



## Ethics and entrepreneurship<sup>☆</sup>

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### ABSTRACT

As the study of entrepreneurship and the study of business ethics become increasingly established, the intersection of entrepreneurship and ethics is receiving increasing scholarly attention. In this paper, we review the research connecting ethics and entrepreneurship, classifying the literature into three broad themes; we also identify and integrate the key themes that emerge, and we offer suggestions for future research. We conclude by introducing the articles in this special issue.

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### 1. Executive summary

During the past several decades, the significant and growing scholarly interest in entrepreneurs and new venture creation has resulted in the shaping of entrepreneurship as a rigorous academic field of study, including the creation of several dedicated scholarly journals, modification of business school curricula, and rise of entrepreneurship-specific research conferences. In a similar manner, the field of business ethics – including the study of both the ethical behavior and societal impact of profit-seeking firms – has during the last 20 years also achieved recognition and legitimacy as a rigorous and important field of study. Yet the intersection of entrepreneurship and ethics, though receiving more recent research attention, remains relatively embryonic.

What is the relationship between business ethics and entrepreneurship? How might insights from one discipline enrich the theoretical frameworks of the other? Does the new venture setting contain specific and unique ethical challenges? If so, how might they be effectively understood and addressed? These (and other) questions arise from a growing literature that lies at the intersection of entrepreneurship research and business ethics scholarship. This growing body of work highlights the relevance of each academic field on the other. For instance, entrepreneurship scholars point out the importance of entrepreneurial ethics to the global economy (e.g., Bucar and Hisrich, 2001), and ethics researchers argue for more empirical orientation on small and emergent firms, rather than just large organizations, in ethics research (e.g., Spence and Rutherford, 2003).

However, the body of research connecting entrepreneurship and ethics addresses several very different types of research questions. Understanding these various areas of inquiry provides an inclusive picture of a growing research agenda in topics that connect ethics and entrepreneurship in various ways. Therefore in this article, we briefly review several streams of research at this nexus, broadly construed, and identify and integrate the key themes that emerge, offering suggestions for future research. We conclude by introducing the articles in this special issue.

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## 2. Ethics and entrepreneurship: a review and research agenda

Although the emergence of academic research connecting entrepreneurship and ethics is fairly recent, increased interest in the topic has produced a good deal of initial scholarship. In addition, there are certain foundational works in management that have direct bearing on the connection between ethics and entrepreneurship. Normative, descriptive, and prescriptive research (c.f. Dees and Starr, 1992) are all represented in this body of work. A synthetic understanding of the variety of theoretical and empirical work in this area offers fascinating insights into the way in which ethics and entrepreneurship are related, and the questions raised by thinking about this interconnectedness. In surveying the literature, the existing research connecting ethics and entrepreneurship tends to fall into one of three primary areas of inquiry: entrepreneurial ethics, social venturing, and entrepreneurship and society (see Fig. 1). In order to organize what we have learned from extant research in ethics and entrepreneurship – as well as highlight which questions represent fruitful avenues for future research – we discuss each of these conceptual categories in turn.

### 2.1. Entrepreneurial ethics

Much of the existing literature linking ethics and entrepreneurship is focused on entrepreneurial ethics at the micro level. Emphasis is on the entrepreneur, with an interest in ethical dilemmas that may be especially relevant to the new venture setting, although some work also looks at the organizational dynamics of new ventures, and the impact on ethical behavior at the firm level. This stream of research asks at least six key questions.

#### 2.1.1. How do entrepreneurs differ from non-entrepreneurs with respect to ethics?

One line of inquiry questions whether or not systematic trait differences between entrepreneurs and non-entrepreneurs carry over into corresponding systematic differences in ethical perception and action. While some research calls into question the existence of stable, systematic differences between entrepreneurs and non-entrepreneurs on dimensions such as risk tolerance (Xu and Ruef, 2004), Buchholz and Rosenthal (2005) argue that the qualities required for successful entrepreneurship – imagination, creativity, novelty, and sensibility – are systematically and theoretically crucial to ethical decision-making, suggesting that ethics and entrepreneurship are closely aligned. Similarly, others (Dunham et al., 2008) argue that entrepreneurial success requires moral imagination, in addition to an effective handling of the strategic dimensions of starting a new venture. Some research indicates that entrepreneurs may indeed generally place a greater emphasis on ethical behavior (Bucar and Hisrich, 2001) and exhibit higher levels of moral reasoning (Teal and Carroll, 1999). Other research shows fairness – or procedural justice – to be an important element in managing the relationship between entrepreneurs and key investors, leading to a set of desirable outcomes for the entrepreneur (Sapienza and Korsgaard, 1996). Such a focus on ethics and fairness on the part of the entrepreneur may bring its own risks, however; others (Goel and Karri, 2006; Karri and Goel, 2008; Sarasvathy and Dew, 2008) have debated whether or not entrepreneurs tend to ‘over-trust,’ making them more vulnerable to others’ opportunism.

On the other hand, other research finds that entrepreneurs possess a strong ‘action bias’ that may prevent them from adequately considering ethical issues (Bhide, 1996). Longenecker et al. (1988, 1989a) suggest that entrepreneurs are more focused than large firm managers on personal financial gain, even if it comes at others’ expense or violates norms of fairness. Although this effect has fluctuated over time (Longenecker et al., 2006), some scholars, like Kets de Vries (1985), caution about “specific negative factors that could permeate the personality of entrepreneurs and dominate their behavior” (Kuratko, 2007:5; see also Osborne, 1991). This ‘dark side’ of entrepreneurship – specifically, the propensity of entrepreneurs to act as rule-breakers that push institutional boundaries – is a theme explored empirically by Zhang and Arvey (2009–this issue), who examine the longitudinal connection between adolescent nonconformity and entrepreneurial status in adulthood. The relationship between rule-breaking

Entrepreneurial Ethics	Social Entrepreneurship	Entrepreneurship and Society
<ul style="list-style-type: none"> <li>• Entrepreneurs versus non-entrepreneurs</li> <li>• Ethical decision making of entrepreneurs</li> <li>• Ethical dilemmas in entrepreneurship</li> <li>• Technological change and ethics</li> <li>• Formation of ethical infrastructure in new ventures</li> <li>• Stakeholder theory of entrepreneurship</li> </ul>	<ul style="list-style-type: none"> <li>• Defining social entrepreneurship</li> <li>• Ethical concerns in social ventures</li> <li>• Measurement of social venture ‘performance’</li> <li>• Empowerment of disenfranchised entrepreneurs</li> <li>• Social ventures versus traditional ventures</li> <li>• Role of ‘purpose’ in new ventures</li> </ul>	<ul style="list-style-type: none"> <li>• Entrepreneurship and economic theory</li> <li>• Entrepreneurship and macroeconomic development</li> <li>• Other societal roles of entrepreneurship</li> <li>• Entrepreneurs as social change agents</li> <li>• Detrimental impact of ‘creative destruction’</li> <li>• Ethics of opportunity exploitation</li> </ul>

Fig. 1. Ethics and entrepreneurship: three themes.

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