Entrepreneurial Tricks and Ethics Surveyed in Different Countries

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ABSTRACT

To resolve entry and growth problems, entrepreneurs use creative solutions or tricks, which some may find to be ethically questionable. Generating mistrust is a negative consequence when engaging in entrepreneurial tricks. In spite of that, 66% of entrepreneurs (out of 201 respondents) and 76% of business students (out of 213) consider using some tricks as absolutely necessary if an entrepreneur wants to succeed in his or her domestic business environment. Surprisingly optimistic, 52% of entrepreneurs and 57% of students believe that business ethics can be improved substantially by teaching business ethics to entrepreneurs. And of course, there are different levels of ethics standards or custom practices in different countries emerging from our survey in five countries and a few responses from 21 other countries. The authors also discuss the possible future for business tricks, and if there might be any benefits of them.

Keywords: Business Education, Business Ethics, Business Management, Case Study, Creative Problem Solving, Entrepreneurial Tricks, Entrepreneurship

INTRODUCTION

New ventures are difficult to start because customers and business partners prefer not work with companies in the initial, risky, developmental phase. There is a liability of newness that causes outsiders to wonder if the ventures will survive to deliver products or pay debts. In response, entrepreneurs use creative techniques (tricks) to overcome this such as: “Optical enlargement of a business”, “Fictitious location of a company” or “Spying on competitors”. Tricks represent effective tools for starting entrepreneurs, namely in a very rigid environment.

Tricks are used not only by starting entrepreneurs; see for example the article by Stalks (2006) about curveball strategies in business. However, these techniques are forms of deception, and may be ethically questionable. To understand how different groups in different countries...
countries ethically perceive the same tricks, we initiated an empirical study.

Scholarly studies in business and economics literature addressing ethical issues have tended to focus on large, complex organizations. Illegal and corrupt practices attract national and international media attention. Books and articles regularly appear that expose unethical practices and advise executives on the consequences of actions and on how to infuse ethical values into corporations (e.g., Bakan, 2005; Ferrell, Fraedrich, & Ferrell, 2010; Schumpeter, 2010). Economic, environmental and social crises are often purported to have been caused by unethical behavior on the part of leaders of large corporations. Most students who acquire knowledge as a result of scholarly research will eventually be involved with or affected by new and small businesses, however. Thus, more attention needs to be given to the actions taken by entrepreneurs as they attempt to initiate and grow their ventures.

A few efforts have been made to examine the ethical practices and dilemmas of new and small businesses. Harrison (2005) observed that entrepreneurship has become a public policy issue in many countries that are seeking to improve their economies by encouraging business ownership. Moves toward reduction or elimination of regulations in order to spur venture formation can prove dangerous, however. Not all means of creating wealth are good for society. Harrison cites drug trafficking as an example. He also pointed out that ethical values vary by country, and that even within a particular culture, “entrepreneurs tend to be unconventional thinkers” (p. 124). By breaking away from social norms, their ethical behavior may be different than conventional managers. This notion of entrepreneurs varying both internationally and from others within their own country was also articulated by Obrecht (2004) (see also Bucar, Glas, & Hisrich, 2003; Teal & Carroll, 1999). He suggested that such variance does not prevent the consideration of ethical conduct and even the development of ethical standards. Specifically, he argued that the ethical part of entrepreneurial behavior influences the building and maintenance of trust in relationships, subsequently reflected in a variety of networks: cooperative, institutional, personal and transactions. Olbrecht’s model builds on some of the classics of the literature, including Donaldson (1968) and Kirzner (1973).

The word ‘integrity’ is gaining greater usage in the prescriptions for entrepreneurs to be successful in building their relationships and growing their ventures. Acknowledging multiple explanations for unethical behavior, Kuratko and Hornsby (2009) urge entrepreneurs to prepare and adhere to ethical codes of conduct. Drawing from Keyes, Stirling, and Nielsen (2007), they contend that both businesses and consumers prefer to engage in commerce with companies that have cultures of integrity. They propose a three-phased approach to embedding such a culture: 1) educating employees; 2) specifying rewards of ethical behavior and consequences of unethical behavior; and 3) providing coaching and intensive feedback.

Early investigators of ethics in entrepreneurship concentrated on attitudes of small business owners (Brown & King, 1982; Hornsby, Kuratko, Naffziger, LaFollette, & Hodgetts, 1994; Longenecker, McKinney, & Moore, 1989; Serwinek, 1992; Smith & Oakley, 1994). More recently, researchers have examined ethical variations among groups (e.g., gender, organizational size, functional activity, etc.), indicating a recognition that there is no universal perspective of ethics (Marta, Singhapakdi, & Kraft, 2008; Morris, Schindehutte, Walton, & Allen, 2002; Neubaum, Mitchell, & Schminke, 2004; Schminke, 2001). Some studies specifically examine instances in which legal boundaries have been crossed (Tonoyan, Strohmeyer, Habib, & Perlitz, 2010), the current investigation has chosen examples that are not illegal, but may be perceived as unethical in some contexts.

What preceded our current research? There was a preliminary study (based on 30 respondents only) which was presented in 2007. Then in 2008 we presented a survey based on
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