Which of the following are stakeholders for a small business? | \_\_X\_\_ Suppliers  \_\_X\_\_ Customers  \_\_X\_\_ Employees  \_\_\_\_\_ Out-of-State Competitors | Why is it important for a small business to care about how it treats each of these stakeholders? |
| Treating suppliers well will keep them loyal to you if you ever need quick turnaround on an order or maybe “extended payment terms” in a financial crunch.  Treating customers well is the fundamental goal of all businesses, to keep the customers loyal and satisfied.  Treating employees well increases productivity and job satisfaction, and motivates employees to help make the company successful. |

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| 2 How can entrepreneurs demonstrate transparency to key stakeholders? | \_\_X\_\_ Briefing employees on company financial goals and results  \_\_X\_\_ Providing suppliers with sales forecasts for the next quarter  \_\_X\_\_ Telling neighborhood residents that a sidewalk sale was scheduled in a month | What potential benefits would an entrepreneur realize from behaving in these transparent ways? |
| Employees who understand a company’s financial goals and results may feel more motivated to help the company achieve its goals. When the company is doing well they may feel more job security. If the company is going through tight times they may understand better the need to cut costs and make sacrifices, confident they’ll be told when the company has turned the corner and cuts can be restored.  Giving suppliers notice of your future sales forecasts can help them make sure they have the items you might order in stock. They might also be open to offering your volume discounts if you would be willing to expand your orders based on planned sales.  Treating neighbors well will avoid them getting annoyed and/or alerting local authorities if your customers start taking up neighborhood parking spaces. They may also be moved to come be customers at your sale.  (Extra credit: you could notify your neighbors and give them an extra sale discount so they might actually look forward to your sales despite the crowds and limited parking.) |

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| 3 Which actions demonstrate ethical behavior by a small business owner?  The Word Bank indicates that “NDA” means “non-disclosure agreement.” | \_\_\_\_\_ Signing an NDA with a supplier but then disclosing that information to a competitive supplier  \_\_X\_\_ Honoring a stated refund policy to customers  \_\_X\_\_ Pointing out a billing error where your supplier charged you an incorrect lower price | Why are the potential financial and non-financial costs to a small business owner for ***not*** behaving ethically? |
| Financial Costs: suppliers may no longer ship product to your company if they believe you are acting in ways that damage their business. Customers may no longer patronize your business if they believe you don’t honor your policies on important issues like refunds or accurate pricing.  Non-Financial Costs: bad reputation among suppliers and customers. Concerns among employees that they can’t be loyal to an enterprise that isn’t truthful and ethical. |
| Extra Credit: Why would a small business owner act ethically even though it costs the business owner money? | Giving a customer a refund hurts you financially at that moment – but the loyalty it creates may make that customer a profitable long-term customer.  Similarly, telling a supplier they’ve under-charged you may cost you money in that moment, but will create tremendous supplier loyalty that might benefit you enormously in the future. The supplier might ship a “hot” product to you first before your competitor because you’ve demonstrated your ethical behavior . . . or they may wait for payments in the future when you’re short of cash and need extended payment terms. | |

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| 4 Your accounting firm serves a number of area small businesses.  Client A is having financial troubles. This year they can’t pay bonuses to their top-performing employees as they have in the past.  Client B is a competitor to Client A.  You are considering going to this Client B to tell them that they might be able to hire away top-performing employees from Client A if they offer bonuses. You believe this information will make Client B a more loyal client and a more successful company capable of paying higher accounting fees in the future. | Would telling Client B about Client A’s financial troubles be a conflict of interest? |
| Yes |
| Would telling Client B about Client A’s financial troubles be ethical? |
| No |
| What policy could your accounting firm implement that would remove potential conflicts of interest with its clients? |
| You could sign non-disclosure agreements (NDAs) with your clients creating a legal obligation for you not to disclose any of their information to any outside stakeholder without their signed written permission. |

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| 5 Your small business provides computer systems training to area businesses.  Services you offer include training in your computer lab facility that has ten computers linked to an overhead projector. You also offer computer installation and training onsite to local companies.  As an entrepreneur who grew up in your neighborhood you feel a very strong commitment to your community.  You try to demonstrate this commitment in ways that are sound business practices. | Can you design a sales event that uses your facilities and/or capabilities in a way that demonstrates your social responsibility while improving your business? |
| Options include:  1) Offer free computer training to local students in your computer lab during the weekends when your business isn’t active. There would be little or not cost to your business, since your facilities would be unused at this time and you (and perhaps some of your team members) enjoy volunteering to help students in your community. And this event might prompt the parents of one of these students to learn more about your company and how you could serve their organizations.  2) Offer your computer lab during off hours as a free meeting space for community groups who need to make presentations. This would support local community groups with important social missions at little or no cost to your company, again with the upside that it might create a positive impression among future customers.  3) Offer computer installation and onsite training to a local non-profit if they hold a fund-raising session afterwards inviting local community stakeholders. This would be a way for you to provide valuable services to this non-profit while meeting local stakeholders who might become future customers. |