
ENTREPRENEURSHIP, RELIGION, AND BUSINESS ETHICS**Mostafa Emami***Young Researchers Club, Kermanshah Branch, Islamic Azad University, Kermanshah, Iran.*Emamemostafa@yahoo.com**Kamran Nazari***Department of Business Management, Payam Noor University, Kermanshah, Iran*kamran57@yahoo.com**ABSTRACT**

Interest in entrepreneurship has heightened in recent years, especially in business schools. Much of this interest is driven by student demand for courses in entrepreneurship, either because of genuine interest in the subject, or because students see entrepreneurship education as a useful hedge given uncertain corporate careers. This paper reports a study of the importance of religious faith to entrepreneurs and the relationship of that faith to their ethical judgments. The importance of religious faith to entrepreneurs was similar to the importance of religious faith to other business respondents. Literature offers numerous definitions of ethics. Crane and Matten (2004, p.8) define business ethics as ‘the study of business situations, activities, and decisions where issues of right and wrong are dressed’. Based on Jones’s definition of ethical decisions (Jones, 1991, cited in Chau and Siu, 2000), Entrepreneurs who identified religious interests as being of high importance, and also entrepreneurs who were highly orthodox in their faith, expressed more sensitive ethical judgments on at least five of sixteen ethical issues than did entrepreneurs who indicated that religious interests were of low or no importance.

Keywords: *Entrepreneurship, Religion, Business, Ethics, Society*

INTRODUCTION

In recent years, the reputation of business has been seriously damaged by a range of financial scandals. Virtually all countries have had their Enron (Elliot and Schroth, 2002), Parmalat, Ahold, Vivendi, Lernout and Hauspie or MCI-Worldcom. We have seen cases with false accounts, manipulation of information, questionable initial public offerings, corruption of public agents, personal enrichment of top managers (Buelens, 2002, p. 15; Byrne et al., 2002). Many of these cases have led to bankruptcy, personnel being dismissed and financial losses for the individual investors. A common feature is unethical behavior by high-level managers and entrepreneurs, and also by professionals – accountants, lawyers, bankers – following conflicts of interests (Hamilton, 2002).

The ethical content of business behavior has for some time been a matter of public concern. Coupled with the growth of interest in entrepreneurship, the ethics of entrepreneurial behavior becomes subject to the same type of scrutiny. Also, religious commitment has traditionally been thought to be related to the level of morality in personal and public life. In this paper, we examine the ethical attitudes of a group of entrepreneurs, looking specifically for significant differences between those entrepreneurs who describe themselves as more religious and those who consider themselves less religious in their personal lives. We also consider the possible effect of religious orthodoxy on the ethical attitudes of entrepreneurs.

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 twenty 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.

ENTREPRENEURSHIP

Interest in entrepreneurship as a phenomenon rests in the perceived contributions entrepreneurs make to public policy goals such as economic growth, increased productivity, job creation, technological innovation, deregulation and privatisation, and structural adjustments or realignments (Gibb 1996; Shane 1996). Although the effects of entrepreneurship are rarely contested, a common observation about the

field of entrepreneurship research is that it lacks consensus about its object of study (Cornelius et al. 2006; Schildt et al. 2006). Bull and Willard lamented that “the term has been used for more than two centuries, but we continue to extend, reinterpret, and revise the definition” (1993: 185). It is worth exploring the conceptual legacy of entrepreneurship as an object of study, both to identify the essence of the construct and to provide perspective for contemporary understandings and possible future extensions.

For 250 years, attempts to define and explain entrepreneurship as a phenomenon have been widely based on functional arguments. Differing interpretations of entrepreneurship can be distinguished based on how two related questions are answered: (1) what unique function does the entrepreneur play in the economy, and (2) what unique characteristics of individuals enable them to perform this function?

A medieval French term originally referring simply to ‘people who get things done,’ the meaning of the term ‘entrepreneur’ evolved by the early 18th century to refer to business contractors. Richard Cantillon, a practicing businessman of dubious means turned reflective penman of economic treatises, is credited with first imbuing the term with a new and more significant meaning. In 1755 Cantillon used the term to identify those individuals in the economic system who accept risk to make a financial profit rather than depend on a regular salary for income. These ‘entrepreneurs’ were thereafter demarcated as distinct from the masses, being postulated as the driving force behind the seemingly perpetual motion of the economy’s circular flow of money and goods (Pressman 1999). Thus was the first formal conception of the ‘risk-taking entrepreneur’ as the catalyst of economic production.

Since Cantillon, attributing the catalytic power of entrepreneurship to the entrepreneur’s willingness to take on risk has been a persistent theme among entrepreneurship scholars (see Hébert and Link 1988). Although, as the concept of risk-taking was debated and refined by successive scholars, over time differences of opinion emerged (cf. Brockhaus 1980; Koh 1996; Miner 1997). In the early 20th century, Knight made the distinction between uncertainty that is measurable, which he termed ‘risk,’ and uncertainty that is not measurable, which he termed ‘true uncertainty’ (1921: 20). Risk, he contended, could simply be insured. It is therefore in the area of meeting the challenge of uncertainty that a space for the entrepreneur is made in the economic system. To Knight, the entrepreneur is a specialist in uncertainty bearing – someone uniquely capable and willing to take responsibility for controlling productive resources in an uncertain environment (1921: 244-55).

Subsequent interpretations of the concept can be viewed with reference to a general equilibrium model of the economy (Chiles et al. 2007). On one side are the ideas of Schumpeter, considered by many to be the grandfather of contemporary entrepreneurship theory, who positioned entrepreneurs as the causal agents responsible for creating disequilibrium in the economy (Schumpeter 1934; 1943).

Schumpeter vehemently opposed the idea of the entrepreneur as a risk taker. Instead, he conceptualised entrepreneurship as the act of carrying out new combinations of productive resources. Schumpeter insisted that “everyone is an entrepreneur only when he actually ‘carries out new combinations’” (1934: 78). Thus, he viewed the act of innovation as the defining characteristic of an entrepreneur, although he takes pains to make clear that an entrepreneur is not the same as a technological inventor. Schumpeter saw his definition as a permutation consistent with the classic definition of Jean-Baptiste Say, that “the entrepreneur’s function is to combine the productive factors, to bring them together” (Schumpeter 1934: 76). Schumpeter’s ideas spawned one of the most influential and lasting concepts in the study of entrepreneurship – that of the ‘innovative entrepreneur’ (e.g. Baumol 1993; Drucker 1985).

In direct contrast, Kirzner positioned entrepreneurs as the causal agents that move an economy back toward equilibrium. He argued that the defining act is that of ‘opportunity discovery’, and the unique characteristic of entrepreneurs is their attentiveness to opportunity. In this way, valuable opportunities arising from economic disequilibrium are recognised, and through the pursuit of these opportunities for profit, economic equilibrium is gradually restored (Kirzner 1973; 1997a; 1997b). Based on Kirzner’s ideas, the concept of entrepreneurship as essentially the “processes of discovery, evaluation, and exploitation of opportunities” (Shane and Venkataraman 2000: 218) sits among risk-bearing and innovation as one of the most widely accepted definitions of the field.

ENTREPRENEURSHIP AND ETHICS

Max Weber’s work, *The Protestant Ethic and the Spirit of Capitalism* has been an influential part of the sociology literature for just over 100 years where it remains both a powerful and controversial thesis (Swatos and Kaelber, 2005; Howard, 2005). While Weber is considered by most to be a sociologist, his prolific works in economics, specifically addressing questions related to the impact of religious values and culture on the advent

and evolution of economic systems, places him at the confluence of the economics and sociology; a field that Weber described as “social economics” (Swedberg, 1999).

Entrepreneurs have long been recognized as being “a breed apart,” in that some of their attitudes and motivations are thought to differ from those of the population at large. Successful entrepreneurs have a high propensity to make decisions on their own, to be action-oriented, to assume risk, and to persevere in the face of uncertainty and adversity. In a word, they tend to exhibit a high degree of individualism.

In an earlier study, the authors found that entrepreneurs differ from non-entrepreneurs in some of their attitudes toward ethical issues (3 pp.64-72). On certain issues, particularly those requiring individual courage, entrepreneurs exhibited a more stringent standard of ethical propriety. On other issues, particularly those which involved individual profiting at the expense of others, entrepreneurs adopted a less ethical stance than non-entrepreneurs. Furthermore, the study found that entrepreneurs were more likely to perceive moderate or extreme pressure to engage in unethical behavior.

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 & 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. 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.

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 & Ruef, 2004), Buchholz and Rosenthal (2005) argue that the qualities required for successful entrepreneurship – imagination, creativity, novelty, sensibility – are systematically and theoretically crucial to ethical decision-making, suggesting that ethics and entrepreneurship are closely aligned. Similarly, others (Dunham, McVea, & Freeman, 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 & Hisrich, 2001) and exhibit higher levels of moral reasoning (Teal & 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 & Korsgaard, 1996). Such a focus on ethics and fairness on the part of the entrepreneur may bring its own risks, however; others (Goel & Karri, 2006; Karri & Goel, 2008; Sarasvathy & 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, McKinney, and Moore (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 (this issue), who examine the longitudinal connection between adolescent nonconformity and entrepreneurial status in adulthood. The relationship between rule-breaking and entrepreneurship is also analyzed normatively by Brenkert (this issue), who explores the ethical tension represented by entrepreneurial rule-breaking.

This tension has been highlighted in the context of entrepreneurial activity in large organizations as well, where it can be difficult to tell the difference between corporate entrepreneurs and ‘rogue’ middle managers (Kuratko

& Goldsby, 2004). At the organizational level of analysis itself, ethics and corporate entrepreneurship has also been explored by describing 'institutional entrepreneurship' that pursues social causes (Maguire, Hardy, & Lawrence, 2004). How do stakeholders influence corporate entrepreneurship (Kuratko, Hornsby, & Goldsby, 2007)? And when a firm's innovative behavior runs counter to established societal norms, is this an example of organizational misconduct, or "positive ethical deviance" (Hartman, Wilson, & Arnold, 2005:343; see also Warren, 2003)?

Small business owners tend to prioritize the interests of customers ahead of employees or stockholders (Vitell, Dickerson, & Festervand, 2000); they have also been shown to have differential approaches to community involvement, and these differing initiatives have heterogeneous effects on organizational performance (Besser & Miller, 2004). Furthermore, the "profit-maximization-for-shareholder-gain" objective commonly ascribed to large firms seems "inappropriate for the small business" (Spence, 2004:118), and smaller ventures tend to have a correspondingly supportive view of their competitors (Spence, Coles, & Harris, 2001). Future research in this area, therefore, could focus on the development of a 'stakeholder theory of entrepreneurship', specifically addressing the theoretical and practical challenges faced by entrepreneurs in balancing the claims of the stakeholders that are specific to – and commonplace in – new ventures. How do entrepreneurial stakeholders and their dynamic interactions qualitatively differ in character from the traditionally considered large-corporation stakeholders? How would a stakeholder theory of entrepreneurship account for the wide range of entrepreneurial stakeholder scenarios, from venture-backed IPO companies to small family firms?

We also strongly agree with the arguments made by Mintzberg et al. (2002, p. 67) that corporations have become too focused on the creation of short-term shareholder wealth and too greedy at the expense of the long-term interest of the corporation and its shareholders:

"Greed has been raised to some sort of higher calling; corporations have been urged to ignore broader social responsibilities in favor of narrow shareholder value; chief executives have been regarded as if they alone create economic performance ... A syndrome of selfishness has taken hold of our corporations and our societies, as well as our minds" (Mintzberg et al., 2002, p. 67).

Greed, insatiable consumption, and self-serving behavior have become not only acceptable in society, but may be seen as a desirable trait in some segments of our society. Unrestricted greed is not what we or Cooke (1997) advocate. What Cooke (1997) clearly notes is that "greed", or the quest to obtain superior returns, is the motivating force for publicly held firms to innovate and engage in risky entrepreneurial initiatives. Publicly held corporations have a fiduciary duty to act on the behalf of their owners. To do otherwise is not moral. For example, Miles and White (1998), in an analysis of the social irresponsibility of Sirgy and Lee's (1996) quality of life approach to marketing (QOL), note that when firms adopt a QOL orientation, the firms' customers tend to pay a price premium, employees tend to earn less, investors tend to earn lower risk adjusted returns, fewer jobs tend to be created, and social welfare is often diminished. In general, publicly held corporations should not invest in projects without a probability of earning for their principals a market based, risk adjusted rate of return (even if an investment has great social benefits). In addition, one must be very careful when the corporation leaves its original purpose of generating 98 Morgan P. Miles et al. wealth and embarks on doing social "good". Freedman offers the following example: Take the corporate executive who says 'I have responsibilities over and above that of making a profit'. If he feels that he has such responsibilities, he is going to spend money in a way that is not in the interest of the shareholders. Where does he get that money?...What right does the executive have to spend his stockholders money? To spend his employees' money? Or his customers' money. Who gave him the right to decide how their money should be spent? If 'socially responsive' business executives would stop and think, they would recognize that in effect they are acting irresponsibly. Let me give you an example that has often impressed me. During the 1930's, German businessmen used some corporate money to support Hitler and the Nazis. Was this a proper exercise of social responsibility? (Friedman quoted in McClaughry, 1972, p. 5) In the case that is offered by Friedman, it is clear that not all stakeholders would agree that using corporate funds to support the Nazi movement was a social "good". This illustrates the major problem in advocating any corporate initiative as being socially responsible. The "virtue" of any corporate initiative is, like beauty, in the eye of the beholder and is based on social and cultural values. Individuals, not corporations, should be allowed to use the proceeds of their investments to support those initiatives as they see fit and not be forced to support social initiatives (such as the Nazi party) with which that they do not agree.

THE RISE OF UNETHICAL PRACTICES IN BUSINESS

We have observed that non-ethical behaviour occurs at all levels in business. Most cases, fortunately, do not have the magnitude of the scandals seen in the press, but they exist in a range of forms. Somewhat unfair

attitudes are multiplying rapidly in business, especially when times are difficult. A danger is that people do not even realise their behaviour is inappropriate. The fading away of norms has perfidious effects. Some managers even believe that certain 'dirty tricks' are good management practices: delaying payment to suppliers to improve the cash flow is seen as efficient, even if a different agreement was made. Just-in-time management has led, in some cases, to the extreme situation that, in order to win the contract, a supplier will promise to deliver on time, knowing in advance that he cannot deliver, and that he will have to find an excuse or hope the customer's behaviour will justify the delay. An honest entrepreneur who admits that he cannot meet the extreme requests will have no chance of the contract and excludes himself from the competition. Another danger is the snowballing effect: if a supplier is not paid on time, he in turn is unable to pay his own suppliers. In some extreme cases, the only defence measure is to refuse to deliver, again a rather unethical practice, and in some cases approaching blackmail. Thus, unethical behaviour encourages and breeds other unethical practices in business.

This may lead to the simplistic conclusion that business is bad; and business cannot be ethical. Such a judgement is too easy, especially when coming from the protected position of the academic or ethicist. Business is not bad, it is just difficult – and, in difficult times, the first goal of a business is to survive. This is valid for a company, and also for an individual, and thus for the individual within a company: the manager or the entrepreneur. It is therefore worthwhile to analyse the reasons behind non-ethical behaviour in business.

There are different sets of reasons for the rise of unethical behaviour in business: some are the consequence of the general evolution of society, others are basically due to the evolution of the business environment and to its internal organisation. The evolution of society in recent decades has been characterised by the increasing individualism of people. The Anglo-Saxon dominant business model has increased the importance of money in society and the glorification of material consumption (Capra, 2003, p. 230). In our modern society, the media have acquired a disproportional importance.

The role models offered by television have not always constituted good examples, on the contrary: Media reality shows and political talk shows often favour superficiality and show, rather than thoroughness and honesty. The globalisation of the economy has had harmful side effects. It has led to larger structures, with more centralisation, and a greater concentration of power.

The race to increase productivity leads to depersonalization as the distance between head office and the anonymous workers increases. It is easier for a CEO of a multinational to close a factory and to lay off thousands of workers far away from the head offices in Paris or Detroit, than for the boss of a small family company to lay off people he knows personally from having worked with them for several years. The dominance of financial considerations is another evolution in business and society. The system is now focused on the short-termism of the stock market. This favours immediate results.

Financial communication is gaining in importance. Business leaders have learnt to use the system, and in the financial media we can see a prevalence of show over content. Shareholder value is the ultimate value of the business: harsh decisions are taken with the excuse of shareholder value, hiding behind the anonymity of the individual investor. Another consequence of the dominance of the Anglo-American business model is the 'juridisation' of business. Every important deal is signed and laid down in a contract. Here again, a perfidious side effect is that many business people use the letter of the contract rather than the spirit of the contract. Worse, the contract is often invoked over something that is not explicitly stated in the contract, rather than trying to solve the problem. To avoid being sued, managers are very prudent when perpetrating unethical acts: they make sure that nothing is written down and that their responsibility cannot be proved. Paradoxically, the inefficiency of the law, the slow pace of justice, is another reason for the recent increase in unethical practices. Some claims are legally defensible, others are not because they are based on good faith, on promises without written agreement. However, even with the law on your side, it is very difficult, costly and time-consuming to win a court case. Even then, it will not restore the harm done to the company, especially the opportunity costs of a lost contract at a given time. It cannot restore the lasting harm done to people who have lost their jobs because of a missed order.

Some entrepreneurs deliberately abuse the imperfections of the juridical system to perpetrate unethical actions. They know that the cost of a lawsuit is disproportionate to the loss of a deal, especially with international transactions. They will sometimes use this to negotiate a discount under pressure. In such situations, litigations are long and costly: moreover, they take time, and absorb a lot of management's energy which should be directed to the development of the business.

On the other hand, many instances of unethical behaviour are not illegal: ethics goes beyond the law. Other cases are difficult to prove, and the imperfections in the justice system are a real handicap in encouraging business ethics. Some of the reasons for non-ethical behaviour are features of the internal organisation: the rewards and evaluation systems of business and of managers are not always in line with the long-term vision. Further, there is considerable difficulty in translating the strategy set at the top into practical implementation at the lower levels. Contradictions are not easily handled by more junior managers. Entrepreneurs operate in a dynamic environment with many uncertainties such as changes in competition, changes in technology, supply and demand fluctuations, labour issues, legal and public environmental regulations (Hannafey, 2003). Modern business is subject to pressures from all stakeholders on top of time pressures, scarce resources, social and financial pressures, and stiff competition. Shareholders want better value and a better stock price; managers look for their bonuses, and the personnel strive for higher wages and better working conditions; customers expect a higher quality at a lower price; suppliers seek to raise their prices; banks look for interest and guarantees; the government anticipates collecting taxes and imposes constraints on business. All these stakeholders exert some pressure on the entrepreneur, who thus has to juggle with all kinds of constraints and contradictory expectations such that "Entrepreneurs experience powerful competitive market pressures so keenly that these forces may alter their perspectives on ethics" (Hannafey, 2003; referring to Chau and Siu, 2000).

ENTREPRENEURSHIP AND SOCIETY

The third broad area of scholarly inquiry involving ethics and entrepreneurship takes a much more macro view of entrepreneurship, exploring the role of new ventures on the relationship between business and society. There is an exhaustively large body of research on questions involving the connections between entrepreneurship, economic development, and social welfare, primarily in the economics literature. We will not attempt to comprehensively review all of that work here; rather, we will attempt to give an overview that touches on several persistent questions. Employing both philosophical and empirical approaches, this body of literature explores at least six such questions.

From the standpoint of economic theory, what role does entrepreneurship play in social welfare? There is a tremendous clash in economic theory as to the social and moral role and impact of entrepreneurship. Although scholars have convincingly argued that Smithian capitalism contains a strong entrepreneurial and ethical focus (Newbert, 2003; Werhane, 1991, 2000), the mainstream neoclassical view is that entrepreneurship is either an allocation mechanism or an aberration. As an alternative, Schumpeter ([1934]1983) suggests that entrepreneurship is the driving market force for 'creative destruction', revolutionizing the existing economic structure by destroying the old equilibrium and creating a new one, via innovation - a perspective inherently concerned with "disequilibria, decision making, uncertainty", and therefore focused on "how the economic and its variables change endogenously in a historical and political context" (Thanawala, 1994:360). Etzioni (1987) argues that such entrepreneurial creative destruction dramatically affects the evolution of ethical and societal elements, placing the entrepreneur in a central position with respect to society's ethical demands.

An explicit focus on moral perspectives or approaches to ethics could potentially enrich our current economic theories of entrepreneurship (c.f. Minniti & Levesque, 2008). For instance, Sarasvathy (2002) provocatively suggests that the traditional economic frameworks employed to discuss entrepreneurship are limited in their usefulness, and therefore should be discarded in favor of a new, more imaginative economic framework that better incorporates the ethical demands of entrepreneurship within society. What would this new paradigm look like?

Alternatively, how would the incorporation of a more explicit treatment of ethical issues inform or modify our existing economic theories of entrepreneurship?

What is the role of entrepreneurship in macroeconomic development? Empirically, entrepreneurship is viewed as a primary mode of economic development; indeed most job creation occurs in small, entrepreneurial firms (Acs & Audretsch, 1992; Birch, 1987; van Praag & Versloot, 2007). Going further, Kirchoff (1991) suggests that entrepreneurship may be the wellspring of most economic growth. Researchers continue to examine entrepreneurship's role in the growth and development of economic markets, and although there is general consensus that entrepreneurial activity is of critical importance, there is disagreement about the specific relationship between venturing and economic development. Much of the research builds upon the assumption that economic growth is driven by entrepreneurial innovation; while the dominant view centers around product innovation as an economic driver (e.g., Romer, 1986), other scholars argue for the importance of process innovation (Corriveau, 1994). Other work (e.g., Acs et al., 2009; Audretsch, Bonte, & Keilbach, 2008) suggests that entrepreneurship produces knowledge spillovers arising from agglomeration, which in turn drive economic growth.

Some researchers eschew this association between innovation and economic growth, proposing instead that imitative entrepreneurship is a much more powerful economic driver than the less-common innovative activities (Baumol, 1986, 1993; Schmitz, 1989). Powell (1990) concurs, suggesting that the need for imitative entrepreneurship is especially acute in emerging economies, where it has also been shown to have the most impact on economic growth (Minniti & Levesque, *in press*). Baumol (1990) also suggests that the mode of entrepreneurship pursued by entrepreneurs depends heavily on the quality and extent of supporting societal institutions already in place, a theory confirmed by other scholars (e.g., Sobel, 2008). Yet differential institutional environments – whether in developed or transition economies – have very different effects on entrepreneurial activity (Aidis, Estrin, & Mickiewicz, 2008; Dore, 2006; Galbraith, 2006; Henrekson, 2005; Minniti, 2008; Phan, Venkataraman, & Velamuri, 2008).

Within this scholarly discussion about economic impact, there is a particular interest in the societal influence of entrepreneurial activity on the emerging economies and societies of developing, transition, or third-world countries (Brown, 2002; Bruton, Ahlstrom, & Obloj, 2008; Harper, 1991; Jarillo, 1989; McMillan & Woodruff, 2002) as well as the benefits to the developing-world entrepreneurs themselves (Nussbaum, 2000). Yet these environments can be particularly challenging to entrepreneurs because of corruption, which represents the breakdown of institutional ethics. As such, Anokhin and Schulze (this issue) empirically explore the relationship between corruption and entrepreneurial innovation, which has implications for the relationship between entrepreneurship and economic development. All of this work highlights a number of related questions for future research: From the standpoint of macroeconomic development, which modes of entrepreneurship are most desirable, and under what conditions? How do entrepreneurs in a corrupt environment deal with risks of expropriation? How does the relationship between corruption and entrepreneurship factor into macroeconomic growth? What are the policy implications?

What other societal roles does entrepreneurship play? As part of the debate about entrepreneurship and economic development, some scholars argue that the link between venturing and macroeconomic growth is tenuous at best, and that the true benefit to societal welfare arising from entrepreneurship is the diversification of the socioeconomic portfolio. For example, Shapero (1985) argues that the true benefit to the quality of life in a society stems from the diversification of economic entities which respond to the environment in different ways – using the Irish potato famine as a disastrous counterexample of the perils of an undiversified socioeconomic portfolio.

At the very least, a number of other social metrics may be interrelated with macroeconomic development, but their impact can be specifically considered, irrespective of their influence on economic outcomes. For instance, it is suggested that entrepreneurs can play an overarching and prominent role in building a ‘good society’ (Brenkert, 2002); indeed the primacy of entrepreneurship within a societal framework is in many ways a pivotal indicator of socioeconomic views on self-determination, freedom, wealth disparity, and distributive justice (Nielsen, 2002). Small and medium-sized enterprises, which are oftentimes entrepreneurial firms, have ubiquitous societal influence on norms of civic engagement and the building of social capital (Spence & Schmidpeter, 2003). Entrepreneurial activity is connected with political policies that advance socioeconomic freedom (Bjornskov & Foss, 2008; Sen, 1999). As a direct link between individual citizens and economic entities, entrepreneurs and their new ventures have an immediate and particular salience to stakeholder evaluations and judgments about business citizenship (Wood & Lodgson, 2002).

As previously discussed, institutions play an important role in fostering or discouraging entrepreneurship. But what happens when there are ‘voids’ in place of functioning institutions? Mair and Marti (this issue), show that in such situations, new ventures – in addition to creating economic benefits to entrepreneurs themselves – also play a key role in institution building. Entrepreneurs may create new networks of stakeholders, ultimately creating markets where they did not exist before (Sarasvathy & Dew, 2005). On the other hand, already-established entrepreneurial networks, in the absence of robust institutions and markets, can actually serve as a barrier to entry to new ventures, dampening additional entrepreneurial activity and creating substantial transaction costs for newcomers trying to establish new ventures (Aidis et al., 2008). More research is required to better understand how entrepreneurs deal with institutional voids. Under what conditions does entrepreneurship in developing economies engender a virtuous cycle, instead of devolving into collusion and corruption? As with other lines of research connecting entrepreneurship and society, what are the implications for policy?

How do entrepreneurs enact social change? Much of the research connecting entrepreneurship and society suggests that the entrepreneur can stimulate positive political change by discarding obsolete or anachronistic social patterns and helping to enact new ones – but what do we know about this process? For one thing, Van de

Ven, Sapienza and Villanueva (2007) suggest that entrepreneurs are aware of their own role in advancing societal interests; indeed they argue that the portrayal of entrepreneurs as self-interested, rugged individualists is “incomplete”, and hence “explanations of entrepreneurial behavior will be more theoretically complete and empirically accurate if they address both self- and collective interests simultaneously than when they are based only on either self-interests or collective interests.” As previously discussed, Mair and Marti (this issue) show in rich detail of how one particular entrepreneurial actor navigates a resource- and institution-constrained environment and ultimately does ‘institutional work’ in that environment - ultimately having an impact on the shaping of nascent institutions. Entrepreneurs that advance social change are often part of larger social movements (Vasi, 2009), and they engage in certain activities such as framing their objectives to appeal to diverse stakeholders and using nonmarket and political means (Maguire et al., 2004) in order to achieve those objectives. Ultimately, Peter Drucker suggested that social entrepreneurs can “change the performance capacity of society” (Gendron, 1996), but compelling questions remain; for instance, what strategic techniques are most effective at connecting entrepreneurial actions with larger social changes? Research could also further unpack the entrepreneurial processes by which institutions are created, modified, or replaced – which might start to build a “theory of entrepreneurial ethics-in-practice” (Dees & Starr, 1992:103).

In what ways can entrepreneurship be socially unproductive? While entrepreneurship is described as an inherently containing a moral imperative (Anderson & Smith, 2007; Carr, 2003), or at the least, being consonant with ethical conduct (Surie & Ashley, 2008), other work points out that entrepreneurship can actually be societally detrimental. For example, Baumol (1990) points out that opportunistic entrepreneurial rent seeking can encourage corruption and its consequences; Davidson and Ekelund (1994) propose that such outcomes are better characterized as an evolutionary process that indicates the presence of pareto optimality mechanisms, and therefore represent timing problems. Nevertheless the uncomfortable fact remains that entrepreneurial innovation can result in “losses and hardships for some members of society” because entrepreneurship is “destructive of some stakeholders’ wellbeing even as it creates new wellbeing among other stakeholders” (Dew & Sarasvathy, 2007:267). It is also possible that certain new enterprises might profit at the expense of societal or public goods; that is, the venture could appropriate private gains while imposing societal costs – these ventures are what Davidsson and Wicklund (2001:90) refer to as “robber enterprises”. From a policy standpoint, does this suggest that entrepreneurship should be governed by certain societal constraints? How should we ethically account for stakeholders who are disadvantaged by entrepreneurship? Under what circumstances are such outcomes morally problematic? How would different moral frameworks address this problem?

What are the ethics of opportunity exploitation? The ‘Austrian school’ of economics places a fundamental emphasis on the entrepreneur, but in contrast to the Schumpeterian view, scholars in this tradition suggest that venturing opportunities are instead created by extant market disequilibria (Kirzner, 1997). The role of the entrepreneur in this view, therefore, is to discover and capitalize on such opportunities (Shane & Venkataraman, 2000). This raises some interesting questions regarding the ethics of opportunity exploitation. While exploitation is often viewed as a desirable, morally-neutral description of either entrepreneurial initiative (e.g., Choi & Shepherd, 2004) or organizational learning (March, 1991), an important yet unexplored area of research is the ethical considerations of entrepreneurial opportunity exploitation (Hannafey, 2003). Future research might examine such questions as: What are the moral implications of entrepreneurial creative destruction? Under what circumstances is opportunity exploitation indefensible? How might entrepreneurs distinguish between ethically sound value creation and opportunistic exploitation? What patterns emerge in the cultural or institutional factors that influence entrepreneurial exploitation? What are entrepreneurs’ special or particular societal obligations, as distinct from managers in mature firms? Additional research along these lines is needed to advance our understanding of entrepreneurial opportunity exploitation.

RELIGION AND ECONOMIC BEHAVIOR

Religion has long been identified as an important determinant of economic behavior. In the early part of the twentieth century, Max Weber’s *The Protestant Ethic and the Spirit of Capitalism*, (6) and R. H. Tawney’s *Religion and the Rise of Capitalism* (5) elaborated at some length on this relationship. Both of these scholars perceived Protestantism as providing a favorable climate for the entrepreneurial activity essential for economic progress. A more recent exploration of the relationship between religion and economic activity, this time in the context of a less developed country, can be found in Amy L. Sherman’s *The Soul of Development: Biblical Christianity and Economic Transformation in Guatemala*. In this book, Sherman documents a positive effect of religious orthodoxy upon both the attitudes and actions favorable for economic progress.

The specific relationship between religion and ethical attitudes has not been subject to a great deal of empirical research, and the research which has been conducted has not yielded unequivocal results. A recent paper by Barnett, Bass and Brown found that strongly religious persons expressed a stronger belief in universal moral

principles than others do, and from this finding they inferred that religious belief would have a positive impact on ethical attitudes (1, pp 1161-1174). George Wuthnow found a consistently positive effect of religion, as measured both by the stated importance of religion in respondents' lives and by their participation in religious communities, upon ethical attitudes (7, pp. 79-115). However, while the effect was consistently positive, Wuthnow considered it to be relatively modest. In contrast to the aforementioned studies, Clark and Dawson found that the more religious exhibited a more tolerant attitude toward ethically questionable situations than did the less religious (2, pp. 359-372).

SUMMARY AND CONCLUSIONS

In conclusion, we are quite pleased that our paper has resulted in additional work on this important topic and hope that subsequent research and theory are offered for public debate. Recent history has indicated that market economies tend to produce more goods and services and generate a much higher level of public welfare than command economies. Ray's (2004) position suggests that we return to a more authoritarian, command economy, and that would stifle the discovery and creation of life saving/ life sustaining innovations for all, greatly reducing social welfare over the long term. This examination of religious faith and entrepreneurial ethics is limited by a number of considerations. First, the data pertain to ethical attitudes, not ethical behavior. We examine what entrepreneurs say about particular issues not what they would do when facing such situations—notoriously difficult information to discover.

Also, this investigation considers a relatively small group of entrepreneurs. Some, in fact, may question the use of the term "entrepreneur," since we cannot distinguish founders or high-tech entrepreneurs from other self-employed individuals.

Consideration of the effect of religious orthodoxy on ethical judgments was limited to orthodox entrepreneurs of the Christian faith. This was necessary because of the small numbers of respondents in other religions. It would be appropriate to examine this question as it pertains to other groups. The questions asked, moreover, did not probe deeply into the nature of respondents' religious beliefs. In spite of such limitations, however, the study does provide some evidence of a relationship of between religious faith and entrepreneurial ethical attitudes.

The religious faith factor appears to affect judgments on some ethical issues far more than others. Further analysis may provide a key to the nature of issues most likely to be affected. The degree of orthodoxy affected ethical judgments, but the effect was quite similar to the effect of attaching high importance to religious interests. Since the former (the highly orthodox) was a subset of the latter (high importance), there may have been considerable overlap between the two groups.

At most, therefore, the factor of orthodoxy slightly sharpened the differences observed earlier in the responses of those for whom religious interests had high importance. In both cases, however, the religious element did result in judgments of greater ethical sensitivity.

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