

## Ethics and Entrepreneurship: A Supply Side Examination

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### Abstract

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This research study examines the relationship entrepreneurs have with their supply chains from the triple bottom line (TBL)—i.e., an ethical perspective. The central question posed is: “Can entrepreneurs create sustainable supply chains and at the same time meet profit objectives? To answer this question the research methodology involved analyses of cases of entrepreneurial ventures that successfully incorporated TBL in supply chain ethics. From a body of 9 cases studied, 6 were chosen as illustrative for this paper. Lessons learned include that a latent fourth “F” in the existing 3 well-known “Fs” of Entrepreneurship<sup>3</sup> has emerged. The paper discusses *fusion* of principal and agent in the supply chain creates organizational success. An idiographic methodology examines the phenomena of ethics in supply chain management and organizational success from examination of 6 case studies of firms with global impact

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**Keywords:** Entrepreneurs, ethics, conservation, corporate citizenship, CSR, focus, fusion, gender mainstreaming, poverty, supply chain management and sustainability

### 1. Introduction

The doctrine of homo *economics*<sup>4</sup> (Friedman 1979)—i.e., the wealth-maximizing economic corporate leader, who rationally pursues his self-interested ends, through subjectively-defined (but legal) goals--has been eroding in the 21<sup>st</sup> century<sup>5</sup>.

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<sup>3</sup> There are three famous “Fs” in Entrepreneurship, Family, Friends and Fools”

<sup>4</sup> Economic man

<sup>5</sup> Shareholder theory epitomized by Friedman, posits the notion that corporate agents of shareholders (i.e., managers) should behave in ways that maximizes profits within the laws of a society.

Its supremacy is gradually being replaced by a broader systems concept in which business firms combine economic, ecological and humanitarian values--best epitomized by Elkington's famous (triple bottom line, or TBL <sup>6</sup>(*ibid*, 1994). In the first decade of the 21<sup>st</sup> century new market opportunities for ethical management have evolved as an outgrowth of the TBL philosophy. The TBL has been embraced not only by large Multinational Enterprises (MNEs), but also Small-to-Medium Enterprises (SMEs) i.e., Entrepreneurial SMES that already create social value (social entrepreneurialism) and have seen market validation of their philosophies.

Under the umbrella lexicon of TBL a number of concepts have been offered in recent years. A progressive view of shareholder capitalism--also known as *conscious capitalism* (McKay and Sisodia, 2013) suggests that regardless of financial performance a firm must find a balance between all stakeholders--including shareholders, employees, customers, suppliers, etc. Porter and Kramer (2011) talk about this kind of capitalism as emanating from a firm's ethics and beliefs in "*shared value*"--i.e., value for itself, and for a broad range of stakeholders. The cannon of *corporate legitimacy* also come into play, because shared value also requires that all stakeholders participate in decisions that affect their well-being (Mousa & Hasan2015; Smith and Hasnas 1999).

This conceptualization has obligated managers to safeguard the long-term interests of all stakeholders as integral parts of their fiduciary duties and ethical responsibilities. In line with this reasoning, *social contract theory* has always postulated that members of a given society have allowed a corporation to be formed within its parameters, and in return corporate agents must ensure that profit motives must go hand-in-hand with social value (Donaldson, 1982). Legal interpretation of corporate obligation has always reinforced this notion (Stout, 2012). An ethical corporation connected to values and standards such as TBL, conscious capitalism, shared value, legitimacy and social contract theory, by definition, require a focal firm to impose ethical values and standards in its supply-side management. Another important consideration is the concept of *corporate citizenship* (Coates, 2015).The United States, and other global trading areas, like the EU, and India have passed legislation to either help corporations register as Benefit Corporations, or have required corporate citizenship accounting of corporations doing business in their regions.

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<sup>6</sup> According to a Harris Poll Reputation Quotient Study in 2014, "six in ten customers decide not to do business with a company based on something they learned about its conduct."

The *conscious* and *shared* nature of relationships between management—the principals, and its supply chain agents, is the focus of this paper. The well-publicized Foxconn (China) and Rana Plaza (Bangladesh) incidents have highlighted the need for buyer firms to closely audit and supervise their supply chains from first tier suppliers all the way down to the multiple tiers of the supply chain network. Rana Plaza and Foxconn have shown how easily a buyer firm can be tainted by the *company it keeps* (Coates, 2015; 2016). Agency theory places direct and strategic responsibility on principals. In these two particular cases mentioned above, labor abuses were present; however, environmental abuses also figure prominently in supply chain management, in terms of processing, production, and transportation of finished goods. Buyer firms, who direct their agents (supplier firms) to deliver products and services, need to ensure in their contracts that ethical procedures are maintained (Coates, 2016).

Today, as an outgrowth of the SCM abuses, among other factors, the relationship between consumers and well-known brands is changing from *laissez faire* to an expectation of ethics in supply chain management. As noted by Amy duPon of Strategic Planning at Havas Sustainability Brands, “in an age of transparency and empowerment, brands are not meeting people’s requirements. People expect large companies to be involved in social problems and their quality of life.”<sup>7</sup> Other consumption research by Havas Media (2011) note that differentiation strategy in production of goods and services using sustainability practices has drawn to themselves supportive attitudes to slightly higher costs for socially and environmentally-friendly operations. In terms of “green” the sale of eco-friendly products has outpaced by the sale of conventional ones (Small Business Sustainable Report, 2013).

For the entrepreneur risk management of the supply chain is an important insurance strategy. However, in the complex arena of enterprise-building, founders encounter “conflicting drivers” of ethical entrepreneurial decision-making (Steinbauer, et.al. 2014). These scholars argue that the well-known entrepreneurial spirit of “need for achievement” (*N-ach*) posited by McClelland (1988) exists. This implies that an acknowledged trait of entrepreneurs, could conflict with concern for reputation and ethical brand image—whereby *N-ach* overcomes ethics. They postulate that the *N-ach* trait might reduce ethical behaviors in favor of achieving personal goals of growth.

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<sup>7</sup> [www.sustainablebrands.com/events/sb13](http://www.sustainablebrands.com/events/sb13)

Like Steinbauer, et.al., others have also argued that individuals with high *N-ach* may be motivated to by-pass ethical standards (Lyuten & Blatt, 2013) and may show lowered organizational citizenship behavior (Duffy and Lilly 2013). A more focused study of this aspect of entrepreneurialism seems to be emerging.

On the other side, however, McMullen & Sheperd (2006) note that the flattened hierarchy of the entrepreneurial venture automatically creates higher accountability and the closeness of intra and inter firm relationships can drive *concern for others*, which in turn leads to ethical standards. In the same spirit, Schmidt (2008, p.1) suggests that the “spirit of *creative response*” (italics added) aligns with moral imagination (*ibid*). A review of the literature on ethics and entrepreneurship from the traits perspective, show that imagination, creativity, and sensitivity show correlation with ethical behavior (←→).

Despite the conflicting research on entrepreneurial proclivities from ethical, to self-interested behaviors, it is clear that ~~in~~ today’s fast-moving informational technology (IT) milieu impacts firm the growth or destruction of an entrepreneurial enterprise in whole or in part as a result of bad ethical practices. As noted earlier these may emanate not from the entrepreneurial firm. In addition to public relations informal institutional norms of good behavior, i.e., Aristotelian *aretaic* or virtue ethics, considerations of commercial laws and regulations on: 1) actual and *apparent* authority for agency is important in the matters of liability, 2) traceability, and 3) transparency, pertain to management of supply chain ethics and values.

## I. Supply Chain Risks For Entrepreneurs

Volatility and uncertainty in global supply chains vary by industry in terms of intensity, but inherent risks and threats exist across the board. Supply chain strategy design has been increasingly integrated with risk management. Such strategies are primarily concerned with financial management and stable sourcing—including Kaizen inventory modes, lowered manufacturing costs through outsourcing<sup>8</sup> and Just-in-Time inventory (JIT) controls. An example from Toyota reveals JIT vulnerability.

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<sup>8</sup> The Business Continuity Institute (BCI) did a study of 68 nations and 14 industry sectors which exposed that outsourcing problems were a hefty cause of supply chain turmoil, with the U.K. showing the most disruptions through supply chain failures (BCI, 2012).

Toyota's business model uses JIT—whereby it orders parts only on receipt of customer orders. In February 1997, its supplier, Aisin—the only supplier for Toyota's P-valve, encountered a massive fire that resulted in the plant being shut down. This accident shut down Toyota's production line, at a cost of \$15 billion and 70,000 cars. Here we see the systemic risk to the whole supply chain emerge. As a result of the shut-down other Toyota suppliers had to shut down as well, because their parts could not be ordered until Toyota's production line re-opened. Other suppliers for Toyota also had to shut down because the auto manufacturer didn't need other parts to complete any cars on the assembly line.

Entrepreneurs and SME managers will inevitably encounter risk, and need to be cognizant of the following factors:

1) Systemic weaknesses in parts of the supply network that could impact the entire chain of activities, such as first-tier supplier abuse of workers by Foxconn that impacted Apple, Darden's unwitting sourcing of shrimp by Burmese slave labor, which impacted its family of restaurants like Olive Garden; and the use of conflict minerals from West Africa that has impacted Nintendo games.

2) Political and Economic risks in national affairs that influence the movement and valuation of currency.

3) Natural disasters that can bring global supplies to a halt as seen with Japan's tsunami and earthquake, and the ash clouds in the aftermath of the Iceland volcano, which impacted shipping and air deliveries to the world resulting in supply chain nightmares.

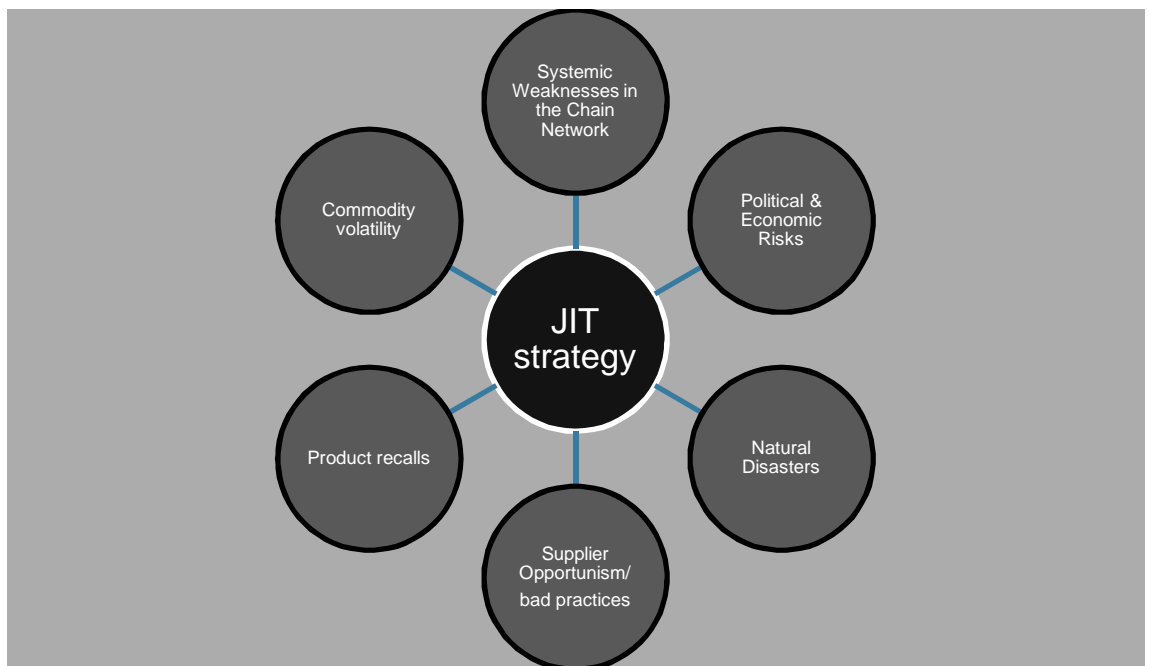
4) Supplier opportunism quite frequently encountered in payments to SMEs and entrepreneurs, and the creditworthiness of suppliers.

5) Commodity volatility.

6) Product Recalls resulting in reverse logistics, such as: Flammable skirts (created by U.S. designer brands and manufactured in India), lead in painted toys (Mattel, Inc.); baby powder contamination (GlaxoSmithKline), mobile phone batteries that burst (Nokia, Inc.), Sambar Masala produced with the banned substance Sudan I (Mahashian Di Hatti, Ltd.), and others, cause delays due to unanticipated reverse logistics and recovery.

These six supply chain weaknesses can in whole or part can overwhelm carefully-designed risk management strategies in entrepreneurial ventures. Figure 2.1, below shows the factors in a JIT entrepreneurial venture as threats rather than opportunities. The fourth risk factor, supplier opportunism is the focus of this paper.

**Figure 2.1: An Entrepreneurial JIT Strategy Overcome by Five Risk Factors**



**Source: Coates & Stull, June 2016, CBPA.**

## II. Underpinnings Of Ethical Entrepreneurial Scm:

In creating an ethical supply chain, an entrepreneur would be involved with three well-known kinds of ethics: *Deontology*, *Teleology*, and *Aretaic* ethics. Briefly these three abstract ethical doctrines impact people in the practice of their individual or organizational lives as they are part of the formal institutions of a region (i.e., laws and regulations) as well as informal norms of conduct in societies. The first of these principles is Deontology (from the Greek *deontos* means obligation). It connotes the sense of responsibility or duty. It instructs us that it is the obligation to not only care about one's own rights but to uphold the rights of others.

Thus in terms of deontology, the entrepreneur must be cognizant of the rights of all stakeholders—i.e., social and environmental rights, in addition to economic rights or profit-making needs of the firm. This is consistent with the CSR approach to a triple-bottom line strategy. An entrepreneur violating the ethics obligation (*deontos*) would eventually fall afoul of laws and social norms. Immanuel Kant, and modern deontologists like Thomas Nagel, and Frances Kamm are most closely associated with these principles of duty, norms and obligations.<sup>9</sup>

Teleology, the next principle, comes from the Greek *telios*—meaning good, or purposeful, ends. In practice, and in the spirit of this paper, it would entail an entrepreneur making a cost-benefit analysis based on ethical standards. (Perhaps the better phrase, in teleological terms would be *cost-value* analysis, rather than *cost-benefit analysis*). In other words, they would ask the question, what would be the best outcomes for all concerned? Clearly ecological initiatives impact the entire world today and into the future, in terms of clean water, energy, and air--these are common goods owned by all life forms, and to be preserved for all. Labor rights and fair labor practices would also figure in a cost-value teleological analysis. An entrepreneur violating the ethics of purpose (teleology) would inevitably fall afoul of laws and social norms of behavior to life forms and common goods. Teleology is associated with the philosophers Jeremy Bentham, Michael Walzer and Jean-Paul Sartre<sup>10</sup>. Utilitarianism, Pragmatism<sup>11</sup> and Consequentialism<sup>12</sup>--i.e., the utility or value of actions, and the consequences of such, also fall into our understanding of principles of teleology.

Aretaic ethics (from the Greek *arête* or norms of behavior for the good life)<sup>13</sup> has to do with virtues—the common ones being courage, honesty, fairness liberality, among others. They are opposed by their semantic differentials, such as cowardice, dishonesty, miserliness and mendacity. These values are the oldest forms of human ethics and they show up in most social cultures.

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<sup>9</sup> Kantian ethics of Immanuel Kant (1785); Divine Command Theory (from religious texts like the Bible or Quran) and Contemporary Deontology posited by Thomas Nagel (1970) Frances Kamm (1996) and others.

<sup>10</sup> Jeremy Bentham(1834); Niccolo Machiavelli (trans. 1908); Michael Walzer (1978); Jean-Paul Sartre(1962).

<sup>11</sup> Dewey (1922).

<sup>12</sup> R.Hare, )1981).

<sup>13</sup> Posited most famously by Aristotle (trans. W.D. Ross 1908).

In terms of the entrepreneur and supply chain ethics, contractual obligations between principals and agents would be specified in their aretaic forms, relating to the specifics of the goods or services provided. In Section IV below, we illustrate 6 cases of successful entrepreneurship in *praxis* with the ethical under pinnings in their supply chain management that have been shown above. See APPENDIX I for the full list of cases studied. These cases show embedding of ethics and sustainability into the very core of these enterprises.

### III. Entrepreneurial Success By *Focus, Fusion & Facilitation* via Principled Scm:

Michael Porter (1995) has argued that a *focus* strategy is a way for firms to profitably embed themselves in specific industry niches, where they desire competitive advantage. In this section we will see six case studies of entrepreneurial firms that not only have focused on the TBL, but have managed to create a strong *fusion* with suppliers. Fusion with the supplier creates the climate necessary for ethical outcomes, and also generates the strategic differentiation for a company to attain competitive advantage (Porter, 1995). Offering a high quality product that customers see as valuable and different (Peng, 2014) with a specific broader focus (TBL) while deeply *fusing* their methodologies into the very fabric of societies is how a number of entrepreneurial companies have successfully blended supply chain management with ethical behavior achieved through management of their supply chains.

Entrepreneurial advantage is created through fusion with the supplier firm in global settings, as follows: 1) It helps mitigate the *liability of newness*—i.e., the inherent disadvantage of foreign firms in a nation (Peng, 2016). 2) It helps the entrepreneur leapfrog Porter's *barrier to entry* (1980) that emanate from institutions (laws and agencies) that can greatly restrict entrepreneurial scope. 3) It helps allay transactions costs that result from supplier opportunism. 4) It creates opportunities for mutual gain through access to other corporate entities for new venture potentialities. 5) It cements loyalty into the relationship. 6) It ensures reliability in logistics delivery and reverse logistics.

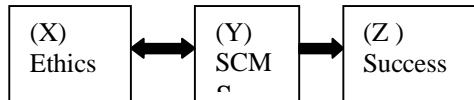
### IV. Methodology

This study uses a grounded theory methodology (Glaser and Strauss, 1967; Strauss and Corbin, 1990, Creswell, 2003, Ruane 2005) from idiographic data sources, which were case specific.



These provided broad understandings and emergent interpretations (Creswell, 2003) of the related phenomena and causal forces, shown below:

- **Research Design—Grounded Theory:**



- **Design Elements:** Complex construct<sup>14</sup> clusters and sub-constructs:

Complex Construct = <b>Ethics</b>				Complex Construct = <b>SCM</b>		Complex Construct = <b>Success</b>	
Sub-constructs (9)				Sub-constructs (2)		Subconstructs (2)	
CSR	TBL	Gendr Mainstr	Consv.	Principals	Agents	Brand Recog.	Profit
Corp. Citizen	Integ-ration	Poverty	Sustain.				
Shared Values							

- **Broad CSR Research Question:** *“Do these businesses create success in advancing social and environmental justice, through fusion with their supply chains?”*
- **Null Statement: Broad CSR Research Statement:** *“These businesses do not create success in advancing social and environmental justice, through fusion with their supply chains.”*
- **Sample size:** 9 cases of entrepreneurial ventures, 6 of which extrapolated for this paper.
- **Sample Selection:** Purposefully selected from data-rich, organizational cases.
- **Content analysis of Cases** using key words/phrases: Entrepreneurs, ethics, corporate citizenship, CSR, focus, fusion, gender mainstreaming, poverty, supply chain management and sustainability.

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<sup>14</sup> For those not familiar with qualitative research these constructs are known as variables in quantitative research

Table 4.1: Idiographies of Sample of Entrepreneurial Firms

Company Name	Sustainable Product/Service	Ethical Values			
		A	B	C	D
<b>Case 001:</b> The Plastic Bank, Haiti & Peru	Recycling micro plastic from ocean gyres; providing income source for the world's poorest people as suppliers			✓	✓
<b>Case 002:</b> Barrett Koehler Publishers, U.S.A.	Production of books (dissemination of knowledge) on TBL, Ethics, and Sustainability themes Shared Value & Conscious Capitalism: Created a <i>Bill of Rights</i> for suppliers (authors) Treats suppliers (authors) partners with the firm	✓	✓	✓	N/A
<b>Case 003:</b> Loro Piana, France	Luxury clothing sourced from rare vicuna wool. Conservation and preservation in of vicuna in Peruvian Andes as a source base for luxury wool fiber	✓	✓	✓	✓
<b>Case 004:</b> Ssesko Designs, Uganda	Employment of Ugandan girls that have a need to earn money for higher education goals. Gender Mainstreaming in Uganda	✓	✓	✓	✓
<b>Case 005:</b> Elvis & Kresse, U.K.	High-end leather handbags, belts and accessories from recycled fire hoses. Differentiation through recycling and re-imaging use of waste leather goods in the U. K., to produce high-value, sustainable luxury accessories.	✓	✓	✓	✓
<b>Case 006:</b> Liberty Bottle- works, Washington, USA	Differentiation through Made in America strategy. Supply chain for product is sourced from recycled aluminum	✓	✓	✓	✓

KEY: A=CSR; B=Shared Value; C=Conscious Capitalism; D=Corporate Citizenship

Source: Coates & Stull, July 2016, CBPA

## 5.2. Ideographic Cases:

1. **The Plastic Bank:** Founder/entrepreneur, David Katz, created this enterprise to address a pervasive environmental problem of the 21<sup>st</sup> century—waste plastic. There are over 8 trillion lbs of plastic existing as waste on this planet, and there are a number of global sustainability issues that emerge as a result. Plastic does not biodegrade, and thus remains on the earth forever, with negative consequences to humans and wildlife, as well as to natural resources like rivers, lakes and oceans which are slowly being overwhelmed by the massive dumping of waste plastic. Plastic contains carcinogens and other toxic elements harmful to humans. When, plastic parts are swallowed by fish or wildlife, the plastic leaches into their flesh. When humans eat these contaminated sources of food the toxins go directly into their systems, causing disease and death. David Katz, the founder of the product Social Plastic® explained: “We make plastic waste a currency to help the world’s most disadvantaged people. I’ve come to realize that the problem with plastic waste is that people see it as waste. But if we can reveal the value in plastic, we can make it too valuable to throw away. If we can reveal value in people, we can unleash the potential of the world’s most disadvantaged and give them a platform to improve their lives. That’s my vision. It’s a triple bottom line social enterprise.”<sup>15</sup>

The Plastic Bank has embedded into its plan to clean up waste, an innovative supply chain approach based on the notion of bartering that empowers disadvantaged populations. The venture was piloted in 2013 in Lima, Peru and is operating on a larger scale in Haiti. In these locations, plastic pickers collect waste plastic from landfills, the ocean and elsewhere. The waste plastic is crushed into pellets. The Plastic Bank has collaborated with 26 *ramase lajan* (Haitian Creole for “picking up money”) collection centers. Pickers use their plastic as a form of currency in exchange for food, shoes, services, etc., from the Plastic Bank, and its affiliates. In effect, David Katz has cleverly converted waste into currency, as a means to help people in poverty, and recycling of waste. The waste plastic is sold to plastic manufacturers to reuse in their products, iteratively, and this waste plastic, at least, is no longer dumped in landfills or into garbage patches in the oceans<sup>16</sup>.

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<sup>15</sup><http://plasticbank.org>

<sup>16</sup> The film, *Plastic Paradise*, (Bullfrog Films, Inc. <http://www.bullfrogfilms.com/catalog/plpa.html>) shows how much of the world’s garbage ends up in the ocean, where the gyrations of currents dump them in various locations in the oceans, creating islands of garbage or floating that are a hazard to wildlife and fish. Plastic contains the carcinogenic PVC (aka: polyvinyl chloride or vinyl) is all around us

Additionally, the company has a number of side initiatives to use the recycled plastic. For example it has persuaded other eco-friendly firms like LUSH Cosmetic to use recycled plastic in their packaging.<sup>17</sup>

***Lessons Learned:*** *This entrepreneurial venture has found an inexpensive but creative way to reduce plastic pollution, while at the same time uplift disadvantaged global populations. It is an innovative way to fuse environmental needs with social wants.*

2. ***Berrett Koehler Publishers:*** Steve Piersanti, the founder of Berrett-Koehler (BK) Publishers, left his position as CEO for the Jossey Bass publishing house in San Francisco, to create a one-of-a-kind entrepreneurial company in 1992. BK's mission is to "*create a world that works for all*". It does so through publication of books heavy on ethical principles, and social and environmental justice, with the purpose of implementing deep and profound change and global solutions to the common problems of humanity. To do this BK's publications capture the submerged beliefs, ideologies, institutions, and organizational structures that perpetuate systemic social ills. Among the first books published by Berrett-Koehler Publishers was *Leadership and the New Science*, by Margaret Wheatley, which has sold more than 350,000 copies; and, *The Confessions of an Economic Hit Man*, by John Perkins which was on the *NY Times* best seller list. Other titles include, *The Ecology of Law*, by Fritz of Capra, and *When Money Talks*, by Derek Crissman. The latter focuses on the role that special interest money plays in the democratic process.

At the heart of BK's strategy is ethical supply chain management. BK's main suppliers are its authors. For BK, they are "partners" in an egalitarian relationship that values consultation and connection. Authors spend substantial time with the publisher to ensure that the author's vision *fuses* with the mission of BK—creating "shared value." In this aspect, BK is vastly different from traditional publishers who try to fit author manuscripts into the vision of the corporation.

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it is most toxic plastic. Fish swallow plastics and the PVC is absorbed into their flesh—when we eat fish, we can get PVC poisoning. BPA bisphenol A is a carcinogen found in plastic that causes breast cancer in men and women.

<sup>17</sup> LUSH Cosmetics belongs to the new family of businesses that try use no packaging at all, but when this is unavoidable, they rely on packaging that uses recycled aterials.

BK has published a “Bill of Rights” for authors to support this commitment. They have been sponsoring an annual retreat for authors, where authors can exchange opinions and beliefs. An “author’s cooperative” of like-minded authors has evolved from this. To support the cooperative, BK offers new authors the first membership fee that it pays.

***Lessons Learned:*** *In fusing “shared value” for both supplier and publishing house, BK is able to transfer knowledge on vital ecological, economic, and social issues, pertinent to 21<sup>st</sup> century readers.*

3. **Loro Piana**—is an Italian manufacturing company that sources fibers for its clothing manufacturing business in a sustainable way. Loro Piana is known for being the top producer of vicuna wool, a dense natural fiber (of 12.5-13 microns thickness) which is harvested from a diminutive Andean camelid called the vicuna. In addition to harvesting its vicuna wool for its fine Italian luxury wear, the company has embarked on a project to conserve the vicuna, which had become an endangered species by the 20<sup>th</sup> century due to poaching and diminishing reserves. In 2008 the company established Peru’s first nature reserve created by private funding, and called it the “*Reserva Dr. Franco Loro Piana*”. In just five years the number of vicunas in the reserve doubled, confirming the significance of Loro Piana’s contribution to conservation toward avoidance of that species’ extinction.

In 2013 Loro Piana extended operations into the Catamarca province in north-eastern Argentina where vicunas are also found. It purchased the majority share in a company that has permission to shear the wild vicuñas that live in the area in which it holds land rights. Loro Piana shows that differentiation using sustainability provides Porter and Kramer’s concept of “shared value” (2011) for conservation and profit, something akin to the *enlightened self-interest* noted by de Tocqueville (1840)<sup>18</sup>. It also provides the world with a steady supply of precious needed raw materials without harming animal lives. This entrepreneurial venture grew with the “doing well by doing good” philosophy of TBL, became validated in the market place, when 80% of this firm was bought in 2013 by the giant conglomerate LVMH. LVMH saw competitive advantage from Loro Piana, because of its control of vicuna wool and Loro Piana’s success increased with this merger.

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<sup>18</sup> From his book. *Democracy in America*, published in 1835 and re-published in 1840.

The rest of Loro Piana is in founding family hands that adhere to the doctrine of conservation in sourcing raw materials.

Chief executive, Sergio Loro Piana, who runs the family firm with his brother, Pier-Luigi. "We need an economic reason of course - we're a company. But we can do things in a good way for both our interests."<sup>19</sup>These words have rung true. Loro Piana's high-end luxury product is so differentiated from clothing made from regular textiles that it earns quasi monopoly profits in its focus niche. .

***Lessons Learned:*** *A luxury entrepreneurial venture has embraced sustainability and ensured success and brand recognition through concern for conservation of an endangered species.*

4. ***Sseko Designs*** is an entrepreneurial venture that creates footwear within a conscious capitalism and social change mind-set (McKay & Sisoda, 2013).The founders of the company began with the vision to create a fair-trade industry model. They believed that component of economic development lies in the business sector and business has a broad stakeholder responsibility. Founded on the ethical value of consumerism—i.e., that each product that buyers consume has impact on the lives of those who workers in the supply chain that produced that product; and thus worker rights must be valued in trading policies. (This is distinctly different from the exploitive tactics perpetrated by other consumer-goods producers upon their workers). Sseko Designs thus sees consumerism as a force and prospect for positive social development in the supply side of the business. Sseko differentiates itself from other sandal companies by making sandals that are much more versatile by the use of interchangeable sandal straps.

The company was created with the idea that in a male-dominated society, in a third-world nation like Uganda, opportunities for bright young women are limited. Sseko Designs was created to help bright, young women from Uganda continue their education. In an indigent, society, many of these young women struggle to find opportunities for work. The employees at Sseko are all college-bound women, who live in work communities that allow them to earn money which goes directly towards their university education.

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<sup>19</sup> Carter, Kate, "Golden Fleece" The Ethical Wardrobe, *The Guardian* 2008.

The employee base of Sseko changes periodically as the women leave the factory to study at universities and from there become teachers, doctors, lawyers, politicians, and writers. Sseko Designs believes that this will bring change and unification to a country divided by a 22 year-long war. Sseko makes its sandals under conditions that provide Ugandan women with the opportunity to have empowered futures. "Our mission is to scale up social business models in Africa and connect social entrepreneurs with impact investors and resources." (ssekodesigns.com)

Today the company has a 50-woman workforce that rotates as described above. Today Sseko's operations have branched outwards from Uganda. It partners with artisan groups in Kenya, Ethiopia and other East African nations produce exquisitely crafted goods from woven textiles and high-end leather goods

***Lessons learned:*** *Sseko's strategic vision has fused a supply chain with global gender mainstreaming needs.*

**5. *Elvis and Kresse*** was established by its founders (Kresse Westling and Jim Henrit—nicknamed "Elvis") to rescue the city of London's decommissioned firehoses--hoses that had become too damaged to repair and were destined for landfills. Elvis & Kresse highlights these historic fire hoses as keeping tradition alive and uses this differentiation strategy to emphasize re-engineering of materials into high-end, but practical, accessories for men and women. Although they started in London, Elvis & Kresse now collect hoses across the UK.

In their early searches for a green supply chain, the company found London's venerable fire hoses to be a time-honored source of supply. The founders began by scraping the entire grunge, grime, oils, and other debris that had accumulated on the hoses after more than 2 decades of firefighting duty. Underneath they uncovered a practical green textile, made of strong deep red rubber and nylon that not only could be recycled but "*upcycled*". All Elvis & Kresse items are hand-made and unique. Each hose when cleaned is distinctively different, with a unique red color all its own, weathered and marked based on its singular experiences. Some bear the trademarks of the original makers which are left on the finished product. This one-of-a-kind material provides the supply chain with its differentiation.

The first product created was a belt. By coincidence one day Elvis' leather belt snapped and he constructed a belt out of the new material, which had been collected and cleaned, but was waiting for inspiration for future use. The belt looked very good, and thus a business was born. Their first customer came via a request from the organizers of the "Live Earth" concert. The founders carved 500 belts from their up cycled material for this event. The belts sold well, at £25 each. Nothing is wasted. The scrap rubber from the reclaimed fire hose belts is used as accents for other products that Elvis and Kresse make from recycled waste material. Bags and wallets are lined with reclaimed military-grade parachute silk and racing sail cloth. The packaging is also reclaimed: tea sacks, coffee sacks, and sail cloth. Today, Elvis & Kresse's highly skilled craftspeople make beautifully designed bags and homeware. Rugs made from Elvis & Kresse's reclamation projects are a new addition to the line.

The company today is certified as a B Corporation by the American non-profit the B Lab (Coates, 2012) on 200 essential variables related to TBL. Fifty percent of Elvis & Kresse's profits are donated to charities related to their raw materials, 50% of their profits from the fire hose range to The Fire Fighters Charity.

London's fire hose project turned out to be ~~was~~ just the beginning. As evidence of the company's success it now has outlets in 10 countries. They have also received publicity and brand reputation from their strategy of 10% donation of profits from the enterprise Awards such as the HSBC Start-up Stars Green Award, the Shell Entrepreneurial Woman of the Future and most recently the European title at the Cartier Women's Initiative Awards have helped make Elvis and Kresse products well-known contenders in the luxury accessory business.

***Lessons learned:*** *Elvis and Kresse did three things while making profit in a TBL strategy. Corporate differentiation was achieved for making high-end accessories from reclaimed sources; it reduced the dumping of waste into Britain's landfills; and created re-imagined usable artistic accessories while saving the planet, and providing jobs for skilled artisans.*

**6. Liberty Bottle works:** This entrepreneurial venture, created by founders Tim And is and Ryan Clark, has a core vision to make a product that would be good for the company, good for the nation, good for the employees, and good for the environment, and thus to eventually make a difference in the world.



It does so by producing the only eco-friendly metal bottles made completely in the United States, from 100% recycled aluminum, which can again be recycled at death in the product's life cycle. Bottles are manufactured in America, by American workers, and hiring preference is given to those who have served the country. Liberty owners place a premium on hiring practices that give jobs to veterans and the unemployed. Co-founder, Tim And is has noted that production in America is cost effective as the aluminum used to produce one bottle today costs .92 cents in the U.S. and it costs the same in China.

It is thus cheaper on materials costs alone by manufacturing in America. Also, by manufacturing in this country transportation costs associated with outsourcing are also eliminated, as are carbon emissions to the global environment costs, arising from transportation. Hence, it is seen that the company expresses its *corporate citizenship* by doing its part in bringing back manufacturing jobs to America. Innovation and advanced technology in operations (like their use of recycled materials and resources) permits the company produce their bottles at a competitive priced. Their bottles sell for less than twenty dollars and are long-lasting. The bottles are manufactured in a zero-waste producing plant Union Gap, in Washington State. Aluminum metal scraps and old bottles are melted down to create new product—in this way eliminating metal waste. The plant uses less energy, cleans its waste water, and conserves resources. The bottles are made with flexible food-grade, non-toxic coating.

Liberty Bottle works shares *value* by pledging a portion of its sales (1%) and working hours (1%) to help local and grass roots initiatives on sustainability. The designs on the bottles are created by local artists in an effort to help and promote regional talent.

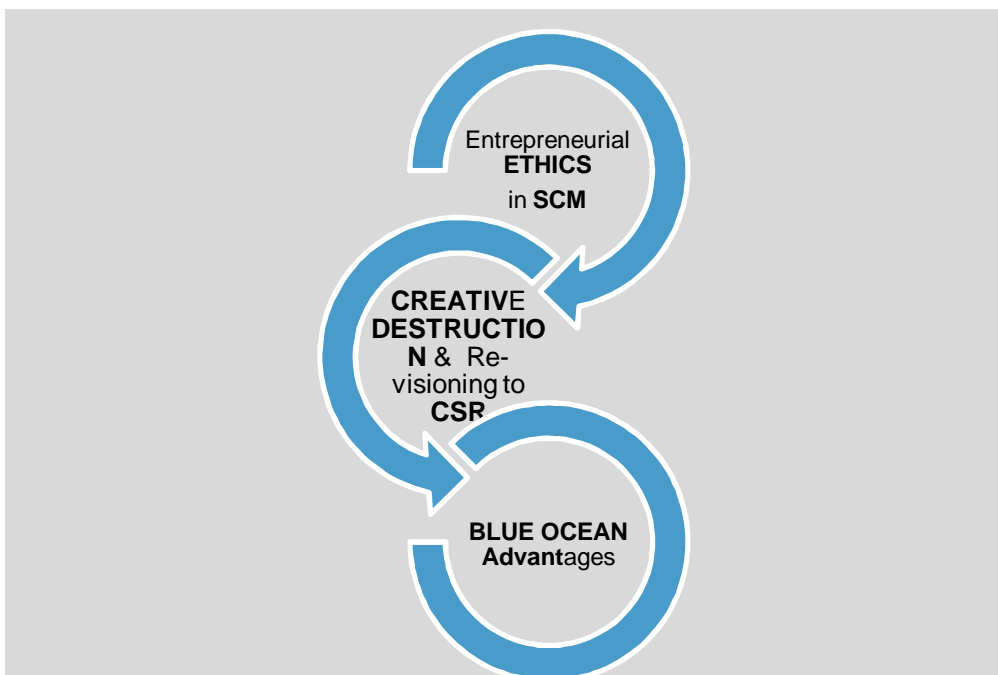
***Lessons Learned:*** *Liberty Bottle works promotes a strategy of "corporate citizenship" and "shared values." Its fusion of national, corporate, ecological and employee needs, illustrates a unique TBL model.*

## **V. Discussion:**

One may ask the question, "How did these Entrepreneurs achieve their success while at the same time doing well for themselves?" An additional probe into Entrepreneurship literature's famous 3 Fs, might point to a clue.

This “F” is *Fusion*—i.e., *Fusion* and integration of ethics and principles with their individual supply chains for shared value, enlightened self-interest and mutual gains. In this way these 6 firms have shown that they are indeed Schumpeterian creative destroyers (Schumpeter, 1950) of old ways of making profit via exploitation of people and the planet. These 6 entrepreneurial ventures show how it is possible to move from red oceans to blue ones that benefit a broad range of stakeholders. Finally, a follow-up study is envisioned using survey research to validate the constructs provided in the case studies.

**Figure 6.1.: Entrepreneurial Process of Change for Competitive Advantage**



**Source:** Coates and Stull, July 2016

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**APPENDIX I:****Case Study Listings**

<b>Name</b>	<b>Location(s)</b>	<b>Kind of Business</b>	<b>Used in This Study</b>
The Plastic Bank	Peru, Haiti	Recycling Plastic Waste	✓
Berrett Koehler Publishers	San Francisco	Publishing of books with emphasis on ethics and CSR	✓
Loro Piana	Italy and Peru	Sustainable luxury clothing	✓
Sseko Designs	U.K., Uganda	Gender mainstreaming through sandal mfg.	✓
Elvis and Kresse	U.K.	Recycling firehoses into high-end accessories	✓
Liberty Bottleworks	Washington State	Recycling aluminum and bringing jobs to America	✓
The Wash Cycle Laundry	Philadelphia, Washington, DC	Using eco-friendly products and delivery mechanisms	Analyzed but not used
Sun Ridge Farms	California	Organic farming	Analyzed but not used
Paper Tree Fashions	U.K., Japan, Bangladesh	Eco-friendly and labor-friendly operations	Analyzed but not used

Download Citation | Ethics and Entrepreneurship | An important criticism of public entrepreneurship has been that US precepts and practices are not consonant with democratic values. This paper | Find, read and cite all the research you need on ResearchGate. This paper examines the meaning of entrepreneurship as defined in both the public and private sectors, suggesting that some attributes of entrepreneurs that commonly are deemed undesirable—egotism, selfishness, waywardness, domination, and opportunism—actually are functional for entrepreneurial activity. Changes in societal needs, competition, government, supply, and finance have compelled social entrepreneurs to improve in all operational areas (DeLeon, 1996). Broadly speaking, entrepreneurship refers to a person working for himself or herself. And because this definition paints a picture of a selfish man, thus, the narrower concepts were developed, highlighting certain characteristics of entrepreneurship. Broadly speaking, entrepreneurship refers to a person working for himself or herself. And because this definition paints a picture of a selfish man, thus, the narrower concepts were developed, highlighting certain characteristics of entrepreneurship. So let us revisit the definition of entrepreneurs and entrepreneurship. Suggested Videos. Entrepreneurs were alert to supply-demand arbitrage options, however, they were assumed to purchase inputs at a certain price while selling them at an uncertain price. This emphasis on the arbitrage clearly suggested that entrepreneurs bring the market into equilibrium (Murphy et al, 2006) by eliminating market imperfections. This added a distinctive feature to entrepreneurship research; an element that was missing in established theories in economics and management (Davidsson, 2003:331). Second, in Schumpeter's theory the ability to break with established practice and "keep capitalism moving forward" (Mintzberg et al, 1998:125) have great social consequences. Large entrepreneurship, on the one side, provides employment to a large number of people, but on the other side, it also encourages monopolies and other evils, which are not conducive for society and economy. Related: 15 Characteristics of Entrepreneurial Environment. 12. Routine Entrepreneurship. Routine entrepreneurship implies managerial functions, like planning, organization, direction, motivation, and control, etc. Which are essential parts of the day to day activities? In other words, it includes successful management of the enterprise, through suitable planning, decisions, and programs, The ethical entrepreneur today should explore, welcome, and employ the many ways that a business can reduce its Eco-footprint on the environment, including recycling, reducing energy waste, carpooling, minimizing paper packaging and usage, and reducing wasteful business practices among other things. While all of these activities have a practical basis, in that they protect the environment and the public reputation of your business, they also have a great impact and influence on others. When entrepreneurs model environmental ethics and encourage Eco-friendly practices, others are likely to follow.