



Entrepreneurs' propensity for corruption: A vignette-based factorial survey[☆]

Petra Dickel^{a,*}, Peter Graeff^b

^a University of Kiel, Institute for Innovation Research, Westring 425, 24118 Kiel, Germany

^b University of Kiel, Institute of Social Sciences, Westring 400, 24118 Kiel, Germany



ARTICLE INFO

Keywords:

Entrepreneurship
Entrepreneurial ethics
Corruption
Factorial survey
Experimental design

ABSTRACT

This paper investigates the ways in which cost-benefit considerations influence entrepreneurs' propensity to engage in corruption. It further investigates how the effects of these considerations are fostered by entrepreneurs' adherence to legal standards (norm internalization) and the degree to which they ponder the pros and cons of an ethically challenging business situation (deliberation). In order to deduce the causal effects and reduce social desirability bias, this study uses a vignette-based factorial survey. A multi-level analysis of 740 vignettes from 148 entrepreneurs indicates that the propensity of entrepreneurs to participate in acts of corruption is driven by expected economic gains and a high probability that the corruption will be successful. The impact of these factors increases when entrepreneurs have a higher tendency to ponder the pros and cons of an opportunity to commit corruption. However, the probability of detection does not affect their propensity for corruption.

1. Introduction

Corruption is a worldwide issue that has negative implications for both society and the economy (Hodess, Banfield, & Wolfe, 2001). In recent years, spectacular cases of corruption, such as the cases of Siemens or Volkswagen, have been uncovered (Ashforth, Gioia, Robinson, & Treviño, 2008; Graeff, Schröder, & Wolf, 2009). It has been estimated that the global financial damage from corrupt practices accounts for 3.7 trillion US dollars (Association of Certified Fraud Examiners, 2016). The magnitude of this fraud demands that both researchers and practitioners uncover the reasons behind this behavior and find solutions to the problem (Tang & Sutarso, 2013).

Although widespread corporate malpractice has led to a growing interest in business ethics research (see Craft, 2013; O'Fallon & Butterfield, 2005), research on ethical issues in the context of entrepreneurship is still rare (Dickel & Graeff, 2016; Harris, Sapienza, & Bowie, 2009). This might be due to the sensitivity and complexity of ethics research that is prone to higher nonresponse and social desirability (Krumpal, 2013). Normative approaches to business ethics provide valuable contributions to judging the decisions and actions of managers and firms according an assessment of right and wrong. Business codes of conducts are typical outcomes when compliance and anti-corruption measures are considered. But such normative approaches do not necessarily reflect the particular conditions of entrepreneurs who typically experience strong financial pressure and are particularly vulnerable to external forces. As clear guidelines are often

missing, interpreting what is right and what is wrong involves a range of options; entrepreneurs must therefore rely on their own judgment. A tendency to bend rules to overcome innovation barriers has been closely associated with core entrepreneurial traits (Kuratko & Goldsby, 2004). Liabilities of newness and liabilities of smallness may further foster unethical behavior, as entrepreneurs attempt to succeed against the odds (Bucar & Hisrich, 2001). Accordingly, in comparison to other professions, entrepreneurs may be even more prone to circumstances that require them to deal with and break existing norms and rules that potentially hinder their innovative forces.

To understand the ethical issues that are involved when entrepreneurs face potential corruption situations, it is necessary to analyze how strongly they adhere to legal standards (norm internalization) and to scrutinize the degree to which they ponder the pros and cons of an ethically challenging business situation (deliberation). To regard conditions that apply to actual decisions, this study uses a vignette-based factorial survey to investigate which factors influence an entrepreneur's propensity to engage in corrupt behavior. In a factorial survey, respondents are asked to respond to vignettes in which the dimensions within the vignette are randomly varied by the researcher (Rossi, 1979; Rossi & Anderson, 1982). The random variation of the vignette dimensions ensures that the explaining factors are independent of each other. Thus, this method combines an experimental design within a survey. Factorial surveys not only enable the researchers to disentangle interconnected explanatory variables but also allow them to reduce social desirability (Rossi & Anderson, 1982; Weinberg, Freese,

[☆] This research did not receive any specific grant from funding agencies in the public, commercial, or not-for-profit sectors.

* Corresponding author.

E-mail addresses: dickel@bwl.uni-kiel.de (P. Dickel), pgraeff@soziologie.uni-kiel.de (P. Graeff).

& McElthattan, 2014). Building on the theory of subjective expected utility (SEU) (Savage, 1954; Simon, 1983) and its application in the social sciences (e.g. Becker, 1968; McKenzie & Tullock, 1994; Opp, 1989), the following research questions are addressed in this paper:

- (1) How do the expected costs and benefits of corruption and the probability that they will occur affect entrepreneurs' propensity for corruption?
- (2) How do norm internalization and deliberation spur or hinder the likelihood of entrepreneurs to engage in corruption?

The paper aims at identifying the relevance of cost-benefit considerations in conjunction with ethical attitudes on entrepreneurs' corruption propensity. Identifying the key factors enables the development of adequate measures and programs to decrease the likelihood of corruption in entrepreneurship.

This study makes four important contributions to the literature. First, the findings of the present study add to the previous research on entrepreneurial ethics (e.g. Bucar, Glas, & Hisrich, 2003; Harris et al., 2009; Khan, Tang, & Zhu, 2013; Tonoyan, Strohmeier, Habib, & Perlit, 2010) by shedding light on the isolated determinants of corruption in entrepreneurship. To date, corruption has mostly been investigated within the context of large, established organizations. In entrepreneurship, however, research on ethical issues is still in its infancy (Dickel & Graeff, 2016; Harris et al., 2009). It has been shown that the entrepreneurial orientation of firms (Karmann, Mauer, Flatten, & Brettel, 2016) and the personal motives of entrepreneurs (Baron, Zhao, & Miao, 2015) influence unethical behavior. The literature also points to significant differences between entrepreneurs and managers regarding unethical behavior (e.g. Bucar et al., 2003; Fassin, 2005). However, whether entrepreneurs have higher or lower ethical standards than managers is still inconclusive. This study extends this so far scarce empirical evidence by showing the role of utility- and norm-based considerations for entrepreneurs' unethical decision making.

Second, our research integrates attitudinal dispositions into the SEU theory by analyzing how the cost-benefit considerations around corruption are influenced by norm internalization and deliberation. As a result, the study extends the research on rational choice models (e.g., Mehlkop & Graeff, 2010; Opp, 1999) in the context of entrepreneurial ethics. As corruption demands that actors consider and arrange corrupt opportunities, their decision to participate in a corrupt deal depends on the costs and benefits and the probability that they will be realized. Rational choice models suggest that the decision to participate in a corrupt deal is a self-determined choice of action that maximizes the actor's utility.

Third, by using a factorial survey design, this study adds to the previous studies on business ethics (e.g. Hood & Logsdon, 2002; Robin, Reidenbach, & Forrest, 1996). Although the advantages of experimental methods in relation to causality have been broadly acknowledged, they are not popular in either business or entrepreneurship research (Aguinis & Bradley, 2014; Berger & Kuckertz, 2016). In contrast to the commonly used item-based measurement of ethical attitudes and behaviors (Pan & Sparks, 2012), a factorial survey allows researchers to determine causal relationships and to account for potential biases, such as social desirability, that are likely to exist when measuring ethical issues. Moreover, scrutinizing corruption issues with a commonly used item set might also provoke response biases due to the sensitive nature of the topic (Krumpal, 2013), which is less prevalent within vignette-based factorial surveys that demand respondents' assessments within a contextual framework.

Fourth, this study contributes to the factorial vignette survey literature (Aguinis & Bradley, 2014; Oll, Hahn, Reimsbach, & Kotzian, 2018) that has recently been applied, for example, in consumer research regarding privacy violations (Martin, 2018), research on gender pay gaps (Auspurg, Hinz, & Sauer, 2017) and local acceptance of wind power energy (Liebe, Bartczak, & Meyerhoff, 2017). By applying this

rigorous method to analyze the influences on entrepreneurs' corruption propensity, this study is one of the few that applies such experimental methods in entrepreneurship research (see Aguinis & Lawal, 2012).

The structure of the paper is as follows: After a brief discussion on corruption in entrepreneurship, we integrate the SEU theory with the ethical attitudes of entrepreneurs in terms of norm internalization and deliberation to develop hypotheses on the formation of entrepreneurs' propensity for corruption. A vignette-based factorial survey is used to collect and test data from entrepreneurs in Germany. The paper then presents the method and results of the study and closes with a discussion of the implications for research and practice.

2. Theoretical background and hypotheses

2.1. Corruption in entrepreneurship

Corruption has been defined as “the abuse of entrusted power for private gain” (Anokhin & Schulze, 2009, p. 465). In an organizational context, corruption refers to the illegal use or exchange of resources for personal benefit at the expense of the organization or society (Anand, Ashforth, & Joshi, 2004; Luo, 2005). In some cases, corruption works in a firm's favor, for example, when bribery is successfully used to acquire business contracts (Graeff, 2016). This use of corruption shifts the ethical challenge of combating corruption from simple crime-incentive structures for personal gain to complex interest structures for individual and organizational advantages. Corrupt practices include, for example, giving exclusive gifts to customers and other stakeholders as a way of intensifying the relationship and ensuring future transactions (Cheung & King, 2004; Tonoyan et al., 2010) or bribing public authorities into accelerating certain bureaucratic processes (De Jong, Tu, & Van Ees, 2012). This paper focuses on the *propensity for corruption*; that is, the willingness to engage in corruption, which can be regarded as an indicator of behavioral intention (Ajzen, 1991).

Written guidelines and internal controls for acceptable and unacceptable behavior are often missing from new ventures (Morris, Schindehutte, Walton, & Allen, 2002). Entrepreneurs must instead rely on their own judgment. As entrepreneurs have to pursue and exploit new opportunities in uncertain and dynamic environments, the line between realizing innovative solutions and staying within the limits of social and legal conventions is blurred (Longenecker, Moore, Petty, Palich, & McKinney, 2006). Moreover, a large body of literature (see Brandstätter, 2011; Zhao & Seibert, 2006) indicates that entrepreneurial personalities differ from managerial ones, for example, in terms of higher openness, higher conscientiousness, and higher achievement orientation (Obschonka, Fisch, & Boyd, 2017; Zhao & Seibert, 2006). Entrepreneurial behavior has also been associated with negative traits, such as narcissism (Hmieleski & Lerner, 2016) and neuroticism (Obschonka et al., 2017). Taken together, those unique personality traits of entrepreneurs may affect their ethical attitudes and behaviors. Hannafey (2003, p. 99) underlines in this context that entrepreneurs are associated with a willingness “to do almost anything to succeed.” At times, breaking norms and rules has been considered to be synonymous with core entrepreneurial traits, as this reflects the creativity and innovativeness of entrepreneurs in exploiting entrepreneurial opportunities (Kuratko & Goldsby, 2004).

Empirical evidence on the attitudes and intentions of entrepreneurs toward unethical behavior is inconclusive. Some researchers have demonstrated that entrepreneurs possess higher moral reasoning skills than non-entrepreneurs (Teal & Carroll, 1999) and have higher ethical attitudes than managers (Bucar et al., 2003). However, Longenecker, McKinney, and Moore (1998) showed that entrepreneurs are less strict about certain ethical issues, such as tax declarations, use of insider information, or collusive bidding. Baron et al. (2015) explored how personal motives affect entrepreneurs' unethical decision making. The authors showed that financial motives enhance moral disengagement, which is the deactivation of moral self-regulation mechanisms and

Download English Version:

<https://daneshyari.com/en/article/7425139>

Download Persian Version:

<https://daneshyari.com/article/7425139>

[Daneshyari.com](https://daneshyari.com)