

Founders Guide

Business Ethics & Corporate Social Responsibility (CSR) For Startups

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A vertical list of dates, likely from a calendar or schedule, showing the following dates: 02/22/19, 02/23/19, 02/24/19, and 02/25/19. The dates are arranged vertically and appear to be part of a larger grid or list.

Introduction

There are varying factors that make a successful Startup which include, but are not limited to, a great team, funding, business model, product development, marketing, and a sales funnel.

Business Ethics and Corporate Social Responsibility (CSR) also play a huge part in the success of a Startup venture. Contrary to popular belief, Business Ethics and CSR are not only vital in large businesses/corporations; they are equally vital in Startups.

When launching a Startup, it is vital to incorporate Business Ethics and CSR at an early stage, particularly in the business plan. In this short guide, we delve into the importance of these concepts to Startups.

Business Ethics and its Importance

Ethics are essential in society and in any business that envisions a future for itself. However, the word “ethics” is often interpreted differently which makes it difficult to understand in a business context.

Business Ethics entails awareness of what is right and wrong in the work environment and the obligation to do the right thing. ¹ This obligation applies to the product, services, relationship with customers, stakeholders, employees, competitors, etc. According to Josh Pierce, “Ethics is not about avoiding harsh realities; it’s about positioning yourself, your team, and your company to weather hard realities with character.”²

Founders must integrate an ethical framework in their business from the onset. Thereby, these ethics would be ingrained into the Startup and form part of the work culture. A Startup that upholds its Business Ethics would be after its clients/customers’ best interest and not just profit-making.

Ethics are crucial in contributing to the success of a Startup. A research study found that companies displaying a “clear commitment to ethical conduct” consistently outperform companies that do not display ethical conduct.³ Ethical behaviour pays off in financial returns.⁴ Regardless of how organized or focused a founder may be, the absence of ethics can significantly affect the venture. Thus, integrating an ethical framework will help navigate the actions of the employers and employees. An ethical framework helps in maintaining a solid moral compass. When faced with internal and external issues, the ethical values of a Startup help in determining how those issues are resolved.

Startups and businesses in general often face pressures to cut ethical corners. For example, an area where this often happens is when pitching to potential investors. In such situations, founders may have the urge to show unrealistic projections or valuations to get funding. Experience has shown that such actions usually work against the Startup in the long run. There is no need to go against your ethical values under any circumstance.

CSR and its Importance

CSR is an aspect of business ethics that has to do with a Startup’s social obligations; with respect to strategies designed to ensure that its operations are ethical and beneficial to the society/community, employees, customers and any other relevant operational component of a Startup. Basically, CSR entails giving back in some form to the society/community.

In the business environment, much attention is now given to business contribution in maintaining ethical practices in society. Investors are also often interested in knowing about a business’s corporate social responsibility projects and understand the metrics that can be used to measure the impact of such projects on their communities. These investors want to be associated with businesses that address social justice issues.

CSR could take the form of volunteering, investing in social and environmental initiatives, philanthropy and economic responsible initiatives. It is crucial as it shows that your Startup is invested in societal matters.

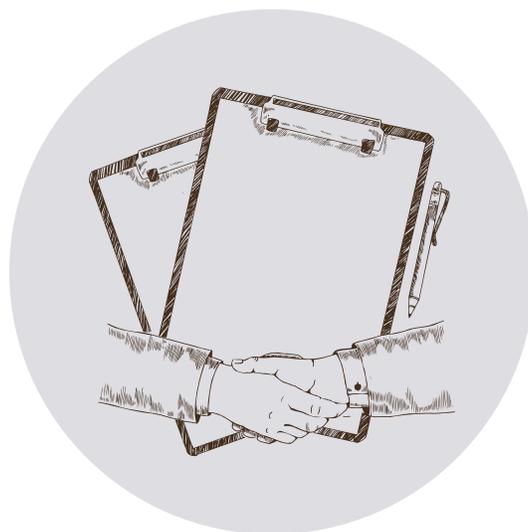
How a Startup can execute CSR Initiatives

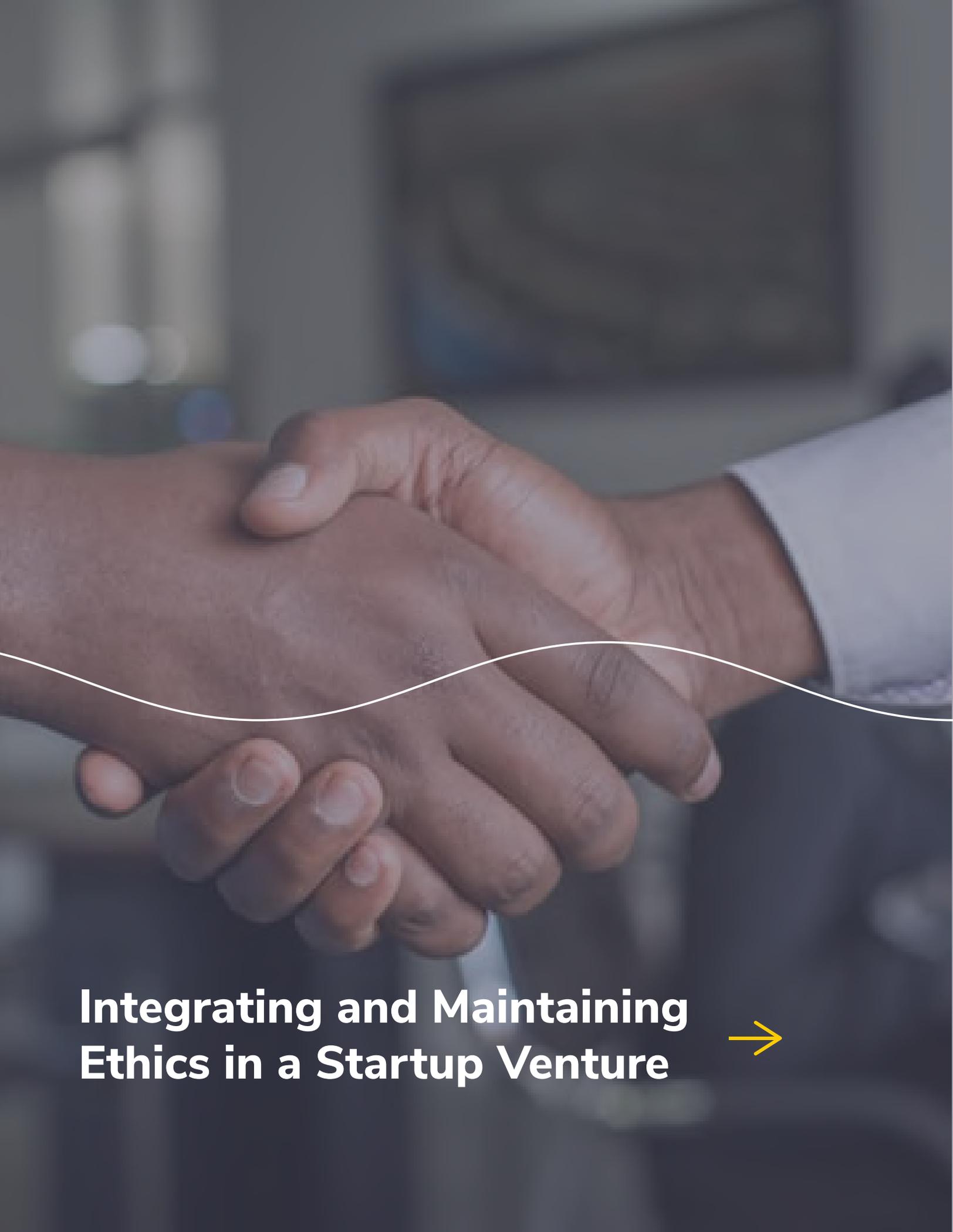
As a Startup, it is understandable that funds may not be infinite. Notwithstanding, Startups can still give back to the community within the confines of their budget. The CSR initiatives of a Startup can be organising a charity event, offering free services to members of the society or participating in a community beautification project.

What Not to Do with CSR Initiatives

Startups, or businesses in general, should not:

- Use CSR initiatives as a tool to get moral credits;
- Use CSR initiatives to cover up controversies in business ⁵;
- Execute CSR initiatives that are not in line with business/company values;
- Use CSR initiatives to boost the business/company brand;
- Carry out CSR decisions without involving employees - This does not show transparency in business.





Integrating and Maintaining Ethics in a Startup Venture



Integrating Ethics in Startups

1. **Creation of Ethics Management Programs** - Such programs would help manage ethics in the workplace by sensitizing and reminding both employers and employees of the values, codes, and policies of the Startup that must always be adhered to.

2. **Creation of a Code of Conduct and/or Code of Ethics** – This should contain the rules that should be adhered to and how they will be enforced.⁶ Every employee should be assigned a copy to ensure they are acquainted with the business' values and ethics.⁷ It is also important that the document is reviewed periodically and updated as is required.⁸

3. **Exemplary Leadership** - A founder must lead by example by embodying the ethics in himself/herself. He/she must be a person of integrity and transparency.

4. **Give Room for Communication** - Founders should ensure that there is open room for communication between the leadership and employees.

5. **Setting Your Core Values at the Beginning** - Do not wait till your Startup grows before setting your core values because they are the very soul of a venture. These core values will determine the talent to hire, the business culture, business operations, and strategy.⁹ Every business decision should be made through the lens of these core values.

6. **Integrating Ethics in your Hiring Process** - Only hire those whose values are aligned with that of your Startup. This would help save time and prevent conflicts in the future.

7. **Involve your Employees in the Process** - Involving your employees in setting these core values would help in streamlining business decisions. It is also important to inculcate the habit of the leadership having regular periodic conversations with the employees, to discuss how well their decision-making aligns with the business's core values.¹⁰

8. **Visualize your Startup as a Person** - Ask yourself if your Startup was a person, what would its values be? As a founder, this would help in setting a solid ethical framework for your venture. This would also aid in setting the tone and determining how you engage customers in your business.

9. **Let Habits Set the Culture** - Daily activities and routines are what would set the culture of any Startup, not the values. Some of the habits seen in business that form the culture include teamwork, communication, integrity, transparency, etc.

10. **Make your Startup/Business the 'Dream Place' to Work** - As a founder/business owner, try discovering what your team's values are, as well as what their ideal workplace looks like. Upon doing so, aim to make that 'dream workplace' a reality and reflect those values in your workplace culture.

11. **Give Life to your Mission Statement** - Create a strong mission statement that is based on your core values. Ensure that the mission statement is open and visible to all, from employees to customers. That way, it subconsciously becomes a part of everyone and helps the team to have a synergy of mindset.

12. **Training/Teaching Ethics** - You can occasionally have sessions where your team can be trained on how to behave ethically in line with your Startup's core values. This can be done with a mix of in-person facilitators and video examples to help them understand better.¹¹

13. **Never Compromise on Your Values** - The moment you begin compromising on your values, your Startup can drastically go downhill from there.

Additional Benefits of Business Ethics and CSR

- **Recruiting the Best People** - The integration of Business Ethics and CSR in your Startup helps in recruiting the best individuals. As a founder or business owner, you should be looking to hire top talent as your business success depends on the kind of people working for you. According to a Bentley University study¹², 86% of Millennials in the US consider the ethics and CSR of a company before employment.
- **Competitive Edge** - Having ethics and CSR will give your venture a competitive edge over those that do not.
- **Brand Boosting** - Furthermore, as a Startup, integrating ethics and CSR can help boost your brand. However, these should be done genuinely and not just to boost your brand equity as this would negatively impact your business.¹³



Conclusion

As a founder/business owner, Business Ethics and CSR must not be ignored as they play a big role in your Startup's success.

However, your motive for integrating them into your business matters. They should never be used as tools to get moral credits or to boost your brand equity, as doing so could potentially earn your business a bad reputation. As a founder/business owner, always be authentic and ensure that your Startup embodies your core values.



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