Corporate Entrepreneurs or Rogue Middle Managers? A Framework for Ethical Corporate Entrepreneurship

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Source: *Journal of Business Ethics*, Nov., 2004, Vol. 55, No. 1 (Nov., 2004), pp. 13-30

Published by: Springer

Stable URL: https://www.jstor.org/stable/25123365

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ABSTRACT. Corporate entrepreneurs – described in the academic literature as those managers or employees who do not follow the status quo of their co-workers – are depicted as visionaries who dream of taking the company in new directions. As a result, though, in overcoming internal obstacles to reaching their professional goals they can often walk a fine line between clever resourcefulness and outright rule breaking. A framework is presented as a guideline for middle managers and organizations seeking to impede unethical behaviors in the pursuit of entrepreneurial activity. This paper examines the barriers middle managers face in trying to be entrepreneurial in less supportive environments, the ethical consequences that can result, and a suggested assessment and training program for averting such dilemmas. We advise companies that embrace corporate entrepreneurship: (1) establish the needed flexibility, innovation, and employee initiative and risk-taking; (2) remove the barriers that the entrepreneurial middle manager may face to more closely align personal and organizational initiatives and reduce the need to behave unethically; and (3) include an ethical component to corporate training which will provide guidelines for instituting compliance and values components into the state-of-the-art corporate entrepreneurship programs.

KEY WORDS: ethics and corporate entrepreneurship; entrepreneurial ethics; managerial ethics

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Introduction

> Clearly there are far too many in corporate America who've lost their way. They lost sight of what is really important. It's a shame because good ethics is good business. People respect companies that do the right thing. I don't want to condemn corporate America. I do condemn the fact that in the excesses of the '90's, people really lost sight of fundamental values. That's tragic, and we're paying the price for it (Harvey L. Pitt, former SEC Commission Chairman, USA Today, 2002, p. 11A).

Many of the entrepreneurial success stories from the 1990's are now facing bankruptcy due to their very questionable and sometimes clearly unethical behavior. The prevalence of these corporate

Journal of Business Ethics **55:** 13–30, 2004.

misdeeds in the media is even more disturbing when one learns that "Enron, Global Crossing, Andersen, Tyco, and WorldCom are merely the more visible symbols of a far deeper and disturbing cultural shift in corporate mores" (Byrne, 2002, p. 32). As former Federal Reserve Board chairman Paul Volcker remarks about the corporate mentality of the 1990's, "we went from 'greed is good' being said as a joke to people thinking that 'greed is good' was a fundamental fact" (McNamee, 2002, p. 42). Much of the current public outrage over this issue is further amplified by the fact that many executives of the ruined companies are not paying a significant price for their actions. Former WorldCom chief financial officer Scott Sullivan, for example, is currently building a new $15 million, 24,000 square-foot mansion in Boca Raton, Florida (Raedle, 2002) while former Enron chairman Ken Lay collected $200 million from his energy company between 1999 and his resignation in January 2002 (Rawe, 2002).

Why might this unethical behavior have taken place? A few possible explanations include (1) greed, (2) distinctions between activities at work and activities at home, (3) a lack of a foundation in ethics, (4) survival (bottom-line thinking), and (5) a reliance on other social institutions to convey and reinforce ethics. Whatever the reasons though, it is clear that standing firm against unethical temptations has been and will continue to be a test confronting every businessperson involved in large or small enterprises (Cooke, 1988; Stoner, 1989; Werner, 1992).

Amidst all of the media and public attention on business ethics, the focus has been primarily on the breaches in responsibility by senior executives, the impact of these actions on the market, and the costs incurred by their stakeholders. Executives receive much of the critical scrutiny, and perhaps rightly so, due to their visibility and extraordinary compensation; however, the question regarding middle managers' role in illicit behavior is a real and often overlooked issue that demands far more examination too. For example, in 1991 Salomon Brothers suffered from improper bids on U.S. Treasury bonds placed by its traders, and more recently actions by Arthur Andersen managers contributed to obstruction of justice charges. Thus, the organizations' culture may inadvertently breed unethical behavior by middle managers (Giagalone and Ashworth, 1988). As Charan and Useem, (2002) observe:

> Salomon's culture of swashbuckling bravado encouraged risk taking without accountability. Enron's culture encouraged profit taking without disclosure. Andersen's culture engendered conflicts of interest without safeguards. Rotten cultures produce rotten deeds (62).

Yet, it may not be organizational culture alone that brings about unethical behavior on the part of middle managers. Part of the problem may also rest with the entrepreneurial drive and career goals of the middle managers themselves. These corporate entrepreneurs – described in the academic literature as those managers or employees who do not follow the status quo of their coworkers – are depicted as visionaries who dream of taking the company in new directions (Kuratko, 1993; Morris and Kuratko, 2002). As a result, though, in overcoming internal obstacles to reaching their professional goals they can often walk a fine line between clever resourcefulness and outright rule breaking. This dilemma, however, has not been recognized in the literature on corporate entrepreneurship and will be addressed in this paper. Specifically, a framework is presented as a guideline for middle managers and organizations seeking to impede unethical behaviors in the pursuit of entrepreneurial activity. However, in order to insure a thorough understanding of the issues at hand, the importance of middle managers in the corporate entrepreneurial process will be discussed, followed by the challenge of ethics within that domain. We then present the network and leadership facets of our model with a discussion of the assessment and training needed for organizations to develop ethical corporate entrepreneurial activity.

The importance of middle managers in corporate entrepreneurship

Bower (1970) was among the very first scholars to draw attention to the importance of middle managers as agents of change in contemporary organizations. However, over the years, little systematic research has been undertaken to define the nature and scope of middle managers' contributions to a company's innovation and entrepreneurship. This situation has changed to some extent as companies sought to revitalize their operations as a means of creating strategic change. Several authors (Drucker, 1985; Kanter, 1988) have discussed different aspects of middle managers' contributions to entrepreneurship. Other researchers (e.g. Schuler, 1986; Woolridge and Floyd, 1990 and Floyd and Woolridge 1992 and 1994) also examined the contributions of middle managers to a company's strategy, a variable that is intimately connected to corporate entrepreneurship (Guth and Ginsberg, 1990; Ireland et al., 2001; Zahra, 1991; Zahra and Covin, 1995).

Quinn (1985) was among the first to recognize the valuable contributions and important roles of middle managers in the innovation process in an established company. Noting senior managers' isolation from actual day-to-day activities, Quinn highlighted the crucial importance of the roles middle managers can play in fostering communication about the company's mission, goals and priorities. Middle managers interact with diverse employees, which would allow them to use formal and informal approaches to encourage innovation and calculated risk taking. Burgelman (1983a, b, and 1984) discussed how middle managers communicate their ideas for innovations to upper management, thereby creating an opportunity where these ideas are evaluated and considered within the context of the firm's overall strategic direction.

Kanter (1985, 1988) also noted the importance of middle managers in promoting autonomous or informal corporate entrepreneurial activities. Middle managers can do this by providing an environment that allows employees to experiment with, and explore the feasibility of, innovative ideas. Middle managers can also use different approaches to make the organizational structure less resistant to change thereby allowing corporate entrepreneurial activities to flourish.

Floyd and Woolridge (1992) argue that middle managers frequently play pivotal roles in championing strategic alternatives and making them accessible to senior executives. In their analyses of how innovations come about and then create new knowledge that fuels organizational growth, Nonaka and Takeuchi (1995) highlight the central role of middle managers. These researchers suggest that most innovations emanate at the middle of the organization and the promising ones are then sent to upper management for further analysis and evaluation. Those innovations that meet the rigorous standards set by the top management team are then sent back to middle managers who then communicate them to the employees. In this model of innovation, middle managers actively and diligently gather innovation ideas from within and outside the firm.

Building on this work, Zahra et al. (1999) have also noted the importance of middle managers in facilitating corporate entrepreneurship efforts. Through their effective communication and use of rewards, middle managers create the social capital and trust needed to foster the corporate entrepreneurial process. In a similar fashion, Floyd and Woolridge (1997) observe that this social capital is of great importance because it encourages employees to take risks, without fear for their jobs or reputations.

Scholars from the international business discipline have also discussed and recognized the importance of middle managers in promoting and sustaining innovations. Like other larger corporations, some multinationals develop rigid structures that limit employees' flexibility and willingness to take risks. However, as Bartlett and Ghoshal (1996) observe, middle managers can create an environment in their respective divisions or subsidiaries where innovations and entrepreneurial activities flourish. In turn, this can allow multinationals to capitalize on the unique resources that exist in their different markets and respond to their customers effectively. In terms of the integration process, middle managers are believed to link different skills, resources and knowledge in pursuit of those strategic goals defined by senior managers. In terms of the entrepreneurial process, middle managers are viewed as reviewing, developing and supporting initiatives in their units. Recent research by Noble and Birkinshaw (1998) corroborates these assertions.

Even popular writers (e.g. Hamel, 2000; Peters and Waterman, 1982; Pinchot, 1985) have also observed the important roles middle managers play in informally encouraging employees to innovate and take risks. These middle managers provide political and organizational support for "skunk-work" activities that result in innovative ventures. Thus, it becomes clear that middle managers play a key role in shaping their companies' strategic agenda by influencing the types and intensity of corporate entrepreneurial activities in their respective corporations.

The issue of ethical corporate entrepreneurship

The literature in entrepreneurship and ethics is evolving. Earlier studies in the late 80's and early 1990's concerned with entrepreneurship and ethics examined the ethical attitudes of entrepreneurs regarding problematic behavior (Hornsby et al., 1994; Longenecker et al., 1989; Reidenbach and Robin, 1993; Teal and Carroll, 1999), as well as more general aspects of ethics applied to entrepreneurs (Ackoff, 1987; Acs and Audretsch, 1992; Dees and Starr, 1992; Kuratko, 1995; Serwinek, 1992). However, more recently the ethics research is beginning to reflect more specific aspects of the entrepreneurial process (Brenkert, 1999), entrepreneurial failure (McGrath, 1999), the community perspective (Barringer, 1997; Cornwall, 1998), and social success (Sciarelli, 1999). Morris et al. (2002) examined the ethical climate of entrepreneurial firms during growth and development stages and the ethical issues that arise in different organizational stages. The Ruffin Series, published by the Society for Business Ethics (2002), produced a special issue that evoked philosophical discussions on the roles, duties, and approaches to entrepreneurship and ethics. Increasingly, researchers are beginning to examine ethics and entrepreneurship in greater detail. With regard to the study of ethics in corporate entrepreneurship, Chau and Siu (2000) present the only published paper in this area. Yet, this is an area of tremendous importance within the ethical realm.

The pursuit of entrepreneurial activity within a company creates new and potentially complex sets of challenges on both theoretical and practical levels (Kuratko and Hornsby, 1997). On a theoretical level, company-wide entrepreneurship is not included in, or accommodated by, most of the theories, models, or frameworks that have been developed to guide managerial practice. Further, very little progress has been made in developing a theory of corporate entrepreneurship (Zahra et al., 1999). As a result, little is known about what kind of entrepreneurial activity would be appropriate under various company structures, control systems, reward approaches, cultures, and other managerial variables. Limited progress in theory building hinders our ability to predict, explain, and shape the environment in which "ethical" corporate entrepreneurial activity should be pursued.

On a practical level, managers typically find themselves in uncharted territory when it comes to corporate entrepreneurship. They lack guidelines on how to direct or redirect resources towards entrepreneurial strategies. Traditional management practices often do not apply (Sykes and Block, 1989). Further, most of the infrastructure within a company (systems, structures, policies, and procedures, etc.) has been put in place for reasons other than entrepreneurial activity. Companies develop in ways that enable them to efficiently manage the present, which means they are not organized in ways that allow them to create the future (Covin and Slevin, 1989). Thus, entrepreneurial activity typically clashes with the mainstream operations of the firm. More fundamentally, entrepreneurial activity can be extremely threatening to the people who do the work of the organization because it can be disruptive, uncomfortable, irritating, and distracting. Not surprisingly, there are many in companies who will go out of their way to not only resist an entrepreneurial idea but also to destroy it (Ginsberg and Hay, 1994).

Therefore, the issue of ethical dilemmas presents a formidable challenge in the development of corporate entrepreneurship. How far should employees be encouraged to "disrupt" or "subvert" established standards? Hamel (2000) calls for employees to become "revolutionaries" in order to move organizations into the new competitive landscape. Yet, to what extend do employees act in a "revolutionary" manner under the guise innovation before ethical standards are compromised?

The purpose of this paper is to establish a framework for ethical understanding within the domain of corporate entrepreneurship. Using the categories of obstacles to corporate entrepreneurship (Morris and Kuratko, 2002), an ethical framework is established to guide middle managers in facilitating their employees innovative efforts when confronted with these obstacles.

As mentioned ealier, Chau and Siu (2000) present the only published paper regarding the study of ethics in corporate entrepreneurship, proposing that entrepreneurial organizations by nature will create higher cognitive moral development in their members. They state that while hostile, unpredictable competitive environments may induce unethical decision-making, the participative management style and open-minded attitudes inside entrepreneurial organizations can offset the external pressures. Chau and Sin construct their framework by aligning the individual, organizational, and environmental characteristics of Hornsby et al. (1993) model of the corporate entrepreneurial process with the individual and situational moderators in Trevino's (1986) ethical decision-making model. They contend that the characteristics in the Hornsby et al. (1993) model are nearly interchangeable with Trevinos' moderators, and therefore conclude that corporate entrepreneurship leads to higher cognitive moral development and ethical decision-making. However, while Chau and Siu make a significant contribution by introducing ethics to the corporate entrepreneurship field, the propositions that suggest a positive interaction between entrepreneurial organizations and cognitive moral development and ethical decision-making need to be challenged and examined further. One possible challenge to their propositions is based upon a similar premise found in research on decision-making. That is, a bureaucrat's work is more stable and repetitive with fewer situations requiring complex decision-making, whereas the corporate entrepreneur's work requires strategizing in order to attain needed resources and support for new projects and ideas. The political, complex nature of this second situation may induce some middle managers to act unethically to attain their goals.

We propose that there are various reasons why middle managers involved in corporate entrepreneurial activity may do unethical acts. The first reason is that the manager could be unethical to begin with. One such example can be found in telling a story about Enron's former Chief Executive Officer when he was a student at the Harvard Business School:

> In one such class, Jeffrey Skilling was asked what he would do if his company were producing a product that might cause harm – or even death – to the customers that used it. According to his professor at the time, former Congressman John LeBoutillier, Jeffrey Skilling replied, "I'd keep making and selling the product. My job as a businessman is to be a profit center and to maximize return to the shareholders. It's the government's job to step in if a product in dangerous." In an Enron culture seemingly obsessed with Star Wars, Skilling's bloodless demeanor led his colleagues to refer to him as 'Darth Vader' behind his back (Fusaro and Miller, 2002, p. 28).

Another source of unethical behavior among middle managers could result from a cultural condition of extreme, degenerative individualism that sociologist Charles Derber explains as "wilding":

> Wilding includes a vast spectrum of self-centered and self-aggrandizing behavior that harms others ... *instrumental wilding* is wilding for money, career advancement or other calculable personal gain, ... exemplified by the careerist who indifferently betrays or steps on colleagues to advance up the ladder. There are forms of wilding, such as lying and cheating, that are officially discouraged, but others, like the frantic and single-minded pursuit of wealth, are cultivated by some of the country's leading corporations and financial institutions (Derber, 1996, pp. 6–7).

While organizational ethics may be stunted by the entrance of ethically broken recruits into the labor market or the pursuit of careerism, another reason middle managers may behave unethically is "not because of greed or ill will, but because they lacked a clear vision of their responsibilities (Donaldson, 1989, p. 66)." This holds especially true for the middle manager pursuing corporate entrepreneurial activity. There are many organizational obstacles that can make entrepreneurial activity seem completely unattainable. Yet, we find entrepreneurial activity happening even in the most stifling and bureaucratic of organizations (Kuratko et al., 2001). The key for the middle manager is to identify and examine the obstacles that represent the greatest threat to new concepts or ideas, and then figure out ways to overcome them. However, it is at this point that the corporate entrepreneurial middle manager walks a fine line between creative problem solving and unethical behavior. The corporate entrepreneurial manager is typically very motivated and a high achiever in the organization. The internal obstacles he or she must face in attaining important milestones may lead to unethical behavior due to desperation and frustration in dealing with the barriers.

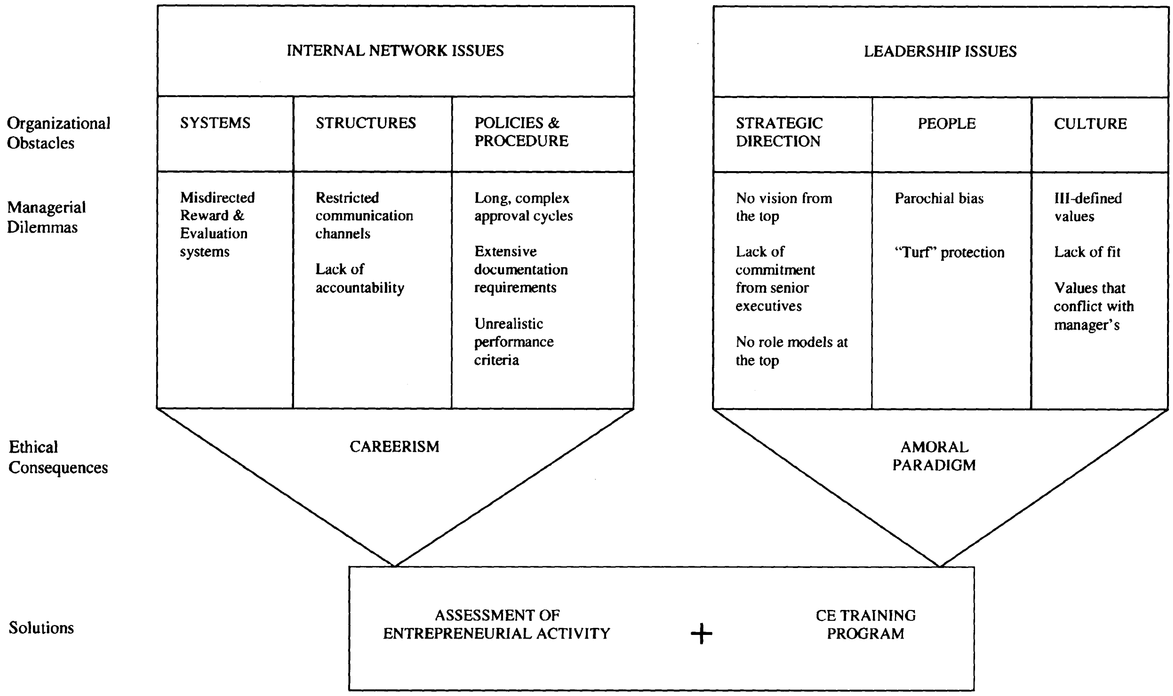

Figure 1.

Morris and Kuratko (2002) identify six groups of obstacles that corporate entrepreneurial managers may face: systems, structures, policies and procedures, strategic direction, people, and culture. The obstacles will be categorized into internal network issues and leadership issues for the purpose of this paper. As shown in Figure 1, systematic, structural, and procedural obstacles lead to similar managerial dilemmas and ethical consequences, as do strategic, people, and cultural obstacles. Recommendations are then suggested for preventing unethical behavior among middle managers engaged in corporate entrepreneurship. We now present the specific facets of the model.

Internal network issues: Obstacles, dilemmas, and consequences

Some of the key internal environmental issues focus on how to assign and arrange employees to accomplish tasks and how rules and guidelines are enforced to insure desired behavior and performance (Mintzberg, 1995). The formal networks the company uses to process inputs into outputs, may have great influence over the actions of middle managers.

Obstacle 1: Systems. A key influence on middle managers is the managerial systems used to provide stability, order, and coordination to increasingly complex internal corporate environments. The trade-off, however, is a strong disincentive for entrepreneurial activity. For example, employee reward and measurement systems often encourage safe, conservative behaviors and actions that produce short-term payoffs. Control systems also often encourage companies to micromanage the expenditure of every dollar and establish quantifiable performance benchmarks in as many activity areas as possible (Dess et al., 1999). Thus, these benchmarks become ends in themselves. However, this consequentialism can lead to the same ethical problem that caused damage to some of the largest corporations in the world by focusing on numbers at the expense of the corporate culture.

Obstacle 2: Structures. As a firm designs more hierarchical levels into the organizational structure, the ability to identify market opportunities, achieve management commitment, reallocate resources, take risks, or implement effective marketplace moves becomes problematic. Moreover, hierarchies tend to be accompanied by two other entrepreneurial barriers, top–down management and restrictive channels of communication (Brazeal, 1993). The result is frequently intransigence, which leads to a lack of commitment to innovation and change at all levels of the organization. Structures that assign responsibility for entrepreneurial activities to managers without delegating adequate amounts of authority represent an additional constraint. Lacking the authority to try new methods or approaches in addressing obstacles or expending required resources, the manager is likely to become frustrated and perhaps cynical.

Obstacle 3: Policies and procedures. Those involved in entrepreneurial endeavors are, by definition addressing the unknown. Their efforts are often undermined by organizational policies and procedures that were established to bring order and consistency to the everyday operational requirements of the firm. The corporate entrepreneurial manager comes to view these policies and procedures as burdensome red tape, and many find success to be unattainable unless rules are bent or broken (MacMillan et al., 1986).

Two of the most costly side effects of detailed operating policies are complex approval cycles for entrepreneurial ideas and elaborate documentation requirements. These obstacles end up consuming an inordinate amount of the middle manager's time and energy. A related problem is the tendency for existing policies and procedures to impose unrealistic timetables and performance benchmarks on entrepreneurial programs. The corporate entrepreneurial manager finds it necessary to tailor innovations to performance criteria that reflect the present and the past rather than the competitive requirements of the future (Block and MacMillan, 1993).

Ethical Consequence: Careerism. The corporate entrepreneurial middle manager is typically a very motivated individual who will put extraordinary thought and effort into achieving things previously not done in the organization. However, the previously discussed obstacles – systems, structures, and policies and procedures – may frustrate the innovative middle manager, and cause him or her to deviate from the parameters of the formal organizational structure. A feeling of ambivalence can occur (Jansen and von Glinow, 1985; Merton, 1963; Merton and Barber, 1963), as the individual feels like they are being pulled in two directions. The middle manager must meet organizational expectations to retain their job while he or she pursues their entrepreneurial goals quietly and discreetly. Eventually, the ongoing practice of pursuing corporate entrepreneurship in a bureaucratic structure may lead the middle manager to develop a set of counternorms under which he or she starts to follow.

TABLE I
Norms and counternorms

Norms	Counternorms
1. Openness, honesty, candor; "open ovenants openly arrived at"	1. Secrecy and lying: stonewalling; "playing your cards close to your chest"
2. Emotional neutrality, disinterestedness, objectivity	2. Emotional involvement, investment, intuition
3. Organized skepticism within the rules	3. Organized dogmatism within the rules
4. Follow the rules	4. Break the rules to get job done
5. Be cost-effective	5. "Spend it or burn it"
6. Develop and mentor subordinates	6. "Watch out for number one"
7. Take responsibility	7. Avoid responsibility, "pass the buck"
8. Maintain corporate loyalty	8. "Bad-mouth" the company
9. "All for one and one for all"	9. Achieve your goals at the expense of others
10. Maintain an appearance of consensus; support the team	10. Maintain high visibility; "grandstanding"
11. Take timely action	11. "Never do today what you can put off until tomorrow"

Source: Jansen and von Glinow, 1995, p. 817.

Table I provides a list compiled by Jansen and von Glinow (1985) of traditional, desirable organizational norms with the matching counternorms that can develop when an individual feels their goals do not match with those of the organization.

Counternorms 6, 7, 9 and 10 are particularly pertinent to the internal environmental issues in this paper. Once a middle manager regularly decides to "watch out for number one," avoid responsibility by "passing the buck," achieve goals at the expense of others, and maintain high visibility through "grandstanding," they have effectively embraced careerism. At this point, the middle manager may put in place new ideas that will make him or her look good in the present without concern for the long term implications on the organization. If the middle manager withholds information and fears a backlash for ideas that are not quite as grand as originally presented, they can simply move on to another organization, or, if they are lucky, they may have already moved into an executive position in the original firm and will order their replacement to take care of the mess. The middle manager obsessed with his or her career becomes a gamesman (Goodpaster, 1989). As Macoby (1976) observes, "Obsessed with winning, the gamesman views all of his actions in terms of whether they will help him succeed in his career. The individual's sense of identity, integrity, and self-determination is lost as he treats himself as an object whose worth is determined by its fluctuating market value. Careerism demands [emotional] detachment (101)."

Agency theory explains why some organizational members engage in such extremely selfish acts and why companies often institute strict guidelines and oversight to control rogue employees. As Stroh et al. (1996, p. 751) explain, "... each firm consists of a principal (in our study, an organization) and an agent (in our study, a manager). The assumptions of agency theory are that agents are motivated by self-interest, are rational actors, and are risk averse. Therefore, principals can motivate agents by controlling their incentives (Amernic, 1984; Eisenhardt, 1989; Gomez-Mejia and Balkin, 1992a, b). An agency dilemma occurs, however, when a principal is unable to monitor or assess an agent's behavior (Amernic, 1984; Lambert et al., 1993). This situation results when the agent's task is less programmable (Eisenhardt, 1989), when accomplishing the task entails risk, or when the goals of the principal and agent are in conflict (Stroh, et al., 1996)."

However, the traditional agency view just presented can become a self-fulfilling prophecy based on its underlying assumption of individual selfishness. As Fort (2001) states, "A social contract based upon the premise that human beings are self-interested, deceptive, opportunistic strangers will produce a different ideal social contract than one founded upon a view of individuals as altruistic, noble, and committed to the common good." If an organization sets up a restrictive bureaucratic work environment for its members, it is implicitly sending the message "we have to treat you this way because we can't trust you." Conversely, if a company structures its work environment to be open and allows members to develop and pursue goals they find personally satisfying, the middle manager is more likely to feel connected to the organization and be concerned about its future well-being (Duska, 1992). At this point, the work itself can "motivate workers by attracting their internal faculties, making the job more interesting and appealing, and providing it with meaning" (Sorauen, 2000, p. 925). As social exchange theory posits, people will tend to treat others as they have been treated in the past by those same parties. A more benign view of the principal-agent relationship reflected in a positive internal environment will reduce the motivation and pattern of a middle manager to act unethically and harm others in the organization. A proper focus and commitment to corporate entrepreneurship by the company can be a major component of the solution.

Leadership issues: Obstacles, dilemmas, and consequences

While organizational design issues place functional barriers on what the middle manager can pursue, perhaps the more important factor on his or her behavior is the influence of others in the company. Quite simply, organizational members follow the examples set by their leaders (Heifetz and Laurie, 1997). This influence can be both explicitly demonstrated by the actions of the executives and implicitly condoned by not specifically addressing questionable behavior. The middle manager is thus challenged by the obstacles to pursing their new ideas that are implicitly or explicitly set by the organization's leadership.

Obstacle 4: Strategic Direction. Little can be accomplished without meaningful direction from the top. In the absence of specific goals for product and process innovation and a strategy for accomplishing such goals, entrepreneurial activity will only result haphazardly or by chance (Collins and Porras, 1996). More fundamental, however, is the lack of direction from senior executives to the principle of institutionalized entrepreneurship. This commitment requires leaders who are visionaries, seeing the firm and its people for what they can be, not what they have been. It requires leaders who are engaged in entrepreneurial processes as they occur throughout the enterprise. Instead, senior management is often typically cautious, suspicious, or completely unaware of efforts to break with tradition and capitalize on opportunity (Fiol, 1995). Middle managers are strongly influenced by the role models found at the top of the organization. What they often find are politicians and technocrats, well-versed in the art of corporate survival and gamesmanship.

Obstacle 5: People. People may be the greatest obstacle of all (Barnett and Karson, 1987). The number one priority in any attempt to increase the entrepreneurial activity within an organization must be to change people and, specifically, to get them to be accepting to change and tolerant of failure in their work (Kuratko et al., 1993). Change is met with a defensive, parochial attitude. This is especially the case where employees have no role in the change program. Motivating people is also a problem, especially those driven by need for power and status. Such individuals approach questions of innovation from the standpoint of turf protection. They hoard resources, especially information. They resist open communication and are suspicious of collaborative efforts (Busenitz and Barney, 1997; Pearce et al., 1997).

Obstacle 6: Culture. Companies noted as successful innovators tend to foster a strong organizational culture (Quinn, 1985). This culture is built around a central set of values that pervades every aspect of company operations. Employees are continually reinforced to internalize their values, and those who do not internalize them rarely last. These values are the lifeblood of the firm, creating the standards and providing the direction for growth and development (Deal and Kennedy, 2000; Kirrane, 1990). When companies fail to clearly define what they stand for or do not achieve a consensus over value priorities, corporate entrepreneurship will have no focus. Furthermore, corporate entrepreneurship must itself become part of the organizational value system. This means company wide commitment to understanding of innovation, calculated risk-taking, and proactiveness.

Ethical consequence: The Amoral Paradigm. The leadership issues – strategic direction, people, and culture – are reflected in the management approaches of an organization. Carroll (1987, 2000) provides three models of management approaches toward business ethics. Managers following the Moral Management Model respect ethical considerations and hold the organization to the highest moral standards. Just adhering to legalities is not enough for moral managers. They treat others in organizational settings and in their personal lives with respect, and demonstrate a strong ethical leadership to all stakeholders.

The Immoral Management Model, however, is based on the premise that economic opportunities are to be exploited whenever and however possible. The law and socially accepted ethical principles are seen as obstacles to immoral managers, and are maneuvered around in meeting personal and organizational goals. Carroll (2000, p. 367) calls these mangers "the bad guys – they wear the black hats."

Fortunately, most managers do not fall into this category, but ethical problems still remain in the business world. This is due to the Amoral Management Model, which Carroll calls the greatest current threat to ethical business practices. Many managers, while not necessarily acting with malicious intent, believe that the rules of business are different from those of the greater society. These intentionally amoral managers separate their personal ethics from the practice of business, and feel justified by the belief that everyone else does the same. Some amoral managers are even unaware they are separating personal ethics from their professional life simply because of carelessness or ignorance of the impact of their unethical behavior. Carroll (2000, p. 369) describes these managers' ethical gears as being "non existent, or if they do exist, are in neutral, or are stripped." Unlike immoral managers, amoral managers do tend to respect the law, although that is often the limit to their ethical contemplations.

While many ethicists are concerned about the influence of the amoral paradigm in business (for example, Carroll, 1987, 2000; Etizioni, 1988; Shepard et al., 1991, 1995, 1997), Carroll believes that amoral managers have the potential to become moral by increasing their awareness of the true nature of business ethics. Robert Solomon (1992) and Edwin Hartmann (1996) contend that the ethical problems resulting from the amoral paradigm can be lessened with a more Aristotelian approach to business. Aristotelian ethics focus on the larger community and the role everyone plays in bringing about the common good in a society. As Shepard et al. (1995, p. 596) pointed out, "rather than assuming that the greater good will emerge from the pursuit of exclusive self-interest, Aristotelian ethics sees the public good coming from people and organizations consciously striving to be virtuous." And in a business setting, a corporate virtue, according to Schudt (2000, p. 713), is "a habit of corporate action that is conducive to the achievement of the corporate good." For most firms, the corporate good is maintaining sustainability in competitive markets, which requires a dedication to improving product and services and building a strong company identity. A virtuous businessperson within an Aristotelian perspective would be one, then, who develops good habits in pursuing excellence in their professional endeavors. As Aristotle stated in the fourth century BC, "the excellence of man also will be the state which makes a man good and which makes him do his own work well (Barnes, 1991, 1106)."

Indeed, corporate entrepreneurship is a process that can instill those characteristics in a company. Executive dedication to setting good examples and middle managers committed to innovation lead to excellence in a capitalist system. However, if the company does not currently operate as a supportive organizational community, it may take time for the entrepreneurial transformation to take place. MacIntyre (1985) points out the difficulties a company can face in pursuing excellence when outside competitive pressures distort internal goals. He argues that institutions are deeply concerned with external goods, perhaps more so than intrinsic rewards. They are involved in acquiring money and other material goods, structured in terms of power and status, and distribute money, power, and status as rewards. He argues that institutions could not do otherwise if they are to sustain themselves.

Moore (2002) however, believes that the acquisitiveness and competitiveness of institutions may not be as destructive as suggested. For example, "a retailing organization that is so focused on external goods, such as profit and shareholder value, that it fails to nurture the practice it sustains – the specific business practice of retailing – will eventually find itself without the skills and resources it requires to sustain the practice. It will, in effect, kill itself from the inside" (p. 28).

Ethical corporate entrepreneurship is a practice that can prevent the firm from becoming stagnant and eroding from the inside. If executives can put in place incentives to encourage organizational members to pursue entrepreneurial activities that benefit outside stakeholders as well as themselves, the firm can become a community of ongoing excellence. Therefore, Chau and Siu's (2000) premise, challenged earlier in this paper, that internal entrepreneurship leads to ethical behavior may indeed be true; however, Chau and Siu's paper, while commendable, is an introductory examination of the issue and warrants more support and guidance for this conclusion to be more solid. If a company does not institute a corporate entrepreneurship program properly, the organizational obstacles found in bureaucracies may still remain or even be intensified by further ambivalence. In the following section, we explain how corporate entrepreneurship assessment and training can be established in an organization to properly develop this practice.

The role of corporate entrepreneurship in fostering ethical managerial practices

Corporate entrepreneurship is being embraced today by many companies as more than simply a component of a company's strategy, but rather as the very framework for the company's future goals and activities (Meyer and Heppard, 2000; Morris and Kuratko, 2002). As Hamel (2000, p. 115) advises, "In these suddenly sober times, the inescapable imperative for every organization must be to make innovation an all-the-time, everywhere capability." If an organization institutes company-wide entrepreneurial approaches, and recognizes the potential organizational obstacles, this paper posits that unethical behavior by middle managers can be reduced, as Chau and Siu previously stated, through a more participatory and trusting nature developed in the culture. However, significant cultural change is not easy and can take years to fully transform. If done poorly, cynicism and further alienation can be the result. Therefore, this paper provides guidelines for successful implementation of corporate entrepreneurship. The first step, assessment, provides management with an awareness of the challenges they face as they pursue an entrepreneurial strategy.

The importance of organizational-level measurement and assessment

Sustainable ethical corporate entrepreneurship requires that managers are involved in ongoing efforts at assessment. The entire concept of assessment revolves around the measurement of processes and outcomes. Thus, attention is given to outcomes but also equally to the experiences that lead to those outcomes. Effective assessment strategies pay attention to the processes that help explain the attainment or non-attainment of a particular outcome. Banta, et al. (1996) found that the power of assessment is that of a cumulative, ongoing effort in the spirit of continuous improvement. Assessment is most likely to lead to improvement when it is part of a larger set of conditions that promote change.

Unfortunately, assessment and organizational improvement are often perceived as exercises to be implemented in response to an urgent need – shareholder pressure, stakeholders' opinions, market pressure, image, and so forth. Effective assessment programs become embedded in the organizational culture. They are acknowledged, discussed, deliberated, reviewed, and refined. Effective assessment is perceived as an integral part of the overall mission, and it focuses, very simply, on learning. In this context, assessment becomes one of the driving forces in creating what Peter Senge (1990) calls learning organizations, "organizations in which people continually expand their capacity to create the results they truly desire, in which new and expansive patterns of thinking are nurtured, in which collective aspiration is set free, and in which people are continually learning how to learn together" (p. 3).

So at the surface, the purpose of measurement in highly entrepreneurial firms appears to be radically different from what it is in less entrepreneurial firms. Shared management and measurement systems in more entrepreneurial companies have much to do with the firm's propensity for "ambiguity absorption." The managerial system of the entrepreneurial firm is adept at dealing with high levels of ambiguity in the environment, contributing to organizational flexibility. The ambiguity absorption factor seems to be supported not only in models that focus on cognitions, but also in those that emphasize behaviors. In their entrepreneurial posture model, Covin and Slevin (1991) focus on the frequency and nature of product innovations as one of the defining behaviors. The authors make it clear that systems must be designed for flexibility to take advantage of opportunities that arise as entrepreneurial managers are mindfully tracking product/market life cycles and opportunities.

The discussion up to this point has implied that entrepreneurial actions can be measured. While reliable and valid measures have yet to be developed at the level of the individual, progress has been made at the organizational level. Building on the work of Miller and Friesen (1982), a number of researchers have reported success both in measuring a company's entrepreneurial orientation and in linking that orientation to various strategic and performance variables (Hornsby et al., 2002; Morris, 1998).

Researchers have demonstrated statistically significant relationships between entrepreneurial actions and a number of indicators of company performance (Kuratko et al., 2001). Examples of such indicators include profits, the income-to-sales ratio, the rate of growth in revenue, the rate of growth in assets, the rate of growth in employment, and a composite measure of 12 financial and non-financial criteria (Covin and Slevin, 1990, 1991; Davis et al., 1991; Miller and Friesen, 1982; Morris and Sexton, 1996; Peters and Waterman, 1982; Zahra, 1993). This linkage between entrepreneurial actions and performance appears to be especially strong for companies that operate in increasingly turbulent environments.

A central thesis of this paper is that the entrepreneurial actions of an organization should be monitored and measured on the ongoing basis. At the organizational level, measures can be used to benchmark and track entrepreneurial performance, establish norms, and draw industry comparisons, establish entrepreneurship goals, develop strategies, and assess relationships between entrepreneurial actions and company performance variables over time.

However, it is important to note here that measurement instruments will not effectively identify the "ethical" concerns of middle managers entrepreneurial activity. For that purpose a more intense training program needs to be initiated by the corporation.

As a way for organizations to develop a sound and ethical program for corporate entrepreneurial activity, a corporate entrepreneurship training program (CETP) should include the ethical considerations needed for managers to understand the extent of their activities in light of the entire organization. It is not our intent to elaborate completely on the content of a training program here, but a brief summary of an actual program is presented to provide a general understanding of how such a program is designed to introduce a corporate entrepreneurial environment in a company. This award-winning training program was intended to create an awareness of entrepreneurial opportunities in an organization. The CETP consisted of six four-hour modules, each designed to train participants to support entrepreneurship in their own work area (Kuratko and Montagno, 1989; Kuratko et al., 1990, 2001). The modules and a brief summary of their content follows:

- *Introduction.* This module consisted of a review of managerial and organizational behavior concepts, definitions of corporate entrepreneurship and related concepts, and a review of several entrepreneurial cases.
- *Personal creativity.* This module attempted to define and stimulate personal creativity. It involved a number of creativity exercises and had participants develop a personal creative enrichment program.
- *Corporate entrepreneurship.* A review of the current literature on the topic was presented here, as well as in-depth analyses of several entrepreneurial organizations.
- *Assessment of current culture.* A climate survey (not the research instrument) was administered to the training group for the purpose of generating discussion about the current facilitators and barriers to change in the organization
- *Business planning.* The entrepreneurial business planning process was outlined and explained. The specific elements of a business plan were identified and illustrated, and an example of an entire business plan was presented. In this module participants worked in teams and created action plans designed to bring about change to foster corporate entrepreneurship in their own workplaces.
- *Ethical assessment.* This component examines the problematic issues in the company both past and present. The organization's level of ethical compliance is reviewed in light of the company's mission. A code of ethics is either presented or developed. Within this context the extent of entrepreneurial activity by managers is discussed in relation to ethical expectations.

Corporate entrepreneurship training that is viewed as a one-time activity cannot succeed. The more widespread the understanding of corporate entrepreneurship, the more likely it is that real culture changes will occur in the organization. The organizations who have utilized the training understand that. They all have attempted to repeat the program for as broad an audience as possible.

To bring about the fundamental cultural change needed to promote ethical corporate entrepreneurship activity, top management must create an integrated strategy for the change effort. Add-on programs are not enough. Corporate entrepreneurship can be used to implement strategic objectives, but top management first must articulate the strategy clearly and reflect it in specific organizational goals (Ireland et al., 2001). A strategy utilizing these guidelines should effectively reduce the posited organizational and leadership barriers that cause rogue behavior in corporate entrepreneurs. By aligning the corporate entrepreneur's goals with organizational goals and strategy, deviant behavior can optimistically be reduced. Unfortunately, wilding behavior, defined by Derber (1996) as extreme, degenerative individualism, may still take place if the organization contains immoral managers, defined by Carroll (2000) as the organizational bad guys who try to exploit the system. While most managerial apples in the organizational barrel can simply be polished, a few will require the removal of their rotting spots. Therefore, in order to insure that ethical behavior is being abided by all organizational members, a state-of-the-art corporate entrepreneurship program requires the addition of an ethical training component to the other six modules currently being utilized by companies.

The ethical component in corporate entrepreneurship training

For ethics to be as prevalent as innovation in entrepreneurial organizations, a holistic approach is suggested. As Giacalone and Knouse (1997, 49) propose, "Instead of focusing on one-shot training and moralistic absolutes about what is right and wrong, managers should integrate ethical procedures into the very fabric of the organization." Since the holistic approach embraces changing the organizational culture, it will have similar steps as the implementation of corporate entrepreneurship. Again, if executives are to change their company's culture, it will require knowing what challenges they face in the transformation. For this reason, just as an entrepreneurial assessment was recommended, an assessment of individual ethical views is also required. There are currently no questionnaires in the literature measuring ethical awareness and beliefs in entrepreneurial organizations; however, research has been undertaken in examining the ethics of small and growing businesses (Humphreys et al., 1993; Longenecker et al., 1988). Since these businesses often exhibit entrepreneurial traits, it may make sense to utilize Longenecker et al. (1989) measure of entrepreneurial ethics or Hornsby (1994) revised version of the scale. Both surveys include activities focused on improving the strength of the business (either by returning greater profit or securing additional business), on the withholding of money from those to whom it was due or earning money through illegal methods, and with the ongoing management of the firm, such as hiring, promotion, and marketing. Clearly, as demonstrated in the introduction of this paper, these are all issues that arose during the corporate scandals of the last few years; thus, the surveys may serve the purpose of initial scanning and continued monitoring of ethical attitudes.

Once the executives have an awareness of problematic attitudes in the company, a program can be tailored to fit its needs. Companies have two different control orientations based on compliance and values at their discretion for molding ethical behavior (Trevino et al., 1999; Weaver and Trevino, 2001). As discussed earlier, some organizational members need strict guidelines given to them to insure they do not engage in unethical behavior. In fact, it is a necessity in every organization that wants to impede unethical behavior that clearly crosses the line of organizational decency. A compliance orientation approach provides a coercive framework by outlining specific actions, such as theft and harassment, that will not be tolerated and the resultant consequences should such transgressions take place. If transgressions are recognized and enforced by senior managers, a clear message is sent throughout the organizational culture that ethics is an important matter to the company's leadership. Organizational support mechanisms such as helplines and reporting procedures are also effective in cementing ethics and rule following into the fabric of the company. Research (Lerner, 1977; Trevino, 1993; Trevino and Ball, 1992) has shown that companies that do not immediately punish and rehabilitate offenders have higher degrees of unethical behavior. Anecdotal evidence from Enron and Arthur Andersen supports these findings.

Every organization has certain unique ethical dilemmas it must face. However, just as amoral activity can take place when businesspeople only consider legalities, the danger of relying solely on strict codes for guidance is that employees may not be attuned to handling issues that are not in the corporate guidelines. For this reason, a values orientation approach that addresses the ambiguities of the workplace can be used in conjunction with compliance programs. Organizational members can discuss what values they want their company to encompass and how its objectives will be accomplished. By taking part in this process, employees invest themselves into the ethical mission. A formal code of conduct that articulates this ethical vision can then be written. The code should be flexible enough to handle a wide variety of issues that may arise and provide an employee with the capacity to better address whether an action or decision will serve the best interest of the company and whether any stakeholders will be harmed in the process. Yet this is still not enough. To insure further understanding of the ethical mission, it important to also communicate and distribute the code well (Pierce and Henry, 1996). Managers at every level of the organization must regularly discuss the code and what it means to their division or department (Stevens, 1999), otherwise it will not be adopted by employees. Once the values and codes have been expressed, at this point, the organization can refer back to the original ethics assessments to determine whether any gaps exist between actual attitudes and stated goals. Training can be tailored to address issues where the company is lacking ethical fortitude or possesses moral ambiguity. An ethics program can be completed with "ethics committees charged with developing ethics policies, evaluating company or employee actions, and/or investigating and adjudicating policy violations ... ethics officers or ombudspersons charged with coordinating policies, providing ethics education, or investigating allegations" (Weaver et al., 1999). Again, just as with the six other modules currently in corporate entrepreneurship training, this cannot be viewed as a one time activity. New problems will always arise as industries, society, technology, and markets evolve. Continued discussions and training is advised to handle this complexity. Therefore, ethics must be an ongoing focus for everyone if the company is to become a respected model of organizational excellence.

Conclusion

It may be no coincidence that two of the most discussed issues in business today are entrepreneurship and ethics. Companies are competing in increasingly competitive industries that require innovation and risk taking to maintain and gain customers. Unfortunately many executives during the 1990s also became very creative in finding ways to boost their own compensation at the expense of the long-term health of their companies. While executives such as Jeffrey Skilling at Enron and Bernie Ebbers at WorldCom let their extreme individualistic behavior get the best of their managerial judgment, the role of middle managers in today's competitive climate has been largely overlooked. In organizational cultures emphasizing individualistic achievement as indicators for job retention and advancement, many middle managers behave more entrepreneurial by furtively working on personal projects that interest them and/or could bring attention to their abilities and potential as possible, future executives. However, without an organization providing the proper entrepreneurial environment and ethical guidance, some middle managers may display rogue behavior in attaining these goals. In other words, they cross the line of good judgment and commit unethical acts with the hopes of personal gain. This paper examined the barriers middle managers face in trying to be entrepreneurial in less supportive environments, the ethical consequences that can result, and a suggested assessment and training program for averting such dilemmas. We advise that companies embrace corporate entrepreneurship, in order: (1) to gain the needed flexibility, innovation, and employee initiative and risk-taking needed to grow and remain competitive, and (2) to remove barriers that the more entrepreneurially inclined middle manager may face, which will more closely align personal and organizational initiatives and reduce the need to behave unethically to succeed. However, even if corporate entrepreneurship becomes supported, some managers may still pose ethical risks to the company. Unfortunately, rarely will everyone in an organization do the right thing. For this reason, it would be wise to include an ethical component to corporate training and programs to insure everyone is aware of the expectations and vision of senior management. Therefore, we also provided guidelines for instituting compliance and values components into the state-of-the-art corporate entrepre-neurship programs. It is hoped that this more complete training program and approach to corporate entrepreneurship will make for a better future for both the organization and its members and prevent future ethical crises.

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