

# Successful U.S. Entrepreneurs: Identifying Ethical Decision-making and Social Responsibility Behaviors

Dinah Payne  
Brenda E. Joyner

**ABSTRACT.** This two-part study analyzed some of the ethical choices made by founding entrepreneurs during the creation and development of their ventures in order to identify the areas in which founding entrepreneurs must make decisions related to ethics or social responsibility during venture creation and development. Content analysis was used to identify decisions with ethical components and/or implications from in-depth interviews with 10 successful business founders. The research for part one of the study was guided by the following research question: In what areas must entrepreneurs make decisions with ethical and/or social responsibility implications during new venture creation and development? The authors identified four distinct categories of decisions where ethical or social responsibility components exist: (1) individual entrepreneurial

values-related decisions, (2) organizational culture/employee well-being decisions, (3) customer satisfaction and quality decisions, and (4) external accountability decisions. In the second part of the study, the decisions identified in part one were analyzed using a framework derived from prior research in ethics. This framework was developed from the work of Kant (1964) who theorized about human morals and Rawls (1971) who developed theories about justice. Part two of the study was guided by the following research questions: Do entrepreneurs have values and ethics similar to those held by society in general? If they don't, how do their values and ethics differ? The comparison revealed that the ethics and/or values that the entrepreneurs either explicitly or implicitly acknowledged were in fact similar to those of society in general.

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*This paper will fit best for review purposes under either of the following sections: Value Based Management or Small Business.*

*Dinah Payne has been at the University of New Orleans since 1988, where she is a Professor of Management and Engineering Management and the Director of the Engineering Management Program. She earned a Juris Doctorate and a Master of Business Administration Degree in 1987. She was admitted to the Louisiana Bar Association in 1986. She is interested in the fields of business ethics, management, domestic law, international law, international management and international ethics. She has had international teaching and research assignments in Belgium, Costa Rica, Hungary, Italy and Austria. She has participated in the University of Pittsburgh's Semester at Sea Program, during which she visited cultural and business sites on four continents. She has received the Seraphia D. Leyda University Teaching Fellowship, has been cited several times for her commitment to students, and has received the Gordon "Nick" Mueller International Service Award. She has been published in a wide variety of journals, including the Journal of Business Ethics, Business and Professional Ethics Journal, Labor Law Journal, the Journal of Corporate Accounting and*

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*Finance, the Journal of Developmental Entrepreneurship and Global Focus.*

*Brenda E. Joyner is Assistant Provost and Chase Minority Entrepreneur Distinguished Professor of Business at Loyola University New Orleans. She received her Ph.D. from the University of Georgia in 1995. Dr. Joyner teaches classes in strategic management, environmental strategy, and entrepreneurship. Her research interests include venture startups, entrepreneurial behaviors, and entrepreneurial ethics. She has industry experience in construction, manufacturing, and commercial and investment banking. She has published articles in Business Horizons, Journal of Developmental Entrepreneurship, Journal of Business Ethics, Journal of Small Business Strategy, Journal of Organizational Culture, Communications and Conflict, Journal of Corporate Accounting & Finance, and International Journal of Business Performance Management. During her time at Loyola she has been involved in a number of international projects including serving as Project Leader for the Banking Reform-Venture Capital Analysis of the Louisiana Alliance/Programa Presidencial de Inversion (Alianzas) in Honduras.*

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## Introduction

In the United States, the entrepreneur has long been admired and emulated. Stories about successful business founders like Bill Gates, Steve Jobs, Ted Turner, Mrs. Fields and others fill the popular press. The secrets of their success are debated and analyzed. Is it something in their personalities? Is it their propensity to take risks? How did they become so successful? Their personal traits, functional area specializations, sources of financing, educational levels and leadership styles are all analyzed in the search for clues to the things that make these individuals successful beyond our wildest dreams. But the answers are not forthcoming. We keep looking for those things that make these individuals different from others in society. This study is yet another pursuit of differences and similarities between these entrepreneurs and society in general. However, this time the search is not for the secrets of financial success. Rather it is a search for the ethical choices – and the underlying values that inform those choices – that has provided the initial impetus for this study. In what areas do entrepreneurs have to make ethical and/or value-laden choices? When they do make those choices, are their ethical choices different from the society in which they live or are their choices much more like those made by others in their society than one might suppose?

There is little empirical research on ethical issues faced by entrepreneurs during new venture creation and development. Yet understanding the ethical issues successful entrepreneurs face, and the choices they make, may be quite important since this information could be one key to successful new venture development. The decisions that entrepreneurs make throughout the venture development process provide the foundations for the large firms that later develop.

This study analyzes whether or not the ethical choices made by founding entrepreneurs during the creation and development of their ventures differ from general societal standards, and, if so, in what specific ways they differ from those standards. The

research was guided by the following research questions: (1) In what areas must entrepreneurs make ethical and/or socially responsible decisions during new venture creation and development? (2) Do entrepreneurs have values and ethics similar to those held by society in general? (3) If they do not, how do their values and ethics differ?

## Literature review

### *Prior research on ethics and entrepreneurs*

While the research questions directed the researchers to look for studies of societal ethics and values, studies found in the literature of business have focused on the differences between entrepreneurs and managers. While there are a number of studies that involve small business firms the authors could find none that address the questions immediately before us. Overall, however, the amount and variety of work in the area of ethics and entrepreneurs appears to be increasing.

Bucar and Hisrich (2001) surveyed 165 entrepreneurs and 128 managers to compare whether or not there were differences in ethical attitudes. They found that the two groups differed only slightly in their views regarding the ethics of a variety of activities and their ethical perceptions regarding others. However, the findings did show that managers were more likely to sacrifice their personal values for the organization. Entrepreneurs showed higher ethical attitudes in internal dealings of the companies.

Another study, focusing on the behaviors of founding entrepreneurs to build ethical and socially responsible organizations, found that those organizations with founders who led them by making ethical decisions guided by well-articulated values were able to thrive and develop strong cultures (Joyner et al., 2002). The most important finding in the study was that none of the firms was satisfied to simply meet the legal requirements of the difficult situations they faced during the growth of their businesses. They repeatedly went beyond the specific requirements of the law in their interactions with stakeholders and “gave back” to the communities of which they were a part.

Morris et al. (2002) studied the context of the ethical climate of entrepreneurial firms. The authors developed a framework to describe the formal and informal ethical structures that emerged in firms over time and suggested a variety of factors that influence where firms may be found within the framework. The results of this study suggest that those who create and develop small firms pursue diverse approaches to the question of ethics.

Many of the studies found in the literature search involved a comparison of large and small companies, not even necessarily large and new venture companies. These studies were general in nature, researching corporate social responsibility or small business ethics generally, rather than studying entrepreneurial ethical values. Some of these studies are synthesized in Table I.

In 1990, John Case conducted a survey for *Inc.* magazine, in which he provided vignettes concerning ethical issues that arise in new venture start-up and development. The subjects were *Inc.* subscribers who chose to send in their survey responses. Results of the study indicate that, while ethical dilemmas are difficult, in the end, the ethically correct choice would be made. There are three strong limitations of this survey. First, the respondents were a self-selected group. Second, the respondents may have been business people who were prompted to answer the survey because they hold very high ethical standards. Third, the respondents knew the survey focused on ethical issues. It is human nature for individuals to believe they would make the most ethical choice in a given situation. The fact that they were aware that their ethical responses were being judged may have biased their responses in the direction of more ethical, rather than less ethical, decisions.

The Humphreys et al. (1993) study, mentioned previously, focused on gauging subjects' responses to scenarios the authors provided to determine how ethical or unethical the entrepreneurs thought a particular situation was that had been provided for them. This study provided more structured scenarios to generate a range of the ethical to unethical behavior, much like the Case (1990) study and others.

Smith and Oakley (1994) taking a different approach to the determination of ethical values of small business owners, postulated that the size of the

business community in which the small business owner operated was a determining factor in his/her ethical decision-making process. They also considered the factors of age, education and size of the business owner's early environment. Their findings indicated that the ethical values of small business owners in non-urban areas were higher than in urban areas and that formal education is beneficial, if not absolutely necessary, in furthering legal and ethical behavior.

The prior research reviewed here has assessed many areas of concern for ethicists and entrepreneurship researchers. None of these studies has addressed the specific questions of interest that guided this study, however.

#### *Ethical frameworks from the literature*

The search for a framework to use in making a comparison between entrepreneurial ethics and those of the general public led the authors to review the possible frameworks already existing in the literature. The first step was defining the concepts of interest: ethics, morality, and values.

Ethics can be defined as a system of value principles or practices and the ability to determine right from wrong. This term may be used interchangeably with morality. Making moral or ethical judgements implies that the decision-maker is concerned with the moral rightness or wrongness of the decision, rather than the legality of the decision. Promulgated laws are designed to reflect a society's attitudes and desires about the state of acceptable activity(ies) of its people, not necessarily what is morally right or wrong. For example, slavery was legal in the United States for years: it was societally expedient to the economic health and growth of the nation. However, slavery is always immoral as a denial of basic human rights – a moral judgement, rather than a legal determination. Thus, in this study, the authors concentrated on the ethical or moral values of the entrepreneurs, not their adherence to societally set mores. Although these subjects are a part of society and have been indoctrinated into this society's laws, they are also rational, free thinking adults capable of making their own determinations as to the morality of an action. The authors felt that the entrepreneurs'

TABLE I  
Studies comparing managers and entrepreneurs

Author(s)	Study	Method & sample	Findings
Wilson (1980)	Compared a number of elements of corporate social responsibility of small and large companies.	Protocol analysis of 180 interviews with owners or managers of small businesses.	Eighty-eight percent cited social responsibilities to customers, employees, or community.
Chrisman and Fry (1982)	Compared small and large organizations with respect to nature and fulfillment of social responsibility.	Random telephone survey of 51 businesspeople, 65 non-business-related individuals, 5 personal interviews.	The smaller businesses seemed to better understand the issues of corporate social responsibility than larger companies.
Brown and King (1982)	Comparison of small and large companies, as well. They identified the different internal and external factors that would cause disparity in the ethical behavior of small and large businesses. Tried to elicit managers' views of ethics.	Questionnaires handed out at public service organizations. Received 122 small business & 95 other responses.	Small businesses were perceived to be more ethical; respondents placed more emphasis on "situational" ethics than "absolute" ethical guides.
Longenecker et al. (1989)	Again, however, this study used a comparison of small and large businesses, using a scale against which subjects responded.		Minor differences between the two groups overall; significant differences on some areas.
Case (1990)	Survey of <i>Inc.</i> magazine readers about ethical issues arising during new venture startup and development.	Survey using vignettes.	Responses showed that ethical dilemmas are difficult but, in the end, the ethically correct choice would be made.
Humphreys et al. (1993)	To determine how ethical or unethical the entrepreneurs thought a particular situation was that had been provided for them.	Scenarios.	Study provided more structured scenarios to generate a range of the ethical to unethical behavior.

Smith and Oakley (1994)	Postulated that the size of the business community in which the small business owner operated was a determining factor in his/her ethical decision-making process.	Survey using attitude inventory, ethical position questionnaire & ethical climate questionnaire.	Findings indicated that the ethical values of small business owners in non-urban areas were higher than in urban areas and that formal education is beneficial, if not absolutely necessary, in furthering legal and ethical behavior. Findings indicated that “in general, small business decision-makers perceived themselves as less likely to engage in exploitative power behavior in order to meet personal or organizational objectives.
Welsh and Birch (1997)	Welsh and Birch (1997) used several pen and paper tests to determine potential differences in ethical orientation between small business owners and owners of businesses in general.	Survey of 165 entrepreneurs & 128 managers.	Two groups differed only slightly in views regarding ethics of a variety of activities; ethical perceptions regarding others. Managers more likely to sacrifice personal values for organization. Entrepreneurs showed higher ethical attitudes in internal dealings of companies.
Bucar and Hisrich (2001)	Compared whether or not there were differences in ethical attitudes between entrepreneurs and managers.	Content analysis on in-depth interviews with 10 highly successful entrepreneurs.	Entrepreneurs went beyond the specific requirements of the law in their interactions with stakeholders and “gave back” to the communities of which they were a part.
Joyner et al. (2002)	Analyzed behaviors of founding entrepreneurs as they built ethical and socially responsible organizations.	Random sample survey of founder/owners of small firms in midwestern U.S.; 227 responses.	Developed a framework to describe the formal and informal ethical structures that emerged in firms over time and suggested a variety of factors that influence where firms may be found within the framework.
Morris et al. (2002)	Studied context of the ethical climate of entrepreneurial firms		

ethical values were among the most important drivers of their behavior. So, what are the ethical values that these entrepreneurs espoused that contribute so much to their success as entrepreneurs?

While the authors acknowledge that there are a plethora of distinct cultures and societal beliefs in the world, this study reflects the attitudes of entrepreneurs who have in fact been indoctrinated into the Western, Judeo-Christian morality common in the developed western world. The existence of ethical relativism and ethical pluralism is certainly undeniable. However, in this study it is unnecessary to consider these issues since the entrepreneurs, researchers and philosophers whose theories are used to analyze the data all are from a relatively homogeneous tradition. An area for future study is a comparison of these entrepreneurs with entrepreneurs from other societies with different moral/ethical traditions.

Before that question could be answered fully and intelligibly, the authors reviewed the explicitly stated systems of ethics provided by two ethics frameworks, Kant's (1964) basis for moral rights and Rawls' (1971) theory of distributive justice wherein justice is seen as fairness. The use of the two frameworks was the basis for determination of the similarity (or lack thereof) between societal and entrepreneurial ethics. A basic understanding of these analyses is necessary to understand the connection between them and the subjects' entrepreneurial values.

The Kantian and Rawlsian analyses can both be classified as deontological approaches to ethics. These frameworks are duty-based: an action is held to be morally right or wrong based on the action itself, rather than any particular consequence or set of consequences springing from engaging in the action. One has a duty to engage or not engage in an action based on the action itself; it is either inherently or innately right or wrong. To make the determination of what actions are inherently right or wrong based on a duty, one should refer to the various deontological ethical frameworks available for guidance. These frameworks set up guidelines for establishing the existence of societally recognized moral duties.

The Kantian analysis can be reduced to the presentation of three simple questions. A positive response to all three questions imposes a moral duty to act or not. First, the action should be universally consistent; that is, it must be an action that one

would accept being done to oneself and it must be an action that one would accept being done to anyone/everyone else, from a beloved family member to a sworn enemy. Second, the action must respect individuals as inherently valuable in and of themselves, apart from any benefit that they might provide the actor. Third, the action must acknowledge and respect the autonomy of all rational beings. A review of theft using these questions should provide a clear example of how the Kantian analysis can be applied. First, the thief himself would not tolerate theft. Second, theft does not respect the victim: the thief uses the victim merely to attain his own ends of acquisition. Third, theft certainly does not respect the freedom of the victim: if the victim were willing to give up the prize, it would be a donation, not theft. Thus, the Kantian analysis would deem that there is a moral duty not to commit theft. A positive example can be exhibited using the question of honesty: is it the best policy or not? Honesty is typically a characteristic that people desire for themselves: as a rule, one does not accept being lied to. Honesty is commensurate with treating people with respect: alert people to the truth and the use of people, against their will, as a means to the actor's end is obviated. Finally, honesty does respect people's rights and abilities to make their own decisions freely and knowingly. Using these examples for clarity, it can be seen that the Kantian analysis can be reduced even further to the simple statement that one should do unto others as they would have others do unto them.

The Rawlsian analysis can also be reduced to several basic concepts. According to Rawls, if one were behind a "veil of ignorance," in the original position, one would formulate ethical precepts that were of the utmost fairness to everyone in a number of ways. The veil of ignorance and original position are the mental conditions in which the actor should be in order to arrive at the fairest societal rules. They represent one's ignorance of one's position in society, wherein one has not been endowed with any attributes or characteristics or talents...at the time of the election of societal rules. Rawls thought that if the decision-maker did not know whether he was blessed with riches, intelligence, societal acceptance, or physical abilities or attractiveness, for example, the decision-maker would hardly design societal systems that discriminated on the basis of the absence

TABLE II  
Selected frameworks of ethical concepts

Author Concepts	Kant (1964)	Rawls (1971)
Consistency	Universally consistent actions	
Respect individuals	Respect individuals as inherently valuable	
Autonomy for all	Respect autonomy of all rational beings	
Equal liberty		Equal liberty
Equal opportunity		Equal opportunity

of these qualities or attributes. Thus, the decision-maker would follow two “rules of thumb:” (1) he would accord everyone liberty that was as great as everyone else’s and (2) he would arrange societal opportunities such that they were equally available to all, including those lacking in, for instance, the attributes listed above (those least advantaged persons). These principles are designated the principle of equal liberty, the difference principle and the principle of fair equality of opportunity. An example of application of the Rawlsian theory may be helpful. In today’s society, the ethical decision-maker would not make rules that would allow discrimination on the basis of race or gender. Our society is only too full of such discrimination, and the decision-maker would not know, according to the veil of ignorance and the tabula rosa of the original position, whether he or she would be born black or white, male or female. A careful and ethical decision-maker would not rationally subject himself to discrimination he himself might be forced to endure. Concepts from these two works were aggregated and a research framework was developed from them (See Table II) for use in analyzing the interview data.

Once the decision to conduct the research was made, the authors searched for a framework for analyzing whether or not entrepreneurs had ethics and values similar to those of the general public. First, however, they had to decide on an appropriate way to gather information about ethical choices and underlying values without leading the founding entrepreneurs by the choice of questions asked.

**Methodology**

The researchers felt it was essential to collect the data without leading the subjects in their answers. One way to achieve the purposes of the study would be to analyze the ethical actions and underlying values of entrepreneurs when they were unaware that they were being studied for this specific purpose. Fortunately, one of the researchers had already built an extensive database of in-depth interviews with entrepreneurs for the purpose of studying the key tasks of new venture creation and development. That study used a semi-structured interview format with the long interview technique to solicit responses about the creation and development of new ventures over time. The entrepreneurs themselves freely expressed their views on ethics without the stimulant of a prompt or the knowledge that they would be specifically analyzed with respect to their ethical decisions or underlying values. They were, however, aware that all the information in their interviews would be analyzed to give a multi-dimensional picture of the new venture development process. Therefore, ethical issues were within the bounds of the data collection even though they were never specifically identified as such to the subjects.

The methodology had the advantage of allowing the subjects to identify and discuss those areas of ethical concern they found to be important throughout the venture development process while, at the same time, not introducing the researchers’ biases with respect to what areas of business might require ethical choices, not leading subjects to provide information in only those specific areas of interest probed by the researcher, not asking for discussion of decisions without regard to the context within which those decisions were made, and, finally, not leading subjects to selectively choose areas for discussion where they feel that have behaved more ethically than others.

The sample used in this study consisted of 10 founding entrepreneurs who had created and developed successful, high potential new ventures. Each entrepreneur was required to meet the following criteria: (1) involved with the venture for a period of at least 5 years; (2) directed the venture toward sustained growth rather than income replacement; and (3) recognized as a successful

founding entrepreneur in publicly available data such as newspaper, periodical, or other business reports or by individuals within the industry or business community. The age of the entrepreneurs in the study ranged from a low of 28 years to a high of 63 years with a mean of 49 years and a standard deviation of 9.97 years. The age of the new ventures at the time of the interviews ranged from 5 to 32 years with a mean of 14.3 years and a standard deviation of 8.39 years. Annual sales revenues of the ventures all exceeded \$3 million.

Archival data from and about these ventures was also used for confirmation and elaboration of interview data. An interview guide, based on the conceptual framework generated from prior research, was used to assure that each of the interviews covered all areas of interest with respect to creation and development of the new ventures (Appendix 1). Once the interviews had been transcribed, the data pertaining to ethical issues faced by the entrepreneurs were coded and analyzed using content analysis. The content analysis allowed the authors to identify broad categories where the entrepreneurs made decisions that were ethical in nature. The authors used five categories already developed in a study by Wilson (1980) to code the data. These categories included (1) responsibility to the customer, (2) responsibility to the employees, (3) ethics, (4) responsibility to the community, and (5) profits. However, these categories proved insufficient for analyzing this data. Using the Wilson framework as a starting point, the researchers identified four distinct

categories of ethical values held by the subject entrepreneurs: (1) individual entrepreneurial values, (2) employee/cultural values, (3) customer/quality values, and (4) external accountability values.

The first category consisted primarily of personal values with respect to integrity, honesty, and work ethic. The second category was comprised of concern for organizational culture and employee well being, institutionalized in the form of assistance programs, employee benefits, and programs that rewarded and recognized desired employee behaviors. The third category indicated a belief in providing quality products or services and in satisfying the customer as evidenced in policies that provided the customer with quality in price, product, service and value for payment. Finally, the last category included issues relating to community, natural environment, political and legal responsibility, and accountability to the firm's stakeholders.

Content analysis allowed the authors to identify broad categories where the entrepreneurs made decisions that were ethical in nature. In addition, statements with explicit or implicit entrepreneurial values embedded in them were also aggregated. This part of the data analysis resulted in identification of areas in which entrepreneurs make ethical and/or socially responsible decisions during new venture creation and development and answered the research question posed in part one of the study (See Table III).

Reproducibility, the extent to which classification produces the same results when the text is coded by

TABLE III  
Sample ethical concepts data analysis

Concept	Sample data coded to each category
Consistency	Ent. 2: "...all of our executives just took it as a given that they were going to treat the employees whether plant employees or office employees with consideration, with dignity, with respect, recognizing that every person was entitled to self esteem and no abusive behavior."
Respect for individuals	Ent. 6: "Believing in them and letting them do their job to the best of their ability I think is very, very important."
Autonomy for all	Ent. 7: "I think I give them enough elbow room and enough leeway to make their own decisions."
Equal liberty	Ent. 3: "...we have to make them feel comfortable in criticizing the company whenever they feel it's necessary."
Equal opportunity	Ent. 4: "...we give them all the opportunity, all the responsibility that they are willing to take."



more than one coder, was the most important reliability issue in this study. This problem was addressed by developing and using a dictionary of words, concepts, categories, and relationships in coding the qualitative data. Intercoder reliability checks were performed with initial comparison of the coding showed agreement of 92%. After discussion of areas of discrepancy, 100% agreement was reached.

There were two major limitations of this dissertation research design. First, the sample size was small making generalization to the larger population of firms difficult, if not impossible. In this study, the authors chose to probe for greater depth of understanding using a small sample with the hope that future studies may be conducted on a larger scale to achieve greater understanding of variation. Second, the study used retrospective accounts by the entrepreneurs, which have sometimes been associated with errors of memory, as its primary source of data. Golden (1992) cautioned that recollection of past facts and behaviors are likely to be more accurate than accounts of past beliefs and intentions, which are more subjective. The data in this study were collected using a broad-grained research design employed to collect facts about the behaviors of the founding entrepreneur, with no probes for beliefs or intentions. Secondary sources were also used whenever possible to verify data collected from the entrepreneurs. Secondary sources included Dun & Bradstreet reports and newspaper stories about the companies. In no case did the archival data vary significantly from the interview data. Therefore, the authors feel that retrospective errors in memory have been minimized.

Once the data had been coded, all data that related to ethical decisions and underlying values were compared with the framework of ethical concepts to ascertain whether or not the entrepreneurs had used those concepts as guides in their decision-making.

### Findings of the research

During the analysis in part one of the study, the authors identified four distinct categories of ethical values held by the subject entrepreneurs: (1) individual entrepreneurial values, (2) organizational

culture/employee well being, (3) customer satisfaction and quality, and (4) external accountability. The first category consisted primarily of personal values with respect to integrity, honesty, and work ethic. The second category was comprised of concern for organizational culture and employee well being, institutionalized in the form of assistance programs, employee benefits, and programs that rewarded and recognized desired employee behaviors. The third category indicated a belief in providing quality products or services and in satisfying the customer as evidenced in policies that provided the customer with quality in price, product, service and value for payment. Finally, the last category included issues relating to community, natural environment, political and legal responsibility, and accountability to the firm's stakeholders. (See Table IV).

Data analysis of the interviews showed a total of 15,600 words used in discussing areas where the entrepreneurs were required to make ethical and/or socially responsible decisions during new venture creation and development. This amounted to 10.9% of the interview data being linked to these areas even though no questions were asked to solicit information about business ethics or the social responsibility of business. The largest amount of this data (6.2% of the word count) was associated with development of the organization's culture – something that was achieved primarily through development of individuals within the organization. Entrepreneurial values were put forth in 2.1% of the data, while external accountability accounted for 1.4% of the word count. Finally, customer satisfaction and quality issues resulted in 1.4% of the total interview data coded, the areas where entrepreneurs make ethical and/or socially responsible decisions during new venture development. The values held and decisions made within each of these categories were then analyzed to see if they were consistent with the ethical frameworks outlined in Table II.

### *Entrepreneurial values*

The first category, individual entrepreneurial values, was determined to be the integration of three values prized by the entrepreneurs: integrity, honesty and a strong work ethic. The entrepreneurs believed that

TABLE IV  
Examples of data coding for each category

Coding category	Word count (Percent of total interview data)	Sample data coded to each category
Individual entrepreneurial values	<i>n</i> = 8,840 (6.2%)	Ent. 2: "So if you find that you're been going the wrong way, have the courage to be able to admit it and change it. A lot of people are too proud to ever admit they were wrong." Ent. 3: "I've always believed that if you do business with people there has to be trust."
Organizational culture/Employee well-being	<i>n</i> = 2,977 (2.1%)	Ent. 4: "We groom them and we help them and we give them all the opportunity, all the responsibility that they are willing to take." Ent. 8: "I think the treatment, the way you treat your employees, determines a lot about how they treat you."
Customer satisfaction/Quality	<i>n</i> = 2,048 (1.4%)	Ent. 7: "Every single manual starts off with "Everyone is responsible for customer satisfaction"." Ent. 10: "... it's really an every day experience where you are trying to improve the quality of the product you're trying to deliver to the customer."
External accountability	<i>n</i> = 1,735 (1.2%)	Ent. 5: "I am a big advocate of volunteerism. I believe in community rent." Ent. 9: "Part of our corporate value system is to be a good corporate citizen and to be good citizens individually."

good faith and sincerity in dealing with their organizational stakeholders was important. Additionally, the entrepreneurs thought that honesty really was the best policy. For example, one entrepreneur stated that, while working for IBM, "I loved the corporate ethics, I loved the corporate culture...(we strove) to achieve and to honor...We knew we were moral and ethical...That was a wonderful time." The mind-set of this entrepreneur in his attitude towards IBM appears to be an integral part of his attitude towards business as a whole and have influenced his decision-making in his role as entrepreneur.

Using the Kantian analysis, it is clear that this statement is in accord with the three tests. The values of integrity, honesty and a strong work ethic can be considered universally consistent: the entrepreneur would accept such good faith displayed towards himself and, in this case, clearly takes that approach himself. This approach is also consistent with the second test: the treatment of persons as inherently valuable. The use of integrity, honesty and work ethic indicates an appreciation of the same traits in others: the very basic meanings of the concepts argue that the holder of these beliefs would

honor others for their basic own value. Finally, these three values also imply an appreciation of the freedom of oneself and others to freely and knowingly make their own decisions.

Integrity, honesty and a strong work ethic would also be accepted under Rawls' theory of justice. These attributes themselves imply an acceptance that others have the same basic rights as the decision-making entrepreneur and an appreciation that opportunities do come to those who hold these values, especially the value of the strong work ethic. Behind the veil of ignorance, in the original position, one would hope to be treated with integrity and honesty and one would hope to be allowed to pursue the most advantageous opportunities available in society. Thus, the rule-making entrepreneur would adopt these values as elements of his scheme to achieve fairness in the business world.

*Organizational culture/employee well being*

The second construct was found to be an internal one, as well. In the construct of organizational culture/employee well being, the identifying

characteristics were deemed to be the existence of several things: employee assistance programs, employee benefits, employee training programs, and employee empowerment. In imparting information about his company to the interviewer, one entrepreneur made reference to the firm's statement of identity. "And this went out to all our employees and ... all employees came together ... as a special group of people in a highly selective environment and I wanted to communicate this to them." Another entrepreneur said: "(Y)ou give them (the employee) an opportunity to grow and expand their horizons and vision, they will be able to handle bigger and more responsibilities...We put in an ESOP over the years to try to create that feeling of ownership and growth opportunity and it was well worth it. It worked out extremely well." "If they like the business, we kind of begin to put them in a training program and bring them along and develop them."

These quotations can be shown to be consistent with societal standards of ethics, as well. The Kantian analysis would support this construct. Most people would appreciate being aided through-employee assistant programs, employee benefits, employee training programs, and employee empowerment. Even more, consider what one would feel if loved ones were treated this way. This would provide an avenue of growth or advancement for individuals. Further still, to be universally consistent under the Kantian analysis, one would have to accept one's sworn enemy being thus helped. Rational people would even accept this, as it may educate the enemy to a position more in keeping with one's own. This construct also shows the value of people as ends in themselves, not just as means to the entrepreneurial end of profit. For instance, many employee assistance programs include treatment plans for people suffering with various addictions. Again, this implies a concern for the *person*, not the employee. Finally, these subconstructs aid in recognition of the ability of employees to freely determine their own paths. These programs are available to those who wish to participate, who wish to advance. Thus is the freedom of the entrepreneurs' employees preserved.

The construct of organizational culture/employee well being is a moral standard that is also supported

by the societal standard set by Rawls. The subconstructs allow all the employees equal freedom to protect themselves via insurance and to advance themselves. The employee empowerment and training programs are especially noteworthy as being consistent with Rawls' position that all persons, including the least advantaged, should have access to the most advantageous offices in society. Entrepreneurs that have these subconstructs in place are facilitating the use of the difference principle and the principle of equality of opportunity.

#### *Customer satisfaction & quality*

Quality/customer satisfaction was reflected in the entrepreneurs' desire to charge a fair price for a quality product or service, wherein there was value given for payment received. There were many statements from the entrepreneurs regarding the desire to produce quality. "We're going to be a company that is going to turn out the highest quality product." "If we say the building will be completed in 16 months, it will be done in at least 16 months. No matter what it costs and we will keep our word." These two statements are indicative of the commitment the subject entrepreneurs had to provide quality products and services to its customers. Again, as well, a review of the fit between the three moral frameworks and these entrepreneurial values indicates a good fit.

Under the Kantian analysis, the provision of quality is obviously something these entrepreneurs would give and would want in return. Thus, such an interest in quality is consistently universal. The provision of quality to customers treats them as inherently valuable: they are to receive the highest quality workmanship and service because they are the customers, not because the entrepreneurs seek to make a profit. Lastly, the customer's freedom to choose is respected: he can acquire goods and services from these entrepreneurs, who themselves value quality, or he is free to take his business elsewhere.

Using the Rawlsian analysis, that the entrepreneur provides quality is his free choice, as he respects the freedom of others to choose his products/services or not. Additionally, the provision of quality means that the customer is getting good value for his payment. Economic principles

tell us that perceived surplus value we gain in trading is to our advantage. Thus, the second set of Rawls' principles is met. The entrepreneur provides the basis of quality upon which the customer himself builds his existence.

#### *External accountability*

The final construct was found to be one which considered the external environment, namely the concept of external accountability or accountability to the business community and society itself. For example, one entrepreneur notes with approbation the entrance of women into the work force: "(A) woman in business today (is seen) as absolutely no problem." "We're really interested in people that are doing something in the community...I am a big advocate of volunteerism. I believe in community rent...to be involved in the community and able to offer something else. It's been a win-win situation." All these statements and many others support our proposition that entrepreneurs are interested in serving the needs of the community and of being a proactive, integrated member of society. The application of the two ethics frameworks supports this conclusion.

Under the Kantian analysis, the first test of consistent universality is met – the community and these entrepreneurs embrace business intervention and involvement, as witnessed by their acceptance and offer of corporate sponsorship of various events and charities. They appear to believe in and accept the symbiotic nature of the relationship between business and the community. The second Kantian test is also met: aiding the community without payment is a clear sign of respect for the community and its members aside and apart from any benefit the firm might derive from its actions. Finally, the Kantian test of respecting the freedom of the community and its members is passed: these entrepreneurs are free to participate in community affairs and the community is free to accept such participation.

The construct of external accountability can be shown to have ethical validity via the Rawlsian analysis. Clearly, the entrepreneurs' acceptance of women in the workforce, just as an example, reflects the acceptance of equal liberties in the work force.

In fact, many of the statements made by the entrepreneurs reflect an acceptance of equality and equal liberties both in the workforce and in the community, externally. The same statement is equally supportive of the concept of equality of opportunity. Any person or business should be able to compete freely in a society that espouses the concept of equality of opportunity, as the United States capitalistic system does.

#### **Conclusion and implications**

Using several ethical frameworks for comparison purposes, this study has allowed the authors to extrapolate whether or not societal standards and individual entrepreneurs' standards differ and the potential consequences of these differences on the success of new ventures. The results have been evaluated using the Kantian analysis (Kant, 1964) and the Rawlsian (Rawls, 1971).

Such a comparison has revealed that the ethical values that these entrepreneurs either explicitly or implicitly acknowledge are similar to those recognized as societal standards, either legally or ethically. The symbiotic nature of the relationship of business and society postulated at least some match between societal standards of ethics and individual subjective standards of ethics, and this appears from the small sample examined here to be true. That this is so strengthens the precept that these entrepreneurs value ethics and acknowledge the value of ethics to society and their own businesses.

This is particularly reassuring since so many successful entrepreneurs are put forth as role models for society. At a time when corporate downsizing, rightsizing, and outsourcing have dramatically extinguished the concept of the benign corporate "parent" who would provide job security into retirement, business founders who go the extra mile to make ethical and/or socially responsible choices as they develop their firms are truly worthy of our admiration. The fact that these founding entrepreneurs appear to share societal values of integrity, honesty and a strong work ethic – and that they allow those values to guide their decisions during the building of their companies – supports those writers and researchers who have long argued that success in business does not have to be achieved by

ignoring those basic values that we, as a society, cherish.

Indeed, it appears that these successful companies have developed cultures that support employee development and well-being. In so doing, they have been able to reap the benefits of a productive and stable workforce. It is also possible that the nurturing environments for employees that they created have contributed to the creativity and innovation in their companies. Small, entrepreneurial firms have been identified over and over as engines of new product development. If, in fact, the environments in these firms have led to increased creativity, then being a supportive and nurturing employer could be a factor in the successful performance of the company. Future research should identify and describe the ways in which similar firms have developed such cultures.

The founding entrepreneurs in this sample have also instilled in their workforce a concern for customer satisfaction and a dedication to the quality of the product or service the firm is offering in the marketplace. Again, it appears that the underlying values of the entrepreneurs have been translated into actions for their customers that have led to success. Research in the area of total quality management has continued to link these particular concepts to the continued growth and prosperity of such businesses.

The communities in which these companies flourish have been the beneficiaries of their commitment and munificence. The companies in this sample appear to have seen the value of “giving back” and, in so doing, have created strong bonds that have bolstered their reputations as corporate citizens and worthwhile organizations. As a result it may be that they are more likely to have a stronger workforce applicant pool and, therefore, a stronger workforce. Their reputations as strong community citizens may have had a “halo effect”, resulting in a more favorable view of the products or services they offered. Clearly it would be difficult to document such a complex relationship, especially in a world where so many variables are also affecting customer, community, and employee perceptions and choices. However, future research should attempt to begin the process of tracing these complex interactions. Continued study of the role of corporate reputation on the buying choices of consumers might yield hard data to support the concept of “giving back” to the

community and achieving increased positive business performance at the same time. A longitudinal study of firms that have worked to build strong positive corporate reputations over time would be a fertile ground for analysis.

Finally, it is important to consider whether the findings of this study apply to older and/or larger organizations. Are there factors that change the value-driven decision processes that founding entrepreneurs develop during the early and high-growth stages of firm development? Do things change as firms grow? Does the inclusion of more individuals in the management team lead to a dilution of the values-driven decision processes? It may be that the findings of this study do not apply to these larger organizations. Indeed, a larger sample of new ventures may not yield the same results as this study. A full-blown follow-up study with a large sample of firms may show that the values that drive founding entrepreneurs vary from those presented here. Future research would shed light on these questions.

These entrepreneurs all created and developed their businesses in the United States where resources are more abundant and laws are more pro-business than in most other parts of the world. As stated previously, in the U. S. the entrepreneur has long been admired and emulated. Researchers may find that conditions in other cultures are so different that these findings are not applicable.

Finally, in a world where business has such a strong impact on where we live, how we live, and, sometimes, whether we live, it is reassuring to know that many businesses are being developed by individuals who share societal values and allow those values to guide their decision-making processes. When these businesses prosper, we all prosper.

## Appendix 1

### *Interview guide*

1. Give me a little background about yourself. How did you end up in this business?
2. How did you identify the business opportunity and evaluate the potential of the business before you started up?
3. Did you have a fully developed concept of the business when you began? If not, how

- did it develop? How has it changed over time?
4. What resources did you need to get started? How did you acquire them?
  5. How did you market your company in the beginning? Has that changed over time? How important is marketing in your business?
  6. Do you compete mainly on price, quality, differentiated service or product –or in some other way? Who do you see as your competition?
  7. How do you produce your product or service? Has that changed over time?
  8. Has technology played a significant role in the development of your business?
  9. As new ventures grow, their cultures develop. How would you describe the culture of this company? How have you influenced the development of culture within your company?
  10. With growth comes the formalization of structure. What kind of structure does this company have and why did you choose that particular form?
  11. With growth, systems and processes must be put in place. What systems and processes did your company develop? Which were most important? How did your employees react to them?
  12. How have you managed the transition from startup entrepreneur to manager of such a large business?
  13. Do you foresee selling the company, retiring, or turning it over to other management in the near future?
  14. What do you see as the future of the business?
  15. What was the state of the industry when you entered it? How has that changed over time?
  16. How have you developed the people in your company over time?
  17. Were there any people who were especially important in helping you develop the ideas or experience necessary to begin the company?
  18. How does the decision-making process in your business work?
  19. Do you do research and development for either products or processes for the business? If so, how do you do that?

20. Have you ever reached a point where you had to redefine your business concept? When did that occur and how did you do that?
21. Are there other tasks associated with startup and development of your business that you found essential to the success of the venture that we haven't discussed?

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Dinah Payne

Professor of Management and Engineering Management

University of New Orleans

New Orleans, LA, 70148,

U.S.A.

E-mail: [dmpayne@uno.edu](mailto:dmpayne@uno.edu)

Brenda E. Joyner

Professor of Management

Loyola University New Orleans

6363 St. Charles Avenue, Box 15

New Orleans, LA, 70118,

U.S.A.

E-mail: [bjoyner@loyno.edu](mailto:bjoyner@loyno.edu)