



LUND UNIVERSITY
School of Economics and Management

Ethics in entrepreneurship:

An understanding of how entrepreneurs solve dilemmas, their perception of ethical considerations and the structures used during the resolution process.

Christian Castell-Gydesen and Jaime Lugo

Lund, 18th May

Abstract

The speed of growth for startups has never been faster, and this growth comes with ethical challenges for society as the startups bring their innovation to the masses without considering the full implications of their business. With the aim to better understand the ethical decision making process of the entrepreneur and how to improve it, we identified two gaps in entrepreneurial ethics research that we would like to correct and contribute to. The first one is that many studies fail to consider the challenge of perception of the moral component of dilemmas, because of this studies inadvertently primed their interviewees to look at the situation from an ethical perspective, therefore making the situations and findings less realistic. The second gap we found is in the area of ethical structures, which has been highlighted by business ethics as a mechanism that aids ethical decision making, however so far we have not found any study on their use in small companies. With this said our study brings light on the decision making process of the entrepreneur, their ethical considerations and the structures used while solving dilemmas, without influencing the perception of the entrepreneur, therefore giving us a more realistic view of the situation.

We found that in most cases the entrepreneur used an unstructured approach to solve dilemmas, with instincts or “common sense” as main drivers for decision making. This led the entrepreneurs to a resolution process focused on company survival, with little consideration placed on other parties, therefore unethical under stakeholder theory. We identified a few outlying entrepreneurs, who used values as a baseline to analyze the dilemmas and relied on structures to structure their thoughts more clearly. We therefore found evidence that when the entrepreneurs use some sort of structure or value baseline they did increase their stakeholder considerations and thus were more ethical. Our findings still need further research to compensate for our study’s limitations, however if our conclusions are confirmed this has important implications for entrepreneurs, as they were mostly unaware of the ethical consequences of their decision, and therefore could take actions to avoid this unintentional mistake; for lending institutions, as ethics has been related to future company revenues, they should be interested to minimize risk and help society at the same time; and

for educational programs, which are an important part of the entrepreneur's formation, could implement the teaching of ethical structures within entrepreneurial programs.

Table of contents

Introduction.....	6
Business Ethics and their Applicability in Small Business.....	6
Entrepreneurial Ethics and the Aim of this Paper.....	7
Theoretical framework.....	10
Introduction.....	10
Key Concepts.....	10
A Definition of Ethics.....	10
A Definition of Values.....	10
A Definition of Moral Dilemma (and their business manifestation).....	11
Defining Structures.....	12
Summary.....	14
Research methodology.....	15
Research Design.....	16
Semi-Structured Interview with Verbal Protocol.....	17
Semi-Hypothetical Scenarios: Dilemmas Applied to the Company Context.....	17
Interview Guide.....	18
Dilemmas.....	19
Genuine Dilemma Cases.....	20
Win/Lose Dilemma Cases.....	20
Variables.....	21
Sample Set.....	21
Data Collection.....	23
Analysis of the Data.....	23
Findings.....	25
General Findings.....	26
The Issue of Perception of Ethics Within Dilemmas.....	27
Survival Over Empathy: The Issue of Limited Consideration.....	29
Structure's Aid in Ethics and Stakeholder Consideration.....	31
Limitations, implications and further research.....	32

Limitations of the Study.....	33
Summary of Conclusions.....	35
Implications of this Study.....	35
Future Research Recommendations.....	37
References.....	38
Annex.....	41

1. Introduction

The connectivity of the world and the fast pace of technological advances are contributing to a rapid growth in start-ups; new ventures are now able to reach incredible economical valuation and to influence the lives of a massive amount of people in a very short amount of time. A strong indicator of this speed of growth is the famous “Unicorn” label, which indicates the startup has reached a one billion dollar valuation. Nowadays a company can reach the “Unicorn” label in about half the time they could in the previous decade (HBR, 2016). Looking at growth from the user perspective, Facebook needed eight years to reach a billion users, from 2004 to 2012, while new competitor TikTok needed only three years (CNN, 2019). As start-ups reach massive audiences in very short amounts of time, it is possible that the startup is not fully aware of the consequences their innovation brings to society. A perfect example is in the realm of data privacy, with the Cambridge Analytica scandal, in which the company Cambridge Analytica, obtained through Facebook the data of over 50 Million facebook users and used it for political aims in the United State’s 2016 elections; all this without the user's awareness neither consent on the usage of their data. Although the data collection was without Facebook direct awareness, once the company realized it it did little to solve the situation (The Guardian, 2018).

In this context we can remember that Schumpeter highlighted entrepreneurship both “creates and destroys” in the process of innovation (Schumpeter, 1942), and while most of the attention has been focused on how to innovate faster and better, the purpose of our paper will be focus on the ethical side of this “creative disruption”, on the ethical considerations of entrepreneurship.

Business Ethics and their Applicability in Small Business

When looking at the ethical side of business, one naturally finds plenty of research and information within the Business Ethics field; with much documentation on the ethical decision making process, CSR and Stakeholder theory, and the economic impact of business ethics (Zhenzhon, 2009). Unfortunately, most of this research has been conducted on large

organizations (Longonecker, 2006) and is not entirely applicable to the small enterprise (Spence, 2003).

Two major differences between large and small companies are important considerations for ethics in entrepreneurship:

First is the difference in organizational structure, where smaller firms are more likely to be owner managed (Spence, 2003), increasing significantly the influence of the founding team in the ethical attitude of the organization as a whole (Hannafey, 2003); In addition, it has been found that smaller firms tend to manage ethical matters in a less systematic format compared to large organizations (Robertson, 1991); Both observations match the general view that the organizational formalization of start-ups begins in an underdeveloped flexible format and changes as the company grows in size and complexity (Hannafey, 2003; Wasserman, 2008; Morris, Schindehutte, Walton and Allen, 2002).

A second and important difference between small and large companies is that new ventures face the famous “liability of smallness” (Aldrich and Auster, 1986) and the “liability of newness” (Stinchcombe, 1965). The first one relates to the greater difficulties of access to capital and tax advantages due to their small size, while the second one is related to problems in team dynamics and customer acquisition due to the newness of the team and lack of reputation in the market. Both of these conditions place the new venture in a different mindset compared to the large organizations that have already surpassed these issues, which implies that the new ventures are more stressed with the survival of the company (Vallester, 2019; Morris, Schindehutte, Walton and Allen, 2002).

Entrepreneurial Ethics and the Aim of this Paper

Given the clear differences between large and small companies, it is more appropriate to review the ethical considerations from startups using the research done in Entrepreneurial Ethics. A 2019 bibliometric review of all papers related to the field found that over the past twenty years, most of the research can be clustered into three sections: the ethical competence and dilemmas of the entrepreneur as an agent, the ethical dilemmas within the organizational context and the ethical implications of entrepreneurship at a societal level (Vallaster, Kraus,

Merigó Lindahl and Nielsen, 2019). Within all categories, much attention has been placed on the entrepreneur as the ethical agent and key driver of ethics at all levels, however we noticed three important aspects that have not been properly addressed in the research and we strongly believe they should be considered when studying ethical behavior in entrepreneurship.

First, among the research of how the entrepreneur handles ethical dilemmas, the characteristics and clarification of which situations are ethical dilemmas remain inconsistent across studies. For example, while studying the ethical values of US entrepreneurs, Diana Payne and Joner (2006) removed the legal component of ethical dilemmas: *“Making moral or ethical judgements implies that the decision-maker is concerned with the moral rightness or wrongness of the decision, rather than the legality of the decision”*; on the opposite end, Longenecker et al (2006) evaluated ethical considerations of small and large business by asking them a set of multiple dilemmas, many of them incorporating legal aspects, *“In order to increase profits, a general manager used a production process that exceeded legal limits for environmental pollution”*; and in a study of small business owners in the UK, Vyakarnam, Bailey, Myers and Burnett (1997) , did not clarify the nature of ethical dilemmas at all and simply asked the entrepreneur *“Describe an ethical business dilemma you have recently faced and How did you resolve it, if at all?”*. The lack of consistent definition asks for an additional effort on the researchers side to do the “philosophical homework” and have a clearly defined and justified definition of ethical dilemmas before conducting any study, we aim to provide at least one consistent definition in this study.

Second, within the studies of ethical decision making and evaluation of moral competence, different frameworks have highlighted that one of the first steps in the process involves the ability of the user to identify the moral components of the situation (Jones, 1991), a step that can be defined as “Moral sensitivity” (Rest 1999) or “Moral Maturation” (Hannah, Avolio and May, 2011). It is therefore expected that before one can behave ethically one must be able to identify the ethical components of the situation (Hannah, Avolio and May, 2011). Some of the studies within Entrepreneurial ethics (Ex Vyakarnam, Bailey, Myers and Burnett, 1997; and Robinson, Davidsson, van der Mescht and Court, 2006) informed the entrepreneur beforehand that these dilemmas should be solved from an ethical perspective, therefore removing the challenge of identifying the ethical component. This then raises the

question of how likely are the findings to be replicated in real life as it is unexpected that the user always thinks of the ethical component of dilemmas if not prompted to.

Third, it has been highlighted that the ethical behavior within a company is dependent on the ethical structures in place (Morris, Schindehutte, Walton and Allen, 2002), however besides the study of Morris (2002) little attention has been placed on the structures the entrepreneur uses or has in place to solve ethical dilemmas (Vallaster, Kraus, Merigó Lindahl and Nielsen, 2019); This is probably because the obvious expectation is for the startup to have no structures at all (Heath, Kaldis and Marcoux, 2018); however given how having structures can enhance decision making (Morris, Schindehutte, Walton and Allen, 2002) it is of our interest to confirm and clarify, which structures, if any at all, are used by the entrepreneur to solve ethical dilemmas.

By placing extra emphasis on a standardized definition of ethical dilemmas and removing any ethical perception priming in the entrepreneur, we aim to have the right research conditions to understand how the entrepreneur will handle dilemmas in real life, in other words *“how will they really handle the dilemmas if they didn't know this was a research”*. By evaluating the structures used during the process, we will not only increase our understanding of the decision process, but we will be able to evaluate the benefits, if any, that structures bring in the process.

We expect the outcome of this research to highlight the current ethical considerations taken by entrepreneurs of new ventures, and to provide us valuable information on the main factors involved during the process, specially the value of structures; with the results of our research we aim to contribute the field with confirmation of current ideas that haven't been proved in the context of our research, and to find areas of opportunity that would increase the ethical considerations in startups. With this said, we call our research:

An understanding of how entrepreneurs solve dilemmas, their perception of ethical considerations and the structures used during the resolution process.

To explore this question we will conduct qualitative interviews with new ventures, in which we will place them in semi-hypothetical ethical dilemmas scenarios and record the different

considerations they make when solving these. In the following chapters we will define the theoretical framework of our investigation and our research methodology, and explore our general findings. We will then finalize the paper with an analysis of the results, concluding remarks and future research implications.

2. Theoretical Framework

Introduction

In this study we will be exploring the methods and/or structures entrepreneurs use or don't use when faced with decisions which involve a conflict of values, otherwise known as ethical or moral dilemmas (we shall be using these interchangeably).

In order to explore the decision making process entrepreneurs go through when faced with these dilemmas we have defined a number of key concepts which will enable us to, in a first instance, conduct the study and, in a second, interpret the qualitative information we will receive through the interviews we will be conducting. The key concepts we defined are: what do we mean by ethics; what do we mean by values (when we talk of a conflict in values); what do we mean by ethical or moral dilemmas (which place the values into conflict); and what do we mean by methods/structures (which aid the entrepreneur in resolving the conflict in values).

Key Concepts

A Definition of Ethics

Let us begin by defining what we mean when we talk of ethics. "At its simplest, ethics is a system of moral principles" (BBC, n.d.), principles which are meant to guide how we lead our lives and make decisions, usually with the concern of doing what is good for individuals and society. In other words, ethics is the system of moral values each individual upholds.

Business ethics (also known as corporate ethics) is then a form of applied ethics, that examines ethical principles and moral or ethical problems that can arise in a business environment (McConnell, 2018). One major theory within business ethics, and the one which

we are taking as the base for our study, is “stakeholder theory”. The concept of stakeholder theory entails the engagement of all stakeholders in a business and their need to be heard and taken into account by companies (Mason & Simmons, 2014). Indeed, the theory calls for “the management of a firm to conduct itself with a view toward the well-being of all of the stakeholders of the firm and not only that of the shareholders of the firm” (X. Chen & Kelly, 2015). And further proposes that regardless of the potential for improved financial performance, a firm should resolve ethical dilemmas by finding the optimal balance among all the important stakeholders such as stockholders, employees, customers, suppliers, the community and society, without violating the rights of any stakeholder. (Clarkson, 1995; Donaldson and Preston Page 3 995; Freeman, 1994)

The definition of ethics we shall be taking for the purposes of this study is therefore a set of moral principles meant to guide how one leads their company or organisation and make decisions within them; decisions which concern what is right and good in regard to all stakeholders involved, which include but are not limited to ourselves, our employees, customers, shareholders, the environment, society, etc. In other words, harmony between your company values and that of your stakeholders should be the ideal moral situation.

Therefore an ethical decision is one in which the entrepreneur is considering the good of all relevant stakeholders involved; and an unethical one is when the entrepreneur is not considering the good of all relevant stakeholders in their decision. This can put the entrepreneur in a difficult situation at times where he is able to consider all stakeholders involved, yet not able to uphold the “good” for all stakeholders involved. For this reason we shall argue instead that an ethical entrepreneur is one which considers all stakeholders involved and at least attempts to generate an outcome which is good for all parties involved.

A Definition of Values

It is also necessary to now define what we mean by ethical values. Taking from our just defined definition of what is ethics, we have said that doing what is right for all stakeholders involved, where the stakeholders can be, but not limited to, ourselves, our employees, customers, shareholders, the environment, society, etc. Values are therefore associated with doing good for a stakeholder; i.e. doing good for oneself can be a value to uphold or doing

good by your customers could be another. These we believe, in this manner, can be split into two groups: those which are generally believed to be business related, or the survival of the company, and those which are more morally related, we shall call empathetic values. Thus in our definition of what we consider to be ethics is the combination of the companies survival values and empathetic values, whereby survival values involve those stakeholders such as, yourself, your company, your employees, and shareholders; and your empathetic values are those which cater to the external third party stakeholders such as one's customers, environment and society. Furthermore, within this study we are not taking any legality to equal morality or ethics, as these should be dealt with under the banner of the law and not under one's ethical considerations. And this is an important point to note as our definition of ethical values as we have just described differs greatly from what has been implied throughout prior research (Payne and Joner, 2006; Longenecker et al, 2006), which has taken ethics to be a muddled understanding of values and law.

Ethical Values = Company Survival Values + Empathetic Values

A Definition of Moral Dilemma (and their business manifestation)

There are a few types of moral dilemmas which we will explore shortly however, it is important to start with the most commonly known moral dilemma within philosophy: that of a conflict between two moral values, where “an agent regards herself as having moral reasons to do each of two actions, but doing both actions is not possible” (McConnell, 2018). The crucial features of this dilemma are thus: An agent is required to do each of two or more things; the agent is only able to do one of these, but she cannot do both or all of them; thus the agent is condemned to moral failure, whether she does something or takes no action at all. This dilemma is brought into the business context by Aviva Geva (2006) who calls this the “genuine dilemma”. An example of a genuine dilemma could be that of client prioritisation, where one's value of being able to deliver a project is pulled into question. E.g. you are faced with having to deliver two reports, both equally time consuming, to two different clients. You have enough time for one but not both reports, and you are unable to hand over one of the reports to a colleague or postpone either of them. Furthermore, you know that these reports are equally important to each client. What should you do?

Geva also identifies three more types of moral dilemmas within business ethics: the no problem problem, the compliance problem, and moral laxity (Geva, 2006). However, as these cases do not place the entrepreneurs values into contrast or have to do with legislative ethics, we have chosen to not include these within the purview of our study.

There are, however, two more moral dilemmas which the genuine dilemma misses out on accounting for, and ones which are more usually associated as being moral dilemmas within the business context. These dilemmas arise when doing the morally right thing produces a bad outcome; and when doing the morally wrong thing produces a good (for the business) outcome. In other words, “We can have the satisfaction of being right, regardless of the damage done; or we can aim for what seems to be the best outcome, regardless of what wrongs must be committed” (Tota & Hidajet, 2012). These dilemmas we will be referring to throughout the study as Right-Bad (RB) dilemmas and Wrong-Good (WG) dilemmas respectively.

Examples of such dilemmas could be: in the case of being morally right yet producing a bad outcome, having to choose between going to an important family event or missing the event to finish work. You have a more empathetic moral obligation to be there for your family, however if you were to go it could cost you or your company valuable time/money. On the other hand, in the case of doing something morally incorrect for the sake of a good outcome, we can think of the situation in which one could have to lie in order to get ahead. You could be aware that the lie would bring no real consequences and no one would be hurt by the action, however, lying is generally considered to be an immoral act.

These last two dilemmas, the RB and WG dilemmas, actually often form two halves of the same coin. What we mean by this is that often the same dilemma can be either RB or WG, depending on the choice made by, in our case, the entrepreneur. For example, when making the choice between family and work, we would conventionally see choosing family over work as the right decision producing a bad outcome for the business, and choosing work over family as the wrong choice yet producing a good outcome for the business. For this reason when it comes to writing the dilemma cases we will be exposing our interviewees to, we intend to take into consideration these last two dilemmas as one.

In summary, a moral dilemma within the business context can therefore be described as one of these: a conflict between two non-overriding moral values; and favouring personal values in exchange for moral failure, or moral correctness in exchange for personal failure.

Before we define what we mean by structures entrepreneurs could use in dealing with these dilemmas, we feel it is necessary to note the fact that throughout this study you may question whether what we are presenting truly ethical dilemmas at all. Here we would like to address this and argue that as we have taken ethical values to be those values related to the good of all stakeholders, and can be seen therefore as the combination of business related values and empathetic values; ethical dilemmas are therefore similar in nature as they put into contrast the companies survival values and empathetic values, and don't necessarily have to be explicit in their "ethical-ness", our case on having to decide between two clients is an example of this, which we will describe more in detail later on. Furthermore, by not making our moral dilemmas overly explicit about their ethical nature we are better able to not prime our interviewees into considering the ethical side of a dilemma, and therefore make greater considerations towards their stakeholders, when they would not have done so if the "ethical-ness" had not been explicitly presented to them; like prior studies have done.

Defining Structures

Finally it is important to clarify what we mean by structures or methods and core values which we believe play a role in aiding the entrepreneur in making decisions when confronted with an ethical dilemma; and thus will be what we as researchers will be looking out for during the interviews we will be conducting.

According to a paper by Morris (Morris, et al, 2002), there are two sets of structures which can aid in ethical decision making: implicit structures, which largely relate to values and culture of a company, and explicit structures, which are mostly the visible documents which a company may have in place such as code of ethics, manuals and protocols, which arise from the influence of the government/industry.

In essence the explicit ethical structures are those documents which a company may reference as a guide book for making ethical decisions. While on the other hand, implicit structures fall under the banner of less structured means of guiding decisions about ethical dilemmas and

can be seen as relying on the entrepreneurs and the company's core values. "Core values are part of both structures, and represent the starting point for the model. Values play a defining role in the moral life of the firm" (Solomon, 1999). "They provide guidance on the resolution of ethical dilemmas employees meet in the course of their day-to-day professional lives" (Webley, 1999).

These accounts of structures however, aid only in representing the more traditionally viewed ethical values. For this reason it is important for this study to acknowledge also any similar structure which aids in the consideration of more business based values, such as the good of the company.

Finally in relation to upholding values, there are a number of ethical tools which are made to aid in decision making around morally ambiguous situations, or moral dilemmas, in order to uphold one's ethical values. These are akin to perhaps a method of resolution, and in some ways can be seen as a formal structure. "An ethical tool is a practical method and/or conceptual framework with the main purpose of helping the user(s) improve their ethical deliberations in order to reach an ethically informed judgment or decision" (Moula & Sandin, 2015).

In conclusion, when we refer to structures in this study, and what we will be looking out for during the interviews, are any explicit formal documents, implicit value based culture or thought process and the use of any formal frameworks that aid in decision making.

Summary

What is important to remember however, for the purpose of this study, is that being ethical within business means upholding the values, and thus the good, of all stakeholders that could be involved in a decision where a conflict of these values arises. That these values are both of business and empathetic nature and their conflict can be perceived as either a genuine dilemma, a conflict between two non-overriding moral values, or as "Right Bad/Wrong Good" dilemmas, favouring personal values in exchange for moral failure, or moral correctness in exchange for personal failure. And finally, that an entrepreneur may make use of a number of structures which can take the form of explicit formal documents, implicit

company values or thought process and tool-like formal frameworks; in order to aid in making decisions around these moral dilemmas.

3. Research Methodology

In this section we provide further details of the research methodology, the sample set, collection and analysis of the data. Given the objectives of our study we decided to use qualitative semi-structured interviews with ten entrepreneurs, placing them in five different semi-hypothetical scenarios in which the entrepreneur solves a dilemma. During the interviews we asked the entrepreneur to voice their thought process so that we could gain greater insights into how they solve these challenges. With the aim to better understand the context in which the entrepreneur makes decisions, we collected general information about the startup, such as existence of co-founders, size of the team, years of operation, advisory board, board of directors or ethical structures in each company. Once we finalized the interviews, we used coding to help us visualize better the data and in-depth transcript reviews to properly assess the context and find the inherent patterns behind the resolution process.

Research Design

Given the complexity of ethics, its social aspect which is hard to quantify and the time available for us to make the study, we decided that the most effective method for research would be an inductive approach that would help us build our conclusions as we progress with the analysis. As highlighted by Bryman and Bell, (2015), by using qualitative methods we *“try to appreciate inherent patterns rather than to impose preconceived ideas on the data”*, which is a very beneficial approach when studying something as complex as ethics, with multiple subjective interpretations and many contextual references. Therefore our methodology falls entirely within the qualitative format.

Semi-Structured Interview with Verbal Protocol

Taking inspiration from other studies of ethical dilemmas (Vallesteros, 2018), and with the aim to answer the question, “how would you solve this hypothetical dilemma within your company context?”, we decided to use a method that would give us rich perspectives from the entrepreneurs side in a topic that doesn't have clear and uniform “black and white” characteristics, such as ethics. By looking at the different methods available for data collection (Bryman and Bell, 2015), the semi-structured interview was our preferred option due to its flexibility of data collection for qualitative research and the richness of the data we could collect .

In order to enhance our insights of the thinking process of the user while solving the hypothetical dilemmas, we decided to add the verbal protocol feature in the study. Verbal Protocol is a cognitive task analysis technique, in which the user is asked to verbalize their thoughts while performing an activity or solving a problem (Ward, 2014); in simpler terms, verbal protocol refers to “thinking out loud” while answering the hypothetical questions we ask. Verbal Protocol is commonly used to generate a large amount of details in questions related to the usage of working memory, such as decision making (Research Methods - Verbal Protocols, n.d.). This technique will improve our understanding of the considerations involved while solving the ethical dilemma and by default illuminate if there are any ethical structures involved, even if the user is not conscious of it.

Semi-Hypothetical Scenarios: Dilemmas Applied to the Company Context.

With the methodology to gather data chosen, we then searched for the best way to place the entrepreneur in a situation in which they could identify themselves within the dilemma and that it would be easy to associate the new venture conditions in the context to resolve the dilemma . We initially thought of placing the entrepreneur in entirely hypothetical case studies, a practice done by the famous Moral Competence Test from Georg Lind (Lind, 2008); however, by placing the entrepreneurs in entirely hypothetical situations we would have run the risk that the entrepreneur would not really connect with the situation and would provide us with an answer that would not stress the conditions of their startup. We could have

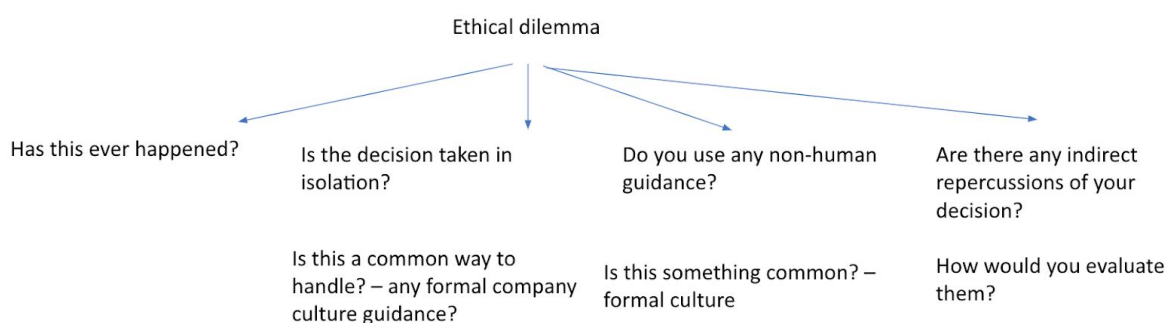
solved this by tailoring the hypothetical scenarios for each interviewee, however this would have created an unnecessary workload and would have compromised our ability to compare and contrast the interviewee’s answers. Due to this, we decided to use semi-hypothetical scenarios, in which we use situations that are common amongst all companies, such as hiring or firing people or working with clients, and then ask the entrepreneur to imagine a situation that is applicable to their company. Once the entrepreneur explains his/her approach for the dilemmas, we will use strategically different open-ended questions so that we can gather additional insides of the decision making progress.

Interview Guide

In order to be practical in our approach and not saturate the entrepreneur, we decided to divide the interview in three sections. First, make a small introduction of the study and ask the entrepreneur to share with us a brief description of their startup; this would allow us to get familiar with the conditions of the business and set the context for the dilemmas. Second, we ask the entrepreneur to solve five different semi-hypothetical scenarios, and right after collecting the initial approach of each dilemma we will use different open ended questions to gather extra information on the resolution process. Third, we would conduct a final open questioning of the entrepreneur’s startup’s ethical structures in place, such as code of ethics, ethical training, etc. in order to tie any loose ends up and give further context to their previous answers. We estimate that the whole interview should take 45 mins on average.

You can see below a small visualization of the interview structure per each dilemma.

Ethical dilemmas interview structure



The way in which the interview will therefore progress is thus: Firstly we will make the interviewee aware that there are no right or wrong answers; that we are simply investigating how startups make decisions. Furthermore they will be told that the cases and many of the follow up questions will follow similar structures in order to maintain consistency, so as to not confuse them during the interview. At this point we will commence the interview and introduce the first of the dilemma cases we have created (these are described below). We will be the ones reading out the dilemmas and asking the interviewee to vocalise all thoughts and reasonings around the case (verbal protocol) in order to gather as full a data picture as possible. After letting the interviewee express initial thoughts, depending on their own out loud thought process, we may aid the direction of thought by using the questions illustrated in the structure above. This is because we aim to only gather information about the structures used in order to make decisions and not necessarily the actual decision made. For this reason we provide followup questions to the dilemma cases, such as whether this decision was taken alone or if others were involved; how then were the decisions processed, with guidance from a formalised tool or rather through a team discussion?; and if evaluation of external factors were taken into consideration, how were these considered. The aim as we have mentioned is to, as best we can, create a clear picture of what processes any startup goes through when faced with an ethical dilemma or conflict of values.

This interview structure will be used during each and every one of the dilemma cases below, meaning that we will be gathering consistent and categorizable information from the qualitative interviews.

Dilemmas

The dilemmas we will be using to investigate the structures used by startups to resolve them are two fold: the genuine dilemma, as we explored above is a conflict of two non overridable values, of which we have identified one real world cases; and win/lose dilemmas, which as we defined above are those which are two sides of the same coin, either you do stick to your values but encounter a loss, or you cross your values and enjoy a benefit; for these we have identified four real world cases. Following are the real world dilemma cases described:

Genuine Dilemma Cases

Two Non Overriding Clients. In this scenario you are faced with the situation of having to deliver two ongoing projects to two separate clients at the same time. You know you should complete both projects, however, you are aware that you will only be able to complete one of the projects on time and unable to complete the other. Meaning that whatever you do you will risk losing one of your clients/projects. How do you make your decision?

Win/Lose Dilemma Cases

Investor Scandal. In this scenario one of your main investors is involved in an ethical scandal. You are aware that without his/her investment, your company will suffer greatly, however, the scandal he is involved in goes against everything you stand for (a repulsive situation). How do you make your decision?

Family Over Work. In this scenario you are faced with having to choose between your family or your business. You have an important family event coming up, which you have had in your calendar for a while, however an important business opportunity or problem has come up last minute which would require your immediate attention. Going to your family event will definitely hurt your business, however sorting out your business' situation will equally hurt your family relationship. How do you make your decision?

The Tax Loophole. In this scenario you or your accountant has found a legal tax loophole, which allows you to save a considerable amount of money, however you are aware that this is simply an oversight from the tax office, and if all businesses were to indulge in this, there would be considerable problems for the government. How do you make your decision?

Employees and Financial Problems. In this scenario you are faced with financial difficulties which threaten to bankrupt your business, however the outcome is uncertain. You are aware that if you communicate these problems to your employees you may risk losing them, however you are also aware of your obligation towards their wellbeing, and that by not communicating this problem you may jeopardize their financial situation. How do you make your decision?

Variables

The purpose of this study is to look into how the entrepreneur solves ethical dilemmas and whether they use any structures or values as we have defined them earlier. Therefore, the variables to this study will be the answers given by the entrepreneur, which can fall into one of three categories: the structure, the semi-structure and the values.

The structures are mostly the visible documents which a company may have in place such as code of ethics, manuals and protocols, which act as a strong guide to how one resolves an ethical dilemma.

Semi-structures are those more akin to mental frameworks or mind mapping tools which provide a means of structuring thought but do not impose themselves upon the entrepreneur.

And finally, values. These can be very unstructured or form part of a company vision or company culture; however most importantly, compared to the previous two they do not impose a formal way of resolving dilemmas or provide a framework through which structured thought can come from.

Sample Set

There were two criteria we used for the companies in this study. The first one was company age, in which we aimed to have all startups be less than 3,5 years since their founding. The reason for this criteria is two folded; first because it is highlighted that within the first years a ventures survival rate is highly in question, with 46% not making it pass the fifth year of operation (Grant et al, 2019), therefore we didn't want to have older companies in our sample set that already passed the liability of newness and might not really reflect the startup challenges at the beginning. Second, we took inspiration from the Global Entrepreneurship Monitor definition of Total Early Stage Entrepreneurial Activity (TEA), which defines the percentage of the entrepreneurial population that is either nascent entrepreneur or owner-manager of new business (GEM, 2019). There are no clear age limits for nascent entrepreneurs, however there is a time limit of 3,5 years for business owners, we take this

time limit for our study. By aiming for the 3,5 years mark we ensured that our findings could be contrasted with the TEA findings from GEM Reports, which have been highlighted to be used for entrepreneurship policy worldwide.(GEM, 2019).

The second criteria used to select companies is that the company should be considered a startup; unfortunately there is no consensus on a definition of a startup and even our efforts to define it brought questions on the words and meaning behind an official definition. To avoid issues in terminology, we limit our study to companies that have participated in incubators and accelerators, which are commonly perceived to be what we consider as startups. In order to have the same financial perspective and considerations, all the companies in our sample set were for-profit and with a drive to grow and expand the business as soon as possible.

We interviewed 10 entrepreneurs in total; all of the interviewees were located in Sweden with the exception of one that's currently located in Barcelona but is moving to Sweden in the next few months. The entrepreneurs were selected from a pool of startups that we gathered from the websites of swedish incubators such as Minc in Malmo, Ideon in Lund or Sting in Stockholm. All entrepreneurs were first contacted via email to introduce the general features of our study, with the actual interview being conducted over video call (with the exception of one).

Due to the study restrictions that we will mention later on, we did not have any extra objectives for the sample set; however to make it easier to visualize the context in our findings, see below additional characteristics of the sample set (which we did not plan for):

- All of the entrepreneurs were founders of the startup from the very beginning
- The group of entrepreneurs were mostly swedish, and male, with only two entrepreneurs being female and two being non-swedish.
- 30% had an official board of directors, 50% had an official advisory board
- Average company size is 10 employees, with the smaller size being 2 employees and the larger 20.
- Average age was 2 years of operation, with the youngest one being 8 months old and oldest 3 years old.
- 30% were solo founders, with the average company having 2,5 Founders in the team

- We had a wide variety of industries, from Food industry to AI consulting and Waste Management, interestingly enough 50% of the companies provided their service as SaaS.

Data Collection

All interviews took place from the 25th of March to the 8th of May 2020. Before all interviews began we informed the entrepreneurs about the nature and usage of the study, gathered their respective consent forms in which they were made aware that this is a voluntary participation and of their ability to exit the study at any time. All but one accepted the interview to be recorded. The recordings were done with an Iphone and with the recording function of the video call provider we used to hold the interviews. The transcripts and analysis of the interviews were conducted by use of the Otter.ai platform, which allows you to automatically transcribe and edit voice recordings.

To ensure confidentiality and anonymity, no mention of any company name or person is disclosed in this paper; all the findings are done through the aggregate analysis of the interviews. As per general academic paper expectations, all analysis and interview transcripts are available upon request.

Analysis of the Data

As already highlighted in the previous paragraphs, we didn't hold any prior hypothesis and rather chose to explore the data in order to find hidden patterns that would provide us with the answer to "how does the entrepreneur solve dilemmas?". Among the many methods available within qualitative research, for the first steps we decided to use Coding, a method from grounded theory in which the data (in this case the interviews) is broken down into component parts, which are respectively given names (Bryman and Bell, 2015), in other words, we would identify key statements within the interview transcripts and give them labels that can be used across interviews. The reason we decided for this technique is because, as

highlighted by Bryman and Bell (2015), “*practitioners of grounded theory.... stress the importance of allowing theoretical ideas to emerge out of one’s data.*”, therefore we used Coding strategically to help us visualize the data in emergent fashion, giving us enough flexibility to look at the data from different perspectives; this technique was not used once but multiple times, something similar to the comment from Coffey and Atkinson (1996) that highlight the benefits of different levels of coding. With this said, for the full analysis of the data we used a combination of coding and in-depth analysis of the transcripts to arrive at our conclusions. The process details are explained in the two steps below:

Coding for visualization - build multiple matrices for different perspectives of the data.

With the interviews finished and transcripts prepared, we then conducted the first coding of the data (Annex 1), by simply creating a matrix of the main startup characteristics and the key criteria/processes used during the resolution of each dilemma . This basic exercise helped us to conduct the next step of analysis, in which we built a list of all the resolutions, processes and considerations made by the entrepreneurs while solving the dilemmas (Annex 2); and with this list in hand, we were able to identify the first patterns while resolving dilemmas. For example we started seeing almost intuitive importance of business metrics, common sense, lack of structure and the importance of personal values. All this information was reorganized into a new matrix, in which we were able to see the “structure and unstructured” approach to the dilemmas and if the approach affected the considerations, the judgement or the decision making of the entrepreneur. This information was structured by dilemma type and startup so we could see certain patterns among dilemmas and within the individual startups’ approach to them.

In depth transcript analysis - the cultural context and motivations behind each dilemma

Thanks to all the different perspectives provided by the matrices, we started building an image of the situation as a whole, however given that we only had a very small sample and this is not a quantitative analysis, we really couldn't make strong claims based only on the isolating nature of the coding exercise. For this reason we proceeded with the second stage of the analysis and conducted in-depth reviews of the transcripts, in which we listened again to all conversations and discussed in great detail about the contextual motivations of the entrepreneurs while solving each dilemma. For example, we noticed one entrepreneur had a

very poor opinion about involving the team while making decisions, so we dug deeper into why this would be the case and how the cultural context might have influenced this. After reviewing all transcripts we collected all observations into a single document and once finalized we searched for the most valuable and consistent observations based on the research question. We used a few different mind-maps to help us visualize the interconnectivity of our conclusions and build larger concepts that could explain better the data we collected. What you see in the findings section is the outcome of this process.

4.- Findings

General findings

When we began this study, while we had wanted to look at the tools or structures used by entrepreneurs to resolve ethical dilemmas, we had also decided to avoid any kind of preconceptions and have a fully explorative approach in our research question, given that we had defined a very unique approach to ethics, dilemmas and the interview process; and thus wanted to avoid any bias towards a specific outcome. With this said, it is not surprising that a large part of our studies outcome is in line with findings from other studies. To be more specific, we found that the entrepreneur most of the time does not have any formal process, structures, tools nor methods to deal with ethical dilemmas and that the decision process is heavily dependent on the personality of the entrepreneur, with common sense/gut feeling/instinct being one of the most cited decision making methods employed. Although these findings are not truly original, it has been important to confirm them as part of the European new venture context in the digital era anyway.

However, in order to truly answer our research question, we delved deeper into the interview transcripts, searching for the reasons that lead the entrepreneurs to behave the way they did. And what we found were three topics which repeated themselves throughout the interviews, and which are interesting insights into the way in which entrepreneurs confront ethical dilemmas, how they rely on their common sense or gut feeling but also sometimes show greater ethical consideration in certain cases.

From this we have defined the following three subchapters: 1) The issue of perception of ethics within dilemmas; 2) Survival over empathy: the issue of limited consideration; and 3) Structure's aid in ethics and stakeholder consideration.

In these subchapters we explore how all the entrepreneurs struggled to identify the ethical nature of the business situations we exposed them to; how they relied on their gut feeling and instinct for company survival first; and how when they did use a form of structure in their approach of the dilemmas, they exhibited better stakeholder consideration and thus a higher ethical standard.

The issue of perception of ethics within dilemmas

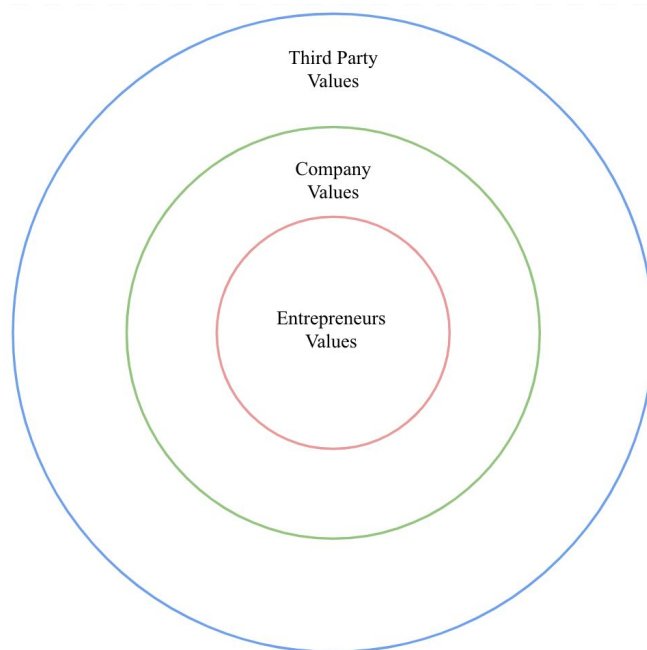
As we defined earlier in our theoretical framework, business ethics, and therefore that which entrepreneurs should be concerned with when making decisions, concerns itself with that which is right or good for all stakeholders involved (i.e. oneself, employees, customers, shareholders, the environment, society, etc.). In other words, when making a decision about certain situations, an entrepreneur should be evaluating the good for all relevant stakeholders involved, in order to make an “ethical” decision.

Within prior research (Vyakarnam, et al, 1997; and Robinson, et al, 2006), however, on how entrepreneurs deal with ethical dilemmas, the interviewees were consistently primed by the researchers to consider the ethical side of situations by asking them about their ethical challenges, rather than presenting them with situations and allowing the entrepreneur to view or perceive the potential ethically correlated conditions associated. Priming the entrepreneur as past research has done we believe leads to an increased awareness on the entrepreneurs part of the potential ethical considerations involved.

For this reason, we had opted in favour of presenting entrepreneurs with dilemmas in the form of regular business challenges and asked them how they would handle the situation. Because by conducting the interview in this manner we were minimising our influence on the entrepreneurs interpretation of the cases, we noticed that all our interviewees in most of the cases struggled to perceive the ethical side of the dilemmas.

This makes sense as we could view the entrepreneurs “sight” of their stakeholders as tiers or circles around them, where the closest circle to them contains the values closest to the entrepreneur, such as the survival of the company, the next circle perhaps involves upholding company values, such as the wellbeing of ones employees, and the circles or tiers further out

contain the values of third party stakeholders such as ones clients.



However it is important to note that the values closest to the entrepreneur are the most mutable, as an entrepreneur could uphold the value of being environmentally friendly which involves a third party stakeholder, thus, as we will see later on, break through in some way, the tiers of circles.

Some such examples of these entrepreneur values expressed in the interviews we conducted are: "Based on my personality...I'm not too business minded..I would check my loyaltee" or "First thing is, is it the project for 100 people versus a project of 50,000? Yeah. Right. I mean, obviously, you're going to need to take that into consideration. And in that case, I mean, yes, we would go for the 50,000."

What this means, however, is that in most cases entrepreneurs exhibit a form of stakeholder blindness or myopism as their considerations have to venture further away from their personal value center.

Perhaps this finding is not all that surprising, however, what is interesting is that we found that in the cases where the entrepreneurs exhibited more structured approaches to resolving the dilemmas or had baseline values from which to judge from, they were better able to take into consideration multiple stakeholders other than merely the well being of their company or

themselves.

The fact that the entrepreneurs were unaware of the ethical side of the dilemmas is further supported by the fact that in the cases in which we made the traditionally considered “ethical” side of things more evident, i.e. considering the good for all stakeholders involved, in cases such as "the tax loophole" and "employees and financial problems", where they were confronted more forcefully with possible third party consequences, the entrepreneurs stopped to consider their wider gamut of stakeholders more clearly, for example the wellbeing of their employees or how their investors may react.

What we mean to make present through this first short elaboration is that, before we can make any claims about the ability of the entrepreneur to make ethical decisions, it must be first noted and acknowledged that the entrepreneur starts with a form of ethical blindness, or rather that they struggle to perceive the ethical side within cases where ethics is not explicitly provided as a point of consideration. This is also supported by other studies on ethical decision making and evaluation of moral competence, which highlighted that one of the first steps in the process involves the ability of the user to identify the moral components of the situation (Jones, 1991), a step that can be defined as “Moral sensitivity” (Rest 1999) or “Moral Maturation” (Hannah, Avolio and May, 2011). Furthermore, as we elaborate later on, we believe this blindness is exacerbated when there is minimal to no structure or values in place to aid their “sight”, and that ethical considerations are aided when there is a form of structure or baseline value system in place to aid the entrepreneurs decision making.

In summary, because of a lack of use of structured approaches to resolving dilemmas, the nuances of ethical consideration towards all stakeholders is in many ways lost on the entrepreneurs we interviewed.

Survival over empathy: the issue of limited consideration

Before we look into how structure aids the entrepreneur in their ability of stakeholder consideration and thus ethical behaviour, we will look into how in the majority of cases they did not.

Because of the lack in structure, as mentioned before, we observed a tendency from the entrepreneurs to jump to the values closest to them and their entrepreneurial circle, which often represented the survival of their company as a means for resolving the dilemmas, and failed to consider their wider gamut of stakeholders that could be involved in their decision making. The entrepreneurs would say things like: “it's the risk multiplied with potential profit or burn back”.

These kinds of values which were emphasised were business related, in other words a majority of the entrepreneurs we talked with, in a majority of cases, started out their elaborations with profit and loss analysis or which customer was the largest or best for the company image. Note, however, that we do not deem the consideration of these values as unethical, and completely understand that these considerations are natural and necessary. And of course it must be acknowledged that there are times in which only some and not all stakeholders are necessary to be considered when making decisions. However, more often than not the entrepreneurs we interviewed halted their considerations at their own company's best interest; and it is these who limit their considerations that we are deeming in our very light definition of business ethics, as being unethical.

For example, when faced with the first dilemma of choosing between two clients one entrepreneur said: “I would focus on the biggest potential... I mean sales figures, revenue figures...”.

This is also linked to the fact that many entrepreneurs highlighted the need for flexible work, and that they have to make decisions fast. "We don't have protocols for doing things, we focus on moving fast" was highlighted by one of the entrepreneurs, implying the need for speed and lack of structure. “it depends on the leadership style, when you are mild and want to rely on the written agreements”. Furthermore, since the teams are usually small in size, the entrepreneur is in constant communication with everyone, either by proximity or simply through an overlap in roles. Because of this proximity the value of structure is not really appreciated and more informal approaches are preferred as a way of working.

The unfortunate possible consequence of this is that with a less structured approach and reliance on what in effect is instinctual or gut feeling decision making, is largely correlated

with biased judgement (Kahneman, 2011). If this is the case there could be a more serious issue for unstructured entrepreneurs' relationship with ethics and could lend a hand in explaining how so many of the "move fast and break things" silicon valley startups push the boundaries of ethical behaviour and often infringe on stakeholder values.

In summary, because of a lack of use of structured approaches to resolving dilemmas, there is an over-reliance on gut feeling which leads to limited consideration of all possible stakeholders involved or which should be considered within the scope of the dilemmas if one is to make an ethical judgement.

Structure's aid in ethics and stakeholder consideration

While most of the entrepreneurs we interviewed struggled to perceive the relevant stakeholders that could be involved in a given situation or acknowledge the ethical side of the cases we presented them, there remained a few cases in which some acted as outliers.

In these cases we noticed there was a form of consistency between them in the form of greater structure and/or use of baseline traditionally considered ethical values when making decisions on the cases we presented them. This did not mean that the entrepreneur was more aware of the ethical side of the cases, however they navigated the dilemmas to a higher ethical standard compared to when they didn't and compared to those who didn't in the cases when the outliers stood out. For instance when it came to structure, one of the entrepreneurs we talked said "I can already say I always draft decisions and stuff", and proceeded to use Miro, a mind mapping software, to draft out ideas and understand the complexities of the issue before then taking a possible solution to his team. By doing this it meant that he was able keep track of all the variables and progressively integrate further and further stakeholders into the map, as the case and decision became more complex. What was interesting to notice is that, while miro is by no means an ethical tool and the decisions on the entrepreneurs side were in large part not made with ethics in mind, the simple use of the structured visual thinking method meant that more stakeholders were considered and therefore a more informed and ethical judgement was made.

On the other hand we talked to other kinds of outliers who would instead rely on their values as a company to guide them. For example, another entrepreneur we talked to who by and

large made many decisions on their own as a solo founder "instinctually" considered third party stakeholders such as the clients wellbeing and delivering a good service to them before the companies survival through guidance based on their values. This is to be noted as radically different from the entrepreneurs who made survival instinct judgments earlier, because this guidance based on the company's core values led to a more ethical decision being made where more stakeholder good was upheld.

“Yes, several factors but the most critical one would be, since we have promised to deliver and we cannot deliver [to both], to choose the [customer] where we will cause the least problems for them” (one value based entrepreneur)

This fact of structure and baseline values providing better aid in ethical decision making is further emphasised not only in contrast to the previous subchapter on survival values, but also in relation to the fact that there were times in which the entrepreneurs in ignoring the structures they had in place made gut feeling decisions and thus less ethical considerations.

“Whatever I say about the importance of the structure and stuff like that, what it is which it is, I am still an entrepreneur also. And I know that I make decisions based on my gut feeling. Of course, yes I do a lot”.

In other words, merely having the structures in place is not the catalyst for more ethical behaviour, but rather one needs to employ the use of the structure or set of values into their decision making process if they are to reap the benefits and make better stakeholder considerations.

In summary, from the interviews we conducted there does seem to be a relation between more structured decision making approaches and more thorough stakeholder considerations, which in turn make for more ethical decision making regardless of whether the entrepreneur is aware of the ethical nuances of the dilemma.

CONCLUSION

In conclusion, while we had set out to get an overview of how entrepreneurs solve ethical dilemmas, with a hope of listing certain tools they may use as aids, we have once more confirmed that formal structures have very little place within the startup scene; which is in line with many studies before ours (Robertson, 1991; Hannafey, 2003; Wasserman, 2008; Morris, Schindehutte, Walton and Allen, 2002).

However, what we have managed to gain insight into are the potential reasons for unethical behaviour within business and the context of our definition and the semi-structures used when greater ethical standards are adhered to. We have seen that a lack of structured approaches to resolving dilemmas, leads to a loss in understanding of the nuances of ethical consideration which should form part of any dilemma evaluations. That there is an over-reliance on gut feeling which leads to limited consideration of all possible stakeholders involved. And that there does seem to be a relation between more structured decision making approaches and more thorough stakeholder considerations, which in turn make for more ethical decision making regardless of whether the entrepreneur is aware of the ethical nuances of the dilemma.

These three points which we have explored thus far, we believe can lay the foundation for further investigations into how entrepreneurs resolve ethical dilemmas but also business dilemmas, how perhaps even what a better ethical tool could look like.

5.- Limitations and further research

Limitations of the study

Limitations on the research method

One of the biggest limitations of our study is driven by the highly unstructured approach we followed to analyze the data, therefore it is hard to justify the generalizations of our findings in other research contexts. This is further multiplied by the limitations in data collection and sample selection that we will address shortly. Although we used coding mechanisms to visualize and structure the data, we didn't follow any fixed and well-researched coding logic, with much of the process decided in an emergent fashion, therefore it's important place strong

attention to the context of our research, in method and sample, while reading our conclusions and specially while interpreting the findings in a different context.

Limitations on the collection of data

Limitations linked to our collection of data come in three forms: First, we conducted all the interviews in English, however none of the interviewees had english as their mother-tongue; given the subjective interpretation of the dilemmas, the different english level skills may have had an impact on the interpretation of the situation by the entrepreneurs and in their choice of words used when solving the dilemmas. Second, limitations come with the unusual worldwide economic situation created by the COVID 19 pandemic. Due to the “isolation restrictions” in place in many countries, the economic situation of many countries has been heavily affected and many startups have had to adjust their commercial plans significantly. This situation could have influenced the entrepreneurs to be more conscious of the survival of their company while answering our questions, than they otherwise would have been. The third and last limitation of our data collection process is in the fact that we conducted 90% of our interviews through video calls; combined with the first two limitations, the usage of video calls might have affected the entrepreneur's perception of the dilemmas, or might have affected our perception of their answers. Although it is hard to quantify the impact of each of these limitations in the study, the aggregated impact of them might have influenced individual responses in our sample. All these limitations could have been avoided if the interviews could have been conducted in the entrepreneurs mother-tongue, and during a time of no global pandemic affecting their business and our ability to interview them in person.

Limitations on the sample selection

Another limitation of this study is the demographic profile of our sample set. We didn't use any clear demographic profile for the entrepreneurs, however it has been highlighted how different demographic variables (such as gender, level of educational or age) can have an impact in the user decision making process (Pierce and Sweeney, 2010); this raises the question of how likely are our findings to apply to any given entrepreneur. Perfect example of this limitation is in the gender area, where in our study we only had two female entrepreneurs in our sample set. Ethicist Carol Gilligan has written plenty about the sex differences in moral

development (Muuss, 1988) and a study done by Friesdorf, Conway and Gawronski (2015) highlighted the difference in gender while judging moral dilemmas, this obviously raises questions on the applicability of our findings for the female entrepreneur.

Summary of Conclusions

While evaluating the ethical decision making process of the entrepreneur in semi-hypothetical dilemmas, we found that in most of the cases the entrepreneur followed a very unstructured approach, with heavy usage of instincts or “common sense” to determine the best way to proceed. This methodology led to a resolution process highly focused on company survival, with little considerations of the other parties, therefore unethical under stakeholder theory. However, we also found a few outlying examples, in which the entrepreneurs had a value baseline to analyze the dilemmas from and/or used structures to unconsciously consider more stakeholders and thus be more ethical as a consequence; we therefore found evidence that when the entrepreneurs use some form of structure they do increase their stakeholder considerations and thus are more ethical.

Implications of this Research.

If our conclusions are true then our study finds that young startups in many cases ignore the ethical components of dilemmas. Although startups are small in size and with relative low impact, their ability to grow and reach massive amounts of users has never been faster (HBR, 2016), increasing the danger of ethical consequences as the startup grows, therefore we consider of utter importance to place higher emphasis on how to improve the ethical considerations of the freshly formed companies. This finding has implications at many levels, however we believe it affects the most three specific parties: the entrepreneur, the capital lending institutions and the educational programs

The entrepreneur

We believe our study is an important finding for all entrepreneurs; across all interviews we noticed that the majority of entrepreneurs had a genuine interest towards other parties if they were able to see the dilemma had an ethical component that would affect other parties. This

gives us the message that the majority of ethical mishaps in startups are not a problem of judgement but of perception, meaning the entrepreneur runs the risk of creating troubles unintentionally. If this process is unintentional then it is in the best interest of the entrepreneur to look at his flaws in decision taking behaviors, we are now stepping in the field of bias and heuristic research which has highlighted the many ways our decision process is affected by our bias and heuristics (Kahneman, 2011), therefore it is important that entrepreneur consciously reviews its decision process and finds solutions, in this case structures, that can aid him/her in the resolution of dilemmas. The biggest challenge we saw was the ability to see the ethical aspect of the dilemma, so any structure that can bring the visibility of these ethical components would be a good aid kit.

Capital lending institutions

Ethics, from a business focus perspective, has been shown to have an impact in the company reputation, which is related to the value of the brand and will have direct implications in revenue, therefore ethical mishaps can be linked to financial performance (Brickley, Smith Jr and Zimmerman, 2002); lending institutions and investors should be one of the main parties interested to minimize the risk of ethical considerations and therefore should consider asking the entrepreneur for the implementation of a structure, method or tool while solving dilemmas. From the sample set we interviewed we notice the majority of startups were funded either by public institutions, business angels, or incubators; this inline with the findings from Soderblom and Samuelsson (2014) on the sources of funding for seed and startup companies in Sweden. These primarily lenders can have a strong influence on how the startup operates from the very beginning and can become a key piece to ensure the long term ethical competence of the company. Given that public institutions are already part of the primary lenders for this early stage, we could see the government, as the spokesman of society, to play a stronger role on ethical implementations in startups; we don't mean to make it harder and implement tighter requirements, but more to invest and provide solutions for the invested companies, not only minimizing the business risk but avoiding possible ethical conflicts for society.

For entrepreneurial educational programs

Our findings should be of importance for entrepreneurial education programs, such as entrepreneurial classes in universities, incubators or accelerator programs that have a well defined program to support the managerial growth of the entrepreneur. These institutions need to reevaluate how their program prepares the entrepreneur for ethical considerations, and knowing the opportunities that structures bring, they should consider the implementation of structures, methods and tools as aid for ethical deliberation. An area of opportunity here could be in the creation of structures tailored for the freshly new company, we have done an internet research on the tools available for freshly new companies and although there are tools designed to help them on the business side, such as the business model canvas or the value proposition canvas (Osterwalder and Papadakis, 2014), we couldn't find any tool to help fresh companies on the ethical consideration side; given the difficulty to implement structures in startups, a first idea would be to start with structures that can serve both, business and ethics; a modified version of the business model canvas can be a solid step in the right direction.

Future Research Recommendations

Given the fact that the implications listed above are relevant insofar as the findings of this study are true; given the limitations of this study we feel it would be necessary to conduct three further studies in order to corroborate our findings.

First of all it would be optimal to conduct future research on the topic of ethics in entrepreneurship and how entrepreneurs solve dilemmas without the data collection issues we faced. In other words, future research should ideally be conducted in the entrepreneurs mother tongue, in person and without extreme external factors (i.e. Covid 19) possibly affecting their answers.

Second, an investigation into how varying entrepreneur demographics affect their approaches to resolving dilemmas. One such study could look into how female entrepreneurs solve dilemmas compared to male entrepreneurs, as our sample set was predominantly male and we make no distinctions between the two demographics answers in this study.

And finally, a third future research we feel would be important to conduct would be a qualitative study into how much “structure” truly affects stakeholder consideration. This is important to conduct as our claims about the link between structure and stakeholder

consideration are based on interviews and a small sample set. Future research should attempt to improve and corroborate our study by making use of a larger sample set and with the aim of solely investigating the effectiveness of “structure” within startups on stakeholder consideration; therefore enabling the collection of more scientifically sound data and thus making our elaborations more sound as a consequence.

References

- Aldrich, H. and Auster, E.R. 1986. *Even Dwarfs Started Small: Liabilities of Age and Size and Their Strategic Implications*. In: Cummings, L.L. and Staw, B.M., Eds., *Research in Organizational Behavior*, CT JAI Press, Greenwich, 165-198.
- Brickley, J., Smith Jr, C. and Zimmerman, J. 2002. *Business ethics and organizational architecture*. *Journal of Banking & Finance*, 26(9), pp.1821-1835.
- BBC (n.d.) *Ethics - Introduction to ethics: Ethics: a general introduction*. Retrieved from http://www.bbc.co.uk/ethics/introduction/intro_1.shtml
- Bryman, A. and Bell, E. 2015. *Business Research Methods*. Oxford: Oxford Univ. Press.
- Coffey, A., Holbrook, B., and Atkinson, P. 1996. 'Qualitative Data Analysis: Technologies and Representations', *Sociological Research Online*, 2: www.socresonline.org.uk/socresonline/1/1/4.html
- Education.stateuniversity.com., 2020. *Research Methods - Verbal Protocols*. [online] <<https://education.stateuniversity.com/pages/2363/Research-Methods-VERBAL-PROTOCOLS.html>> [Accessed 16 March 2020].
- Friesdorf, R., Conway, P. and Gawronski, B. 2015. *Gender Differences in Responses to Moral Dilemmas*. *Personality and Social Psychology Bulletin*, 41(5), pp.696-713.
- GEM Global Entrepreneurship Monitor. 2019. [online] Available at: <<https://www.gemconsortium.org/report/gem-2018-2019-global-report>> [Accessed 12 May 2020].
- Grant, Kenneth & Croteau, Martin & Aziz, Osama. 2019. *The Survival Rate of Startups Funded by Angel Investors*.
- Geva, A. A. 2006 *Typology of Moral Problems in Business: A Framework for Ethical Management*. *J Bus Ethics* 69, 133–147.
- Hannah, S., Avolio, B. and May, D. 2011. *Moral Maturation and Moral Conation: A Capacity Approach to Explaining Moral Thought and Action*. *Academy of Management Review*, 36(4), pp.663-685.
- Hannafey, Francis T. 2003. *Entrepreneurship and ethics: A literature review*. *Journal of Business Ethics* 46 (2):99 - 110.
- Harvard Business Review. 2016. *How Unicorns Grow*. [online] Available at: <https://hbr.org/2016/01/how-unicorns-grow> [Accessed 23 Feb. 2020].
- Heath, E., Kaldis, B. and Marcoux, A., (2018). *The Routledge Companion To Business Ethics*.
- Jones, T., 1991. *Ethical Decision Making by Individuals in Organizations: An Issue-Contingent Model*. *The Academy of Management Review*, 16(2), p.366.
- Kahneman, D. 2011. *Thinking, Fast And Slow*. New York : Farrar, Straus And Giroux,.
- Lind, G. 2015. *The meaning and measurement of moral judgment competence: the Moral Competence Test (MCT)*

- Longenecker, Justin & Moore, Carlos & Petty, J. & Palich, Leslie & Mckinney, Joseph., 2006. *Ethical Attitudes in Small Businesses and Large Corporations: Theory and Empirical Findings from a Tracking Study Spanning Three Decades*. Journal of Small Business Management. 44. 167 - 183. 10.1111/j.1540-627X.2006.00162.x.
- McConnell, T. 2018 "Moral Dilemmas", The Stanford Encyclopedia of Philosophy (Fall 2018 Edition), Edward N. Zalta (ed.), URL = <<https://plato.stanford.edu/archives/fall2018/entries/moral-dilemmas/>>.
- Ma, Zhenzhong. 2009 "The Status of Contemporary Business Ethics Research: Present and Future." *Journal of Business Ethics* 90 : 255-65. Accessed May 11, 2020. www.jstor.org/stable/40665328.
- Morris, Michael & Schindehutte, Minet & Walton, John & Allen, Jeffrey. 2002. *The Ethical Context of Entrepreneurship: Proposing and Testing a Developmental Framework*. Journal of Business Ethics - J BUS ETHICS. 40. 331-361. 10.1023/A:1020822329030.
- Moula, P. and Sandin, P. 2015, *Evaluating Ethical Tools*. *Metaphilosophy*, 46: 263-279.
- Muuss, R. E. 1988. *Carol Gilligan's theory of sex differences in the development of moral reasoning during adolescence*. *Adolescence*, 23(89), 229-243.
- Osterwalder, A. and Papadakos, T., 2014. *Get Started With ... Value Proposition Design*. Hoboken, NJ: Wiley.
- Payne, D. and Joyner, B. 2006. *Successful U.S. Entrepreneurs: Identifying Ethical Decision-making and Social Responsibility Behaviors*. Journal of Business Ethics, 65(3), pp.203-217.
- Pierce, B. and Sweeney, B. 2010. *The Relationship between Demographic Variables and Ethical Decision Making of Trainee Accountants*. *International Journal of Auditing*, 14(1), pp.79-99.
- Rest, J. R., Narvaez, D., Bebeau, M. J., & Thoma, S. J. 1999. *Postconventional moral thinking: A neo-Kohlbergian approach*. Mahwah, NJ: Lawrence Erlbaum Associates
- Robinson, D., Davidsson, P., van der Mescht, H. and Court, P. 2006. *How Entrepreneurs Deal with Ethical Challenges – An Application of the Business Ethics Synergy Star Technique*. Journal of Business Ethics, 71(4), pp.411-423.
- Robertson, D. C. 1991. 'Corporate Ethics Programs: The Impact of Firm Size', in B. Harvey, H. van Luijk and G. Corbetta (eds.), *Market Morality and Company Size* (Kluwer Academic Publishers), pp. 119-136.
- Schumpeter, J. A. 1942 *Capitalism, Socialism, and Democracy* (Harper, New York and London).
- Spence, L.J., Rutherford, R. 2003. *Small Business and Empirical Perspectives in Business Ethics: Editorial*. Journal of Business Ethics 47, 1-5
- Sherisse Pham, C. 2020. *The company that owns TikTok now has one billion users and many are outside China*. [online] CNN. Available at: <https://edition.cnn.com/2019/06/20/tech/tiktok-bytedance-users/index.html> [Accessed 23 Feb. 2020].
- Söderblom, A. and Samuelsson, M., 2014. *Sources Of Capital For Innovative Startup Firms. An Empirical Study Of The Swedish Situation*. [online] Entreprenorskapsforum.se. Available at: <https://entreprenorskapsforum.se/wp-content/uploads/2014/05/NaPo_Sourcesofcapital_webb.pdf> [Accessed 14 May 2020].

- Stinchcombe, A.L. 1965. *Social structure and organizations*. In Handbook of Organizations, J.G. March, ed. (Chicago: Rand McNally), pp. 142–193.
- the Guardian. 2018. *The Cambridge Analytica Files | The Guardian*. [online] Available at: <<https://www.theguardian.com/news/series/cambridge-analytica-files>> [Accessed 15 March 2020].
- Teal, E. J. and A. B. Carroll. 1999. 'Moral Reasoning Skills: Are Entrepreneurs Different?' *Journal of Business Ethics* 19, 229–240.
- Tota, I. and Shehu, H. 2012. *The Dilemma of Business Ethics*. *Procedia Economics and Finance*, 3, 555–559.
- Vyakarnam, Shai & Bailey, A. & Myers, Andrew & Burnett, D.. 1997. *Towards an Understanding of Ethical Behaviour in Small Firms*. *Journal of Business Ethics*. 16. 1625-1636. 10.1023/A:1022452502299.
- Vallaster, C., Kraus, S., Merigó Lindahl, J. and Nielsen, A., 2019. *Ethics and entrepreneurship: A bibliometric study and literature review*. *Journal of Business Research*, 99, pp.226-237.
- Ward, Paul. (2014). *VERBAL PROTOCOLS*.
- Wasserman, Noam. (2008). "The Founder's Dilemma." *Harvard Business Review* 86, no. 2 (February 2008): 102–109.

Annex 1 - Example of the first coding exercise

This is simply a small part of the matrix, you can see the companies on the column side and each question and resolutions in the row section.

		Companies		
		Startup 1	Startup 2	Startup 3
Preliminary Questions	Industry	Food Industry	Energy Sector	HR
	Product Type	SaaS	Electricity - MicroPlants	SaaS
	Company Age	2	2	3
	Number of Employees	8	7	6
	Cofounder	4	no	2
	Board of Directors	yes	No	N/A
	Advisory Board	yes	No	yes
	Investors	yes	Business angels only	yes
Ethical Moral Dilemmas	Two Non-Overriding Clients	<ul style="list-style-type: none"> - long term and customer strategy analysis - open discussions about pros & cons - only include those affected in the discussion - usually free flowing - Official meeting structure, daily, weekly reports and monthly 	<p>Talk with Customers Choose the one with the least cost for the customer. This will be discussed with the team since they are small Informal meetings with the core team, irregular timings No usage of non-human guidance, feeling and common sense. I follow a basic SWOT analysis, very informal</p>	<ul style="list-style-type: none"> - evaluation of deal - evaluate best relationship - bring team into the decision - have daily standups - disagree and commit strategy to group decision making
	Investor Scandal	<ul style="list-style-type: none"> - contact investors and talk to advisors - meeting with co-founders and shareholders - Talk to investor who messed up - Transparent communication - No written down values yet - Very open non structured meetings & decision making 	<p>Use the core values to make a decision. This values are informal There will be a legal agreement that would include the core values and if the investors wont hold them, they will be quicked out Decision taken with the team input, but its individual. No official value statement, but he expects everyone to hold the same values since he recruited them based on personal fit</p>	<ul style="list-style-type: none"> - consider will this affect the team - then does it affect the company legally - if it affects the whole team, then involve them otherwise it depends - values would be taken into consideration. And these have been written down as a team because they already act like that - decision making team just conducted in his mind

Annex 2 - Example of the second coding exercise

This is simply a small part of the matrix, you can see the list of resolution methods on the first column and the amount of mentions the entrepreneurs refer to for the first dilemma.

Resolution method	Dilemma 1 Amounts of mentions
Deal Evaluation	8
Pros and Cons	2
Include Those Affected	5
Unstructured Conversation	1
Designation of Specilised meetings	2
Team desicion unstructured	7
Team desicion structured	0
Personal Thought Structured	1
Personal Thought Unstructured	2
Draft and Propose	1
Use of digital tool	1
MECE	1
Common sense	4
Evaluate Customer Relationship	2
Disagree and Commit	1
Consult Informal Adisors	4
Consult formal Adisors	0
Isolated Decision Making	2
Company Vision	1
Informal Culture	1