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Embedding Ethical and Sustainable Thinking in the Entrepreneurial Mindset

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Embedding ethical and sustainable thinking in the entrepreneurial mindset

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Abstract

Ethics and sustainable thinking in entrepreneurship are complex and challenging ideas. Recent developments such as deregulation, the market economy drive for profits, lack of trust and new technology aiding and abetting this situation, are calling for the development of frameworks. There is a need to embed ethical values in society. The European Commission is opportune in putting forward ethical and sustainable thinking as an entrepreneurial competence. More research is needed into the ethical problems encountered by entrepreneurs in their organisations.

Keywords: ethics; sustainable; mindset; entrepreneurs; EU

1. Introduction

The European Commission has noted the importance of entrepreneurship calling it the discipline of the 21st century. “Entrepreneurship education is essential not only to shape the mind-sets of young people but also to provide the skills, knowledge and attitudes that are central to developing an entrepreneurial culture” (European Commission, 2016, b, p. 9). The recent financial crisis has focused our attention more on the importance of ethics in business and management. Indeed many authors call for a more ethical conduct of business. However, this is challenging. The European Commission under the EntreComp Framework has cited different competences as desirable for entrepreneurship. EntreComp defines
entrepreneurship as a transversal competence, which applies to all spheres of life: from nurturing personal development, to actively participating in society, to (re)entering the job market as an employee or as a self-employed person, and also to starting up cultural, social or commercial ventures (Bacigalupo et al., 2016, p. 6). The EntreComp framework (Figure 1) consists of three domains i.e. Ideas and opportunities, resources and into action. Each section has five competences which as a whole constitute entrepreneurship as a competence. The framework develops the competencies using eight level of progression. In addition, it offers a complete list of 442 learning outcomes which can prove helpful for curriculum development as well as other areas of application. The domain of Ideas and opportunities includes five competences namely:

- Spotting opportunities
- Creativity
- Vision
- Valuing ideas
- Ethical and sustainable thinking.

This paper includes a review as to whether the EU is opportune in suggesting ethical and sustainable thinking as one of the top 15 entrepreneurial competences. Fully understanding the problems, challenges and complexities involved in achieving delivery of these competencies would be a great first step.
2. Definition of ethics and sustainability

The word ethics comes from the Greek words *ethos* and *ethikos*. According to Toffler (1986) *ethos* is translated as character and *ethikos* as “the theory of living”. Ethics were defined as “rules or standards” and morality as “relating to principles of right and wrong”. Most definitions of ethics have to do with the idea of actions either being right or wrong (Morris et al., 2002, p332). According to Toffler (1986) ethical questions have to do with the notions of right and wrong as noted by the perspectives of individuals and institutions in the society they are in. Therefore, ethics deals with the distinction between what is right and wrong and has to do with the nature and grounds of morality, including moral judgements, standards and
rules of conduct (Taylor, 1975). Ethical management is reflected in the character of the manager and through the work ethic and decision-making.

Havard (2014, p. 140) distinguishes between two types of ethics “rule-based ethics and virtue ethics”. Rule-based ethics “are grounded in law: an action is correct if it conforms to the law; incorrect if it does not”. Virtue ethics “are grounded in human nature: good is that which brings us closer to moral perfection, bad that which leads us away from it”. Work has a transcendental value and is more than an end in itself but rather provides a platform for the person to develop their abilities, collaborate with others for a mutual purpose and create goods and services (Schumacher, 1989).

There can be ethical conflict when “an individual perceives that his/her duties and responsibilities towards one group are inconsistent with his/her responsibilities towards some other group including one’s self” (Hunt et al., 1984, p.310). According to Liedtka (1989) there can be two types of conflict: conflict within the individual resulting from the individual’s value hierarchy, and conflict between individual values and organisational values. Friedman (1997) says that stockholder theory states that managers (as agents of stockholders) should behave in a manner that conforms to the basic rules of society, as embodied in law and ethical custom.

According to Ehrenfeld (2008, p49) sustainability is defined as “the possibility that humans and other life will flourish on earth forever”. He suggests that sustainability has to do with existence not just the environment and that as a first premise we need to become whole ourselves, before we can adequately care for the earth. Sustainability requires a holistic approach, which facilitates everyone to lead a better life, at the same time as being moderate in the use of the earth’s resources and renewing them where necessary (Chen, 2012).

### 2.1 The case for including ethics and sustainable thinking as a competence

In order to make the case for setting out ethics and sustainable thinking as a competence it is helpful to examine the ethical issues that arise in the course of a business. Entrepreneurs are faced with ethical questions on a daily basis and can find it difficult to find the time to make the right decision considering the needs of all stakeholders. There is a call for ethical competence in light of many recent events such as the financial collapse in 2008, business scandals, corruption and sustainability concerns among others (Havard, 2014; Mansilla and Jackson, 2013).
2.1.1 Some ethical issues that arise in the course of business

Going back to classical Greek civilisation, it is acknowledged that entrepreneurs make an important contribution to the economic well-being of society. However, there have been some criticisms relating to ethical lapses on the part of some individuals. In the Homeric Hymn to Hermes (c. 520 B.C.E.) the mythical entrepreneur Hermes - depicted as a skilled inventor and merchant - is dishonest, and he is described as an “unethical trickster and thief” concerned only with his own interests and gain” (McClelland, 1961, p.329). Indeed there are some who subscribe to the view that entrepreneurs will do almost anything to succeed. According to Hannafey (2003), McClelland (2010) was one of the first contemporary thinkers to pose serious ethical questions regarding entrepreneurship. McClelland (1961, p.331) noted that “we do not know at the present time what makes an entrepreneur more or less ethical in his dealings, but obviously there are few problems of greater importance for future research”. Entrepreneurs operate in a challenging business environment and they can find it hard to find time for reflecting on ethical issues that arise. They engage in decision-making and actions that affect people and the wider community, without having access to the support available in established organisations. They have to deal with ethical questions often isolated from others. Some questions they face may relate to “basic fairness, personnel and customer relationships, honesty in communications, distribution dilemmas, and other challenges…. Not only a value creating process that can lead to positive economic growth and development, entrepreneurial innovation itself raises complex moral questions for society. The innovation of entrepreneurs can bring about significant economic and social harms” (Hannafey, 2003, p.99, 101).

According to Schumpeter (1976, p.83) entrepreneurship both “creates and destroys” basic economic structures in the economy. In his book Capitalism, Socialism and Democracy (1976) Schumpeter says of entrepreneurship that it “incessantly revolutionises the economic structure from within, incessantly destroying the old one, incessantly creating a new one”. This changes previous economic structures and can result in negative effects of employment, financial loss, the breaking up of existing organisations and environmental degradation (Hannafey, 2003). Business life can bring the entrepreneur to face many ethical challenges (Morris et al, 2002). There is evidence that due to adverse circumstances encountered in raising capital or cash reserves for example, that entrepreneurs resort to illegitimate ways to reach their business objectives (Morris et al, 2002). There has been criticism of solely focusing on economic considerations in business (Calas, Smircich and Bourne, 2009).
2.2 A call for ethical competence

According to Havard (2014, p. xiv) “The business scandals of our time invariably give rise to calls for increased government oversight, reform of corporate governance, and revision of codes of ethical conduct”. Today in a fast-changing world there is a call for a more appropriate and timely response to the challenges of globalisation, the growth of the digital economy, mass migration and climate change and environmental impact (Mansilla and Jackson, 2013, Reimers, 2009, Gardner, 2007, Stewart, 2007). According to Mansilla and Jackson (2013, p2) the students of tomorrow need to be able to act “towards the common good” and to cultivate “global competence” defined “as the capacity and disposition to understand and act on issues of global significance”. The following four competences are identified:

i. Investigate the world beyond their immediate environment, framing significant problems and conducting well-crafted and age-appropriate research

ii. Recognise perspectives, others’ and their own, articulating and explaining such perspectives thoughtfully and respectfully

iii. Communicate ideas effectively with diverse audiences, bridging geographic, linguistic, ideological and cultural barriers

iv. Take action to improve conditions, viewing themselves as players in the world and participating reflectively.

In order to understand the issues facing the world it is necessary to develop competences to deal with globalisation, fluctuating exigencies of the workplace, migration and immigration together with the resulting diversity this creates, climate change and the increasing need to take care of the environment. The Brundtland Commission advocated sustainable development considering the triple bottom-line elements of economics, social justice and the environment (World Commission, 1987).

James and Schmitz (2011) in response to Taylor (2009) make the case for multi-disciplinary and cross-cultural education. Education then would provide a forum for considering important issues of relevance to society and the world. Sustainability education is an example of this type of interactive learning where students would be exposed to various approaches to sustainability such as social entrepreneurship and service learning, as they get ready for the world of work. James and Schmitz (2011, p 2) advocate a holistic approach to sustainability that considers “economic issues, concern for the environment, and the socially just treatment of people”. Taking into account sustainability and
social justice benefits the firm and the buyer. “Without ethical consideration sustainability lacks the ability to transform environmental problems”.

### 2.3 Contribution of an ethical approach to management

A manager who acts morally, who is ethical in taking decisions and implementing them, and who manages with an ethical ethos makes a contribution to good management in the following way:

1. Humanizing business
2. Generating trust
3. Fostering loyalty
4. Favouring social acceptance and reducing transaction costs
5. Reinforcing the manager’s moral habits
6. Encouraging responsibility to be more efficient and morally imaginative and
7. Developing ethical organisational cultures (Mele, 2012 p. 21, 22).

The actions of entrepreneurs impact society and public institutions. An example of this is François Michelin, industrialist and chairman of Group Michelin (1955-1999) and one of the world’s leading producers of tyres who states the main aim of business as “not profits, but serving clients, employees and society at large” (Havard (2014, p. 76 ). The extent to which entrepreneurs perceive their institutions such as political and legal systems to be ethical and trustworthy, influences positively the ethical standards of the entrepreneurs (De Clercq and Dakhli, 2009, Sackey et al, 2013).

Financial investment and philanthropy are partnering in social enterprise development. In relation to investments “Impact investments “have an active social and /or environmental objective in addition to a financial objective” (Consulting, 2010, p 5). The aim is to bring about social and environmental value.

Anderson and Smith (2007, p. 479), in their two case studies, found that to be judged “entrepreneurial” it is not sufficient to act like an entrepreneur but the “social constructs of public perceptions entail examining both moral means and moral ends”. They conclude that there is “a moral imperative in entrepreneurship”. Solzhenitsyn (2017) claimed that “Even the most rational approach to ethics is defenceless if there isn’t the will to do what is right”.

A tension can arise in business between making profits and being responsible. There are various reasons for promoting corporate responsibility such as responsibility harmonised with profits. From
the viewpoint of the various stakeholders in the firm, there are many calls for the aforementioned behaviour. However, these calls are all connected with the bottom line, and it deserves consideration to focus on moral reasons, which provide a basis for managing business with responsibility and sustainability. One can look at the responsibilities of business in society by focusing on the following three functions:

1. Responsibility in creating wealth and knowledge efficiently (instrumental function)
2. In responsible stakeholder treatment (integrative function)
3. In being a good corporate citizen (politics-social function).

(Mele, 2012, p. 128).

3. Some ideas on how to foster ethical and sustainable thinking

Havard (2014, pxiii) states that “leadership is character”. This concurs with Drucker (2005, p. 155), the acclaimed management writer, who says “It is character through which leadership is exercised”. Training is needed and it is within everyone’s possibilities to improve qualities for ethical leadership. Dweck (2017) talks in her book about the importance of the growth mindset, the idea being that talent is not fixed but that the person can grow and develop all the time. With the right mindset people can be motivated to see goals, to grow and to achieve success.

The EntreComp Framework can be used in both formal education and training contexts as well as non-formal educations scenarios, such as fostering intrapreneurship in an existing organisation. It links the spheres of education and work in relation to entrepreneurship as a competence. This framework is a result of extensive consultation with key stakeholders and research. It has received approval from many sources but has not been adapted to or tested in real settings. The framework aims to build a “bridge between the worlds of education and work” (Bacigalupo et al., 2016 p. 7). Ireland’s National Skills Strategy (2015 p.10) mentions how “other core or transversal skills like languages and entrepreneurship will also underpin Ireland’s use of its talent offering as a global differentiator”. These skills are significant for personal development. “Transversal skills are the building blocks for the development of the “hard” “vocational” or “technical” skills required to succeed in the labour market. The transversal skills as identified by enterprise include creativity, innovation, and entrepreneurship, critical and analytical thinking, team work, communication and business acumen. The latter mentioned strategy document sets out the following objectives ibid. (p.10)

1. Education and training providers will place a stronger focus on providing skills development opportunities that are relevant to the needs of learners, society and the economy
2. Employers will participate actively in the development of skills and make effective use of skills in their organisations, to improve productivity and competitiveness

3. The quality of teaching and learning, at all stages of education, will be continually enhanced and evaluated

4. People across Ireland will engage more in life-long learning

5. There will be a specific focus on active inclusion, to support participation in education and training, and the labour market

6. We will support an increase in the supply of skills, to the labour market.

“Companies are now focused on training which will not only increase the company’s competitive advantage, but will enable the learner to achieve a greater understanding of themselves, increasing their appetite to excel” (ibid. p.12). The following benefits will result from this vision for developing peoples’ talent:

- It will improve peoples’ lives
- It will make Ireland a better place to live and to work
- It will drive sustainable economic growth.

Ireland’s National Policy Statement on Entrepreneurship (2014) proposes new ideas and objectives to spur the growth of entrepreneurship including training which can complement the European Framework i.e. EntreComp. In the section on resources (EntreComp Framework) ethical and sustainable thinking includes the following descriptors (Bacigalupo et al., 2016 p. 12, 18)

- Assess the consequences of ideas that bring value, and the effect of entrepreneurial action on the target community, the market, society and the environment

- Reflect on how sustainable long-term social, cultural and economic goals are, and the course of action chosen

- Act responsibly.

In relation to levels of proficiency, at the foundation level learners can recognise the impact of their choices and behaviours, both within the community and the environment. At the intermediate level
learners are driven by ethics and sustainability when making decisions, and at the advanced level, learners act to make sure that their ethical and sustainability goals are met.

Below are some examples from the EntreComp Learning outcomes for competence ethical and sustainable thinking (Bacigalupo et al., 2016):

**Behave ethically:** I can recognise behaviours that show integrity, honesty, responsibility, courage and commitment

**Think sustainably:** I can list examples of environmentally-friendly behaviour that benefits a community

**Assess the impact:** I can find and list examples of changes caused to human action in social, cultural, environmental or economic contexts

**Be accountable:** I can tell the difference between accountability for use of resources, accountability for impact of my value-creating activity, stakeholders and the environment.

Calrkin and Cangioni (2016, p147) propose that considering “the interdisciplinary nature of Impact, investing with its legal, managerial, financial and entrepreneurial constructs, coursework in colleges and universities should include elements of these topics in their social entrepreneurship curriculum”.

According to Mele (2012, p.128) in relation to sustainability, effective management encompasses how business affects human development and looking at sustainability “through a holistic view of its economic, social and environmental dimensions. This means seeking not only economic results but also positive impacts on society and the environment” (Mele, 2012, p.128).

The European Commission/EACEA/Eurydice Report (2016) highlights that “learning outcomes linked to entrepreneurship education are fragmented in most European countries: they are not comprehensive and lack progression between educational levels” (European Commission, 2016).

Culture plays a role in the development of entrepreneurship ideals (Stephan and Pathak, 2016).

O’ Neil and Ucbasaran (2016, p. 133), in their longitudinal analysis of case studies in environmental ventures, found that the entrepreneur’s own values and beliefs are found to serve as a basis for discussion about how to gain legitimacy (the “what matters to me” stage) but are then modified, as attention shifts to gain legitimacy from diverse audiences (The “what matters to them” stage). To achieve this, entrepreneurs engage in reflection and reflexivity about both the business and personal consequences of their work at each stage.
Kuratko and Goldsby (2004) recommend a corporate entrepreneurship training program (CETP) for businesses to maintain ethical standards. It should include criteria to enable managers to make decisions in light of the impact on the entire organisation. The following is an example of an award-winning training programme designed to create an awareness of opportunities in the field of entrepreneurship with an ethical component. The CETP consisted of six four-hour modules, each designed to train participants to support entrepreneurship in their own work area (Kuratko and Montagno, 1989; Kuratko et al., 1990, 2001). The modules are as follows:

1. Introduction
2. Personal creativity
3. Corporate entrepreneurship
4. Assessment of current culture
5. Business planning
6. Ethical assessment: This aspect looks at issues of concern in the company both now and in the past. With reference to the mission statement, an organisation’s level of ethical compliance is examined. A code of ethics for practice is either given, or worked out. Entrepreneurial actions are evaluated in light of ethical principles.

Andre and Pache (2016, p. 659, 671) make the point that the “care ethics of social entrepreneurs”, which implies the pursuit of caring goals through caring processes, “can be challenged when they engage in the process of scaling up their ventures”. They propose that “social entrepreneurs can sustain their care ethics as the essential dimension of their venture, only if they are able to build a caring enterprise”. They propose “a model of scaling up from caring entrepreneur to caring enterprise, through organisational care by the following:

- Fostering care in all organisational members
- Encouraging caring relationships among organisational members
- Developing an organisation’s capacity to listen to different voices (Andre and Pache, 2016, p 671).

Chikweche and Fletcher (2013) highlight the existence of a variety of obstacles for consumers and firms in situations of dire poverty which has repercussions on entrepreneurship and business ethics and which need to be considered. Therefore, it is important not only to study entrepreneurship and business ethics in western developed markets, but also in poorer, less developed markets. Chikweche
and Fletcher (2013, p103) argue that entrepreneurs need to have a different mindset to conduct business in scenarios of grave poverty, and consequently a different approach is needed to “adopting western based values and practices”. Therefore, the aforementioned authors conclude that it is advisable to study business ethics and entrepreneurship, taking into account the environment in which the organisation carries out its activities.

Marshall (2011) in his study of IFPSE (International For-Profit Social Enterprises) elaborates on the activities of social entrepreneurs who carry out business for profit. His findings (p. 196) suggest that IFPSE’s are firstly, committed to a global social issue, and secondly, maintain a fundamental belief in the market as a transformational mechanism to address the social issue.

In relation to sustainability Peter M. Senge in the foreword to John Ehrenfeld's (2008p. xiv,) book, *Sustainability by Design* says:

“This simple word, sustainability, has escaped from the clutches of academics and social activists and now shows up in newspapers and political speeches. But what does it mean? ...For millennia, societies that have nurtured civilisation, east and west, north and south, have honoured the timeless quest after transcendent ideals: “the good, the true and the beautiful”: to be guided by “Great Spirit, the Tao”. When such aspirations become replaced by the mindless quest for “more”, we fall out of alignment with our deepest nature. Is it any wonder that we then fall out of alignment with nature as a whole? Economics is the science of means, the efficient use of resources; it has nothing to say, inherently about ends. Yet, there is hardly a politician on the planet who does not believe that his or her job security, does not hinge on economic growth”.

### 4. Conclusion

The question of ethical and sustainable thinking is deserving of consideration. Recent developments such as deregulation, the market economy drive for profits, lack of trust, and new technology aiding and abetting this situation, are calling for the development of frameworks. There is a need to embed ethical values in society. The European Commission is opportune in putting forward ethical and sustainable thinking as an entrepreneurial competence.
More research is needed into the ethical problems encountered by entrepreneurs in their organisations. “Entrepreneurs face uniquely complex moral problems related to basic fairness, personnel and customer relationships, distribution dilemmas, and other challenges” (Hannafey, 2003, p 99).
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