

Stretching the Frontiers: Exploring the Relationships Between Entrepreneurship and Ethics

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The relationship between entrepreneurship and ethics can be characterised as an intense love–hate relationship. On the one hand, entrepreneurs, who are regarded as creative innovators, are praised for their contribution to the development of society by creating new products, employment opportunities and thus opening new possibilities for all of us. On the other hand, entrepreneurs are often criticised for a one-sided pursuit of business success and being willing to compromise moral values if needed. This complex and multifaceted relationship between entrepreneurship and ethics was taken as the central topic for the 2004 annual conference of the European Business Ethics Network (EBEN). It is a tradition that some of the best papers from this annual event are published in a special issue of the *Journal of Business Ethics*. As usual for the *Journal of Business Ethics*, all those featuring in this issue have gone through a double blind–review procedure.

The ethical challenges facing entrepreneurs overlap to some extent with the ethical dilemmas of managers. However, the characteristics of entrepreneurship pose some additional challenges in relation to sound ethical behaviour. Entrepreneurship can be perceived as the process of discovering and developing opportunities in order to create value for an existing or new organisation (Covin and Miles, 1999). This definition emphasises that entrepreneurship is an inherently dynamic concept. It is about bringing into being new horizons for a business and therefore changing the existing situation. In this respect, there are special ethical issues that arise in the context of entrepreneurship:

1. Entrepreneurs encounter entirely new ethical dilemmas when they introduce products based

on new technologies and innovative production methods (Hannafey, 2003). The new technology stretches the frontiers and brings with it questions about the desirability of the new situation (relative to what went before). In this respect, entrepreneurs are confronted with difficult dilemmas. Not only difficult because a range of values have to be considered but also because these values themselves might be challenged and changed through the new entrepreneurial activities.

2. In such a dynamic process, it could be helpful to have some stable organisational norms that offer moral guidance. In this respect it is relevant that entrepreneurial activities often emerge in rather new organisations, like start-ups and new business ventures. In such organisations, guiding norms, i.e. the business culture, have yet to be developed, and this puts an even greater emphasis on the ethical judgement capabilities of the entrepreneurs themselves.
3. In addition, the ethical judgement capabilities of entrepreneurs in general might be questioned. In order to develop a new business, business leaders are often perceived of as tenaciously committed to do almost anything to succeed. This raises the fundamental question as to whether a willingness to compromise one's own values is inherently associated with the characteristics of a successful entrepreneur.

Given the fact that entrepreneurship poses several ethical challenges, it is no wonder that some of the articles in this special issue focus on the possibilities of preventing unethical behaviour by entrepreneurs.

However, this is only one side of the coin. In order to also view relationships where entrepreneurship and ethics reinforce each other, we can turn to a distinction made in medical ethics. Mahoney (1997) draws upon the two guiding principles of nonmaleficence and beneficence as discussed in medical ethics. The principle of nonmaleficence, or of *doing no harm*, focuses on the responsibility to prevent all forms of human pain, social inequality and environmental pollution. The principle of beneficence, or *actively doing good*, points towards the responsibility to contribute to positive social change within the limits of one's own capacities. From this perspective, entrepreneurship can clearly have a positive relationship with ethics: examples such as the invention of pacemakers or the green revolution in agriculture illustrate how entrepreneurial activities can contribute to noble ethical goals. In this more positive sense, entrepreneurship changes from being part of the problem to being part of the solution with regard to social and environmental issues.

Although it was not a conscious decision by the editors, the articles in this special issue represent a rather well-balanced view of the relationships between ethics and entrepreneurship. First of all, the article by Johan Wempe on 'Ethical Entrepreneurship and Fair Trade' functions as an introduction to the achievement of ethical goals through entrepreneurial activity, especially with respect to the Fair Trade initiatives. Based on his analysis, he builds a case for ethical entrepreneurship in which an entrepreneur manages to exploit conflicting values to create new ones that yield added value for the community. The following articles in this issue explore the role of entrepreneurs both in the direction of stakeholder networks of entrepreneurs and in the direction of an entrepreneur's individual moral agency.

In the article 'A Network Perspective on Stakeholder management', Wim Vandekerckhove and Nicolay Dentchev perceive entrepreneurial activity essentially as a network activity with roles for the various stakeholders. Given the cognitive limitations of an entrepreneur, the inclusion of other stakeholders, and especially those stakeholders that constitute a specific issue, facilitates an entrepreneur in the discovery of new opportunities and in identifying the associated ethical questions.

The article by Christine Hemmingway 'Personal Values as a Catalyst for Corporate Social Entrepre-

neurship' takes a different perspective. She also acknowledges that employees might be pressurised at work to sacrifice their individual moral agency. However, she does not see this as the final event, but as the starting point for some individuals to use their discretion to behave as Active or Frustrated Corporate Social Entrepreneurs. This paper highlights how personal values may act as a driver of our behaviour, and this links to the existing debate on moral agency within the field of corporate social responsibility.

Some of the other articles focus on the more problematic aspects of entrepreneurial activities with respect to ethics. In the article 'Corruption and Companies' Antonio Argandoña sees the stance taken by some entrepreneurs on facilitating payments as one form of corruption. In his analysis, he illustrates the links between different levels of society observing that, while hindering payments might be excused on the organisational level, it has a pernicious effect on the functioning of public and private administrations.

The following two articles in this special issue focus on different influences on socially responsible entrepreneurs. In their article 'Socially Responsible Investors and the Microentrepreneur: A Canadian Case' Richard Hudson and Roger Wehrell focus on the influence of investors on the behaviour of entrepreneurs. They show that, especially in the case of micro-entrepreneurs, socially responsible investors have the possibility to influence entrepreneurial activities by using 'voice' next to 'exit'.

In the article 'Exploring the Principle of Subsidiarity in Organisational Forms' Domènec Melé concentrates on the influence of organisational structures on the behaviour of employees. He builds an argument for using the principle of subsidiarity as a guideline for organisational design in order to mitigate the effects of bureaucracies on the dignity, freedom, diversity and capacity to undertake business activities with an entrepreneurial spirit.

The final article in this special issue 'The Spirit of Entrepreneurship and the Qualities of Moral Decision Making' seeks to pragmatically develop a unifying framework that brings together the activities of entrepreneurship and moral decision-making. The author, Rochene Buchholz, shows that qualities such as imagination, creativity, novelty and sensitivity are at the heart of entrepreneurship. These same qualities are

crucial in moral decision-making, leading to the conclusion that entrepreneurs might, in fact, be very well equipped to deal with moral dilemmas.

This issue's exploration of the relationships between ethics and entrepreneurship is by no means all-embracing. People wanting to know more about this relationship might well find the viewpoints expressed in Issue 3 of the Ruffin Series interesting, since this was also dedicated to the topic of ethics and entrepreneurship (Freeman and Venkataraman, 2002). With this special issue, based on the 2004 annual EBEN conference we hope to contribute to a richer understanding of this topic. Hopefully, it will stimulate reflection by scholars in order to advance theoretical development in this fascinating field. Furthermore, we hope it inspires practitioners when dealing with dilemmas concerning ethics and entrepreneurship in their daily activities.

References

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