

GUNCCEL ONKAL (Assistant Prof. Dr., Maltepe University Department of Philosophy, Istanbul /Turkey)
guncelonkal@maltepe.edu.tr, www.guncelonkal.com

AN ETHICAL OUTLOOK FOR PHILOSOPHY OF ENTREPRENEURSHIP

Historically, entrepreneurship is originated by new immigrants to a land regarding the inevitable necessities of new foreigners. In this sense, entrepreneurship has been considered as a prestigious act and virtuous economic value of men. Additionally, Protestants and Calvinist traditions accept and encourage entrepreneurship parallel to their historical conceptualization of humanity. The contemporary perception of entrepreneurship is quite relevant to the economical balances and ethical concerns. Entrepreneurship is one of the requirements of modern economy which is deeply oriented by the capitalist goals. To illustrate, there is a very popular term so-called “innovation”. The individual which is a result of modern philosophy is getting much more an economic figure and s/he is obliged to be evaluated according to the performance of “creativity” in the monopoly of economical relations. The basis of economic system demands people to be as entrepreneur as they can in order to exist. Thus, the mutual ontological recognition between capitalism and its actors can be summarized through the term entrepreneurship.

In this paper, I aim to reconsider this mutual relation in terms of business ethics and the term of human dignity. My main questions will be those: Can entrepreneurship be accepted as an economical obligation? Are there ethical gaps in this relation? Is it a just an economical act or a philosophical fact? And whether a social entrepreneurship model is sufficient to solve ethical dilemmas or do we need a multiple dimensional model?

Keywords: *Ethics of value, Multi-Dimensional entrepreneurship model, Social constructive, Entrepreneurship, Individualism, Social marketing*

Introduction

We have to take seriously the reality that entrepreneurs are now generating most of the economic growth around the globe. Most of these businesses that dominated our economy during the twentieth century were started by entrepreneurs in the late 1800s. Hence, the term “entrepreneur” originated in French economics in the 17th and 18th centuries. It mainly suggests

- shifting economic resources out of an area of lower and into an area of higher productivity and greater yield;
- creating value; (they are innovators who drive the “creative-destructive” process of capitalism);
- and entrepreneurs are the change agents in the economy and they move the economy forward by serving new markets or creating new ways of doing things.

In general, early literature suggests that the primary function of an entrepreneur is starting new profit-seeking business ventures. However, the contemporary approach to entrepreneurship emphasizes the ethical role and the current literature is heavily about developing a multi dimensional value models for the activities of entrepreneurs. Those models have some advantages regarding

the previous studies. New models consider the tension of entrepreneurs about their “being between” both as an individual and a member of a particular commercial unit, namely firms. The ontological tensions of entrepreneurs result in ethical dilemmas during rule breaking and innovative steps. The dominance of financial value for capital generated an increasing disconnect between labor and capital that disconnects the virtue of justice and its related sub-virtues of loyalty and trust. With little loyalty to the firm, employees feel detached from their own work and distrustful of their leaders, all of which damage the relationship between employer and employee. The entrepreneur, when s/he is at his/her best, is able to stimulate employees and investors behind a vision and a mission that serves as an important force in building and sustaining stronger and healthier communities. But the culture of an enterprise is rooted and informed by the larger culture of the society. The entrepreneur has to take seriously this formation and to translate it to the principles and virtues necessary to inform his/her enterprise (see: Naughton, 2010). This paper aims to analyze those contemporary issues altogether regarding ethical dimensions of the problems under three subtitles: The ethical dilemma of entrepreneurship, the role of entrepreneur between rule-breaking and innovation, and the social entrepreneurship.

I. The ‘Absolute’ Ethical Dilemma of Entrepreneurship

The ethical content of business is also a matter of public concern. The strategies of business life are quite oriented with “success” and focused on the growth index of a particular firm. However, whenever there is a matter of public concern, the concepts are also subjects of value system(s). Thus, the motivation of business development strategies and steps of entrepreneurs are strictly matter of ethics and values. In the personal level, entrepreneurs -as agents- are the people who have courage, high potency to make decision on their own, action-oriented and they tend to exhibit a high degree of individualism. To a certain degree, the success-oriented policies of firms meet the action-oriented potencies of individuals called entrepreneurs. Therefore, the bridge between companies and their entrepreneur individuals have ontological contradictions. On the one hand there is a business which is predefined regarding to particular success policy and on the other hand there is an individual with his/her all values of human being. Furthermore, the ethical concern here is not limited to the ontological paradox between universal principles of a firm and particular ethical choices of an individual. There is one more factor to be considered: The society with its all traditions and habits both in level of ethics and commercial tendencies. According to this schema, the independence of entrepreneur may not be ultimately possible. Entrepreneur rather becomes a figure of balance between his/her society and company, between his/her decisions and commercially uploaded targets, and between what is and ought to be. As Harmeling notes [b]oth debates – about values in business ethics and opportunities in entrepreneurship – converge at the point of contingency. In both business ethics and entrepreneurship, the decision maker is often depicted as either strongly rational or strongly situational in approach. As it is popularly portrayed, the rational approach to business ethics is to fall back on the universal values to which one has grown accustomed. The

situational approach typically means reverting to relativism. (2009:346) The most significant question about entrepreneurship is then becomes such: “what is the relation between (business) ethics and entrepreneurship?”. The intersection of entrepreneurship researches and business ethics scholarship is stated mainly under those three points: entrepreneurial ethics, social venturing, and entrepreneurship and society (Harris: 2009, 408). Harris categorizes the questions and concerns as below:

Entrepreneurial ethics: Much of the literature about this topic considers micro-level ethical concern. The emphasis is on the entrepreneur with an interest on his/her ethical dilemma(s) at the firm level by these questions:

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

How do entrepreneurs make ethical decisions?

What particular ethical dilemmas arise from entrepreneurship?

How does technological innovation impact entrepreneurial ethics?

How do organizational ethics develop in a new venture?

How does stakeholder theory apply to new ventures?

Social entrepreneurship (or social venturing) :

What is social entrepreneurship?

What distinctive ethical issues arise in social ventures? How is performance measured?

What about disenfranchised entrepreneurs?

How do social ventures differ from traditional ventures?

What is the role of ‘purpose’ in social entrepreneurship? In traditional entrepreneurship?

Entrepreneurship and society

From the standpoint of economic theory, what role does entrepreneurship play in social welfare?

What is the role of entrepreneurship in macroeconomic development?

What other societal roles does entrepreneurship play?

How do entrepreneurs enact social change?

In what ways can entrepreneurship be socially unproductive?

What are the ethics of opportunity exploitation?

In an extensive review, Cunningham and Lischeron observe the presence of six schools of thought about entrepreneurship in the literature. First, *the great person school* of thought suggests the entrepreneur has an intuitive ability — a sixth sense — and the traits and instincts he or she is born with. Secondly, *the psychological characteristics school* suggests that entrepreneurs have unique values, attitudes and needs, which drive them. Thirdly, *the classical school* of entrepreneurship reflects the early approaches to entrepreneurship and suggests that the central characteristic of entrepreneurial behavior is innovation. Fourthly, *the management school* suggests that entrepreneurs are organizers of an economic venture; they are people who organize, own, manage and assume the risk. Fifthly, *the leadership school* argues that entrepreneurs are leaders of people. They have the ability to adapt their style to the needs of people. Sixthly, *the intrapreneurship school* suggests that entrepreneurial skills can be useful in complex organizations

(1991:52). To be an entrepreneur, it is often said, one must break the rules so as to take advantage of opportunities one identifies or can create. Following such a definition may direct entrepreneurs into number of ethical dilemmas and decisions. Further, no rule can anticipate each and every new circumstance a person (or entrepreneur) might face. In addition, rule-based accounts of morality and rules miss the dynamism, the uncertainty, the changes and challenges that occur in morality and in entrepreneurial endeavors. Finally the commitment of entrepreneurs to and enthusiasm for their projects is essential for their success and their judgments, and leads to exaggerated representations of their businesses and projects. (Fayolle, 2007:89). Therefore, to find a way through the ethical salvation of entrepreneurship is quite depended on a multiple definition of the action.

II. Multiple Roles of Entrepreneur between Rule-Breaking and Innovation

As Brenkert defines “to be an entrepreneur, it is often said, one must break the rules so as to take advantage of opportunities one identifies or can create” (2009:448) Following such a prescription may lead entrepreneurs into various moral dilemmas, especially the conceptual content of “rule breaking”, of course, is quite relevant to legality and morality. Additionally, some theoreticians think that religion has long been identified as an important determinant of economic behavior. They hold the view that entrepreneurs, who are highly orthodox in their faith, express more sensitive ethical judgments on ethical issues than the entrepreneurs who indicate religious interests were of low or no importance. (Longenecker, et. al. 1998:1-6). According to traditional ethics there is no room for breaking rules since rules exist to be obeyed. Especially Kantian deontological ethics presents a strict and direct understanding of pure ethics for enlightenment by emphasizing the priority of happiness which might stem from the respect for universal law of ethics. In Kantian ethical system variations of decisions do not change the consequence. However, after the industrialization process, in our post-modern/ modernized point, economical benefits sometime determine the balance between *is* and *ought*. This is not a liberal point of view; it is a sum of our capitalist reality (de Soto, 1999). The role of entrepreneur, then, transforms to the view -as Fisscher defines- that “entrepreneurship [is]... the process of discovering and developing opportunities in order to create value for an existing or new organization” (Brenkert, 2009: 450). Similarly, Buchholz and Rosenthal say that “the entrepreneur creates something new in society, something novel, that meets a need that is latent in consumers” (Ibid.). So understood, this adaptation of the “new” entrepreneurship is more than being innovative or creative in coming up with new ideas for products or services. Entrepreneurs must also either create an organization or work through an organization (intrapreneurs) to develop the new opportunities and values they envision.

Therefore it has been said that entrepreneur has a dual nature. Each entrepreneur must take twofold creative dimension: project to be realized and organizational efforts to be realized. In the context of commercial entrepreneurship, *as opposed to everyday life*, there are different expectations, assumptions, and understandings of the relations of individuals, what kinds of

virtues and behaviors they should engage in, and how they might, or might not, apply common moral rules (Ibid: 453). This exceptional status of entrepreneur (whose notable features are competition, markets, self-interest, voluntary agreements, as well as values such as private property, reciprocity, and justice) requires a fresh ethical approach to the problems occur between rule-breaking and innovation area in particular; and in business ethics in general. The competitive entrepreneurial context encourage risk taking. In such circumstances entrepreneur should recognize the exact moral rule for the particular situation and its future direct and indirect (sider) effects. That does not mean to keep entrepreneur from “abnormal”, “new” situation since it may violate the innovation. It is rather about recognizing some authorities such as managing system of the institution he/she is a member of it, and the others as the members of the society. Entrepreneur is not a violator. Entrepreneur is a business actor between commercial benefits and social demands. Brenkert notes the fragile position of entrepreneur between those values: Still, we face genuine moral dangers here; the ground is filled with moral mines. But we also know that if everyone was told the literal and harsh truth about themselves and the projects they are undertaking, their resulting actions might be quite different than could otherwise be the case. Not all arguments are made simply by rational, objective appeal. Emotion and embellishment play an important role in our arguments and relations with others. It might take embellishment to convince someone of something that is otherwise valid and sound. A view of morality as simply constituted by a hierarchy of rational rules doesn't nicely capture this. Or [...] our values cannot be fully comprehended on the model of a hierarchical system with morality at the top. (Ibid: 455) In short, the rule based morality may not properly function in the case of entrepreneur since an entrepreneur is a creating personality and it is expected from an entrepreneur to be an innovator. In order to create a new project you should transcend the normal conditions. Every creative activity is a part of rejecting existing conditions, morality and habitual social dogmas. Thus we need another-based sort of morality for entrepreneurship.

III. The Social Entrepreneurship Model: Pros and Cons

Alistair R. Anderson and Robert Smith developed a “social model” for entrepreneur in 2007. Their hypothesis is to create a “moral space” for entrepreneurship between ethical imperatives and business requirements. The focus of this model is to underline a functional cooperation of moral values and instrumental rationalism. Social entrepreneurship claims to espouse the modern industrial dynamics of economic. The moral relativism of society that is especially stemmed from modernism is not a threat in this model. However, the rationalism and its monotype morality is much more problematic considering the entrepreneurship. Anderson and Smith’s model invokes a mutual relation between self and society, economic benefits of companies and social welfare. Entrepreneur may be an individual regarding the business principles and commercial targets. However, an entrepreneur is a member of the society and socially experiences the public sphere. The moral legitimacy of the entrepreneur begins when we consider the social acceptability of entrepreneurial activity (Anderson, 2007: 487). Social

constructionism explicates the processes involved in people understanding, explaining, the world they live in (See: Gergen, 1999). Hence a social constructivist theoretical approach seems well equipped for the morality of entrepreneurship. According to social constructive theory, every people in society participate in knowledge and social reality. Individual perceptions, experiences and memories construct a social reality for considering situations.

As an example, Atherton (2004:121) claims that “considerations of entrepreneurship are very much value driven, i.e. we are judgmental and have strong opinions”. He argues that these evaluations may be influenced by soap operas in the media, where entrepreneurs are often characterized as being marginalized with unattractive attributes. These representations create preconceptions, value-driven statements about what is good or bad about entrepreneurs and cause us to look for and assume a moral dimension to the entrepreneur. (Anderson, 2007:494-495) The social constructive approach to entrepreneurship can be understood and appreciated at many different levels and in different ways. The use of values and talk of the social are necessarily unspecific; each society can be expected to have different values. Different viewpoints will prioritize different means and outcomes, so that the entrepreneur will generate different perceptions of value. The concept of social entrepreneurship is recognized as [...] encompassing a wide range of activities: enterprising individuals devoted to making a difference; social purpose business ventures dedicated to adding for-profit motivations to the nonprofit sector; new types of philanthropists supporting venture capital-like ‘investment’ portfolios; and nonprofit organizations that are reinventing themselves by drawing on lessons learned from the business world. In the past decade ‘social entrepreneurship’ has made a popular name for itself on the global scene as a ‘new phenomenon’ that is reshaping the way we think about social value creation (Mair et al., 2006:1).

Therefore, as a result, Morris’ developmental entrepreneurship model is in accordance with the social model of Anderson. Social construction of entrepreneurship, with its multi valuable functionality, is a kind of progressive model. However, those models do not insist on leaving “core values” of human-being. They are rather constructing a free space for entrepreneurship (See Appendix:1). In summary, we understand that individual entrepreneurship is no longer valid facing to ethical dilemmas. It is rather a valuable way to socialize the attitude of entrepreneurship. However, we know that the dilemmas are not the contradictions of ethics itself. They are results of the paradoxes of capitalism. There is a contradiction between the individual point of views and firms’ general policies and philosophies. Modern-day virtue ethics contend that many virtues are contextual, meaning that a range of different virtues might be required for different situations and contexts. It is proposed that the social entrepreneurial organization exhibit not only a range of universal virtues such as integrity, compassion, empathy and honesty but also specific virtues appropriate to the social entrepreneurial context, namely practical but innovative spot to a social problem. Thus the multi dimensional model is much more “functional” regarding contemporary conditions of economics and its entrepreneur figures. (See An ethical outlook for philosophy of entrepreneurship

Appendix:2) A multi dimensional model may construct a balance between opportunities of local social realities and ethics as judgment of universal values. And, by then, entrepreneurially virtuous may meet innovative and social demands. This overlap is the success of employee and entrepreneur at the same time without any ethical tension.

Список літератури

1. ANDERSON, A. R. and SMITH, R., (2007). "The moral space in entrepreneurship: an exploration of ethical imperatives and the moral legitimacy of being enterprising", *Entrepreneurship and Regional Development*, 19(6), pp. 479-497. [Available from: <http://openair.rgu.ac.uk>]
2. BRENKERT, G.G (2009) "Innovation, rule breaking and the ethics of entrepreneurship", *Journal of Business Venturing* (24), pp.448-464.
3. BRYANT P. (2009) "Self-regulation and moral awareness among entrepreneurs", *Journal of Business Venturing*, No: 24, pp. 505–518
4. CUNNIGHAM B., LISCHERON J. (1991) "Defining Entrepreneurship", *Journal of Small Business Management*, Vol. 29, pp.45-61.
5. DE SOTO, J.H. (1999) "The Ethics of Capitalism", *Journal of Markets & Morality* No. 2 , pp.150-163.
6. FAYOLLE A. (2007) *Entrepreneurship and New Value Creation: The Dynamic of the Entrepreneurial Process*, Cambridge University Press.
7. GERGEN, K.J., (1999) *An Invitation to Social Construction*, Sage, London.
8. HARMELING S.S., SARASVATHY, S.D, et.al. (2009) "Related Debates in Ethics and
9. Entrepreneurship: Values, Opportunities, and Contingency", *Journal of Business Ethics*, Springer, Vol:84, Number:3, pp.341-365
10. HARRIS J.D., SAPIENZA, H.J., et.al. (2009) "Ethics and Entrepreneurship", *Journal of Business Venturing*, 24, pp. 407–418.
11. LONGENECKER J.G., et.al. (1998) "Entrepreneurship, Religion and Business Ethics", *Conference Proceedings of USASBE Conference*, 15-18.01.1998, Clearwater, Florida, USA. [Available from: www.usasbe.org/.../USASBE1998proceedings-16]
12. MAIR, J., R, et.al.(2006) *Social Entrepreneurship*. Palgrave Macmillan, London.
13. MORRIS, M.H. et al. (2002) "The Ethical Context of Entrepreneurship: Proposing and Testing a Developmental Framework", *Journal of Business Ethics* 40, Kluwer: Amsterdam, pp. 331–361.
14. MORT, G.S., et.al (2002) "Social Entrepreneurship, Towards Conceptualisation", *International Journal of NonProfit and Voluntary Sector Marketing*, Vol.8, No:1, pp.76-88.
15. NAUGHTON M., CORNWALL J.R. (2010) "Culture as the Basis of Good Entrepreneur", *Journal of Religion and Business Ethics*, DePaul University Libraries, Vol:1, Issue:1, pp.1-13.

GUNCCEL ONKAL

Maltepe University Department of Philosophy, Istanbul /Turkey, Туреччина
guncelonkal@maltepe.edu.tr, www.guncelonkal.com

AN ETHICAL OUTLOOK FOR PHILOSOPHY OF ENTREPRENEURSHIP

Історично склалося так, підприємництво виникло з появою нових іммігрантів та іноземців на землі. У цьому сенсі підприємництво розглядається як престижний акт і добродійна економічна цінність людини. Крім того, протестанти та кальвіністи традиційно приймають і заохочують підприємництво паралельно історичній концепції людства. Сучасне сприйняття підприємництва є вельми актуальним для економічного балансу та етичних проблем. Підприємництво є одною з вимог сучасної економіки, яка орієнтована на капіталістичні цілі. Наприклад, є дуже популярний термін «інновація». Людина, яка є результатом сучасної філософії стає все більш економічною і він / вона зобов'язана бути "креативною" та брати участь в монополістичних економічних відносинах. Економічна система вимагає, щоб існувати, люди повинні поводитись як підприємці. Таким чином, взаємне визнання онтології між капіталізмом та його суб'єктами можуть бути подані протягом строку підприємництва. У цій статті я маю намір переглянути ці взаємовідносини з точки зору ділової етики та терміну людської гідності. Моє головне питання буде таким: Чи може підприємництво вважатися економічним зобов'язанням? Чи є етичні прогалини в цьому відношенні? Це просто економічний акт або філософський факт? І чи є існуюча модель соціального підприємництва достатньою для вирішення етичних дилем, і чи потрібні нам кілька тривимірних моделей?

Ключові слова: етика, батовимірне підприємництво, соціальне підприємництво, індивідуалізм, соціальний маркетинг

Стаття надійшла до редколегії 28.06.12

Прийнята до друку 02.07.12