THE IMPACT OF ENVIRONMENTAL, FIRM, AND RELATIONAL FACTORS ON ENTREPRENEURS’ ETHICALLY SUSPECT BEHAVIORS: AN EMPIRICAL STUDY IN THE CHINESE CONTEXT (INTERACTIVE PAPER)

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Principal Topic

It is clear that given the potentially significant impacts of entrepreneurs’ ethically suspect behaviors (ESB), it is important (1) to understand their nature and (2) to identify what factors may promote or impede such behaviors. Taking a teleological view and focusing on those behaviors enacted by entrepreneurs in the service of their firm’s success and which also run counter to socially constructed structures, we conceptually define entrepreneurs’ ESB as those acts of omission or commission, by individuals acting in their entrepreneurial roles, which violate socially constructed normative, regulatory, and/or legal structures, on behalf of firm goals. Next, guided by an organizing framework suggested by research on organizational misconduct (Vaughan, 1999), and drawing on Anomie and Strain Theories (Durkheim, 1966; Merton, 1968), we propose that higher levels of environmental dynamism (H4), firm performance (H1), and relational social capital (H2) lower the level of ESB by entrepreneurs. Further, we highlight the critical role of firm performance by examining its intervening effect on the relationships between environmental dynamism (H5), relational social capital (H3) and ESB of entrepreneurs.

Method

Data for this research were collected from 158 entrepreneurs located in various regions in China. Our initial results indicated that entrepreneurs whose firms were performing well; entrepreneurs leading their firms in dynamic environments; and entrepreneurs with high levels of relational social capital were less likely to engage in ESB. Further, the primacy of financial considerations (that is, firm performance) with respect to ESB is supported, as along with the direct influence of firm performance, both environmental dynamism and relational social capital lower ESB indirectly by increasing firm performance.

Results and Implications

While financial constraints and hardship may be key motivators of unethical behavior of entrepreneurs, future research may focus on why, if at all, entrepreneurs of even well performing firms may engage in ESB. Further, equipped with the conceptual clarification we provide, researchers may attempt developing classifications of ESB based on different antecedents and on different levels of business and social consequences. Finally, policy makers are advised that if entrepreneurs have more legitimate means, such as financial and other resources, of countering lower performance, they are less likely to engage in ESB. Moreover, both policy makers and entrepreneurs are encouraged to work toward actively developing entrepreneurs’ social networks as they are more likely to deter unethical behavior.

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