



MURANG'A UNIVERSITY COLLEGE
(A Constituent College of Jomo Kenyatta University of Agriculture and Technology)

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF HUMAN RESOURCE MANAGEMENT

SPECIAL/SUPPLEMENTARY
MARKING SCHEME

2015/2016 ACADEMIC YEAR
YEAR ONE SEMESTER ONE EXAMINATIONS

DEGREE IN ENTREPRENEURSHIP

COURSE CODE: BHE 2106 COURSE TITLE: SMALL BUSINESS & ETHICS

DATE: DEC, 2015

TIME: 2 HRS

INSTRUCTIONS TO THE CANDIDATES

THIS PAPER CONSIST OF FOUR QUESTIONS

Question one (1) is Compulsory

Answer Any Other Two (2) Questions

MRUC observes ZERO tolerance to examination irregularities

QUESTION ONE

a). Discuss the impact of Social Responsibility on company's stability. (10 marks)

Customer retention; consumers may choose not to do business with companies that have a reputation for being socially irresponsible. Businesses that show a commitment to the community and environment can attract customers who share these values. The good the company does is part of the perceived value of its products and services and can result in higher customer satisfaction.

Access to funding; Investors look at the ethical and social standard exhibited by a business when deciding whether to commit capital to the company. Some investors focus exclusively on companies that have a demonstrable track record of social responsibility.

Employee recruitment; A small company must create a stable work force by retaining its top talent and not losing these individuals to competitors. The company must compete to acquire the best talent.

Positive image; a company's image affects its relationship with all of its stakeholders, and remaking a company's troubled image into one of stability. (damage control) can take time and draw managerial resources from the important tasks of building the company. It is difficult to win back customers who leave because they do not approve the company's image.

Stable cashflow; Fines and penalties assessed by the government for lack of regulatory compliance and lawsuits from customers due to unsafe working conditions can be costly to a business.

b). Explain how companies can improve ethical culture in the business. (10 marks)

- Giving recognition to the workers as a human being.
- Justice in treatment.
- Involving individual employees in corporate affairs.
- Ensure good communication internal business to avoid misunderstanding of each other.
- Fair pay
- Employee motivation
- Ensuring safety at work.

c). Explain contemporary view on social Responsibilities (10 marks)

The success of the corporate Social responsibilities demonstrates how well it has been able to influence stakeholder concerns while executing its business model. The contemporary view is that business, as important and influential members of society are responsible to help maintain and improve the society's overall welfare.

It maintains that business must change its priorities.

Priority of business is not only to make maximum profit but to serve the society.

Profit is a reward for doing it well.

If business does not serve society, society will not tolerate the business profits or even its existence.

Business shall operate as a two-way open system with open receipt of inputs from society and open disclosure of its operation to the public.

Business institutions, as citizens, have the responsibility to become involved in certain social problems that are outside of their normal areas of operation.

QUESTION TWO

a). Identify any four types of Corporate Social responsibility. (10 marks)

i) Economic Responsibilities

A company's first responsibility is its economic responsibility -- that is to say, a company needs to be primarily concerned with turning a profit. This is for the simple fact that if a company does not make money, it won't last, employees will lose jobs and the company won't even be able to think about taking care of its social responsibilities. Before a company thinks about being a good corporate citizen, it first needs to make sure that it can be profitable.

ii) Legal Responsibilities

A company's legal responsibilities are the requirements that are placed on it by the law. Next to ensuring that company is profitable, ensuring that it obeys all laws is the most important responsibility, according to the theory of corporate social responsibility. Legal responsibilities can range from securities regulations to labor law, environmental law and even criminal law.

iii) Ethical Responsibilities

Economic and legal responsibilities are the two big obligations of a company. After a company has met these basic requirements, a company can concern itself with ethical responsibilities. Ethical responsibilities are responsibilities that a company puts on itself because its owners believe it's the right thing to do -- not because they have an obligation to do so. Ethical responsibilities could include being environmentally friendly, paying fair wages or refusing to do business with oppressive countries, for example.

iv) Philanthropic Responsibilities

If a company is able to meet all of its other responsibilities, it can begin meeting philanthropic responsibilities. Philanthropic responsibilities are responsibilities that go above and beyond what is simply required or what the company believes is right. They involve making an effort to benefit society -- for example, by donating services to community organizations, engaging in projects to aid the environment or donating money to charitable causes.

b). Explain how unethical practices can affect the business performance. (10 marks)

- Discouraging customers to the firm's products, thereby reducing the sales and profits.
- Demotivates employees and may make them decide to quit.
- Increases labour turnover thereby reducing productivity.
- Increases recruitment costs.
- Discourage investors thereby exposing the business for possible takeover.
- Unethical behavior or lack of corporate Social responsibility may damage a firm's reputation.
- May make the business less appealing to stakeholders.

QUESTION THREE

a). Discuss why managing social responsibility in Small Businesses is a challenge compared to Large organizations. (10 marks)

- Sme's are generally managed by their owners, who are also often their founders. This can lead to profound differences in commitment to corporate purpose.
- Entrepreneurs mostly start businesses solely with the intent of making money.
- SME's are likely to be less well resourced than big companies.
- SME's might be less able to bring to scale the efficiency gains that can come from attention to CSR.
- Large organizations have deep pockets and legions of staff.

b). Identify any eight different stakeholders and explain their expectations from the organization. (10 marks)

- Shareholders - Good return on investment
- Employee – Fair pay and working conditions.
- Supplier - Regular business and prompt payment.
- Customer - Fair price and safe product
- Local community – jobs and minimum disruption.
- Government – employment for local community.
- Environment – less pollution.
- Trade Unions – who will represent the interests of the workers.
- Pressure Groups – who are interested in whether the business is acting appropriately towards their area of interest.

QUESTION FOUR

Discuss any two theories of entrepreneurship. (20 marks)

1.Theory of NEED ACHIEVEMENT (THE n-Ach THEORY)

This is a very key theory of entrepreneurship. – a desire to achieve.

According to this theory, need for achievement (n-Ach), a social motive to excel plays a great role in the supply of entrepreneurs. Psychologists recognize that people differ in the degree of their need for achievement.

Need for achievement is influenced by cultural factors, whereby the theory assumes that some societies tend produce a higher percentage of people with high n-Ach than others.

Individuals with a low need for achievement seem to be content with their present status.

On the other hand, individuals with a high need for achievement like to compete with some standard of excellence and prefer to be personally responsible for their own assigned tasks. This drive for achievement is apparent in the ambitious individuals who start new firms and then guide them in their growth. In some individuals such entrepreneurial drive is evident at a very early age.

Implications of n-Ach theory

Policies designed should strive at inculcating among the population a culture of;-

- Seeking opportunities for excellence rather than for the rewards of money, prestige or personal influence.
- Concern for achieving success rather than avoiding failure.
- Concern with medium – to long term future. Willingness to postpone immediate rewards in favour of large future rewards.
- Paying careful and accurate attention to the situation.

2.THE PARTICIPATING EVENTS THEORY

This theory focuses on events in the environment or precipitating events as triggering factors for the supply of entrepreneurship, it therefore borrows from the “ Entrepreneurs are made” belief.

Triggering or pre-dispositioning factors include inability to get a job,being fired,displacement, divorce,separation and other negative factors, which push an individual into self-employment. These factors may lead to necessity or forced entrepreneurship.

Necessity or forced entrepreneurship occurs when individuals start businesses because that is the best option available.

It tends to concentrate in less complex, lower cost and more immediate accessible sectors. Such are the consumer-oriented sectors. Necessity – driven entrepreneurs do not expect or plan for job creation.

3. THE DIRECTIONAL FACTORS THEORY

This theory stipulates that the supply of entrepreneurship depends on a number of directional factors that pull the exercise of entrepreneurship in a certain direction. Such factors will influence the entrepreneur to undertake one activity rather than other.

Directional factors are both environmental and internal to the entrepreneur. For example, the economy's favourable rules and regulations etc. may create and set the direction of entrepreneurship.