A CROSS-COUNTRY ANALYSIS OF ENTREPRENEURS’ RESOURCES AND ETHICAL ATTITUDES

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ABSTRACT

We examine the relationship between entrepreneurs’ justification of unethical behavior and several individual and contextual factors. First, we extend the entrepreneurship and ethics literature by examining how entrepreneurs’ differential access to resources affects their attitudes towards ethical issues. Second, we extend the literature by studying how the relationship between entrepreneurs’ access to resources and their ethical attitudes is colored by the cultural and institutional context in which entrepreneurs are embedded. We test our hypotheses using individual-level data from 3,716 entrepreneurs and country-level data from 39 nations. Our results indicate that the influence of entrepreneurs’ resources on their willingness to justify unethical behavior is contingent upon the type of resource in question. Furthermore, we found that a country’s uncertainty avoidance and level of government involvement moderate some of the relationships between entrepreneurs’ access to resources and their ethical attitudes.

INTRODUCTION

Despite the substantial progress in the body of entrepreneurship research, relatively few empirical studies have been devoted to ethical issues related to entrepreneurship (Hannafey, 2003). Entrepreneurs face unique challenges in terms of ethical issues, e.g., with respect to the fair treatment of internal and external stakeholders, or the acquisition and management of resources (Teal & Carroll, 1999). Furthermore, prior research has indicated that entrepreneurs may be confronted with various resource-constraints in that they lack access to physical, financial or intellectual resources (Kim et al., 2003). Although prior research has examined how entrepreneurs’ access to resources influences their behavior, in particular their decision to launch a venture (Kim et al., 2003), or their likelihood of success (Gimeno et al., 1997), relatively little is known about how entrepreneurs’ access to resources influences their attitudes. In this study we extend the entrepreneurship and ethics literatures by examining how entrepreneurs’ differential access to resources affects their attitudes towards ethical issues.

Furthermore, we also contribute to the literature by examining how entrepreneurs’ attitudes towards ethics are influenced by the cultural and institutional context. More specifically, we extend the literature that examined how the wider context in which individuals are embedded affects their decisions on ethical issues (Stajkovic & Luthans, 1997). Prior research has suggested that contextual factors (such as culture) play a role in shaping individuals’ attitudes (Douglass & Pratkanis, 1994). That is, an individual belonging to a particular culture may embrace certain attitudes without questioning whether or not these attitudes are acceptable. In this study, we will theorize about how the context in which entrepreneurs are embedded influences the relationship between their access to resources and their ethical attitudes. More formally, we will propose a model of exogenous variables (i.e., entrepreneurs’ access to resources) that interact with country-level variables, in determining the extent to which entrepreneurs justify unethical behavior. As a result, our study should help entrepreneurs, and their stakeholders, to better understand how broader contextual factors (i.e., the cultural and institutional environment) are related to the nature of individuals’ attitudes vis-à-vis ethical issues.

THEORETICAL BACKGROUND AND HYPOTHESES

Financial capital and ethical attitudes
We hypothesize a negative relationship between entrepreneurs’ access to financial capital and the extent to which they justify unethical behavior. We reason that as a lack of financial resources increases the likelihood that an entrepreneur cannot meet pre-set objectives (Blanchflower & Oswald 1998), financially-constrained entrepreneurs may experience a higher need to get things done through unethical practices. For instance, a lack of financial resources may increase entrepreneurs’ tendency not to declare real profits, or to accept bribes from government or business partners. Alternatively, all else being equal, an abundance of financial resources will reduce the need to rely on unethical means to accomplish one’s goals, or the need to justify such means. Finally, our argument for a negative relationship between financial capital and the justification of unethical behavior is also in line with prior research that suggests that certain characteristics of the entrepreneurial process, such as a scarcity of resources, may act as situational sources of pressures upon the entrepreneurs’ cognitive ethical abilities (Baron, 2004).

Hypothesis 1: There is a negative relationship between entrepreneurs’ financial capital and the extent to which they justify unethical behavior.

We further hypothesize that when entrepreneurs reside in a country characterized by high uncertainty avoidance, the relationship between their access to financial capital and the justification of unethical behavior will be stronger. More specifically, a financially-constrained entrepreneur residing in a country with a low tolerance for ambiguity will to a greater extent justify unethical behavior – compared to an entrepreneur in a country with a high tolerance for ambiguity – as a means to overcome this ambiguity. Put differently, in countries characterized by high uncertainty avoidance, the higher need to reduce uncertainty will make it more likely that financially-constrained entrepreneurs will consider unethical behavior as acceptable in order to make their current situation more interpretable and acceptable (Hofstede, 2001). Alternatively, a reduced access to financial capital will to a lesser extent lead to the justification of unethical behavior in a country characterized by low uncertainty avoidance.

Hypothesis 1a: The relationship between entrepreneurs’ financial capital and the extent to which they justify unethical behavior is moderated by their country’s uncertainty avoidance such that the relationship is stronger for higher levels of uncertainty avoidance.

Furthermore, we argue that government involvement has a moderating effect on the negative relationship between entrepreneurs’ financial capital and the extent to which they justify unethical behavior such that this relationship is weaker where government involvement is higher. All else being equal, financially-constrained entrepreneurs will be less likely to justify unethical behavior if their government’s involvement in economic life is higher, e.g., through the provision of financial resources such as subsidies or loan guarantees (Choi & Thum, 2005) Also, in addition to the government playing a role of provider of critical resources, high government involvement in economic life may also create a perception among entrepreneurs about the presence of a strong legal framework within their country (Knack & Keefer, 1997), which may act then as a deterrent to behave unethically, or to accept unethical behavior, even among the financially-constrained entrepreneurs.

Hypothesis 1b: The relationship between entrepreneurs’ financial capital and the extent to which they justify unethical behavior is moderated by their country’s government involvement in economic life such that the relationship is weaker for higher levels of government involvement.

Human capital and ethical attitudes

Our second set of hypotheses pertains to the relationship between entrepreneurs’ human capital and their ethical attitudes. We more specifically focus on the role of entrepreneurs’ formal educational background in explaining their ethical attitudes. We hypothesize a negative relationship between entrepreneurs’ human capital and the extent to which they justify unethical behavior. We reason that the knowledge and skills gained through education may have an important bearing on entrepreneurs’ attitudes towards ethical issues (Cullen et al., 2004). For instance, it has also been argued that formal education
may transfer values such as honesty and politeness (Van Deth, 1995), and reflect an important aspect of one’s overall moral development (Rest, 1986).

*Hypothesis 2: There is a negative relationship between entrepreneurs’ human capital and the extent to which they justify unethical behavior.*

Additionally, we hypothesize that where uncertainty avoidance is high, the negative relationship between entrepreneurs’ education and the extent to which they justify unethical behavior will be stronger. The reasoning is that when entrepreneurs are embedded in an environment in which tolerance for ambiguity is low, and therefore the desire to make events clearly interpretable and predictable is high, even if this involves unethical behavior (Hofstede, 2001), the knowledge and moral norms transferred through formal education may be in particularly useful in reducing ambiguity in one’s life. Therefore, the beneficial effect of education on entrepreneurs’ rejection of unethical behavior will be exacerbated when individuals are less comfortable with uncertain situations, and therefore have a stronger desire to rationalize and explain the ambiguity they are confronted with.

*Hypothesis 2a: The relationship between entrepreneurs’ human capital and the extent to which they justify unethical behavior is moderated by their country’s uncertainty avoidance such that the relationship is stronger for higher levels of uncertainty avoidance.*

We further hypothesize that government involvement has a moderating effect on the negative relationship between entrepreneurs’ human capital and the extent to which they justify unethical behavior such that this relationship is stronger when government involvement is higher. The role of the educational system as a mechanism through which moral norms are transferred will be exacerbated when the government plays an active role in one’s day-to-day life. More specifically, all else being equal, countries characterized by a high involvement of government in economic life are more likely to affect their citizens’ attitudes, e.g., through the provision of subsidies to the educational system (Viren, 2004). Therefore, when the level of government involvement is high, it will be less likely that entrepreneurs justify unethical behavior, and more strongly so as entrepreneurs’ formal educational level increases.

*Hypothesis 2b: The relationship between entrepreneurs’ human capital and the extent to which they justify unethical behavior is moderated by their country’s government involvement in economic life such that the relationship is stronger for higher levels of government involvement.*

**Social capital and ethical attitudes**

Our third and fourth sets of hypotheses speak to the relationship between entrepreneurs’ social capital and the extent to which they justify unethical behavior. We focus hereby on two dimensions of entrepreneurs’ social capital, i.e., their overall confidence in the well-functioning of the institutions in their immediate environment (e.g., political institutions, labor unions), and their active participation in various associations (e.g., professional or recreational organizations) (Knack & Keefer, 1997). We hypothesize that these two aspects of social capital have a differential effect on entrepreneurs’ ethical attitudes: whereas institutional trust acts as a shield against unethical attitudes, associational membership actually increases the justification of unethical behavior.

**Institutional trust**

We hypothesize that entrepreneurs’ confidence in the well-functioning of institutions (i.e., their institutional trust) is negatively related to the extent to which they justify unethical behavior. We reason that to the extent that the institutions in entrepreneurs’ environment are perceived as efficient in mediating economic exchanges and protecting business partners against a breach of trust, entrepreneurs will feel a lower need to engage in, or accept, ethically suspect behavior (Dakhli & De Clercq, 2004). That is, when institutions are perceived as trustworthy exchange partners, there will be a lower need to get things done...
through illegal practices. Furthermore, institutional trust may also function as a deterrent against unethical behavior, in that entrepreneurs associate trustworthy institutions with the presence of a framework in which respect for authority and regulations are taken seriously (Rousseau et al., 1998).

**Hypothesis 3:** There is a negative relationship between entrepreneurs’ trust in institutions and the extent to which they justify unethical behavior.

Furthermore, we hypothesize that the negative relationship between entrepreneurs’ trust in institutions and the extent to which they justify unethical behavior is stronger in countries where uncertainty avoidance is higher. In cultures characterized by high uncertainty avoidance, entrepreneurs will be more likely to use shortcuts in their interpretation of uncertain situations in order to reduce ambiguity (Hofstede, 2001). Consequently, in countries characterized by a low acceptance of ambiguity, the presence of trustworthy institutions will be extremely important for entrepreneurs as their confidence in such institutions will be a critical means through which uncertainty is reduced. As a result, the beneficial effect of entrepreneurs’ institutional trust on the rejection of unethical behavior will be exacerbated in countries where there is a high desire for stability and predictable situations.

**Hypothesis 3a:** The relationship between entrepreneurs’ trust in institutions and the extent to which they justify unethical behavior is moderated by their country’s uncertainty avoidance such that the relationship is stronger for higher levels of uncertainty avoidance.

We also hypothesize that the negative relationship between entrepreneurs’ trust in institutions and the extent to which they justify unethical behavior is stronger in countries with higher government involvement. The reasoning is that the beneficial effect of entrepreneurs’ institutional trust on the rejection of unethical behavior will be exacerbated when (government) institutions can be trusted and play an effective role in society (Choi, & Thum, 2005; Knack & Keefer, 1997). That is, the role of ‘institutional trust’ as a shield against unethical behavior will be stronger if one believes that government (being a critical ‘institution’ an entrepreneur has to deal with) indeed plays an important role in economic life.

**Hypothesis 3b:** The relationship between entrepreneurs’ trust in institutions and the extent to which they justify unethical behavior is moderated by their country’s government involvement in economic life such that the relationship is stronger for higher levels of government involvement.

**Associational membership**

The notion of ‘associational membership’ describes the extent to which individuals are active members in various associations and voluntary-type organizations. Prior research has suggested that associational activity may play an important role in fostering economic prosperity in that such activity facilitates access to knowledge and business support (Dakhli & De Clercq, 2001). One could therefore argue that associational membership may have a beneficial effect on entrepreneurs’ attitudes towards ethical issues in that associations provide entrepreneurs with relevant business-related knowledge, which reduces the need to rely on illegitimate means to accomplish personal goals. However, we argue that this effect will be more than counter-balanced by the ‘dark side’ of social capital (Woolcock & Narayan, 2000). More specifically, prior research has pointed out that tightly-knit associations may be dysfunctional for society as a whole as these associations may act as promoters of their members’ self-interest, rather than the overall social good. Therefore, whereas entrepreneurs’ membership in various associations may foster habits of cooperation and solidarity, the goals of these smaller groups may often conflict with the overall ‘moral principles’ that guide society, and thus enhance the likelihood that unethical behavior that benefits the own group is encouraged.

**Hypothesis 4:** There is a positive relationship between entrepreneurs’ associational membership and the extent to which they justify unethical behavior.
We further hypothesize that the positive relationship between entrepreneurs’ membership of associations and the extent to which they justify unethical behavior is stronger in countries where uncertainty avoidance is higher. As indicated above, associational membership may bring about a temptation to use others to obtain personal goals even if these goals do not conform with the norms of acceptable behavior. We reason, then, that in countries where ambiguity is less likely to be tolerated, cooperation with others aimed at promoting one’s self-interest will be used as a critical mechanism to reduce the uncertainty inherent in the entrepreneur’s day-to-day decisions (Hofstede, 2001). That is, we hypothesize that the effect of entrepreneurs’ associational membership in enhancing their justification of unethical behavior will be exacerbated when the norms in the entrepreneurs’ country reflect a low tolerance vis-à-vis ambiguity.

Hypothesis 4a: The relationship between entrepreneurs’ associational membership and the extent to which they justify unethical behavior is moderated by their country’s uncertainty avoidance such that the relationship is stronger for higher levels of uncertainty avoidance.

Finally, we hypothesize that the positive relationship between entrepreneurs’ associational membership and the extent to which they justify unethical behavior will be weaker for higher levels of government involvement. We reason that in order to accomplish their personal goals, entrepreneurs may envision the support provided by government as a substitute for their membership in various organizations, e.g., professional associations (Viren, 2004). Therefore, in countries characterized by high government involvement, entrepreneurs may perceive a lower need to use their relationships with associational members to realize their goals through illegitimate means. In this case, the positive relationship between associational membership and the justification of unethical behavior will be attenuated given the increased reliance on government to get things done. In contrast, all else being equal, in countries characterized by low government involvement, entrepreneurs will be more likely to rely on their membership in associations to accomplish their goals even if this involves unethical behavior.

Hypothesis 4b: The relationship between entrepreneurs’ associational membership and the extent to which they justify unethical behavior is moderated by their country’s government involvement in economic life such that the relationship is weaker for higher levels of government involvement.

METHODOLOGY

Data and sample

Our sample consists of individual-level data from 3,716 entrepreneurs and country-level data from 39 nations. Our dependent variable and independent variables, which where measured at the individual level, were drawn from the World Values Survey (Inglehart & Welzel, 2005). Our study leverages the ‘World Values Surveys and European Value Surveys, 1999-2001,’ i.e., the ‘Fourth Wave’ undertaken by the Inter-university Consortium for Political and Social Research (ICPSR). The sample of entrepreneurs used in this study was a subset of the national probability samples as provided by the ICPSR. More specifically, we selected those respondents who were classified as being ‘self-employed, consistent with Parker (2006).

Measures

Justification of unethical behavior was measured by five questions pertaining to whether specific ethically suspect behaviors were justifiable, such as ‘cheating on taxes,’ ‘accepting a bribe,’ or ‘claiming government benefits.’ These questions were measured on a ten-point Likert scale (mean = 2.36; std = 1.56; alpha = .72).
Financial capital was measured by asking the respondents in what category they would classify their household income (including all wages, salaries, pensions, and other incomes) on a scale from one (i.e., lowest decile) to ten (i.e., highest decile). This variable had a mean = 4.68 and std = 2.56.

Human capital was measured by assessing the highest educational level that the respondents had obtained, ranging from ‘inadequately completed elementary education’ to ‘completed a university or higher education degree.’ This variable was measured on an eight-point Likert scale (mean = 4.58; std = 2.20).

Institutional trust was measured by asking the respondents to what extent they had confidence in various organizations, such as the police, parliament, press and labor unions. Answers could range from one (i.e., ‘a great deal of confidence) to four (i.e., ‘no confidence at all’). We reversed the scales so that larger values reflect greater institutional trust, and we averaged the values over all (seven) items (mean = 2.38; std = .52; alpha = .79).

Associational membership was measured by asking the respondents whether they were an active member of various associations, such as professional, religious or recreational organizations. Answers ranged from one (i.e., ‘active member’) to three (i.e., ‘not a member’). We reversed the scales so that larger values reflect greater associational activity, and we averaged the values over all (nine) items (mean = 1.36; std = .37; alpha = .85).

A country’s uncertainty avoidance was measured as the mean score across three survey questions pertaining to individuals’ comfort with changing rules, their feelings about job stability, and about how often they feel nervous or tense at work (Hofstede, 2001). Across the 39 countries included in the study, the uncertainty avoidance score had a mean = 75.56 and std = 17.60.

A country’s government involvement in economic life was measured based on the sub-component of the World Economic Forum’s 1995 Economic Freedom Index pertaining to ‘government size’ and using a seven-point Likert scale (Gwartney et al., 2005). Our government involvement measure had a mean = 5.32, std = 1.59, and alpha = .76.

We included two individual variables as controls when estimating the extent to which entrepreneurs justify unethical behavior, i.e., entrepreneurs’ age (Kohlberg, 1981) and entrepreneurs’ gender (Whipple and Swords, 1992).

RESULTS

We tested our hypotheses using moderated hierarchical regression analysis, and we followed a stepwise approach in validating our model (Table 1). From Model I, which included only the control variables, it can be seen that, in line with prior research, the extent to which entrepreneurs justify unethical behavior is higher for younger entrepreneurs, and for male versus female entrepreneurs. From Model II we found that entrepreneurs’ financial capital is negatively related to the extent to which they justify unethical behavior (p < .05); we thus found support for Hypothesis 1. However, contrary to Hypothesis 2, we found that entrepreneurs’ educational level has a positive rather than negative relationship with the extent to which they justify unethical behavior (p < .05). Furthermore, we found support for the hypothesized relationships between the justification of unethical behavior and the two dimensions of social capital. That is, consistent with Hypothesis 3, entrepreneurs’ institutional trust has a negative relationship with the extent to which they justify unethical behavior (p < .001), and consistent with Hypothesis 4, we found that entrepreneurs’ associational membership increases their justification of unethical behavior (p < .05).

Models III to VI include the interaction effects between each of the four independent variables and the country-level variables. First, from Model III, it can be seen that the interaction effect between neither
financial capital and uncertainty avoidance, nor financial capital and government involvement is significant. In other words, we did not find support for Hypotheses 1a and 1b. Second, the interaction effect between entrepreneurs’ education and both their country’s uncertainty avoidance and government involvement was found to be significant (Model IV). In order to obtain a better insight into the nature of these interaction effects, we plotted the corresponding results in Figure 1a.2 It can be seen that the – somewhat surprising – positive relationship between education and the justification of unethical behavior (which was found in Table 1) only holds in countries characterized by high uncertainty avoidance; in countries with low uncertainty avoidance, the relationship between these two variables is neutral. Similarly, Figure 1b shows that only in countries with low government involvement, there is a positive relationship between education and the justification of unethical behavior; in countries with high government involvement there is no relationship between the two variables. Overall, we found limited support for Hypotheses 2a and 2b.

Third, Model V shows no interaction effect between institutional trust and uncertainty avoidance, i.e., no support was found for Hypothesis 3a. However, a significant interaction was found between institutional trust and government involvement (p < .05). Figure 1c shows the nature of the interaction effect between these two variables. It can be seen that, contrary to Hypothesis 3b, the negative relationship between institutional trust and the justification of unethical behavior is stronger for low (versus high) government involvement. Finally, Model VI indicates significant interaction effects between associational membership and uncertainty avoidance (p < .01) and associational membership and government involvement (p < .01). Figure 1d shows that the relationship between associational membership and the justification of unethical behavior is positive in countries with high uncertainty avoidance; however, the relationship between these two variables becomes negative in countries with low uncertainty avoidance. These findings provide partial support for Hypothesis 4a. Figure 1e shows a similar sign reversal for the interaction between associational membership and government involvement. More specifically, the relationship between associational membership and the justification of unethical behavior is positive in countries with low government involvement, and negative in countries with high government involvement. These findings also provide partial support for Hypothesis 4b.

DISCUSSION

Our study reveals a number of interesting findings with respect to entrepreneurs’ justification of unethical behavior across different cultural and institutional settings. Overall, our results indicate that the impact of entrepreneurs’ access to resources on their need or willingness to accept unethical behavior is contingent upon the type of resource in question, and the contextual environment in which the entrepreneurs are embedded.

Financial capital

With respect to the role of financial capital, we found that, as hypothesized, the extent to which unethical behavior is justified decreases as entrepreneurs’ financial resources become more available. Put differently, our findings suggest that a lack of financial resources may increase entrepreneurs’ tendency to search for less legitimate means to secure funds, and to justify such means. However, contrary to our expectations, the nature of this finding was found to be similar across different cultural and institutional settings, and did not depend on a country’s uncertainty avoidance or government involvement. Our lack of findings for the moderating effect of context may occur because our measure of government involvement did not explicitly include government’s provision of financial support targeted at entrepreneurs. It is possible that the use of more refined measures, such as entrepreneurs’ access to investment vehicles particularly targeted at their financial needs (e.g., risk capital from equity providers) or government’s provision of financial resources (e.g., loan guarantees for small businesses), would increase the likelihood of finding significant moderating effects with respect to the role of financial capital.
Human capital

The effect of entrepreneurs’ human capital on their ethical attitudes was contrary to expectations. We found that the entrepreneur’s education level increases, rather than decreases, the justification of unethical behavior. One possible explanation is that highly educated persons are less likely to see things in simple black and white terms, and may engage in a more complex cognitive exercise whenever there is an ambiguous situation, for instance, a situation that calls for a ‘non-transparent’ (i.e., unethical) solution. In fact, prior research in the field of cognition and social psychology has associated more complex reasoning with higher levels of education (Naik et al., 2004). Such complex reasoning could be reflected, then, in a higher tendency to accept and rationalize behavior that may not be commensurate with the existing ethical norms.

Interestingly, we found that the increased propensity among highly-educated entrepreneurs to justify unethical behavior holds true only in countries that are characterized by high levels of uncertainty avoidance. More specifically, where uncertainty avoidance is high, the relationship between education and justifying unethical behavior is strongly positive; when uncertainty avoidance is low, no relationship is found. From a cognitive perspective, this finding could be explained by the fact that in countries characterized by high uncertainty avoidance, the need to justify unethical behavior as a means to explain ambiguous situations will be more strongly felt by individuals who engage in more complex reasoning processes (Solorzano, 2001).

With respect to the moderating effect of government involvement, our results show that the positive relationship between education and the justification of unethical behavior is attenuated for high levels of government involvement. That is, in countries where government involvement in the economy is high, higher educated entrepreneurs are less likely to justify unethical behavior compared to countries with low government involvement. This may imply that a greater involvement by government is associated with the existence of an institutional framework that provides clearly-defined boundaries between ethical versus unethical behavior. Consequently, as higher educated (i.e., ‘cognitive more developed’) entrepreneurs are more likely to be sensitive vis-à-vis these boundaries, their propensity to accept ethically suspect behavior may be attenuated in countries with high government involvement (Larmour & Wolanin, 2001).

Social capital

Institutional trust

In terms of the role of entrepreneurs’ social capital, the negative relationship between institutional trust and the justification of unethical behavior suggests that unethical behavior may seem less necessary in the eyes of the entrepreneur when institutions are considered as reliable exchange parties (Knack & Keefer, 1997). Alternatively, our results could also indicate that institutional trust acts as a deterrent against questionable behavior, and provides a framework where respect for authority and the rule of law are taken seriously into consideration (Rousseau et al., 1998).

With respect to the interaction effect between institutional trust and government involvement, the results in Figure 1c indicate that, for a given level of institutional trust, the justification of unethical behavior is lower in countries with high (versus low) government involvement. This finding follows to some extent our hypothesized logic that government involvement can play an important, beneficial, role in guiding entrepreneurs’ ethical attitudes. However, in terms of the strength of the relationship between institutional trust and the justification of unethical behavior, we found that the level of government involvement actually weakened, rather than strengthened, the negative relationship between institutional trust and the justification of unethical behavior. That is, in countries where government plays an important role in society, the beneficial effect of entrepreneurs’ trust in institutions on their rejection of unethical behavior is attenuated. In contrast, in countries where the government plays a less important
role in the economy, higher levels of institutional trust reduce to a greater extent the justification of questionable actions. One interpretation could be that a lack of strong government creates a vacuum where the rejection of unethical behavior becomes even more dependent on one’s trust in the surrounding institutions different from government. That is, given the broad nature of our ‘institutional trust’ measure (i.e., in terms of entrepreneurs’ confidence in the press, labor unions, police, etc.), low government involvement may bring about uncertainty leading to a higher need among entrepreneurs to rely on trustworthy non-governmental institutions in shaping their ethical attitudes.

**Associational membership**

As expected, our results indicate that entrepreneurs’ membership of associations may provide a conduit for norms and values that may not be congruent with generally accepted societal norms of behavior. That is, while associational membership may provide entrepreneurs with access to resources and support, the negative aspects of such affiliations have to be recognized as well (Woolcock & Narayan, 2000). As explained earlier, membership in associations may imply a set of explicit and implicit obligations, one being the expectation to subordinate one’s own beliefs for those of the associations to which one belongs.

In terms of the moderating effect between associational membership and uncertainty avoidance, we found that in countries where uncertainty is less tolerated (i.e., where there is high uncertainty avoidance), associational membership increases the justification of unethical behavior. That is, as hypothesized, in countries characterized by high uncertainty avoidance, the reliance on associational members to accomplish personal goals, even if this reliance involves unethical practices, may be used as a mean to decrease ambiguity (Hofstede, 2001). Individuals’ membership in various organizations has indeed been recognized as a mechanism to reduce uncertainty in one’s environment (Mullin & Hogg, 1999). However, our findings also indicate that in countries where uncertainty is tolerated, entrepreneurs’ associational membership reduces, rather than increases, the extent to which unethical behavior is justified. This finding suggests that in ‘low uncertainty avoidance’ environments, associational membership may provide an instrumental utility allowing entrepreneurs to access various resources including knowledge and support, that actually reduces the need to justify unethical behavior.

In terms of the moderating effect between associational membership and government involvement, our expectation that associational membership will increase the justification of unethical behavior in countries where the role of government is weak was found to be true. That is, government and associations may be perceived as substitutes with respect to their provision of necessary resources, and therefore in countries with lower government involvement, entrepreneurs may be more likely to use associational membership to obtain their personal goals even if this involves questionable behavior (McMillan & Woodruff, 2000). Furthermore, a weak government may create a vacuum for the entrepreneur and increase the need to engage in a subjective interpretation of behaviors as the rules governing society are less likely to be clearly set (Choi & Thum, 2005). However, contrary to our expectations, we also found that where government involvement is high, associational membership actually reduces the justification of unethical behavior. A possible interpretation of this counter-intuitive finding is that in countries characterized by high government involvement, associational membership may be perceived as a mechanism of ‘social control’ that inhibits the undertaking, and justification, of unethical activities.

**Limitations, future research and implications**

Our study of entrepreneurs’ access to resources and their justification of unethical behavior has a number of limitations, and therefore offers opportunities for future research. In operationalizing our independent variables (i.e., financial capital, human capital, institutional trust, and associational membership), we used secondary data, which, as is often the case, may not perfectly cover the domains of the constructs we attempted to measure. For example, we acknowledge that the use of institutional trust and associational membership may not completely capture the concept of social capital as other structural
and relational components of social capital have been identified in the literature, e.g., structural holes, dense networks, and friendship ties (Burt, 1992). It would be interesting, for instance, to examine to what extent entrepreneurs’ ability to ‘bridge’ structural holes influences their propensity to hide crucial information from exchange partners, and therefore their likelihood to rely on unethical practices to accomplish their personal goals.

Despite the study’s limitations, we believe that our findings have also important implications for practice. For instance, our counter-intuitive finding with regard to the role of education is particularly interesting from a practical perspective, as it calls for the importance of covering business ethics in the curriculum of higher education. We thus concur with others who called upon policy-makers to take a more proactive approach in ensuring that the educational system devotes sufficient attention to ethical issues (Aiken, 2004). Furthermore, our research also highlights the critical role that both the cultural and institutional contexts play in shaping entrepreneurs’ ethical attitudes. For instance, our study suggests that even in countries where government chooses to have a low involvement in the economy, it is critical that, at a minimum, clear boundaries are put in place with respect to what is acceptable behavior. In other words, even when government opts for a “laissez faire” approach to the economy, government should play an active role in setting out an appropriate framework guiding ethical behavior in business. Such an active role may decrease the likelihood that an institutional vacuum is created, and reduce the danger that other societal “self-centered” actors (e.g., some types of associations) play a detrimental role in defining the boundaries of what is ethically and morally acceptable.

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NOTES

1. The bivariate correlation coefficients are not reported in this paper due to space constraints. They are available upon request.

2. In Figures 1a-1e, we plotted the effect of the independent variable on the dependent variable at values of the moderating variables that were one standard deviation below and one standard deviation above their average.

REFERENCES


Table 1: Regression results (N=3,716)

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<td>-.137***</td>
<td>-.130***</td>
<td></td>
</tr>
<tr>
<td>Financial capital x Uncertainty avoidance (H1a)</td>
<td></td>
<td></td>
<td>-.001</td>
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<tr>
<td>Financial capital x Government involvement (H1b)</td>
<td></td>
<td></td>
<td>-.023</td>
<td></td>
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<tr>
<td>Human capital x Uncertainty avoidance (H2a)</td>
<td></td>
<td></td>
<td></td>
<td>.040*</td>
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<tr>
<td>Human capital x Government involvement (H2b)</td>
<td></td>
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<td>-.035*</td>
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<tr>
<td>Institutional trust x Uncertainty avoidance (H3a)</td>
<td></td>
<td></td>
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<td>.016</td>
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<tr>
<td>Institutional trust x Government involvement (H3b)</td>
<td></td>
<td></td>
<td></td>
<td>.034*</td>
<td></td>
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<tr>
<td>Assoc. memb. x Uncertainty avoidance (H4a)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.053**</td>
<td></td>
</tr>
<tr>
<td>Assoc. memb. x Government involvement (H4b)</td>
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<td></td>
<td></td>
<td></td>
<td>-.056**</td>
<td></td>
</tr>
<tr>
<td>F-value (degrees of freedom)</td>
<td>62.748 (2; 3,715)</td>
<td>31.220 (6; 3,709)</td>
<td>29.068 (10; 3,705)</td>
<td>29.762 (10; 3,715)</td>
<td>29.519 (10; 3,705)</td>
<td>30.563 (10; 3,705)</td>
</tr>
<tr>
<td>$R^2$</td>
<td>.033</td>
<td>.048</td>
<td>.073</td>
<td>.074</td>
<td>.074</td>
<td>.076</td>
</tr>
<tr>
<td>Adjusted $R^2$</td>
<td>.032</td>
<td>.047</td>
<td>.070</td>
<td>.072</td>
<td>.071</td>
<td>.074</td>
</tr>
</tbody>
</table>

Standardized regression coefficients; *** p < .001, ** p < .01; * p < .05, + p < .10
Figures 1a-1e: Interaction effects

Human capital (education)

Justification of unethical behavior

High uncertainty avoidance - Low uncertainty avoidance

Institutional Trust

Justification of unethical behavior

High government involvement - Low government involvement

Associational membership

Justification of unethical behavior

High uncertainty avoidance - Low uncertainty avoidance