Comparison of Ethical Behavior: Individual Perceptions and Attitudes Toward Entrepreneurs

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The identification of traits that separate entrepreneurs from the general population has proven unfruitful, leading to favor for a behavioral approach toward the study of entrepreneurship (Gartner, 1988). This approach views the entrepreneur as a role where an individual plays the part of an entrepreneur. In this sense, an entrepreneur becomes a category, composed of individuals, with its own set of defining characteristics. The purpose of this article is to assist in determining the ethical perceptions people hold of individuals characterized as entrepreneurs compared to their self evaluations. We investigate how these differences affect employer preference, likelihood of new venture creation, and whether prior entrepreneurial exposure influences ethical perceptions. Further, demographic characteristics are explored, implications for practice are discussed, and recommendations for future research are given.

INTRODUCTION

Up to this point, the ethics of many categories of business people have been examined from different perspectives. Cole and Smith (1996) compared perceptions of business people to the typical person from the perspectives of both students and business people. Peppas and Diskin (2001) compared business students with and without formal classes in ethics. Bucar and Hisrich (2001) compared the self-report of ethical practices of business managers to entrepreneurs. Medlin & Green (2003) compared the ethical attitudes and perceptions of small business owners/managers employing less than 100 employees. And finally, Longnecker, McKinney, and Moore (1989) investigated the unique ethical issues of small firms compared to large firms. The purpose of this article is to fill one of the remaining gaps by comparing the self-report of business students to their perceptions of entrepreneurs concerning ethics. Thus, some important questions remain; do students perceive themselves to be more ethical than entrepreneurs, are the ethics of students closer to their perceptions of business managers or entrepreneurs, what factors may
contribute to these differences in perception, and are students that perceive entrepreneurs to be highly ethical more likely to start their own business?

Our analysis uses a sample of business students because they simultaneously represent two stakeholder groups - employees and customers. As business students, they are either already employed or in training to become future employees. As future employees, they are resource that businesses must attract to survive. Their perceptions play an important role in where they will search and eventually find employment. As customers, their perceptions of entrepreneurs are relevant because they may be more inclined to purchase from entrepreneurs if they place value on ethical behavior and perceive them to be more ethical.

LITERATURE REVIEW AND HYPOTHESES

Taken as a whole, entrepreneurs are associated with responsible ethical behavior when compare to other groups (Lepoutre & Henne, 2006; Solymossy & Masters, 2002; Teal & Carroll, 1999) and also perceive themselves to be more ethical than others (Tillery, 2000; Vitell, Dickerson, & Festervand, 2000). Based on self-report data from entrepreneurs and managers, Bucar & Hisrich (2001) found entrepreneurs to rate themselves more ethical. This body of research paints a clear picture that most groups perceive entrepreneurs to be more ethical than traditional business managers who are employed by others. Explanations for higher ethical standards among entrepreneurs include a greater commitment to the expectations of society (Solymossy & Masters, 2002), social contract theory (Bucar, Glas, & Hisrich, 2003), use of personal values (Bucar & Hisrich, 2001), and stakeholder and agency theory (Batchelor, Gibson, & Harris, 2010).

Students express a general concern about ethics in business (Beltramini, Peterson, & Kozmetsky, 1984). Cole and Smith (1996) found that students hold a lower ethical view of business people than business people do of themselves. Interestingly, they also found that the same group of students was more accepting of questionable ethical responses than business people. It seems somewhat confusing that these students view themselves ethically superior to business people, yet report to be more accepting of questionable ethical behaviors. This may be explained by research supporting the idea that people, in general, tend to rate themselves as more ethical than others (O’Clock & Okleshen, 1993; Tyson, 1992). Based on the overall trend that entrepreneurs are generally perceived as being more ethical individuals, particularly compared to business managers, we believe entrepreneurs and business students should hold very similar ethical beliefs. But, the tendency of individuals to upwardly bias reports of their own ethical beliefs leads us to predict that students will rate themselves more ethical than entrepreneurs, leading to the following hypotheses.

H1. Business students will self-report higher ethical responses than their perceptions of the ethical responses of entrepreneurs.

Partly due to their agency relationship, business managers are required to compromise their personal values, aligning them with those of their company, more often than are entrepreneurs (Bucar & Hisrich, 2001). Additionally, entrepreneurs are likely to be more sensitive to the expectations of society than their corporate counterparts (Humphreys, Robin, Reidenbach, & Moak, 1993).

Agency and stakeholder theories are often used to understand the differences between the ethical behaviors of entrepreneurs and business managers. Agency theory describes the relationship that most business managers have with their organization. It is one whereby a party (the principal) delegates his or her authority to another party (the agent) by engaging the agent to perform some service or action on behalf of the principal. This relationship results in an implied contract where the actions of the agent (business manager) are limited and or guided by the wishes of the principal (organization) (Hill & Jones, 1992; Jensen & Meckling, 1976; Ross, 1973). The contract mentioned here may be one that limits the actions of the business manager to those that will either maximize profit or performance, thus at times limiting their ability to act ethically.
Because entrepreneurs are self-employed, they do not answer to a principal, instead they have obligations to stakeholders. This point is explicitly stated in our questionnaire for the purpose of removing confusion respondents may have. Stakeholder theory proposes that when entrepreneurs make decisions, they should take into account the interest of all who have a stake in the organization (see Jensen, 2002, concerning general stakeholder relationships). These stakeholders generally include shareholders, customers, employees, suppliers, and the community at large (Bucar et al., 2003). Here, stakeholder theory can be understood to imply that entrepreneurs do not have an implied fiduciary contract, as do business managers, who are limited in their ability to act ethically. Instead, they have relationships to maintain with stakeholders that may induce them to behave more ethically then they would otherwise.

Thus far, we used the terms small business owner and entrepreneur interchangeably. This is common in much of the entrepreneur literature (Solymossy & Masters, 2002). We are sensitive to the differences some may find between these two groups but find drawing a distinction irrelevant to the topic at hand. This is primarily because both entrepreneurs and small business owners lack traditional agency. Solymossy and Masters (2002) state the following, “Both entrepreneurs and small business owners/managers act as principal as well as agent in their businesses, exempting them from a number of agency issues facing larger organizations” (p. 236). We believe that their justification applies equally as well to our analysis. Additionally, it is reasonable to assume that the students responding to our questionnaire are not aware of the fine distinctions between the two groups. Thus, dividing the groups in our discussion would be misleading.

While business students may not be aware of the theoretical underpinnings just mentioned, it is reasonable that they may have some intuitive understanding that stakeholder and agency relationships exist. They must understand that most, if not all business people employed by others answer to a higher authority and must therefore act according to their wishes. Further, they should understand that entrepreneurs are, for the most part, free to make ethical decisions based on their own personal belief system instead of relying on corporate policy to dictate their actions. This is in line with the view that small business may serve to reduce the “bureaucratic pressure to act unethically” (Longenecker et al., 1989, p. 31) that exists in large firms.

By comparison, students and entrepreneurs are very similar. They do not report to any one centralized authority on a regular basis. Instead, they have interactions with many different stakeholders. Student stakeholders are parents, professors, and fellow students which compare nicely with the financial, customer, and employee stakeholders of entrepreneurs. Often, parents provide financial support to students like banks do for entrepreneurs, customers provide monetary feedback in the same way professors provide feedback as grades, and fellow students and friends interact with students on a daily basis much as employees do with their entrepreneurs. In all these stakeholder relationships, entrepreneurs and students are free to act as ethically as they choose without reporting to one centralized authority, yet need to maintain favor with these stakeholders. Thus, viewing the entrepreneur and student subject to stakeholders and managers subject to agency restrictions, it follows that students and entrepreneurs will be able to employ their personal values in a way that leads to similar ethical behavior, leading to the following hypothesis:

H2. Business students reported ethical beliefs will be more similar to their perceptions of entrepreneurs than business managers.

Prior research has established a link between ethical beliefs and exposure to information pertaining to the business environment. Cagle and Baucus (2006) found that students have a more favorable view of business people after completing case studies informing them of how business people stand up to corruption. In regard to work experience, Ruegger and King (1992) found that students with limited work experience were less ethical than students with more work experience. In further refining what type of work experience increases positive attitudes toward business, there is evidence that work with small businesses (Peterman & Kennedy, 2003) and family businesses (Reitan, 1996) lead to higher ethical
perceptions of business ownership. With respect to family business exposure, it is likely that the perceived similarity between the individual and business owner is likely to lead to higher levels of liking and perceived morality, as compared to dissimilar others (see Byrne, 1961). For these reasons we propose that prior family business exposure will lead to more ethical perceptions of entrepreneurs, as stated in the following hypothesis:

**H3.** Business students with prior family business exposure will rate entrepreneurs higher than students without prior family business exposure.

The premise of similarity attraction theory is that, “Similarity on attributes such as attitudes, values, and beliefs will facilitate interpersonal attraction and liking” (Mannix & Neale, 2005, p. 31). This theory is especially relevant here because it applies to perceptions of strangers. Byrne (1961) finds that similar strangers are perceived to be better liked, more intelligent, and more moral than dissimilar strangers. The students in this study specifically evaluate entrepreneurs but in a more general sense, they are evaluating strangers. Based on the tenants of similarity attraction theory, students that ranked entrepreneurs high on ethics should perceive entrepreneurs to be more like themselves than students rating entrepreneurs low. Other findings in the attraction paradigm state that similar attitudes and beliefs lead to higher levels of attraction (Newcomb, 1961). Taking into account that people in general tend to rate themselves more ethical than others (O'Clock & Okleshen, 1993; Tyson, 1992), students that rate entrepreneurs to be more ethical than themselves should fundamentally share at least the same level of views on ethical behavior. Thus, this shared view of ethical behavior should lead to perceptions of similarity leading to attraction. This attraction to entrepreneurs may cause these students to view self-employment to be a desirable career choice leading to a higher desire to start a business in the future, resulting in the following hypothesis:

**H4a.** Business students ranking entrepreneurs to be more ethical than their self-reports will be more likely to desire to start their own business.

A perceived similarity with entrepreneurs may be due to having family members that own a small business. Family members are argued to influence the decisions of business leaders (Gingerich, 2010). It is possible that this influence is based, in part, on perceptions of similarity. Because family members should share some sense of similarity, and similarity leads one to perceptions of higher morality (Byrne, 1961), students with immediate family members owning a small business should be more likely than others to perceive entrepreneurs to be highly ethical (indicated by ranking entrepreneurs to be more ethical than themselves).

**H4b.** Business students ranking entrepreneurs to be more ethical than themselves will be more likely to have immediate family members that own a small business.

We now turn our attention to how demographic categories affect whether students ranked entrepreneurs or themselves to be more ethical. Specifically, we look at ethnicity and gender. The research on differing ethical beliefs between ethnicities is sparse at best. What is available provides little direction on which to base a direction for our hypothesis. Early research from England (1975) points that it is reasonable to assume that different cultures do have differing ethical beliefs. Specific findings on these differences range from Caucasians being more ethical (McCuddy & Perry, 1996), to Caucasians and African Americans holding similar beliefs (Tsalkis & Nwachukwu, 1988), to minority subjects being more ethical on one dimension (Atkins & Radtke, 2004). Findings specific to a business context suggest that minority students may have lower ethical perceptions of businesses than their Caucasian counterparts (Tat, 1981). Batchelor et al. (2010) found that minority students judged both entrepreneurs and managers to be less ethical than Caucasians. These results lead us to suppose that there will be differences in how minorities and Caucasians specific to rating either entrepreneurs or themselves to be more ethical. Because minorities have been shown to rate both entrepreneurs and managers lower than have
Caucasians, we predict that they will be less likely to rate entrepreneurs higher than themselves relative to Caucasians.

H5. Minority business students will be less likely to rate entrepreneurs to be more ethical in their self-report than will Caucasian students.

Taken as a whole, past research on ethics concerning sex differences shows there to be either no gender differences (Brady & Wheeler, 1996; Hagerty & Sims, 1978; McNichols & Zimmerman, 1985), or females to be more ethical than males (Beltramini et al., 1984; Betz, O'Connell, & Shepherd, 1989; Ruegger & King, 1992). These findings seem to indicate that if there is a difference in ethical beliefs based on gender, it points toward females being more ethical. When analyzing entrepreneurs, Bucar & Hisrich (2001) found that female entrepreneurs are slightly more ethical than their male counterparts. Female students have also been shown to perceive entrepreneurs more ethical, than do male students (Batchelor et al., 2010). We are not aware of any research to date that compares female self ratings to their ratings of business people. It is possible female students, while unaware of research on the topic, perceive themselves to be more ethical than males. Thus, when perceiving entrepreneurs as a group containing, females may view the male representative to produce a downward effect on the group as a whole. This leads us to hypothesize that females will give themselves higher ethical ratings than entrepreneurs viewed as a mixed group collective.

H6. Female business students will be less likely to rate entrepreneurs to have higher ethical standards than their self-report, compared to their male counterparts.

**METHODOLOGY**

**Participants**

Participants consisted of students enrolled in two large southeastern universities. A total of 150 surveys were completed. Some were returned incomplete resulting in a final set of 114 usable surveys. The sample population was fairly diverse: 43% male, 72.7% Caucasian, and an average age of 26.7 with ages ranging from 18 to 57. While technically “students” many respondents were either employed full-time (47%) or part time (32%).

**Procedure**

Beginning in the summer of 2009 through the spring of 2010 business students were asked by their instructors to complete a voluntary, anonymous online survey. The purpose of the research study was stated as examining the ethical perceptions of entrepreneurs, managers, and business students. Survey completion was completely voluntary, but some students did receive extra credit for their participation.

**Measures**

Students’ personal ethical beliefs and their perceptions of the ethical beliefs of entrepreneurs were measured with an instrument based on the model used by Bucar and Hisrich (2001). Students were given 32 behavioral descriptors and asked to indicate their extent of agreement; first based on their personal ethical beliefs, then as they believed the typical entrepreneur would respond, and finally, how they believed a typical business manager would respond. The items were rated with a five-point Likert scale ranging from 1 “Never” to 5 “Always.” The alpha reliabilities of all three scales were all high, specifically .91, .93, and .88 for entrepreneurs, managers, and students respectively.

In addition to the behavioral descriptors just mentioned, respondents were asked two questions, using the same format as the behavioral questions, pertaining to their likelihood and intentions of starting a business in the future. Additionally, students were asked to respond either yes or no to the question “Has anyone in your immediate family ever owned a small business?” Finally, participants were asked to provide basic demographic information such as age, sex, and race.

**Analyses**
Unless otherwise noted, independent sample t-tests were performed to determine if significant differences existed between the groups analyzed in this study. It was necessary to use one-way ANOVA when the means of a third group (business managers) were added to our analysis.

RESULTS

In order to assess whether students rated themselves to be more ethical than entrepreneurs and if student self-ratings were more similar to entrepreneurs than managers, a one-way ANOVA was performed to test the means of the three groups. The results of this test are listed in Table 1. Consistent with hypothesis 1, students did significantly rate themselves to be more ethical than their perceptions of entrepreneurs. The mean score of 72.252 for students was lower than the mean score for entrepreneurs 76.688, with a lower score indicating a more ethical rating. The difference between these means was significant at the p < .05 level, thus providing support for hypothesis 1.

Hypothesis 2 predicted that student self-ratings would be closer to their ratings of entrepreneurs than business managers. The results from Table 1 show that the differences between the means of all three groups analyzed (students, entrepreneurs, and managers) were significantly different (p < .05), and that the student rating mean of 72.252 is closer to the entrepreneur mean of 76.688 than the mean manager rating of 79.766. These results provide clear support for hypothesis 2.

TABLE 1
DIFFERENCES BETWEEN GROUPS

<table>
<thead>
<tr>
<th></th>
<th>Student (N = 114)</th>
<th>Entrepreneur (N = 114)</th>
<th>Manager (N = 114)</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall Ethical</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Behavior Score</td>
<td>Mean</td>
<td>72.252</td>
<td>76.688</td>
<td>79.766</td>
</tr>
<tr>
<td></td>
<td>SD</td>
<td>14.307</td>
<td>16.987</td>
<td>19.720</td>
</tr>
</tbody>
</table>

* Significant at p < .05.

As predicted in hypothesis 3, we expected prior family entrepreneurial exposure to affect student perceptions of entrepreneurs; however, this hypothesis was not supported. The ethical perceptions rating of entrepreneurs were very similar for students with and without prior entrepreneurial exposure, 76.395 and 77.143 respectively. As indicated in Table 2, these values did not differ significantly, failing to provide support for hypothesis 3.

TABLE 2
DIFFERENCES BASED ON FAMILY MEMBER OWNING BUSINESS

<table>
<thead>
<tr>
<th></th>
<th>Prior Ent. Exposure (N = 65)</th>
<th>No Prior Ent. Exposure (N = 49)</th>
<th>t</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneur Ethical</td>
<td>Mean</td>
<td>76.395</td>
<td>77.143</td>
</tr>
<tr>
<td>Rating Total Score</td>
<td>SD</td>
<td>17.303</td>
<td>16.653</td>
</tr>
</tbody>
</table>

* Significant at p < .05.

Hypotheses 4a and 4b tested differences between groups based on participants ranking entrepreneurs to be more ethical than students. To test these two hypotheses students were split into two groups, those that scored entrepreneurs to be more ethical than their self-reports and those with self-report scores more ethical than entrepreneurs. A very small number of respondents that provided equal ratings of both groups were not included in this analysis.
A combined score from two items designed to test each student’s desire and intention to start his or her own business was used to test whether the two groups (students scoring themselves to be more ethical and students scoring entrepreneurs to be more ethical) differed significantly. As Table 3 shows, students that ranked entrepreneurs more ethical than themselves were significantly more likely to have entrepreneurial intentions, thus supporting hypothesis 4a.

Hypothesis 4b was tested in a similar manner to hypothesis 4a with the immediate family small business exposure variable substituted for the desire/intention to start a new business variable. As Table 3 shows, the means of these two groups (1.400 and 1.348) differed very little. This difference did not reach significance, failing to support hypothesis 4b.

### Table 3
**Differences Based on Starting Business/Family Member with Business**

<table>
<thead>
<tr>
<th>Ent. More Ethical (N = 35)</th>
<th>Stud. More Ethical (N = 69)</th>
<th>t</th>
</tr>
</thead>
<tbody>
<tr>
<td>Desire/Likelihood to Start Business</td>
<td>Mean 7.885</td>
<td>6.609</td>
</tr>
<tr>
<td>SD 2.040</td>
<td>2.378</td>
<td></td>
</tr>
<tr>
<td>Immediate Family Member Owns Business</td>
<td>Mean 1.400</td>
<td>1.348</td>
</tr>
<tr>
<td>SD .4971</td>
<td>.4780</td>
<td></td>
</tr>
</tbody>
</table>

* Significant at p < .05.

Hypothesis 5 predicted that minority students would be less likely than their Caucasian counterparts to score entrepreneurs to be more ethical than their self-reports. Table 4 shows the means of the two groups to be almost identical .3378 to .3333. Understandably, these values did not differ significantly, failing to provide support for hypothesis 5.

### Table 4
**Differences Based on Race**

<table>
<thead>
<tr>
<th></th>
<th>Caucasian (N = 73)</th>
<th>Minority (N = 31)</th>
<th>t</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rated Entrepreneurs More Ethical Than Student</td>
<td>Mean .3378</td>
<td>.3333</td>
<td>.061</td>
</tr>
<tr>
<td>SD .4762</td>
<td>.4795</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Significant at p < .05.

Finally, hypothesis 6 indicates that female students would be less likely than their male counterparts to score entrepreneurs to be more ethical than their self-reports. Table 5 shows the means of the two groups to be different, with males (.4255) more likely to score entrepreneurs more ethical than their female counterparts (.2632). Although these results are in the predicted direction, they just failed to reach significance at the p < .05 level, failing to provide significant support for hypothesis 6.

### Table 5
**Differences Based on Gender**

<table>
<thead>
<tr>
<th></th>
<th>Male (N = 47)</th>
<th>Female (N = 57)</th>
<th>t</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rated Entrepreneurs More Ethical Than Student</td>
<td>Mean .4255</td>
<td>.2632</td>
<td>1.753**</td>
</tr>
<tr>
<td>SD .4998</td>
<td>.4443</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

** Significant at p < .10
DISCUSSION

What is ethical depends on many different factors such as the perspective of the individual making the decision, the environment in which the decision is made, and the expected implications of the decision on others. In a sense, it is important to understand not only which groups are more ethical than others, but which groups’ ethical beliefs are more aligned. Toward this goal, this study examined the business student’s personal ethical perspectives and their perspectives of the ethics of entrepreneurs. Understanding the perspective of business students is important because they represent two stakeholder groups, potential employees and customers. Additionally, their perceptions of entrepreneurs are especially important because their creation and entry into small and medium sized ventures is essential for sustained economic growth (Teo & Poon, 1994) and possibly the ethical well being of society (Miller & Collier, 2010).

Business students rated themselves more ethical than their perceptions of entrepreneurs. The finding that students’ self-ratings are more closely aligned with the perceptions of entrepreneurs than business managers is important. While most studies show that entrepreneurs self-report to be more ethical (Bucar & Hisrich, 2001) and are perceived to be more ethical than other groups (Lepoutre & Hemne, 2006; Solymossy & Masters, 2002; Teal & Carroll, 1999), we are not aware of any other single study that has measured and compared the ethics of business students, business managers, and entrepreneurs simultaneously. Our finding that students’ ethical beliefs are more closely aligned with those of entrepreneurs than those employed by others is unique.

It is possible that ethical scandals such as Enron, WorldCom, and AIG, which have tarnished the view of many young adults toward large business, may not have exerted the same effect on their perceptions of entrepreneurs. Young adults may feel a closer tie to entrepreneurs than to faceless organizations because they are perceived to share similar ties with the same communities and are both vested in the community’s success. Further, the positive work environments and diverse responsibilities (Harris, Grubb, & MacKenzie, 2006; Teo & Poon, 1994) often associated with employment within entrepreneurial firms may cause business students to hold more positive views of entrepreneurs leading to higher ethical ratings.

These findings on group perceptions are also consistent with the contentions of stakeholder and agency theories. Agency theory presumes that the implied contracts to maximize wealth or goals that business managers have with their organization may limit their ability to behave ethically in some situations. Entrepreneurs are free from these limitations, instead answering to stakeholders such as employees, customers, and the community at large (Bucar et al., 2003). Being held accountable by these groups, as opposed to an agency contract, entrepreneurs may be inherently bound to act more ethically than business managers. As described in this article, business students answer to their own set of stakeholders such as parents, professors, and colleagues which closely mirror entrepreneurial stakeholders. It is possible that the similarity in the accountability structure between business students and entrepreneurs explains their similarity in ethical ratings.

Consistent with prior research (Batchelor et al., 2010), business students with immediate family members owning small businesses in our study did not rate entrepreneurs significantly differently than those without such exposure. Additionally, prior research on entrepreneur ethical ratings show that entrepreneurs are scored lower by minorities than Caucasians and perceived to be more ethical by females than males (Batchelor et al., 2010). Because these basic differences on how groups of business students rate entrepreneurs have been explored, we decided to turn our attention to understanding which groups of business students rated entrepreneurs more ethical than their self-reports.

Most individuals who start their own business do so because they simply do not like working for others (Shane, 2008). It is possible that the behavioral regulations limiting ethical behavior associated with agency theory and implied contract obligations are responsible for some of the discomfort associated with working with others. Additionally, stakeholder theory supposes that obligations to stakeholders (employees, customers, and the community at large) could potentially cause entrepreneurs to act more ethically than they might otherwise. These suppositions assist in understanding our findings that business
students who ranked entrepreneurs more ethical than their self-report were more likely to express intent to form their own venture in the future. Those that rated entrepreneurs at a high level may intuitively understand that working for someone else may limit their ability to act ethically, while the stakeholder obligations inherent in self-employment may cause entrepreneurs to act more ethically than they would otherwise.

Our findings that those with immediate family members owning small business were not significantly more likely to rate entrepreneurs higher on ethics than their self-report is consistent with our finding that the same group of individuals did not significantly rate entrepreneurs more or less ethical than those without this exposure. These findings are consistent with current legitimacy theory suggestions that entrepreneurs are often required to misrepresent facts in order to gain legitimacy (Rutherford, Buller, & Stebbins, 2009). It’s possible that business students with close family members owning small businesses are aware that entrepreneurs are often tempted to misrepresent facts in their favor. Knowledge of such misrepresentations by these business students may offset the positive view many have of entrepreneurs compared to business managers.

Our lack of support for differences in ethical perceptions of those that rated entrepreneurs more ethical than student self-reports further muddies the water of racial ethics research. These findings are surprising, because a similar study found that there were indeed differences in how minority students as a whole rated entrepreneurial ethics (Batchelor et al., 2010). Our findings indicate that there may be subgroups within the minority population that regard entrepreneurs differently. The existence of at least two subgroups would explain how some researchers find that minorities and Caucasians have differing ethical beliefs (McCuddy & Perry, 1996) and others find their beliefs are very similar (Tsalkis & Nwachukwu, 1988). Tat (1981) looks to environmental differences, similar to socioeconomic status, to explain these influences. It is possible that the inconsistencies in findings may be explained by socioeconomic differences within the minority community.

While not significant, our findings did show males more likely to rate entrepreneurs higher than their self-report as compared to females. This is consistent with most prior research pointing to females being more ethical than their male counterparts. It’s possible that the male students in our sample inherently view females to be more ethical than males. Viewing entrepreneurs as a mixed gender group, the higher ethical scores of the female entrepreneurs should raise the mean of the group as a whole, resulting in perceptions of entrepreneurs as a group being more ethical than the average male.

IMPLICATIONS AND CONCLUSIONS

Our findings provide entrepreneurs with a tool to increase accessibility to one of their most important resources, quality employees. Unfortunately, many young adults currently view employment with small businesses, such as most entrepreneurial firms, as a second choice to large organizations (Moy & Lee, 2002). This is often due to concerns pertaining to pay, benefits, and job security (Teo & Poon, 1994), extrinsic benefits upon which many entrepreneurial firms cannot compete. Our findings support the idea that entrepreneurs can capitalize on intrinsic perceptions regarding ethics as a strategic advantage in recruitment of young adults. In a time when public corporate scandals and misdealing are at an all time high, new graduates and other highly qualified young adults may view employment in entrepreneurial firms with close ties to their communities as an appealing alternative to other forms of employment.

Small and medium sized companies, such as entrepreneurial firms, experience difficulty attracting recent graduates (Moy & Lee, 2002). Recent graduates are often vital to new venture survival. Often, small and new organizations cannot afford to hire experienced employees and choose to train younger more inexperienced individuals at a lower cost. Thus, attracting and hiring young adults and recent graduates is vital to small business survival. Practitioners can use our findings to capitalize on the benefits of their reputations as ethical players on the business field. Firm reputation can provide a competitive advantage to attract and employ young and high-caliber applicants (Turban & Cable, 2003).

The pursuit of opportunity, innovation, and growth of market and financial results are the three primary activities of entrepreneurs (Hannafey, 2003). This research has identified one strategic advantage
entrepreneurs can develop in the pursuit of these goals. Higher ethical perceptions are one of the few advantages small entrepreneurial firms have over large corporations that may be exploited in their struggle for survival. Future research should investigate why young adults tend to rate entrepreneurs to be similar to them in ethical beliefs, if these perceptions predict employment preferences, and if so, how can these preferences be most efficiently exploited.

REFERENCES


