where an alien social philosophy leads to the utilization of a concept that is usually criticized by theorists of the same persuasion, who would normally object to the employment of entitlement notions. This illustrates the fact that entitlement notions are not uniquely aligned with one moral or political philosophy rather than any other.

Entitlement and Normativity

Both entitlement and desert are usually taken to be normative or evaluative ideas. But the word usually here has to be taken seriously. The mark of a normative notion is that when someone applies the expression, we infer that the user is for or against some action, or regards the action as something that ought to be done by someone. However, the use of entitlement is variable in this respect. Someone might say, “Well, he’s entitled to it, but he oughtn’t to get it!” In that case, the speaker is dissenting from the structure of institutional rules that underpins the claim of entitlement in question. It is common for an opponent of a program generating entitlements to speak of them as such, but in the same breadth to deny that the people who get them should really be getting them. The speaker might take either of two options, however. He might agree that given that the program is actually in place, the people thus legally entitled to those benefits should get them, at least for now, say until the program is dismantled by an act of Congress or the board of directors. Alternatively, the speaker might insist that even those getting them now should not get them and perhaps that those getting them in the past really ought to return the money, or part of it, or otherwise be required to do something to compensate the taxpayers for the expense to which they have been put.

It would, however, make little sense for the actual architect, legislator, or business executive who helps actuate such a program to deny that it should be carried out. In that sense, entitlement is always a normative notion, and has been so treated in this entry. Deleting the normative forces of entitlements among those who agreed to or constructed the rules that lead to them would undermine any institution, whose employees, beneficiaries, and administrators would find it difficult or impossible to know where they stand. Entitlement, in short, is a powerful idea that we probably have no option but to live with.

—Jan Narveson

See also Affirmative Action; Business Law; Contracts; Economics and Ethics; Executive Compensation; Game Theory; Hobbes, Thomas; Integrative Social Contract Theory (ISCT); Justice, Distributive; Locke, John; Meritocracy; Nozick’s Theory of Justice; Political Theory; Prisoner’s Dilemma; Rousseau, Jean-Jacques; Social Contract Theory

Further Readings


Entrepreneurship, Ethics of

Writing on the ethics of entrepreneurship has generally taken the form of defenses of free market capitalism, with particular attention given to the libertarian ideals supported by this system of wealth creation and distribution. Consequentialist critiques have pointed to the distributive inequities that attend concentration of wealth in the hands of a few entrepreneurs. Stakeholder theory has been invoked as one means by which to legitimize the claims of those constituent groups that are negatively affected by entrepreneurial activity. Theorists have usefully outlined moral imagination as one mechanism that is both consistent with the entrepreneurial drive toward innovation and inclusive of a variety of stakeholder interests.

With respect to the “rightness” and “wrongness” of entrepreneurial praxis, the potential ethical pitfalls facing entrepreneurs have been usefully outlined. It has been argued that entrepreneurs have a “bent” toward the profit imperative; this bent predisposes
entrepreneurs to privilege their own interests above the interests of other legitimate organizational constituents.

**Entrepreneurship**

Entrepreneurship research has been categorized into at least three literature streams: economic, characteristics of the entrepreneur, and new venture performance. The first of these explores the role of the entrepreneur as the creator of new enterprise, the second attempts to describe entrepreneurs according to psychological attributes, and the last focuses on how the performance of the venture itself is influenced by the entrepreneur.

Definitions matter. Venkataraman identifies an entrepreneur as one who realizes or conjectures, whether through insight or luck, that some resources are underutilized in their current occupation and recombines them into a potentially more useful and fruitful combination. This focus on economic values is a consistent theme throughout much of the literature on entrepreneurship.

Numerous writers suggest that entrepreneurship is the exercise of individual freedom with a view to creating value, whether economic or social (or, less commonly, both). This focus on personal liberty offers one perspective as to what an ethical justification for entrepreneurial activity might begin to look like. Milton Friedman is chief among the writers who argue that an individual’s right to personal freedom provides the strongest possible moral defense for free market activity. Such personal freedoms extend to both the consumer (as to consumer choice) and the producer (as to autonomy and independence). No activity better epitomizes the free market than entrepreneurship.

Entrepreneurship has also been defined as the process of converting a private idea into a social idea—or as intelligence in the service of greed. Kirzner bridges the gap between these two perspectives by conceiving of entrepreneurship as the seeing of a profit opportunity—often misinterpreted as merely an opportunity for personal gain—and the taking of necessary actions to realize that opportunity.

Drucker consistently argues that the defining characteristic of entrepreneurial activity is innovation, seeing innovation as the means by which entrepreneurs exploit change as an opportunity for a different business or a different service. One important implication of this perspective is that entrepreneurship can be both learned and practiced. Given this formulation, entrepreneurs search in a deliberate manner for sources of innovation, paying particular attention to societal changes that signal opportunities for successful innovation. Venkataraman similarly identifies organizational creativity as the raw material of both innovation and entrepreneurship, seeing the latter as the essential ingredient for corporate survival in a world of increasing competition and rapid, discontinuous change.

Perhaps what is common in virtually all the extant literature on entrepreneurship is the paucity of reference to the ethical dimensions of entrepreneurial activity. For the purposes of the current overview, it is not important which definition of entrepreneurship one prefers; of greater importance are the ethical dimensions of entrepreneurial activity and the variety of approaches taken to either bolster or criticize such activity.

**Entrepreneurship: The Ethical Landscape**

A good place to begin an exploration of the link(s) between entrepreneurship and ethics is the literature review. Hannafey offers one of the few such reviews available. This review notes that most writing in the area adopts either the perspective of society or that of the individual entrepreneur, appropriately labeling the first of these “entrepreneurship and society” and the second “ethics and the entrepreneur.” The former deals with broad questions related to the complex moral situations encountered by entrepreneurs and their organizations, typically examining the effects of entrepreneurship on social life by exploring the moral expectations society places on entrepreneurs. The latter focuses more directly on the moral situations encountered by entrepreneurs and the organizations they have founded. Using this distinction, the findings of research on the topic of entrepreneurship and ethics are categorized and reviewed.

Researchers studying entrepreneurs and their ethical drivers and business have found that the motivating factors for entrepreneurs are not limited to profit but extend to a drive for independence, freedom, personal satisfaction, and personal fulfillment. Consistent with this view, it has been found that entrepreneurs’ traits include self-confidence, a great need for achievement, and a propensity to take risks—and a commensurate strong internal locus of control.

The entrepreneurial process brings special challenges to the handling of ethical problems. The good
news is that based on empirical work, some have concluded that independent-thinking entrepreneurs may exhibit slightly higher levels of moral reasoning skill than corporate middle-level managers or the general public. Conversely, it has been found that the ethical culture in start-ups is usually undeveloped. Studies have shown that the entrepreneur may feel more pressure to act unethically. Promotion and innovation activities figure prominently in the literature. A major business task for entrepreneurs is to promote their new venture to different publics—especially to key resource controllers.

Some have focused on the requirement many entrepreneurs face to manage the complex network of personal relationships essential to the success of new ventures. Family, friends, employees, previous business associates, investors, and others have been seen to form an important social network within which entrepreneurs carry out their work. It has been discovered that entrepreneurs encounter various relationship dilemmas, which may lead to complex ethical problems—a particular difficulty as roles and relationships change from their preventure to their postventure status. As one example, an entrepreneur’s relationship with a family member or personal friend will be transformed if such persons become investors in the new venture. Entrepreneurs who relate to others in strictly transactional or instrumental ways—regardless of the consequences to creditors, investors, employees, and others—will likely face serious conflicts with the basic principles of ethics that persons should never be treated as a means to an end but must be treated as ends in themselves. Furthermore, changes in an entrepreneur’s relationships may well lead to potential or actual conflicts of interest.

The literature identifies the most noted problems facing entrepreneurs as those related to customers and competitors, with the second most noted being the way a company treats employees, including decisions regarding layoffs and workplace discrimination as well as fairness in promotions. By way of summary, the entrepreneurship literature suggests that while individual entrepreneurs may possess a more developed instinctual sense of the moral climate inside their organizations, the harsh demands of entrepreneurial environments may seriously complicate standard ethical perceptions and practices.

### Entrepreneurship and the Good Society

Sarasvathy suggests that the task of entrepreneurship is to move us from the world we have to live in to the world we want to live in. As entrepreneurs craft a vision of the society we want to live in, it is argued that this should be a deliberative process rather than one that unfolds “willy-nilly.” The entrepreneurial mind-set, and associated entrepreneurial activity, whether for good or bad, impresses its stamp on the social organism.

Venkataraman notes that both Schumpeter and Adam Smith have drawn a profound connection between the personal profit motive and social wealth. Entrepreneurship is particularly productive from a social welfare perspective when, even in the process of pursuing selfish ends, entrepreneurs enhance social wealth by creating new markets, new industries, new technology, new institutional forms, new jobs, higher standards of living, and net increases in real productivity. By implication, within entrepreneurial research, a measure of performance is needed that is simultaneously able to capture the economic performance at the individual level as well as social performance.

Several writers—perhaps the most notable among them is Brenkert—have outlined the positive social outcomes associated with entrepreneurial activity. These typically include the creation of millions of new jobs and a plethora of new products, significant improvements in how people live, and greater efficiency in meeting people’s needs and wants. In addition, the value of self-determination plays a significant role in discussions of entrepreneurship. Keeble and Turner identify eight areas in which ethical behavior, in the form of good corporate citizenship, can reap financial benefits for entrepreneurs: reputation management, risk management, recruitment and retention of quality staff, investor relations (in particular the ability to attract capital), organizational learning and innovation, competitiveness, operational efficiency, and the license to operate.

Working from the premise that a free society is a good society, the connections between values and entrepreneurial activity are clear. The free market position holds that the entity that creates, discovers, evaluates, and exploits an entrepreneurial opportunity should profit from it. More specifically, it has been found that the Protestant work ethic has been positively related to the rate of entrepreneurship in the United States over
time. And more than a few writers, in critically examining the Protestant ethic and its relationship to entrepreneurship, conclude that enterprise by its very nature is ethical.

Another connection between social principles and entrepreneurship emerges, premised on the view that the good society is an efficient society. The market process can be characterized as one in which entrepreneurs discover various maladjustments in the market caused by imperfect information. Consistent with the writings of John Locke, Kirzner concludes that the profit or income associated with entrepreneurial activity exploiting such information asymmetry is justified on the basis of a "finders-keepers principle." In a particularly interesting permutation of this perspective, not just information inequities but also value inequities or anomalies represent entrepreneurial opportunities for individuals. By definition, whenever there is an asymmetry in beliefs about the value of a resource, there exists inefficiency—introducing a major incentive for alert individuals seeking to profit from such inefficiency.

A cautionary note is sounded by those who, rather than equating equality of opportunity with the good society, instead focus on the fairness of the outcomes of entrepreneurial activity. Derry in particular suggests that the environmental and social impacts that have followed the adoption of entrepreneurial values be carefully considered. Her suggestion is that the status conferred by entrepreneurial success contributes to severely entrenched poverty, increased consumption of disposable products leading to increased solid waste, and high rates of personal bankruptcy. The solution? Balancing economizing drives with ecologizing drives. Frederick similarly argues for such a harmonizing of these two value systems in ways that sustain human purposes within the constraints and opportunities of the still evolving system of nature and culture.

From an ethical perspective, it is particularly worth considering the claim that growing disparities of income and wealth will be matched by growing disparities of freedom. If this is the case, the libertarian justification for entrepreneurial activity is undermined by the distributive consequences of this very same activity.

**Entrepreneurship and Stakeholder Theory**

Stakeholder theory seeks to identify the variety of legitimate claims potentially disparate organizational claimants might have against the business enterprise. Stakeholder theory is alternatively viewed as a challenge to, or a derivative of, more traditional shareholder capitalism. The values underlying these two systems of thought are often contrasted, though some reconciliation of these points of view is sometimes offered—as when attempts are made at bridging the gap between altruism, which is the renunciation of personal well-being for the benefit of others, and entrepreneurship, which is the embodiment of individualism in the realm of economic activity.

Numerous writers on ethics have invoked stakeholder theory as a means of assessing entrepreneurship. Beyond the obvious references regarding the ethical duty of entrepreneurs to represent the interests of all stakeholders, most note that there is an element of trust in every transaction, further suggesting that trust is an efficient surrogate for more formal enforcement mechanisms, such as police and the courts. Links with transaction cost economics are invoked as it is argued that social contracts can be more efficiently discharged under conditions in which trust serves as a substitute for the more expensive mechanism of monitoring.

**Entrepreneurship and Ethics: The Micro View**

Here, the broader subject of seeking a social justification for entrepreneurship is supplanted by consideration of the ethics of entrepreneurial behavior itself. One primary view is that economic innovation is a moral response to others that arises out of the ethical obligation one person has for another. Crawford suggests that the notion of "being for others" be contrasted with "being for self"—the latter being the traditional perspective of entrepreneurs as utility-maximizing self-interest-seeking economic actors.

Brenkert outlines the specific dimensions of the ethics of entrepreneurship, offering the following questions to illuminate those areas of entrepreneurial activity that are most likely to present ethical challenges for entrepreneurs:

- Should entrepreneurs break various common social rules and practices?
- What are the moral limits of bluff and bravado in convincing others to join an entrepreneurial enterprise?
• What moral responsibilities does an entrepreneur have to others who have joined his or her entrepreneurial enterprise?
• What moral actions can corporations take to promote entrepreneurs within their ranks?
• What use may employees of a corporation make of corporate resources to explore their own entrepreneurial ideas?
• What justifies the profit of the entrepreneur and the greater disparity of income said to characterize an entrepreneurial society?
• What justification can be given for various measures—for instance, regarding bankruptcy laws, tax programs, and employment policies—that are said to foster entrepreneurship?

Moral imagination has been suggested as a bridge between ethics and entrepreneurship by Dunham and Werhane. Moral imagination refers to the ability to perceive that a web of competing economic relationships is, at the same time, a web of moral relationships. Philosophers have in some instances turned to moral imagination as a more relevant and workable approach to ethical decision making than traditional rule-driven ethical approaches. The premise here is that managers can foster higher levels of ethical performance—as well as greater innovation—by encouraging both the development and the exercise of moral imagination. Moral imagination enables entrepreneurs to distance themselves from the mental models that limit their perspective in specific situations—a concept not dissimilar to Schumpeter’s notion of “creative destruction.”

Moral imagination has much in common with the entrepreneur’s more general habit of innovation. Creative problem-solving models are recommended as mechanisms for enhancing moral imagination. Such models amplify the cognitive abilities that are second nature to entrepreneurs, such as thinking metaphorically, maintaining flexibility and skill in making decisions, securing independence of judgment, coping well with novelty, and escaping perceptual sets and entrenchment in particular ways of thinking.

It is useful to join Moore in thinking of ethics as “constrained entrepreneurship.” Constraints include the cognitive limits of entrepreneurs at the individual level, and at the macro level constraints result from the broader operational environment of entrepreneurship bounded by social norms and expectations. There are a number of ways in which entrepreneurs can differentiate themselves to economic advantage, including producing or marketing products and services that have an ethical augmentation and using inputs that are derived from sustainable sources. In an innovative twist, the rationale for the existence of entrepreneurial firms and corporations can be argued on the basis of economization of transaction costs—in this instance, social transaction costs. The idea of social transaction costs is intended to convey the notion that there are costs imposed by wider societal expectations and that these costs relate to the operation of an organization within these constraints.

Future Directions

The positive entrepreneurial opportunities that attend shifts in social consciousness have not been prominent in the discussion. As consumers are increasingly concerned with the human, social, and environmental impacts of their purchasing decisions, the possibilities for progressive entrepreneurial responses are virtually limitless. Calkins correctly notes that future entrepreneurs will likely be more socially concerned than those of the past—not necessarily as a result of their own value orientations but as a response to an evolution of thought regarding the social responsibility of business activity in general.

—Craig P. Dunn and Lance Schaeffer

See also Cowboy Capitalism; Economics and Ethics; Egoism; Friedman, Milton; Individualism; Justice, Distributive; Libertarianism; Marketing, Ethics of; Moral Imagination; Social Entrepreneurship; Stakeholder Theory; Transaction Costs

Further Readings


