LITERATURE REVIEW ON INFLUENCING FACTORS OF ENTREPRENEURSHIP ETHICS

Chen Ziwei ^{1*}, Ma Li ²

¹Science Study and S&T Management Institution of Dalian University of Technology, Dalian, China

²Business School of Dalian University of Technology, Panjin, China

*Corresponding Author Email: d11406083@mail.dlut.edu.cn

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ARTICLE DETAILS

ARTICLE HISTORY:

Received 27th December 2017

Accepted 29th December 2017

Available online 29th December 2017

KEYWORDS:

Influencing Factors, Entrepreneurship Ethics, Literature Review

ABSTRACT

Currently, there is lack of concern about entrepreneurship ethics in academic research though there are many cases of startups that violate business ethics in reality. Under this circumstance, this paper deeply researches on business ethics, focuses on the analysis of the concept of entrepreneurship ethics, finds out the development scale and stages of startup companies, the relationships of stakeholders, entrepreneurial environment and entrepreneurs' individual characteristics all have an impact on entrepreneurship ethics. At the end of the paper, we summarize the current literature, research shortcomings and point out future research directions.

1. INTRODUCTION

Around 1960, business ethic was defined as a formal principle by researchers. In previous studies, the focus of business ethics research was managers' effective organizational management, but now it has turned to managers' awareness of business ethics and social responsibility. Business ethics mainly deals with employee interpersonal relationships, impeaches, environmental impacts, bribery, insider information, interest conflicts, financial behaviors, consumer relations and political activities. The research of business ethics has been widely recognized in the past 20 years, and is considered as an important field, while the cross research of entrepreneurship and ethics is still in its infancy.

2. THE CONCEPT OF ENTREPRENEURSHIP ETHICS

There are not many definitions of entrepreneurship ethics. The term is first proposed by Professor David Mclelland of Harvard University in his book "The Achieving Society". He claims that entrepreneurial ethics requires more attention and research, because we do not know how the ethical level of entrepreneurs affects their practice. He believes that entrepreneurship ethic indicates that in the stressful business environment, entrepreneurs and their organizations may face unique ethical issues, and the decisions of these issues affect the related people's actions and choices, so as to strengthen or weaken the future viability of the company.

A study argue that entrepreneurship ethic can be understood as a reasonable or acceptable specification of the entrepreneur and entrepreneurial behavior [1]. Some researcher categorizes entrepreneurial ethics from two dimensions: ethical awareness and ethical decision-making [2]. And improving the moral consciousness of entrepreneurs can avoid future moral disasters. This paper explains that entrepreneurial

ethics are the moral principles and norms that entrepreneurs should obey when they pursue interests with entrepreneurial behavior.

3. INFLUENCING FACTORS OF ENTREPRENEURSHIP ETHICS

3.1 The development scale and stages of startup companies

From Adizes's enterprise life cycle theory, the growth of enterprise is divided into ten stages. Enterprises create entrepreneurial ideas and demonstrate the feasibility of business plans in incubation period. Infancy period is crucial to startups, venture capital flow is the key and the management model of the enterprise depends more on the dictatorship of entrepreneurs. Entrepreneurs are most concerned about securing the first sales revenue, hiring employees for the first time, obtaining the first external financing [3]. Entrepreneurs usually spend a lot of time on fund raising and modifying the business plan, after receiving the financial support, the entrepreneur is likely to get the first bucket gold. Other things such as recruitment, technology development, corporate social responsibility and so on are not considered by entrepreneur.

In addition, the size of the firm also affects entrepreneurship ethics, and researchers believe that small companies and start-ups require more empirical researches than large firms. According to a survey of US companies, of which two-thirds of the sample are small companies, it is confirmed that big companies and small companies do have some differences in moral values. Small companies are more concerned about the maximization of personal financial returns and have greater tolerance for reimbursement, tax evasion, bidding conspiracy, insider trading, gender discrimination and software piracy. A scientist argues that even for small businesses they are also composed of "small" stakeholder networks [4]. It has been proved that the complicated social relations can

cause more unethical behaviors. A researcher thinks that the limited capital and credit/debit capacity of start-up companies confines its development scale at the early stage [5]. Affected by the environment of oppression, market supply and demand fluctuation, fierce competition, imperfect supply chain and distribution chain, startups usually depend too much on its own products and services. When entrepreneurs face the survival problems and internal rights struggles, they often have to compromise on moral issues.

3.2 The relationships of stakeholders

According to the definition of the management scientist Freeman, stakeholders are individuals and organizations who have certain interest requirements and resource inputs to the enterprises. They share risks with the enterprises and have direct or indirect mutual impacts on each other. Most scholars believe that the composition of stakeholders includes shareholders, employees, customers, suppliers, government, business community, competitors, environmental organizations and so on. In the other hand, from the view of social network, holds the opinion that the complicated network around entrepreneurs will bring more complicated ethical issues.

Their roles and relationships will change after they start a business. They will adopt a variety of social strategies to obtain resources that can make new businesses succeed. Entrepreneur's family members, friends, and former business partners are often the early investors of the new business. When the entrepreneur's family members or friends become investors, moral expectations will raise. And entrepreneur's complicated interpersonal relationships will lead to interest conflicts. After founding the company, the nature of the team member relationship changes. The decision of investment or divestment, internal ethical distribution management and so on will lead to complicated ethical issues. When business problems are encountered, the enterprise often considers main stakeholders more because the main stakeholders affect the economy, legitimacy and sociality of the enterprise, which play decisive roles in the enterprise. Thus, small businesses tend to give priority to the interests of shareholders and employees, rather than the interests of customers [4]. There also researcher argue that a social network of stakeholders is the source of the pressures in building new businesses, affecting the entrepreneur's ethical standards [6].

3.3 Entrepreneurial Environment

Many scholars believe that the entrepreneurial environment has an impact on entrepreneurial ethics, including family environment, organizational environment, social environment, cultural environment and so on. Specifically, a researcher argues that entrepreneurial activity is in a dynamic environment where entrepreneurs often have to make decisions in highly uncertain conditions. And only in this environment entrepreneurs can perceive and create new opportunities. While entrepreneurial opportunities are being pursued, it is shown that the complicated situation is further deteriorated, and decisions will leave the entrepreneur with tons of moral conflicts.

Chau and Siu point out that the entrepreneurial environment has an adverse impact on entrepreneur's ethical decision-making process [7]. The main features of the entrepreneurial business environment involve external time pressures, scarce resources and competition. When the entrepreneur and his new organization experience strong market competition, these factors may change their moral values. The root cause of entrepreneurial ethical dilemma is the progress of science and technology.

It has caused special moral dilemma. As the emergence of new enterprises is often at the forefront of innovation, technology is not only "value-oriented", it also brings subversive exogenous shocks. It is often needed to think about how to deal with moral standards and even restoration of moral judgments. At this time science and technology will make the ethical standards vague and companies are unknowingly involved in the "destructive innovation". Cultural environment shapes the psychological characteristics of the individual entrepreneur, including internal control, innovation, risk preference and personality traits. In addition, national economic standards, social support networks, policy

levels, and so on all affect entrepreneurial ethical standards [6].

3.4 Entrepreneurs' individual characteristics

Some study identifies three common characteristics of entrepreneurs [8]. They are high-income people, they have a willingness to take risks and clear core values. Some researchers believe that the necessary qualities for entrepreneurial success are entrepreneurs' imagination, creativity, curiosity and sensitivity [9]. The fact that entrepreneurs have to make a moral compromise for the survival of the enterprise indicates that entrepreneurs themselves have the characteristics of unscrupulous. These traits make great influence both systematically and theoretically when entrepreneurs make ethical decisions.

Many researchers have studied the influence of entrepreneurs' ethics and entrepreneurial decision making. Most of the foreign scholars' research on moral standards and entrepreneurial ethics focus on the behaviors of entrepreneurs. A group of researchers also finds that the transformation from individual ethics to the collective ethics is realized through four factors: the development of the cause of the profit motive, economic crimes, administrative decision-making and the pressure during entering the company [10]. In other study, the researcher believes that the establishment of values and decision consistency are essential for the construction of ethics [11]. For long-term success the entrepreneurs need to constantly ask themselves what goals to achieve, and whether they choose the right paths to achieve the goals. The individual's consciousness of moral standards is an important factor in making moral decisions. And the moral standards of entrepreneurs are gradually adjusted and determined based on different industries. The tendency of individuals to become entrepreneurs through potential psychological characteristics [12]. The relevant models used include success motivation, risk spirit and innovation tendency. A researcher defines moral consciousness as a person's perception of his potential decisions or actions, which may affect the interests, welfare or expectations of other people, and may contradict moral standards. From an economic point of view, entrepreneurs do not pay attention to ethics since they believe that moral behavior is an action with no economic reward.

The ethical norms of the firm are derived from the entrepreneurial values and ethical attitudes. They are the potential behavior characteristics of entrepreneurial activities. When the entrepreneur's ethical decision criteria and business interests are in conflicts, individual ethical attitudes play decisive roles. The entrepreneurial decision-making is an inherent challenge to entrepreneurs. Research shows that experienced entrepreneurs have more "moral imagination" than inexperienced entrepreneurs. Entrepreneurs use their moral imagination to make moral decisions. Entrepreneurs extend the work moral imagination in their own ethical roles.

There are further discusses about the concept of entrepreneur's moral consciousness [13]. He believes that discipline is an important aspect in social cognition. With stronger self-awareness, the entrepreneurs have more moral consciousness, which promotes personal integrity and interpersonal trust. With weak self-discipline, one has less moral consciousness. And he mainly focuses on the ethical issues related to the failure of enterprises. People with strong moral consciousness and self-discipline ability are more likely to maintain their values and develop a convincing business culture. When entrepreneurs learn how to balance their personal moral norms and behaviors, other factors also affect their moral decisions.

4. CONCLUSION

Although the research of entrepreneurship ethics has accumulated some research results both domestically and internationally, it is still far from enough to explore the essence of entrepreneurial ethics and solve the practical problems. The research of entrepreneurship ethics has been a neglected gray area, and has not been included in the main content of entrepreneurship theory research. At present, the main contents of entrepreneurship ethics research include business ethics, entrepreneurial values and ethics, entrepreneurial ethical dilemma, the necessity of combining entrepreneurship and ethics and applications, entrepreneurship ethics standards etc.

To solve the entrepreneurial immoral problems in reality, based on the public expectations of social and ethical needs, with the enterprise profit in long-term considered, the research of entrepreneurial ethics will for sure gradually increase and improve. Currently, there is lack of the dimension division for entrepreneurship ethics concept and in-depth and meticulous research. In the context of research, much has been emphasized on the individual level factors, such as entrepreneurs' morals and entrepreneurial abilities, which affect entrepreneurial ethical decision-making.

However, factors on organizational level and social level (enterprise scale, social environment, national policy, organizational ethical climate impact on business ethics and so on) have been ignored. In terms of the research focus, there are many theoretical studies on entrepreneurial ethics, but empirical studies are only a few, which can hardly explain the problem. Therefore, a classification for concepts and dimensions based on entrepreneurial ethics, as well as a systematic and comprehensive analysis of the factors influencing entrepreneurship ethics and empirical verification are crucial in promoting the theory of entrepreneurship ethics.

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