Innovation, rule breaking and the ethics of entrepreneurship

George G. Brenkert*

McDonough School of Business, Georgetown University, 37th and “O” Street, NW Washington, D.C. 20057, United States

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ABSTRACT

This article examines a feature of the ethics of entrepreneurship that is infrequently directly discussed, viz., rule breaking. Entrepreneurs are widely said to engage in rule breaking. Many examples of this appear in popular and academic literature. But how may this be integrated into an account of the ethics of entrepreneurship? One response would be that when entrepreneurs break legal and moral rules then what they do is wrong and ought to be condemned. There is a great deal to be said for this rule model of entrepreneurial ethics. However, this view is also mistaken. Instead, this article defends a virtue-based account of the ethics of entrepreneurship in which certain instances of rule breaking, even if morally wrong, are nevertheless ethically acceptable and part of the creative destruction that entrepreneurs bring not only to the economy but also to morality.

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1. Executive summary

This article examines one aspect of the ethics of entrepreneurship that relates to the changes and innovations with which entrepreneurship is frequently associated. To be an entrepreneur, it is often said, one must break the rules so as to take advantage of opportunities one identifies or can create. Following such injunctions may, of course, lead entrepreneurs into a number of moral dilemmas, especially when rule breaking takes place within legal and moral contexts. Still, such behavior fits with some descriptions of entrepreneurs being tricksters, wily competitors, and clever enterprisers. In fact, some of these rule violations, of the moral and legal sort, become part of their mythology. Without bold and/or devious acts, some of their products and companies would not have succeeded. Consequently, if entrepreneurs are viewed as engaging in creative destruction, there is no reason why this notion might not apply to the law and morality as well.

Exploring the connections between this dynamic, boundary-crossing view of entrepreneurship and its ethical implications is crucial to developing an ethics of entrepreneurship. There is, of course, much to be said for not breaking rules, at least moral and legal ones. Such a view accords with traditional views of morality and rule breaking. On these views, either one ought never to break moral rules, or only to do so when there are excusing or justifying circumstances. However, even in this latter case, an appeal is being made to some principle behind the rule, which would justify breaking the particular rule. Hence, this view has typically relied upon universal, general, and unchanging principles from which we may derive the specific rules we ought to follow.

Though this kind of account captures an important place for rules in our view of morality, I argue that there is something more complex going on that naturally comes to the fore when considering the ethics of entrepreneurship. This complexity can be captured in a number of kinds of situations entrepreneurs’ face in which genuine moral rules are broken and yet this behavior is accepted as part of entrepreneurship. For example, in some “Competitive Contexts” entrepreneurs may break rules regarding truth telling and promise making and yet their actions are accepted as what entrepreneurs do. In cases of “Permission and Forgiveness”
entrepreneurs make may break genuine rules within organizations and yet their actions be forgiven. Some actions entrepreneurs
take may alter the context so that what was wrong becomes right or what was false becomes true (“Pygmalion Effects”). In other
instances, “Dirty Hands”, alternative decisions may both be wrong. Finally, rule breaking may also be part of a cross-cultural
tradition of the trickster, who is accepted, if not respected, for outwitting “the system” to promote some project or scheme
(“Tricksterism”).

These sections both illustrate and argue that the rule-based view of an entrepreneurial ethics is mistaken. More directly, we
recognize that relatively specific moral rules may fail by being too narrow. They may also conflict, leaving the rule follower without
any clear idea of what to do. Further, no rule can anticipate each and every new circumstance a person (or entrepreneur) might
face. In addition, rule-based accounts of morality and rules miss the dynamism, the uncertainty, the changes and challenges that
occur in morality and in entrepreneurial endeavors. Finally the commitment of entrepreneurs to and enthusiasm for their projects
is essential for their success and yet this colors their judgments, and often times leads to exaggerated representations of their
businesses and projects. In fact, these projects may only succeed due to their biased commitment. A traditional moral account that
emphasizes objectivity and rationality seems to miss this engaged nature of entrepreneurial endeavors.

In contrast, I defend a model of ethical decision making that looks beyond the rules that entrepreneurs break to the kinds of
characters, businesses, and societies that are involved. We must particularly focus on the virtues that entrepreneurs may display in
their moral and ethical choices. These virtues are part and parcel of our views of a good or flourishing society. This view does not
deny that moral rules play a role in our behavior, but embeds them in the broader ethical dimension of a good or flourishing life in
which virtues play a central role. Moral rules are derivative of such virtues.

On this view, entrepreneurs may break various moral rules, thereby doing what is morally wrong, even though from a broader,
ethical perspective what they do may be acceptable. Nevertheless, breaking such rules is not simply something that can or should
be done capriciously. I do not defend a view that exempts entrepreneurs from charges of acting immorally. Rather, I seek to create a
space within the ethical for actions entrepreneurs (and others) may take that do violate moral rules, and should be said to be
wrong, but which may from the larger ethical perspective be said to be permissible. Only such an approach captures the creative
destruction that entrepreneurship represents. Moral change and progress do not occur merely smoothly, without actual moral
transgressions. Still, these are (or should be) restrained within both moral and ethical considerations related to the virtues and
considerations related to the good or flourishing life. For this, both moral imagination and moral wisdom are required. There are
no moral rules or algorithms that will tell them what to do.

2. Introduction

Over the past several decades entrepreneurship has attracted increasing attention, not only in the United States but around the world,
for its contribution to new products and services, employment, and the economy more generally. Both individuals and large firms
are seeking to become more entrepreneurial. We have come considerable distance from the age of “the Organization Man” (Whyte, 1956).

Given the prominence of entrepreneurship these days, there is also the tendency to extol and even romanticize the entrepreneur. For example, George Gilder comments that the entrepreneur’s “success is the triumph of the spirit of enterprise—a
thrust beyond the powers and principalities of the established world to the transcendent sources of creation and truth” (Gilder,

And yet there is another side to the story. Though there are many examples of the benefits of entrepreneurship, there are also
abundant examples of its misuse. Some employees of Enron engaged in a number of entrepreneurial undertakings that were illegal
and unethical. And, on a far less grand scale, there are examples of entrepreneurs who brew whiskey illegally in the hills of
Appalachia or who sell prescription drugs without a physician’s prescription on the Internet. In these and other cases, entrepreneurs
have broken legal and moral rules.

It is not surprising then that a recent article, in a journal issue devoted to entrepreneurship and ethics, notes “an intense love–
hate relationship” between the two: “On the one hand, entrepreneurs, who are regarded as creative innovators, are praised for
their contribution to the development of society by creating new products, employment opportunities and thus opening new
possibilities for all of us. On the other hand, entrepreneurs are often criticized for a one-sided pursuit of business success and being
willing to compromise moral values if needed” (Fisscher et al., 2005: 207). In light of such criticisms and unsavory examples, some
have contended that unless the moral status of entrepreneurship can be shown to be “morally worthwhile” and “ethically
praiseworthy”, the status of the entrepreneur as well as “... the market itself become vulnerable to serious moral criticism” (Machan,
1999: 596).

In this paper, I want to examine one aspect of the ethics of entrepreneurship that relates to the changes and innovations with
which entrepreneurship is frequently associated. It is often said that to be an entrepreneur one must break the rules, not accept
conventional wisdom, but take advantage of the various opportunities that one identifies or can create. Following such injunctions
may, of course, lead entrepreneurs to a number of moral dilemmas, especially when rule breaking takes place within legal and
moral contexts. Still, such behavior fits with some descriptions of entrepreneurs being tricksters, wily competitors, and clever
enterprisers. In fact, some of these rule violations, of the moral and legal sort, become part of their mythology. Without bold and/or
devious acts, some of their products and companies would not have succeeded. Consequently, if entrepreneurs are viewed as
engaging in creative destruction, there is no reason, a priori, why this notion might not apply to the law and morality as well.

I believe that by exploring the connections between this dynamic, boundary-crossing view of entrepreneurship and its ethical
implications we can learn more about entrepreneurship as well as morality and ethics. Doing so may help us to develop an ethics of
entrepreneurship, while better understanding the nature and role of moral change in morality. This focus of study is infrequently
examined by ethicists. And though there are many stories of entrepreneurs breaking moral rules, these are usually taken to
demonstrate the ethical inadequacies of entrepreneurs and their compromised behaviors. In contrast, I will argue that focusing on
the rule breaking of entrepreneurs may also lead to discussions of the inadequacies of moralities based on rules. A proper response
to this feature of entrepreneurship requires that we develop a model of ethical decision making that looks beyond the rules that
entrepreneurs break to the kinds of characters, businesses, and societies that are involved. Regarding their moral and ethical
choices, there are other considerations than rules or principles we need to take into account that are linked to issues of a flourishing
society.

To defend this line of thought, I begin by briefly offering an account of entrepreneurship that associates it with change and
innovation. I draw on this account to introduce a wide variety of statements regarding entrepreneurship that associate it with both
moral and non-moral rule breaking. I then use this as a rationale to examine the sufficiency of a rule or law-oriented account of
morality. I conclude that such an account is insufficient and that we must look more broadly at the role of virtues and the good (or
flourishing) life. Next, I offer a contextual rule model in which moral rules may be broken subject to a broader ethical perspective. On
such a view, then, entrepreneurs may break various moral rules, thereby doing what is morally wrong, even though from a broader,
ethical perspective what they do may be acceptable. Finally, such moral transgressions are restrained within both moral and ethical
constraints and ideals. When entrepreneurs face instances of moral rule breaking, both moral imagination and moral wisdom are
required.

In the end, I contend we must recognize a fundamental tension in our moral thinking about following and breaking rules. Some
believe this tension can be dissolved (e.g., utilitarians). I maintain that it cannot be dissolved; instead, it must be accepted and dealt
with. Dealing with it is essential to the ethics of entrepreneurship. The upshot is that this rule-breaking aspect of entrepreneurship
raises very difficult ethical issues when one tries to develop an entrepreneurial ethics and, in the process, consider the shape an ethics
of change would take.

3. Entrepreneurship

If we are to speak of ethical issues that pertain particularly to entrepreneurship, it is appropriate briefly to say how I will
understand this concept.

A very widespread and longstanding view of entrepreneurship is that it is the running of a business for oneself. “The most
widely recognized definition of an entrepreneur is ‘someone who is in business for himself’” (Davis, 1998: 117).

The limitations of this view are several. First, it prohibits talk about people in larger firms being entrepreneurial since they don’t
own a business. Second, though the owners or founders of a business often exhibit characteristics and behaviors we commonly
associate with entrepreneurship, this need not be the case. On certain versions of this definition, a person could inherit a business
and do little more than serve as a caretaker owner, while still being considered an “entrepreneur.” Third, such a view does not allow
for the important distinction that Baumol (and others) have drawn between the manager and the entrepreneur (Baumol, 1968).
Finally, this view doesn’t permit discussion of social and political entrepreneurs, since they also need not own a business.

Accordingly, this definition doesn’t capture the full range of uses to which the term “entrepreneurship” is applied. In bringing
forth these considerations, I do not deny the prominence of this use of “entrepreneurship.” One of the attractions of this view, it
appears, is that since it is relatively straightforward to determine who owns or does not own a business, it is easier to run surveys
and, thereby, to do studies of “entrepreneurs.” However, it doesn’t follow that such surveys or studies thereby capture what is truly
interesting about entrepreneurship.1

Instead, I will adopt another view, which also has a strong lineage, though expressed in various ways. This is the view, that
“entrepreneurship [is]... the process of discovering and developing opportunities in order to create value for an existing or new
organization” (Fisscher et al., 2005: 107). Similarly, Buchholz and Rosenthal say that “the entrepreneur creates something new in
society, something novel, that meets a need that is latent in consumers” (Buchholz and Rosenthal, 2005: 307). And a report of the
Kaufman Foundation says, quite simply, “Facilitating change is at the core of entrepreneurial action” (Understanding Entrepreneurship,
2005: 5). The resulting products and services that may run the gamut from the wholly new to the minimally new — new only in their
presence, but not in their kind. Hence, on this view, entrepreneurship refers to an innovation continuum (from the merely additive or
continuous, to the discontinuous or “disruptive”).2

So understood, entrepreneurship is more than being innovative or creative in coming up with new ideas for products or
services. Entrepreneurs must also either create an organization or work through an organization (intrapreneurs) to develop the
new opportunities and values they envision. This involves not only risks of various sorts, but also obstacles and barriers that may
stand in the way of the entrepreneur’s efforts.

Consequently, entrepreneurship has a dual nature to it. On the one hand, it looks towards some product or project within a set
of opportunities the entrepreneur perceives or can create. On the other hand, it looks towards the organizational forms that the
entrepreneur must create or use to realize those products and opportunities. In short, there is a twofold creative dimension that
each entrepreneur must undertake — the project to be realized and the organization or organizational efforts that realize it.

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1 In the end, it may be best simply to consider this term “systematically ambiguous”. One should note the meaning one attaches to the notion and get on with
one’s work. In any case, this is what I wish to do, since I wish to aim at a broader sense of “entrepreneurship.”

2 The Ewing Marion Kaufmann Foundation simply begins its Research and Policy report of 2005 on Understanding Entrepreneurship with the words
“Entrepreneurs create. They innovate” (Carl J. Schramm, “Research: Key to Our Entrepreneurial Future,” in Understanding Entrepreneurship, p. 4).
Accordingly, the crux of entrepreneurship, as I am viewing it, lies in seeking ways to bring about innovation and change through new products, services and organizations, as well as the willingness to overcome obstacles and barriers to do so. However, whether we refer to the products or the organizations entrepreneurs develop, it is clear that entrepreneurship is “an inherently dynamic concept” (Fisscher et al., 2005: 207). "It is about bringing into being new horizons for a business and therefore changing the existing situation” (Fisscher et al., 2005: 207).  

4. Innovation, rules, and broken rules

Change, reforms, and revolutions usually do not occur unopposed. Entrepreneurs face many obstacles not simply from individuals but also the systems within which they operate. As Schumpeter remarks, “to undertake new things is difficult... because the environment resists in many ways that vary, according to social conditions... the man who tries to produce it” (Schumpeter, 1975: 132). It is crucial to examine, from the moral or ethical standpoint, the change that lies at the heart of entrepreneurship.

There is a tradition of speaking about entrepreneurial innovation that emphasizes that the entrepreneur does something that breaks with past, normal, or accepted ways of going about things. Quite commonly, in fact, the portrayal of entrepreneurs takes the form of saying that entrepreneurs break the rules in what they do. This may relate to the product (or service), the organization the entrepreneur engages, or the society within which they do business. The following kinds of comments are typical.

4.1. Entrepreneurs and rule breaking

Jaude comments that innovators must "... not hesitate to break virtually every rule, held sacred by conventional wisdom" (Jaude, 2005: 2/3). Dara Craft comments that “Rules are meant to be broken... I think you have to be of that mind to be an entrepreneur. If you're going to follow the rules, you might as well forget it, because the rules will beat you before you get started” (Williams, 1999: 1). Accenture says that entrepreneurs “take risks—breaking rules, cutting across accepted boundaries, and going against the status quo” (Accenture). Gilder says that “One of the key principles of entrepreneurship — the business of breaking the settled mold — is the absence of clear and fast rules” (Gilder, 1992: 296).

Hannafey contends that “In the Homeric Hymn to Hermes (c. 520 B.C.E.) the mythical entrepreneur Hermes — depicted as skilled inventor and merchant — is dishonest, and he is described as an ‘unethical trickster and thief’ concerned only with his own interests and gain” (Hannafey, 2003: 99). Longenecker notes that some describe “entrepreneurs as mavericks who resist conformity to bureaucratic structures and rules” (Longenecker et al., 1988: 65). Kuemmerle comments that “all businesspeople have to be a little devious at times — it goes with the territory. But entrepreneurs are different. They’re not just willing to bend the rules; they revel in it. In fact, most start-up success stories I’ve heard contain at least one episode of an audacious entrepreneur using some outrageous tactic to swing a crucial deal or find the resources to get an idea off the drawing board” (Kuemmerle, 2002: 123).

Anita Roddick has noted that “there is a fine line between the delinquent mind of an entrepreneur and that of a crazy person” (Davis, 1998: 117). Zaleznick of Harvard apparently had a similar thought since he is reported to have said that “if we want to understand the entrepreneurs... we should look at the juvenile delinquent” (Solomon, 1999: 173–4). And finally, Useem comments “The whole notion of entrepreneurship, after all, connotes playing outside the rules, and we’re inclined to celebrate the moxie and brio of those underdogs who push things the furthest” (Useem, 1999: 1/6).

I have recorded these comments at length because I want to take this notion of rule breaking very seriously. To understand what is going on we must look closely at entrepreneurial rule breaking with neither moral naiveté nor moral cynicism. If entrepreneurs are rule breakers, boundary crossers, when may (or must) such rules be broken, and when not? Answering this question is an important part of addressing the question of the moral legitimacy and moral dynamism of entrepreneurship.

There is no number of examples that capture this aspect of entrepreneurship. Some might include various new ways of financing projects that break with the past and the rules according to which others have played. New uses of the law are developed to challenge competitors in ways that also rupture past professional or conventional standards. Sometimes the law is simply circumvented. Kenneth Cole did this when he changed the name of his business to make it appear that it was involved in movie production so that he could place a van on the streets of New York City and sell shoes outside a fashion convention. At other times various other forms of deception, misrepresentation, etc. are used. Phillip Kahn’s deception of an advertising agent which resulted in Kahn being offered especially good financing— is going on we must look closely at entrepreneurial rule breaking with neither moral naiveté nor moral cynicism. If entrepreneurs are rule breakers, boundary crossers, when may (or must) such rules be broken, and when not? Answering this question is an important part of addressing the question of the moral legitimacy and moral dynamism of entrepreneurship.

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children in underwear in ways that caused outrage from many. Likewise, many objected that Abercrombie & Fitch broke similar rules when, a couple years ago, its Christmas catalogs presented group sex in an attractive and alluring manner. Finally, in a survey that Longenecker et al. did of entrepreneurs and non-entrepreneurs they found that entrepreneurs were more accepting of questionable behavior in the following five areas: padding an expense account, concealing cash receipts from the IRS, collusive bidding, using inside information, and copying a copyrighted computer program (Longenecker et al., 1988:68).

In considering these and many other examples, it is obvious that the rules entrepreneurs break, the bounds they exceed or transgress, are widely varied in nature. Sometimes—and perhaps most frequently—these are of a practical, non-moral nature involving, for example, the ways of producing a product or of organizing a business. However, at other times the bounds or the rules may be professional, conventional, customary, legal, or moral. It is these latter forms of rule breaking on which I wish to concentrate. The rules involved come with different levels of specificity. They may be very specific, but they may also be very general. For the most part, I take it that rules are viewed as more specific and directive than principles (cf. Dewey, 1960: 136–7; Sunstein, 1995: 959). However, this need not be the case. For example, Gert defends ten moral rules that include “Don’t cheat,” “Don’t deceive,” “Keep your promise,” and “Obey the law” (Gert, 1970). In such cases we might better refer to these as “basic rules.” That said, however, it seems that entrepreneurs break not only very specific rules, but also very general or basic ones.

I don’t want, however, to over-emphasize the extent to which entrepreneurs break moral rules. Obviously, it is possible to break a wide variety of non-moral rules that have no moral implications. I assume this may occur when someone develops a new way of producing a product, or some new way of meeting current needs, e.g. getting information, which no one thought possible before. Still some of these broken rules do have moral implications. Many rules exist within a moral penumbra, by which I refer not simply to rules that are strictly moral, but other rules that have moral implications and consequences. These rules would include some laws, as well as various professional, conventional and customary rules. In addition, moral violations may occur in instances relating to the creation of an organization or to early attempts to make the organization a going concern.

Taken quite simply the above comments might be seen to be an open door for entrepreneurs to engage in rule-breaking activities, even of the legal and moral sort. The dangers of this are apparent. Some entrepreneurs who have engaged in rule breaking have brought down large corporations with the violation of accounting rules, regulations, and laws. They have sullied their own reputations and integrity. Further, rule breaking on the part of some may encourage it in others, such as driving through traffic stop signs, not to mention the stop signs in accounting, finance or marketing. Fudging on résumés, aggressively pursuing competitive intelligence, and misrepresenting one’s project and finances to potential investors raise similar problems.

There is, then, much to be said for not breaking rules, at least moral and legal ones. Such a view accords with either of two traditional views of morality and rule breaking.

On the most rigorous view, though entrepreneurs may break other conventional or practical rules they ought not to break moral rules. Nor should they break rules that have the effect of also breaking a moral rule, or breaking laws and regulations that are part of a justified legal system. Kant’s admonition against telling lies even if someone’s life is at stake is exemplary of this view.

A similar, but less rigorous, response would be to argue that entrepreneurs are not to break moral rules, unless there are excusing or justifying circumstances, In this view, if an entrepreneur breaks a rule, then, unless there is some excuse for doing so or some special set of conditions which would justify such rule breaking, e.g. another rule that should take precedence, then breaking such rules is wrong. This kind of response commonly appeals to some principle behind the rule, which would either justify breaking a particular rule or support the conclusion that behavior in accord with that rule is morally wrong. He or she ought not to have followed that rule.7 In any case, on this view, there are universal, general principles from which we may derive various specific rules. For example, given a universal principle regarding not deceiving people we might, given other factual assumptions, deduce other more specific moral rules regarding layoffs, dangerous products, or forms of advertising.7 However, since derived rules may conflict or encounter new situations, appeal to the general principles must be made to sort out such issues. The principles remain universal, objective, and unchangeable.

This general approach with its notion of rule following seems crucial to morality and the law — especially in a time when there appears to be less and less respect for the rule of law. It is, I take it, the standard ethical approach today. Solomon calls it “The broad principled ‘top-down’ ‘applied’ philosophy approach” (Solomon, 1999: 170). On this model, there is a hierarchy of principles (or general rules) and more specific rules derived from them. Entrepreneurs who find themselves in situations where they are considering breaking a (specific) rule must make a judgment on the basis of the relevant features of the situation and the applicable more general rules or principles. In any case, the basic role of rules and principles is reaffirmed.

On either of these views, then, morality is a set of rules for acting, for which the moral ideal is the person who follows the rules (cf. Wolf). It is one version of the Judeo-Christian view of morality that is most rigorously captured in Kantian morality. Moral purity is to follow the rules with the right intentions. One’s mind is focused universally. One is rationally objective, and focused on doing what is right. On this view, tragedy or unresolvable moral dilemmas are excluded (cf. Walzer, 1973, 1994). If rules conflict, there is a higher rule or principle in the moral hierarchy to which one can appeal so as to resolve the conflict. Moral harmony reigns among the prescriptions of our basic rules or principles.

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6 To say that they are wrong means that they ought not to have done that in the first place; that some sort of punishment of them for such acts might be appropriate, such as verbal condemnations of them, peer pressure to change, avoidance of their company, and even seeking more coercive measures, through the law, to prevent them from doing similar things in the future. Further they should feel guilt or shame at having done this thing. The difficulty on this view is to determine which rules are justified, which ones are applicable, the specific ways in which they apply, what to do when they conflict, etc.

7 Similarly, Frankena has defended a mixed deontological theory in which “all of our more specific rules of obligation, like that of keeping promises, and all of our judgments about what to do in particular situations can be derived, directly or indirectly from...” the principle of utility and a principle of justice (Frankena, 1973: 43–44).
This account captures an important place for rules in our view of morality. Rule following seems crucial to this view of morality and a moral society that respects and observes the rule of law. Nevertheless, I think that there is something more complex going on that naturally comes to the fore when considering the ethics of entrepreneurship. It requires a different account than the one just sketched. In short, the preceding story is flawed.

5. Entrepreneurs and rule-breaking contexts

Making moral and ethical decisions in dynamic contexts is not simply a question of applying some general rule or principle. Accordingly, the lives of entrepreneurs are in fact much more complicated than often portrayed. So viewed, the dilemmas and behaviors they engage in become more understandable.

In contrast, the standard principle-based view noted above tends simply to view the ethical questions entrepreneurs encounter as occurring in a static context with a “yes” or “no” decision possible. We often assume, as Hursthouse nicely points out, that “... in any case of moral dilemma or conflict, one side must be unqualifiedly right and the other plain wrong...” (45). This isn't the case, as the following sections illustrate. Some entrepreneurial decisions occur within a competitive context in which the actions of others may justify cases of rule breaking (“Competitive Contexts”). In other instances, what was forbidden becomes forgiven (“Permission and Forgiveness”). Some decisions may alter the context so that what was wrong becomes right or what was false becomes true (“Pygmalion Effects”). Some alternative decisions may both be wrong (“Dirty Hands”). Finally, rule breaking may also be part of a cross-cultural tradition of the trickster, who is accepted, if not respected, for outwitting “the system” to promote some project or scheme (“Tricksterism”).

In these different contexts entrepreneurs sometimes break rules or do something that is morally wrong, and yet from a broader, ethical perspective their actions may be viewed as acceptable or even, in some cases, admirable. Sometimes, it seems, doing something wrong may be preferable to aiming for moral perfection. This more complex vision of morality and ethics is the context within which an ethics of entrepreneurship and the breaking of rules need to be understood.

5.1. Competitive contexts

In the context of commercial entrepreneurship, as opposed to everyday life, there are different expectations, assumptions, and understandings of the relations of individuals, what kinds of virtues and behaviors they should engage in, and how they might, or might not, apply common moral rules. Richard De George (1993), Jane Jacobs (1992), Michael Walzer (1983, 1994), and others have described different aspects of this commercial context. Among its notable features are competition, markets, self-interest, voluntary agreements, as well as values such as private property, reciprocity, and justice. Among the virtues identified with this context are honesty, fairness, trust, toughness, courage, honor, loyalty, friendliness and shame (cf. Solomon, 1992). In so describing this competitive context, I am not defending what has been called the Separation thesis, in which business and ethics are

5.2. Entrepreneur and rule-breaking contexts

Consider the breaking of rules in a competitive entrepreneurial context. In this scenario the breaking of some rules, though viewed as wrong or undesirable in itself, may be tolerated or countenanced as part of the broader, ethical situation at hand. Competitive situations in business are believed to contribute to a desirable society. In these situations, people seek to fulfill their interests, are watchful of the accuracy of representations made to them, understand that others are also seeking to satisfy their own interests, etc. In such cases, people may do unto others what they don't want others to do to them. They may compete so well that they drive others out of business. But they may also, on occasion, break rules that put others at a disadvantage or do not fulfill their expectations. Still, people do not retaliate; they do not sanction or punish the offender. A form of moral toleration exists. As Bhide and Stevenson (1990) note, they accept, if not condone, some cases of deception and harm. What the rule breakers do is not moral (in any strict moral sense). But to require otherwise would raise issues of being moralistic. In short, the realm of permitted behavior is larger here than in other non-business and non-competitive contexts. As a result, people treat some of this behavior as not personal, even though that does not make it non-moral.

Similarly, the breaking of rules may be tolerated due to the ambiguity and complexity surrounding the broken rules. We may not know another’s motivations, or know what they know. Bhide and Stevenson note that for many in business revenge and retaliation are distractions even though others have broken rules with the consequence that they are negatively affected (Bhide et al., 1990). At the same time, if rules are not enforced through moral indignation or rebuke, and violations are, instead, “forgotten,” then there seems some broad acceptance of these actions (Bhide et al., 1990). Kenneth Cole and Philippe Kahn both broke rules regarding honesty. If they had not broken these rules, people would not have said that what they did was wrong. Their breaking of these rules was morally wrong, but viewed in a broader ethical context their behaviors were seen as clever forms of tricksterism and even admired.

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8 See Tawney's comment that “To argue, in the manner of Machiavelli, that there is one rule for business and another for private life, is to open a door to an orgy of unscrupulousness before which the mind recoils. To argue that there is no difference at all, is to lay down a principle which few men who have faced the difficulty in practice will be prepared to endorse as of invariable application, and incidentally to expose the idea of morality itself to discredit by subjecting it to an almost intolerable strain” (Tawney, 1926: 187). Accordingly, we might look to the two different ethical forms of life that Jacobs (1992) calls “the Commercial Syndrome” and “the Guardian Syndrome.” Somewhat differently Walzer (1983) speaks about “money and commodities” as a sphere of justice with its own distributive rules that differ from other spheres of justice such as education, politics, etc.
Other occasions when moral rules are broken arise when entrepreneurs are engaged in negotiations with other businesses or governmental agencies. In fact, the most frequent examples of moral rule breaking that are touted by entrepreneurs are the ones which occur in this context. These are cases, for example, involving misrepresenting one’s business in negotiating with a city agency over some regulation that prevents your business from some one-time action it must take in order to establish itself (Cole); in which you deceive a salesperson from a magazine into giving you an extraordinary offer for an advertisement (Kahn); and one in which you do not disabuse a negotiating partner of their misunderstanding of your financial background (Taggers). Even Abercrombie & Fitch pushed the boundaries and broke the rules, according to many, regarding its provocative portrayal of group sex.

In any case, the breaking of rules by entrepreneurs is not simply random or haphazard. They are not breaking rules to break rules. Nor is such rule breaking a steady occurrence, something they daily engage in. It is not a direct assault on morality or ethics. Instead, it consists of actions that may contravene customary, conventional, as well as moral rules as part of the establishment or running of an organization in the development of a new product or service. It is something that takes place occasionally or in special circumstances, though, in some cases, the impact on society may be significant.

Accordingly, Bhide and Stevenson note that the breaking of rules by entrepreneurs must be atypical, not the normal practice. They comment that “this [rule-breaking] only works as long as most of us live by an honorable moral compass” (Bhide et al., 1990: 9). There is not an inconsistency here, though there is a tension or dilemma that can only partially be resolved. Breaking the rule is not itself morally required. In fact following these rules has moral force. However, the rule breaking occurs in a broader ethical context in which it may be tolerated or countenanced, if not permitted or encouraged. This is plausibly what happened in cases such as those of Kahn and Cole. Accordingly, though rule breaking is common to or widespread among entrepreneurs, it does not characterize each and every act in which entrepreneurs engage.

Consider the contrary case of what the world would be like if moral violations were always punished. Bhide and Stevenson answer that it would be a stable and predictable world. “A world in which the untrustworthy face certain retribution is a small world where everyone knows (and keeps a close eye on!) everyone else” (Bhide et al., 1990: 8). They add that such a world is “utterly inimical to entrepreneurship” (Bhide et al., 1990: 8). Accordingly, they contend that “our tolerance for broken promises encourages risk taking. Absent the fear of debtors’ prison and the stigma of bankruptcy, entrepreneurs readily borrow the funds they need to grow” (Bhide et al., 1990: 8). “Tolerance allows resources to move out of enterprises that have outlived their functions... [W]e understand that some promises will have to be broken — promises that perhaps ought not to have been made” (Bhide et al., 1990: 8).

5.2. Permission and forgiveness

Consider another context involving rule breaking. This occurs when an entrepreneur is prevented from doing something by a rule imposed by some authority. Martha’s supervisor (Susan) has told her to stop working on a particular project. Susan cannot see any favorable prospect from this project and thinks it has become a waste of time and money. Martha thinks that the project has special circumstances, though, in some cases, the impact on society may be significant.

In such contexts, to ask permission to break or circumvent the rule, it is believed, will only be met with rejection. There might be any number of good reasons why such a breach of the rule should not be permitted: it would be precedent setting; it would undercut the authority of the supervisor; it is simply against the rules of the organization or society; it will conflict with other rules; it would foster disunity and confusion as to the organization’s aims; etc. On the other hand, an entrepreneur may believe that the rule is out-of-date, too limited, too narrow, ossified, of questionable relevance, or that it simply stands in the way of a valuable project (cf. Veiga et al., 2004).

In such a case, the entrepreneur might decide to violate or circumvent the rule, but then to seek forgiveness afterwards. This may occur outside of organizations in various personal and official relationships an entrepreneur is a member of. It is particularly relevant within organizations that have rules specific to the organization but which may also be stifling to a particular entrepreneurial effort.

This kind of act recognizes the pertinence of a moral rule to the situation. What the person is doing is wrong. Still, the entrepreneur maintains that the thing to do is to break the rule, especially when doing so would not receive permission. Whether forgiveness will be forthcoming is not assured, though often, the quip goes, such forgiveness is easier to receive than permission. In fact, of course, it is not so much forgiveness that the rule breaker seeks but clemency. He or she seeks through the success of the project not only to allay the authority’s resentment against breaking the rule, but also any punishment that would ordinarily result. Otherwise, in a manner that has similarities to civil disobedience, the person is prepared to submit to the penalty the supervisor or authority would ordinarily impose. The hope is, of course, that the resulting act and its contextual aspects are the basis upon which forgiveness or clemency will be forthcoming. I take it this means that the moral, legal, or administrative harm of breaking the rule which may cause resentment and anger against the violator, as well as be the occasion for other forms of punishment and sanction,

9 “We don’t require honesty, but we honor and celebrate it” (Bhide and Stevenson, 8). I would say that we do require honesty, but we also recognize that there are limits to it.

10 See Frost and Egri (1990) for an example which inspired the one I give.
are set aside. In short, these may be cases in which an entrepreneur breaks a genuine rule and does something wrong. But that wrongness may be, for various reasons, forgiven.

5.3. Pygmalion effects

In contrast to the preceding kind of case, entrepreneurs break other rules in a different fashion, for which they could not ask permission, since to get permission (unlike the preceding example) would preclude the very act in which they want to engage. In this case, an entrepreneur may (whether intentionally or not) present to potential investors, employees, and even the public the project (or firm) he represents in a fashion that does not correspond with the current reality of the project (or firm). Often times this involves positively exaggerating the status of the project in terms of how far along it is, the capabilities of the firm, the size of the firm, other funding sources, etc. Dees and Starr bring such examples under their category of “Promoter Dilemmas.” Of such cases they comment that “to achieve his or her goal, the entrepreneur must engineer consent, using powers of persuasion and influence to overcome the skepticism and resistance of guardians of the status quo” (Dees and Starr, 1992: 96). What Kenneth Lay did was one example of this. But countless other entrepreneurs have also hyped their proposals and projects in promoting their cases to venture capitalists, in encouraging their employees to work harder or to stay with the firm, or in seeking to obtain new contracts. Not surprisingly, Dees and Starr remark further that “when juxtaposed against the ethical importance of honesty… and of respecting the autonomy of others, this need to promote poses ethical dilemmas” (Dees and Starr, 1992: 96).

My aim here is not to sort through the different ethical forms of “Promoter Dilemmas.” It is, however, to suggest that this is yet another form of breaking rules in which entrepreneurs engage. Of course, many of these cases can be brought under different or higher level rules and principles. An exaggeration or dishonesty directed at someone or some group might be justified because of some higher rule or principle.

However, I see no reason to believe that this is always the case. Of course, then it will reasonably said that many of these cases are unjustified. Entrepreneurs ought not to engage in them. This was the case with Kenneth Lay when he praised Enron’s prospects all-the-while knowing (supposedly) that it was facing significant problems. However, there may be yet other cases which, though not permitted by various moral rules or principles, and therefore unjustified morally, are still committed by entrepreneurs and regarding which we (later) believe that what they did was acceptable (e.g., Kahn, Cole). For example, in one kind of justified case, the people to whom these representations are made are the very people who can make the entrepreneur’s (mis-) representations actually come true. Through their (mis)representations, for example, an entrepreneur is able to inspire his colleagues or employees to work harder so that the condition of the company or project the entrepreneur portrays comes to be true. In short, a kind of self-fulfilling prophecy that takes place.

The general rationale, I think, is that such acts of misrepresentation did not cause (serious) harm, that they did allow an entrepreneur to move her business forward in some special way, and that they fit within the context of the commercial setting. And though this may sound like utilitarian reasoning, I do not think it is. The likelihood that such actions promote the greatest good is not part of our response to these actions which appear to be both wrong and yet, within this context, acceptable. Instead, I shall argue below, we view this as the kind of action which entrepreneurs who have the relevant virtues might engage in that would be consistent with a flourishing society amenable to entrepreneurs.

Still, we face genuine moral dangers here; the ground is filled with moral mines. But we also know that if everyone was told the literal and harsh truth about themselves and the projects they are undertaking, their resulting actions might be quite different than could otherwise be the case. Not all arguments are made simply by rational, objective appeal. Emotion and embellishment play an important role in our arguments and relations with others. It might take embellishment to convince someone of something that is otherwise valid and sound. A view of morality as simply constituted by a hierarchy of rational rules doesn’t nicely capture this. Or, as Wolf has commented, “… our values cannot be fully comprehended on the model of a hierarchical system with morality at the top” (Wolf, 1982: 438).

5.4. Dirty hands

There is another important context, one that entrepreneurs share with politicians, we might consider in discussing whether it is possible for entrepreneurs, in all cases, to operate in a morally and ethically innocent manner. Walzer has argued that politicians may not be able to rule innocently. They face the problem of dirty hands, a situation in which a person is confronted with choosing between two courses of action both of which it would be wrong for him to undertake” (Walzer, 1973: 160). He expands on this situation by suggesting that

a particular act of government (in a political party or in the state) may be exactly the right thing to do in utilitarian terms and yet leave the man who does it guilty of a moral wrong. The innocent man, afterwards, is no longer innocent. If on the other hand he remains innocent, chooses, that is, the “absolutist” side of [a moral]... dilemma, he not only fails to do the right thing (in utilitarian terms), he may also fail to measure up to the duties of his office (which imposes on him a considerable responsibility for consequences and outcomes (Walzer, 1973: 161).

Might not the same be maintained in the case of entrepreneurs?

Walzer argues that politicians, rather than entrepreneurs, are the ones who get their hands dirty. But the reasons Walzer offers for this view, viz., that politicians can use violence, that they seek power and glory, and that they claim to act on our behalf, do not
show that entrepreneurs cannot have dirty hands. At most they show that the dirty hands of politicians may be much worse or more dangerous than those of entrepreneurs. It is true that politicians have offices and various duties in ways that entrepreneurs do not. However, entrepreneurs also have roles and offices, qua the organizational positions they occupy (see Section 3 above). Thus, they too have duties that may place them in situations analogous to politicians where their duties might confront them with “two courses of action both of which it would be wrong for [them] to undertake” (Walzer, 1973: 160). Consequently, Walzer’s arguments do not show that entrepreneurs might not also be faced with situations in which they can only get their hands dirty (Walzer, 1973: 164).11

Consider then an entrepreneur in a poor society in which his livelihood depends on developing some sort of business and yet the laws are such that to create a business he has to break them by engaging in corrupt actions. Either he remains innocent and fails to care for his family and business, or he bribes officials, engages in corruption, and fails his responsibilities in this way as well. Either way, he has dirty hands. Or perhaps another example is the situation Google has recently faced regarding its choice between operating or not operating in China. On the one hand, they could decide to operate in China under the ethically questionable rules the Chinese government imposes that lead to their participation in censorship and possibly exposing Chinese nationals to arrest. Or they can decide not to operate in China, to protect their innocence, but possibly placing at risk their fiduciary responsibilities to their stockholders and some stakeholders. Either way the risk of failed responsibilities and dirty hands looms before them. Either way, it may seem, they will do something that breaks an ethical rule.

Now as with other dilemmas, those confronting this kind of situation will seek to find a way between or around the stark choices they face. But if those measures fail their hands will be dirty. Their decision would have to be which form of guilt they think it best to shoulder. In the case of Google, we might say what Walzer says of some politicians with dirty hands: “They override the rules without ever being certain that they have found the best way to the results they hope to achieve” (Walzer, 1973: 179–180).

Accordingly, in such cases, it might be that an entrepreneur cannot avoid ending up breaking some rule that has moral (and possibly legal) authority. She too cannot operate innocently. It would seem, then, that entrepreneurs, as well as politicians, may face situations in which they face hard choices. In those cases, they break rules, but it appears that they may have little choice in the matter.

Walzer argues that some form of guilt and an attempt at expiation is a part of such cases involving dirty hands. One can imagine in the case of entrepreneurs with dirty hands that they too should seek some way of making amends for what they feel they have to do.

5.5. Tricksterism

Walzer’s response in the preceding instance should be distinguished from previous cases of rule breaking by entrepreneurs in which they do not experience the guilt associated with dirty hands, but rather take pride or even exult in their rule breaking. In those prior cases, their reaction is that they have been cleverer than those with whom they are dealing. They have outfoxed the system or their opponents. They have broken the rules and gotten away with it. They have set their own course and have done it their way.

It might be said that this is just the gamesmanship that some use to describe business (cf. Carr, 1968a,b). But what strikes me in this aspect of entrepreneurship, with its clever ruses and rupture with conventional practices, is that it may be related to the notion of the trickster that has a long history in the mythologies of most societies and cultures. In Native American culture it is found in the form of the coyote, while for the ancient Greeks it was Prometheus who stole fire from the gods to give to humans. It is said of tricksters that they are “boundary crossers” (Hyde, 1998: 7). The boundaries they cross are physical and social, as well as moral. They blur and break connections between “right and wrong, sacred and profane, clean and dirty, male and female, young and old, living and dead” (Hyde, 1998: 7). The trickster’s “... seemingly asocial actions continue to keep our world lively and give it the flexibility to endure” (Hyde, 1998: 9). More generally, the myth of the trickster asserts “that the origins, liveliness, and durability of cultures require that there be space for figures whose function is to uncover and disrupt the very things that cultures are based on” (Hyde, 1998: 9). Similarly, Solomon draws our attention to heroes who are also rogues — “the rogue character breaks the law, or at least is at odds with the law” — and to “antiheroes,” persons who have “… the status but not the morals of a hero” (Solomon, 1992: 249). They capture, he suggests, “the occasional contradiction between virtues and moral rules... [since they illustrate]... quite clearly the complexity of our actual morals and moral conceptions, which are not limited to universal rules and obedience but, quite the contrary, include a distinctive admiration for those who dare to be different...” (Solomon, 1992: 249–250).

If part of the moral structure of our world includes such individuals or archetypes, we must ask how we are to integrate them into our ethical thinking about that world. Cole relishes how he outwitted the regulations of New York City and there are few calls for him to make adjustments. Kahn delights in how he put it over on the advertising person from BYTE, but few argue that he should never have done this and, instead, have gone down with his new business.

Moral purists would say that it would be better had they not engaged in those acts. Moral realists say that is part of the game. They played and won. The argument of this paper is that it is important that we recognize the limits of this game and that it is a different, though not separate, form of life from our other personal relations.

The life at stake here is one that contrasts with the life of moral purity. The fully moral life is reserved for priests and saints. The “moral saint,” Susan Wolf has said, is “a person whose every action is as morally good as possible, a person, that is, who is as morally

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11 In fact, later Walzer comments that “No doubt we can get our hands dirty in private life also, and sometimes, no doubt, we should. But the issue is posed most dramatically in politics...” (Walzer, 1973: 174). This comment would seem to take back his view that entrepreneurs cannot have dirty hands.
worthy as can be” Wolf (1982: 419). She notes that “moral perfection, in the sense of moral saintliness, does not constitute a model of personal well-being toward which it would be particularly rational or good or desirable for a human being to strive” Wolf (1982: 419). In short, the life of moral purity is not the ideal for ordinary persons, or entrepreneurs. Their moral ideal is situated within a flourishing life, which may include various departures from what would be strictly moral. This may be a life that involves passion, some missteps, and accomplishments that would not be possible without adventures that would not have occurred without breaking some moral rules, etc. This is the full life, the accomplished life. It is not the life of the piano key (Dostoevsky, 1960: 22). The good life, I shall maintain in the next two sections, incorporates much of what we call the moral life, but what the good life involves may conflict with the moral life. A person’s life simply containing the moral virtues would “… crowd out the non-moral virtues, as well as many of the interests and personal characteristics that we generally think contribute to a healthy, well-rounded, richly developed character” (Wolf, 1982: 438: 421). Søren Kierkegaard thought that the religious life trumped the moral life. The entrepreneur, I shall contend, is a figure of the good or flourishing life that, at times, may trump the moral life as well.

6. The limits of rules and rule-based morality

The preceding sections both illustrate and argue that the rule-based view of an entrepreneurial ethics is mistaken. However, the general argument underlying this position now needs to be unfolded. There are two parts to this argument: a negative one regarding the inadequacy of simply appealing to rules and principles, and a positive one that develops a virtue-based contextual account of rules and rule breaking. The former concerns the form that morality takes and its relation to rules, while the latter speaks to the role of rules in our ethical decision making.

We might begin the negative or critical part of this twofold argument by briefly recalling the criticisms leveled in any number of discussions in recent years regarding the limits of rules and rule following as part of an account of ethical decision making.12

6.1. The criticism of rules and principles

Some of the criticisms relate to the relatively specific forms rules may take not only in morality but also in the law and business. Relatively specific moral rules may fail by being too narrow, such as when they do not take into account relevant moral features of a situation. Further, rules may conflict, leaving the rule follower without any clear idea of what to do. Rules can hardly tell us what to do if they send us in different directions, but do not provide a means for resolving such differences. In addition, it is impossible for rules to cover every eventuality. A rule that sought to do so would be impossibly complex (and hence not provide action guidance). Besides, no rule can anticipate each and every new circumstance a person (or entrepreneur) might face. This is, in part, the challenge that organizational compliance programs face, whether in business or government. The situations we face are too diverse and people are too “inventive” for rules of a specific nature to provide detailed guidance for each situation a person might encounter.

There are other problems that more general rules, or principles, face. To begin with, “... when we think realistically about some hard cases we just do find the rules, in one way or another, underdetermining decisions” (Hursthouse, 1999: 55). Whether a rule applies (or does not apply) to this or that situation is not something that simply requires additional rules, but “moral sensitivity, perception, and imagination...” (Hursthouse, 1999: 54). Accordingly, Solomon declares that “there may be general ethical rules and guidelines that cut across most positions [in organizations] but, as they get more general and more broadly applicable, they also become all but useless in concrete ethical dilemmas” (Solomon, 1992: 162).

Further, not only rules, but also their covering principles do not carry their meaning on their face. Being general and vague, they require interpretation and content. Of course, one way to give them some content is through the more specific rules just discussed. But, beyond that, the interpretations they require will involve an appeal to general values and ideals, tacit understandings and knowledge, including stories, histories, and past experiences (in short a culture) by which we understand and grasp the different principles and rules.13 Thus Hursthouse contends that “a certain amount of virtue and corresponding moral or practical wisdom (phronesis)... [is] required both to interpret the rules and to determine which rule was most appropriately to be applied in a particular case” (Hursthouse, 1999: 40). Similarly, Johnson argues that “the fact that there is a core to the [moral] concept is not typically a result of properties alleged to be inherent in the concept, but, instead, it is a result of continuity within the social background of a culture’s shared experience by virtue of which the concept can mean what it does” (Johnson, 1993: 90). In short, we cannot look to the logically necessary and sufficient conditions that define a concept, but must rather look to an historically developed set of core meanings that, for the most part, cohere and of which some are more central than others (cf. Johnson, 1993: 78–79).

These values, tacit understandings, etc. are part of a more general normative view of what business involves and what constitutes a good or flourishing life and society. In light of these broader understandings we interpret our principles and rules. As Petersen says, “rules cannot specify the conditions in which they are to be used. Rules are interpreted not according to rules, but according to shared and tacitly agreed upon beliefs. In this way rules can never completely codify responsibility” (Petersen, 2002: 33). Thus the moral rule against lying can only be understood against a background set of beliefs (and values) that relate to deception, intention, white lies, social lies, official lies, the harms that lying and deception do, sarcasm, jokes, competition, etc.

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13 Johnson argues that the shared, stable core of our moral concepts is not due to the inherent features of the concept. Instead, such concepts have their meaning “only in relation to a culture’s shared, evolving experience and social interactions, and it is the existence of stable structures of such interactions that lends stability to the concept.” (Johnson, 1993: 90).
These background understandings and conditions cannot be brought within the rule, but are the context within which a rule may (or may not) be successfully applied. Thus, those acts of judgment by which we determine which kinds of actions fall under a central concept “… cannot be guided themselves by more rules or algorithmic procedures, for this would lock us into an infinite regress of rules for applying rules” (Johnson, 1993: 86). Accordingly, Johnson argues that “moral deliberation is [an] expansive, imaginative inquiry into possibilities for enhancing the quality of our communally shared experience… [It is an]… imaginative exploration and transformation of experience” (Johnson, 1993: 80). And Hursthouse maintains that “a certain amount of virtue and corresponding moral or practical wisdom (phronesis) might be required both to interpret the rules and to determine which rule was most appropriately to be applied in a particular case” (Hursthouse, 1999: 40; cf. 54).

Just as what one learns in law school, medical school, or business school is not simply a set of tools, information, and rules, but also how to see them and how to apply them (something that cannot itself be formulated into yet further rules and principles), so too (though informally) one learns how to use various rules and principles by being part of the culture of a society. This latter part of one’s education is not a matter of rules, but the cultural context which appears through stories, histories, and shared experiences, that are passed from generation to generation, and from decade to decade. Together they increase our practical wisdom.

6.2. The criticism of morality as a hierarchical set of rules and principles

The implications of the preceding are that the view of morality as a hierarchical set of rules and principles which we then apply to our moral concerns is seriously flawed. It rests on a model of morality that faces severe problems. We can capture these problems more generally in the following ways.

First, a rule-based account of morality and rules misses the dynamism, the uncertainty, the changes and challenges that occur in morality and in entrepreneurial endeavors. On the above (traditional) account, the rule breaking of entrepreneurs is a surface phenomenon, as it were, leaving everything else intact. On that view, it turns out that when entrepreneurs appeal to higher principles or basic rules in difficult or conflicting situations, they aren’t really breaking any rules (or any important or justified rules). Any rule we justifiably break ought not to have been viewed as the appropriate rule to follow in this context anyway. The real principles that lie behind the broken rules remain unbroken. This view is captured in Gert’s comment that “a moral [basic] rule is unchanging or unchangeable; discovered rather than invented” (Gert, 1970: 67). We can alter or break derived rules; the principles (or basic rules) from which they are derived remain unchanging. In this manner, any moral changes that occur are not really central, but essentially epiphenomenal. This kind of situation has led one critic of the traditional moral view to say that “something terribly important is missing from this vision of absolute moral rules. What is left out is any sense of the development, growth, and historical transformation of our experience and our moral knowledge” (Johnson, 1993: 79).

Second, the traditional rule-following moral model does not nicely capture the moral responses to the rule breaking that entrepreneurs approvingly engage in. Recall Bhide and Stevenson’s views regarding instances in which entrepreneurs have been less than honest with those with whom they have dealt. The people they deal with apparently shrug it off and simply go on. In other cases, we find entrepreneurs breaking various rules and then flaunting it. Kahn certainly seems to think he put it over on the advertiser. Cole relishes the deception that enabled him to sell his shoes. These are badges of their ingenuity, drive, courage, and commitment to their project. Others admire them, even in cases where what they did was plausibly wrong, whether legally or morally. There is no sense that they engaged in these behaviors having justified doing so through appeal to some higher level moral principle which either permitted or required them.

Third, one of the features of entrepreneurs that enables them to become successful is their commitment to and enthusiasm for their projects. This colors their judgments with strongly positive, and often times exaggerated, representations of their businesses and projects. Such representations frequently play an important role in their persuasiveness of others to go along. Far from any attempt to arrive at an objective, rational account of their project, they are committed to and enthusiastically biased on behalf of their projects. In fact, these projects may only succeed due to such commitment. As such, the preceding traditional moral account seems to miss the engaged nature of entrepreneurial endeavors. At the same time this present feature of entrepreneurs leads Dees and Starr to ask the basic normative question: “Do entrepreneurs play such a valuable social role that we should allow them a wider range of discretion in allowing euphoria to color their judgments? What would be the consequences of convincing entrepreneurs to be fully honest and candid, or to make themselves more objective? Would it stifle innovation?” (Dees and Starr, 98).

Fourth, a rule-based approach to morality has been attacked as mistaken by the likes of Buchholz and Rosenthal, Solomon, Petersen, and Johnson. Petersen argues that following moral rules inhibits moral decision making (Petersen, 2002). Mark Johnson opposes the moral model of ethical decision making that rests on rules as omitting the imagination that is part of moral judgment (Johnson, 1993). Abraham Edel maintains that a theory of moral change would involve greater focus on ethical decision making than on the rules and principles of codes of ethics (Edel, 1987). If such criticisms are correct, then those who break these rules may simply be viewed as revealing the weaknesses of the rule-based approach to morality. That is, we do need rules, but these have limits which the traditional theory does not capture.

Finally, the preceding concerns and objections suggest that the situation of traditional moral theory with regard to entrepreneurship may have analogies to the relation that some have perceived between neo-classical economic theory and entrepreneurship (Etzioni, 1987: 176; Baumol, 1968: 68; Casson, 1982: 9ff). Traditional economic theory looks to individual actions, assumes that the agent is rational, operates in pursuit of self-interest, follows rules related to maximizing one’s utilities, and is not tradition bound. So too, it appears that traditional moral theory is tied to rational agents, following rules that are other-regarding or altruistic, focused on deciding what action to perform, and is not tradition bound. However, just as neo-classical economic theory
has been said to lack a place for the entrepreneur or the person of action, so too traditional moral theory may lack a place for the entrepreneur and an ethics of change. As a result it does not speak directly to the rule breaking linked with entrepreneurship.

These criticisms are strongly supportive, I believe, of the view that a rule-based approach to morality and entrepreneurship is misdirected. Due to the brevity of their presentation here, these remarks cannot be viewed as conclusive. Still, I believe that they warrant my attempt, in the following section, to provide an account of entrepreneurial rule breaking that preserves the phenomenon while integrating it into a larger view of entrepreneurial ethics. These criticisms do not, obviously, remove the place of rules in morality or our lives, but should temper our views of them. Instead, the view of morality or ethics these objections suggest is one which is not based upon rules or principles. A view of morality as the following of rational, objective, and universal rules seems to leave little place for passion, creativity, innovation, and boldness. More importantly, it tends to neglect the role of imagination, tacit knowledge, and historical context.

Rule following, then, is inadequate to capture what morality is about, or what the ethical life is about. This is not to say, it should be obvious, that all cases of rule breaking are desirable or ethical — far from it. Instead, it is mere rule following that is inadequate as an account of the ethical life. Accordingly, rule breaking may be an important part of a vital, innovative life. As William James says, “The highest ethical life of the mind consists at all times in the breaking of rules which have grown too narrow for the actual case.”14

7. A virtue-based model of rules and rule breaking

The challenge we face is to integrate an account of entrepreneurial behavior with a dynamic view of morality and moral change that does not explain away rule breaking, but heads off forms of entrepreneurial rule breaking that are beyond the pale, and cannot be justified. This may seem oxymoronic, and, in part, it is. There are important unresolved, and unresolvable, tensions and conflicts that any such account of an ethics of entrepreneurship must be prepared to accept. To address these issues we need to look beyond a rule-based view of morality to one that gives a central place to the virtues.

We might begin by elaborating on a distinction, already invoked in preceding sections, between the moral and the ethical. The “moral” refers to various rules and principles such as those regarding telling the truth, not harming or deceiving others, and treating others justly. These are minimal and specific features of our lives that, as Warnock has said, “contribute to betterment — or non-deterioration — of the human predicament, primarily and essentially by seeking to countervail ‘limited sympathies’ and their potentially most damaging effects” (Warnock, 1971: 26).

On the other hand, the values, assumptions, understandings, etc. through which those rules and principles are interpreted and given meaning might be called the realm of “the ethical.” The “ethical” is a broader realm that includes moral rules and principles, but also virtues, values, ideals, etc. Together they form a complex mixture of explicit and implicit rules, tacit understandings and expectations, virtues, and values that support our daily activities as well as business.

This view of morality and rules places both of them within a context of a form of life which is productive and flourishing (cf. Wittgenstein, 1953). Such a form of life will be importantly constituted by various virtues. Citing Aristotle, Hursthouse writes that “a virtue is a character trait a human being needs... to live well, to flourish” (Hursthouse, 1999: 20). But to do so is not simply to follow certain moral rules or principles (though it does involve this).

Rather, to have particular character traits or virtues is to behave and respond in certain relevant ways to situations one faces. The individual virtues are, Swanton says, “a good quality of character, more specifically a disposition to respond to, or acknowledge, items within its field or fields in an excellent or good enough way” (Swanton, 2003: 19). Accordingly, one aspect of having a particular virtue is to have relevant “… emotions and emotional reactions, choices, values, desires, perceptions, attitudes, interests, expectations and sensibilities. To possess a virtue is to be a certain sort of person with a certain complex mindset... The most significant aspect of this mindset is the wholehearted acceptance of a certain range of considerations as reasons for action.” (Hursthouse, 2003: 2). Thus, an honest person is not simply one who tells the truth, but who recognizes that to tell a lie is a reason against doing a particular action, experiences a reaction against lying, and is inclined to avoid situations requiring lying (Hursthouse, 2003: 2). A courageous person is a person who does not accept that a dangerous situation is a conclusive reason not to do something, but remains firm in the face of feelings of alarm. And an enterprising person is one for whom an obstacle to his or her project is not necessarily a reason opposed to that project, but experienced as a challenge to overcome and an opportunity to explore new ways of accomplishing that project.

Accordingly, to have particular character traits or virtues is to be disposed to act, choose, and experience life in certain regular ways. This may be captured, in part, by reference to various rules. In this sense, moral rules "derive" from the virtues that are necessary for living well (cf. Hursthouse, 1999). Hursthouse and others argue that "... a great deal of specific action guidance could be found in rules employing the virtue and vice terms ("v-rules") such as "Do what is honest/charitable; do not do what is dishonest/uncharitable." (Hursthouse, 1999: 37).

It is a noteworthy feature of our virtue and vice vocabulary that, although our list of generally recognised virtue terms is comparatively short, our list of vice terms is remarkably, and usefully, long, far exceeding anything that anyone who thinks in terms of standard deontological rules has ever come up with. Much invaluable action guidance comes from avoiding courses of action that would be irresponsible, feckless, lazy, inconsiderate, uncooperative, harsh, intolerant, selfish, mercenary, indiscreet, tactless, arrogant, unsympathetic, cold, incautious, unenterprising, pusillanimous, feeble,
presumptuous, rude, hypocritical, self-indulgent, materialistic, grasping, short-sighted, vindictive, calculating, ungrateful, grudging, brutal, profitegant, disloyal, and on and on. (Hursthouse, 2003: 8).

However, as Solomon notes, “[i]t is important not to see the virtues as merely instances of more general ethical principles” (Solomon, 1992: 194). He adds, that “any virtue will usually admit of generalization (‘it would be good if everyone were so generous, honest, brave’)” (Solomon, 1992: 194; cf. 195). Thus, “[a] thoughtful person might well generalize about his or her virtues or formulate various ‘rules of thumb’” (Solomon, 1992: 195). But these rules derive from the virtues.

Ethical behavior, then, lies not in the following of the rules, per se, but in certain typical forms of behavior that are part of a larger, flourishing life. A good or flourishing society that esteemed entrepreneurship, I suggest, would be one that valued risk taking, courage, tenacity, tolerance, competition, dynamism, accomplishments, perseverance, cleverness, individual freedom and initiative, as well as the development of individual capabilities and expanded opportunities. It would, as such, include the participation of individuals in the governing of their own lives and the direction of their communities. It could also, of course, support the importance of friendship and personal relationships, as well as loyalty to the organizations of which one was a member. In any case, it would not disparage failure itself, though particular kinds of failures might be criticized. And, I have argued, it would urge entrepreneurs to do the (morally) right thing, even while it allowed, in some cases, that they might break such moral rules (subject to the above values and reasons for action) as part of the changes and innovation they bring to a flourishing society.15

How does this help us with understanding and integrating rule breaking into an ethics of entrepreneurs? Given this dynamic view of morality and ethics, the place of rule breaking, even moral rule breaking, assumes a different nature and role.

If the crux of ethics lies in the virtues people have (or should have) and their role in a flourishing life, then moral rules (and principles) occupy a secondary place. One may break various rules and still retain relevant virtues; indeed, having those virtues may lead one to break those rules. Hence, we might say, for example, that Cole was being bold, inventive, and persevering, while Kahn was being clever, wily, committed, and daring.

On the view defended here, the various rules and principles which reflect the virtues and the flourishing life are neither absolute nor unchanging. On this dynamic view of ethics, though rules are part of the form of moral activities, they miss the heartbeat of morality and of life. They provide guidance only within a larger context. However, this larger context of the good life may itself also undergo change over time, including moral change. It is not something fixed in stone. Rather it must be constructed out of the various virtues previously noted, their related general principles, values, reasons for action, historical and other contingent considerations, as well as (most generally) evolutionary features of human moral and social development.

For example, think of the development by those merchants and business people who have transformed people’s views of the importance of consumption and of “comfort and bodily well-being” (Leach, xiii). Of those entrepreneurs who fostered these developments, Leach comments that “whoever has the power to project a vision of the good life and make it prevail has the most decisive power of all” (Leach, xiii). Initially these changes were seen as wrong. However, later we came to accept them. Thus, Emily Fogg Mead, an advertising expert, wrote (in 1901) that “accompanying all the early stages of innovation... is a fear of wrong-doing, of disloyalty to ideals, and of the coming destruction of the foundation of society; but the next generation has no conscientious misgivings” (cited in Leach, 1993: 11). Similarly, Bhide and Stevenson have noted that the role of promise keeping has changed significantly in current business, through practices that have resulted from a willingness to break promises as part of business activities (cf. Bhide and Stevenson). In short, a form of creative destruction may take place in morality as well.

A dynamic entrepreneurial ethics based on the virtues and a view of the flourishing life will turn, then, not only to rules and principles but also to stories, previous experience, and exemplars of entrepreneurship as a crucial basis upon which such choices and decisions must be evaluated. How one determines the moral and ethical limits here is a question of the virtues and the implicated good life. These may, however, be changed by the actions and choices of those who break with current ways of doing things.

For more particular determinations, considerations regarding harms, character trait development, reputation and the kind of person involved, the implications of one’s reputation for the future, as well as appropriate histories and stories are relevant justificatory appeals. Etzioni (1987) has argued that entrepreneurs break with rules that have ossified in a society. Though he does not apply his account to moral rules, I believe that, suitably modified, his approach could apply to them. Some of these specifications of values, principles, and virtues become ossified over time (cf. Etzioni, 1987; Dewey, 1957, 1960). Breaking through them is a way of restructuring the specifications of these general principles and values as part of a different account of the good life. Entrepreneurs breaking various rules may be part of this process. Accordingly, we may restate Etzioni’s view as follows: “By promoting new patterns, [entrepreneurs] help bring society and its component units in touch with a [new moral] reality” (Etzioni, 1987: 175).

Accordingly, those decisions are justified that an entrepreneur with the appropriate virtues would judge to be morally permissible or justified on the basis of the relevant kinds of considerations. Such an entrepreneur would be knowledgeable, courageous, tough, clever, insightful, and might take advantage of a situation in which there is little harm done to others that is unrelated to their competitive situation, but which would produce a significant advantage to himself or his company. To be a virtuous person isn’t to following each and every rule; so too with regard to the virtuous entrepreneur. On the other hand, the rule breaking that particularly characterizes entrepreneurs is not something that occurs all the time, but rather only occasionally.16 The point is how one acts to create a certain persona, the kind of self one is to become and the kind of world one is in the process of making (Buchholz and Rosenthal, 2005: 313). Thus, again, the limitations on such rule breaking are ultimately linked to an account

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15 I am indebted to the suggestions of an anonymous reviewer for parts of this paragraph.
16 Such rule breaking is not, to be sure, limited to entrepreneurs. Artists and political activists also engage in it.
of the flourishing life. What form of an entrepreneurial good society would such actions promote (or not promote)? This is the ultimate touchstone for such entrepreneurial decisions.

In general, it appears that the breaking of certain moral rules is tolerated, if not permitted, within a commercial context, when there is relatively minimal harm created, the persons involved knowingly engage in this competitive relationship, and the likelihood that others can or will do the same thing is relatively small. However, whatever realm rule breaking occurs within, the more serious the social norm that is violated, the greater is the burden on those who would violate it to defend their actions. Does the breaking of the rule promote only their own narrow ends, or does it contribute, more broadly, to the development of forms of life in which others have expanded opportunities, capabilities, etc.? Further, the more serious are the consequences of violating a serious social norm, the greater is the burden on the entrepreneur to show that the rule breaking is part of a good life that encompasses others. None of this is susceptible to determination through some moral rule or algorithm. Instead, it must be measured through the judgment of the members of a society who subscribe to the virtues noted above. This involves a reciprocal process of specification, between the good or flourishing life and rules derived from the virtues, that takes place through the experiences and reflections of members of a society.

On this view, it should be clear that not every rule breaking is worthy of ethical approbation or permission. Instead, I have tied permissible, if not approved, rule breaking to what a virtuous entrepreneur would do, and this in turn has been linked, ultimately, to a view of the flourishing or good life. Instances of broken rules (v-rules) that permit development of entrepreneurial projects that feed into a flourishing life are permissible; those that do not are not permitted, or are the acts of scoundrels. As noted in the paragraphs above, there are multiple considerations to which individual entrepreneurs may appeal. Consequences are part of them.

Amongst the morally relevant features of a situation may be the likely consequences, for the people involved, of a certain action... It is part of practical wisdom to be wise about human beings and human life. (It should go without saying that the virtuous are mindful of the consequences of possible actions. How could they fail to be reckless, thoughtless and shortsighted if they were not?) (Hursthouse, 2003: 5).

Still, the justified action is not simply a result of the balance of good or bad consequences those actions produce. Rather it is a matter of what a person with the appropriate virtues would do in the situation in which they find themselves. The focus on the good life brings together the virtuous and the general aspect of the rule breaking. On this view a good life, with an entrepreneurial character to it, is ethically desirable even if it is one in which rules, non-moral and moral, may occasionally be broken.

It might be objected that the preceding argument suffers from a “survivorship bias” in its justificatory strategy.17 The difference, it might be said, between entrepreneurs whose breaking of rules is judged ethically acceptable and those who are simply condemned for the moral wrongness of their actions is that the former are “successful” whereas the latter are not. The former are praised for their achievements, the latter are condemned for their failures, if not thrown in jail.

In response, it should be clear that the preceding does not measure entrepreneurial acts simply by their consequences (or their successes). It is not utilitarian. However, as I have indicated, consequences are not simply irrelevant. Instead, the ultimate touchstone is how the entrepreneur would act who is virtuous in the broad ethical sense of combining practicality and ethics. The leading models here will be those that can be part of an account of the flourishing or good life as captured in what reflective people across societies’ overtime will see as the entrepreneur’s role in a good society.

In accord with other virtue accounts, and the preceding discussion, this will involve any number of considerations — what other role models have done, as well as the manner in which they have acted, the impacts of their acts, the circumstances in which they have done these things, etc. They may consider stories of what other successful and respected entrepreneurs did that are part of a larger picture of entrepreneurship and society. This is why the stories of Kahn, Cole, etc. are so important. They tell us something about what entrepreneurs might (on occasion) do. It may also be noted that they are relatively mild examples. In these cases, few, if any, have been seriously hurt by their rule breakings. These are the ways we capture consideration of the kinds of features that Aristotle associated with the virtuous person as being one who does the right thing, in the right way, at the right time and in the right circumstances (Aristotle, 1941: 1109a24–28).

The upshot is that the virtues provide specifications of what would be a “right action.” Such an account has the resources to address the particular situations entrepreneurs face when the issue of rule breaking arises, even though that account cannot remove all uncertainty and contingency from the decisions and judgments involved. These latter features are not simply features of morality because it operates in an historical and changing milieu, but are also internal to (or characteristic of) the processes of morality itself (Edel, 1987: 838).

To build upon this view of rules and morality, we must consider both the differential (commercial) context, in which entrepreneurship is carried on, as well as the virtues and the flourishing life with which they are associated.18 By breaking rules they are, at least in some cases, challenging the current forms of morality and, potentially, the virtues and the good life. In these ways, moral and ethical change may take place. Entrepreneurs play a role in this, particularly since by their activities a major part of how people lead their lives is determined.19 They strike out on new paths, at times in opposition to the current rules and virtues, as

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17 I owe this objection to an anonymous reviewer of this paper.

18 An account of social and political entrepreneurship would have to look to the different contexts in which these forms of entrepreneurship take place. The role of breaking rules will still exist here, though it will be realized in different ways.

19 Given my characterization of entrepreneurship in terms of innovation it is not surprising that entrepreneurs play a role in moral and ethical change. I do not claim, however, that entrepreneurs are the only ones who do this. Artists, political revolutionaries, etc. may also play such roles.
well as through social conflicts that their new entrepreneurial productive activities develop. Of course, some of these rule breakings are simply wrong.

Their actions remind us of the contingency and the limits of rules, that are not only customary and technical, but also legal and moral, as well as the importance of looking past current, possibly ossified, rules, that are incompatible with a flourishing life and society. This is important for the vitality of a society and its economy. But it harbors dangers as well. When people believe that they are exceptions to the law and to the rules, we may be headed down the path of legal and moral dissolution. Of course, the other side of the concern about moral dissolution is a society in which the rules are so fixed and rigidly followed that little change, if any occurs, and moral stasis (rigor mortis) sets in.

Life would be simpler if the moral and the ethical invariably coincided, but they do not always do so. There is no reason to believe, then, that morality and ethics do not inherently involve conflicts. Some times an aspect of the ethical life may override a moral one, resulting in an immoral action, but one that fits within the broader flourishing life. To the extent such ethical behavior changes the application of the rules by which we do business or even the rules themselves, then moral change (and progress) may occur.

I would emphasize that my purpose has not been to defend immoral or unethical actions by entrepreneurs. It has been to view the moral complexity of the situation that entrepreneurs face. We have, I believe, a significant ambivalence between, on the one hand, following the rules, in both their spirit and their letter, and, on the other hand, breaking with the rules, going off on one’s own for something better, something new, and something less confining. I suggest that entrepreneurs embody some of this rebellion against rules, the fixed order, and the set route. Longenecker et al. noted this in their comment that “independence of action has been recognized by theorists through the years as a central feature of entrepreneurship” (Longenecker et al., 1988: 65). Our challenge is to recognize this part of the entrepreneurial spirit, while directing its energy along paths that are not destructive to others, the community, and the environment, but which serve to build more flourishing forms of each.

8. Implications and conclusions

The upshot for an ethics of entrepreneurship is that our recognition of the preceding forms of behavior expands and deepens our views of the complexity of an entrepreneurial ethics. There is not a single rule or principle that gives unique answers to each situation they face. The appeal to various standard utilitarian or deontological theories of morality is of little help in such circumstances. Instead, entrepreneurs face situations in which there are plural norms, values, and virtues that may unresolvably conflict (e.g., dirty hands). Thus, the appeal for moral guidance in the form of a set of rules that will spell out the unique right or wrong thing to do is misdirected. No such guidance will, or can be, forthcoming (at least that can be justified).

Sometimes entrepreneurs break moral rules and their actions should be condemned. They are morally wrong. Other times, in the kinds of cases I have illustrated, they may break moral rules and, since these actions are derivative from the kinds of virtues and actions that members of an entrepreneurial good life would engage in, they may be permitted or even praised. However, in these situations, given the nature of my argument, the demand for a moral justification of entrepreneurial rule breaking actions cannot be provided.

The ethical questions entrepreneurs face cannot be viewed in a static context. The decisions or judgments they must make may alter the context so that what was wrong becomes right, what was false becomes true, and what was forbidden becomes forgiven. In acknowledged competitive situations (commercial or political), some forms of deception are permitted, though not required. The strict truth may not be obligatory. Even some forms of tricksterism are permitted. In this setting, the innovation and creative destruction associated with entrepreneurialism should be viewed as applying not only to products and services, but also to morality and the good life. Entrepreneurs are change agents in the former, as well as in the latter areas. Accordingly, traditional moral theory is analogous to neo-classical economic theory in not creating a space for moral change. The disruption or creative destruction that entrepreneurs introduce applies both to economics and to morality.

The implication is that some version of virtue theory must be part of an account of an ethics of entrepreneurship. In this theory success plays an important role, as what the entrepreneur can bring off. This does not mean, to repeat, that there is a set of rules/principles that entrepreneurs can be taught or learn that will instruct them on what to do in the situations they will meet. Nor does this imply that entrepreneurs need only consider egoistic or utilitarian consequences. Instead, their decisions should be those that derive from the virtues compatible with the kind of good life we wish to instill.

Among the reasons I have noted in the preceding sections that condition and guide entrepreneurial decision making are the fact that the result of breaking the rules does not seriously harm other people, that it helps fulfill one’s life projects, that others knowledgeably participate in situations where the rule breaking may go against them, and that such actions accord with similar actions of entrepreneurial role models. These reasons, I suggest, flow out of the virtues an entrepreneur would have as a member of a flourishing society in which entrepreneurship (and innovation) was esteemed.

There are four additional features of this complexity.

First, the rule-breaking aspect of entrepreneurship is not something that characterizes each and every entrepreneurial act. Instead, this occurs in exceptional situations. But as such it indicates the limits of the everyday behaviors of entrepreneurs. The virtues by which entrepreneurs (and the rest of us) operate give rise to rules (moral, conventional, and legal) by which people should regularly act (cf. Bhide and Stevenson). For entrepreneurs to know what to do, in most cases, it would be to appeal to such virtues and their rules. However, their innovative actions arise when these rules become ossified (Etzioni), are poorly fitted to new situations, block significant beneficial projects, etc. This paper has focused on this rule-breaking aspect that is crucial to entrepreneurship, rather than the guidelines entrepreneurs might (and should) follow in their daily activities.
Second, since some people are much more rule-bound than others, there are clearly limits to the extent to which those individuals can engage in entrepreneurship under the present description of “rule breaking.” Educators, organizational leaders, and societal leaders face a considerable challenge in encouraging people to follow through on their creative or innovative ideas. To do this is to build a base of confidence in each person that they can succeed. As others have noted, an important aspect of this is eliminating various overwhelming implications of failure. Some of these are of a moral nature, i.e. one is not morally disreputable if one has tried and failed to develop some project. Just as others have spoken about the extent to which people are cognitively bounded when it comes to morality, the fact that people are also motivationally and morally bounded affects the nature and extent of the entrepreneurial roles they may play.

Third, an extremely important question generated by the preceding discussion concerns how one creates an organization in which people are encouraged to be entrepreneurial, together with its notions of innovation and rule breaking, while avoiding, at the same time, encouraging people to act in ways that run afoul of Sarbanes–Oxley and the Federal Sentencing Guidelines, as well as the company’s own set of values. There is, obviously, another very great tension here between entrepreneurship and organizational legal liability. If an organization wants to avoid increased penalties under the Federal Sentencing Guidelines, it must be extremely clear and consistent on what are its rules, what are their levels of priority, as well as when forgiveness or clemency will never be forthcoming. In short, the rule-breaking aspect of entrepreneurship must be hemmed in and redirected to areas less threatening to the legal liability of the organization. To encourage the entrepreneurial aspect of the organization will be to permit, encourage, and foster challenges to current mindsets, rules, and procedures. One result will be that the attempt to draw boundaries around this questioning will itself be challenged. Such an organization must have a higher tolerance for chaos than rule-bound bureaucracies.

Fourth, the present view means that teaching business ethics and the ethics of entrepreneurship are rendered more, not less, difficult. Along these lines, I can only second the following comments that Badaracco and Webb have made on this topic: “the task of teaching business ethics will become more difficult... because teachers will have to tread a fine line between being usefully realistic, on the one hand, and further encouraging cynicism, pessimism, and the sleazy sorts of behavior that they hope young managers and organizations will avoid” (Badaracco and Webb, 1995: 25).

In conclusion, this paper has focused on one aspect of the ethics of entrepreneurship, viz, that aspect that deals with innovation and some forms of the rule breaking it involves. Though this aspect of entrepreneurship is frequently mentioned, it is rarely focused on, at least by ethicists, since the most straightforward response would seem to be, in moral contexts, to dismiss it as immoral. On the contrary, I have argued, focusing on this attribute of entrepreneurship opens up a more complex and valuable view of the ethical challenges entrepreneurs are faced with and of our own view of morality.20

References