

Editorial: The distinctions between ethical and nonethical entrepreneurship

Humanity is facing challenges ranging from inflation, unemployment, population aging, government debt, immigration, disease, armed conflict, etc. Some experts claim that Western nations, with entrepreneurship and globalization as their “economic software,” are declining. Powers in the East propose an alternative called “digital socialism with Asian characteristics” as they are speculating weaknesses such as social inequality and environmental damages.

The *Journal of Ethics in Entrepreneurship and Technology* acknowledges the shortcomings of traditional entrepreneurial systems. However, this editor believes that entrepreneurship and globalization must be redeemed, not replaced. Over the past four centuries, in multiple cultural contexts, entrepreneurship has created prosperity and well-being. It has created jobs, lifted people out of poverty and generated products and services enjoyed by many. With this editorial, I would like to contribute to the redemption of entrepreneurship by outlining seven distinctions between ethical and nonethical entrepreneurship.

Ethical entrepreneurship is based on principles and values that guide business decisions and is primarily concerned with value, not just profit. It places a strong emphasis on moral integrity, social responsibility and long-term sustainability. Ethical entrepreneurs consciously and intentionally integrate their ethical standards into their business practices. Current research suggests that ethical entrepreneurship generates long-term business success, social acceptance, customer and employee loyalty (Ratten, 2023). Ethics can be viewed as the critical and normative reflection of morality, while morality is the practical implementation of ethics (Vallaster *et al.*, 2019). Nonethical entrepreneurship is primarily focused on profit maximization within legal boundaries. It typically views shareholders as the most important stakeholders, taking precedence over all others. Moral considerations are sometimes discounted in the quest of maximize profits. Studies have shown that exclusive profit-maximizing motives in entrepreneurship can lead to questionable, even harmful choices (Murnieks *et al.*, 2014; Ratten, 2023).

Distinction 1: purpose and motivation

The first distinction between ethical and nonethical entrepreneurship is its purpose and motivation. A sense of morality or altruism to all stakeholders drives ethical entrepreneurship. It is not an anti-profit approach, but it seeks to balance the quest for financial gain with social responsibility. Frequently, ethical entrepreneurship is infused with a strong sense of divine purpose or calling, and it can be associated with religious experiences. Ethical entrepreneurs view their businesses as instruments for advancing social, moral or environmental causes. They seem to have a higher calling which necessitate



financial resources to be fulfilled. Ethical entrepreneurs view their businesses as instruments of change, seeking to address societal problems, such as illiteracy, infant mortality, poverty, inequality or environmental sustainability. They are driven by a sense of purpose beyond monetary gains and aim to leave a lasting legacy (Kaptein, 2019).

In contrast, nonethical entrepreneurship seems to have profit maximization as its exclusive objective. Its purpose and motivation is to enrich its owners, increase conspicuous consumption and accumulate power over other stakeholders (Mthembu and Barnard, 2019). Financial success is a fundamental aspect of any business venture, and its absence will render the organization unsustainable. However, the exclusive pursuit of financial profits may lead to:

- *Ethical blind spots.* Entrepreneurs neglect or downplay the ethical implications of their decisions, leading to unintended negative consequences such as losing customers, employees, partners or reputation.
- *Short-termism.* Firms prioritize quick financial gains over long-term sustainability, compromising the enduring success of their ventures.
- *Negative externalities.* Profit-driven decisions can generate negative externalities affecting society and the environment, such as labor exploitation, environmental degradation or faulty products.
- *Erosion of trust.* A singular focus on profit may erode trust among stakeholders, and it can damage the entrepreneur's reputation and brand, making it challenging to attract consumers and talent.
- *Regulatory and legal risks.* Entrepreneurs may expose themselves to legal risks when profit-maximizing becomes paramount. These risks include fines, legal hassles, reputational damage or business closure.

Distinction 2: the triple bottom line versus profit-centric approach

The second distinction between ethical and nonethical entrepreneurship is their measurement and accounting. Ethical entrepreneurs typically adopt a “triple bottom line” framework, which measures success in terms of profit, people and the community (Kaptein, 2019). This approach encompasses social and community impact, emphasizing a holistic perspective. Ethical entrepreneurs acknowledge the interconnectedness of these dimensions and the challenge of balancing them, especially when their competitors play by different rules.

In contrast, nonethical entrepreneurs often adopt a profit-centric approach and do not consider the interests of other people or the community. In this approach, profit maximization is the only unit of measurement for the success of the enterprise. Regardless of their consequences, revenues are being maximized and costs are being minimized with little apparent concern for anything else. This mindset may lead to practices of cronyism and corruption, which may be entertained if the opportunity arises. One of the unintended consequences of this practice is the negative reputation entrepreneurship and business have throughout the world (Ratten, 2023). Countless individuals could make a positive impact in business and entrepreneurship yet are deterred by a few greedy examples. Most painful is when the children and grandchildren of such “profit-maximizing-at-all-costs” entrepreneurs do not want to follow in their parent's footsteps and squander their talents and opportunities.

Distinction 3: decision-making criteria

The third distinction between ethical and nonethical entrepreneurship pertains to their decision-making criteria. Ethical entrepreneurs seem to have an objective “north star,” often steeped in

religious convictions, which does not change based on circumstances. They prioritize ethical and moral considerations while maintaining an eye on the financial sustainability of their firm. Their decision is guided by a commitment to fairness, transparency and integrity.

In contrast, nonethical entrepreneurs make decisions driven by economic rationality, with profit as the dominant yardstick for success (Ahsan, 2020). In the short run, they may speculate new opportunities and create new products or services. As illustrated by companies such as Facebook and Google, companies may even position themselves as highly ethical or socially conscious in the beginning. However, as time passes and the pressure increases, in the absence of objective moral considerations, firms will be tempted to sacrifice their objectives and sometimes their identity on the altar of profit maximization.

Distinction 4: stakeholder engagement

The fourth distinction between ethical and nonethical entrepreneurship is their approach to stakeholders' engagement. Ethical entrepreneurship is built on a culture of respect, communication and engagement with all employees, customers, suppliers and the community. Stakeholder theory integrates business and ethics and operates on equity and justice for all stakeholders. It suggests that firms that satisfy the interests of a wide range of stakeholders can create more value in the long run (Dacin *et al.*, 2022). This approach acknowledges that the success and sustainability of a business are intertwined with the well-being of its stakeholders.

In contrast, nonethical entrepreneurship engages as little as possible with its stakeholders, often only within the constraints of the law. Sometimes, there is an attitude of secrecy, manipulation and disrespect, with an intentional effort to divide and conquer. While this approach can lead to short-term financial gains, it is not sustainable as it overlooks the more enduring impacts on the community (Sundararajan, 2016). In the long run, the firm may have to invest more efforts and resources and may lose the goodwill of its customers and employees.

Distinction 5: long-term sustainability

The fifth distinction between ethical and nonethical entrepreneurship is their commitment to long-term sustainability. Ethical entrepreneurs stand out for their commitment to the long-term sustainability of their businesses. They recognize that making a meaningful impact on society and the environment often demands a long-time horizon and a commitment to enduring values. This approach is characterized by a dedication to principles that extend beyond quarterly financial reports and immediate profits. As a result, ethical entrepreneurs build businesses that are not only financially viable but also more stable and resilient in the face of economic fluctuations and crises (Venkataraman, 2002).

In contrast, nonethical entrepreneurs, driven by the pursuit of immediate financial gains, may prioritize short-term profitability without consideration for long-term sustainability. This short-sighted approach can create vulnerabilities when confronted with economic or market uncertainties. The focus on quick returns can sometimes overshadow the importance of building a solid foundation that can withstand challenges over the years. Recent research on the sharing economy provides a valuable framework that combines stakeholder theory, entrepreneurship and ethics. It emphasizes the need for an efficient and fair equilibrating system and outlines critical mechanisms to ensure its proper functioning, which include the concept of the "moral manager" or a "corporate chaplain" (Ahsan, 2020).

Distinction 6: innovation and problem-solving

The sixth distinction between ethical and nonethical entrepreneurship is their approach to innovation and problem-solving. Innovation lies at the heart of entrepreneurship, and

it serves as an engine for growth and value creation. Ethical entrepreneurs are often at the forefront of innovation, driven by a high sense of moral responsibility. This commitment to innovation reflects their belief that entrepreneurship is a powerful means to drive positive change and make a lasting impact on the world (Block *et al.*, 2019). Ethical entrepreneurs, conscious of their limitations and the short-term disadvantages placed by their moral convictions, may be inclined to adopt innovative practices and technologies. In a sense, they must compensate for the competitive advantage of their unethical counterparts.

Conversely, nonethical entrepreneurs may choose established business models and traditional practices. While these approaches may provide stability and predictability, they may also contribute to the status quo, with ethical and environmental challenges ranging from income inequality to resource depletion (Mthembu and Barnard, 2019). This difference in approach to innovation and problem-solving underscores the distinctions between ethical and nonethical entrepreneurs. Both groups aspire to achieve entrepreneurial success, but a moral imperative drives ethical entrepreneur to push the boundaries of innovation. Nonethical entrepreneurs in contrast, by perpetuating established practices, may inadvertently maintain harmful and destructive practices. This distinction underscores the significant role that ethics plays in shaping the future and the responsibility entrepreneurs have in contributing to a better, more sustainable and more equitable world.

Distinction 7: reputation and branding

The seventh and last distinction between ethical and nonethical entrepreneurship is their reputation or branding. Ethical entrepreneurship is closely linked to a strong reputation for social responsibility, as underscored by Smith *et al.* (2021). Companies that embark on ethical entrepreneurship seek to make a positive societal impact. This mission profoundly influences their branding and reputation-building efforts. Ethical entrepreneurs strive to create a brand that transcends financial success and illustrates their values and convictions. In today's socially conscious world, a brand is more than just a logo: it reflects the company's moral compass. Ethical entrepreneurs often view their ventures as instruments to fulfill their higher purpose. This extends to their brand identity. When employees and customers interact with the brands, they often see a reflection of their values and principles, creating a solid emotional connection. The brand becomes a symbol of social responsibility, trust and authenticity.

In contrast, nonethical entrepreneurs may need help to build a positive reputation beyond their financial performance. This limitation can be attributed to their singular focus on profitability, which may overshadow the importance of broader societal or environmental concerns. As highlighted by Smith *et al.* (2021), nonethical entrepreneurs may find it challenging to infuse their brand with a clear identity, as their primary goal revolves around financial gains ().

In conclusion, the distinction between ethical and nonethical entrepreneurship goes beyond semantics; it is a profound distinction and a fundamental philosophy and business approach. Ethical entrepreneurship seeks to harmonize profit with a positive societal impact, consciously building a reputation rooted in social responsibility. In contrast, nonethical entrepreneurs prioritize financial gains, which may inadvertently limit the depth and breadth of their brand's reputation. As the world grapples with complex ethical, environmental and social challenges, this choice has profound consequences for the future. It is up to entrepreneurs, policymakers and society to consider which path we want to tread and what kind of world we want to create through our entrepreneurial endeavors. The

ethical entrepreneur, guided by principles, leaves a legacy far beyond the balance sheet, influencing a world that values conscience much more than profit.

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