Would an understanding of Entrepreneur’s Ethical Mindset lead to a theorization of ‘Entrepreneurship Ethics’? A research idea

ABSTRACT The aim of this paper is to enable a better understanding of ethics in relation to entrepreneurs and entrepreneurship. This paper identifies gaps in theory and research. This paper responds to the calls in the literature for a careful study of ‘entrepreneurship’ its complex business activity and the ethical implications. To this end an application of the ‘ethical mindsets’ framework is suggested to be employed to generate a better understanding of this relationship and the enhancement of the theorization of ‘entrepreneurship ethics’. This paper provides new opportunities for research that have the potential to generate fresh appreciation of the importance of ethics, and specifically ‘ethical mindsets’ to entrepreneurs and entrepreneurship that will assist researchers and practitioners to enhance knowledge and develop better and more ethical practices.

Key words: Entrepreneurship, Entrepreneurs, Ethical Mindsets, Entrepreneurship Ethics, Ethical theories and perspectives.

INTRODUCTION

Current research into small business or entrepreneurship and their association with ethics, ethical perspectives, and ethical theories highlights vast differences in opinions with regards to the soundness or depth of understanding about ethics and entrepreneurship (e.g. Clarke & Holt, 2010; Dunham, 2010; Marshall, 2011; Nga & Shamuganathan, 2010; Pies, Beckmann & Hielscher, 2010; Singer, 2010). Indeed, ‘entrepreneurship ethics’ continues to be an under-theorised field. While the literature examined provides some insights that there has been great interest in entrepreneurship, morality, ethics and its social impact, other parts of the literature indicate the lack of serious examination of this relationship. With regards to entrepreneurship and morality Anderson and Smith (2007) argue it is not enough to act entrepreneurially; the social constructs of public perceptions entail examining both moral means and moral ends, concluding that there is a moral imperative in entrepreneurship. While Azmat and Samarantunge (2009) present a framework and propositions that might offer an explanation of the lack of responsible entrepreneurship, and has important implications for promoting sustainable business practices. Overall, Hannafey (2003) contends there seems to be a vast descriptive literature of the personal characteristics and motivations of entrepreneurs, and it will prove fruitful to build upon this knowledge to develop greater normative understanding.
The aim of this paper is to examine the concepts of ‘entrepreneurship’, and ‘ethics’ and discuss how ‘ethical mindsets’ can be used to theorise and research the ethics of entrepreneurship. The paper concludes with suggestions for future research in the area employing interpretive mixed-methods approaches.

ENTREPRENEURSHIP – TOWARDS A CONTEMPORARY UNDERSTANDING

Casson (2003) argues the essence of entrepreneurship is being different because one has a different perception of the situation. The entrepreneur hopes to profit from this difference in perception by ‘taking an alternative position’ to other people (Casson, 2003). This view echoes Hébert and Link’s (1989) argument that entrepreneurs are different thinking individuals who make decisions that run counter to conventional wisdom either because they have access to better information or a different perception of events or opportunities. Despite the progress made in understanding and researching the entrepreneur and entrepreneurship in general, the field of entrepreneurship is considered a mystery largely due to the lack of clarity of the field’s boundaries (Shane & Venkataraman, 2000; Venkataraman, 1997).

Researchers continue to use the concepts of entrepreneurship and small business as meaning the same thing. Fassin, Rossem and Buelens (2011) and Katz (2008) use the concepts of ‘entrepreneurship and/or small business’ interchangeably without any distinction. Davidsson (2004) reconciles the two concepts by proposing that entrepreneurship addresses two relatively distinct social realities. The first of these realities is that some people choose to be self-employed or become owner-managers of their own independent businesses the majority of which are relatively stable entities in mature low to medium value-added industries. When entrepreneurship describes this reality, self-employment, small business management and family business become aspects of entrepreneurship (Davidsson, 2004). Davidsson’s (2004) other social reality is that organisational, economic and/or societal change and renewal is driven through the persistence and initiative of individuals who make change happen. When entrepreneurship is used to describe this reality, a different set of topics including innovation, corporate venturing, organisational rejuvenation, and change-agencies outside of the for-profit sector
become integral to it. In reality, entrepreneurship covers an amalgam of the two social realities (Davidsson, 2004).

Another area attracting considerable interest in the field of entrepreneurship is social entrepreneurship. The predominant feature that distinguishes social entrepreneurship from other forms of entrepreneurship is that it aims at creating social value instead of personal or shareholder wealth (Austin, Stevenson & Wei-Skillern, 2006; Peredo & McLean, 2006; Tan, Williams & Tan, 2005). Accordingly, social entrepreneurship would seem to fall within Davidsson’s (2004) second reality of entrepreneurship. The central driver for social entrepreneurship is the social problem being addressed (Austin, Stevenson & Wei-Skillern, 2006, p. 2). Social entrepreneurs are regarded as making significant contributions to their communities by offering creative solutions to complex and persistent social problems (Zahra et al., 2009). Austin, Stevenson and Wei-Skillern (2006) argue that social entrepreneurship can be found within or can span the non-profit, business or governmental sectors. Because of its social imperative, social entrepreneurship is at the intersection of ethics and entrepreneurship (Harris, Sapienza & Bowie, 2009). Other terms that are commonly used in the field of entrepreneurship include ecopreneurship which is defined as a form of business behavior committed to sustainability and environmental responsibility (Isaak, 2005; Schaper, 2005). Ecopreneurs are closely linked to social entrepreneurs because they are regarded as individuals who do not just want to make money but a social statement as well (Isaak, 2005). Indeed, entrepreneurs and entrepreneurship are becoming increasingly important to any local or even the global economy with several large businesses originating from entrepreneurial ventures. Thus, it is crucial to develop a thorough and deep understanding of the ethical tapestry of such individuals leading to the theorization of ‘entrepreneurship ethics’.

ENTREPRENEURSHIP AND ETHICS

Discussions on entrepreneurs, entrepreneurship, ethics and business ethics are not a new phenomenon; for example, McClelland (1961) was among the first contemporary scholars to ask serious ethical questions about entrepreneurship. Issuing a call for more study in this field, McClelland (1961, cited
in Hannafey, 2003, p. 99) observed that ‘we do not know at the present time what makes an entrepreneur more or less ethical in his dealings but obviously there are few problems of greater importance for future research.’ Hannafey (2003) drew on Gartner’s (1985) conceptual framework for describing new venture creation, examining leading issues and major research approaches in entrepreneurial ethics scholarship. Hannafey (2003) argues the need for further study of why persons become entrepreneurs and how these motivations affect or influence their relationship to the organizations they create. This kind of research, Hannafey contends, may provide a deeper understanding of the moral perspectives and behaviours of entrepreneurs. Nonetheless, Hannafey highlights the problems with conducting such research on entrepreneurs due to their diverse types, and busy schedule. However, considering the vital importance of entrepreneurship to the world’s economy, and to the human welfare, Hannafey (2003) contends that a carefully designed and well executed ethics research is needed to assist economic policymakers and individual entrepreneurs.

Attempts continue to be made to examine the market failure especially following the 2008 global financial crisis (GFC). Nga and Shamuganathan (2010, p. 260) include entrepreneurship when casting the blame for the market failure on ‘unbridled commercial entrepreneurs who are allowed to pursue short-term opportunities regardless of the consequences’. With the increased attention to ethics and ethical sides of businesses, there is a resonance of ‘ethical’ rather than just the ‘economic’ side of entrepreneurship (Clarke & Holt, 2010). This resonance seems to be gaining momentum. Tesfayohannes and Driscoll (2010) contend that there has been an increased focus on ethical and social entrepreneurship.

Though there has been a big increase in the interest of understanding business ethics and its application in businesses and management, minimal attention has been paid to such an understanding in relation to small businesses and entrepreneurs. Fassin, Rossem and Buelens (2011) indicate that the majority of academic research on management have focused on large corporations, including that in the domains of corporate social responsibility (CSR) and business ethics. The issue of corporate responsibility and ethics in small and medium-sized enterprises (SMEs) has received limited attention
in the literature (e.g., Gallo, 2004; Murillo & Lozano, 2006; Spence, 1999). Thus, there is a need to encourage further and more in-depth research highlighting the relationship between entrepreneurship and ethics to allow the theorisation of ‘entrepreneurship ethics’.

In Australia, ‘entrepreneurship’ and ‘entrepreneurs’ are on the increase and their value to the Australian economy and welfare should not be underestimated, thus the need arises to seriously pursue Hannafey’s calls to conduct research into ‘entrepreneurial or entrepreneurship ethics’ where careful theory development is now needed (Hannafey, 2003, p. 106). In Australia and New Zealand, Collins, Dickie and Weber (2009) provide five categorisations of SMEs, (1) non-employing (employing the owner only), (2) micro enterprise (employees range between 0-5), (3) small (employees range between 0 and 49), (4) medium (employees range between 10-199), and large (employees range between more than 99 and more than 199). This is different than the classification in other countries, in that what might be considered ‘large’ in this Australian/New Zealand categorisation, might be considered small in other Western countries (e.g. USA). According to the Australian Bureau of Statistics (2008) some 96% employ 19 and fewer, 85% employ 4 or fewer, with 60% had no employees (only the owner).

These small businesses or entrepreneurs have a great impact on the overall performance of the Australian economy, thus an understanding of these individuals’ ‘ethical mindsets’ might provide an insight in which of the ethical perspectives affect the decisions taken by these entrepreneurs. This might also assist in a better understanding of the nature of this important portion of Australian businesses, seeking improvements to enhance their efficiency and effectiveness, but most importantly their competitive advantage, ensuring their participation in the good life of individuals in society.

ETHICAL THEORIES/PERSPECTIVES

The task of theorising ‘entrepreneurship ethics’ is not easy; this is especially true with the great varieties of entrepreneurs and their organizations. By the same token the immense and diverse ethical
theories and perspectives that might or might not apply to the unique field of entrepreneurship also add to the complexity. With regards to ethical theories, Fisher and Lovell (2006; 2009) present a framework of ethical theories. This framework has policy and principle as its horizontal axis, and individual and institutional as its vertical axis. The framework combined four ethical theories such as virtue ethics including ethical care, ethical learning and growth including individual growth, communitarianism and ethical egoism, deontological ethics that includes Kantian imperatives, rights and justice as fairness, and, teleological ethics that includes discourse ethics and utilitarianism. While virtue ethics and ethical learning allow an understanding of the adaptability and responsiveness of individual processes, the rest allow an understanding of the fixity and consistency of institutional structure. This provides the formal, philosophical tools that can and might be used when individuals are considering or applying their mindsets to an ethical problem.

Fisher and Lovell (2006; 2009) conclude that ethical issues are not easy to categorize, and different viewpoints can be presented. However, the most important issue for individuals within organizations is to understand the difference between ethical, moral, immoral, amoral, legal and illegal. In several instances, what is considered legal might prove to be unethical; however, what are of greatest concern to individuals in business are those illegal actions that are ethically and morally justifiable. While Fisher and Lovell provide a comprehensive outline of the ethical perspectives or theories relating to individuals and corporations, Hartman (2008) posits, being ethical requires knowing foundational ethical principles. This might sound easy, but it is complex, especially with Hannafey’s (2003) assertion that harsh demands of entrepreneurial environments may seriously complicate ethical perceptions and practices. Thus, calls for further study of why persons become entrepreneurs and how these motivations affect or influence their relationship to the organizations they create. This kind of research, Hannafey contends, may provide a deeper understanding of the moral perspectives and behaviours of entrepreneurs. Entrepreneurship is increasingly becoming important in global economic life, and the need for careful study of the ethical dimensions of this complex business activity is of great importance, and has a sense of urgency, especially with the limited research in the area of entrepreneurship ethics.
In a study that is considered amongst the first in Australia of examination of ethical perspectives in the entrepreneurship business population, Dawson, Breen and Satyen (2002) indicate that ethical considerations are important to such populations. While no one single ethical perspective was dominant, non-religious beliefs and principles were found to be the most important determinant of their ethical values. Some variations were discovered in operator attitudes based on age, gender and education. Indeed, with the limitations posed in this study, it might be difficult to pin point an ethical perspective that would apply to entrepreneurs and entrepreneurship due to huge diversity. Nonetheless, being internationally recognizable, socially and economically significant, it is a portion of society whose ethical orientations should not be ignored. Thus, there is an urgent need to investigate, not only the ethical perspectives at the organizational level, but at an individual level within these micro-organizations. With the limitations posed by Dawson, Breen and Satyen (2002) on the use of ethical perspectives or theories, and the calls by Hannafey (2003), the latest development in the business ethics literature directs us to the concept of ‘ethical mindsets’, which might be an appropriate avenue to enhance the research to progress into the theorization of ‘entrepreneurial ethics’.

**ETHICAL MINDSETS**

Gosling and Mintzberg (2003) propose five different mindsets that apply in a business context. Indeed, in business ethics, the significance of mindsets is mainly illustrated by this Gosling and Mintzberg’s work. These five mindsets are: Managing self: ‘the reflective mindset’, Managing organization: ‘the analytic mindset’, Managing context: ‘the worldly mindset’, Managing relationships: ‘the collaborative mindset’, Managing change: ‘the action mindset’. Not all these mindsets work in isolation. Gosling and Mintzberg (2003) suggest that these five mindsets interact to create a world view, bring synergy across teams, and create an understanding of how teams can best deliver in this era of risk and change. Fujita, Gollwitzer and Ottingen (2007) explore ‘Mindset theory’ and propose that deliberative mindsets are usually marked by more open-minded processing of information, while the implemental mindsets are characterized by more closed-minded processing.
While Hiemisch, Ehlers and Westermann (2002) maintain that mindsets are measured by assessing cued recognition memory for ‘deliberation related’ versus ‘implementation related’ information.

Further, most of the research and the literature on mindsets discuss either the global or the international mindset (e.g. Arora et al., 2004; Beechler & Baltzley, 2008; Bouquet, 2005; Bowen & Inkpen, 2009; Chatterjee, 2005; Cohen, 2010; Gupta & Govindarajan, 2001, 2002; Mani, 2007; Nummela, Saarenketo & Puumalainen, 2004). However, research in the area of ‘ethical mindsets’ is extremely limited; one of the prominent studies by Lee and Ruhe (1999) late last century has put ‘ethical mindsets’ as a concept on the map. Lee and Ruhe investigated the application of an organizational mindset instrument to compare the ‘ethical mindsets’ between Italy and Taiwan. Their results suggest that there are not significant differences, but Italian business is perceived to practice some Machiavellianism that puts results ahead of ethical concerns. This study has its limitations as it concentrated on the religious affiliations of individuals for the examination of their ethical mindsets. A more recent and relevant study to the Australian context is Issa’s (2009) study on ‘ethical mindsets’ in the Australian Services Sector. Issa provides a tentative definition of ethical mindset(s):

‘…an appreciation of and reflection on any situation through the filter of personal beliefs and values such as honesty, integrity, harmony, balance, optimism, pursuit of joy, peace and beauty, truth seeking, making a difference, and being professional, deriving from the strength rooted in individual’s inner-self’. (Issa, 2009, p. 163)

Issa (2009) argues that this tentative definition indicates that the individual’s ability to practically and wisely develop and interpret ethical issues would be with reference to the spirit and the soul within. This is achieved through the appreciation of ethical values held by individuals, connecting to their inner-selves, allowing the generation of understanding through sense making of the ongoing changes that create ambiguity and uncertainty in the world, that is more evident in the business world, and developing an ethical view. Figure (1) adapted from Issa (2009) outlines the six components of
‘ethical mindsets’ with pointers to the intrinsic and extrinsic forces that might influence these mindsets.

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The six ethical mindsets’ components identified by Issa (2009), were the result of empirical study in the Australian Services Sector. The measuring tool developed from this research, has already been tested, refined and re-tested. The application of this measuring tool might assist in the theorisation of ‘entrepreneurship ethics’. Indeed, this tool can be applied to the micro-organizations to allow the identification of the entrepreneurs’ ethical mindsets that start, run and struggle with the ongoing ethical dilemmas in running their businesses. Such empirical evidence might lead to a better understanding of the relationship between entrepreneurship and ethics. Thus, through an interpretive mixed methods approach, Issa’s research tool (Appendix ‘A’ provides a section of this research tool), which is already online can be applied. Following the analysis of the quantitative and qualitative data collected through the online survey, focus groups interviews will be held which are deemed necessary when studying holistic and sensitive issues like ‘ethics’. This empirical evidence will provide a step in the right direction to theorising the ‘entrepreneurship ethics’.

CONCLUSION

This paper comes in response to the diverse calls to theorise ‘entrepreneurship ethics’. Due to limitations to the typological, descriptive or conceptual research, empirical research through the deployment of the ‘ethical mindsets’ framework using the relevant research tool to allow the provision of empirical evidence from the entrepreneurship population in Australia might be one avenue, and might be the first step in achieving this task. This paper provided a brief discussion on the ‘entrepreneurship’ contemporary understanding, looking at the relationship between ‘ethics’ and ‘entrepreneurship’ through a brief discussion on ethical theories and perspectives, leading to the concept of ‘ethical mindsets’ and its relevant framework. It is concluded that this idea of a follow-on research suggested in this paper would assist in a better understanding of the relationship between
‘ethics’ and ‘entrepreneurship’ through the employment of ‘ethical mindsets’ framework using the research tool supported by focus groups interviews under the auspices of an interpretive mixed-methods approach, would lead to a more comprehensive and normative understanding and theorisation of ‘entrepreneurship ethics’.

REFERENCES


Figure 1: Ethical mindsets’ six components (Adapted from Issa, 2009)
APPENDIX ‘A’

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Dr. Theodora Issa  
School of Management, Curtin University, Perth, Australia  
Email: theodora.issa@curtin.edu.au

Dr Louis Geneste  
School of Management, Curtin University, Perth, Australia  
Email: l.geneste@curtin.edu.au

Associate Professor David Pick  
School of Management, Curtin University, Perth, Australia  
Email: d.pick@curtin.edu.au

Dr Paull Weber  
School of Management, Curtin University, Perth, Australia  
Email: p.weber@curtin.edu.au